



ALLIANCE BANK

Alliance Bank Malaysia Berhad (88103-W)

REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017



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 2017.

PRINCIPAL ACTIVITIES

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

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

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

FINANCIAL RESULTS

	<u>BANK</u> RM'000	<u>GROUP</u> RM'000
Profit before taxation	594,349	680,396
Taxation	<u>(134,175)</u>	<u>(168,096)</u>
Net profit for the financial year	<u><u>460,174</u></u>	<u><u>512,300</u></u>

RESERVES AND PROVISIONS

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

DIVIDENDS

The amount of dividends declared and paid by the Bank since 31 March 2016 were as follows:

	RM'000
(i) A second interim dividend of 12.66 sen per share, on 796,517,043 ordinary shares in respect of the financial year ended 31 March 2016, was paid on 17 June 2016	100,839
(ii) A first interim dividend of 16.53 sen per share, on 796,517,043 ordinary shares in respect of the financial year ending 31 March 2017, was paid on 21 December 2016	<u>131,664</u>
	<u><u>232,503</u></u>

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DIRECTORS' REPORT (CONTD.)

DIVIDENDS (CONTD.)

Subsequent to the financial year end, on 31 May 2017, the Directors declared a second interim dividend of 14.67 sen per share, on 796,517,043 ordinary shares amounting to approximately RM116,849,000 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 2018. The Directors do not propose any final dividend in respect of the financial year ended 31 March 2017.

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.

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

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

BUSINESS REVIEW FOR FINANCIAL YEAR ENDED ("FYE") 31 MARCH 2017

For FYE 31 March 2017, the Group's net profit after taxation was RM512.3 million.

The Group's net income grew by RM45.7 million or 3.2% due to expansion of total gross loans to RM39.3 billion. Net Interest Margin recorded at 226bps from 215bps last financial year.

Fee based income improved by RM19.2 million or 10.8% mainly from commission income and loan processing fees income.

Operating expenses increased marginally by RM1.0 million or 0.1% on higher establishment costs.

Gross impaired loans declined moderately to 1.0%. While loan loss coverage improved from 109.1% to 136.7%, reflecting a healthy book.

The Current Account/Savings Account ratio improved to 34.1% from 32.0% last year. Loans-to-deposits ratio increased to 86.8% as at 31 March 2017, from 84.0% last year, while loan-to-fund ratio stood at 83.6%.

The Group's total capital ratio stood healthy at 17.2%, with a Common Equity Tier 1 Capital ratio of 12.5% as at 31 March 2017.

The Group declared a second interim dividend of RM116.8 million, bringing the total dividend declared for the financial year ended 31 March 2017 to RM248.5 million (FYE2016: RM225.9 million).

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Performance by business segment:

The Group's businesses are presented in the following business segments: Consumer Banking, Business Banking, Financial Markets and Stockbroking and Corporate Advisory. Please refer to Note 51 on Segment Information for the composition of each business segment.

Consumer Banking profit before tax was higher by RM11.3 million or 7.5% compared to last financial year. The net income was RM37.4 million or 7.3% higher compared to last financial year. Operating profit was higher by RM41.9 million or 22.3% mainly due to better risk adjusted return loan and growth in wealth management. Allowance for loans, advances and financing was higher by RM30.7 million. Segment asset was RM0.9 billion or 4.0% lower, while liabilities registered growth of RM2.1 billion or 9.6% higher.

Business Banking profit before tax was higher by RM16.9 million or 5.1% compared to last financial year, mainly due to increase in net income of RM36.1 million or 5.9% partially offset by higher other operating expenses by RM3.3 million or 1.3%. Allowance for loans, advances and financing was higher by RM16.1 million. Segment asset and liabilities registered growth of RM1.3 billion or 8.0% and RM1.2 billion or 5.8%.

Financial Markets profit before tax was RM53.4 million or 25.0% lower compared to last financial year mainly due to one-off gains on foreign exchange de-risking and bonds debt recovery last year.

Stockbroking and Corporate Advisory improved RM5.4 million or 49.1% compared to last financial year.

ECONOMIC OUTLOOK AND PROSPECTS FOR FYE 31 MARCH 2018

Bank Negara Malaysia has forecasted that the Malaysian Gross Domestic Product (GDP) growth will be between 4.3% and 4.8% in 2017, despite the challenging international economic and financial landscape.

Domestic demand will remain the key driver of growth. While household expenditure will be supported by continued wage growth and government's measures to boost disposable income, investment activity is expected to be sustained by capital expenditure in export-oriented industries and ongoing transport-related infrastructure projects.

Meanwhile, Bank Negara Malaysia expects inflation to trend between 3.0% and 4.0% in 2017, on the back of cost-push factors such as the pass-through impact of the increase in global crude oil prices. On the external sector, gross exports are forecasted to expand 5.5% in 2017, higher than the 1.1% growth recorded in 2016.

Malaysia stands to benefit from brighter global macro prospects given its well-diversified export products and markets.

ALLIANCE BANK MALAYSIA BERHAD
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BUSINESS OUTLOOK FOR FYE 31 MARCH 2018

The Group will leverage on its franchise strength to deliver sustainable profitability and to fulfill the financial needs of our customers.

The Group will continue to improve balance sheet efficiency by focusing on better risk adjusted return loans, liquidity management, and mitigating credit risk. We will also continue maximizing the linkages across Consumer Banking, Business Banking, Financial Markets, Investment Banking and Islamic Banking to bring to bear the full suite of solutions and capabilities that the Group has to offer to our clients.

The Group's strategic intent is to be the most important relationship for the financial success of business owners, through our vision of 'Building Alliances to Improve Lives'.

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

This will position us as a Bank that uses innovation to bring simple, fast and responsive solutions that are always aligned to our customers' needs, which is the essence of our new brand promise.

While we expect these strategic investments to deliver higher level of performance in the longer term, we would expect profitability in the immediate financial year to be impacted.

RATING BY EXTERNAL RATING AGENCY

The Bank is rated by Rating Agency Malaysia Berhad ("RAM"). Based on RAM's rating in November 2016, 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 Directors of the Bank in office during the financial year and during the period from the end of the financial year to the date of this report are:

Tan Sri Dato' Ahmad Bin Mohd Don (Chairman) (appointed on 1 February 2017)

Kung Beng Hong

Ou Shian Waei

Kuah Hun Liang

Lee Ah Boon

Datuk Wan Azhar Bin Wan Ahmad

Lee Boon Huat

Ho Hon Cheong

Thayaparan A/L S Sangarapillai (appointed on 10 May 2016)

Dato' Thomas Mun Lung Lee (retired on 19 July 2016)

Tan Yuen Fah (retired on 18 September 2016)

ALLIANCE BANK MALAYSIA BERHAD
(Incorporated in Malaysia)

DIRECTORS' REMUNERATION

Details of Directors' Remuneration are set out in note 41 to the financial statements.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangements to which the Bank is a party, whereby the Directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate, 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 shown under Directors' Remuneration in Note 41 to the financial statements) by reason of a contract made by the Bank or its subsidiary or its holding company or subsidiary of the holding company with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

DIRECTORS' INTERESTS

According to the Register of Directors' shareholdings required to be kept under Section 59 of the Companies Act, 2016, none of the Directors in office at the end of the financial year had any interest in shares, share options and share grants in the Bank or its related corporations during the financial year.

ISSUE OF SHARES AND DEBENTURES

There was no new issue of shares and debentures during the financial year.

BAD AND DOUBTFUL DEBTS

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

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

CURRENT ASSETS

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

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

ALLIANCE BANK MALAYSIA BERHAD

(Incorporated in Malaysia)

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.

SUBSIDIARIES

Details of subsidiaries are set out in Note 13 to the financial statements.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 33 to the financial statements.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 52 to the financial statements.

SUBSEQUENT EVENTS

There were no material events subsequent to the end of the financial reporting period that require disclosure or adjustment to the financial statements.

ALLIANCE BANK MALAYSIA BERHAD
(Incorporated in Malaysia)

AUDITORS

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

This report was approved by the Board of Directors on 31 May 2017. Signed on behalf of the Board of Directors.

Kung Beng Hong

Kuala Lumpur, Malaysia

Ou Shian Waei

ALLIANCE BANK MALAYSIA BERHAD

(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016

We, Kung Beng Hong and Ou Shian Waei, 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 13 to 136 are drawn up so as to give a true and fair view of the financial position of the Bank and of the Group as at 31 March 2017 and financial performance of the Bank and of the Group for the financial year ended 31 March 2017 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 31 May 2017.

Kung Beng Hong

Ou Shian Waei

Kuala Lumpur, Malaysia

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT, 2016

I, Wong Lai Loong, being the officer primarily responsible for the financial management of Alliance Bank Malaysia Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 13 to 136 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed Wong Lai Loong
at Kuala Lumpur in the Federal Territory on
31 May 2017

Wong Lai Loong

Before me,

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF ALLIANCE BANK MALAYSIA BERHAD
(Incorporated in Malaysia)
(Company No: 88103-W)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Alliance Bank Malaysia Berhad ("the Bank") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Bank and of the Group as at 31 March 2017, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Bank and of the Group, which comprise the statements of financial position as at 31 March 2017 of the Bank and of the Group, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Bank and of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 13 to 136.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

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

Independence and other ethical responsibilities

We are independent of the Group and of the Bank in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTD.)

Information other than the financial statements and auditors' report thereon

The Directors of the Bank are responsible for the other information. The other information comprises Directors' Report, but does not include the financial statements of the Bank and of the Group and our auditors' report thereon.

Our opinion on the financial statements of the Bank and of the Group does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Bank and of the Group, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Bank and of the Group or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors of the Bank are responsible for the preparation of the financial statements of the Bank and of the Group that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Bank and of the Group that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Bank and of the Group, the Directors are responsible for assessing the Bank's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Bank or the Group or to cease operations, or have no realistic alternative but to do so.

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTD.)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Bank and of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Bank and of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's and Group's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's or Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Bank and of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank or Group to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Bank and of the Group, including the disclosures, and whether the financial statements of the Bank and of the Group represent the underlying transactions and events in a manner that achieves fair presentation.

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTD.)

Auditors' responsibilities for the audit of the financial statements (Contd.)

- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

OTHER MATTERS

This report is made solely to the member of the Bank, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

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

Kuala Lumpur
31 May 2017

ALLIANCE BANK MALAYSIA BERHAD

(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2017

		<u>BANK</u>		<u>GROUP</u>	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
ASSETS					
Cash and short-term funds	3	1,618,617	4,200,877	1,368,636	4,934,198
Deposits and placements with banks and other financial institutions	4	-	195,865	-	195,865
Balances due from clients and brokers	5	-	-	113,022	104,659
Financial assets held-for-trading	6	259,701	132,229	335,260	132,229
Financial investments available-for-sale	7	8,099,450	7,252,922	10,239,557	8,565,696
Financial investments held-to-maturity	8	658,201	719,324	917,092	1,129,307
Derivative financial assets	9	86,345	133,651	86,345	133,651
Loans, advances and financing	10	31,371,907	31,245,478	38,991,689	38,410,724
Other assets	11	105,141	109,576	109,908	102,175
Tax recoverable		-	19,310	9,726	36,492
Statutory deposits with Bank Negara Malaysia	12	1,129,366	1,117,640	1,437,344	1,410,828
Investments in subsidiaries	13	892,820	892,820	-	-
Investment in associate	14	230	230	530	520
Investment in joint venture	15	-	-	650	566
Property, plant and equipment	16	71,883	84,625	73,789	86,427
Deferred tax assets	17	4,088	-	14,033	10,201
Intangible assets	18	261,986	247,299	377,361	362,982
TOTAL ASSETS		<u>44,559,735</u>	<u>46,351,846</u>	<u>54,074,942</u>	<u>55,616,520</u>
LIABILITIES AND EQUITY					
Deposits from customers	19	36,895,217	37,836,569	45,330,615	46,120,487
Deposits and placements of banks and other financial institutions	20	649,729	1,017,432	862,904	1,157,250
Balances due to clients and brokers	21	-	-	69,066	77,246
Derivative financial liabilities	9	81,892	279,541	81,892	279,541
Amount due to Cagamas Berhad	22	502,713	502,725	502,713	502,725
Other liabilities	23	821,624	721,208	965,906	880,138
Provision for taxation		14,098	-	19,567	-
Provision for zakat		-	-	206	123
Deferred tax liabilities	17	-	3,887	9,960	15,617
Other borrowings	24	5,070	5,071	5,070	5,071
Subordinated obligations	25	1,225,664	1,839,613	1,226,078	1,840,147
TOTAL LIABILITIES		<u>40,196,007</u>	<u>42,206,046</u>	<u>49,073,977</u>	<u>50,878,345</u>
Share capital	26	796,517	796,517	796,517	796,517
Reserves	27	3,567,211	3,349,283	4,204,448	3,941,658
TOTAL EQUITY		<u>4,363,728</u>	<u>4,145,800</u>	<u>5,000,965</u>	<u>4,738,175</u>
TOTAL LIABILITIES AND EQUITY		<u>44,559,735</u>	<u>46,351,846</u>	<u>54,074,942</u>	<u>55,616,520</u>
COMMITMENTS AND CONTINGENCIES	46	<u>24,538,276</u>	<u>19,787,255</u>	<u>26,493,954</u>	<u>21,832,427</u>

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

ALLIANCE BANK MALAYSIA BERHAD

(Incorporated in Malaysia)

**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017**

	Note	<u>BANK</u>		<u>GROUP</u>	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Interest income	29	1,852,165	1,873,504	1,879,859	1,920,169
Interest expense	30	(1,016,231)	(1,043,519)	(1,035,935)	(1,076,025)
Net interest income		835,934	829,985	843,924	844,144
Net income from Islamic banking business	31	-	-	297,037	244,151
		835,934	829,985	1,140,961	1,088,295
Fee and commission income	32	259,627	247,035	297,571	285,243
Fee and commission expense	32	(88,459)	(91,001)	(99,872)	(106,772)
Investment income	32	192,437	95,881	143,496	92,298
Other income	32	(18,708)	60,645	(15,992)	61,385
Other operating income	32	344,897	312,560	325,203	332,154
Net income		1,180,831	1,142,545	1,466,164	1,420,449
Other operating expenses	33	(538,496)	(539,750)	(689,675)	(688,653)
Operating profit before allowance		642,335	602,795	776,489	731,796
Allowance for losses on loans, advances and financing and other receivables	34	(47,986)	(4,707)	(94,979)	(48,328)
(Allowance for)/write-back of impairment on other assets	35	-	1,698	(1,208)	7,765
Operating profit after allowance		594,349	599,786	680,302	691,233
Share of results of associate	14	-	-	10	9
Share of results of joint venture	15	-	-	84	156
Profit before taxation		594,349	599,786	680,396	691,398
Taxation	36	(134,175)	(147,656)	(168,096)	(171,360)
Net profit for the financial year		460,174	452,130	512,300	520,038
Other comprehensive (expense)/income:					
Items that may be reclassified subsequently to profit or loss					
Revaluation reserve on financial investments available-for-sale					
- Net (loss)/gain from change in fair value		(7,465)	44,159	(14,735)	55,757
- Realised gain transferred to statement of income on disposal and impairment		(3,372)	(5,588)	(5,684)	(7,659)
- Transfer from/(to) deferred tax		2,601	(9,257)	4,901	(11,544)
Other comprehensive (expense)/income, net of tax		(8,236)	29,314	(15,518)	36,554
Total comprehensive income for the financial year		451,938	481,444	496,782	556,592
Net profit for the financial year attributable to: Equity holder of the Bank		460,174	452,130	512,300	520,038
Total comprehensive income attributable to: Equity holder of the Bank		451,938	481,444	496,782	556,592
Earnings per share attributable to Equity holder of the Bank	37				
- Basic (sen)				64	65
- Diluted (sen)				64	65

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

ALLIANCE BANK MALAYSIA BERHAD

(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017**

	Non-distributable reserves					Distributable reserves		
	Ordinary shares	Share premium	Statutory reserves	Regulatory reserves	Revaluation reserves	Equity contribution from holding company	Retained profits	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
BANK								
At 1 April 2016	796,517	401,517	835,401	140,864	73,152	10,064	1,888,285	4,145,800
Net profit after taxation	-	-	-	-	-	-	460,174	460,174
Other comprehensive expense	-	-	-	-	(8,236)	-	-	(8,236)
Total comprehensive (expense)/income	-	-	-	-	(8,236)	-	460,174	451,938
Share-based payment under Employees' Share Scheme ("ESS")	-	-	-	-	-	1,733	-	1,733
Payment for ESS recharged from parent	-	-	-	-	-	(3,240)	-	(3,240)
Transfer of ESS recharged difference on shares vested	-	-	-	-	-	(1,177)	1,177	-
ESS on share options lapsed	-	-	-	-	-	(1,857)	1,857	-
Transfer to regulatory reserves	-	-	-	3,485	-	-	(3,485)	-
Dividends paid (Note 38)	-	-	-	-	-	-	(232,503)	(232,503)
At 31 March 2017	796,517	401,517	835,401	144,349	64,916	5,523	2,115,505	4,363,728
At 1 April 2015	796,517	401,517	722,368	-	43,838	10,731	1,881,187	3,856,158
Net profit after taxation	-	-	-	-	-	-	452,130	452,130
Other comprehensive income	-	-	-	-	29,314	-	-	29,314
Total comprehensive income	-	-	-	-	29,314	-	452,130	481,444
Share-based payment under ESS	-	-	-	-	-	5,930	-	5,930
Payment for ESS recharged from parent	-	-	-	-	-	(5,293)	-	(5,293)
Transfer of ESS recharged difference on shares vested	-	-	-	-	-	(1,304)	1,304	-
Transfer to statutory reserves	-	-	113,033	-	-	-	(113,033)	-
Transfer to regulatory reserves	-	-	-	140,864	-	-	(140,864)	-
Dividends paid (Note 38)	-	-	-	-	-	-	(192,439)	(192,439)
At 31 March 2016	796,517	401,517	835,401	140,864	73,152	10,064	1,888,285	4,145,800

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

ALLIANCE BANK MALAYSIA BERHAD

(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017 (CONTD.)**

GROUP	←----- Attributable to Equity holder of the Bank -----→								
	Ordinary shares RM'000	Share premium RM'000	Statutory reserves RM'000	Regulatory reserves RM'000	Capital reserves RM'000	Revaluation reserves RM'000	Equity contribution from holding company RM'000	Retained profits RM'000	Total equity RM'000
At 1 April 2016	796,517	401,517	1,200,019	157,174	10,018	114,786	10,896	2,047,248	4,738,175
Net profit after taxation	-	-	-	-	-	-	-	512,300	512,300
Other comprehensive expense	-	-	-	-	-	(15,518)	-	-	(15,518)
Total comprehensive (expense)/income	-	-	-	-	-	(15,518)	-	512,300	496,782
Share-based payment under ESS	-	-	-	-	-	-	2,035	-	2,035
Payment for ESS recharged from parent	-	-	-	-	-	-	(3,524)	-	(3,524)
Transfer of ESS recharged difference on shares vested	-	-	-	-	-	-	(1,244)	1,244	-
ESS on share options lapsed	-	-	-	-	-	-	(2,101)	2,101	-
Transfer to statutory reserves	-	-	23,506	-	-	-	-	(23,506)	-
Transfer to regulatory reserves	-	-	-	726	-	-	-	(726)	-
Dividends paid (Note 38)	-	-	-	-	-	-	-	(232,503)	(232,503)
At 31 March 2017	796,517	401,517	1,223,525	157,900	10,018	99,268	6,062	2,306,158	5,000,965
At 1 April 2015	796,517	401,517	1,069,665	-	10,018	78,232	11,405	2,005,815	4,373,169
Net profit after taxation	-	-	-	-	-	-	-	520,038	520,038
Other comprehensive income	-	-	-	-	-	36,554	-	-	36,554
Total comprehensive income	-	-	-	-	-	36,554	-	520,038	556,592
Share-based payment under ESS	-	-	-	-	-	-	6,349	-	6,349
Payment for ESS recharged from parent	-	-	-	-	-	-	(5,496)	-	(5,496)
Transfer of ESS recharged difference on shares vested	-	-	-	-	-	-	(1,350)	1,350	-
ESS on share options lapsed	-	-	-	-	-	-	(12)	12	-
Transfer to statutory reserves	-	-	130,354	-	-	-	-	(130,354)	-
Transfer to regulatory reserves	-	-	-	157,174	-	-	-	(157,174)	-
Dividends paid (Note 38)	-	-	-	-	-	-	-	(192,439)	(192,439)
At 31 March 2016	796,517	401,517	1,200,019	157,174	10,018	114,786	10,896	2,047,248	4,738,175

