



# **ALLIANCE BANK**

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

## **REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2014**



**ALLIANCE BANK MALAYSIA BERHAD**

(Incorporated in Malaysia)

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**ALLIANCE BANK MALAYSIA BERHAD**

(Incorporated in Malaysia)

**DIRECTORS' REPORT**

The Directors present their report together with the audited financial statements of the Bank and of the Group for the financial year ended 31 March 2014.

**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, fund management, investment advisory services and related financial services.

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

**RESULTS**

	<u>BANK</u> RM'000	<u>GROUP</u> RM'000
Profit before taxation and zakat	674,787	748,685
Taxation and zakat	<u>(163,619)</u>	<u>(185,482)</u>
Net profit after taxation and zakat	<u>511,168</u>	<u>563,203</u>

**RESERVES AND PROVISIONS**

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

**ORDINARY SHARES DIVIDENDS**

The amount of ordinary shares dividends declared and paid by the Bank since 31 March 2013 were as follows:

	RM'000
(i) A final dividend of 37.4 sen, less 25% taxation on 596,517,043 ordinary shares in respect of the financial year ended 31 March 2013, was paid on 9 July 2013	167,323
(ii) A first interim dividend of 28.2 sen, less 25% taxation on 596,517,043 ordinary shares in respect of the financial year ended 31 March 2014, was paid on 27 November 2013	<u>126,163</u>
	<u>293,486</u>

**ORDINARY SHARES DIVIDENDS (CONTD.)**

Subsequent to the financial year end, on 22 May 2014, the Directors declared a second interim dividend of 26.9 sen, tax exempt under the single tier tax system, on 596,517,043 ordinary shares amounting to approximately RM160,463,000 in respect of current financial year. The accompanying financial statements do not reflect these dividend. The dividend will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 March 2015. The Directors do not propose any final dividend in respect of the financial year ended 31 March 2014.

**IRREDEEMABLE (NON-CUMULATIVE) CONVERTIBLE PREFERENCE SHARES ("ICPS") DIVIDENDS**

The amount of ICPS dividends declared and paid by the Bank since 31 March 2013 was as follows:

	RM'000
A dividend of 5.0 sen per share, tax exempt under the single tier tax on 400,000,000 ICPS in respect of financial year ended 31 March 2014, was paid on 27 November 2013	<u>20,000</u>

**ALLIANCE FINANCIAL GROUP BERHAD EMPLOYEES' SHARE SCHEME**

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

Alliance Financial Group Berhad, the holding company of the Bank had on 16 August 2013, offered/awarded the following share options and share grants to Directors and employees of the Alliance Financial Group Berhad and its subsidiaries who have met the criteria of eligibility for participation in the AFG Bhd ESS:

- (i) 14,921,500 share options under the Share Option Plan at an option price of RM5.36 per share which will be vested subject to the achievement of performance conditions.
- (ii) 1,290,300 share grants under the Share Grant Plan. The first 33.3% of the share grants are to be vested at the end of the first year, the second 33.3% are to be vested at the end of the second year and the remaining 33.4% of the share grants are to be vested at the end of the third year from the date on which an award is made.

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

The salient features of the AFG Bhd ESS are disclosed in Note 28 to the financial statements.

Save for the Group Chief Executive Officer of the Bank, none of the other Directors of the Bank were offered/awarded any share options/share grants during the financial year.

Details of share options/share grants offered/awarded to Directors are disclosed in the section on Directors' Report of the holding company.

## **BUSINESS REVIEW FOR FINANCIAL YEAR ENDED ("FYE") 31 MARCH 2014**

For the financial year ended 31 March 2014, the Group's net profit after taxation and zakat was RM563.2 million, an increase of RM24.5 million or 4.5% compared to FYE2013 due to higher net income and lower operating expenses.

Arising from the improvement in profits, the earnings per share rose to 94 sen (FYE2013: 90 sen) with a return on equity of 13.9% (FYE2013: 14.0%). The Bank declared a 2<sup>nd</sup> interim dividend of RM160.5 million for the financial year ended 31 March 2014.

The Group's net interest income grew by RM48.2 million or 6.6%, but it was partly offset by a decline of RM31.2 million or 12.9% in Islamic Banking income due to lower financing income from personal financing.

Operating expenses were contained, decreasing by 1.7% to RM625.9 million despite the one-off staff rationalisation cost of RM22.3 million.

Gross loans grew by 14.1% to RM32.2 billion, from RM28.2 billion a year ago. The loans growth was led by an expansion in lending for the purchase of residential and non-residential properties, transport vehicles and securities, as well as lending for the small and medium enterprises.

Customer deposits registered a growth of 9.0% to RM39.3 billion, of which CASA deposits grew by RM1.2 billion or 10.1%. CASA ratio improved to 33.9% while the loans-to-deposits ratio has risen to 82.0% as at 31 March 2014, from 78.4% last year.

The Group's asset quality registered further improvement, with the gross impaired loans ratio declining to 1.4% as at 31 March 2014 while the loan loss coverage has increased to 92.7%.

The Group's total capital ratio remained strong at 13.7%, with Common Equity Tier 1 ratio of 10.4% as at 31 March 2014.

### Performance by business segment

The Group's businesses are presented in the following business segments: Consumer Banking, Business Banking, Financial Markets and Investment Banking.

Consumer Banking's profit before taxation of RM224.4 million for the financial year ended 31 March 2014 was RM72.8 million higher compared to the corresponding period last year. The increase was due to higher fee income and net interest income, as well as a decline in operating expenses and loan loss allowances. Segment assets increased by RM2.9 billion or 17.6% year-on-year to RM19.2 billion as at 31 March 2014.

Business Banking's profit before taxation of RM351.5 million for the financial year ended 31 March 2014 was 4.4% lower compared to the corresponding period last year, mainly due to lower write-back of net bad debts. Operating profit before allowance improved by RM16.6 million or 5.7% to RM307.3 million on higher net interest income and lower operating expenses. Segment assets increased by RM1.1 billion or 9.9% year-on-year to RM12.4 billion as at 31 March 2014.

Financial Markets' profit before taxation of RM199.8 million for the financial year ended 31 March 2014 was 0.3% lower compared to the corresponding period last year mainly due to lower gain from sales and redemption of financial investments.

Investment Banking's loss before taxation was RM0.7 million for the financial year ended 31 March 2014 compared to loss of RM16.7 million in the corresponding period last year, mainly attributed to a growth in brokerage and fee income as well as lower operating expenses.

## **ECONOMIC OUTLOOK AND PROSPECTS FOR FYE 31 MARCH 2015**

Bank Negara Malaysia forecasts the domestic economy to remain on a steady growth path in 2014, expanding in the range of 4.5% to 5.5%, supported by an improved external sector. Domestic demand will continue to be the key driver of growth, led by the private sector which is expected to register robust growth. Exports are forecast to expand by 5.8% due to an improvement in demand from the advanced economies and sustained growth in the regional economies. Inflation is expected to range between 3% and 4% with the current account remaining in surplus position.

## **BUSINESS OUTLOOK FOR FYE 31 MARCH 2015**

With the Malaysian economy expected to register a moderate gross domestic product ("GDP") growth in the range of 4.5% to 5.5% in 2014, the Group will continue to capitalise on its strengths to generate sustainable revenue from Consumer Banking and Business Banking, while expanding opportunities in Wealth Management, Transaction Banking, Treasury and Investment Banking.

The Group expects sustainable loans growth in Consumer Banking, driven mainly by mortgage lending, hire purchase, personal loans, credit cards and share margin financing. In addition to balance sheet growth, Consumer Banking will also focus on growing its non-interest income through its holistic wealth management solutions.

Lending activities of Business Banking are expected to grow in tandem with the continuing demand for credit by businesses, arising from the implementation of projects under the Economic Transformation Programme and Iskandar project. Business Banking will continue to focus on cross-selling efforts to grow non-interest income in transaction banking, foreign exchange, investment banking, wealth management products, and business platinum card by capitalising on technology advancements.

Financial Markets will continue to focus on the trading of fixed income securities, primarily Government securities and private debt securities, foreign exchange as well as treasury sales.

Investment Banking's priority will be to expand its research business to provide greater depth in equities research coverage, rebuild its advisory business and continue to focus on improving efficiency and productivity.

The Group expects to deliver a satisfactory performance for the financial year ending 31 March 2015.

## **RATING BY EXTERNAL RATING AGENCY**

The Bank is rated by Rating Agency Malaysia Berhad ("RAM"). Based on RAM's rating in September 2013, the Bank's short-term and long-term ratings are reaffirmed at P1 and A1 respectively. RAM has classified these rating categories as follows:

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

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

## **DIRECTORS**

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

Dato' Thomas Mun Lung Lee (Chairman)  
Sng Seow Wah  
Megat Dziauddin bin Megat Mahmud  
Kung Beng Hong  
Tan Yuen Fah  
Ou Shian Waei  
Kuah Hun Liang  
Lee Ah Boon  
Zakaria bin Abd Hamid (resigned on 28 June 2013)

## **DIRECTORS' BENEFITS**

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

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full-time employee of the Bank or related corporations as shown in Note 39(c) and Note 41 to the financial statements of the Bank or financial statements of related corporations) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

## **DIRECTORS' INTERESTS**

Pursuant to Section 134(3) of the Companies Act, 1965, the beneficial interests of Megat Dziauddin bin Megat Mahmud, Dato' Thomas Mun Lung Lee and Sng Seow Wah are disclosed in the Directors' Report of the holding company, Alliance Financial Group Berhad.

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

## **SHARE CAPITAL**

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

## **BAD AND DOUBTFUL DEBTS**

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

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

## **CURRENT ASSETS**

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

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

## **VALUATION METHOD**

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

## **CONTINGENT AND OTHER LIABILITIES**

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

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

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

## **CHANGE OF CIRCUMSTANCES**

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

## **ITEMS OF AN UNUSUAL NATURE**

In the opinion of the Directors:

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

## **HOLDING COMPANY**

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



**SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

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

**SUBSEQUENT EVENTS**

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

**AUDITORS**

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

Signed on behalf of the Board in accordance with a resolution of the Directors dated 23 May 2014.

Dato' Thomas Mun Lung Lee

Kuala Lumpur, Malaysia

Sng Seow Wah

**ALLIANCE BANK MALAYSIA BERHAD**

(Incorporated in Malaysia)

**STATEMENT BY DIRECTORS**

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

We, Dato' Thomas Mun Lung Lee and Sng Seow Wah, being two of the Directors of Alliance Bank Malaysia Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 11 to 135 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965 so as to give a true and fair view of the state of affairs of the Bank and of the Group as at 31 March 2014 and of the results and the cash flows of the Bank and of the Group for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 23 May 2014.

Dato' Thomas Mun Lung Lee

Sng Seow Wah

Kuala Lumpur, Malaysia

**STATUTORY DECLARATION**

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

I, Teo Wee Chee, being the officer primarily responsible for the financial management of Alliance Bank Malaysia Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 11 to 135 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 Teo Wee Chee  
at Kuala Lumpur in the Federal Territory on  
23 May 2014

Teo Wee Chee

Before me,

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF  
ALLIANCE BANK MALAYSIA BERHAD**  
(Incorporated in Malaysia)

**REPORT ON THE FINANCIAL STATEMENTS**

We have audited the financial statements of Alliance Bank Malaysia Berhad on pages 11 to 135 which comprise the statements of financial position as at 31 March 2014 of the Bank and of the Group, and the statements of comprehensive income, changes in equity and cash flows of the Bank and the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 54.

***Directors' Responsibility for the Financial Statements***

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

***Auditors' Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements have been properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Bank and the Group as of 31 March 2014 and of their financial performance and cash flows for the year then ended.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF  
ALLIANCE BANK MALAYSIA BERHAD (CONTD.)**

(Incorporated in Malaysia)

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

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

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

**OTHER MATTERS**

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

PRICEWATERHOUSECOOPERS  
(No. AF: 1146)  
Chartered Accountants

ONG CHING CHUAN  
(No. 2907/11/15 (J))  
Chartered Accountant

Kuala Lumpur, Malaysia  
23 May 2014

**ALLIANCE BANK MALAYSIA BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2014**

		BANK		GROUP	
	Note	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>ASSETS</b>					
Cash and short-term funds	3	1,842,996	1,366,655	2,129,759	1,287,734
Deposits and placements with banks and other financial institutions	4	655,305	124,946	655,305	153,236
Balances due from clients and brokers	5	-	-	76,265	50,122
Financial assets held-for-trading	6	110,172	1,265,298	110,172	1,519,930
Financial investments available-for-sale	7	7,538,607	8,428,006	9,738,760	10,362,450
Financial investments held-to-maturity	8	710,730	101,717	1,320,122	596,949
Derivative financial assets	9	39,677	19,792	39,677	19,792
Loans, advances and financing	10	26,582,780	22,907,273	31,818,991	27,771,741
Other assets	11	138,429	78,016	94,337	75,502
Tax recoverable		-	-	52	-
Statutory deposits with Bank Negara Malaysia	12	1,291,950	1,057,450	1,584,144	1,330,872
Investments in subsidiaries	13	792,820	792,820	-	-
Investments in associates	14	230	230	501	497
Property, plant and equipment	15	90,432	81,706	92,214	82,748
Deferred tax assets	16	18,036	-	32,343	11,040
Intangible assets	17	238,665	241,961	353,256	356,168
		40,050,829	36,465,870	48,045,898	43,618,781
Non-current assets and subsidiary held for sale	18	-	8,844	-	35,179
<b>TOTAL ASSETS</b>		<b>40,050,829</b>	<b>36,474,714</b>	<b>48,045,898</b>	<b>43,653,960</b>
<b>LIABILITIES AND EQUITY</b>					
Deposits from customers	19	32,908,978	30,116,637	39,256,033	36,024,299
Deposits and placements of banks and other financial institutions	20	2,070,046	1,310,109	3,059,357	2,009,996
Balances due to clients and brokers	21	-	-	44,834	30,852
Bills and acceptances payable	22	-	73,683	-	73,713
Derivative financial liabilities	9	64,874	15,870	64,874	15,870
Amount due to Cagamas Berhad	23	14,014	16,290	14,014	16,290
Other liabilities	24	722,234	750,959	857,348	822,159
Provision for taxation and zakat		8,155	23,218	10,811	26,270
Deferred tax liabilities	16	-	15,859	5,367	24,430
Subordinated obligations	25	612,718	612,193	612,718	612,193
		36,401,019	32,934,818	43,925,356	39,656,072
Liabilities directly associated with non-current assets and subsidiary held for sale	18	-	-	-	19,291
<b>TOTAL LIABILITIES</b>		<b>36,401,019</b>	<b>32,934,818</b>	<b>43,925,356</b>	<b>39,675,363</b>
Share capital	26	600,517	600,517	600,517	600,517
Reserves	27	3,049,293	2,939,379	3,520,025	3,373,333
<b>CAPITAL AND RESERVES ATTRIBUTABLE TO OWNER OF THE PARENT</b>		<b>3,649,810</b>	<b>3,539,896</b>	<b>4,120,542</b>	<b>3,973,850</b>
Non-controlling interests		-	-	-	4,747
<b>TOTAL EQUITY</b>		<b>3,649,810</b>	<b>3,539,896</b>	<b>4,120,542</b>	<b>3,978,597</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>40,050,829</b>	<b>36,474,714</b>	<b>48,045,898</b>	<b>43,653,960</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	46	<b>22,346,627</b>	<b>17,341,746</b>	<b>24,146,075</b>	<b>19,079,207</b>

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

**ALLIANCE BANK MALAYSIA BERHAD**

(Incorporated in Malaysia)

**STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2014**

	Note	<u>BANK</u>		<u>GROUP</u>	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Interest income	29	1,540,214	1,361,593	1,601,230	1,429,150
Interest expense	30	(777,882)	(659,456)	(824,772)	(700,930)
Net interest income		762,332	702,137	776,458	728,220
Net income from Islamic banking business	31	-	-	210,917	242,158
		762,332	702,137	987,375	970,378
Fee and commission income	32	274,948	231,936	314,009	266,916
Fee and commission expense	32	(87,758)	(81,925)	(103,878)	(91,950)
Investment income	32	136,331	180,465	103,958	116,554
Other income	32	46,650	60,258	45,220	68,882
Other operating income	32	370,171	390,734	359,309	360,402
Net income		1,132,503	1,092,871	1,346,684	1,330,780
Other operating expenses	33	(487,437)	(473,247)	(625,901)	(636,942)
Operating profit before allowance		645,066	619,624	720,783	693,838
Write-back of losses on loans, advances and financing and other losses	34	19,012	41,048	12,971	24,767
Write-back of impairment	35	10,709	-	14,927	474
Operating profit after allowance		674,787	660,672	748,681	719,079
Share of results of associates	14	-	-	4	(4,714)
Profit before taxation and zakat		674,787	660,672	748,685	714,365
Taxation and zakat	36	(163,619)	(153,493)	(185,482)	(175,627)
Net profit after taxation and zakat		511,168	507,179	563,203	538,738
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss					
Revaluation reserve on financial investments available-for-sale					
- Net loss from change in fair value		(128,183)	(4,103)	(149,414)	(23,163)
- Transfer from deferred tax		35,380	1,026	41,088	5,791
Other comprehensive expense, net of tax		(92,803)	(3,077)	(108,326)	(17,372)
Total comprehensive income for the year		418,365	504,102	454,877	521,366
Profit attributable to:					
Owner of the parent		511,168	507,179	563,203	538,659
Non-controlling interests		-	-	-	79
Net profit after taxation and zakat		511,168	507,179	563,203	538,738
Total comprehensive income attributable to:					
Owner of the parent		418,365	504,102	454,877	521,287
Non-controlling interests		-	-	-	79
Total comprehensive income for the year		418,365	504,102	454,877	521,366
Earnings per share attributable to owner of the parent	37				
- Basic (sen)				94	90
- Diluted (sen)				71	68

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

**ALLIANCE BANK MALAYSIA BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2014**

	Non-distributable reserves					Distributable reserves		
	Ordinary shares RM'000	ICPS RM'000	Share premium RM'000	Statutory reserve RM'000	Revaluation reserves RM'000	Equity contribution from parent RM'000	Retained profits RM'000	Total equity RM'000
<b>BANK</b>								
At 1 April 2012	596,517	4,000	597,517	601,561	88,334	12,274	1,397,888	3,298,091
Net profit after taxation and zakat	-	-	-	-	-	-	507,179	507,179
Other comprehensive expense	-	-	-	-	(3,077)	-	-	(3,077)
Total comprehensive (expense)/income	-	-	-	-	(3,077)	-	507,179	504,102
Share-based payment under ESS	-	-	-	-	-	7,741	-	7,741
Payment for ESS recharged from parent	-	-	-	-	-	(4,422)	-	(4,422)
Transfer of ESS recharged difference on shares vested	-	-	-	-	-	76	(76)	-
Transfer to retained profits on share options lapsed	-	-	-	-	-	(2,174)	2,174	-
Dividends paid (Note 38)	-	-	-	-	-	-	(265,616)	(265,616)
At 31 March 2013	596,517	4,000	597,517	601,561	85,257	13,495	1,641,549	3,539,896
At 1 April 2013	596,517	4,000	597,517	601,561	85,257	13,495	1,641,549	3,539,896
Net profit after taxation and zakat	-	-	-	-	-	-	511,168	511,168
Other comprehensive expense	-	-	-	-	(92,803)	-	-	(92,803)
Total comprehensive (expense)/income	-	-	-	-	(92,803)	-	511,168	418,365
Share-based payment under ESS	-	-	-	-	-	9,572	-	9,572
Payment for ESS recharged from parent	-	-	-	-	-	(4,537)	-	(4,537)
Transfer of ESS recharged difference on shares vested	-	-	-	-	-	(1,153)	1,153	-
Dividends paid (Note 38)	-	-	-	-	-	-	(313,486)	(313,486)
At 31 March 2014	596,517	4,000	597,517	601,561	(7,546)	17,377	1,840,384	3,649,810

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

**ALLIANCE BANK MALAYSIA BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2014 (CONTD.)**

	←-----Attributable to Owner of the Parent-----→											
<u>GROUP</u>	Ordinary shares RM'000	ICPS RM'000	Share premium RM'000	Statutory reserve RM'000	Other reserves RM'000	Revaluation reserves RM'000	Equity contribution from parent RM'000	Profit equalisation reserve ("PER") RM'000	Retained profits RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 April 2012	596,517	4,000	597,517	842,167	10,018	132,769	13,733	1,033	1,517,252	3,715,006	4,905	3,719,911
Net profit after taxation and zakat	-	-	-	-	-	-	-	-	538,659	538,659	79	538,738
Other comprehensive expense	-	-	-	-	-	(17,372)	-	-	-	(17,372)	-	(17,372)
Total comprehensive (expense)/income	-	-	-	-	-	(17,372)	-	-	538,659	521,287	79	521,366
Share-based payment under ESS	-	-	-	-	-	-	8,221	-	-	8,221	-	8,221
Payment for ESS recharged from parent	-	-	-	-	-	-	(5,048)	-	-	(5,048)	-	(5,048)
Transfer of ESS recharged difference on shares vested	-	-	-	-	-	-	40	-	(40)	-	-	-
Transfer to retained profits on share options lapsed	-	-	-	-	-	-	(2,578)	-	2,578	-	-	-
Transfer to statutory reserve	-	-	-	43,577	-	-	-	-	(43,577)	-	-	-
Dividends paid (Note 38)	-	-	-	-	-	-	-	-	(265,616)	(265,616)	(237)	(265,853)
At 31 March 2013	596,517	4,000	597,517	885,744	10,018	115,397	14,368	1,033	1,749,256	3,973,850	4,747	3,978,597
At 1 April 2013	596,517	4,000	597,517	885,744	10,018	115,397	14,368	1,033	1,749,256	3,973,850	4,747	3,978,597
Net profit after taxation and zakat	-	-	-	-	-	-	-	-	563,203	563,203	-	563,203
Other comprehensive expense	-	-	-	-	-	(108,326)	-	-	-	(108,326)	-	(108,326)
Total comprehensive (expense)/income	-	-	-	-	-	(108,326)	-	-	563,203	454,877	-	454,877
Share-based payment under ESS	-	-	-	-	-	-	10,291	-	-	10,291	-	10,291
Payment for ESS recharged from parent	-	-	-	-	-	-	(4,925)	-	-	(4,925)	-	(4,925)
Transfer of ESS recharged difference on shares vested	-	-	-	-	-	-	(1,257)	-	1,257	-	-	-
Transfer to statutory reserve	-	-	-	43,311	-	-	-	-	(43,311)	-	-	-
Transfer PER to retained profit	-	-	-	-	-	-	-	(1,033)	1,033	-	-	-
Disposal of subsidiary	-	-	-	-	-	-	(65)	-	-	(65)	(4,747)	(4,812)
Dividends paid (Note 38)	-	-	-	-	-	-	-	-	(313,486)	(313,486)	-	(313,486)
At 31 March 2014	596,517	4,000	597,517	929,055	10,018	7,071	18,412	-	1,957,952	4,120,542	-	4,120,542

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



**ALLIANCE BANK MALAYSIA BERHAD**

(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2014**

	<u>BANK</u>		<u>GROUP</u>	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before taxation and zakat	674,787	660,672	748,685	714,365
Adjustments for:				
Accretion of discount less amortisation of premium of financial investments	(67,036)	(113,139)	(76,491)	(125,996)
Depreciation of property, plant and equipment	20,639	25,476	21,211	26,382
Amortisation of computer software	19,379	20,091	19,621	20,334
Dividends from financial investments available-for-sale	(4,570)	(3,003)	(5,430)	(3,739)
Dividends from subsidiaries	(38,020)	(74,648)	-	-
(Gain)/loss on disposal of property, plant and equipment	(41)	(557)	58	(472)
Gain on disposal of non-current asset held for sale	(3,361)	(7,556)	(1,169)	(7,556)
Property, plant and equipment written-off	348	510	622	511
Computer software written-off	10	1	11	1
Net gain from redemption of financial investments held-to-maturity	(3,564)	(6,858)	(3,742)	(7,771)
Net loss/(gain) from sale of financial assets held-for-trading	450	(704)	450	(704)
Net gain from sale of financial investments available-for-sale	(34,363)	(52,451)	(38,986)	(61,526)
Unrealised loss/(gain) on revaluation of financial assets held-for-trading	128	(33)	142	(46)
Interest expense on subordinated obligations	29,444	29,419	29,444	29,419
Unrealised loss/(gain) on revaluation of derivative instruments	15,007	(5,407)	15,007	(5,407)
Interest income from financial investments held-to-maturity	(15,738)	(5,666)	(19,791)	(12,527)
Interest income from financial investments available-for-sale	(281,612)	(229,222)	(302,038)	(245,750)
Interest income from financial assets held-for-trading	(1,539)	(2,755)	(1,539)	(2,755)
Allowance for loans, advances and financing (net of recoveries)	6,512	3,936	17,359	27,708
Allowance for other assets (net of recoveries)	2,967	4,304	4,272	4,422
Net write-back of financial investments available-for-sale	(8,018)	-	(12,236)	(474)
Operating profit before working capital changes carried forward	311,809	242,410	395,460	348,419

**ALLIANCE BANK MALAYSIA BERHAD**

(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS****FOR THE YEAR ENDED 31 MARCH 2014 (CONTD.)**

	<u>BANK</u>		<u>GROUP</u>	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES (CONTD.)</b>				
Operating profit before working capital changes brought forward	311,809	242,410	395,460	348,419
Net write-back of financial investments held-to-maturity	(2,691)	-	(2,691)	-
Write-back of commitment and contingencies	-	-	-	(197)
Share options/grants under Employees' Share Scheme	9,572	7,741	10,291	8,221
Gain from disposal of an associate	-	(15,000)	-	(23,176)
Share of results of associates	-	-	(4)	4,714
Operating profit before working capital changes	318,690	235,151	403,056	337,981
Changes in working capital:				
Deposits from customers	2,792,341	3,157,734	3,231,734	3,814,705
Deposits and placements of banks and other financial institutions	759,937	123,379	1,049,361	(151,009)
Bills and acceptances payable	(73,683)	73,552	(73,713)	73,535
Other liabilities	(14,989)	32,684	34,905	(25,146)
Deposits and placements with banks and other financial institutions	(530,359)	18,515	(502,069)	(66,867)
Financial assets held-for-trading	1,159,903	100,916	1,415,953	(2,936)
Loans, advances and financing	(3,682,020)	(3,098,602)	(4,064,609)	(3,310,617)
Other assets	(10,795)	(5,774)	(8,634)	(16,555)
Balances due (to)/from clients and brokers	-	-	(12,160)	21,868
Amount due to subsidiaries	(52,145)	(472)	-	-
Amount due from holding company	302	236	404	283
Statutory deposits with Bank Negara Malaysia	(234,500)	(156,200)	(253,272)	(167,889)
Amount due to Cagamas Berhad	(2,276)	(5,754)	(2,276)	(5,754)
Payment for ESS recharged from parent	(4,537)	(4,422)	(4,925)	(5,048)
Cash generated from operations	425,869	470,943	1,213,755	496,551
Taxes and zakat paid	(170,823)	(114,200)	(200,180)	(163,011)
Net cash generated from operating activities	255,046	356,743	1,013,575	333,540

**ALLIANCE BANK MALAYSIA BERHAD**

(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS****FOR THE YEAR ENDED 31 MARCH 2014 (CONTD.)**

	<u>BANK</u>		<u>GROUP</u>	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Dividends from financial				
investments available-for-sale	4,514	3,003	5,339	3,739
Dividends from subsidiaries	31,703	55,986	-	-
Interest income from financial				
investments held-to-maturity	15,738	5,666	19,791	12,527
Interest income from financial				
investments available-for-sale	281,612	229,222	302,038	245,750
Interest income from financial assets held-for-trading	1,539	2,755	1,539	2,755
Purchase of property, plant and equipment	(33,844)	(20,712)	(35,533)	(20,906)
Purchase of computer software	(16,503)	(23,465)	(17,130)	(23,776)
Purchase of financial investments held-to-maturity				
net of proceeds for redemption and maturity	(545,005)	189,221	(658,217)	265,190
Proceeds from disposal of financial				
investments available-for-sale (net of purchase)	807,525	(925,240)	536,603	(1,157,776)
Proceeds from disposal of property,				
plant and equipment	4,172	1,273	4,176	1,507
Net cash proceed/(outflow) from disposal of				
non-current assets and subsidiary held for sale	12,250	11,370	(236)	11,370
Proceeds from disposal of investment in an associate	-	45,000	-	45,000
Net cash generated from/(used in) investing activities	<u>563,701</u>	<u>(425,921)</u>	<u>158,370</u>	<u>(614,620)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Interest expense on subordinated obligations	(28,920)	(28,841)	(28,920)	(28,841)
Dividends paid to holding company	(313,486)	(265,616)	(313,486)	(265,616)
Dividends paid to non-controlling interests	-	-	-	(237)
Net cash used in financing activities	<u>(342,406)</u>	<u>(294,457)</u>	<u>(342,406)</u>	<u>(294,694)</u>

**ALLIANCE BANK MALAYSIA BERHAD**

(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS****FOR THE YEAR ENDED 31 MARCH 2014 (CONTD.)**

	<u>BANK</u>		<u>GROUP</u>	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Net change in cash and cash equivalents	476,341	(363,635)	829,539	(575,774)
Cash and cash equivalents at beginning of year	<u>1,366,655</u>	<u>1,730,290</u>	<u>1,300,220</u>	<u>1,875,994</u>
Cash and cash equivalents at end of year	<u><u>1,842,996</u></u>	<u><u>1,366,655</u></u>	<u><u>2,129,759</u></u>	<u><u>1,300,220</u></u>
Cash and cash equivalents comprise the following:				
Cash and short-term funds	1,842,996	1,366,655	2,129,759	1,287,734
Cash and short-term funds reclassified to non-current assets held for sale (Note 18)	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,486</u>
	<u><u>1,842,996</u></u>	<u><u>1,366,655</u></u>	<u><u>2,129,759</u></u>	<u><u>1,300,220</u></u>

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

**ALLIANCE BANK MALAYSIA BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2014**

**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, fund management, investment advisory services and related financial services.

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

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 23 May 2014.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of Preparation**

**Malaysian Financial Reporting Standards ("MFRS") Framework**

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

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

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

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### (a) Basis of Preparation (contd.)

- (i) Annual testing for impairment of goodwill (Note 17) - the measurement of the recoverable amount of cash-generating units are determined based on the value-in-use method, which requires the use of estimates for cash flow projections approved by management covering a 5-year period, estimated growth rates for cash flows beyond the fifth year are extrapolated in perpetuity and discount rates are applied to the cash flow projections.
- (ii) Allowance for losses on loans, advances and financing and other losses (Note 34) - the Bank and the Group make allowance for losses on loans, advances and financing based on assessment of recoverability. Whilst management is guided by the relevant BNM guidelines and accounting standards, management makes judgment on the future and other key factors in respect of the estimation of the amount and timing of the cash flows in assessing allowance for impairment of loans, advances and financing. Among the factors considered are the Group's aggregate exposure to the borrowers, the net realisable value of the underlying collateral value, the viability of the customer's business model, the capacity to generate sufficient cash flows to service debt obligations and the aggregate amount and ranking of all other creditor claims.

### Standards, amendments to published standards and interpretations that are effective

The new accounting standards, amendments and improvements to published standards and interpretations that are effective for the Bank and the Group's financial year beginning on or after 1 April 2013 are as follows:

- MFRS 10 "Consolidated financial statements" (effective 1 January 2013)
- MFRS 11 "Joint arrangements" (effective 1 January 2013)
- MFRS 12 "Disclosures of interests in other entities" (effective 1 January 2013)
- MFRS 13 "Fair value measurement" (effective 1 January 2013)
- MFRS 127 (revised) "Separate financial statements" (effective 1 January 2013)
- MFRS 128 (revised) "Investments in associates and joint ventures" (effective 1 January 2013)
- Amendment to MFRS 7 "Financial instruments: Disclosures" (effective 1 January 2013)
- Amendment to MFRS 101 "Presentation of items of other comprehensive income" (effective 1 July 2012)
- Amendment to MFRS 119 "Employee benefits" (effective 1 January 2013)
- Amendment to MFRS 134 "Interim financial reporting"
- Amendments to MFRS 10, MFRS 11 and MFRS 12 "Consolidated financial statements, Joint arrangements and Disclosure of interests in other entities: Transition Guidance" (effective 1 January 2013)
- Annual Improvements 2009 - 2011 cycle (effective 1 January 2013)

### Standards, amendments to published standards and interpretations that are early adopted by the Bank and the Group

The amendments to MFRS 136 'Impairment of assets' removed certain disclosures of the recoverable amount of CGUs which had been included in MFRS 136 by the issuance of MFRS 13. The amendment is not mandatory for the Group until 1 April 2014, however the Group has decided to early adopt the amendment as of 1 April 2013.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### (a) Basis of Preparation (contd.)

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

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

##### Financial year beginning on/after 1 April 2014

- (a) Amendment to MFRS 132 "Financial instruments: Presentation" (effective from 1 January 2014) does not change the current offsetting model in MFRS 132. It clarifies the meaning of 'currently has a legally enforceable right of set-off' that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. It clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.
- (b) Amendments to MFRS 10, MFRS 12 and MFRS 127 (effective from 1 January 2014) introduce an exception to consolidation for investment entities. Investment entities are entities whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both and evaluate the performance of its investments on fair value basis. The amendments require investment entities to measure particular subsidiaries at fair value instead of consolidating them.
- (c) IC Interpretation 21, 'Levies' (effective from 1 January 2014) sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation clarifies that a liability to pay a levy is recognised when the obligating event occurs. Obligating event is the event identified by the legislation that triggers the payment of the levy.

##### Financial year beginning on/after 1 April 2015

Amendment to MFRS 139 "Financial Instruments: Recognition and Measurement" – Novation of Derivatives and Continuation of Hedge Accounting (effective 1 January 2014) provides relief from discontinuing hedge accounting in a situation where a derivative (which has been designated as a hedging instrument) is novated to effect clearing with a central counterparty as a result of laws or regulation, subject to meeting the following criteria – the parties to the hedging instrument agree that the central counterparty replaces the original counterparty, other changes to the hedging instrument are limited to those that are necessary to effect replacement of the counterparty.

##### Financial year beginning on/after 1 April 2017

MFRS 9 "Financial instruments - classification and measurement of financial assets and financial liabilities" (effective from 1 January 2017) replaces the parts of MFRS 139 that relate to the classification and measurement of financial instruments. MFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the MFRS 139 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess MFRS 9's full impact.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### (b) Economic Entities in the Group

#### (i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over 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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

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

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

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. This may indicate an impairment of the asset transferred. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

#### (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 equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.



## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

#### (iii) Disposal of Subsidiaries

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

#### (iv) Associates

Associates are those corporations, partnerships or other entities in which the Group exercises significant influence, but not 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 and are initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment.

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 profit or loss where appropriate.

The Group's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. If the Group's share of losses of an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. The interest in an associate is the carrying of the investment in the associate under the equity method together with any long term interests that, in substance, form part of the Group's net investment in the associate. After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the investor has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

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. Dilution gains and losses arising in investments in associates are recognised in the income statement.

The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### (c) Investments in Subsidiaries and Associates

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

### (d) Intangible Assets

#### (i) Goodwill

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

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

#### (ii) Computer software

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

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### (d) Intangible Assets (Contd.)

#### (iii) Other non-financial assets

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

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

### (e) Financial Assets

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

#### (i) Loans, advances and financing

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

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

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

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

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### (e) Financial Assets (contd.)

#### (iii) Financial investments held-to-maturity

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

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

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

#### (iv) Financial investments available-for-sale

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

#### (v) Reclassification of financial assets

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

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### (f) Financial Liabilities

Financial liabilities are initially recognised at the fair value of consideration received less directly attributable transaction costs. Subsequent to initial recognition, financial liabilities are measured at amortised cost. The Bank and the Group do not have any non-derivative financial liabilities designated at fair value through profit or loss. Financial liabilities measured at amortised cost include deposits from customers, deposits from banks and debt securities issued and other borrowed funds.

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

### (g) Repurchase Agreements

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

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

### (h) 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 statement of comprehensive income during the financial period in which they are incurred.

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### (h) Property, Plant and Equipment and Depreciation (Contd.)

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

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

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

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

### (i) Impairment of Assets

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

#### (i) Loans, advances and financing

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

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### (i) Impairment of Assets (contd.)

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

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

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

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

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

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

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

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****(i) Impairment of Assets (contd.)****(ii) Financial investments held-to-maturity**

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

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

**(iii) Financial investments available-for-sale**

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

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

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



## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### (i) Impairment of Assets (contd.)

#### (iv) Goodwill/Intangible assets

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

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

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

#### (v) Other Assets

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### (j) Leases

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

#### (i) Finance Leases

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

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

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

#### (ii) Operating Leases

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

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

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

### **(k) Bills and Acceptances Payable**

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

### **(l) Equity Instruments**

Ordinary shares and irredeemable convertible preference shares ("ICPS") are classified as equity. Dividends on ordinary shares and ICPS are recognised in equity in the period in which they are declared.

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

### **(m) Subordinated Bonds**

The interest-bearing instruments are recognised as liability and are recorded at face value. Interest expense are accrued based on the effective interest rate method.

### **(n) Other Assets**

Other receivables are carried at anticipated realisable values. Bad debts are written-off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the end of the reporting period.

### **(o) Provisions**

Provisions are recognised when:

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

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

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### (p) Balances Due From Clients and Brokers

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

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

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

### (q) Recognition of Interest and Financing Income

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

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

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

### (r) Recognition of Interest and Financing Expenses

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### (s) Recognition of Fees and Other Income

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

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

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

Dividends are recognised when the right to receive payment is established.

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

### (t) Derivatives Financial Instruments and Hedging Activities

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

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

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

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

#### (i) Fair value hedge

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

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

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)****(t) Derivatives Financial Instruments and Hedging Activities (contd.)****(ii) Cash flow hedge**

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

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

**(iii) Net investment hedge**

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

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

**(iv) Derivatives that do not qualify for hedge accounting**

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

**(u) Foreign Currency Translations**

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

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### (v) Income Tax

Income tax on the profit or loss for the 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.

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

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

### (w) Foreclosed Properties

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

### (x) Cash and Cash Equivalents

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

### (y) Zakat

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

### (z) Employee Benefits

#### (i) Short-term Benefits

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

#### (ii) Defined Contribution Plans

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

#### (iii) Equity Compensation Benefits

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

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

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

The equity amount in the share scheme reserve can either remain or be transferred within equity to another distributable component or settled by way of payment to the holding company.



## **2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)**

### **(aa) Contingent Liabilities and Contingent Assets**

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

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

### **(ab) Financial Guarantee Contract**

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

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

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

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

### **(ac) Segment Reporting**

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

### **(ad) Non-current Assets and Subsidiary Held for Sale**

Non-current assets and subsidiary are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction and the sale is considered highly probable.

### **(ae) Offsetting financial instruments**

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

**3. CASH AND SHORT-TERM FUNDS**

	<u>BANK</u>		<u>GROUP</u>	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	675,451	468,585	625,097	503,020
Money at call and deposit placements maturing within one month	1,167,545	898,070	1,504,662	784,714
	<u>1,842,996</u>	<u>1,366,655</u>	<u>2,129,759</u>	<u>1,287,734</u>

**4. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS**

	<u>BANK</u>		<u>GROUP</u>	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Licensed banks	<u>655,305</u>	<u>124,946</u>	<u>655,305</u>	<u>153,236</u>

**5. BALANCES DUE FROM CLIENTS AND BROKERS**

	<u>GROUP</u>	
	2014	2013
	RM'000	RM'000
Due from clients	77,459	34,205
Due from brokers	-	17,132
	<u>77,459</u>	<u>51,337</u>
Less:		
Allowance for other losses	<u>(1,194)</u>	<u>(1,215)</u>
	<u>76,265</u>	<u>50,122</u>

These represent amounts receivable by Alliance Investment Bank Berhad ("AIBB") from non-margin clients and outstanding contracts entered into on behalf of clients where settlement via the Bursa Malaysia Securities Clearing Sdn. Bhd. has yet to be made.

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

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

	<u>GROUP</u>	
	2014	2013
	RM'000	RM'000
Classified as doubtful	102	58
Classified as bad	1,294	1,290
	<u>1,396</u>	<u>1,348</u>

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

The movements in allowance for other losses are as follows:

	<u>GROUP</u>	
	2014	2013
	RM'000	RM'000
At beginning of year	1,215	1,196
(Write-back)/allowance made during the year (net)	(21)	19
At end of year	<u>1,194</u>	<u>1,215</u>

**6. FINANCIAL ASSETS HELD-FOR-TRADING**

	<u>BANK</u>		<u>GROUP</u>	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<b>At fair value</b>				
<u>Money market instruments:</u>				
Bank Negara Malaysia bills	-	1,265,298	-	1,519,930
Malaysian Government securities	110,172	-	110,172	-
	<u>110,172</u>	<u>1,265,298</u>	<u>110,172</u>	<u>1,519,930</u>

**7. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE**

	<u>BANK</u>		<u>GROUP</u>	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<b>At fair value</b>				
<u>Money market instruments:</u>				
Malaysian Government securities	2,464,690	971,385	2,897,516	1,265,606
Malaysian Government investment certificates	1,763,332	1,690,067	2,575,869	2,336,784
Negotiable instruments of deposits	854,611	1,801,738	861,808	1,676,828
Bankers' acceptances	41,649	1,669,269	361,979	2,113,749
Khazanah bonds	186,734	-	186,734	-
<u>Quoted securities in Malaysia:</u>				
Shares	22	20	22	20
<u>Unquoted securities:</u>				
Shares	101,576	100,928	145,505	141,788
Debt securities and medium term notes	2,263,149	2,339,773	2,951,962	3,082,546
	<u>7,675,763</u>	<u>8,573,180</u>	<u>9,981,395</u>	<u>10,617,321</u>
Accumulated impairment	(137,156)	(145,174)	(242,635)	(254,871)
	<u>7,538,607</u>	<u>8,428,006</u>	<u>9,738,760</u>	<u>10,362,450</u>

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

	<u>BANK</u>		<u>GROUP</u>	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
At beginning of year	145,174	150,934	254,871	262,470
Write-back during the year	(8,018)	(5,760)	(12,236)	(7,599)
At end of year	<u>137,156</u>	<u>145,174</u>	<u>242,635</u>	<u>254,871</u>

**8. FINANCIAL INVESTMENTS HELD-TO-MATURITY**

	<u>BANK</u>		<u>GROUP</u>	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<b>At amortised cost</b>				
<u>Money market instruments:</u>				
Malaysian Government securities	579,703	101,256	702,507	152,497
Malaysian Government investment certificates	-	-	434,574	438,766
Khazanah bonds	130,689	-	177,514	-
<b>At cost</b>				
<u>Unquoted securities:</u>				
Debt securities	5,339	11,692	39,730	46,217
	715,731	112,948	1,354,325	637,480
Accumulated impairment	(5,001)	(11,231)	(34,203)	(40,531)
	<u>710,730</u>	<u>101,717</u>	<u>1,320,122</u>	<u>596,949</u>

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

	<u>BANK</u>		<u>GROUP</u>	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
At beginning of year	11,231	17,413	40,531	47,129
Write-back during the year	(6,230)	(6,182)	(6,328)	(6,598)
At end of year	<u>5,001</u>	<u>11,231</u>	<u>34,203</u>	<u>40,531</u>

## 9. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

Derivative financial instruments are financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates, interest rates and security prices) of the underlying instruments. These instruments allow the Bank and the Group and the banking customers to transfer, modify or reduce their foreign exchange and interest rate risk via hedge relationships. The Group also transacts in these instruments for proprietary trading purposes. The risks associated with the use of derivative financial instruments, as well as management's policy for controlling these risks are set out in Note 42.

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

	2014			2013		
	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><u>BANK/GROUP</u></b>						
<b><u>Trading Derivatives</u></b>						
<b>Foreign exchange and commodity contracts:</b>						
- Currency forwards	561,345	4,292	(2,955)	766,579	2,571	(4,572)
- Currency swaps	5,775,775	25,290	(42,115)	2,972,174	11,465	(5,918)
- Currency spots	190,557	254	(309)	119,254	162	(152)
- Currency options	388,046	2,125	(1,344)	80,105	209	(105)
- Gold options	7,878	32	(107)	-	-	-
<b>Interest rate related contracts:</b>						
- Interest rate swaps	2,645,000	6,814	(1,988)	2,045,000	5,094	(3,084)
<b>Equity related contracts:</b>						
- Options	57,582	870	(870)	54,032	291	(291)
<b><u>Hedging Derivatives</u></b>						
<b>Interest rate related contracts:</b>						
- Interest rate swaps	538,376	-	(15,186)	211,608	-	(1,748)
<b>Total derivative assets/(liabilities)</b>	<b>10,164,559</b>	<b>39,677</b>	<b>(64,874)</b>	<b>6,248,752</b>	<b>19,792</b>	<b>(15,870)</b>

The Bank and the Group use fair value hedges to protect against the changes in fair value of financial assets and financial liabilities for a structured deposit due to movements in market interest rates.

During the financial year, the Bank and the Group use interest rate swaps to hedge against interest rate risk of structured deposits. There was no ineffectiveness to be recorded from their fair value hedge.

**10. LOANS, ADVANCES AND FINANCING**

	<u>BANK</u>		<u>GROUP</u>	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Overdrafts	1,709,067	1,711,309	1,960,984	1,902,717
Term loans/financing				
- Housing loans/financing	10,273,097	8,918,988	12,576,157	10,980,836
- Syndicated term loans/financing	417,062	446,852	472,331	454,866
- Hire purchase receivables	815,847	583,118	1,219,366	820,934
- Other term loans/financing	8,198,082	6,888,893	9,721,105	8,511,897
Bills receivables	208,385	262,951	208,765	263,450
Trust receipts	132,812	155,090	153,840	176,776
Claims on customers under acceptance credits	2,043,043	1,797,526	2,513,103	2,262,586
Staff loans [included loans to Directors of a subsidiary of RM187,000 (2013:RM219,000)]	18,081	23,984	41,194	50,120
Credit/charge card receivables	601,297	581,335	601,297	581,335
Revolving credits	1,009,817	1,029,328	1,169,632	1,197,953
Share margin financing	1,444,926	856,142	1,561,622	1,022,010
Gross loans, advances and financing	26,871,516	23,255,516	32,199,396	28,225,480
Add: Sales commissions and handling fees	45,452	42,873	30,050	23,935
Less: Allowance for impairment on loans, advances and financing				
- Individual assessment allowance	(67,281)	(95,282)	(97,159)	(128,471)
- Collective assessment allowance	(266,907)	(295,834)	(313,296)	(349,203)
Total net loans, advances and financing	26,582,780	22,907,273	31,818,991	27,771,741

(i) By maturity structure:

	<u>BANK</u>		<u>GROUP</u>	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Within one year	7,637,618	6,775,321	8,691,796	7,839,679
One year to three years	533,551	600,314	764,219	776,896
Three years to five years	1,400,758	971,161	1,685,425	1,318,636
Over five years	17,299,589	14,908,720	21,057,956	18,290,269
Gross loans, advances and financing	26,871,516	23,255,516	32,199,396	28,225,480

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

	<u>BANK</u>		<u>GROUP</u>	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Domestic non-bank financial institutions	460,364	403,009	530,796	473,745
Domestic business enterprises				
- Small and medium enterprises	5,119,106	4,410,671	5,899,643	5,040,629
- Others	5,349,205	5,059,156	6,283,048	5,977,591
Government and statutory bodies	9,653	10,905	9,653	10,905
Individuals	15,004,115	12,478,558	18,426,080	15,714,244
Other domestic entities	231,066	248,195	231,066	248,380
Foreign entities	698,007	645,022	819,110	759,986
Gross loans, advances and financing	<u>26,871,516</u>	<u>23,255,516</u>	<u>32,199,396</u>	<u>28,225,480</u>

**(iii) By interest/profit rate sensitivity:**

	<u>BANK</u>		<u>GROUP</u>	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Fixed rate				
- Housing loans/financing	12,749	16,506	70,535	83,318
- Hire purchase receivables	815,847	583,118	1,219,366	820,934
- Other fixed rate loans/financing	1,329,394	948,731	2,038,485	1,843,089
Variable rate				
- Base lending rate plus	19,436,273	16,517,591	22,831,752	19,556,732
- Cost plus	5,103,363	4,964,962	5,850,762	5,668,573
- Other variable rate loans/financing	173,890	224,608	188,496	252,834
Gross loans, advances and financing	<u>26,871,516</u>	<u>23,255,516</u>	<u>32,199,396</u>	<u>28,225,480</u>

**(iv) By economic purposes:**

	<u>BANK</u>		<u>GROUP</u>	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Purchase of securities	1,490,585	910,565	1,607,281	1,076,433
Purchase of transport vehicles	706,781	493,059	1,117,797	737,908
Purchase of landed property	15,267,197	12,833,926	18,098,160	15,335,694
of which: - Residential	<u>11,090,346</u>	<u>9,610,629</u>	<u>13,337,595</u>	<u>11,609,873</u>
- Non-residential	<u>4,176,851</u>	<u>3,223,297</u>	<u>4,760,565</u>	<u>3,725,821</u>
Purchase of fixed assets excluding land and buildings	154,871	130,153	155,410	130,994
Personal use	1,259,841	1,010,044	2,047,339	1,952,851
Credit card	601,297	581,335	601,297	581,335
Construction	421,637	286,674	436,317	296,431
Mergers and acquisitions	369,054	369,164	369,151	369,164
Working capital	5,447,213	5,374,053	6,379,804	6,266,473
Others	1,153,040	1,266,543	1,386,840	1,478,197
Gross loans, advances and financing	<u>26,871,516</u>	<u>23,255,516</u>	<u>32,199,396</u>	<u>28,225,480</u>

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

	<u>BANK</u>		<u>GROUP</u>	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Northern region	1,720,314	1,626,756	2,036,287	1,884,397
Central region	20,426,749	17,613,423	24,315,069	21,463,279
Southern region	2,528,747	1,981,896	3,217,794	2,492,437
Sabah region	1,811,643	1,714,347	2,175,692	2,011,188
Sarawak region	384,063	319,094	454,554	374,179
Gross loans, advances and financing	<u>26,871,516</u>	<u>23,255,516</u>	<u>32,199,396</u>	<u>28,225,480</u>