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

ALLIANCE BANK MALAYSIA BERHAD

(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017**

	<u>BANK</u>		<u>GROUP</u>	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	594,349	599,786	680,396	691,398
Adjustments for:				
Accretion of discount less amortisation				
of premium of financial investments	(73,010)	(68,007)	(73,946)	(68,125)
Depreciation of property, plant and equipment	20,544	22,444	21,177	22,966
Amortisation of computer software	21,834	21,443	22,397	21,750
Dividends from financial investments available-for-sale	(2,440)	(2,440)	(3,218)	(3,190)
Dividends from subsidiaries	(51,856)	(5,974)	-	-
Loss on disposal of property, plant and equipment	346	11	346	11
Property, plant and equipment written-off	231	736	233	762
Computer software written-off	208	74	213	74
Net loss from redemption of				
financial investments held-to-maturity	-	34	-	34
Net (gain)/loss from sale of				
financial assets held-for-trading	(988)	763	(988)	281
Net gain from sale of financial				
investments available-for-sale	(3,154)	(4,966)	(5,239)	(6,125)
Unrealised loss/(gain) on revaluation				
of financial assets held-for-trading	1,199	(1,253)	1,147	(1,253)
Unrealised (gain)/loss on revaluation of				
derivative instruments	(144,553)	166,215	(144,553)	166,215
Unrealised loss/(gain) arising from financial				
liabilities designated at fair value	6,555	(26,728)	6,555	(26,728)
Interest expense on other borrowings	238	71	238	71
Interest expense on securities sold under				
repurchase agreement	-	272	-	272
Interest on loan sold to Cagamas	21,770	2,725	21,770	2,725
Interest expense on subordinated obligations	69,485	56,828	69,366	56,861
Interest income from financial assets held-for-trading	(6,178)	(4,211)	(6,178)	(4,242)
Interest income from financial investments				
available-for-sale	(246,210)	(290,488)	(246,536)	(306,319)
Interest income from financial investments held-to-maturity	(21,650)	(21,817)	(26,691)	(26,871)
Allowance for losses on loans, advances and				
financing (net of recoveries)	57,330	20,297	103,914	64,806
Allowance for losses on other receivables (net of				
recoveries)	2,290	2,719	2,561	4,095
Write-back of losses from balances due from clients	-	-	(2)	(3)
Allowance for commitment and contingencies	2,301	-	2,301	-
Write-back of impairment of financial investments				
available-for-sale	-	-	-	(6,050)
Operating profit before working				
capital changes carried forward	248,641	468,534	425,263	583,415

ALLIANCE BANK MALAYSIA BERHAD

(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017 (CONTD.)**

	<u>BANK</u>		<u>GROUP</u>	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTD.)				
Operating profit before working capital changes brought forward	248,641	468,534	425,263	583,415
Write-back of impairment of financial investments held-to-maturity	-	(1,698)	-	(1,715)
Allowance for impairment on goodwill	-	-	1,208	-
Share options/grants under Employees' Share Scheme	1,733	5,930	2,035	6,349
Share of results of associate	-	-	(10)	(9)
Share of results of joint venture	-	-	(84)	(156)
Zakat	-	-	143	56
Operating profit before working capital changes	250,374	472,766	428,555	587,940
Changes in working capital:				
Deposits from customers	(953,696)	1,004,041	(802,216)	1,420,697
Deposits and placements of banks and other financial institutions	(367,703)	88,937	(294,346)	(332,525)
Bills and acceptances payable	-	(801,578)	-	(801,578)
Other liabilities	98,115	(25,684)	83,467	(53,144)
Deposits and placements with banks and other financial institutions	195,865	102,302	195,865	102,302
Financial assets held-for-trading	(126,634)	(121,550)	(201,848)	(121,068)
Loans, advances and financing	(183,759)	(1,411,922)	(684,879)	(1,909,498)
Other assets	2,145	(16,455)	(10,292)	(16,967)
Balances due (to)/from clients and brokers	-	-	(16,543)	12,497
Statutory deposits with Bank Negara Malaysia	(11,726)	226,360	(26,516)	264,498
Cash used in operations	(1,097,019)	(482,783)	(1,328,753)	(846,846)
Taxation paid	(106,141)	(155,391)	(126,355)	(189,800)
Zakat paid	-	-	(59)	(61)
Net cash used in operating activities	(1,203,160)	(638,174)	(1,455,167)	(1,036,707)

ALLIANCE BANK MALAYSIA BERHAD

(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017 (CONTD.)**

	<u>BANK</u>		<u>GROUP</u>	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Dividends from financial investments available-for-sale	2,440	2,440	3,218	3,190
Dividends from subsidiaries	51,856	5,974	-	-
Interest income from financial investments assets held-for-trading	5,825	4,211	5,825	4,242
Interest income from financial investments available-for-sale	233,433	307,522	232,838	318,150
Interest income from financial investments held-to-maturity	21,706	21,809	28,929	27,006
Purchase of property, plant and equipment	(8,649)	(12,516)	(9,388)	(12,981)
Purchase of intangible assets	(36,729)	(24,294)	(38,197)	(24,871)
Proceeds from redemption/disposal of financial investments held-to-maturity (net of purchase)	135,264	72,875	285,522	268,189
Proceeds from redemption/disposal of financial investments available-for-sale (net of purchase)	(843,319)	648,024	(1,677,931)	1,227,661
Proceeds from disposal of property, plant and equipment	270	158	270	158
Acquisition of subsidiary	-	(100,000)	-	-
Net cash (used in)/generated from investing activities	<u>(437,903)</u>	<u>926,203</u>	<u>(1,168,914)</u>	<u>1,810,744</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest expense paid on securities sold under repurchase agreement	-	(272)	-	(272)
Interest expense paid on subordinated obligations	(83,434)	(28,920)	(83,434)	(28,920)
Amount due to Cagamas Berhad	-	492,997	-	492,997
Interest on loan sold to Cagamas	(21,782)	-	(21,782)	-
Interest on other borrowings	(238)	-	(238)	-
Proceeds from issuance of other borrowings	-	5,000	-	5,000
Proceeds from issuance of subordinated notes	-	1,200,000	-	1,200,000
Redemption of subordinated notes	(600,000)	-	(600,000)	-
Transaction costs paid on issuance of subordinated notes	-	(1,562)	-	(1,062)
Payment for ESS recharged from parent	(3,240)	(5,293)	(3,524)	(5,496)
Dividends paid to holding company	<u>(232,503)</u>	<u>(192,439)</u>	<u>(232,503)</u>	<u>(192,439)</u>
Net cash (used in)/generated from financing activities	<u>(941,197)</u>	<u>1,469,511</u>	<u>(941,481)</u>	<u>1,469,808</u>

ALLIANCE BANK MALAYSIA BERHAD

(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017 (CONTD.)**

	<u>BANK</u>		<u>GROUP</u>	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Net change in cash and cash equivalents	(2,582,260)	1,757,540	(3,565,562)	2,243,845
Cash and cash equivalents at beginning of financial year	4,200,877	2,443,337	4,934,198	2,690,353
Cash and cash equivalents at end of financial year	<u>1,618,617</u>	<u>4,200,877</u>	<u>1,368,636</u>	<u>4,934,198</u>
Cash and cash equivalents comprise the following:				
Cash and short-term funds	<u>1,618,617</u>	<u>4,200,877</u>	<u>1,368,636</u>	<u>4,934,198</u>
	<u>1,618,617</u>	<u>4,200,877</u>	<u>1,368,636</u>	<u>4,934,198</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 2017

1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

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

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

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

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 31 May 2017.

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 Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(a) Basis of Preparation (contd.)

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

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

- (i) Annual testing for impairment of goodwill (Note 18) - the measurement of the recoverable amount of cash-generating units are determined based on the value-in-use method, which requires the use of estimates for cash flow projections approved by management covering a 4-year period, estimated growth rates for cash flows beyond the fourth year are extrapolated in perpetuity and discount rates are applied to the cash flow projections.
- (ii) Allowance for losses on loans, advances and financing and other receivables (Note 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 2016 are as follows:

- Amendment to MFRS 11 "Joint Arrangements" - Accounting for acquisition of interests in joint operations
- Amendments to MFRS 127 "Equity Method in Separate Financial Statements"
- Amendments to MFRS 10, 12 and 128 "Investment entities - Applying the Consolidation Exception"
- Amendments to MFRS 101 "Presentation of financial statements - Disclosure Initiative"
- Annual Improvements to MFRS 2012-2014 Cycle.

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

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 2017

- (a) Amendments to MFRS 107 "Statement of Cash Flows - Disclosure Initiative" (effective from 1 January 2017) introduce an additional disclosure on changes in liabilities arising from financing activities.
- (b) Amendments to MFRS 112 "Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses" (effective from 1 January 2017) clarify the requirements for recognising deferred tax assets on unrealised losses arising from deductible temporary difference on asset carried at fair value.

In addition, in evaluating whether an entity will have sufficient taxable profits in future periods against which deductible temporary differences can be utilised, the amendments require an entity to compare the deductible temporary differences with future taxable profits that excludes tax deductions resulting from the reversal of those temporary differences.

The amendments shall be applied retrospectively.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(a) Basis of Preparation (contd.)

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

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

Financial year beginning on/after 1 April 2018

- (a) IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration' (effective from 1 January 2018) applies when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. MFRS 121 requires an entity to use the exchange rate at the 'date of the transaction' to record foreign currency transactions.

IC Interpretation 22 provides guidance how to determine 'the date of transaction' when a single payment/receipt is made, as well as for situations where multiple payments/receipts are made.

The date of transaction is the date when the payment or receipt of advance consideration gives rise to the non-monetary asset or non-monetary liability when the entity is no longer exposed to foreign exchange risk.

If there are multiple payments or receipts in advance, the entity should determine the date of the transaction for each payment or receipt.

An entity has the option to apply IC Interpretation 22 retrospectively or prospectively.

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

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

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where 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 income statement, unless this creates an accounting mismatch.

MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit losses model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(a) Basis of Preparation (contd.)

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

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

Financial year beginning on/after 1 April 2018 (contd.)

- (c) MFRS 15 "Revenue from Contracts with Customers" (effective from 1 January 2018) replaces MFRS 118 "Revenue" and MFRS 111 "Construction Contracts" and related interpretations. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

A new five-step process is applied before revenue can be recognised:

- Identify contracts with customers
- Identify the separate performance obligations
- Determine the transaction price of the contract;
- Allocate the transaction price to each of the separate performance obligations; and
- Recognise the revenue as each performance obligation is satisfied.

Key provisions of the new standard are as follows:

- Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements;
- If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc), minimum amounts of revenue must be recognised if they are not at significant risk of reversal;
- The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa;
- There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few;
- As with any new standard, there are also increased disclosures.

Financial year beginning on/after 1 April 2019

MFRS 16 "Leases" (effective from 1 January 2019) supersedes MFRS 117 "Leases" and the related interpretations.

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

The right-of-use asset is depreciated in accordance with the principle in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in the income statement.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

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, except for the adoption of MFRS 9. The Bank and the Group are assessing the potential impact of this standard.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(b) Economic Entities in the Group

(i) Subsidiaries

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

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

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

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.

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

(iii) Disposal of Subsidiaries

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

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

(iv) Associates

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

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

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. Any impairment loss is recognised for the amount by which the carrying amount of the associate exceeds its recoverable amount.

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

(v) Joint Arrangements

A joint arrangement is an arrangement of which there is contractually agreed sharing of control by the Group with one or more parties, where decisions about the relevant activities relating to the joint arrangement require unanimous consent of the parties sharing control. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities, relating to the arrangement.

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

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. An impairment loss is recognised for the amount by which the carrying amount of the joint venture exceeds its recoverable amount.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

(c) Investments in Subsidiaries, Joint Ventures and Associates in separate financial statements

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(d) Intangible Assets

(i) Goodwill

Goodwill arises from a business combination and represents the excess of the aggregate of fair value of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed on the acquisition date. If the fair value of consideration transferred, the amount of non-controlling interest and the fair value of previously held interest in the acquiree are less than the fair value of the net identifiable assets of the acquiree, the resulting gain is recognised in profit or loss.

Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at operating segments level. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(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)(ii)(b).

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(e) Financial Assets

(i) Classification

The Bank and the Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available-for-sale and held-to-maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period. The policy of the recognition and measurement of impairment is in accordance with Note 2(i).

Financial assets at fair value through profit or loss

The Bank and the Group classifies financial assets at fair value through profit or loss if they are acquired principally for the purpose of selling in the short term, i.e. are held-for-trading.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Bank and the Group's loans and receivables comprise cash and short-term funds, deposits and placements with bank and other financial institutions, loans, advances and financing and other assets, in the statement of financial position.

Financial investments available-for-sale

Financial investments available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Financial investments held-to-maturity

Financial investments held-to-maturity are non-derivative quoted financial assets with fixed or determinable payments and fixed maturities that the Bank and the Group's management has the positive intention and ability to hold to maturity. If the Bank and the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as financial investments available for sale.

(ii) Reclassification

The Bank and the Group may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Bank and the Group may 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 Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made.

Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date.

As at the reporting date, the Bank and the Group have not made any such reclassification.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(e) Financial Assets (contd.)

(iii) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the settlement date.

Financial assets are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset for all financial assets not carried at fair value through profit or loss. Financial assets at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss.

(iv) Subsequent measurement - gains and losses

Financial investments available-for-sale and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and financial investments held-to-maturity are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss, including the effects of currency translation, interest and dividend income are recognised in profit or loss in the period in which the changes arise.

Changes in the fair value of financial investments available-for-sale are recognised in other comprehensive income, except for impairment losses Note 2(i) and foreign exchange gains and losses Note 2(t).

(v) De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group have transferred substantially all risks and rewards of ownership.

Receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as amount due to Cagamas Berhad.

When financial investments available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss.

(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.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

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

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

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

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

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(i) Impairment of Assets

(i) Impairment of financial assets

(a) Assets carried at amortised cost

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

The criteria that the Bank and the Group uses to determine that there is objective evidence of an

- (1) significant financial difficulty of the obligor;
- (2) a breach of contract, such as a default or delinquency in interest or principal payments;
- (3) it becomes probable that the borrower will enter bankruptcy or winding up petition is served on the borrower, significant shareholder or significant guarantor;
- (4) adverse Center Credit Reference Information System ("CCRIS") findings or unfavorable industry developments for that borrower; and
- (5) 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 Bank and the Group first assesses individually whether objective evidence of impairment exists for all financial assets deemed to be individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset whether significant or not, the loan is then collectively assessed for impairment.

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 financial asset has a variable interest rate, the discount rate for measuring any impairment is the current effective interest rate determined under the contract.

Financial assets which are not individually assessed, are grouped together for collective impairment assessment. These financial assets 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 Bank and 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.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(i) Impairment of Assets (Contd.)

(i) Impairment of financial assets (Contd.)

(b) Assets classified as financial investments available-for-sale

The Bank and the Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Bank and the Group uses criteria and measurement of impairment loss applicable for 'assets carried at amortised cost' above. If, in a subsequent period, the fair value of a debt instrument classified as financial investments available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the profit or loss.

In the case of equity securities classified as financial investments available-for-sale, in addition to the criteria for 'assets carried at amortised cost' above, a significant or prolonged decline in the fair value of the security below its cost is also considered as an indicator that the assets are impaired. If any such evidence exists for financial investments available-for-sale, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in profit or loss. The amount of cumulative loss reclassified to profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments classified as financial investments available-for-sale are not reversed through profit or loss in subsequent periods.

(ii) Non-financial assets

(a) Goodwill/Intangible assets

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

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

An impairment on goodwill is not reversed in subsequent periods. An impairment for other intangible assets is reversed if, and only if, there has been a change in the estimates used to determine the intangible asset's recoverable amount since the last impairment was recognised and such reversal is through the 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(i) Impairment of Assets (Contd.)

(ii) Non-financial assets (Contd.)

(b) Other non-financial assets

Other non-financial assets such as property, plant and equipment, computer software, foreclosed properties and investments in subsidiaries and associates are reviewed for objective indications of impairment at the end of each reporting period or whenever there is any indication that these assets may be impaired. Where such indications exist, impairment is determined as the excess of the asset's carrying value over its recoverable amount (greater of value in use or fair value less costs to sell) and is recognised in the 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.

(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)(ii)(b).

(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. Refer to 2(f).

(l) Share Capital

(i) Classification

Ordinary shares with discretionary dividends are classified as equity

(ii) Share issue costs

Incremental costs directly attributable to the issue of new shares or options are deducted against the share premium account.

(iii) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owner of the Group, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share

Diluted earnings per share adjusts the figures in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(m) Subordinated Obligations and Other Borrowings

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

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

(n) Other Assets

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(o) Provisions

Provisions are recognised when:

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

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

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

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

(p) Balances Due From Clients and Brokers

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

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 all recovery actions have been fully exhausted. Impairment allowances are made for balances due from clients and brokers which are considered doubtful or which have been classified as impaired, after taking into consideration collateral held by the Group and deposits of and amounts due to dealer representative in accordance with the Rules of Bursa Securities.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(q) Recognition of Interest and Financing Income

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

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

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

(r) Recognition of Interest and Financing Expenses

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

(s) Recognition of Fees and Other Income

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

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

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

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

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

(t) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Bank's functional and presentation currency.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(t) Foreign currencies (Contd.)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Changes in the fair value of monetary securities denominated in foreign currency classified as financial investments available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as financial investments available-for-sale, are included in other comprehensive income.

(u) Current and Deferred Income Tax

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

Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in the comprehensive income or directly in equity, respectively.

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

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the end of the reporting period. Deferred tax is recognised as income or an expense in the 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.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred income tax assets and liabilities relate to taxes levied by the same tax authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(v) Foreclosed Properties

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(w) 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.

(x) Employee Benefits

(i) Short-term Employee Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Bank and 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 Bank and the Group pay fixed contributions into separate entities or funds and will have no legal or constructive obligations to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the 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

Alliance Financial Group Berhad ("AFGB"), the holding company of the Bank operates a number of equity-settled share-based compensation plan under which the Bank receives services from employees as consideration for equity instruments (options/grants) of the holding company. The award is treated as equity settled in the Bank's financial statements. The fair value of the employee services received in exchange for the grant of the options/grants is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options/grants granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding of shares for a specific period of time).

Non-market vesting conditions and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of the reporting period, the Bank revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss over the vesting period with a corresponding credit recognised in equity.

In circumstances where employees provide services in advance of the grant date, the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

The credit to equity is treated as a capital contribution as the AFGB is compensating the Bank's employees with no expense to the Bank.

Where the parent recharges the Bank for the equity instruments granted, the recharge is recognised over the vesting period.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(y) Contingent Liabilities and Contingent Assets

The Bank and the Group do not recognise contingent assets and liabilities other than those from business combination, but disclose its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the 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.

(z) 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.

(aa) Segment Reporting

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

(ab) 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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

3. CASH AND SHORT-TERM FUNDS

	<u>BANK</u>		<u>GROUP</u>	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	553,744	567,052	616,091	632,589
Money at call and deposit placements maturing within one month	1,064,873	3,633,825	752,545	4,301,609
	<u>1,618,617</u>	<u>4,200,877</u>	<u>1,368,636</u>	<u>4,934,198</u>

Included in the cash and short-term funds of the the Group are accounts held-in-trust for remisiers amounting to RM8,279,000 (2016: RM6,151,000).

4. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	<u>BANK</u>		<u>GROUP</u>	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Licensed banks	-	195,865	-	195,865

5. BALANCES DUE FROM CLIENTS AND BROKERS

	<u>GROUP</u>	
	2017	2016
	RM'000	RM'000
Due from clients	96,499	97,680
Due from brokers	17,358	7,816
	<u>113,857</u>	<u>105,496</u>
Less:		
Allowance for other losses	(835)	(837)
	<u>113,022</u>	<u>104,659</u>

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

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

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

	<u>GROUP</u>	
	2017	2016
	RM'000	RM'000
Classified as doubtful	101	52
Classified as bad	846	848
	<u>947</u>	<u>900</u>

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

The movements in allowance for other losses are as follows:

	<u>GROUP</u>	
	2017	2016
	RM'000	RM'000
At beginning of financial year	837	840
Write-back during the financial year (net)	(2)	(3)
At end of financial year	<u>835</u>	<u>837</u>

6. FINANCIAL ASSETS HELD-FOR-TRADING

	<u>BANK</u>		<u>GROUP</u>	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
At fair value				
<u>Money market instruments:</u>				
Malaysian Government investment certificates	20,049	40,441	20,049	40,441
Commercial papers	69,908	-	104,773	-
Malaysian Government securities	20,125	-	20,125	-
<u>Unquoted securities:</u>				
Corporate bonds and sukuk	149,619	91,788	190,313	91,788
	<u>259,701</u>	<u>132,229</u>	<u>335,260</u>	<u>132,229</u>

7. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	<u>BANK</u>		<u>GROUP</u>	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
At fair value				
<u>Money market instruments:</u>				
Malaysian Government securities	1,729,625	1,165,857	1,890,820	1,277,948
Malaysian Government investment certificates	1,166,584	1,489,465	1,849,621	2,338,432
Negotiable instruments of deposits	2,529,876	2,344,756	2,332,427	1,684,516
Commercial papers	49,491	-	49,491	-
Khazanah bonds	138,731	202,673	138,731	202,673
	<u>5,614,307</u>	<u>5,202,751</u>	<u>6,261,090</u>	<u>5,503,569</u>
<u>Quoted securities in Malaysia:</u>				
Shares	26	26	26	26
Accumulated impairment	(11)	(11)	(11)	(11)
	<u>15</u>	<u>15</u>	<u>15</u>	<u>15</u>
<u>Unquoted securities:</u>				
Shares	111,377	102,657	166,719	153,781
Accumulated impairment	-	-	(1,440)	(1,440)
	<u>111,377</u>	<u>102,657</u>	<u>165,279</u>	<u>152,341</u>
Unit Trust Funds	-	-	4,960	4,992
	<u>-</u>	<u>-</u>	<u>4,960</u>	<u>4,992</u>
Corporate bonds and sukuk	2,509,432	2,083,180	4,040,124	3,136,690
Accumulated impairment	(135,681)	(135,681)	(231,911)	(231,911)
	<u>2,373,751</u>	<u>1,947,499</u>	<u>3,808,213</u>	<u>2,904,779</u>
	<u>2,485,128</u>	<u>2,050,156</u>	<u>3,978,452</u>	<u>3,062,112</u>
	<u>8,099,450</u>	<u>7,252,922</u>	<u>10,239,557</u>	<u>8,565,696</u>