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

	<u>BANK</u>		<u>GROUP</u>	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At beginning of year	472,533	535,912	579,233	629,236
Impaired during the year	419,962	388,936	555,392	524,030
Reclassified as unimpaired during the year	(293,999)	(249,057)	(381,732)	(315,366)
Recoveries	(181,176)	(125,830)	(225,534)	(156,795)
Amount written-off	<u>(63,440)</u>	<u>(77,428)</u>	<u>(84,578)</u>	<u>(101,872)</u>
At end of year	353,880	472,533	442,781	579,233
Individual allowance for impairment	(67,281)	(95,282)	(97,159)	(128,471)
Collective allowance for impairment (impaired portion)	<u>(95,965)</u>	<u>(111,902)</u>	<u>(109,070)</u>	<u>(128,050)</u>
Net impaired loans, advances and financing	<u>190,634</u>	<u>265,349</u>	<u>236,552</u>	<u>322,712</u>
Gross impaired loans as % of gross loans, advances and financing	<u>1.3%</u>	<u>2.0%</u>	<u>1.4%</u>	<u>2.1%</u>



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

	<u>BANK</u>		<u>GROUP</u>	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<b>Individual assessment allowance</b>				
At beginning of year	95,282	132,263	128,471	157,966
Allowance made during the year (net)	4,626	12,237	5,613	19,674
Amount written-off	(27,572)	(47,639)	(30,655)	(47,649)
Transfers to collective assessment allowance	(5,055)	(1,579)	(6,270)	(1,520)
At end of year	<u>67,281</u>	<u>95,282</u>	<u>97,159</u>	<u>128,471</u>
<b>Collective assessment allowance</b>				
At beginning of year	295,834	332,345	349,203	393,872
Allowance made/(write-back)				
during the year (net)	1,886	(8,301)	11,746	8,034
Amount written-off	(35,868)	(29,789)	(53,923)	(54,223)
Transfers from individual assessment allowance	5,055	1,579	6,270	1,520
At end of year	<u>266,907</u>	<u>295,834</u>	<u>313,296</u>	<u>349,203</u>

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

	<u>BANK</u>		<u>GROUP</u>	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Purchase of securities	3,811	3,741	5,207	5,092
Purchase of transport vehicles	6,319	2,011	9,765	5,611
Purchase of landed property	220,305	238,687	254,194	282,371
of which: - Residential	196,983	186,289	222,781	213,718
- Non-residential	23,322	52,398	31,413	68,653
Purchase of fixed assets excluding land and buildings	96	204	96	204
Personal use	20,766	20,176	30,263	32,089
Credit card	7,847	9,107	7,847	9,107
Construction	7,225	11,330	7,225	11,330
Working capital	64,793	157,559	92,830	197,330
Others	22,718	29,718	35,354	36,099
Gross impaired loans	<u>353,880</u>	<u>472,533</u>	<u>442,781</u>	<u>579,233</u>

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

	<u>BANK</u>		<u>GROUP</u>	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Northern region	53,862	86,889	69,548	112,029
Central region	239,862	307,875	304,328	379,755
Southern region	27,758	33,245	34,124	40,911
Sabah region	29,543	41,882	31,703	43,154
Sarawak region	2,855	2,642	3,078	3,384
Gross impaired loans	<u>353,880</u>	<u>472,533</u>	<u>442,781</u>	<u>579,233</u>

**11. OTHER ASSETS**

	<u>BANK</u>		<u>GROUP</u>	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Other receivables, deposits and prepayment [Note (a)]	119,303	94,030	122,387	99,139
Trade receivables	-	-	-	1
Amount due from holding company	-	122	-	122
Amount due from subsidiaries and related companies	<u>39,047</u>	<u>819</u>	<u>2</u>	<u>-</u>
	158,350	94,971	122,389	99,262
Less:				
Allowance for other losses [Note (b)]	<u>(19,921)</u>	<u>(16,955)</u>	<u>(28,052)</u>	<u>(23,760)</u>
	<u>138,429</u>	<u>78,016</u>	<u>94,337</u>	<u>75,502</u>

Note:

(a) Included in other receivables, deposits and prepayment is an amount of RM14,015,000 (2013: RM16,290,000) being the principal balance of housing loans and hire purchase loans acquired by the Bank from a state owned entity and which have been sold to Cagamas Berhad, with recourse obligations.

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

	<u>BANK</u>		<u>GROUP</u>	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
At beginning of year	16,955	13,051	23,760	20,790
Allowance net of write-back	2,966	4,304	4,292	4,422
Amount written-off	-	(400)	-	(1,452)
At end of year	<u>19,921</u>	<u>16,955</u>	<u>28,052</u>	<u>23,760</u>

**12. STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA**

The non-interest bearing statutory deposits are maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009, the amounts of which are determined as a set percentage of total eligible liabilities.

**13. INVESTMENTS IN SUBSIDIARIES**

	<u>BANK</u>	
	2014	2013
	RM'000	RM'000
Unquoted shares, at cost		
At beginning of year	792,820	801,664
Reclassified as subsidiary held for sale [Note]	-	(8,844)
At end of year	<u>792,820</u>	<u>792,820</u>

Note: The Bank had in the last financial year entered into an agreement to dispose 70% equity interest in Alliance Investment Management Berhad ("AIMB"). The disposal had been completed and AIMB ceased to be a subsidiary of the Bank with effect from 15 April 2013.

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

<u>Name</u>	<u>Principal activities</u>	<u>Effective equity interest</u>	
		2014	2013
		%	%
Alliance Direct Marketing Sdn. Bhd.	Dealing in sales and distribution of consumer and commercial banking products	100	100
AllianceGroup Nominees (Asing) Sdn. Bhd.	Nominee services	100	100
AllianceGroup Nominees (Tempatan) Sdn. Bhd.	Nominee services	100	100
Alliance Investment Bank Berhad	Investment banking business including Islamic banking, provision of stockbroking services and related financial services	100	100
Alliance Islamic Bank Berhad	Islamic banking and the provision of related financial services	100	100
Alliance Investment Management Berhad (ceased as subsidiary w.e.f. 15 April 2013)	Management of unit trusts funds, provision of fund management and investment advisory services	-	70
<i>Subsidiaries of Alliance Investment Bank Berhad</i>			
AIBB Nominees (Tempatan) Sdn. Bhd.	Nominee services	100	100
AIBB Nominees (Asing) Sdn. Bhd.	Nominee services	100	100

**13. INVESTMENTS IN SUBSIDIARIES (CONTD.)**

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

<u>Name</u>	<u>Principal activities</u>	<u>Effective equity interest</u>	
		2014 %	2013 %
<i>Subsidiaries of Alliance Investment Bank Berhad (contd.)</i>			
Alliance Investment Futures Sdn. Bhd.	Dormant	100	100
Alliance Research Sdn. Bhd.	Investment advisory	100	100
KLCS Sdn. Bhd.	Dormant	100	100
Rothputra Nominees (Tempatan) Sdn. Bhd. (under members' voluntary winding up)	Dormant	100	100

**14. INVESTMENTS IN ASSOCIATES**

	<u>BANK</u>		<u>GROUP</u>	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Unquoted shares				
At beginning of year	230	30,230	497	27,035
Disposal of an associate	-	(30,000)	-	(21,824)
Share of post acquisition profits	-	-	4	(4,714)
At the end of year	<u>230</u>	<u>230</u>	<u>501</u>	<u>497</u>
Represented by:				
Share of net tangible assets			<u>501</u>	<u>497</u>

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

<u>Name</u>	<u>Principal activities</u>	<u>Effective equity interest</u>	
		2014	2013
Alliance Trustee Berhad	Trustee to unit trusts, funds and other corporate trusts	40%	40%

In the last financial year, the Bank had on 11 March 2013 entered into a conditional Share Sale Agreement with American International Assurance Berhad for the disposal of its 30% equity interest in AIA AFG Takaful Berhad comprising 30,000,000 ordinary shares of RM1.00 each fully paid for a total cash consideration of RM45 million. Gain from the disposal is amounting to RM15 million and RM23.2 million for the Bank and the Group respectively.

**14. INVESTMENTS IN ASSOCIATES (CONTD.)**

The summarised financial information of the associates are as follows:

	<u>GROUP</u>	
	2014	2013
	RM'000	RM'000
<b>Assets and Liabilities</b>		
<b>Current assets</b>		
Cash and short term funds	13	81
Other current assets	1,152	1,061
<b>Total current assets</b>	1,165	1,142
Non-current assets	103	118
<b>Total assets</b>	1,268	1,260
<b>Current liabilities</b>		
Other current liabilities	16	17
<b>Total liabilities</b>	16	17
<b>Net assets</b>	1,252	1,243

The summarised statement of comprehensive income are as follows:

Revenue	41	22,751
Profit/(loss) before tax for the year	33	(14,380)
Profit/(loss) after tax for the year	9	(15,724)

Reconciliation of summarised financial information:

	<u>GROUP</u>	
	2014	2013
	RM'000	RM'000
<u>Net assets</u>		
At beginning of year	1,243	89,715
Disposal of an associate	-	(72,748)
Profit/(loss) for the year	9	(15,724)
At the end of year	1,252	1,243
Carrying value at 40% share of the equity interest of an associate	501	497

## 15. PROPERTY, PLANT AND EQUIPMENT

<u>BANK</u> 2014	← Leasehold land →			<u>Buildings</u> RM'000	<u>Renovations</u> RM'000	<u>Office equipment and furniture</u> RM'000	<u>Computer equipment</u> RM'000	<u>Motor vehicles</u> RM'000	<u>Total</u> RM'000
	<u>Freehold land</u> RM'000	<u>50 years or more</u> RM'000	<u>Less than 50 years</u> RM'000						
<b><u>COST</u></b>									
At beginning of year	1,953	11,673	1,850	42,130	117,796	66,101	115,938	1,363	358,804
Additions	-	-	-	-	13,656	7,083	13,105	-	33,844
Disposals	-	-	-	(12,674)	(401)	(650)	(7)	(8)	(13,740)
Written-off	-	-	-	-	(21,733)	(27,440)	(49,433)	(50)	(98,656)
At end of year	1,953	11,673	1,850	29,456	109,318	45,094	79,603	1,305	280,252
<b><u>ACCUMULATED DEPRECIATION</u></b>									
At beginning of year	-	2,580	878	11,826	95,241	54,126	106,827	352	271,830
Charge for the year	-	70	53	652	9,568	4,712	5,478	106	20,639
Disposals	-	-	-	(3,421)	(285)	(622)	(5)	(8)	(4,341)
Written-off	-	-	-	-	(21,585)	(27,278)	(49,395)	(50)	(98,308)
At end of year	-	2,650	931	9,057	82,939	30,938	62,905	400	189,820
<b><u>ACCUMULATED IMPAIRMENT</u></b>									
At beginning of year	-	-	-	5,268	-	-	-	-	5,268
Disposals	-	-	-	(5,268)	-	-	-	-	(5,268)
At end of year	-	-	-	-	-	-	-	-	-
<b><u>NET CARRYING AMOUNT</u></b>	1,953	9,023	919	20,399	26,379	14,156	16,698	905	90,432

**15. PROPERTY, PLANT AND EQUIPMENT (CONTD.)**

<u>GROUP</u>	← Leasehold land →			<u>Buildings</u>	<u>Renovations</u>	<u>Office equipment and furniture</u>	<u>Computer equipment</u>	<u>Motor vehicles</u>	<u>Total</u>
	<u>Freehold land</u>	<u>50 years or more</u>	<u>Less than 50 years</u>						
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2014									
<b><u>COST</u></b>									
At beginning of year	1,953	11,673	1,850	43,089	124,483	69,412	132,527	1,288	386,275
Additions	-	-	-	-	14,986	7,390	13,157	-	35,533
Disposals	-	-	-	(12,674)	(626)	(767)	(7)	(8)	(14,082)
Written-off	-	-	-	-	(27,043)	(32,119)	(50,092)	(50)	(109,304)
At end of year	1,953	11,673	1,850	30,415	111,800	43,916	95,585	1,230	298,422
<b><u>ACCUMULATED DEPRECIATION</u></b>									
At beginning of year	-	2,580	878	12,786	101,286	56,978	123,435	316	298,259
Charge for the year	-	70	53	652	10,013	4,801	5,516	106	21,211
Disposals	-	-	-	(3,421)	(408)	(738)	(5)	(8)	(4,580)
Written-off	-	-	-	-	(26,728)	(31,891)	(50,013)	(50)	(108,682)
At end of year	-	2,650	931	10,017	84,163	29,150	78,933	364	206,208
<b><u>ACCUMULATED IMPAIRMENT</u></b>									
At beginning of year	-	-	-	5,268	-	-	-	-	5,268
Disposals	-	-	-	(5,268)	-	-	-	-	(5,268)
At end of year	-	-	-	-	-	-	-	-	-
<b><u>NET CARRYING AMOUNT</u></b>	1,953	9,023	919	20,398	27,637	14,766	16,652	866	92,214

**15. PROPERTY, PLANT AND EQUIPMENT (CONTD.)**

	← Leasehold land →					Office			
	Freehold	50 years	Less than	Buildings	Renovations	equipment	Computer	Motor	Total
	<u>land</u>	<u>or more</u>	<u>50 years</u>			<u>and furniture</u>	<u>equipment</u>	<u>vehicles</u>	
<u>BANK</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2013									
<b><u>COST</u></b>									
At beginning of year	1,953	12,037	1,850	42,241	108,385	64,670	110,412	1,741	343,289
Additions	-	-	-	-	11,932	2,524	6,256	-	20,712
Disposals	-	(364)	-	(111)	(531)	(505)	(326)	(377)	(2,214)
Written-off	-	-	-	-	(1,990)	(588)	(404)	(1)	(2,983)
At end of year	1,953	11,673	1,850	42,130	117,796	66,101	115,938	1,363	358,804
<b><u>ACCUMULATED DEPRECIATION</u></b>									
At beginning of year	-	2,560	834	11,136	84,638	48,956	101,761	440	250,325
Charge for the year	-	70	44	729	12,612	6,175	5,762	84	25,476
Disposals	-	(50)	-	(39)	(505)	(441)	(292)	(171)	(1,498)
Written-off	-	-	-	-	(1,504)	(564)	(404)	(1)	(2,473)
At end of year	-	2,580	878	11,826	95,241	54,126	106,827	352	271,830
<b><u>ACCUMULATED IMPAIRMENT</u></b>									
At beginning/end of year	-	-	-	5,268	-	-	-	-	5,268
<b>NET CARRYING AMOUNT</b>	1,953	9,093	972	25,036	22,555	11,975	9,111	1,011	81,706



**15. PROPERTY, PLANT AND EQUIPMENT (CONTD.)**

<u>GROUP</u>	← Leasehold land →			<u>Buildings</u>	<u>Renovations</u>	<u>Office equipment and furniture</u>	<u>Computer equipment</u>	<u>Motor vehicles</u>	<u>Total</u>
	<u>Freehold land</u>	<u>50 years or more</u>	<u>Less than 50 years</u>						
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2013</b>									
<b><u>COST</u></b>									
At beginning of year	1,953	12,037	1,850	43,200	115,378	68,605	128,191	2,280	373,494
Additions	-	-	-	-	12,073	2,559	6,274	-	20,906
Disposals	-	(364)	-	(111)	(531)	(542)	(326)	(991)	(2,865)
Written-off	-	-	-	-	(2,067)	(589)	(960)	(1)	(3,617)
Reclassified to non-current assets held for sale (Note 18)	-	-	-	-	(370)	(621)	(652)	-	(1,643)
At end of year	1,953	11,673	1,850	43,089	124,483	69,412	132,527	1,288	386,275
<b><u>ACCUMULATED DEPRECIATION</u></b>									
At beginning of year	-	2,560	834	12,096	90,438	52,333	119,486	701	278,448
Charge for the year	-	70	44	729	13,304	6,300	5,851	84	26,382
Disposals	-	(50)	-	(39)	(505)	(476)	(292)	(468)	(1,830)
Written-off	-	-	-	-	(1,581)	(564)	(960)	(1)	(3,106)
Reclassified to non-current assets held for sale (Note 18)	-	-	-	-	(370)	(615)	(650)	-	(1,635)
At end of year	-	2,580	878	12,786	101,286	56,978	123,435	316	298,259
<b><u>ACCUMULATED IMPAIRMENT</u></b>									
At beginning/end of year	-	-	-	5,268	-	-	-	-	5,268
<b>NET CARRYING AMOUNT</b>	1,953	9,093	972	25,035	23,197	12,434	9,092	972	82,748

**16. DEFERRED TAX**

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

	<u>BANK</u>		<u>GROUP</u>	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets, net	18,036	-	32,343	11,040
Deferred tax liabilities, net	-	(15,859)	(5,367)	(24,430)
	<u>18,036</u>	<u>(15,859)</u>	<u>26,976</u>	<u>(13,390)</u>

	<u>BANK</u>		<u>GROUP</u>	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
At beginning of year	(15,859)	(12,191)	(13,390)	(7,974)
Recognised in statement of comprehensive income	(1,485)	(4,694)	(722)	(10,906)
Recognised in other comprehensive income	35,380	1,026	41,088	5,791
Reclassified to non-current assets held for sale (Note 18)	-	-	-	(301)
At end of year	<u>18,036</u>	<u>(15,859)</u>	<u>26,976</u>	<u>(13,390)</u>

	<u>BANK</u>		<u>GROUP</u>	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets				
- to be recovered more than 12 months	(25,798)	-	(14,643)	12,981
- to be recovered within 12 months	<u>43,834</u>	<u>-</u>	<u>46,986</u>	<u>(1,941)</u>
	<u>18,036</u>	<u>-</u>	<u>32,343</u>	<u>11,040</u>
Deferred tax liabilities				
- to be recovered more than 12 months	-	(5,452)	(9,683)	(2,955)
- to be recovered within 12 months	<u>-</u>	<u>(10,407)</u>	<u>4,316</u>	<u>(21,475)</u>
	<u>-</u>	<u>(15,859)</u>	<u>(5,367)</u>	<u>(24,430)</u>

**16. DEFERRED TAX (CONTD.)**

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

	<u>BANK</u>		<u>GROUP</u>	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	25,684	28,762	39,348	41,705
Deferred tax liabilities	(7,648)	(44,621)	(12,372)	(55,095)
	<u>18,036</u>	<u>(15,859)</u>	<u>26,976</u>	<u>(13,390)</u>

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

	Allowance for losses on loans, advances and <u>financing</u> RM'000	Other temporary <u>differences</u> RM'000	<u>Total</u> RM'000
<u>BANK</u>			
<u>Deferred tax assets</u>			
At 31 March 2012	8,336	22,872	31,208
Recognised in statement of comprehensive income	(8,336)	5,890	(2,446)
At 31 March 2013	-	28,762	28,762
Recognised in statement of comprehensive income	-	(3,078)	(3,078)
At 31 March 2014	<u>-</u>	<u>25,684</u>	<u>25,684</u>
	Financial investments <u>available-for-sale</u> RM'000	Property, plant and <u>equipment</u> RM'000	<u>Total</u> RM'000
<u>Deferred tax liabilities</u>			
At 31 March 2012	29,445	13,954	43,399
Recognised in statement of comprehensive income	-	2,248	2,248
Recognised in other comprehensive income	(1,026)	-	(1,026)
At 31 March 2013	28,419	16,202	44,621
Recognised in statement of comprehensive income	-	(1,593)	(1,593)
Recognised in other comprehensive income	(35,380)	-	(35,380)
At 31 March 2014	<u>(6,961)</u>	<u>14,609</u>	<u>7,648</u>

**16. DEFERRED TAX (CONTD.)**

<u>GROUP</u>	Allowance for losses on loans, advances and <u>financing</u> RM'000	Unabsorbed tax losses and capital <u>allowance</u> RM'000	Other temporary <u>differences</u> RM'000	<u>Total</u> RM'000
<u>Deferred tax assets</u>				
At 31 March 2012	12,326	3,188	35,255	50,769
Recognised in statement of comprehensive income	(12,326)	(1,247)	4,828	(8,745)
Reclassified to non-current assets held for sale (Note 18)	-	-	(319)	(319)
At 31 March 2013	-	1,941	39,764	41,705
Recognised in statement of comprehensive income	-	2,358	(4,715)	(2,357)
At 31 March 2014	-	4,299	35,049	39,348

	Financial investments <u>available-for-sale</u> RM'000	Property, plant and <u>equipment</u> RM'000	<u>Total</u> RM'000
<u>Deferred tax liabilities</u>			
At 31 March 2012	44,256	14,487	58,743
Recognised in statement of comprehensive income	-	2,161	2,161
Recognised in other comprehensive income	(5,791)	-	(5,791)
Reclassified to non-current assets held for sale (Note 18)	-	(18)	(18)
At 31 March 2013	38,465	16,630	55,095
Recognised in statement of comprehensive income	-	(1,635)	(1,635)
Recognised in other comprehensive income	(41,088)	-	(41,088)
At 31 March 2014	(2,623)	14,995	12,372

GROUP  
2014                      2013  
RM'000                      RM'000

Deferred tax assets of the Group have not been recognised  
in respect of:

Unabsorbed tax losses	649	-
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## 17. INTANGIBLE ASSETS

	<u>BANK</u>		<u>GROUP</u>	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<u>Goodwill</u>				
<b>Cost:</b>				
At beginning of year	186,317	186,317	302,042	304,149
Write off arising from disposal of a subsidiary	(45)	-	(45)	-
Reclassified to non-current assets held for sale (Note 18)	-	-	-	(2,107)
At end of year	<u>186,272</u>	<u>186,317</u>	<u>301,997</u>	<u>302,042</u>
<b>Impairment:</b>				
At beginning/end of year	<u>(45)</u>	<u>(45)</u>	<u>(2,084)</u>	<u>(2,084)</u>
Net carrying amount	<u>186,227</u>	<u>186,272</u>	<u>299,913</u>	<u>299,958</u>
<u>Computer software</u>				
<b>Cost:</b>				
At beginning of year	216,195	192,901	220,634	198,079
Additions	16,503	23,465	17,130	23,776
Disposal	-	(100)	-	(100)
Written off/adjustment	(73,201)	(71)	(73,436)	(138)
Reclassified to non-current assets held for sale (Note 18)	-	-	-	(983)
At end of year	<u>159,497</u>	<u>216,195</u>	<u>164,328</u>	<u>220,634</u>
<b>Accumulated amortisation:</b>				
At beginning of year	(160,506)	(140,585)	(164,424)	(145,242)
Charge for the year	(19,379)	(20,091)	(19,621)	(20,334)
Disposal	-	100	-	100
Written off/adjustment	72,826	70	73,060	137
Reclassified to non-current assets held for sale (Note 18)	-	-	-	915
At end of year	<u>(107,059)</u>	<u>(160,506)</u>	<u>(110,985)</u>	<u>(164,424)</u>
Net carrying amount	<u>52,438</u>	<u>55,689</u>	<u>53,343</u>	<u>56,210</u>
Total carrying amount of goodwill and computer software	<u>238,665</u>	<u>241,961</u>	<u>353,256</u>	<u>356,168</u>

**17. INTANGIBLE ASSETS****(a) Impairment Test on Goodwill (Contd.)**

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

	<u>BANK</u>		<u>GROUP</u>	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Corporate banking	25,368	25,368	44,742	44,758
Commercial banking	13,459	13,459	13,459	13,459
Small and medium enterprise banking	42,621	42,621	42,621	42,621
Consumer banking	67,513	67,513	101,565	101,565
Financial markets	36,960	36,960	83,261	83,284
Corporate finance and equity capital market	40	40	1,838	1,838
Stock-broking business	266	266	12,427	12,433
Asset management	-	45	-	-
	<u>186,227</u>	<u>186,272</u>	<u>299,913</u>	<u>299,958</u>

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

**(i) Discount rate**

The discount rate of 8.90% - 12.36% (2013: 10.11% - 19.46%) are based on the pre-tax weighted average cost of capital plus an appropriate risk premium, that reflect specific risks relating to the Bank. The pre-tax weighted average cost of capital is generally derived from an appropriate capital asset pricing model, which itself depends on inputs reflecting a number of financial and economic variables including the risk-free rate in the country.

**(ii) Cash flow projections and growth rate**

Cash flow projections are based on five-year financial budget and projections approved by management. Cash flows beyond the fifth year are extrapolated in perpetuity using a nominal growth rate of 5.1% (2013: 5.1%) based on respective industry's average growth rate forecasted. Cash flows are extrapolated in perpetuity due to the long term perspective of these businesses within the Group.

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

**(b) Sensitivity to Changes in Assumptions**

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

# 18. NON-CURRENT ASSETS/LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS AND SUBSIDIARY HELD FOR SALE

## Subsidiary held for sale

	<u>BANK</u>		<u>GROUP</u>	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>				
Cash and short-term funds	-	-	-	12,486
Deposits and placements with banks and other financial institutions	-	-	-	7,069
Other assets	-	-	-	12,802
Tax recoverable	-	-	-	338
Investments in subsidiaries	-	8,844	-	-
Property, plant and equipment	-	-	-	8
Deferred tax assets	-	-	-	301
Computer software	-	-	-	68
	-	8,844	-	33,072
Goodwill	-	-	-	2,107
<b>Total assets of subsidiary held for sale</b>	-	8,844	-	35,179
<b>LIABILITIES</b>				
Other liabilities	-	-	-	19,291
<b>Total liabilities of subsidiary held for sale</b>	-	-	-	19,291

The assets and liabilities of the above subsidiary held for sale is related to AIMB, a 70% owned subsidiary of the Bank. On 25 September 2012, the Bank had entered into an agreement to dispose 70% equity interest in AIMB for a total consideration of RM12,250,000. The disposal, had been completed and AIMB ceased to be a subsidiary of the Bank with effect from 15 April 2013.