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

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

	<u>BANK</u>		<u>GROUP</u>	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
At beginning of financial year	135,692	135,692	233,362	239,412
Write-back during the financial year	-	-	-	(6,050)
At end of financial year	<u>135,692</u>	<u>135,692</u>	<u>233,362</u>	<u>233,362</u>

8. FINANCIAL INVESTMENTS HELD-TO-MATURITY

	<u>BANK</u>		<u>GROUP</u>	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
At amortised cost				
<u>Money market instruments:</u>				
Malaysian Government securities	568,160	578,740	689,470	700,570
Malaysian Government investment certificates	-	-	80,957	233,390
Khazanah bonds	89,704	140,247	141,920	190,602
	<u>657,864</u>	<u>718,987</u>	<u>912,347</u>	<u>1,124,562</u>
At cost				
<u>Unquoted securities:</u>				
Corporate bonds and sukuk	1,631	1,631	18,938	18,938
Accumulated impairment	(1,294)	(1,294)	(14,193)	(14,193)
	<u>337</u>	<u>337</u>	<u>4,745</u>	<u>4,745</u>
	<u>658,201</u>	<u>719,324</u>	<u>917,092</u>	<u>1,129,307</u>

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

	<u>BANK</u>		<u>GROUP</u>	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
At beginning of financial year	1,294	2,992	14,193	27,825
Write-back during the financial year	-	(1,698)	-	(1,715)
Written-off during the financial year	-	-	-	(11,917)
At end of financial year	<u>1,294</u>	<u>1,294</u>	<u>14,193</u>	<u>14,193</u>

9. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

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

	2017			2016		
	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
<u>BANK/GROUP</u>						
<u>Trading Derivatives</u>						
Foreign exchange contracts:						
- Currency forwards	1,392,677	45,788	(5,109)	1,316,549	25,079	(53,190)
- Currency swaps	9,675,352	15,809	(46,870)	5,559,540	90,660	(182,106)
- Currency spots	40,255	56	(60)	258,309	646	(615)
- Currency options	128,868	265	(24)	160,427	1,349	(404)
Interest rate related contracts:						
- Interest rate swaps	4,344,432	24,339	(24,455)	2,680,531	15,917	(16,165)
Equity related contracts:						
- Options	82,735	88	(5,374)	111,820	-	(27,061)
Total derivative assets/(liabilities)	15,664,319	86,345	(81,892)	10,087,176	133,651	(279,541)

10. LOANS, ADVANCES AND FINANCING

	<u>BANK</u>		<u>GROUP</u>	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Overdrafts	2,248,119	2,187,943	2,763,678	2,641,243
Term loans/financing				
- Housing loans/financing	12,015,876	12,284,139	14,437,368	14,842,860
- Syndicated term loans/financing	217,224	260,515	363,508	261,668
- Hire purchase receivables	764,163	734,007	1,299,638	1,351,475
- Other term loans/financing	10,680,430	10,342,136	13,674,780	13,039,019
Bills receivables	494,267	303,895	502,836	306,143
Trust receipts	172,842	150,244	199,515	179,935
Claims on customers under acceptance credits	2,060,637	1,989,818	2,616,395	2,519,809
Staff loans [include loans to Director of a subsidiary of RM Nil (2016:RM123,000)]	10,123	12,116	29,864	34,395
Credit/charge card receivables	604,197	646,321	604,197	646,321
Revolving credits	1,480,339	1,475,415	1,745,060	1,660,665
Share margin financing	898,084	1,118,646	1,098,842	1,264,135
Gross loans, advances and financing	31,646,301	31,505,195	39,335,681	38,747,668
Add: Sales commissions and handling fees	24,390	34,845	35,963	38,365
Less: Allowance for impairment on loans, advances and financing				
- Individual assessment allowance	(64,147)	(58,061)	(66,627)	(68,331)
- Collective assessment allowance	(234,637)	(236,501)	(313,328)	(306,978)
Total net loans, advances and financing	31,371,907	31,245,478	38,991,689	38,410,724

(i) By maturity structure:

	<u>BANK</u>		<u>GROUP</u>	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Within one year	7,993,587	7,817,151	9,595,942	9,201,769
One year to three years	1,149,354	1,080,775	1,480,000	1,318,284
Three years to five years	1,862,734	1,474,458	2,467,214	2,050,419
Over five years	20,640,626	21,132,811	25,792,525	26,177,196
Gross loans, advances and financing	31,646,301	31,505,195	39,335,681	38,747,668

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

	<u>BANK</u>		<u>GROUP</u>	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Domestic non-bank financial institutions	300,971	339,935	351,484	375,434
Domestic business enterprises				
- Small and medium enterprises	7,641,456	7,170,303	9,786,917	8,956,673
- Others	6,345,144	5,959,540	7,632,297	7,058,880
Government and statutory bodies	5,287	6,816	5,952	6,816
Individuals	16,428,669	17,096,520	20,523,924	21,306,301
Other domestic entities	181,071	196,851	188,394	201,401
Foreign entities	743,703	735,230	846,713	842,163
Gross loans, advances and financing	<u>31,646,301</u>	<u>31,505,195</u>	<u>39,335,681</u>	<u>38,747,668</u>

(iii) By interest/profit rate sensitivity:

	<u>BANK</u>		<u>GROUP</u>	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Fixed rate				
- Housing loans/financing	5,541	7,106	40,638	46,476
- Hire purchase receivables	727,180	689,079	1,262,655	1,306,547
- Other fixed rate loans/financing	990,381	1,195,668	2,417,180	2,379,044
Variable rate				
- Base lending rate plus	22,182,402	23,025,701	26,754,482	27,543,664
- Base rate plus	1,693,697	762,987	1,807,725	847,853
- Cost plus	5,715,865	5,583,485	6,721,766	6,350,612
- Other variable rate loans/financing	331,235	241,169	331,235	273,472
Gross loans, advances and financing	<u>31,646,301</u>	<u>31,505,195</u>	<u>39,335,681</u>	<u>38,747,668</u>

(iv) By economic purposes:

	<u>BANK</u>		<u>GROUP</u>	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Purchase of securities	908,430	1,140,290	1,109,188	1,285,780
Purchase of transport vehicles	563,845	597,735	1,078,821	1,218,632
Purchase of landed property	18,825,353	18,976,106	22,487,331	22,624,255
of which: - Residential	<u>13,066,242</u>	<u>13,289,744</u>	<u>15,506,791</u>	<u>15,846,729</u>
- Non-residential	<u>5,759,111</u>	<u>5,686,362</u>	<u>6,980,540</u>	<u>6,777,526</u>
Purchase of fixed assets excluding land and buildings	254,742	183,680	291,617	192,901
Personal use	1,457,449	1,459,164	2,656,823	2,560,230
Credit card	604,197	646,321	604,197	646,321
Construction	641,281	653,792	655,891	663,866
Mergers and acquisitions	117,688	117,688	117,688	117,688
Working capital	6,277,761	5,946,276	7,844,844	7,186,477
Others	1,995,555	1,784,143	2,489,281	2,251,518
Gross loans, advances and financing	<u>31,646,301</u>	<u>31,505,195</u>	<u>39,335,681</u>	<u>38,747,668</u>

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

	<u>BANK</u>		<u>GROUP</u>	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Northern region	2,082,450	2,110,739	2,652,319	2,569,926
Central region	22,856,016	22,900,089	28,237,847	27,917,362
Southern region	3,584,358	3,480,489	4,652,964	4,581,547
Sabah region	2,029,525	2,092,217	2,530,304	2,586,488
Sarawak region	1,093,952	921,661	1,262,247	1,092,345
Gross loans, advances and financing	<u>31,646,301</u>	<u>31,505,195</u>	<u>39,335,681</u>	<u>38,747,668</u>

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

	<u>BANK</u>		<u>GROUP</u>	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At beginning of financial year	373,199	321,497	487,868	380,712
Impaired during the year	446,621	504,902	600,685	688,435
Reclassified as unimpaired during the year	(284,275)	(274,846)	(419,465)	(342,996)
Recoveries	(142,857)	(127,829)	(176,471)	(157,779)
Amount written-off	<u>(53,108)</u>	<u>(50,525)</u>	<u>(99,268)</u>	<u>(80,504)</u>
At end of financial year	339,580	373,199	393,349	487,868
Individual allowance for impairment	(64,147)	(58,061)	(66,627)	(68,331)
Collective allowance for impairment (impaired portion)	<u>(74,410)</u>	<u>(85,540)</u>	<u>(94,714)</u>	<u>(109,347)</u>
Net impaired loans, advances and financing	<u>201,023</u>	<u>229,598</u>	<u>232,008</u>	<u>310,190</u>
Gross impaired loans as % of gross loans, advances and financing	<u>1.1%</u>	<u>1.2%</u>	<u>1.0%</u>	<u>1.3%</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>	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Individual assessment allowance				
At beginning of financial year	58,061	46,191	68,331	56,303
Net allowance made during the financial year (net)	21,344	18,795	23,506	24,229
Amount written-off	(12,003)	(8,662)	(21,875)	(14,060)
Transfers (to)/from collective assessment allowance	(3,255)	1,737	(3,335)	1,859
At end of financial year	<u>64,147</u>	<u>58,061</u>	<u>66,627</u>	<u>68,331</u>
Collective assessment allowance				
At beginning of financial year	236,501	278,599	306,978	334,704
Net allowance made during the financial year (net)	35,986	1,502	80,408	40,577
Amount written-off	(41,105)	(41,863)	(77,393)	(66,444)
Transfers from/(to) individual assessment allowance	3,255	(1,737)	3,335	(1,859)
At end of financial year	<u>234,637</u>	<u>236,501</u>	<u>313,328</u>	<u>306,978</u>

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

	<u>BANK</u>		<u>GROUP</u>	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Purchase of securities	7	-	7	-
Purchase of transport vehicles	7,695	9,583	11,497	14,742
Purchase of landed property	207,435	247,620	231,786	307,795
of which: - Residential	<u>158,701</u>	<u>192,500</u>	<u>176,996</u>	<u>220,145</u>
- Non-residential	<u>48,734</u>	<u>55,120</u>	<u>54,790</u>	<u>87,650</u>
Purchase of fixed assets excluding land and buildings	1,206	651	1,206	651
Personal use	25,390	22,783	43,475	37,029
Credit card	10,201	9,421	10,201	9,421
Construction	3,888	3,837	3,888	3,892
Working capital	66,453	61,879	71,965	96,211
Others	17,305	17,425	19,324	18,127
Gross impaired loans	<u>339,580</u>	<u>373,199</u>	<u>393,349</u>	<u>487,868</u>

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

	<u>BANK</u>		<u>GROUP</u>	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Northern region	28,290	42,935	30,552	46,072
Central region	238,742	272,288	277,515	372,422
Southern region	49,829	33,365	58,562	40,279
Sabah region	20,245	21,662	23,737	25,088
Sarawak region	2,474	2,949	2,983	4,007
Gross impaired loans	<u>339,580</u>	<u>373,199</u>	<u>393,349</u>	<u>487,868</u>