The net cash proceeds arising from the disposal are as follows:

	RM'000
Total net assets disposed	15,888
70% net assets	11,081
Total purchase consideration	(12,250)
Gain on disposal to the Group	(1,169)
Cash inflow arising from disposal:	
Cash consideration, representing cash flow of the Bank	12,250
Cash and cash equivalents of a subsidiary disposed	(12,486)
	(236)

# 19. DEPOSITS FROM CUSTOMERS

	<u>BANK</u>		<u>GROUP</u>	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Demand deposits	9,950,079	8,776,633	11,559,044	10,386,444
Savings deposits	1,451,916	1,413,147	1,763,153	1,712,779
Fixed/investment deposits	15,432,535	14,702,976	18,643,374	17,125,909
Money market deposits	2,238,079	3,324,683	3,224,087	4,681,008
Negotiable instruments of deposits	3,507,778	1,754,640	3,737,784	1,973,601
Structured deposits [Note]	328,591	144,558	328,591	144,558
	32,908,978	30,116,637	39,256,033	36,024,299

**19. DEPOSITS FROM CUSTOMERS (CONTD.)**

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

	<u>BANK</u>		<u>GROUP</u>	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Due within six months	16,200,578	15,821,917	20,078,141	19,182,840
Six months to one year	4,912,583	3,897,854	5,458,515	4,468,776
One year to three years	56,134	47,643	59,470	112,328
Three years to five years	9,097	14,885	9,119	16,574
	<u>21,178,392</u>	<u>19,782,299</u>	<u>25,605,245</u>	<u>23,780,518</u>

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

	<u>BANK</u>		<u>GROUP</u>	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Domestic financial institutions	3,638,352	1,758,367	3,868,358	2,402,307
Government and statutory bodies	1,612,213	1,136,760	3,002,636	1,474,286
Business enterprises	9,937,413	10,712,081	12,226,687	12,934,165
Individuals	16,238,979	14,877,194	17,564,502	16,205,037
Others	1,482,021	1,632,235	2,593,850	3,008,504
	<u>32,908,978</u>	<u>30,116,637</u>	<u>39,256,033</u>	<u>36,024,299</u>

Note:

- (a) Structured deposits represent foreign currency time deposits with embedded foreign exchange, gold commodity and equity linked options and interest rate index linked placements.
- (b) The Bank and the Group has undertaken a fair value hedge on the interest rate risk of the structured deposits amounting to RM269,952,000 (2013: RM105,804,000) using interest rate swaps.

	<u>BANK/GROUP</u>	
	2014	2013
	RM'000	RM'000
Structured deposits	269,952	105,804
Fair value changes arising from fair value hedges	<u>(15,186)</u>	<u>(1,748)</u>
	<u>254,766</u>	<u>104,056</u>

The fair value loss of the interest rate swap in this hedge transaction as at financial year ended 31 March 2014 is RM15,186,000 (2013: RM1,748,000).



**20. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS**

	<u>BANK</u>		<u>GROUP</u>	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Licensed banks	1,378,558	590,161	1,998,196	790,228
Licensed investment banks	200,091	150,837	351,649	425,940
Licensed Islamic banks	-	-	145,017	150,342
Bank Negara Malaysia	391,389	569,111	464,487	643,486
Other financial institutions	100,008	-	100,008	-
	<u>2,070,046</u>	<u>1,310,109</u>	<u>3,059,357</u>	<u>2,009,996</u>

**21. BALANCES DUE TO CLIENTS AND BROKERS**

	<u>GROUP</u>	
	2014 RM'000	2013 RM'000
Due to clients	22,623	30,852
Due to brokers	<u>22,211</u>	<u>-</u>
	<u>44,834</u>	<u>30,852</u>

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

The Group's normal trade credit terms for non-margin clients is three (3) market days according to the Bursa's FDSS trading rules.

Following the issuance of FRSIC Consensus 18, the Group no longer recognises trust monies balances in the statement of financial position, as the Group does not have any control over the trust monies to obtain the future economic benefits embodied in the trust monies. The trust monies maintained by the Group amounting to RM128,020,000 (2013: RM63,290,000) have been excluded accordingly.

**22. BILLS AND ACCEPTANCES PAYABLE**

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

**23. AMOUNT DUE TO CAGAMAS BERHAD**

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

**24. OTHER LIABILITIES**

	<u>BANK</u>		<u>GROUP</u>	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Other payables and accruals	710,289	736,927	824,419	801,461
Remisiers' accounts	-	-	20,950	20,651
Finance lease liabilities	11,650	-	11,650	-
Amount due to subsidiaries	115	14,032	-	-
Amount due to holding company	180	-	329	47
	<u>722,234</u>	<u>750,959</u>	<u>857,348</u>	<u>822,159</u>

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

	<u>BANK/GROUP</u>		
	2014		
	Future minimum lease payments	Future finance charges	Present value of finance lease liabilities
	RM'000	RM'000	RM'000
Within one year	2,085	734	1,351
One year to five years	11,120	1,508	9,612
Over five years	694	7	687
	<u>13,899</u>	<u>2,249</u>	<u>11,650</u>

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

**25. SUBORDINATED OBLIGATIONS**

	<u>BANK/GROUP</u>	
	2014	2013
	RM'000	RM'000
Tier - 2 Subordinated Medium Term Notes	<u>612,718</u>	<u>612,193</u>
At cost	600,000	600,000
Accumulated unamortised discount	(1,147)	(1,672)
Interest accrued	<u>13,865</u>	<u>13,865</u>
	<u>612,718</u>	<u>612,193</u>

On 8 April 2011, the Bank issued RM600 million Subordinated Medium Term Notes ("Subordinated Notes") under the RM1.5 billion Subordinated Medium Term Notes Programme ("Subordinated MTN Programme").

The Subordinated MTN Programme was approved by Bank Negara Malaysia and the Securities Commission on 30 December 2010 and 25 February 2011 respectively. The Subordinated Notes are eligible for inclusion as Tier-2 capital of the Bank under BNM's capital adequacy regulations.

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 and on every coupon payment date thereafter, subject to BNM's approval.

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

The main features of the Subordinated notes are as follows:

- (i) Issue date: 8 April 2011
- (ii) Tenor of the facility/issue: 10 years from the issue date and callable five (5) years after the issue date
- (iii) Maturity date: 8 April 2021
- (iv) Interest rate/coupon: 4.82% per annum, payable semi-annually in arrears
- (v) Redemption option: The issuer may, at its option, redeem the subordinated notes at any coupon payment date on or after five (5) years from the issue date
- (vi) The Subordinated Notes will constitute direct and unsecured obligations of the issuer, subordinated in right and priority of payment, to the extent and in the manner provided in the Subordinated Notes, 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 Subordinated Notes.

**26. SHARE CAPITAL**

	<u>BANK/GROUP</u>	
	2014	2013
	RM'000	RM'000
Authorised:		
4,995,000,000 ordinary shares of RM1 each	4,995,000	4,995,000
500,000,000 irredeemable (non-cumulative) convertible preference shares ("ICPS") of RM0.01 each	5,000	5,000
	<u>5,000,000</u>	<u>5,000,000</u>
Issued and fully paid:		
Ordinary shares:		
At 1 April/31 March		
596,517,043 ordinary shares of RM1 each	596,517	596,517
ICPS:		
At 1 April/31 March		
400,000,000 ICPS of RM0.01 each	4,000	4,000
	<u>600,517</u>	<u>600,517</u>

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

**27. RESERVES**

	Note	<u>BANK</u>		<u>GROUP</u>	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Non-distributable:					
Statutory reserve	(a)	601,561	601,561	929,055	885,744
Capital reserve	(b)	-	-	10,018	10,018
Revaluation reserves	(c)	(7,546)	85,257	7,071	115,397
Equity contribution from parent	(d)	17,377	13,495	18,412	14,368
Share premium	(e)	597,517	597,517	597,517	597,517
Profit equalisation reserve	(f)	-	-	-	1,033
		<u>1,208,909</u>	<u>1,297,830</u>	<u>1,562,073</u>	<u>1,624,077</u>
Distributable:					
Retained profits	(g)	<u>1,840,384</u>	<u>1,641,549</u>	<u>1,957,952</u>	<u>1,749,256</u>
		<u>3,049,293</u>	<u>2,939,379</u>	<u>3,520,025</u>	<u>3,373,333</u>

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

	<u>BANK/GROUP</u>	
	2014 RM'000	2013 RM'000
- ordinary shares	201,517	201,517
- ICPS	396,000	396,000
	<u>597,517</u>	<u>597,517</u>

- (f) Profit equalisation reserve was previously maintained in accordance with the "Framework of Rate of Return" (BNM/GP2-i). During the current financial year, the Bank had fully transferred its profit equalisation reserve to retained profit.
- (g) Prior to 1 January 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act, 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard their accumulated tax credit under Section 108 of the Income Tax Act, 1967 and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act, 2007.

Effective 1 January 2014, dividend paid by the Bank is now under single tier system.

## 28. ALLIANCE FINANCIAL GROUP BERHAD EMPLOYEES' SHARE SCHEME

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

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

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

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

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

Save for the Group Chief Executive Officer of the Bank, none of the other Directors of the Bank were offered/awarded any share options/share grants during the financial year.

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

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

**BANK****2014**

	Share Options						Share Grants					
	Number of Share Options						Number of Share Grants					
	At beginning of year '000	Offered/ awarded '000	Transfer '000	Vested/ exercised '000	Lapsed '000	At end of year '000	At beginning of year '000	Offered/ awarded '000	Transfer '000	Vested/ exercised '000	Lapsed '000	At end of year '000
2011 Share Scheme	3,738	-	(12)	(3,539)	(187)	-	505	-	(2)	(477)	(26)	-
2012 Share Scheme	6,693	-	(11)	(217)	(706)	5,759	1,446	-	(3)	(723)	(97)	623
2013 Share Scheme (1st grant)	11,297	-	(37)	(170)	(1,276)	9,814	1,450	-	(8)	(26)	(159)	1,257
2013 Share Scheme (2nd grant)	825	-	-	-	-	825	58	-	-	-	-	58
2014 Share Scheme	-	13,582	-	(73)	(1,112)	12,397	-	1,192	-	(13)	(65)	1,114
	22,553	13,582	(60)	(3,999)	(3,281)	28,795	3,459	1,192	(13)	(1,239)	(347)	3,052
WAEP	3.85	5.36	3.89	3.26	4.41	4.58						

	Share Options					Share Grants				
	Number of Share Options					Number of Share Grants				
	At beginning of year '000	Offered/ awarded '000	Vested/ exercised '000	Lapsed '000	At end of year '000	At beginning of year '000	Offered/ awarded '000	Vested/ exercised '000	Lapsed '000	At end of year '000
2009 Share Scheme	3,351	-	-	(3,351)	-	-	-	-	-	-
2010 Share Scheme	3,972	-	(3,100)	(872)	-	611	-	(562)	(49)	-
2011 Share Scheme	4,613	-	-	(875)	3,738	1,247	-	(567)	(175)	505
2012 Share Scheme	8,022	-	(5)	(1,324)	6,693	1,745	-	(4)	(295)	1,446
2013 Share Scheme (1st grant)	-	12,075	-	(778)	11,297	-	1,574	-	(124)	1,450
2013 Share Scheme (2nd grant)	-	825	-	-	825	-	58	-	-	58
	19,958	12,900	(3,105)	(7,200)	22,553	3,603	1,632	(1,133)	(643)	3,459
WAEP	3.09	4.22	2.38	3.04	3.85					

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

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

<u>GROUP</u> <b>2014</b>	<b>Share Options</b>					<b>Share Grants</b>				
	Number of Share Options					Number of Share Grants				
	At beginning of year '000	Offered/ awarded '000	Vested/ exercised '000	Lapsed '000	At end of year '000	At beginning of year '000	Offered/ awarded '000	Vested/ exercised '000	Lapsed '000	At end of year '000
2011 Share Scheme	3,932	-	(3,735)	(197)	-	535	-	(507)	(28)	-
2012 Share Scheme	7,303	-	(384)	(879)	6,040	1,554	-	(796)	(102)	656
2013 Share Scheme (1st grant)	11,961	-	(207)	(1,428)	10,326	1,547	-	(36)	(169)	1,342
2013 Share Scheme (2nd grant)	1,050	-	-	-	1,050	74	-	-	-	74
2014 Share Scheme	-	14,486	(73)	(1,112)	13,301	-	1,256	(13)	(65)	1,178
	<u>24,246</u>	<u>14,486</u>	<u>(4,399)</u>	<u>(3,616)</u>	<u>30,717</u>	<u>3,710</u>	<u>1,256</u>	<u>(1,352)</u>	<u>(364)</u>	<u>3,250</u>
WAEP	3.85	5.36	3.27	4.36	4.59					

  

<b>2013</b>	<b>Share Options</b>					<b>Share Grants</b>				
	Number of Share Options					Number of Share Grants				
	At beginning of year '000	Offered/ awarded '000	Vested/ exercised '000	Lapsed '000	At end of year '000	At beginning of year '000	Offered/ awarded '000	Vested/ exercised '000	Lapsed '000	At end of year '000
2009 Share Scheme	3,919	-	-	(3,919)	-	-	-	-	-	-
2010 Share Scheme	4,369	-	(3,421)	(948)	-	668	-	(616)	(52)	-
2011 Share Scheme	5,081	-	(37)	(1,112)	3,932	1,371	-	(634)	(202)	535
2012 Share Scheme	8,780	-	(29)	(1,448)	7,303	1,898	-	(24)	(320)	1,554
2013 Share Scheme (1st grant)	-	12,721	(8)	(752)	11,961	-	1,672	(14)	(111)	1,547
2013 Share Scheme (2nd grant)	-	1,050	-	-	1,050	-	74	-	-	74
	<u>22,149</u>	<u>13,771</u>	<u>(3,495)</u>	<u>(8,179)</u>	<u>24,246</u>	<u>3,937</u>	<u>1,746</u>	<u>(1,288)</u>	<u>(685)</u>	<u>3,710</u>
WAEP	3.09	4.22	2.40	3.02	3.85					

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

	<u>WAEP</u> RM	<u>Exercise Period</u>
2011 Share Options	3.15	23.09.2013 - 23.09.2017
2012 Share Options	3.58	22.07.2014 - 22.07.2017
2013 Share Options (1st grant)	4.22	06.07.2015 - 06.07.2017
2013 Share Options (2nd grant)	4.25	31.01.2016 - 31.01.2017
2014 Share Options	5.36	16.08.2016 - 16.08.2017



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

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

		<u><b>Vesting Dates</b></u>
2011 Share Grants	- First 50% of the share grants	23.09.2012
	- Second 50% of the share grants	23.09.2013
2012 Share Grants	- First 50% of the share grants	22.07.2013
	- Second 50% of the share grants	22.07.2014
2013 Share Grants (1st grant)	- First 50% of the share grants	06.07.2014
	- Second 50% of the share grants	06.07.2015
2013 Share Grants (2nd grant)	- First 50% of the share grants	31.01.2015
	- Second 50% of the share grants	31.01.2016
2014 Share Grants	- First 33.3% of the share grants	16.08.2014
	- Second 33.3% of the share grants	16.08.2015
	- Third 33.4% of the share grants	16.08.2016

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

- (i) The aggregate maximum allocation of shares options/grants to Executive Directors and senior management of the Group during the financial year and since commencement of the ESS is 50% of shares available under the ESS.
- (ii) The actual percentage allocation of shares options/grants to Executive Directors and senior management is 48.2% as at 31 March 2014 (2013: 46.2%).

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

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

The fair value of share options/grants under the Share Option Plan and the Share Grant Plan during the financial year was estimated by an external valuer using a binomial model, taking into account the terms and conditions upon which the share options/share grants were offered/awarded. The rates are based on observable prices thus it is within level 2 of the fair value hierarchy. The fair value of share options and share grants measured at offer/award date and the assumptions are as follows:

	Share Options				
	2011	2012	2013 (1st grant)	2013 (2nd grant)	2014
Fair value of the shares as at grant date,					
- 23 September 2010 (RM)	0.8980	-	-	-	-
- 22 July 2011 (RM)	-	0.8790	-	-	-
- 06 July 2012 (RM)	-	-	0.6900	-	-
- 31 January 2013 (RM)	-	-	-	0.6000	-
- 16 August 2013 (RM)	-	-	-	-	0.7200
Weighted average share price (RM)	3.1300	3.7200	4.2200	4.2500	5.3600
Weighted average exercise price (RM)	3.1480	3.5800	4.2200	4.2500	5.3600
Expected volatility (%)	0.3115	0.2977	0.2345	0.2019	0.2084
Expected life (years)	7	6	5	4	4
Risk free rate (%)	2.92 to 4.04	2.93 to 4.18	2.96 to 3.97	2.99 to 3.90	3.09 to 3.83
Expected dividend yield (%)	1.78	3.08	3.46	3.51	3.90

	Share Grants				
	2011	2012	2013 (1st grant)	2013 (2nd grant)	2014
Fair value of the shares as at grant date,					
- 23 September 2010 (RM)	2.9930	-	-	-	-
- 22 July 2011 (RM)	-	3.4405	-	-	-
- 06 July 2012 (RM)	-	-	3.8000	-	-
- 31 January 2013 (RM)	-	-	-	3.8200	-
- 16 August 2013 (RM)	-	-	-	-	4.7700
Weighted average share price (RM)	3.1300	3.7200	4.2200	4.2500	5.3600
Expected volatility (%)	0.3115	0.2977	0.2345	0.2019	0.2084
Risk free rate (%)	2.92 to 4.04	2.93 to 4.18	2.96 to 3.97	2.99 to 3.90	3.09 to 3.83
Expected dividend yield (%)	1.78	3.08	3.46	3.51	3.90

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

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

**29. INTEREST INCOME**

	<u>BANK</u>		<u>GROUP</u>	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing	1,155,528	996,798	1,186,571	1,033,185
Money at call and deposit placements with financial institutions	13,262	12,586	9,300	7,507
Financial assets held-for-trading	1,539	2,755	1,539	2,755
Financial investments available-for-sale	281,612	229,222	302,038	245,750
Financial investments held-to-maturity	15,738	5,666	19,791	12,527
Others	5,499	1,427	5,500	1,430
	<u>1,473,178</u>	<u>1,248,454</u>	<u>1,524,739</u>	<u>1,303,154</u>
Accretion of discount less amortisation of premium	67,036	113,139	76,491	125,996
	<u>1,540,214</u>	<u>1,361,593</u>	<u>1,601,230</u>	<u>1,429,150</u>

**30. INTEREST EXPENSE**

	<u>BANK</u>		<u>GROUP</u>	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	45,277	38,463	65,271	54,668
Deposits from customers	691,885	587,845	718,781	613,012
Subordinated obligations	29,444	29,419	29,444	29,419
Others	11,276	3,729	11,276	3,831
	<u>777,882</u>	<u>659,456</u>	<u>824,772</u>	<u>700,930</u>

**31. NET INCOME FROM ISLAMIC BANKING BUSINESS**

	<u>GROUP</u>	
	2014	2013
	RM'000	RM'000
Income derived from investment of depositors' funds and others	302,186	326,733
Income derived from investment of Islamic Banking funds	31,783	33,150
Income attributable to the depositors and financial institutions	<u>(152,677)</u>	<u>(147,661)</u>
	181,292	212,222
Add: Income due to head office eliminated at Group level	29,625	29,936
	<u>210,917</u>	<u>242,158</u>

Note:

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

**32. OTHER OPERATING INCOME**

	<u>BANK</u>		<u>GROUP</u>	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
(a) <u>Fee and commission income:</u>				
Commissions	78,274	76,405	77,723	77,148
Service charges and fees	29,636	29,051	30,446	30,561
Portfolio management fees	-	-	32	6,557
Corporate advisory fees	-	-	1,313	4,378
Underwriting commissions	-	-	910	705
Brokerage fees	-	-	32,347	19,815
Guarantee fees	11,416	10,231	11,685	10,344
Processing fees	10,174	5,700	14,039	6,850
Commitment fees	14,637	14,707	14,662	14,731
Other fee income	130,811	95,842	130,852	95,827
	<u>274,948</u>	<u>231,936</u>	<u>314,009</u>	<u>266,916</u>
(b) <u>Fee and commission expense:</u>				
Commissions expense	(1,474)	(1,179)	(1,474)	(1,408)
Brokerage fees expense	-	-	(16,120)	(9,796)
Guarantee fees expense	(626)	(1,135)	(626)	(1,135)
Other fee expense	(85,658)	(79,611)	(85,658)	(79,611)
	<u>(87,758)</u>	<u>(81,925)</u>	<u>(103,878)</u>	<u>(91,950)</u>
(c) <u>Investment income:</u>				
(Loss)/gain arising from sale/redemption of:				
- Financial assets held-for-trading	(450)	704	(450)	704
- Financial investments held-to-maturity	3,564	6,858	3,742	7,771
- Financial investments available-for-sale	34,363	52,451	38,986	61,526
Unrealised (loss)/gain from revaluation of:				
- Financial assets held-for-trading	(128)	33	(142)	46
- Derivative instruments	(15,007)	5,407	(15,007)	5,407
Realised gain on derivative instruments	71,399	37,361	71,399	37,361
Gross dividend income from:				
- Financial investments available-for-sale	4,570	3,003	5,430	3,739
- Subsidiaries	38,020	74,648	-	-
	<u>136,331</u>	<u>180,465</u>	<u>103,958</u>	<u>116,554</u>
(d) <u>Other income:</u>				
Foreign exchange gain	19,601	18,616	19,877	18,871
Rental income	395	396	-	-
Gain/(loss) on disposal of property, plant and equipment	41	557	(58)	472
Gain on disposal of non-current assets/subsidiary held for sale	3,361	7,556	1,169	7,556
Gain from disposal of an associate	-	15,000	-	23,176
Others	23,252	18,133	24,232	18,807
	<u>46,650</u>	<u>60,258</u>	<u>45,220</u>	<u>68,882</u>
Total other operating income	<u>370,171</u>	<u>390,734</u>	<u>359,309</u>	<u>360,402</u>

**33. OTHER OPERATING EXPENSES**

	<u>BANK</u>		<u>GROUP</u>	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	214,897	228,865	291,027	316,901
- Contribution to EPF	35,806	37,411	48,350	51,371
- Share options/grants under ESS	9,572	7,741	10,291	8,221
- Others	42,013	29,820	49,505	40,966
	<u>302,288</u>	<u>303,837</u>	<u>399,173</u>	<u>417,459</u>
<u>Establishment costs</u>				
- Depreciation of property, plant and equipment	20,639	25,476	21,211	26,382
- Amortisation of computer software	19,379	20,091	19,621	20,334
- Rental of premises	21,673	21,059	28,017	28,584
- Water and electricity	5,476	5,258	7,362	7,274
- Repairs and maintenance	7,872	8,187	10,287	10,915
- Information technology expenses	36,131	29,667	45,304	41,293
- Others	4,541	162	14,009	11,653
	<u>115,711</u>	<u>109,900</u>	<u>145,811</u>	<u>146,435</u>
<u>Marketing expenses</u>				
- Promotion and advertisement	5,802	10,182	8,602	12,039
- Branding and publicity	9,891	5,189	10,318	5,382
- Others	4,373	3,865	5,002	5,112
	<u>20,066</u>	<u>19,236</u>	<u>23,922</u>	<u>22,533</u>
<u>Administration and general expenses</u>				
- Communication expenses	8,468	9,585	11,537	12,853
- Printing and stationery	3,074	2,731	3,852	3,655
- Insurance	8,597	7,273	9,235	8,219
- Professional fees	17,973	12,067	22,505	15,860
- Others	11,260	8,618	9,866	9,928
	<u>49,372</u>	<u>40,274</u>	<u>56,995</u>	<u>50,515</u>
Total other operating expenses	<u>487,437</u>	<u>473,247</u>	<u>625,901</u>	<u>636,942</u>

Included in the other operating expenses are the following:

	<u>BANK</u>		<u>GROUP</u>	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Auditors' remuneration				
- statutory audit fees	634	607	961	954
- audit related fees	370	527	591	845
- tax compliance fees	43	42	81	112
- tax related services	118	10	118	17
Hire of equipment	3,800	3,790	3,942	3,954
Property, plant and equipment written-off	348	510	622	511
Computer software written-off	10	1	11	1

**34. WRITE-BACK OF LOSSES ON LOANS, ADVANCES AND FINANCING AND OTHER LOSSES**

	<u>BANK</u>		<u>GROUP</u>	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Allowance for/(write-back of) losses on loans, advances and financing:				
(a) Individual assessment allowance				
- Made during the year (net)	4,626	12,237	5,613	19,674
(b) Collective assessment allowance				
- Made/(write-back) during the year (net)	1,886	(8,301)	11,746	8,034
(c) Bad debts on loans and financing				
- Recovered	(45,221)	(63,147)	(59,113)	(78,360)
- Written-off	16,730	13,859	24,511	21,660
	<u>(21,979)</u>	<u>(45,352)</u>	<u>(17,243)</u>	<u>(28,992)</u>
Write-back of commitment and contingencies	-	-	-	(197)
Allowance for other assets	2,967	4,304	4,272	4,422
	<u>(19,012)</u>	<u>(41,048)</u>	<u>(12,971)</u>	<u>(24,767)</u>

During the current financial year, the Bank and the Group carried out an exercise to refine its MFRS139 collective assessment impairment estimation for certain loan portfolios. The refinement is part of the management's on-going initiative to enhance the loans loss methodologies. This has resulted a write-back of collective assessment allowance of RM14,104,000 and RM10,633,000 in the Bank and the Group respectively, in the current financial year.