11. OTHER ASSETS

	<u>BANK</u>		<u>GROUP</u>	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Other receivables	42,173	43,533	52,270	51,202
Derivative margin	22,381	29,052	22,381	29,052
Settlement account	34,923	23,999	34,923	23,999
Deposits	8,464	8,388	9,141	9,089
Prepayment	18,498	13,712	19,420	14,871
Amount due from holding company	191	105	191	105
Amount due from subsidiaries, related companies and joint venture	2,920	12,906	415	239
	<u>129,550</u>	<u>131,695</u>	<u>138,741</u>	<u>128,557</u>
Less:				
Allowance for other losses [Note (a)]	<u>(24,409)</u>	<u>(22,119)</u>	<u>(28,833)</u>	<u>(26,382)</u>
	<u>105,141</u>	<u>109,576</u>	<u>109,908</u>	<u>102,175</u>

Note:

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

	<u>BANK</u>		<u>GROUP</u>	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
At beginning of financial year	22,119	22,200	26,382	30,447
Allowance net of write-back	2,290	2,719	2,561	4,095
Amount written-off	-	(2,800)	(110)	(8,160)
At end of financial year	<u>24,409</u>	<u>22,119</u>	<u>28,833</u>	<u>26,382</u>

12. STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

Non-interest bearing statutory deposits for the Bank and the Group of RM1,129,366,000 and RM1,437,344,000 (2016: RM1,117,640,000 and RM1,410,828,000) 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>	
	2017	2016
	RM'000	RM'000
Unquoted shares, at cost		
At beginning of financial year	892,820	792,820
Acquired during the year	-	100,000
At end of financial year	<u>892,820</u>	<u>892,820</u>

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

<u>Name</u>	<u>Principal activities</u>	<u>Effective equity interest</u>	
		2017	2016
		%	%
Alliance Direct Marketing Sdn. Bhd.	Dealing in sales and distribution of consumer and commercial banking products	100	100
AllianceGroup Nominees (Asing) Sdn. Bhd.	Nominee services	100	100
AllianceGroup Nominees (Tempatan) Sdn. Bhd.	Nominee services	100	100
Alliance Investment Bank Berhad	Investment banking business including Islamic banking, provision of stockbroking services and related financial services	100	100
Alliance Islamic Bank Berhad	Islamic banking, finance business and the provision of related financial services	100	100

Subsidiaries of Alliance Investment Bank Berhad

ARSB Alliance Sdn. Bhd.	Dormant	100	100
KLCS Sdn. Bhd.	Dormant	100	100
Rothputra Nominees (Tempatan) Sdn. Bhd. (under members' voluntary winding up)	Dormant	100	100
AIBB Nominees (Asing) Sdn. Bhd. (under members' voluntary winding up)	Dormant	100	100
AIBB Nominees (Tempatan) Sdn. Bhd. (under members' voluntary winding up)	Dormant	100	100

14. INVESTMENT IN ASSOCIATE

	<u>BANK</u>		<u>GROUP</u>	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Unquoted shares				
At beginning of financial year	230	230	520	511
Share of results of associate	-	-	10	9
At the end of financial year	<u>230</u>	<u>230</u>	<u>530</u>	<u>520</u>
Represented by:				
Share of net tangible assets			<u>530</u>	<u>520</u>

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

<u>Name</u>	<u>Principal activities</u>	<u>Effective equity interest</u>	
		2017	2016
Alliance Trustee Berhad	Trustee services	40%	40%

Alliance Trustee Berhad is jointly held by the following related companies:

	<u>Effective equity interest</u>	
	2017	2016
Alliance Financial Group Berhad	100%	100%
Alliance Investment Bank Berhad	20%	20%
Setiu Integrated Resort Sdn. Bhd.	20%	20%
Hijauan Setiu Sdn. Bhd.	20%	20%

The summarised financial information of the associates are as follows:

	<u>GROUP</u>	
	2017	2016
	RM'000	RM'000
Assets and Liabilities		
Current assets		
Cash and short term funds	168	143
Other current assets	1,065	1,069
Total current assets	<u>1,233</u>	<u>1,212</u>
Non-current assets	102	103
Total assets	<u>1,335</u>	<u>1,315</u>
Current liabilities		
Other current liabilities	10	14
Total liabilities	<u>10</u>	<u>14</u>
Net assets	<u>1,325</u>	<u>1,301</u>

The summarised statement of comprehensive income are as follows:

Revenue	43	44
Profit before tax for the financial year	33	31
Profit after tax for the financial year	<u>24</u>	<u>23</u>

14. INVESTMENT IN ASSOCIATE (CONTD.)

Reconciliation of summarised financial information:

	<u>GROUP</u>	
	2017	2016
	RM'000	RM'000
<u>Net assets</u>		
At beginning of financial year	1,301	1,278
Profit for the financial year	24	23
At the end of financial year	<u>1,325</u>	<u>1,301</u>
Carrying value at 40% share of the equity interest of an associate	<u>530</u>	<u>520</u>

15. INVESTMENTS IN JOINT VENTURE

	<u>GROUP</u>	
	2017	2016
	RM'000	RM'000
Unquoted shares		
At beginning of financial year	566	410
Share of results of joint venture	84	156
At the end of financial year	<u>650</u>	<u>566</u>
Represented by:		
Share of net tangible assets	<u>650</u>	<u>566</u>

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

<u>Name</u>	<u>Principal activities</u>	<u>Effective equity interest</u>	
		2017	2016
AllianceDBS Research Sdn. Bhd.	Research and stock analysis	51%	51%

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

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

	<u>GROUP</u>	
	2017	2016
	RM'000	RM'000
Assets and Liabilities		
Current assets		
Cash and short term funds	1,859	1,354
Other current assets	651	373
Total current assets	<u>2,510</u>	<u>1,727</u>
Non-current assets	512	518
Total assets	<u>3,022</u>	<u>2,245</u>
Current liabilities		
Other liabilities (non trade)	1,747	1,136
Total liabilities	<u>1,747</u>	<u>1,136</u>
Net assets	<u>1,275</u>	<u>1,109</u>

15. INVESTMENTS IN JOINT VENTURE (CONTD.)

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

	<u>GROUP</u>	
	2017	2016
	RM'000	RM'000
Revenue	6,389	5,710
Profit before tax for the financial year	215	171
Profit after tax for the financial year	<u>166</u>	<u>305</u>
The above profit includes the following:		
Depreciation and amortisation	(18)	(37)
Taxation	<u>(49)</u>	<u>134</u>
Reconciliation of summarised financial information:		
<u>Net assets</u>		
At beginning of financial year	1,109	804
Profit for the financial year	166	305
At the end of financial year	<u>1,275</u>	<u>1,109</u>
Carrying value at 51% share of the equity interest of a joint venture	<u>650</u>	<u>566</u>

16. PROPERTY, PLANT AND EQUIPMENT

<u>BANK</u>	← Leasehold land →			<u>Buildings</u>	<u>Renovations</u>	<u>Office equipment and furniture</u>	<u>Computer equipment</u>	<u>Motor vehicles</u>	<u>Total</u>
	<u>Freehold land</u>	<u>50 years or more</u>	<u>Less than 50 years</u>						
2017	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>COST</u>									
At beginning of financial year	1,953	11,673	1,850	29,373	118,797	55,339	57,356	1,090	277,431
Additions	-	-	-	-	1,389	3,363	2,886	1,011	8,649
Disposals	-	-	-	-	-	-	-	(1,139)	(1,139)
Written-off	-	-	-	-	(519)	(838)	(214)	-	(1,571)
At end of financial year	1,953	11,673	1,850	29,373	119,667	57,864	60,028	962	283,370
<u>ACCUMULATED DEPRECIATION</u>									
At beginning of financial year	-	2,845	982	10,198	95,964	38,513	43,862	442	192,806
Charge for the financial year	-	114	23	587	8,640	5,510	5,579	91	20,544
Disposals	-	-	-	-	-	-	-	(523)	(523)
Written-off	-	-	-	-	(423)	(710)	(207)	-	(1,340)
At end of financial year	-	2,959	1,005	10,785	104,181	43,313	49,234	10	211,487
NET CARRYING AMOUNT	1,953	8,714	845	18,588	15,486	14,551	10,794	952	71,883

16. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

<u>GROUP</u>	← Leasehold land →			<u>Buildings</u>	<u>Renovations</u>	<u>Office equipment and furniture</u>	<u>Computer equipment</u>	<u>Motor vehicles</u>	<u>Total</u>
	<u>Freehold land</u>	<u>50 years or more</u>	<u>Less than 50 years</u>						
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2017									
<u>COST</u>									
At beginning of financial year	1,953	11,673	1,850	30,332	121,482	53,936	64,158	1,015	286,399
Additions	-	-	-	-	1,445	3,913	3,019	1,011	9,388
Disposals	-	-	-	-	-	-	-	(1,139)	(1,139)
Written-off	-	-	-	-	(520)	(839)	(222)	-	(1,581)
At end of financial year	1,953	11,673	1,850	30,332	122,407	57,010	66,955	887	293,067
<u>ACCUMULATED DEPRECIATION</u>									
At beginning of financial year	-	2,845	982	11,158	97,324	36,625	50,632	406	199,972
Charge for the financial year	-	114	23	587	9,085	5,623	5,654	91	21,177
Disposals	-	-	-	-	-	-	-	(523)	(523)
Written-off	-	-	-	-	(423)	(710)	(215)	-	(1,348)
At end of financial year	-	2,959	1,005	11,745	105,986	41,538	56,071	(26)	219,278
NET CARRYING AMOUNT	1,953	8,714	845	18,587	16,421	15,472	10,884	913	73,789

16. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

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

16. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

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

Note:

Included in property, plant and equipment of the Bank and the Group are computer equipment under finance lease with a carrying amount of RM5,805,000 (2016 RM8,125,000).

Details of the finance lease arrangement is disclosed in Note 23.