**35. WRITE-BACK OF IMPAIRMENT**

	<u>BANK</u>		<u>GROUP</u>	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Write-back of impairment on securities:				
- Financial investments available-for-sale	(8,018)	-	(12,236)	(474)
- Financial investments held-to-maturity	(2,691)	-	(2,691)	-
	<u>(10,709)</u>	<u>-</u>	<u>(14,927)</u>	<u>(474)</u>

**36. TAXATION AND ZAKAT**

	<u>BANK</u>		<u>GROUP</u>	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Income tax:				
Provision for current year	161,929	156,990	184,257	177,170
Under/(over) provision in prior years	205	(8,191)	304	(12,623)
	<u>162,134</u>	<u>148,799</u>	<u>184,561</u>	<u>164,547</u>
Deferred tax (Note 16)	1,485	4,694	722	10,906
	<u>163,619</u>	<u>153,493</u>	<u>185,283</u>	<u>175,453</u>
Zakat	-	-	199	174
	<u>163,619</u>	<u>153,493</u>	<u>185,482</u>	<u>175,627</u>

Income tax is calculated at the Malaysian statutory tax rate of 25% (2013: 25%) of the estimated assessable profit for the year.

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

	<u>BANK</u>		<u>GROUP</u>	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	<u>674,787</u>	<u>660,672</u>	<u>748,685</u>	<u>714,365</u>
Taxation at Malaysian statutory tax rate of 25% (2013: 25%)	168,697	165,168	187,171	178,591
Effect of income not subject to tax	(8,824)	(13,690)	(5,296)	(6,731)
Effect of expenses not deductible for tax purposes	3,304	733	3,625	2,595
Effect of changes in tax rate	(271)	-	(142)	-
Deferred tax recognised on unabsorbed tax losses	-	-	162	-
Under/(over) provision of deferred tax in prior years	508	9,473	(541)	13,621
Under/(over) provision of tax expense in prior years	205	(8,191)	304	(12,623)
Tax expense for the year	<u>163,619</u>	<u>153,493</u>	<u>185,283</u>	<u>175,453</u>

	<u>BANK</u>		<u>GROUP</u>	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Tax savings during the year arising from:				
- utilisation of current year tax losses	-	-	28	-
- utilisation of tax losses brought forward from previous year	-	-	-	1,232

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

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

	<u>GROUP</u>	
	2014 RM'000	2013 RM'000
Profit for the year attributable to owner of the parent	<u>563,203</u>	<u>538,659</u>
	2014 '000	2013 '000
Weighted average numbers of ordinary shares in issue	<u>596,517</u>	<u>596,517</u>
	2014 sen	2013 sen
Basic earnings per share	<u>94</u>	<u>90</u>

**(b) Diluted**

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

	<u>GROUP</u>	
	2014 RM'000	2013 RM'000
Profit for the year attributable to owner of the parent	<u>563,203</u>	<u>538,659</u>
	2014 '000	2013 '000
Weighted average numbers of ordinary shares in issue	596,517	596,517
Effect of dilution:		
ICPS	<u>200,000</u>	<u>200,000</u>
	<u>796,517</u>	<u>796,517</u>
	2014 sen	2013 sen
Diluted earnings per share	<u>71</u>	<u>68</u>



**38. DIVIDENDS**

## (a) Dividends on Ordinary Shares:

	<u>Recognised during the year</u>	
	2014 RM'000	2013 RM'000
<u>Final</u>		
28.7 sen less 25% taxation on 596,517,043 ordinary shares, declared in financial year ended 31 March 2012, was paid on 20 July 2012	-	128,400
<u>Interim</u>		
26.2 sen less 25% taxation on 596,517,043 ordinary shares, declared in financial year ended 31 March 2013, was paid on 27 November 2012	-	117,216
<u>Final</u>		
37.4 sen less 25% taxation on 596,517,043 ordinary shares, declared in financial year ended 31 March 2013, was paid on 9 July 2013	167,323	-
<u>Interim</u>		
28.2 sen less 25% taxation on 596,517,043 ordinary shares, declared in financial year ending 31 March 2014, was paid on 27 November 2013	126,163	-
	<u>293,486</u>	<u>245,616</u>

Subsequent to the financial year end, on 22 May 2014, the Directors declared a second interim dividend of 26.9 sen, tax exempt under the single tier tax system, on 596,517,043 ordinary shares amounting to approximately RM160,463,000 in respect of current financial year. The accompanying financial statements do not reflect these dividend. The dividend will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 March 2015. The Directors do not propose any final dividend in respect of the financial year ended 31 March 2014.

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

	<u>Net dividends per Ordinary Share</u>	
	2014 Sen	2013 Sen
Declared subsequent to financial year end:		
Second interim dividend of 26.9 sen, tax exempt under single tier tax	26.90	-
Final dividend of 37.4 sen less 25% tax	-	28.05
Paid:		
First Interim dividend of 28.2 sen less 25% tax	21.15	-
First Interim dividend of 26.2 sen less 25% tax	-	19.65
	<u>48.05</u>	<u>47.70</u>

**38. DIVIDENDS (CONTD.)**

(b) Dividends on ICPS:

	<u>Recognised during the year</u>		<u>Net dividends per Preference Share</u>	
	2014 RM'000	2013 RM'000	2014 Sen	2013 Sen
<u>Final</u>				
5 sen per share, tax exempt dividend under the single tier tax on 400,000,000 preference shares, declared in financial year ended 31 March 2013, and paid on 27 November 2012	-	20,000	-	5.00
<u>Final</u>				
5 sen per share, tax exempt dividend under the single tier tax on 400,000,000 preference shares, declared in financial year ended 31 March 2014, and paid on 27 November 2013	20,000	-	5.00	-

**39. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES**

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

	<u>BANK</u>		<u>GROUP</u>	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
(a) <u>Transactions</u>				
Interest income				
- subsidiaries	(29,396)	(30,802)	-	-
- key management personnel	(105)	(92)	(198)	(202)
Dividend income				
- subsidiaries	(38,020)	(74,648)	-	-
Management fees				
- holding company	(348)	(348)	(348)	(348)
- subsidiaries	(5,505)	(6,067)	-	-
Rental income				
- subsidiaries	(396)	(396)	-	-
Other operating expenses recharged				
- subsidiaries	(86,001)	(101,248)	-	-
Other income				
- subsidiaries	-	(597)	-	-
Commission paid				
- subsidiaries	(30,242)	(31,182)	-	-

**39. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTD.)**

	<u>BANK</u>		<u>GROUP</u>	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<b>(a) <u>Transactions (contd.)</u></b>				
Interest expenses				
- holding company	-	-	1,445	2,026
- subsidiaries	141	3	-	-
- an associate	38	38	38	55
- key management personnel	68	70	115	145
Management fees paid				
- a substantial shareholder of holding company	-	-	-	853
Other operating expenses				
- holding company	3,001	2,578	3,001	3,178
- related companies	-	-	500	-
Dividend paid				
- holding company	411,315	347,488	411,315	347,488
<b>(b) <u>Balances</u></b>				
Amount due to				
Deposits from customers				
- holding company	(16)	(7)	(16)	(18,823)
- subsidiaries	(15,920)	(41,811)	-	-
- related companies	(11)	(248)	(5,054)	(12)
- an associate	(1,168)	(1,149)	(1,168)	(1,149)
- key management personnel	(3,424)	(4,562)	(6,640)	(8,088)
Financial investments available-for-sale				
- subsidiaries	739,501	749,402	-	-
Loans, advances and financing				
- key management personnel	3,155	4,022	8,332	7,808
Overdraft				
- key management personnel	-	80	-	80
Money at call and deposit placements with financial institutions				
- subsidiaries	-	195,821	-	-
Other assets				
- holding company	-	122	-	121
- subsidiaries	39,354	808	-	-
- related companies	-	11	-	-
Other liabilities				
- holding company	(180)	-	(329)	(47)
- subsidiaries	(115)	(14,032)	-	-

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

Related companies refer to member companies of Alliance Financial Group Berhad, the holding company of the Bank.

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

**(c) Compensation of key management personnel**

Remuneration of Directors and other members of key management for the year is as follows:

	<u>BANK</u>		<u>GROUP</u>	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Short-term employee benefits				
- Fees	576	645	1,150	1,445
- Salary and other remuneration, including meeting allowances	9,977	9,629	11,890	11,610
- Contribution to EPF	1,454	1,187	1,715	1,442
- Share options/grants under ESS	2,715	1,727	2,913	1,891
Benefits-in-kind	114	72	116	81
	<u>14,836</u>	<u>13,260</u>	<u>17,784</u>	<u>16,469</u>
Included in the total key management personnel are:				
Directors' remuneration (Note 41)	<u>8,971</u>	<u>8,021</u>	<u>11,919</u>	<u>11,230</u>

**39. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTD.)****(c) Compensation of key management personnel (contd.)**

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

	Share Options		Share Grants	
	2014 '000	2013 '000	2014 '000	2013 '000
<b><u>BANK</u></b>				
At beginning of year	5,599	3,048	594	428
Directors/key management personnel appointed during the year	544	410	-	39
Offered/awarded	3,428	2,698	353	235
Vested	(770)	(86)	(194)	(69)
Lapsed	(410)	(471)	(21)	(39)
At end of year	<u>8,391</u>	<u>5,599</u>	<u>732</u>	<u>594</u>

	Share Options		Share Grants	
	2014 '000	2013 '000	2014 '000	2013 '000
<b><u>GROUP</u></b>				
At beginning of year	6,199	3,789	659	504
Directors/key management personnel appointed during the year	544	560	-	49
Offered/awarded	3,700	2,869	365	252
Vested	(976)	(182)	(240)	(87)
Lapsed	(655)	(837)	(29)	(59)
At end of year	<u>8,812</u>	<u>6,199</u>	<u>755</u>	<u>659</u>

The above share options/grants were offered/awarded on the same terms and conditions as those offered to other employees of AFG Berhad Group (Note 28).

**40. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES**

	<u>BANK</u>	
	2014	2013
	RM'000	RM'000
Outstanding credit exposures with connected parties	<u>215,386</u>	<u>104,884</u>
of which:		
Total credit exposure which is impaired or in default	<u>-</u>	<u>7</u>
Total credit exposures	<u>37,936,456</u>	<u>33,348,845</u>
Percentage of outstanding credit exposures to connected parties		
- as a proportion of total credit exposures	<u>0.57%</u>	<u>0.31%</u>
- which is impaired or in default	<u>0.00%</u>	<u>0.00%</u>

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

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

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

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

**41. CEOs AND DIRECTORS' REMUNERATION**

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

	<u>BANK</u>		<u>GROUP</u>	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Chief Executive Officers:				
- Salary and other remuneration	2,521	2,023	3,995	3,555
- Bonuses	2,500	2,650	2,750	2,800
- Contribution to EPF	803	746	1,064	1,001
- Share options/grants under ESS	1,924	1,331	2,122	1,495
- Benefits-in-kind	90	44	92	53
	7,838	6,794	10,023	8,904
Non-executive Directors:				
- Fees	576	645	1,150	1,445
- Allowances	533	558	722	857
- Benefits-in-kind	24	24	24	24
	1,133	1,227	1,896	2,326
	8,971	8,021	11,919	11,230
Past Directors:				
- Salary and other remuneration, including meeting allowance	15	4	18	863
- Fees	18	3	60	21
- Contribution to EPF	-	-	-	35
- Share options/grants under ESS	-	-	-	15
- Benefits-in-kind	-	-	-	1
	33	7	78	935
	9,004	8,028	11,997	12,165
Total Directors' remuneration excluding benefits-in-kind	8,890	7,960	11,881	12,087

	2014		2013	
	Executive Directors/ CEO	Non- Executive Directors	Executive Directors/ CEO	Non- Executive Directors
<u>Directors of the Bank</u>				
Below RM50,000	-	1	-	1
RM50,001 - RM100,000	-	-	-	1
RM100,001 - RM150,000	-	3	-	4
RM150,001 - RM200,000	-	2	-	1
RM200,001 - RM250,000	-	2	-	2
RM250,001 - RM300,000	-	-	-	-
RM300,001 - RM350,000	-	-	-	-
RM350,001 - RM400,000	-	-	-	-
RM400,001 - RM450,000	-	-	-	-
Above RM450,000	1	-	1	-

**41. CEOs AND DIRECTORS' REMUNERATION (CONTD.)**

	2014		2013	
	Executive Directors/ CEO	Non- Executive Directors	Executive Directors/ CEO	Non- Executive Directors
<u>Directors of the Group</u>				
Below RM50,000	-	1	-	1
RM50,001 - RM100,000	-	1	-	-
RM100,001 - RM150,000	-	4	-	6
RM150,001 - RM200,000	-	2	-	-
RM200,001 - RM250,000	-	-	-	1
RM250,001 - RM300,000	-	-	-	1
RM300,001 - RM350,000	-	2	-	1
RM350,001 - RM400,000	-	1	1	1
RM400,001 - RM450,000	-	-	-	1
Above RM450,000	3	-	4	-

**42. FINANCIAL RISK MANAGEMENT POLICIES**

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

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

**(a) Credit Risk**

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

Primary exposure to credit risk arises from loans, advances and financing. The amount of credit exposure is represented by the carrying amount of loans, advances and financing in the statements of financial position. The lending/financing activities in the Group are guided by the Group's Credit Policies and Guidelines, in line with Best Practices in the Management of Credit Risk, issued by Bank Negara Malaysia. These credit policies and guidelines also include an Internal Grading model adopted by the Group to grade its loans, advances and financing accounts according to their respective risk profiles.

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

The credit exposure arising from off-balance sheet activities, i.e. commitments and contingencies is set out in Note 46 to the financial statements.

Credit risk arising from Treasury activities are managed by appropriate policies, counterparty limits and supported by the Group's Risk Management Framework.



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

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

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

	<u>BANK</u>		<u>GROUP</u>	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<b>Credit risk exposure of on-balance sheet:</b>				
Cash and short-term funds				
(exclude cash in hand)	1,540,445	1,123,142	1,827,207	1,044,219
Deposits and placements with				
banks and other financial institutions	655,305	124,946	655,305	153,236
Balances due from clients and brokers	-	-	76,265	50,122
Financial assets held-for-trading	110,172	1,265,298	110,172	1,519,930
Financial investments available-for-sale				
(exclude equity securities)	7,438,485	8,328,534	9,597,649	10,225,058
Financial investments held-to-maturity	710,730	101,717	1,320,122	596,949
Derivative financial assets	39,677	19,792	39,677	19,792
Loans, advances and financing	26,537,328	22,864,400	31,788,941	27,747,806
Total on-balance sheet	<u>37,032,142</u>	<u>33,827,829</u>	<u>45,415,338</u>	<u>41,357,112</u>
<b>Credit risk exposure of off-balance sheet:</b>				
Financial guarantees	533,277	425,521	610,849	500,258
Credit related commitments				
and contingencies	11,648,791	10,667,473	13,370,667	12,330,197
Total off-balance sheet	<u>12,182,068</u>	<u>11,092,994</u>	<u>13,981,516</u>	<u>12,830,455</u>
Total maximum exposure	<u>49,214,210</u>	<u>44,920,823</u>	<u>59,396,854</u>	<u>54,187,567</u>

## 42. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

## (a) Credit Risk (contd.)

## (ii) Credit risk concentrations

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

	Government and Central	Financial, Insurance, Business Services and	Transport, Storage and Communication	Agriculture, Manufacturing, Wholesale &		Residential	Motor Vehicle	Other Consumer	
<u>BANK</u>	<u>Bank</u>	<u>Real Estate</u>	<u>Services</u>	<u>Retail Trade</u>	<u>Construction</u>	<u>Mortgage</u>	<u>Financing</u>	<u>Loans</u>	<u>Total</u>
2014	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	401,878	1,138,567	-	-	-	-	-	-	1,540,445
Deposits and placements with banks and other financial institutions	-	655,305	-	-	-	-	-	-	655,305
Financial assets held-for-trading	110,172	-	-	-	-	-	-	-	110,172
Financial investments available-for-sale	4,454,365	2,220,466	221,981	350,399	120,123	-	-	71,151	7,438,485
Financial investments held-to-maturity	710,393	337	-	-	-	-	-	-	710,730
Derivative financial assets	-	39,533	-	-	-	-	-	144	39,677
Loans, advances and financing	-	3,135,367	125,277	6,990,043	354,012	10,861,757	496,012	4,574,860	26,537,328
<b>Total on-balance sheet</b>	<b>5,676,808</b>	<b>7,189,575</b>	<b>347,258</b>	<b>7,340,442</b>	<b>474,135</b>	<b>10,861,757</b>	<b>496,012</b>	<b>4,646,155</b>	<b>37,032,142</b>
Financial guarantees	-	115,081	23,187	332,592	24,355	-	-	38,062	533,277
Credit related commitments and contingencies	-	1,152,769	62,754	2,701,328	1,111,276	3,724,320	-	2,896,344	11,648,791
<b>Total off-balance sheet</b>	<b>-</b>	<b>1,267,850</b>	<b>85,941</b>	<b>3,033,920</b>	<b>1,135,631</b>	<b>3,724,320</b>	<b>-</b>	<b>2,934,406</b>	<b>12,182,068</b>
<b>Total credit risk</b>	<b>5,676,808</b>	<b>8,457,425</b>	<b>433,199</b>	<b>10,374,362</b>	<b>1,609,766</b>	<b>14,586,077</b>	<b>496,012</b>	<b>7,580,561</b>	<b>49,214,210</b>

## 42. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

## (a) Credit Risk (contd.)

## (ii) Credit risk concentrations (contd.)

<u>GROUP</u>	Government and Central <u>Bank</u>	Financial, Insurance, Business Services and <u>Real Estate</u>	Transport, Storage and Communication <u>Services</u>	Agriculture, Manufacturing, Wholesale & <u>Retail Trade</u>	<u>Construction</u>	Residential <u>Mortgage</u>	Motor Vehicle <u>Financing</u>	Other Consumer <u>Loans</u>	<u>Total</u>
2014	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	725,104	1,102,103	-	-	-	-	-	-	1,827,207
Deposits and placements with banks and other financial institutions	-	655,305	-	-	-	-	-	-	655,305
Balances due from clients and brokers	-	-	-	-	-	-	-	76,265	76,265
Financial assets held-for-trading	110,172	-	-	-	-	-	-	-	110,172
Financial investments available-for-sale	5,719,636	2,930,976	314,859	400,574	145,207	-	-	86,397	9,597,649
Financial investments held-to-maturity	1,314,596	389	5,137	-	-	-	-	-	1,320,122
Derivative financial assets	-	39,533	-	-	-	-	-	144	39,677
Loans, advances and financing	-	3,541,246	144,508	8,216,445	411,478	13,094,472	850,571	5,530,221	31,788,941
<b>Total on-balance sheet</b>	<b>7,869,508</b>	<b>8,269,552</b>	<b>464,504</b>	<b>8,617,019</b>	<b>556,685</b>	<b>13,094,472</b>	<b>850,571</b>	<b>5,693,027</b>	<b>45,415,338</b>
Financial guarantees	-	117,711	23,258	406,556	24,873	-	-	38,451	610,849
Credit related commitments and contingencies	-	1,364,871	65,231	3,302,864	1,152,402	4,173,541	1,193	3,310,565	13,370,667
<b>Total off-balance sheet</b>	<b>-</b>	<b>1,482,582</b>	<b>88,489</b>	<b>3,709,420</b>	<b>1,177,275</b>	<b>4,173,541</b>	<b>1,193</b>	<b>3,349,016</b>	<b>13,981,516</b>
<b>Total credit risk</b>	<b>7,869,508</b>	<b>9,752,134</b>	<b>552,993</b>	<b>12,326,439</b>	<b>1,733,960</b>	<b>17,268,013</b>	<b>851,764</b>	<b>9,042,043</b>	<b>59,396,854</b>

## 42. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

## (a) Credit Risk (contd.)

## (ii) Credit risk concentrations (contd.)

	Government and Central Bank	Financial, Insurance, Business Services and Real Estate	Transport, Storage and Communication Services	Agriculture, Manufacturing, Wholesale & Retail Trade	Construction	Residential Mortgage	Motor Vehicle Financing	Other Consumer Loans	Total
<u>BANK</u> 2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	618,890	504,252	-	-	-	-	-	-	1,123,142
Deposits and placements with banks and other financial institutions	-	124,946	-	-	-	-	-	-	124,946
Financial assets held-for-trading	1,265,298	-	-	-	-	-	-	-	1,265,298
Financial investments available-for-sale	2,712,779	5,052,209	97,688	336,345	57,589	-	-	71,924	8,328,534
Financial investments held-to-maturity	101,256	461	-	-	-	-	-	-	101,717
Derivative financial assets	-	19,629	-	-	-	-	-	163	19,792
Loans, advances and financing	-	2,564,541	88,553	6,509,323	380,132	9,383,562	365,548	3,572,741	22,864,400
<b>Total on-balance sheet</b>	<b>4,698,223</b>	<b>8,266,038</b>	<b>186,241</b>	<b>6,845,668</b>	<b>437,721</b>	<b>9,383,562</b>	<b>365,548</b>	<b>3,644,828</b>	<b>33,827,829</b>
Financial guarantees	-	28,767	20,375	299,282	37,971	-	-	39,126	425,521
Credit related commitments and contingencies	-	950,781	53,517	2,533,398	814,259	-	-	6,315,518	10,667,473
<b>Total off-balance sheet</b>	<b>-</b>	<b>979,548</b>	<b>73,892</b>	<b>2,832,680</b>	<b>852,230</b>	<b>-</b>	<b>-</b>	<b>6,354,644</b>	<b>11,092,994</b>
<b>Total credit risk</b>	<b>4,698,223</b>	<b>9,245,586</b>	<b>260,133</b>	<b>9,678,348</b>	<b>1,289,951</b>	<b>9,383,562</b>	<b>365,548</b>	<b>9,999,472</b>	<b>44,920,823</b>

## 42. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

## (a) Credit Risk (contd.)

## (ii) Credit risk concentrations (contd.)

<u>GROUP</u>	Government and Central <u>Bank</u>	Financial, Insurance, Business Services and <u>Real Estate</u>	Transport, Storage and Communication <u>Services</u>	Agriculture, Manufacturing, Wholesale & <u>Retail Trade</u>	<u>Construction</u>	Residential <u>Mortgage</u>	Motor Vehicle <u>Financing</u>	Other Consumer <u>Loans</u>	<u>Total</u>
2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	738,087	306,132	-	-	-	-	-	-	1,044,219
Deposits and placements with banks and other financial institutions	-	153,236	-	-	-	-	-	-	153,236
Balances due from clients and brokers	-	-	-	-	-	-	-	50,122	50,122
Financial assets held-for-trading	1,519,930	-	-	-	-	-	-	-	1,519,930
Financial investments available-for-sale	3,653,718	5,828,940	158,284	418,331	78,449	-	-	87,336	10,225,058
Financial investments held-to-maturity	591,264	513	5,172	-	-	-	-	-	596,949
Derivative financial assets	-	19,629	-	-	-	-	-	163	19,792
Loans, advances and financing	-	2,895,855	111,178	7,626,069	438,726	11,362,649	575,222	4,738,107	27,747,806
<b>Total on-balance sheet</b>	<b>6,502,999</b>	<b>9,204,305</b>	<b>274,634</b>	<b>8,044,400</b>	<b>517,175</b>	<b>11,362,649</b>	<b>575,222</b>	<b>4,875,728</b>	<b>41,357,112</b>
Financial guarantees	-	32,582	20,468	369,636	38,080	-	-	39,492	500,258
Credit related commitments and contingencies	-	1,091,666	55,548	2,988,350	847,321	600,903	218	6,746,191	12,330,197
<b>Total off-balance sheet</b>	<b>-</b>	<b>1,124,248</b>	<b>76,016</b>	<b>3,357,986</b>	<b>885,401</b>	<b>600,903</b>	<b>218</b>	<b>6,785,683</b>	<b>12,830,455</b>
<b>Total credit risk</b>	<b>6,502,999</b>	<b>10,328,553</b>	<b>350,650</b>	<b>11,402,386</b>	<b>1,402,576</b>	<b>11,963,552</b>	<b>575,440</b>	<b>11,661,411</b>	<b>54,187,567</b>

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

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

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

**(iv) Credit quality - Loans, advances and financing**

All loans, advances and financing are categorised as either:

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

Past due loans/financing, advances and financing refer to loans that are overdue by one day or more. Impaired loans/financing are loans/financing with arrears more than 90 days or are judgementally triggered as impaired.