17. DEFERRED TAX

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

	<u>BANK</u>		<u>GROUP</u>	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deferred tax assets	4,088	-	14,033	10,201
Deferred tax liabilities	-	(3,887)	(9,960)	(15,617)
	<u>4,088</u>	<u>(3,887)</u>	<u>4,073</u>	<u>(5,416)</u>

	<u>BANK</u>		<u>GROUP</u>	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At beginning of financial year	(3,887)	(3,241)	(5,416)	(1,021)
Recognised in statement of comprehensive income	5,374	8,611	4,588	7,149
Recognised in other comprehensive income	2,601	(9,257)	4,901	(11,544)
At end of financial year	<u>4,088</u>	<u>(3,887)</u>	<u>4,073</u>	<u>(5,416)</u>

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

<u>BANK</u>	Other liabilities RM'000	Financial investments available- for-sale RM'000	Property, plant and equipment RM'000	Total RM'000
<u>Deferred tax assets/liabilities</u>				
At 31 March 2015	27,712	(13,843)	(17,110)	(3,241)
Recognised in statement of comprehensive income	816	-	7,795	8,611
Recognised in other comprehensive income	-	(9,257)	-	(9,257)
At 31 March 2016	28,528	(23,100)	(9,315)	(3,887)
Recognised in statement of comprehensive income	2,712	-	2,662	5,374
Recognised in other comprehensive income	-	2,601	-	2,601
At 31 March 2017	<u>31,240</u>	<u>(20,499)</u>	<u>(6,653)</u>	<u>4,088</u>

<u>GROUP</u>	Unabsorbed tax losses and capital allowance RM'000	Other liabilities RM'000	Financial investments available- for-sale RM'000	Property, plant and equipment RM'000	Total RM'000
<u>Deferred tax assets/liabilities</u>					
At 31 March 2015	2,012	39,040	(24,705)	(17,368)	(1,021)
Recognised in statement of comprehensive income	(916)	289	-	7,776	7,149
Recognised in other comprehensive income	-	-	(11,544)	-	(11,544)
At 31 March 2016	1,096	39,329	(36,249)	(9,592)	(5,416)
Recognised in statement of comprehensive income	(1,096)	3,060	-	2,624	4,588
Recognised in other comprehensive income	-	-	4,901	-	4,901
At 31 March 2017	<u>-</u>	<u>42,389</u>	<u>(31,348)</u>	<u>(6,968)</u>	<u>4,073</u>

18. INTANGIBLE ASSETS

	<u>BANK</u>		<u>GROUP</u>	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
<u>Goodwill</u>				
Cost:				
At beginning of financial year/end of financial year	186,272	186,272	301,997	301,997
Impairment:				
At beginning of financial year	(45)	(45)	(2,084)	(2,084)
Impaired during the financial year	-	-	(1,208)	-
At end of financial year	(45)	(45)	(3,292)	(2,084)
Net carrying amount	186,227	186,227	298,705	299,913
<u>Computer software</u>				
Cost:				
At beginning of financial year	161,613	183,393	165,978	189,274
Additions	36,729	24,294	38,197	24,871
Written-off	(334)	(46,074)	(339)	(48,167)
At end of financial year	198,008	161,613	203,836	165,978
Accumulated amortisation:				
At beginning of financial year	(100,541)	(125,098)	(102,909)	(129,252)
Charge for the financial year	(21,834)	(21,443)	(22,397)	(21,750)
Written-off	126	46,000	126	48,093
At end of financial year	(122,249)	(100,541)	(125,180)	(102,909)
Net carrying amount	75,759	61,072	78,656	63,069
Total carrying amount	261,986	247,299	377,361	362,982

Note:

Computer software includes work in progress of RM21,888,000 (2016: RM8,460,000) which is not amortised until ready for use.

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

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

	<u>BANK</u>		<u>GROUP</u>	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Consumer banking	67,513	67,513	101,565	101,565
Business banking	81,448	81,448	100,822	100,822
Financial markets	36,960	36,960	83,261	83,261
Corporate finance and capital market	40	40	630	1,838
Stockbroking business	266	266	12,427	12,427
	<u>186,227</u>	<u>186,227</u>	<u>298,705</u>	<u>299,913</u>

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

(i) Discount rate

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

	<u>GROUP</u>	
	2017 %	2016 %
Consumer banking	7.96	8.66
Business banking	7.96	8.66
Financial markets	7.96	8.66
Corporate finance and capital market	7.14	8.03
Stockbroking business	7.13	8.04

(ii) Cash flow projections and growth rate

Cash flow projections are based on four-year financial budget and projections approved by the Board of Directors. Cash flows beyond the fourth year are extrapolated in perpetuity using a terminal growth rate of 4.5% (2016: 5.0%) based on respective industry's average growth.

During the financial year, an impairment loss on RM1.2 million (2016: nil) has been recognised in respect of Corporate Finance and Capital Market CGU. The impairment loss is driven by lower projected cash flows resulting from the reassessment of expected future business performance in the light of current trading and economic conditions. Any adverse change in key assumptions would cause a further impairment loss to be recognised.

(b) Sensitivity to Changes in Assumptions

Management is of a view that any reasonable change in the key assumptions would not cause the carrying amount of the goodwill to exceed the recoverable amount of the CGU.

19. DEPOSITS FROM CUSTOMERS

	<u>BANK</u>		<u>GROUP</u>	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Amortised cost				
Demand deposits	11,347,501	10,929,997	13,605,286	12,984,517
Savings deposits	1,523,658	1,467,810	1,864,445	1,787,163
Fixed/investment deposits	19,355,858	18,185,230	24,332,656	22,984,461
Money market deposits	1,142,226	1,684,628	1,413,839	2,596,081
Negotiable instruments of deposits	2,743,258	5,069,583	3,331,673	5,268,944
Structured deposits	379,982	260,185	379,982	260,185
	<u>36,492,483</u>	<u>37,597,433</u>	<u>44,927,881</u>	<u>45,881,351</u>
At fair value through profit and loss				
Structured deposits	402,734	239,136	402,734	239,136
	<u>36,895,217</u>	<u>37,836,569</u>	<u>45,330,615</u>	<u>46,120,487</u>

Note:

- (a) Structured deposits issued by the Bank include foreign currency time deposits with embedded foreign exchange, equity linked options and interest rate index linked placements.
- (b) During the financial year, the Bank designated certain structured deposits at fair value through profit or loss. This designation is permitted under MFRS 139 "Financial Instruments: Recognition and Measurement" as it includes embedded derivatives that are not closely related to its underlying deposits. The structured deposits are recorded at fair value.

	<u>BANK/GROUP</u>	
	2017	2016
	RM'000	RM'000
Structured deposits	426,644	269,601
Fair value changes arising from designation at fair value through profit or loss	(23,910)	(30,465)
	<u>402,734</u>	<u>239,136</u>

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

- (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>	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Due within six months	16,533,626	20,297,177	21,291,929	25,199,911
Six months to one year	6,611,177	4,583,847	7,566,156	5,464,888
One year to three years	64,464	52,640	32,637	53,992
Three years to five years	32,075	5,777	187,446	130,695
	<u>23,241,342</u>	<u>24,939,441</u>	<u>29,078,168</u>	<u>30,849,486</u>

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

	<u>BANK</u>		<u>GROUP</u>	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Domestic financial institutions	2,845,588	5,168,192	3,401,239	5,349,252
Domestic non-bank financial institutions	2,069,893	1,835,191	2,292,516	2,724,792
Government and statutory bodies	1,265,071	1,814,137	3,647,891	3,962,637
Business enterprises	11,985,140	11,717,603	15,568,282	14,773,608
Individuals	17,727,280	16,361,415	19,316,253	18,221,964
Foreign entities	598,214	533,915	652,995	593,398
Others	404,031	406,116	451,439	494,836
	<u>36,895,217</u>	<u>37,836,569</u>	<u>45,330,615</u>	<u>46,120,487</u>

20. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	<u>BANK</u>		<u>GROUP</u>	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Licensed banks	273,325	708,074	273,325	708,074
Bank Negara Malaysia	376,404	309,358	589,579	449,176
	<u>649,729</u>	<u>1,017,432</u>	<u>862,904</u>	<u>1,157,250</u>

21. BALANCES DUE TO CLIENTS AND BROKERS

	<u>GROUP</u>	
	2017 RM'000	2016 RM'000
Due to clients	<u>69,066</u>	<u>77,246</u>
	<u>69,066</u>	<u>77,246</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 RM75,447,000 (2015: RM83,067,000) have been excluded accordingly.

22. 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.

23. OTHER LIABILITIES

	<u>BANK</u>		<u>GROUP</u>	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Other payables	189,311	159,157	243,725	206,300
Bills payable	194,225	107,712	203,663	129,915
Settlement account	30,116	37,792	30,116	37,792
Clearing account	253,267	283,628	331,384	345,884
Sundry deposits	35,835	39,197	43,340	45,526
Provision and accruals	89,426	85,597	96,855	100,284
Remisiers accounts	-	-	8,279	6,151
Allowance for commitment and contingencies	2,301	-	2,301	-
Finance lease liabilities [Note (a)]	5,805	8,125	5,805	8,125
Amount due to subsidiaries	21,338	-	-	-
Amount due to joint venture	-	-	260	-
Amount due to holding company	-	-	178	161
	<u>821,624</u>	<u>721,208</u>	<u>965,906</u>	<u>880,138</u>

Note (a):

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

<u>BANK/GROUP</u>	Future minimum lease payments RM'000	Future finance charges RM'000	Present value of finance lease liabilities RM'000
At 31 March 2017			
Within one year	2,780	(304)	2,476
One year to five years	3,475	(146)	3,329
	<u>6,255</u>	<u>(450)</u>	<u>5,805</u>
At 31 March 2016			
Within one year	2,780	(460)	2,320
One year to five years	6,255	(450)	5,805
	<u>9,035</u>	<u>(910)</u>	<u>8,125</u>

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.

24. OTHER BORROWINGS

On 28 August 2015, the Bank obtained approval from Bank Negara Malaysia for establishment of Senior Medium Term Notes Programme ("Senior MTN Programme") up to RM1.5 billion in nominal value with tenure up to (30) years from the first issuance.

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

	<u>BANK/GROUP</u>	
	2017	2016
	RM'000	RM'000
At cost	5,000	5,000
Interest accrued	70	71
	<u>5,070</u>	<u>5,071</u>

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

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

The main features of the Senior MTNs are as follows:

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

25. SUBORDINATED OBLIGATIONS

On 28 August 2015, the Bank obtained approval from Bank Negara Malaysia for establishment of Subordinated Medium Term Notes Programme ("Sub-MTN Programme") to issue up to RM2.0 billion in nominal value with tenure up to (30) years from the first issuance.

		<u>BANK</u>		<u>GROUP</u>	
	Note	2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000
<u>Sub-MTNs</u>					
RM600 million Sub-MTNs	(a)	-	613,927	-	613,927
RM900 million Sub-MTNs	(b)	921,024	920,953	921,295	921,344
RM300 million Sub-MTNs	(c)	304,640	304,733	304,783	304,876
		<u>1,225,664</u>	<u>1,839,613</u>	<u>1,226,078</u>	<u>1,840,147</u>

(a) RM600 million Sub-MTNs

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

	<u>BANK</u>		<u>GROUP</u>	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At cost	-	600,000	-	600,000
Accumulated unamortised discount	-	(18)	-	(18)
Interest accrued	-	13,945	-	13,945
	<u>-</u>	<u>613,927</u>	<u>-</u>	<u>613,927</u>

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

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

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

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

On 8 April 2016, the Bank has fully redeemed its RM600 million Sub-MTNs.