**Distribution of loans, advances and financing by credit quality**

	<u>BANK</u>		<u>GROUP</u>	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Neither past due nor impaired	25,613,496	21,936,125	30,571,621	26,514,509
Past due but not impaired	904,140	846,858	1,184,994	1,131,738
Impaired	353,880	472,533	442,781	579,233
Gross loans, advances and financing	26,871,516	23,255,516	32,199,396	28,225,480
Sales commissions and handling fees	45,452	42,873	30,050	23,935
Less: Allowance for impairment				
- Individual assessment	(67,281)	(95,282)	(97,159)	(128,471)
- Collective assessment	(266,907)	(295,834)	(313,296)	(349,203)
Net loans, advances and financing	<u>26,582,780</u>	<u>22,907,273</u>	<u>31,818,991</u>	<u>27,771,741</u>
Financial effect of collateral held for loans, advances and financing	<u>72.2%</u>	<u>74.0%</u>	<u>71.9%</u>	<u>72.3%</u>

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

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

	<u>BANK</u>		<u>GROUP</u>	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Grading classification				
- Good	24,221,829	20,739,647	28,913,200	25,049,436
- Fair	1,391,667	1,196,478	1,658,421	1,465,073
	<u>25,613,496</u>	<u>21,936,125</u>	<u>30,571,621</u>	<u>26,514,509</u>

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

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

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

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

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

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

	<u>BANK</u>		<u>GROUP</u>	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Past due up to 1 month	730,271	714,766	947,287	925,366
Past due > 1 - 2 months	157,024	126,995	211,398	188,773
Past due > 2 - 3 months	16,845	5,097	26,309	17,599
	<u>904,140</u>	<u>846,858</u>	<u>1,184,994</u>	<u>1,131,738</u>

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

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

	<u>BANK</u>		<u>GROUP</u>	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Gross impaired loans	353,880	472,533	442,781	579,233
Gross individually assessed impaired loans	107,763	216,678	156,525	260,255
Less: Allowance for impairment				
- Individual assessment	(67,281)	(95,282)	(97,159)	(128,471)
Net individually assessed impaired loans	40,482	121,396	59,366	131,784



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

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

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

	Cash and short-term funds RM'000	Deposits and placement with financial institutions RM'000	Financial assets held-for- trading RM'000	Financial investments available-for- sale RM'000	Financial investments held-to- maturity RM'000	Derivative financial assets RM'000	Total RM'000
<b>BANK</b>							
2014							
<i>By rating agencies</i>							
<b><u>RAM</u></b>							
AAA	50,004	94,190	-	801,653	-	7,858	953,705
AA1	-	-	-	131,013	-	9,894	140,907
AA2	-	-	-	71,151	-	4,888	76,039
AA3	-	-	-	36,167	-	-	36,167
A1	-	-	-	-	-	217	217
A2	-	-	-	-	-	359	359
<b><u>MARC</u></b>							
AAA	-	-	-	517,277	-	5,249	522,526
AA-	235,019	-	-	149,127	-	-	384,146
<b><u>FITCH</u></b>							
AA-	1,789	-	-	-	-	-	1,789
A+	17,266	-	-	-	-	-	17,266
A-	16,328	-	-	-	-	-	16,328
A	272,832	205,031	-	-	-	-	477,863
<b><u>Moody's</u></b>							
AA1	1,482	-	-	-	-	4	1,486
AA2	2,338	-	-	-	-	-	2,338
AA3	-	-	-	-	-	5	5
A1	66,706	199,867	-	-	-	-	266,573
A2	-	-	-	-	-	740	740
BAA1	31	-	-	-	-	-	31
<b><u>S&amp;P</u></b>							
AA-	2,117	-	-	-	-	242	2,359
A3	54,438	-	-	-	-	-	54,438
A	5,380	-	-	-	-	3	5,383
Government backed	401,878	-	110,172	4,835,837	710,393	5,145	6,063,425
Unrated [Note]	412,837	156,217	-	896,260	337	5,073	1,470,724
	<u>1,540,445</u>	<u>655,305</u>	<u>110,172</u>	<u>7,438,485</u>	<u>710,730</u>	<u>39,677</u>	<u>10,494,814</u>

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

	Cash and short-term funds RM'000	Deposits and placement with financial institutions RM'000	Financial assets held-for- trading RM'000	Financial investments available-for sale RM'000	Financial investments held-to- maturity RM'000	Derivative financial assets RM'000	Total RM'000
<u>GROUP</u>							
2014							
<i>By rating agencies</i>							
<b><u>RAM</u></b>							
AAA	54,087	94,190	-	948,914	-	7,858	1,105,049
AA1	-	-	-	156,404	-	9,894	166,298
AA2	23	-	-	86,397	-	4,888	91,308
AA3	-	-	-	49,601	-	-	49,601
A1	51,725	-	-	-	-	217	51,942
A2	-	-	-	-	-	359	359
<b><u>MARC</u></b>							
AAA	-	-	-	689,428	-	5,249	694,677
AA-	235,019	-	-	188,871	-	-	423,890
<b><u>FITCH</u></b>							
AA-	1,789	-	-	-	-	-	1,789
A+	17,266	-	-	-	-	-	17,266
A-	16,328	-	-	-	-	-	16,328
A	272,832	205,031	-	-	-	-	477,863
<b><u>Moody's</u></b>							
AA1	1,482	-	-	-	-	4	1,486
AA2	2,338	-	-	-	-	-	2,338
AA3	-	-	-	-	-	5	5
A1	66,706	199,867	-	-	-	-	266,573
A2	-	-	-	-	-	740	740
BAA1	31	-	-	-	-	-	31
<b><u>S&amp;P</u></b>							
AA-	2,117	-	-	-	-	242	2,359
A3	54,438	-	-	-	-	-	54,438
A	5,380	-	-	-	-	3	5,383
Government backed	596,483	-	110,172	6,254,247	1,319,732	5,145	8,285,779
Unrated [Note]	449,163	156,217	-	1,223,787	390	5,073	1,834,630
	<u>1,827,207</u>	<u>655,305</u>	<u>110,172</u>	<u>9,597,649</u>	<u>1,320,122</u>	<u>39,677</u>	<u>13,550,132</u>

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

	Cash and short-term funds RM'000	Deposits and placement with financial institutions RM'000	Financial assets held-for- trading RM'000	Financial investments available-for- sale RM'000	Financial investments held-to- maturity RM'000	Derivative financial assets RM'000	Total RM'000
<b><u>BANK</u></b>							
2013							
<i>By rating agencies</i>							
<b><u>RAM</u></b>							
AAA	208,904	32,241	-	859,168	-	11,227	1,111,540
AA1	32,203	92,705	-	147,743	-	2,418	275,069
AA2	-	-	-	71,924	-	654	72,578
AA3	-	-	-	36,893	-	1,034	37,927
A1	195,821	-	-	-	-	1	195,822
A2	-	-	-	-	-	5	5
<b><u>MARC</u></b>							
AAA	-	-	-	638,158	-	-	638,158
AA-	-	-	-	20,878	-	-	20,878
<b><u>FITCH</u></b>							
AA-	1,492	-	-	-	-	-	1,492
A1	1,654	-	-	-	-	-	1,654
A	-	-	-	-	-	184	184
<b><u>Moody's</u></b>							
AA1	627	-	-	-	-	15	642
AA3	1,646	-	-	-	-	-	1,646
AA+	1,593	-	-	-	-	-	1,593
A+	-	-	-	-	-	57	57
A1	1,225	-	-	-	-	-	1,225
A2	14,060	-	-	-	-	5	14,065
A3	173	-	-	-	-	-	173
A	359	-	-	-	-	-	359
BAA1	3,258	-	-	-	-	-	3,258
<b><u>S&amp;P</u></b>							
AA-	3,062	-	-	-	-	31	3,093
A	7,253	-	-	-	-	112	7,365
BB-	18	-	-	-	-	-	18
Government backed	618,889	-	1,265,298	3,082,763	101,256	-	5,068,206
Unrated [Note]	30,905	-	-	3,471,007	461	4,049	3,506,422
	<u>1,123,142</u>	<u>124,946</u>	<u>1,265,298</u>	<u>8,328,534</u>	<u>101,717</u>	<u>19,792</u>	<u>10,963,429</u>

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

	Cash and short-term funds RM'000	Deposits and placement with financial institutions RM'000	Financial assets held-for- trading RM'000	Financial investments available-for- sale RM'000	Financial investments held-to- maturity RM'000	Derivative financial assets RM'000	Total RM'000
<b>GROUP</b>							
2013							
<i>By rating agencies</i>							
<b>RAM</b>							
AAA	211,432	32,241	-	1,085,150	-	11,227	1,340,050
AA1	32,203	92,705	-	173,450	-	2,418	300,776
AA2	59	-	-	87,336	-	654	88,049
AA3	-	-	-	53,721	-	1,034	54,755
A1	-	-	-	-	-	1	1
A2	-	-	-	-	-	5	5
<b>MARC</b>							
AAA	-	-	-	781,704	-	-	781,704
AA+	-	-	-	10,211	-	-	10,211
AA-	-	-	-	46,495	-	-	46,495
<b>FITCH</b>							
AA-	1,492	-	-	-	-	-	1,492
A1	1,654	-	-	-	-	-	1,654
A	-	-	-	-	-	184	184
<b>Moody's</b>							
AA1	627	-	-	-	-	15	642
AA3	1,646	-	-	-	-	-	1,646
AA+	1,593	-	-	-	-	-	1,593
A+	-	-	-	-	-	57	57
A1	1,225	-	-	-	-	-	1,225
A2	14,060	-	-	-	-	5	14,065
A3	174	-	-	-	-	-	174
A	359	-	-	-	-	-	359
BAA1	3,258	-	-	-	-	-	3,258
<b>S&amp;P</b>							
AA-	3,062	-	-	-	-	31	3,093
A	7,253	-	-	-	-	112	7,365
BB-	18	-	-	-	-	-	18
Government backed	738,086	-	1,519,930	4,196,414	596,436	-	7,050,866
Unrated [Note]	26,018	28,290	-	3,790,577	513	4,049	3,849,447
	<u>1,044,219</u>	<u>153,236</u>	<u>1,519,930</u>	<u>10,225,058</u>	<u>596,949</u>	<u>19,792</u>	<u>13,559,184</u>

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

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

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

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

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

**(i) Interest/profit rate risk**

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

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

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

## 42. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

## (b) Market Risk (contd.)

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

<u>BANK</u> 2014	Non-trading book						Non-interest	Trading book	Total	Effective interest rate
	<u>Up to 1 month</u>	<u>&gt;1-3 months</u>	<u>&gt;3-6 months</u>	<u>&gt;6-12 months</u>	<u>&gt;1-5 years</u>	<u>Over 5 years</u>	<u>sensitive</u>			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
<b>Assets</b>										
Cash and short-term funds	1,165,537	-	-	-	-	-	677,459	-	1,842,996	2.09
Deposits and placements with banks and other financial institutions	-	555,223	97,965	-	-	-	2,117	-	655,305	2.40
Financial assets held-for-trading	-	-	-	-	-	-	-	110,172	110,172	3.39
Financial investments available-for-sale	81,651	135,113	-	85,197	3,711,440	3,361,031	164,175	-	7,538,607	3.57
Financial investments held-to-maturity	-	-	-	-	607,958	98,954	3,818	-	710,730	3.66
Derivative financial assets										
- Trading derivatives	-	-	-	-	-	-	-	39,677	39,677	-
Loans, advances and financing	21,405,308	983,644	426,551	870,066	1,642,198	1,235,321	19,692 *	-	26,582,780	5.19
Other non-interest sensitive balances	-	-	-	-	-	-	2,570,562	-	2,570,562	-
<b>Total assets</b>	<b>22,652,496</b>	<b>1,673,980</b>	<b>524,516</b>	<b>955,263</b>	<b>5,961,596</b>	<b>4,695,306</b>	<b>3,437,823</b>	<b>149,849</b>	<b>40,050,829</b>	
<b>Liabilities</b>										
Deposits from customers	13,983,234	4,250,678	3,939,464	4,893,994	166,398	152,813	5,522,397	-	32,908,978	2.33
Deposits and placements of banks and other financial institutions	871,751	822,741	29,472	71,414	269,854	-	4,814	-	2,070,046	1.57
Derivative financial liabilities										
- Trading derivatives	-	-	-	-	-	-	-	49,688	49,688	-
- Hedging derivatives	-	-	-	-	3,945	11,241	-	-	15,186	n/a
Amount due to Cagamas Berhad	-	-	-	14,014	-	-	-	-	14,014	4.61
Subordinated obligations	-	-	-	-	598,852	-	13,866	-	612,718	4.92
Other non-interest sensitive balances	-	-	-	-	-	-	730,389	-	730,389	-
<b>Total liabilities</b>	<b>14,854,985</b>	<b>5,073,419</b>	<b>3,968,936</b>	<b>4,979,422</b>	<b>1,039,049</b>	<b>164,054</b>	<b>6,271,466</b>	<b>49,688</b>	<b>36,401,019</b>	
Equity	-	-	-	-	-	-	3,649,810	-	3,649,810	-
<b>Total liabilities and equity</b>	<b>14,854,985</b>	<b>5,073,419</b>	<b>3,968,936</b>	<b>4,979,422</b>	<b>1,039,049</b>	<b>164,054</b>	<b>9,921,276</b>	<b>49,688</b>	<b>40,050,829</b>	
On-balance sheet interest sensitivity gap	7,797,511	(3,399,439)	(3,444,420)	(4,024,159)	4,922,547	4,531,252	(6,483,453)	100,161	-	

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

## 42. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

## (b) Market Risk (contd.)

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

GROUP	Non-trading book							Trading book	Total	Effective interest/profit rate %
	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 years	Over 5 years	Non-interest/profit sensitive			
2014	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
<b>Assets</b>										
Cash and short-term funds	1,364,374	-	-	-	-	-	765,385	-	2,129,759	2.24
Deposits and placements with banks and other financial institutions	-	555,223	97,965	-	-	-	2,117	-	655,305	2.40
Balances due from clients and brokers	1,151	-	-	-	-	-	75,114	-	76,265	12.00
Financial assets held-for-trading	-	-	-	-	-	-	-	110,172	110,172	3.39
Financial investments available-for-sale	434,485	790,224	99,156	113,250	3,832,256	4,252,757	216,632	-	9,738,760	3.83
Financial investments held-to-maturity	-	-	-	10,037	1,182,746	119,330	8,009	-	1,320,122	3.68
Derivative financial assets										
- Trading derivatives	-	-	-	-	-	-	-	39,677	39,677	-
Loans, advances and financing	25,121,353	1,173,988	503,515	891,138	2,057,231	2,039,440	32,326*	-	31,818,991	5.14
Other non-interest/profit sensitive balances	-	-	-	-	-	-	2,156,847	-	2,156,847	-
<b>Total assets</b>	<b>26,921,363</b>	<b>2,519,435</b>	<b>700,636</b>	<b>1,014,425</b>	<b>7,072,233</b>	<b>6,411,527</b>	<b>3,256,430</b>	<b>149,849</b>	<b>48,045,898</b>	
<b>Liabilities</b>										
Deposits from customers	18,501,596	4,986,395	4,415,194	5,436,884	169,756	152,813	5,593,395	-	39,256,033	2.36
Deposits and placements of banks and other financial institutions	1,688,105	923,466	30,687	79,934	331,793	-	5,372	-	3,059,357	2.01
Balances due to clients and brokers	-	-	-	-	-	-	44,834	-	44,834	-
Derivative financial liabilities										
- Trading derivatives	-	-	-	-	-	-	-	49,688	49,688	-
- Hedging derivatives	-	-	-	-	3,945	11,241	-	-	15,186	n/a
Amount due to Cagamas Berhad	-	-	-	14,014	-	-	-	-	14,014	4.61
Subordinated obligations	-	-	-	-	598,852	-	13,866	-	612,718	4.92
Other non-interest/profit sensitive balances	-	-	-	-	-	-	873,526	-	873,526	-
<b>Total liabilities</b>	<b>20,189,701</b>	<b>5,909,861</b>	<b>4,445,881</b>	<b>5,530,832</b>	<b>1,104,346</b>	<b>164,054</b>	<b>6,530,993</b>	<b>49,688</b>	<b>43,925,356</b>	
Equity	-	-	-	-	-	-	4,120,542	-	4,120,542	-
Non-controlling interests	-	-	-	-	-	-	-	-	-	-
<b>Total liabilities and equity</b>	<b>20,189,701</b>	<b>5,909,861</b>	<b>4,445,881</b>	<b>5,530,832</b>	<b>1,104,346</b>	<b>164,054</b>	<b>10,651,535</b>	<b>49,688</b>	<b>48,045,898</b>	
On-balance sheet interest sensitivity gap	6,731,662	(3,390,426)	(3,745,245)	(4,516,407)	5,967,887	6,247,473	(7,395,105)	100,161	-	

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

## 42. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

## (b) Market Risk (contd.)

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

BANK 2013	Non-trading book						Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
	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	897,608	-	-	-	-	-	469,047	-	1,366,655	2.66
Deposits and placements with banks and other financial institutions	-	124,877	-	-	-	-	69	-	124,946	1.30
Financial assets held-for-trading	-	-	-	-	-	-	-	1,265,298	1,265,298	3.02
Financial investments available-for-sale	976,926	1,992,537	70,459	20,351	2,829,177	2,371,276	167,280	-	8,428,006	3.46
Financial investments held-to-maturity	-	-	-	-	101,071	-	646	-	101,717	3.74
Derivative financial assets										
- Trading derivatives	-	-	-	-	-	-	-	19,792	19,792	-
Loans, advances and financing	18,326,362	898,470	226,591	865,656	1,019,224	1,489,553	81,417*	-	22,907,273	5.08
Other non-interest sensitive balances	-	-	-	-	-	-	2,261,027	-	2,261,027	-
<b>Total assets</b>	<b>20,200,896</b>	<b>3,015,884</b>	<b>297,050</b>	<b>886,007</b>	<b>3,949,472</b>	<b>3,860,829</b>	<b>2,979,486</b>	<b>1,285,090</b>	<b>36,474,714</b>	
<b>Liabilities</b>										
Deposits from customers	15,216,397	3,375,817	2,446,120	3,885,504	99,019	74,297	5,019,483	-	30,116,637	2.27
Deposits and placements of banks and other financial institutions	744,740	34,198	54,700	94,675	372,604	-	9,192	-	1,310,109	1.60
Bills and acceptances payable	4,927	68,721	35	-	-	-	-	-	73,683	3.23
Derivative financial liabilities										
- Trading derivatives	-	-	-	-	-	-	-	14,122	14,122	-
- Hedging derivatives	-	-	-	-	174	1,574	-	-	1,748	n/a
Amount due to Cagamas Berhad	-	-	-	-	16,290	-	-	-	16,290	4.61
Subordinated obligations	-	-	-	-	598,328	-	13,865	-	612,193	4.92
Other non-interest sensitive balances	-	-	-	-	-	-	790,036	-	790,036	-
<b>Total liabilities</b>	<b>15,966,064</b>	<b>3,478,736</b>	<b>2,500,855</b>	<b>3,980,179</b>	<b>1,086,415</b>	<b>75,871</b>	<b>5,832,576</b>	<b>14,122</b>	<b>32,934,818</b>	
Equity	-	-	-	-	-	-	3,539,896	-	3,539,896	-
<b>Total liabilities and equity</b>	<b>15,966,064</b>	<b>3,478,736</b>	<b>2,500,855</b>	<b>3,980,179</b>	<b>1,086,415</b>	<b>75,871</b>	<b>9,372,472</b>	<b>14,122</b>	<b>36,474,714</b>	
On-balance sheet interest sensitivity gap	4,234,832	(462,852)	(2,203,805)	(3,094,172)	2,863,057	3,784,958	(6,392,986)	1,270,968	-	

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



## 42. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

## (b) Market Risk (contd.)

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

GROUP	Non-trading book						Non-interest/ profit sensitive		Trading book	Total	Effective interest/ profit rate %
	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 years	Over 5 years	RM'000	RM'000			
2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>Assets</b>											
Cash and short-term funds	747,896	-	-	-	-	-	539,838	-	-	1,287,734	2.58
Deposits and placements with banks and other financial institutions	-	117,877	-	35,342	-	-	17	-	-	153,236	1.47
Balances due from clients and brokers	98	-	-	-	-	-	50,024	-	-	50,122	12.00
Financial assets held-for-trading	-	-	-	-	-	-	-	1,519,930	-	1,519,930	3.02
Financial investments available-for-sale	1,323,802	2,451,115	439,336	33,595	3,047,692	2,851,581	215,329	-	-	10,362,450	3.73
Financial investments held-to-maturity	-	-	-	-	589,156	-	7,793	-	-	596,949	3.72
Derivative financial assets											
- Trading derivatives	-	-	-	-	-	-	-	19,792	-	19,792	-
Loans, advances and financing	21,726,659	1,132,788	315,932	885,032	1,436,362	2,173,409	101,559*	-	-	27,771,741	5.12
Other non-interest/profit sensitive balances	-	-	-	-	-	-	1,892,006	-	-	1,892,006	-
<b>Total assets</b>	<b>23,798,455</b>	<b>3,701,780</b>	<b>755,268</b>	<b>953,969</b>	<b>5,073,210</b>	<b>5,024,990</b>	<b>2,806,566</b>	<b>1,539,722</b>	<b>43,653,960</b>		
<b>Liabilities</b>											
Deposits from customers	18,687,231	4,797,267	2,747,137	4,452,208	165,393	74,297	5,100,766	-	-	36,024,299	2.30
Deposits and placements of banks and other financial institutions	1,320,268	86,698	54,700	95,383	442,970	-	9,977	-	-	2,009,996	2.06
Balances due to clients and brokers	-	-	-	-	-	-	30,852	-	-	30,852	-
Bills and acceptances payable	4,927	68,729	57	-	-	-	-	-	-	73,713	3.23
Derivative financial liabilities											
- Trading derivatives	-	-	-	-	-	-	-	14,122	-	14,122	-
- Hedging derivatives	-	-	-	-	174	1,574	-	-	-	1,748	n/a
Amount due to Cagamas Berhad	-	-	-	-	16,290	-	-	-	-	16,290	4.61
Subordinated obligations	-	-	-	-	598,328	-	13,865	-	-	612,193	4.92
Other non-interest/profit sensitive balances	-	-	-	-	-	-	892,150	-	-	892,150	-
<b>Total liabilities</b>	<b>20,012,426</b>	<b>4,952,694</b>	<b>2,801,894</b>	<b>4,547,591</b>	<b>1,223,155</b>	<b>75,871</b>	<b>6,047,610</b>	<b>14,122</b>	<b>39,675,363</b>		
Equity	-	-	-	-	-	-	3,973,850	-	-	3,973,850	-
Non-controlling interests	-	-	-	-	-	-	4,747	-	-	4,747	-
<b>Total liabilities and equity</b>	<b>20,012,426</b>	<b>4,952,694</b>	<b>2,801,894</b>	<b>4,547,591</b>	<b>1,223,155</b>	<b>75,871</b>	<b>10,026,207</b>	<b>14,122</b>	<b>43,653,960</b>		
On-balance sheet interest sensitivity gap	3,786,029	(1,250,914)	(2,046,626)	(3,593,622)	3,850,055	4,949,119	(7,219,641)	1,525,600	-	-	

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

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

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

The following table summarises the assets, liabilities and net open position by currency as at the end of the financial reporting date, which are mainly in US, Singapore, Euro and Australian Dollars. Other foreign exchange exposures include exposure to Japanese Yen, Pound Sterling and New Zealand Dollars.

<u>BANK/GROUP</u>	<u>US Dollars</u>	<u>Singapore</u>	<u>Euro Dollars</u>	<u>Australian</u>	<u>Others</u>	<u>Total</u>
2014	RM'000	Dollars RM'000	RM'000	Dollars RM'000	RM'000	RM'000
<b>Assets</b>						
Cash and short-term funds	16,688	1,215	2,565	2,338	8,213	31,019
Deposits and placements with banks and other financial institutions	1,089,930	-	-	302,789	85,101	1,477,820
Loans, advances and financing	200,080	-	41,195	-	12,284	253,559
Other financial assets	2,841	-	-	-	-	2,841
<b>Total financial assets</b>	<b>1,309,539</b>	<b>1,215</b>	<b>43,760</b>	<b>305,127</b>	<b>105,598</b>	<b>1,765,239</b>
<b>Liabilities</b>						
Deposits from customers	212,781	21,615	12,033	153,481	41,564	441,474
Deposits and placements of banks and other financial institutions	1,005,611	-	-	-	54,332	1,059,943
Other financial liabilities	167	19	-	7	17	210
<b>Total financial liabilities</b>	<b>1,218,559</b>	<b>21,634</b>	<b>12,033</b>	<b>153,488</b>	<b>95,913</b>	<b>1,501,627</b>
On-balance sheet open position	90,980	(20,419)	31,727	151,639	9,685	263,612
Off-balance sheet open position	55,151	27,369	(25,604)	(147,884)	1,322	(89,646)
<b>Net open position</b>	<b>146,131</b>	<b>6,950</b>	<b>6,123</b>	<b>3,755</b>	<b>11,007</b>	<b>173,966</b>

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

<u>BANK/GROUP</u>	<u>US Dollars</u>	<u>Singapore</u>	<u>Euro Dollars</u>	<u>Australian</u>	<u>Others</u>	<u>Total</u>
2013	RM'000	Dollars RM'000	RM'000	Dollars RM'000	RM'000	RM'000
<b>Assets</b>						
Cash and short-term funds	141,281	1,492	4,115	50,431	11,061	208,380
Deposits and placements with banks and other financial institutions	92,705	-	-	32,241	-	124,946
Loans, advances and financing	233,205	-	834	-	3,174	237,213
Other financial assets	91	-	-	4	5	100
<b>Total financial assets</b>	<b>467,282</b>	<b>1,492</b>	<b>4,949</b>	<b>82,676</b>	<b>14,240</b>	<b>570,639</b>
<b>Liabilities</b>						
Deposits from customers	172,743	18,656	9,757	71,454	48,046	320,656
Deposits and placements of banks and other financial institutions	383,440	2,332	1,846	-	-	387,618
Other financial liabilities	102	3	-	-	6	111
<b>Total financial liabilities</b>	<b>556,285</b>	<b>20,991</b>	<b>11,603</b>	<b>71,454</b>	<b>48,052</b>	<b>708,385</b>
On-balance sheet open position	(89,003)	(19,499)	(6,654)	11,222	(33,812)	(137,746)
Off-balance sheet open position	134,746	21,961	13,506	(13,818)	42,453	198,848
<b>Net open position</b>	<b>45,743</b>	<b>2,462</b>	<b>6,852</b>	<b>(2,596)</b>	<b>8,641</b>	<b>61,102</b>

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

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

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

<u>BANK</u>	<u>Balance</u>	<u>Average</u>	<u>Minimum</u>	<u>Maximum</u>
2014	RM'000	for the year RM'000	RM'000	RM'000
Instruments:				
FX related derivatives	(979)	(2,729)	(120)	(105,452)
Government securities	(41,802)	(35,727)	(8,182)	(58,132)
Private debt securities	(10,515)	(9,095)	(2,132)	(12,650)
<u>GROUP</u>				
2014				
FX related derivatives	(979)	(2,729)	(120)	(105,452)
Government securities	(54,322)	(46,330)	(11,294)	(69,122)
Private debt securities	(13,193)	(11,212)	(2,778)	(15,648)
<u>BANK</u>				
2013				
Instruments:				
FX related derivatives	(259)	(6,722)	(134)	(116,210)
Government securities	(10,867)	(12,040)	(6,025)	(22,073)
Private debt securities	(2,136)	(1,033)	(420)	(2,390)
<u>GROUP</u>				
2013				
FX related derivatives	(259)	(6,722)	(134)	(116,210)
Government securities	(14,380)	(15,644)	(8,717)	(25,567)
Private debt securities	(2,785)	(1,534)	(452)	(2,965)

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

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

	<b>2014 BANK</b>		<b>2014 GROUP</b>	
	<b>- 100 bps</b>	<b>+ 100 bps</b>	<b>- 100 bps</b>	<b>+ 100 bps</b>
	<b>Increase/(Decrease)</b>	<b>Increase/(Decrease)</b>	<b>Increase/(Decrease)</b>	<b>Increase/(Decrease)</b>
	RM'000	RM'000	RM'000	RM'000
<b>Impact on net interest income</b>				
Ringgit Malaysia	<u>(30,862)</u>	<u>30,862</u>	<u>(30,433)</u>	<u>30,433</u>
As percentage of net interest income	<u>(4.0%)</u>	<u>4.0%</u>	<u>(3.1%)</u>	<u>3.1%</u>
	<b>2013 BANK</b>		<b>2013 GROUP</b>	
	<b>- 100 bps</b>	<b>+ 100 bps</b>	<b>- 100 bps</b>	<b>+ 100 bps</b>
	<b>Increase/(Decrease)</b>	<b>Increase/(Decrease)</b>	<b>Increase/(Decrease)</b>	<b>Increase/(Decrease)</b>
	RM'000	RM'000	RM'000	RM'000
<b>Impact on net interest income</b>				
Ringgit Malaysia	<u>(55,661)</u>	<u>55,661</u>	<u>(56,563)</u>	<u>56,563</u>
As percentage of net interest income	<u>(7.9%)</u>	<u>7.9%</u>	<u>(5.8%)</u>	<u>5.8%</u>

**Note:**

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

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

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

**(vi) Sensitivity analysis**

Sensitivity analysis is used to measure the impact of changes in individual stress factors such as interest/profit rates or foreign exchange rates. It is normally designed to isolate and quantify exposure to the underlying risk. The Group performs sensitivity analysis such as parallel shifts of interest/profit rates (e.g. in increment of 25 basis points) on its exposures, primarily on the banking and trading book positions.

**(vii) Displaced Commercial Risk**

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

**(c) Liquidity Risk**

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

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

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

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

<u>BANK</u>	<u>Up to</u>	<u>&gt;1-3</u>	<u>&gt;3-6</u>	<u>&gt;6-12</u>	<u>&gt;1 year</u>	<u>Total</u>
2014	<u>1 month</u>	<u>months</u>	<u>months</u>	<u>months</u>	<u>RM'000</u>	<u>RM'000</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Assets</b>						
Cash and short-term funds	1,842,996	-	-	-	-	1,842,996
Deposits and placements with banks and other financial institutions	-	557,025	98,280	-	-	655,305
Financial investments	103,420	163,690	17,166	85,403	7,989,830	8,359,509
Loans, advances and financing	5,372,542	1,467,692	940,297	633,463	18,168,786	26,582,780
Other asset balances	78,282	28,006	9,911	10,076	2,483,964	2,610,239
<b>Total assets</b>	<b>7,397,240</b>	<b>2,216,413</b>	<b>1,065,654</b>	<b>728,942</b>	<b>28,642,580</b>	<b>40,050,829</b>
<b>Liabilities</b>						
Deposits from customers	19,414,576	4,284,898	3,970,903	4,919,354	319,247	32,908,978
Deposits and placements of banks and other financial institutions	873,724	825,582	29,472	71,414	269,854	2,070,046
Amount due to Cagamas Berhad	-	-	-	14,014	-	14,014
Subordinated obligations	13,865	-	-	-	598,853	612,718
Other liability balances	523,167	46,743	25,773	44,871	154,709	795,263
<b>Total liabilities</b>	<b>20,825,332</b>	<b>5,157,223</b>	<b>4,026,148</b>	<b>5,049,653</b>	<b>1,342,663</b>	<b>36,401,019</b>
Equity	-	-	-	-	3,649,810	3,649,810
<b>Total liabilities and equity</b>	<b>20,825,332</b>	<b>5,157,223</b>	<b>4,026,148</b>	<b>5,049,653</b>	<b>4,992,473</b>	<b>40,050,829</b>
<b>Net maturity mismatch</b>	<b>(13,428,092)</b>	<b>(2,940,810)</b>	<b>(2,960,494)</b>	<b>(4,320,711)</b>	<b>23,650,107</b>	<b>-</b>

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

<u>GROUP</u> 2014	<u>Up to</u> <u>1 month</u> RM'000	<u>&gt;1-3</u> <u>months</u> RM'000	<u>&gt;3-6</u> <u>months</u> RM'000	<u>&gt;6-12</u> <u>months</u> RM'000	<u>&gt;1 year</u> RM'000	<u>Total</u> RM'000
<b>Assets</b>						
Cash and short-term funds	2,129,759	-	-	-	-	2,129,759
Deposits and placements with banks and other financial institutions	-	557,025	98,280	-	-	655,305
Balances due from clients and brokers	61,181	-	-	-	15,084	76,265
Financial investments	463,411	855,276	119,305	195,634	9,535,428	11,169,054
Loans, advances and financing	6,268,997	1,756,711	1,128,447	793,453	21,871,383	31,818,991
Other asset balances	40,035	28,031	9,950	10,154	2,108,354	2,196,524
<b>Total assets</b>	<b>8,963,383</b>	<b>3,197,043</b>	<b>1,355,982</b>	<b>999,241</b>	<b>33,530,249</b>	<b>48,045,898</b>
<b>Liabilities</b>						
Deposits from customers	23,983,444	5,028,709	4,455,987	5,465,287	322,606	39,256,033
Deposits and placements of banks and other financial institutions	1,690,362	926,581	30,687	79,934	331,793	3,059,357
Balances due to clients and brokers	44,834	-	-	-	-	44,834
Amount due to Cagamas Berhad	-	-	-	14,014	-	14,014
Subordinated obligations	13,865	-	-	-	598,853	612,718
Other liability balances	609,280	46,939	26,055	45,434	210,692	938,400
<b>Total liabilities</b>	<b>26,341,785</b>	<b>6,002,229</b>	<b>4,512,729</b>	<b>5,604,669</b>	<b>1,463,944</b>	<b>43,925,356</b>
Equity	-	-	-	-	4,120,542	4,120,542
<b>Total liabilities and equity</b>	<b>26,341,785</b>	<b>6,002,229</b>	<b>4,512,729</b>	<b>5,604,669</b>	<b>5,584,486</b>	<b>48,045,898</b>
<b>Net maturity mismatch</b>	<b>(17,378,402)</b>	<b>(2,805,186)</b>	<b>(3,156,747)</b>	<b>(4,605,428)</b>	<b>27,945,763</b>	<b>-</b>



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

<u>BANK</u> 2013	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	<u>Total</u> RM'000
<b>Assets</b>						
Cash and short-term funds	1,366,644	11	-	-	-	1,366,655
Deposits and placements with banks and other financial institutions	-	124,946	-	-	-	124,946
Financial investments	1,905,852	2,390,975	72,412	24,448	5,401,334	9,795,021
Loans, advances and financing	4,901,622	1,363,982	812,040	492,046	15,337,583	22,907,273
Other asset balances	43,806	13,383	10,353	5,954	2,207,323	2,280,819
<b>Total assets</b>	<b>8,217,924</b>	<b>3,893,297</b>	<b>894,805</b>	<b>522,448</b>	<b>22,946,240</b>	<b>36,474,714</b>
<b>Liabilities</b>						
Deposits from customers	20,168,873	3,401,939	2,469,968	3,902,512	173,345	30,116,637
Deposits and placements of banks and other financial institutions	600,821	36,290	205,719	94,675	372,604	1,310,109
Bills and acceptances payable	4,927	68,721	35	-	-	73,683
Amount due to Cagamas Berhad	-	-	-	-	16,290	16,290
Subordinated obligations	13,865	-	-	-	598,328	612,193
Other liability balances	476,664	31,613	30,133	54,857	212,639	805,906
<b>Total liabilities</b>	<b>21,265,150</b>	<b>3,538,563</b>	<b>2,705,855</b>	<b>4,052,044</b>	<b>1,373,206</b>	<b>32,934,818</b>
Equity	-	-	-	-	3,539,896	3,539,896
<b>Total liabilities and equity</b>	<b>21,265,150</b>	<b>3,538,563</b>	<b>2,705,855</b>	<b>4,052,044</b>	<b>4,913,102</b>	<b>36,474,714</b>
<b>Net maturity mismatch</b>	<b>(13,047,226)</b>	<b>354,734</b>	<b>(1,811,050)</b>	<b>(3,529,596)</b>	<b>18,033,138</b>	<b>-</b>

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

<u>GROUP</u> 2013	<u>Up to</u> <u>1 month</u> RM'000	<u>&gt;1-3</u> <u>months</u> RM'000	<u>&gt;3-6</u> <u>months</u> RM'000	<u>&gt;6-12</u> <u>months</u> RM'000	<u>&gt;1 year</u> RM'000	<u>Total</u> RM'000
<b>Assets</b>						
Cash and short-term funds	1,287,723	11	-	-	-	1,287,734
Deposits and placements with banks and other financial institutions	-	153,062	174	-	-	153,236
Balances due from clients and brokers	35,060	-	-	-	15,062	50,122
Financial investments	2,438,861	2,966,195	442,597	112,258	6,519,418	12,479,329
Loans, advances and financing	5,653,977	1,647,590	1,012,443	652,699	18,805,032	27,771,741
Other asset balances	69,959	13,406	10,388	6,023	1,812,022	1,911,798
<b>Total assets</b>	<b>9,485,580</b>	<b>4,780,264</b>	<b>1,465,602</b>	<b>770,980</b>	<b>27,151,534</b>	<b>43,653,960</b>
<b>Liabilities</b>						
Deposits from customers	24,221,743	4,296,683	2,854,150	4,404,196	247,527	36,024,299
Deposits and placements of banks and other financial institutions	1,176,805	89,119	205,719	95,383	442,970	2,009,996
Balances due to clients and brokers	30,852	-	-	-	-	30,852
Bills and acceptances payable	4,927	68,729	57	-	-	73,713
Amount due to Cagamas Berhad	-	-	-	-	16,290	16,290
Subordinated obligations	13,865	-	-	-	598,328	612,193
Other liability balances	500,509	31,875	30,526	55,642	289,468	908,020
<b>Total liabilities</b>	<b>25,948,701</b>	<b>4,486,406</b>	<b>3,090,452</b>	<b>4,555,221</b>	<b>1,594,583</b>	<b>39,675,363</b>
Equity	2,292	-	-	-	3,971,558	3,973,850
Non-controlling interest	4,747	-	-	-	-	4,747
<b>Total liabilities and equity</b>	<b>25,955,740</b>	<b>4,486,406</b>	<b>3,090,452</b>	<b>4,555,221</b>	<b>5,566,141</b>	<b>43,653,960</b>
<b>Net maturity mismatch</b>	<b>(16,470,160)</b>	<b>293,858</b>	<b>(1,624,850)</b>	<b>(3,784,241)</b>	<b>21,585,393</b>	<b>-</b>

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

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

<u>BANK</u> 2014	<u>Up to 1 month</u> RM'000	<u>&gt;1-3 months</u> RM'000	<u>&gt;3-6 months</u> RM'000	<u>&gt;6-12 months</u> RM'000	<u>&gt;1-5 years</u> RM'000	<u>Over 5 years</u> RM'000	<u>Total</u> RM'000
<b>Non derivative financial liabilities</b>							
Deposits from customers	19,427,110	4,322,376	4,024,745	5,017,499	194,265	194,818	33,180,813
Deposits and placements of banks and other financial institutions	873,817	828,579	29,472	73,973	275,582	-	2,081,423
Amount due to Cagamas Berhad	438	311	750	13,064	-	-	14,563
Subordinated obligations	14,460	-	-	14,460	643,380	-	672,300
Other financial liabilities	523,167	46,743	26,154	45,224	155,530	694	797,512
	<u>20,838,992</u>	<u>5,198,009</u>	<u>4,081,121</u>	<u>5,164,220</u>	<u>1,268,757</u>	<u>195,512</u>	<u>36,746,611</u>
<u>Items not recognised in the statements of financial position</u>							
Financial guarantees	81,260	78,761	93,932	111,887	167,437	-	533,277
Credit related commitments and contingencies	6,591,575	51,843	46,046	136,511	315,917	4,506,899	11,648,791
	<u>6,672,835</u>	<u>130,604</u>	<u>139,978</u>	<u>248,398</u>	<u>483,354</u>	<u>4,506,899</u>	<u>12,182,068</u>
<b>Derivatives financial liabilities</b>							
<u>Derivatives settled on a net basis</u>							
Interest rate derivatives	(125)	(402)	(526)	(1,220)	(4,420)	-	(6,693)
Hedging derivatives	(254)	(688)	(931)	(2,826)	(8,969)	(7,177)	(20,845)
Net inflow/(outflow)	<u>(379)</u>	<u>(1,090)</u>	<u>(1,457)</u>	<u>(4,046)</u>	<u>(13,389)</u>	<u>(7,177)</u>	<u>(27,538)</u>
<u>Derivatives settled on a gross basis</u>							
Outflow	(1,888,147)	(1,011,062)	(372,761)	(226,169)	-	-	(3,498,139)
Inflow	1,865,803	995,529	368,259	222,765	-	-	3,452,356
	<u>(22,344)</u>	<u>(15,533)</u>	<u>(4,502)</u>	<u>(3,404)</u>	<u>-</u>	<u>-</u>	<u>(45,783)</u>

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

<u>GROUP</u> 2014	<u>Up to 1 month</u> RM'000	<u>&gt;1-3 months</u> RM'000	<u>&gt;3-6 months</u> RM'000	<u>&gt;6-12 months</u> RM'000	<u>&gt;1-5 years</u> RM'000	<u>Over 5 years</u> RM'000	<u>Total</u> RM'000
<b>Non derivative financial liabilities</b>							
Deposits from customers	23,999,606	5,070,680	4,513,623	5,576,157	197,670	194,818	39,552,554
Deposits and placements of banks and other financial institutions	1,690,521	930,398	30,687	83,022	338,767	-	3,073,395
Balances due to clients and brokers	44,834	-	-	-	-	-	44,834
Amount due to Cagamas Berhad	438	311	750	13,064	-	-	14,563
Subordinated obligations	14,460	-	-	14,460	643,380	-	672,300
Other financial liabilities	609,280	46,939	26,436	45,787	211,513	694	940,649
	<u>26,359,139</u>	<u>6,048,328</u>	<u>4,571,496</u>	<u>5,732,490</u>	<u>1,391,330</u>	<u>195,512</u>	<u>44,298,295</u>
<u>Items not recognised in the statements of financial position</u>							
Financial guarantees	105,189	89,189	100,485	141,430	174,556	-	610,849
Credit related commitments and contingencies	<u>7,717,798</u>	<u>52,751</u>	<u>50,296</u>	<u>143,003</u>	<u>329,831</u>	<u>5,076,988</u>	<u>13,370,667</u>
	<u>7,822,987</u>	<u>141,940</u>	<u>150,781</u>	<u>284,433</u>	<u>504,387</u>	<u>5,076,988</u>	<u>13,981,516</u>
<b>Derivatives financial liabilities</b>							
<u>Derivatives settled on a net basis</u>							
Interest rate derivatives	(125)	(402)	(526)	(1,220)	(4,420)	-	(6,693)
Hedging derivatives	<u>(254)</u>	<u>(688)</u>	<u>(931)</u>	<u>(2,826)</u>	<u>(8,969)</u>	<u>(7,177)</u>	<u>(20,845)</u>
Net inflow/(outflow)	<u>(379)</u>	<u>(1,090)</u>	<u>(1,457)</u>	<u>(4,046)</u>	<u>(13,389)</u>	<u>(7,177)</u>	<u>(27,538)</u>
<u>Derivatives settled on a gross basis</u>							
Outflow	(1,888,147)	(1,011,062)	(372,761)	(226,169)	-	-	(3,498,139)
Inflow	<u>1,865,803</u>	<u>995,529</u>	<u>368,259</u>	<u>222,765</u>	<u>-</u>	<u>-</u>	<u>3,452,356</u>
	<u>(22,344)</u>	<u>(15,533)</u>	<u>(4,502)</u>	<u>(3,404)</u>	<u>-</u>	<u>-</u>	<u>(45,783)</u>

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

<u>BANK</u> 2013	<u>Up to 1 month</u> RM'000	<u>&gt;1-3 months</u> RM'000	<u>&gt;3-6 months</u> RM'000	<u>&gt;6-12 months</u> RM'000	<u>&gt;1-5 years</u> RM'000	<u>Over 5 years</u> RM'000	<u>Total</u> RM'000
<b>Non derivative financial liabilities</b>							
Deposits from customers	20,225,805	3,586,593	2,675,586	4,042,578	102,585	75,980	30,709,127
Deposits and placements of banks and other financial institutions	600,821	38,358	207,125	98,168	379,195	-	1,323,667
Bills and acceptances payable	4,927	68,721	35	-	-	-	73,683
Amount due to Cagamas Berhad	436	310	747	1,496	14,551	-	17,540
Subordinated obligations	14,460	-	-	14,460	701,220	-	730,140
Other financial liabilities	476,664	31,613	30,133	54,857	212,639	-	805,906
	<u>21,323,113</u>	<u>3,725,595</u>	<u>2,913,626</u>	<u>4,211,559</u>	<u>1,410,190</u>	<u>75,980</u>	<u>33,660,063</u>
<u>Items not recognised in the statements of financial position</u>							
Financial guarantees	57,689	72,972	105,827	148,124	37,257	3,652	425,521
Credit related commitments and contingencies	5,786,707	64,157	27,530	147,829	295,092	4,346,158	10,667,473
	<u>5,844,396</u>	<u>137,129</u>	<u>133,357</u>	<u>295,953</u>	<u>332,349</u>	<u>4,349,810</u>	<u>11,092,994</u>
<b>Derivatives financial liabilities</b>							
<u>Derivatives settled on a net basis</u>							
Interest rate derivatives	(53)	(593)	(522)	(675)	(1,843)	(306)	(3,992)
Hedging derivatives	110	194	399	793	5,478	58	7,032
Net (outflow)/inflow	<u>57</u>	<u>(399)</u>	<u>(123)</u>	<u>118</u>	<u>3,635</u>	<u>(248)</u>	<u>3,040</u>
<u>Derivatives settled on a gross basis</u>							
Outflow	(1,088,067)	(250,850)	(230,221)	(148,133)	-	-	(1,717,271)
Inflow	1,083,369	249,198	226,951	147,006	-	-	1,706,524
	<u>(4,698)</u>	<u>(1,652)</u>	<u>(3,270)</u>	<u>(1,127)</u>	<u>-</u>	<u>-</u>	<u>(10,747)</u>

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

<u>GROUP</u> 2013	<u>Up to 1 month</u> RM'000	<u>&gt;1-3 months</u> RM'000	<u>&gt;3-6 months</u> RM'000	<u>&gt;6-12 months</u> RM'000	<u>&gt;1-5 years</u> RM'000	<u>Over 5 years</u> RM'000	<u>Total</u> RM'000
<b>Non derivative financial liabilities</b>							
Deposits from customers	24,342,623	4,562,723	3,074,217	4,578,618	105,672	75,980	36,739,833
Deposits and placements of banks and other financial institutions	1,176,945	91,599	207,125	99,403	450,791	-	2,025,863
Balances due to clients and brokers	31,965	-	-	-	-	-	31,965
Bills and acceptances payable	4,927	68,729	57	-	-	-	73,713
Amount due to Cagamas Berhad	436	310	747	1,496	14,551	-	17,540
Subordinated obligations	14,460	-	-	14,460	701,220	-	730,140
Other financial liabilities	500,509	31,875	30,526	55,642	289,468	-	908,020
	<u>26,071,865</u>	<u>4,755,236</u>	<u>3,312,672</u>	<u>4,749,619</u>	<u>1,561,702</u>	<u>75,980</u>	<u>40,527,074</u>
<u>Items not recognised in the statements of financial position</u>							
Financial guarantees	68,162	89,551	115,148	179,987	42,998	4,412	500,258
Credit related commitments and contingencies	6,733,398	66,251	31,293	157,473	302,404	5,039,378	12,330,197
	<u>6,801,560</u>	<u>155,802</u>	<u>146,441</u>	<u>337,460</u>	<u>345,402</u>	<u>5,043,790</u>	<u>12,830,455</u>
<b>Derivatives financial liabilities</b>							
<u>Derivatives settled on a net basis</u>							
Interest rate derivatives	(53)	(593)	(522)	(675)	(1,843)	(306)	(3,992)
Hedging derivatives	110	194	399	793	5,478	58	7,032
Net (outflow)/inflow	<u>57</u>	<u>(399)</u>	<u>(123)</u>	<u>118</u>	<u>3,635</u>	<u>(248)</u>	<u>3,040</u>
<u>Derivatives settled on a gross basis</u>							
Outflow	(1,088,067)	(250,850)	(230,221)	(148,133)	-	-	(1,717,271)
Inflow	1,083,369	249,198	226,951	147,006	-	-	1,706,524
	<u>(4,698)</u>	<u>(1,652)</u>	<u>(3,270)</u>	<u>(1,127)</u>	<u>-</u>	<u>-</u>	<u>(10,747)</u>

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

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

There are three lines of defence in the Group. The Group Operational Risk Management Department, as the second line of defense is emphasising on the formulation and implementation of operational risk framework within the Group while the line of businesses are responsible for the management of their day to day operational and Shariah Compliance risks.

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

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

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

**43. CAPITAL COMMITMENTS**

	<u>BANK</u>		<u>GROUP</u>	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Capital expenditure:				
Authorised and contracted for	14,288	37,660	14,655	37,960
Authorised but not contracted for	40,098	-	40,098	-
	<u>54,386</u>	<u>37,660</u>	<u>54,753</u>	<u>37,960</u>

**44. LEASE COMMITMENTS**

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

	<u>BANK</u>		<u>GROUP</u>	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Within one year	27,007	24,816	27,140	27,810
Between one five years	50,605	16,333	50,631	18,309
	<u>77,612</u>	<u>41,149</u>	<u>77,771</u>	<u>46,119</u>

The operating leases for the Bank and the Group's other premises typically cover for a initial period of three years with options for renewal. These leases are cancellable but are usually renewed upon expiry or replaced by leases on other properties. Future minimum lease commitments are anticipated to be not less than the rental expense for 2014.

**45. HOLDING AND RELATED COMPANIES**

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

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



**46. COMMITMENTS AND CONTINGENCIES**

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

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

<u>BANK</u>	Principal	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk- Weighted Assets
2014	Amount RM'000	RM'000	RM'000	RM'000
<u>Credit-related exposures</u>				
Direct credit substitutes	425,631	-	425,631	425,631
Transaction-related contingent items	553,277	-	276,638	276,638
Short-term self-liquidating trade-related contingencies	138,220	-	27,644	27,188
Irrevocable commitments to extent credit:				
- maturity exceeding one year	4,502,888	-	2,251,444	1,779,146
- maturity not exceeding one year	5,146,454	-	1,029,291	918,737
Unutilised credit card lines	1,415,598	-	283,120	223,570
	<u>12,182,068</u>	<u>-</u>	<u>4,293,768</u>	<u>3,650,910</u>
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
- one year or less	6,859,251	31,700	103,465	34,619
- over one year to three years	32,835	293	2,955	591
- over three years	31,515	-	4,097	819
Interest rate related contracts:				
- one year or less	250,000	161	485	97
- over one year to three years	2,135,000	5,178	27,028	5,406
- over three years	798,376	1,475	34,497	18,167
Equity related contracts:				
- one year or less	57,582	870	4,510	3,045
	<u>10,164,559</u>	<u>39,677</u>	<u>177,037</u>	<u>62,744</u>
	<u>22,346,627</u>	<u>39,677</u>	<u>4,470,805</u>	<u>3,713,654</u>

**46. COMMITMENTS AND CONTINGENCIES (CONTD.)**

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
<u>GROUP</u>				
2014				
<u>Credit-related exposures</u>				
Direct credit substitutes	471,930	-	471,930	471,930
Transaction-related contingent items	590,667	-	295,334	295,334
Short-term self-liquidating trade- related contingencies	169,493	-	33,899	33,442
Irrevocable commitments to extent credit:				
- maturity exceeding one year	5,108,092	-	2,554,046	2,023,308
- maturity not exceeding one year	6,225,736	-	1,245,147	1,065,474
Unutilised credit card lines	1,415,598	-	283,120	223,570
	<u>13,981,516</u>	<u>-</u>	<u>4,883,476</u>	<u>4,113,058</u>
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
- one year or less	6,859,251	31,700	103,465	34,619
- over one year to three years	32,835	293	2,955	591
- over three years	31,515	-	4,097	819
Interest rate related contracts:				
- one year or less	250,000	161	485	97
- over one year to three years	2,135,000	5,178	27,028	5,406
- over three years	798,376	1,475	34,497	18,167
Equity related contracts:				
- one year or less	57,582	870	4,510	3,045
	<u>10,164,559</u>	<u>39,677</u>	<u>177,037</u>	<u>62,744</u>
	<u>24,146,075</u>	<u>39,677</u>	<u>5,060,513</u>	<u>4,175,802</u>
<u>BANK</u>				
2013				
<u>Credit-related exposures</u>				
Direct credit substitutes	338,044	-	338,044	338,044
Transaction-related contingent items	546,968	-	273,484	273,484
Short-term self-liquidating trade- related contingencies	114,653	-	22,931	22,931
Irrevocable commitments to extent credit:				
- maturity exceeding one year	4,334,151	-	2,167,075	1,739,319
- maturity not exceeding one year	4,370,367	-	874,073	792,789
Unutilised credit card lines	1,388,811	-	277,762	217,673
	<u>11,092,994</u>	<u>-</u>	<u>3,953,369</u>	<u>3,384,240</u>
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
- one year or less	3,938,112	14,407	58,978	28,489
Interest rate related contracts:				
- one year or less	1,060,000	640	2,374	475
- over one year to three years	775,000	2,521	15,521	3,104
- over three years	421,608	1,933	20,560	9,719
Equity related contracts:				
- over one year to three years	54,032	291	4,817	2,697
	<u>6,248,752</u>	<u>19,792</u>	<u>102,250</u>	<u>44,484</u>
	<u>17,341,746</u>	<u>19,792</u>	<u>4,055,619</u>	<u>3,428,724</u>

**46. COMMITMENTS AND CONTINGENCIES (CONTD.)**

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
<u>GROUP</u>				
2013				
<u>Credit-related exposures</u>				
Direct credit substitutes	387,122	-	387,122	387,122
Transaction-related contingent items	585,435	-	292,717	292,717
Short-term self-liquidating trade-related contingencies	140,311	-	28,062	28,062
Irrevocable commitments to extent credit:				
- maturity exceeding one year	5,027,371	-	2,513,685	2,010,313
- maturity not exceeding one year	5,301,405	-	1,060,281	909,385
Unutilised credit card lines	1,388,811	-	277,762	217,673
	<u>12,830,455</u>	<u>-</u>	<u>4,559,629</u>	<u>3,845,272</u>
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
- one year or less	3,938,112	14,407	58,978	28,489
Interest rate related contracts:				
- one year or less	1,060,000	640	2,374	475
- over one year to three years	775,000	2,521	15,521	3,104
- over three years	421,608	1,933	20,560	9,719
Equity related contracts:				
- over one year to three years	54,032	291	4,817	2,697
	<u>6,248,752</u>	<u>19,792</u>	<u>102,250</u>	<u>44,484</u>
	<u>19,079,207</u>	<u>19,792</u>	<u>4,661,879</u>	<u>3,889,756</u>

The credit equivalent amount and the risk-weighted amount are arrived at using the credit conversion factors and risk-weights respectively as specified by BNM for regulatory capital adequacy purposes.

**47. CAPITAL ADEQUACY**

The capital adequacy ratios of the Bank and the Group are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework issued on 28 November 2012. The Framework sets out the approach for computing regulatory capital adequacy ratios, as well as the levels of those ratios at which banking institutions are required to operate. The framework is to strengthen capital adequacy standards, in line with the requirements set forth under Basel III. The risk-weighted assets of the Bank and the Group are computed using the Standardised Approach for credit risk and market risk, and the Basic Indicator Approach for operational risk.

	<u>BANK</u>		<u>GROUP</u>	
	2014	2013	2014	2013
<u>Before deducting proposed dividends</u>				
CET 1 capital ratio	10.987%	12.235%	10.908%	11.221%
Tier 1 capital ratio	12.235%	13.445%	11.961%	12.513%
Total capital ratio	12.295%	13.445%	14.201%	15.226%
<u>After deducting proposed dividends</u>				
CET 1 capital ratio	10.361%	11.514%	10.379%	10.620%
Tier 1 capital ratio	11.609%	12.723%	11.433%	11.913%
Total capital ratio	11.670%	12.723%	13.673%	14.625%

**47. CAPITAL ADEQUACY (CONTD.)**

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

	<u>BANK</u>		<u>GROUP</u>	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<b><u>CET I Capital</u></b>				
Paid-up share capital	596,517	596,517	596,517	596,517
Share premium	201,517	201,517	201,517	201,517
Retained profits	1,840,384	1,641,549	1,957,952	1,749,256
Statutory reserve	601,561	601,561	929,055	885,744
Revaluation reserves	(7,546)	85,257	7,071	115,397
Other reserves	-	-	10,018	10,018
	<u>3,232,433</u>	<u>3,126,401</u>	<u>3,702,130</u>	<u>3,558,449</u>
Less: Regulatory adjustment				
- Goodwill and other intangibles	(238,665)	(241,961)	(353,256)	(358,275)
- Deferred tax assets	(18,036)	-	(32,343)	(11,040)
- 55% of revaluation reserve	-	(46,891)	(3,889)	(63,468)
- Investment in subsidiaries and associates	(158,610)	-	(824)	-
Total CET I Capital	<u>2,817,122</u>	<u>2,837,549</u>	<u>3,311,818</u>	<u>3,125,666</u>
<b><u>Tier I Capital</u></b>				
ICPS	3,200	3,600	3,200	3,600
Share premium	316,800	356,400	316,800	356,400
Less: Regulatory adjustment				
- Investment in subsidiaries and associates	-	(79,467)	-	-
Total additional Tier I Capital	<u>320,000</u>	<u>280,533</u>	<u>320,000</u>	<u>360,000</u>
Total Tier I Capital	<u>3,137,122</u>	<u>3,118,082</u>	<u>3,631,818</u>	<u>3,485,666</u>
<b><u>Tier II Capital</u></b>				
Subordinated obligations	479,082	538,495	479,082	538,495
Collective assessment allowance	170,942	183,932	204,226	221,153
Less: Regulatory adjustment				
- Investment in subsidiaries and associates	(634,440)	(722,427)	(3,297)	(4,117)
Total Tier II Capital	<u>15,584</u>	<u>-</u>	<u>680,011</u>	<u>755,531</u>
<b>Total Capital</b>	<u>3,152,706</u>	<u>3,118,082</u>	<u>4,311,829</u>	<u>4,241,197</u>

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

	<u>BANK</u>		<u>GROUP</u>	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Credit risk	23,283,157	21,056,859	27,484,255	25,175,746
Market risk	201,614	74,054	201,614	76,045
Operational risk	2,156,708	2,060,540	2,676,791	2,603,941
Total RWA and capital requirements	<u>25,641,479</u>	<u>23,191,453</u>	<u>30,362,660</u>	<u>27,855,732</u>

Detailed information on the risk exposures above, as prescribed under BNM's Risk-Weighted Capital Adequacy Framework (Basel II) – Disclosure Requirements (Pillar 3) is presented in the Bank's Pillar 3 Report.

**47. CAPITAL ADEQUACY (CONTD.)**

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

	Alliance Islamic Bank Berhad	Alliance Investment Bank Berhad
2014		
<u>Before deducting proposed dividends</u>		
CET I capital ratio	13.426%	93.737%
Tier I capital ratio	13.426%	93.737%
Total capital ratio	14.134%	93.767%
<u>After deducting proposed dividends</u>		
CET I capital ratio	13.113%	92.148%
Tier I capital ratio	13.113%	92.148%
Total capital ratio	13.821%	92.178%
2013		
<u>Before deducting proposed dividends</u>		
CET I capital ratio	12.927%	96.235%
Tier I capital ratio	12.927%	96.235%
Total capital ratio	13.718%	96.398%
<u>After deducting proposed dividends</u>		
CET I capital ratio	12.927%	94.956%
Tier I capital ratio	12.927%	94.956%
Total capital ratio	13.718%	95.119%

**48. 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 deliberation.

The Group's and the Bank's regulatory capital are determined under Bank Negara Malaysia's revised Risk-weighted Capital Adequacy Framework and their capital ratios comply with the prescribed capital adequacy ratios.

## 49. FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

#### (i) Financial instruments in Level 1

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

#### (ii) Financial instruments in Level 2

Where fair value is determined using quoted prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group then determine fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high. These would include government securities, corporate private debt securities, corporate notes, repurchase agreements and most of the Group's derivatives.

#### (iii) Financial instruments in Level 3

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

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

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

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

<u>BANK</u> 2014	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000
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Assets

Financial assets held-for-trading	-	110,172	-	110,172
Financial investments available-for-sale	-	7,438,485	100,122	7,538,607
Derivative financial assets	-	39,677	-	39,677

Liabilities

Derivative financial liabilities	-	64,874	-	64,874
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GROUP

2014

Assets

Financial assets held-for-trading	-	110,172	-	110,172
Financial investments available-for-sale	-	9,597,649	141,111	9,738,760
Derivative financial assets	-	39,677	-	39,677

Liabilities

Derivative financial liabilities	-	64,874	-	64,874
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BANK

2013

<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000
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Assets

Financial assets held-for-trading	-	1,265,298	-	1,265,298
Financial investments available-for-sale	-	8,328,534	99,472	8,428,006
Derivative financial assets	-	19,792	-	19,792

Liabilities

Derivative financial liabilities	-	15,870	-	15,870
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GROUP

2013

Assets

Financial assets held-for-trading	-	1,519,930	-	1,519,930
Financial investments available-for-sale	-	10,225,058	137,392	10,362,450
Derivative financial assets	-	19,792	-	19,792

Liabilities

Derivative financial liabilities	-	15,870	-	15,870
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There were no transfers between levels 1 and 2 of the fair value hierarchy for the Bank and the Group during the financial year ended 31 March 2014 and 31 March 2013.

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

Reconciliation of movements in level 3 financial instruments:

	<u>BANK</u>		<u>GROUP</u>	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
At beginning of year	99,472	99,676	137,392	140,669
Total gains/(losses) recognised in:				
- Statement of comprehensive income				
(i) Gain arising from sales financial investments available-for-sales	12,509	-	12,509	-
- Other comprehensive income				
(i) Revaluation reserves	3,853	4,564	6,922	1,491
Disposal/redemption	(15,712)	(4,768)	(15,712)	(4,768)
At end of year	<u>100,122</u>	<u>99,472</u>	<u>141,111</u>	<u>137,392</u>

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

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

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

BANK 2014	<u>Fair value</u>				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 held-to-maturity	-	707,711	-	707,711	710,730
Loans, advances and financing	-	-	26,748,805	26,748,805	26,582,780
<b>Financial liabilities</b>					
Deposits from customers	-	32,908,978	-	32,908,978	32,908,978
Deposits and placements of banks and other financial institutions	-	2,054,526	-	2,054,526	2,070,046
Amount due to Cagamas Berhad	-	13,480	-	13,480	14,014
Subordinated obligations	-	608,640	-	608,640	612,718



**49. FAIR VALUE MEASUREMENTS****(c) Comparison of carrying amount and fair value (contd.)**

GROUP 2014	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 held-to-maturity	-	1,315,585	-	1,315,585	1,320,122
Loans, advances and financing	-	-	32,016,649	32,016,649	31,818,991
<b>Financial liabilities</b>					
Deposits from customers	-	39,256,033	-	39,256,033	39,256,033
Deposits and placements of banks and other financial institutions	-	3,041,048	-	3,041,048	3,059,357
Amount due to Cagamas Berhad	-	13,480	-	13,480	14,014
Subordinated obligations	-	608,640	-	608,640	612,718
BANK 2013	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 held-to-maturity	-	104,368	-	104,368	101,717
Loans, advances and financing	-	-	23,098,386	23,098,386	22,907,273
<b>Financial liabilities</b>					
Deposits from customers		30,116,637		30,116,637	30,116,637
Deposits and placements of banks and other financial institutions	-	1,290,375	-	1,290,375	1,310,109
Amount due to Cagamas Berhad	-	15,080	-	15,080	16,290
Subordinated obligations	-	616,980	-	616,980	612,193
GROUP 2013	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 held-to-maturity	-	600,279	-	600,279	596,949
Loans, advances and financing	-	-	28,000,945	28,000,945	27,771,741
<b>Financial liabilities</b>					
Deposits from customers		36,024,299		36,024,299	36,024,299
Deposits and placements of banks and other financial institutions	-	1,986,668	-	1,986,668	2,009,996
Amount due to Cagamas Berhad	-	15,080	-	15,080	16,290
Subordinated obligations	-	616,980		616,980	612,193

Note: The fair value of the other assets and other liabilities, which are considered short term in nature, are estimated to be approximately their carrying values.

## 49. FAIR VALUE MEASUREMENTS

### (c) Comparison of carrying amount and fair value (contd.)

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

#### (i) Financial investments held-to-maturity

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

#### (ii) Loans, advances and financing

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

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

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

#### (iv) Amount due to Cagamas Berhad

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

#### (v) Subordinated obligations

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

## 50. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

In accordance with MFRS 132 Financial Instruments: Presentation, the group reports financial assets and financial liabilities on a net basis on the balance sheet, only if there is a legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The following table shows the impact of netting arrangements on:

- (i) all financial assets and liabilities that are reported net on the balance sheet; and
- (ii) all financial assets and liabilities that are subject to enforceable master netting arrangements or similar agreements, but do not qualify for balance sheet netting.

### (a) Financial assets

	Gross amounts of recognised financial assets RM'000	Gross amounts of recognised financial liabilities set off in the balance sheet RM'000	Net amounts of financial assets presented in the balance sheet RM'000	Related amounts not set off in the balance sheet		Net Amount RM'000
				Financial Instruments RM'000	Cash collateral received RM'000	
<b>BANK</b>						
2014						
Derivative financial assets	39,677	-	39,677	(11,262)	-	28,415
<b>GROUP</b>						
2014						
Derivative financial assets	39,677	-	39,677	(11,262)	-	28,415
Balances due from clients and brokers	120,815	(44,550)	76,265	-	-	76,265
Total	160,492	(44,550)	115,942	(11,262)	-	104,680
<b>BANK</b>						
2013						
Derivative financial assets	19,792	-	19,792	(568)	-	19,224
<b>GROUP</b>						
2013						
Derivative financial assets	19,792	-	19,792	(568)	-	19,224
Balances due from clients and brokers	71,077	(20,955)	50,122	-	-	50,122
Total	90,869	(20,955)	69,914	(568)	-	69,346

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

	Gross amounts of recognised financial liabilities RM'000	Gross amounts of recognised assets set off in the balance sheet RM'000	Net amounts of financial liabilities presented in the balance sheet RM'000	Related amounts not set off in the balance sheet		Net Amount RM'000
				Financial Instruments RM'000	Cash collateral received RM'000	
<u>BANK</u>						
2014						
Derivative financial liabilities	64,874	-	64,874	(11,262)	(2,841)	50,771
<u>GROUP</u>						
2014						
Derivative financial liabilities	64,874	-	64,874	(11,262)	(2,841)	50,771
Balances due to clients and brokers	89,384	(44,550)	44,834	-	-	44,834
Total	154,258	(44,550)	109,708	(11,262)	(2,841)	95,605
<u>BANK</u>						
2013						
Derivative financial liabilities	15,870	-	15,870	(568)	(90)	15,212
<u>GROUP</u>						
2013						
Derivative financial liabilities	15,870	-	15,870	(568)	(90)	15,212
Balances due to clients and brokers	51,807	(20,955)	30,852	-	-	30,852
Total	67,677	(20,955)	46,722	(568)	(90)	46,064

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

## 51. SEGMENT INFORMATION

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

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

The Group is organised into the following key operating segments:

(i) Consumer Banking

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

(ii) Business Banking

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

(iii) Financial Markets

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

(iv) Investment Banking

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

(v) Others

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

**51. Segment information (contd.)**

<b>Group</b>	<b>Consumer Banking RM'000</b>	<b>Business Banking RM'000</b>	<b>Financial Markets RM'000</b>	<b>Investment Banking RM'000</b>	<b>Others RM'000</b>	<b>Total Operations RM'000</b>	<b>Inter-segment Elimination RM'000</b>	<b>Total RM'000</b>
<b>As at 31 March 2014</b>								
Net interest income								
- External income	318,220	306,112	159,877	6,646	129	790,984	(14,526)	776,458
- inter-segment	(9,652)	24,296	(10,521)	(4,123)	-	-	-	-
	308,568	330,408	149,356	2,523	129	790,984	(14,526)	776,458
Net income from Islamic banking business	85,986	61,464	33,842	-	-	181,292	29,625	210,917
Other operating income	134,102	139,373	65,013	23,467	19,089	381,044	(21,735)	359,309
Net income	528,656	531,245	248,211	25,990	19,218	1,353,320	(6,636)	1,346,684
Other operating expenses	(264,005)	(209,923)	(45,896)	(26,361)	(48,511)*	(594,696)	9,627	(585,069)
Depreciation and amortisation	(21,103)	(13,984)	(5,144)	(601)	-	(40,832)	-	(40,832)
Operating profit	243,548	307,338	197,171	(972)	(29,293)	717,792	2,991	720,783
(Allowance for)/write-back of impairment on loans, advances and financing and other losses	(19,179)	32,545	(630)	235	-	12,971	-	12,971
Write-back of impairment	-	11,647	3,280	-	-	14,927	-	14,927
Segment result	224,369	351,530	199,821	(737)	(29,293)	745,690	2,991	748,681
Share of results in an associate								4
Taxation and zakat								(185,482)
Net profit after taxation and zakat								563,203
Segment assets	19,197,500	12,367,653	17,684,359	156,808	9,617	49,415,937	(1,848,405)	47,567,532
Reconciliation of segment assets to consolidated assets:								
Investments in associates								501
Property, plant and equipment								92,214
Unallocated assets								32,395
Intangible assets								353,256
Total assets								48,045,898
Segment Liabilities	18,727,368	15,076,238	11,049,774	73,003	9,892	44,936,275	(1,027,097)	43,909,178
Unallocated liabilities								16,178
Total liabilities								43,925,356

\* Includes one-off rationalisation cost of RM22,328,001

**51. Segment information (contd.)**

<b>Group</b>	<b>Consumer Banking RM'000</b>	<b>Business Banking RM'000</b>	<b>Financial Markets RM'000</b>	<b>Investment Banking RM'000</b>	<b>Others RM'000</b>	<b>Total Operations RM'000</b>	<b>Inter-segment Elimination RM'000</b>	<b>Total RM'000</b>
<b>As at 31 March 2013</b>								
Net interest income								
- External income	203,811	317,738	209,698	7,395	714	739,356	(11,136)	728,220
- inter-segment	73,662	1,770	(69,859)	(5,573)	-	-	-	-
	277,473	319,508	139,839	1,822	714	739,356	(11,136)	728,220
Net income from Islamic banking business	108,501	62,009	41,712	-	-	212,222	29,936	242,158
Other operating income	112,997	143,094	71,050	17,106	31,581	375,828	(15,426)	360,402
Net income	498,971	524,611	252,601	18,928	32,295	1,327,406	3,374	1,330,780
Other operating expenses	(272,383)	(217,029)	(46,020)	(35,381)	(26,775)	(597,588)	7,362	(590,226)
Depreciation and amortisation	(22,237)	(16,805)	(6,809)	(820)	(45)	(46,716)	-	(46,716)
Operating profit	204,351	290,777	199,772	(17,273)	5,475	683,102	10,736	693,838
(Allowance for)/write-back of impairment on loans, advances and financing and other losses	(52,796)	76,908	126	529	-	24,767	-	24,767
Write-back of impairment	-	-	474	-	-	474	-	474
Segment result	151,555	367,685	200,372	(16,744)	5,475	708,343	10,736	719,079
Share of results in an associate								(4,714)
Taxation and zakat								(175,627)
Net profit after taxation and zakat								538,738
Segment assets	16,318,157	11,248,853	17,392,781	115,924	75,895	45,151,610	(1,948,103)	43,203,507
Reconciliation of segment assets to consolidated assets:								
Investments in associates								497
Property, plant and equipment								82,748
Unallocated assets								11,040
Intangible assets								356,168
Total assets								43,653,960
Segment Liabilities	16,844,796	13,567,665	10,280,216	(13,478)	50,392	40,729,591	(1,104,928)	39,624,663
Unallocated liabilities								50,700
Total liabilities								39,675,363

**52. COMPARATIVES**

The following comparatives were restated to conform with the current year's presentation:

(i) <u>Statements of Comprehensive Income</u> <u>for the financial year ended 31 March 2013</u>	<u>BANK</u>		
	As previously stated RM'000	Restatement RM'000	As restated RM'000
Fee and commission income	-	231,936	231,936
Fee and commission expense	-	(81,925)	(81,925)
Investment income	-	180,465	180,465
Other income	-	60,258	60,258
Other operating income	390,734	(390,734)	-
Other operating income (restated)	<u>390,734</u>	<u>-</u>	<u>390,734</u>

(ii) <u>Statements of Comprehensive Income</u> <u>for the financial year ended 31 March 2013</u>	<u>GROUP</u>		
	As previously stated RM'000	Restatement RM'000	As restated RM'000
Fee and commission income	-	266,916	266,916
Fee and commission expense	-	(91,950)	(91,950)
Investment income	-	116,554	116,554
Other income	-	68,882	68,882
Other operating income	360,402	(360,402)	-
Other operating income (restated)	<u>360,402</u>	<u>-</u>	<u>360,402</u>

The restatement is in relation to reclassification of fee and commission income, fee and commission expense, investment income and other income which was previously summed as other operating income now separated as respective categories. This does not have any impact on the financial results and earnings per share of the comparative financial year.

(iii) <u>Capital Adequacy for the</u> <u>financial year ended 31 March 2013</u>	<u>BANK</u>		<u>GROUP</u>	
	As previously stated	As restated	As previously stated	As restated
<u>Before deducting proposed dividends</u>				
Tier I capital ratio	13.617%	13.445%	12.657%	12.513%
Total capital ratio	13.617%	13.445%	15.369%	15.226%
<u>After deducting proposed dividends</u>				
Tier I capital ratio	12.896%	12.723%	12.056%	11.913%
Total capital ratio	12.896%	12.723%	14.769%	14.625%

	<u>BANK</u>		<u>GROUP</u>	
	As previously stated RM'000	As restated RM'000	As previously stated RM'000	As restated RM'000
Total Tier I Capital	3,158,082	3,118,082	3,525,666	3,485,666
Total Capital	3,158,082	3,118,082	4,281,197	4,241,197

The restatement is in relation to Basel 3 requirements to gradually phased-out the ICPS as Tier 1 Capital.



### 53. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

#### **Disposal of 70% Equity Interest in Alliance Investment Management Berhad ("AIMB")**

The disposal of the 70% equity interest in AIMB by the Bank had been completed. AIMB ceased to be a subsidiary of the Bank with effect from 15 April 2013.

### 54. SUBSEQUENT EVENTS

#### **Acquisition by Alliance Investment Bank Berhad of 1,275,000 ordinary shares of RM1.00 each representing 51% equity interest in AllianceDBS Research Sdn. Bhd. (formerly known as HwangDBS Vickers Research Sdn. Bhd.)**

Alliance Investment Bank Berhad ("AIBB"), a wholly-owned subsidiary of the Bank has entered into a conditional Share Sale and Purchase Agreement with HwangDBS (Malaysia) Berhad ("HDBS") on 3 April 2014 for the acquisition of its 51% equity interest in HwangDBS Vickers Research Sdn. Bhd. ("HDBSV") comprising 1,275,000 ordinary shares of RM1.00 each fully paid for a total cash consideration of RM393,945 ("the Acquisition").

The Acquisition will enhance the Group's equity research capabilities and its institutional broking business by leveraging on DBS Vickers Securities Holdings Pte Ltd's ("DBS Vickers") network of overseas clients to execute their trades on Bursa Malaysia via AIBB, in order to further expand the Group's investment banking business, especially the stock broking institutional business. In addition to providing coverage on Malaysia equities, the Group will be able to leverage on the capabilities of HDBSV to provide coverage on the regional equities for its institutional clients.

The Acquisition is not expected to have any material effect on the net assets per share, earnings per share and gearing of the Bank for the financial year ending 31 March 2015.

Upon completion of the Acquisition, the entire business and operations of Alliance Research Sdn. Bhd. ("ARSB"), a wholly-owned subsidiary of AIBB, will be transferred to and integrated into HDBSV. Upon completion of the integration, the equities research business of the Group will be operated under HDBSV on a 51:49 joint-venture basis with DBS Vickers.

The Acquisition has received the approvals from Bank Negara Malaysia and the Securities Commission on 11 March 2014 and 1 April 2014 respectively. The Acquisition has been completed on 6 May 2014 and HDBSV has subsequently changed its name to AllianceDBS Research Sdn. Bhd.