25. SUBORDINATED OBLIGATIONS (CONTD.)**(b) RM900 million Sub-MTNs**

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

	<u>BANK</u>		<u>GROUP</u>	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
At cost	900,000	900,000	900,000	900,000
Accumulated unamortised discount	(1,094)	(1,307)	(823)	(916)
Interest accrued	22,118	22,260	22,118	22,260
	<u>921,024</u>	<u>920,953</u>	<u>921,295</u>	<u>921,344</u>

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

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

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

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

25. SUBORDINATED OBLIGATIONS (CONTD.)

(c) RM300 million Sub-MTNs

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

	<u>BANK</u>		<u>GROUP</u>	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
At cost	300,000	300,000	300,000	300,000
Accumulated unamortised discount	(143)	(143)	-	-
Interest accrued	4,783	4,876	4,783	4,876
	<u>304,640</u>	<u>304,733</u>	<u>304,783</u>	<u>304,876</u>

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

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

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

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

26. SHARE CAPITAL

	<u>BANK/GROUP</u>	
	2017	2016
	RM'000	RM'000
Ordinary shares issue:		
At beginning/end of financial year	<u>796,517</u>	<u>796,517</u>

27. RESERVES

		<u>BANK</u>		<u>GROUP</u>	
	Note	2017	2016	2017	2016
		RM'000	RM'000	RM'000	RM'000
<u>Non-distributable:</u>					
Statutory reserves	(a)	835,401	835,401	1,223,525	1,200,019
Regulatory reserves	(b)	144,349	140,864	157,900	157,174
Capital reserves	(c)	-	-	10,018	10,018
Revaluation reserves	(d)	64,916	73,152	99,268	114,786
Equity contribution from parent	(e)	5,523	10,064	6,062	10,896
Share premium	(f)	401,517	401,517	401,517	401,517
		<u>1,451,706</u>	<u>1,460,998</u>	<u>1,898,290</u>	<u>1,894,410</u>
<u>Distributable:</u>					
Retained profits		<u>2,115,505</u>	<u>1,888,285</u>	<u>2,306,158</u>	<u>2,047,248</u>
		<u>3,567,211</u>	<u>3,349,283</u>	<u>4,204,448</u>	<u>3,941,658</u>

- (a) The statutory reserves are 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.
- (b) The Group is required to maintain in aggregate collective impairment allowances of no less than 1.2% of the total outstanding loans, advances and financing, net of individual impairment allowances, in accordance with the BNM guideline dated 6 April 2015 on "Classification and Impairment Provisions for Loans/Financing".
- (c) Capital reserves are in respect of retained profits capitalised for a bonus issue by a subsidiary company.
- (d) The revaluation reserves are in respect of unrealised fair value gains and losses on financial investments available-for-sale.
- (e) The equity contribution from parent relates to the equity-settled share options/share grants to Executive 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 Executive Directors and employees over the vesting period.
- (f) Share premium is used to record premium arising from new shares issued by the Bank.

The Bank has adopted the transitional provisions under the Companies Act, 2016 where the sum standing to the credit of the share premium account and capital reserves may be utilised within 24 months from the commencement date of 31 January 2017 in the manner as allowed for under the Act. Any remaining amount standing to the credit of the Bank shall be reclassified and become part of the share capital.

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 grants and share options offered under the Share Grant Plan and Share Option Plan during the current 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.

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
2017**

	Share Options						Share Grants					
	Number of Share Options						Number of Share Grants					
	At beginning of financial year '000	Offered/ awarded '000	Transfer '000	Vested/ exercised '000	Lapsed/ forfeited '000	At end of financial year '000	At beginning of financial year '000	Offered/ awarded '000	Transfer '000	Vested '000	Lapsed/ forfeited '000	At end of financial year '000
2014 Share Scheme	5,538	-	-	-	(5,538)	-	162	-	-	(144)	(18)	-
2015 Share Scheme (1st grant)	-	-	-	-	-	-	788	-	-	(359)	(131)	298
2015 Share Scheme (2nd grant)	-	-	-	-	-	-	23	-	-	(11)	-	12
2016 Share Scheme	-	-	-	-	-	-	1,235	-	-	(378)	(217)	640
	5,538	-	-	-	(5,538)	-	2,208	-	-	(892)	(366)	950
WAEP	5.36	-	-	-	5.36	-						

2016	Share Options						Share Grants					
	Number of Share Options						Number of Share Grants					
	At beginning of financial year '000	Offered/ awarded '000	Transfer '000	Vested/ exercised '000	Lapsed/ forfeited '000	At end of financial year '000	At beginning of financial year '000	Offered/ awarded '000	Transfer '000	Vested '000	Lapsed/ forfeited '000	At end of financial year '000
2013 Share Scheme (1st grant)	6,867	-	-	-	(6,867)	-	443	-	2	(420)	(25)	-
2013 Share Scheme (2nd grant)	825	-	-	-	(825)	-	29	-	-	(29)	-	-
2014 Share Scheme	9,139	-	36	-	(3,637)	5,538	480	-	2	(254)	(66)	162
2015 Share Scheme (1st grant)	-	-	-	-	-	-	1,729	-	6	(653)	(294)	788
2015 Share Scheme (2nd grant)	-	-	-	-	-	-	34	-	-	(11)	-	23
2016 Share Scheme	-	-	-	-	-	-	-	1,599	12	(113)	(263)	1,235
	16,831	-	36	-	(11,329)	5,538	2,715	1,599	22	(1,480)	(648)	2,208
WAEP	4.84	-	5.36	-	4.59	5.36						

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

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

GROUP 2017	Share Options					Share Grants						
	Number of Share Options					Number of Share Grants						
	At beginning of financial year '000	Offered/ awarded '000	Transfer '000	Vested/ exercised '000	Lapsed/ forfeited '000	At end of financial year '000	At beginning of financial year '000	Offered/ awarded '000	Transfer '000	Vested '000	Lapsed/ forfeited '000	At end of financial year '000
2014 Share Scheme	6,122	-	-	-	(6,122)	-	173	-	-	(153)	(20)	-
2015 Share Scheme (1st grant)	-	-	-	-	-	-	848	-	-	(389)	(131)	328
2015 Share Scheme (2nd grant)	-	-	-	-	-	-	23	-	-	(11)	-	12
2016 Share Scheme	-	-	-	-	-	-	1,362	-	-	(419)	(217)	726
	6,122	-	-	-	(6,122)	-	2,406	-	-	(972)	(368)	1,066
WAEP	5.36	-	-	-	5.36	-						

2016	Share Options					Share Grants						
	Number of Share Options					Number of Share Grants						
	At beginning of financial year '000	Offered/ awarded '000	Transfer '000	Vested/ exercised '000	Lapsed/ forfeited '000	At end of financial year '000	At beginning of financial year '000	Offered/ awarded '000	Transfer '000	Vested '000	Lapsed/ forfeited '000	At end of financial year '000
2013 Share Scheme (1st grant)	7,179	-	(118)	-	(7,061)	-	466	-	(9)	(429)	(28)	-
2013 Share Scheme (2nd grant)	1,050	-	-	-	(1,050)	-	37	-	-	(37)	-	-
2014 Share Scheme	9,931	-	(172)	-	(3,637)	6,122	514	-	(9)	(266)	(66)	173
2015 Share Scheme (1st grant)	-	-	-	-	-	-	1,852	-	(26)	(684)	(294)	848
2015 Share Scheme (2nd grant)	-	-	-	-	-	-	34	-	-	(11)	-	23
2016 Share Scheme	-	-	-	-	-	-	-	1,745	-	(113)	(270)	1,362
	18,160	-	(290)	-	(11,748)	6,122	2,903	1,745	(44)	(1,540)	(658)	2,406
WAEP	4.85	-	4.90	-	4.58	5.36						

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

	<u>WAEP</u> RM	<u>Exercise Period</u>
2014 Share Options	5.36	16.08.2016 - 16.08.2017

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

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

(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) There were no allocation of share grants to Executive Directors and senior management as at 31 March 2017. As for financial year ended 31 March 2016, the actual allocation of share grants to Executive Directors and senior management was 41.0%.

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

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

	<u>Share Options</u>			
	2014			
Fair value of the shares as at grant date,				
- 16 August 2013 (RM)				0.7200
Weighted average share price (RM)				5.3600
Weighted average exercise price (RM)				5.3600
Expected volatility (%)				0.2084
Expected life (years)				4
Risk free rate (%)				3.09 to 3.83
Expected dividend yield (%)				3.90

	<u>Share Grants</u>			
	2014	2015	2015	2016
		(1st grant)	(2nd grant)	
Fair value of the shares as at grant date,				
- 16 August 2013 (RM)	4.7700	-	-	-
- 23 June 2014 (RM)	-	4.3400	-	-
- 26 January 2015 (RM)	-	-	4.3500	-
- 22 June 2015 (RM)	-	-	-	4.0600
Weighted average share price (RM)	5.3600	4.7400	4.7430	4.3700
Expected volatility (%)	0.2084	0.2418	0.1884	0.1736
Risk free rate (%)	3.09 to 3.83	3.17 to 4.43	3.36 to 4.39	2.99 to 4.29
Expected dividend yield (%)	3.90	4.36	4.31	4.31

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

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

29. INTEREST INCOME

	<u>BANK</u>		<u>GROUP</u>	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing	1,464,874	1,458,508	1,491,006	1,486,756
Money at call and deposit placements with financial institutions	28,363	19,791	23,621	17,172
Financial assets held-for-trading	6,178	4,211	6,178	4,242
Financial investments available-for-sale	246,210	290,488	246,536	306,319
Financial investments held-to-maturity	21,650	21,817	26,691	26,871
Others	11,880	10,682	11,881	10,684
	<u>1,779,155</u>	<u>1,805,497</u>	<u>1,805,913</u>	<u>1,852,044</u>
Accretion of discount less amortisation of premium	73,010	68,007	73,946	68,125
	<u>1,852,165</u>	<u>1,873,504</u>	<u>1,879,859</u>	<u>1,920,169</u>

Included in interest income on loans, advances and financing for the current year is interest/profit accrued on impaired loans/financing of the Bank and of the Group of RM14,565,000 and RM16,604,000 (2016: RM17,831,000 and RM20,283,000) respectively.

30. INTEREST EXPENSE

	<u>BANK</u>		<u>GROUP</u>	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	13,201	42,439	15,572	51,545
Deposits from customers	879,705	916,350	897,157	939,717
Securities sold under repurchase agreements	-	272	-	272
Loan sold to Cagamas	21,770	2,725	21,770	2,725
Other borrowings	238	71	238	71
Subordinated obligations	69,485	56,828	69,366	56,861
Others	31,832	24,834	31,832	24,834
	<u>1,016,231</u>	<u>1,043,519</u>	<u>1,035,935</u>	<u>1,076,025</u>

31. NET INCOME FROM ISLAMIC BANKING BUSINESS

	<u>GROUP</u>	
	2017	2016
	RM'000	RM'000
Income derived from investment of depositors' funds and others	471,698	425,912
Income derived from investment of Islamic Banking funds	47,429	37,872
Income attributable to the depositors and financial institutions	<u>(222,090)</u>	<u>(219,633)</u>
	<u>297,037</u>	<u>244,151</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>	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
(a) <u>Fee and commission income:</u>				
Commissions	87,570	77,843	87,570	77,843
Service charges and fees	30,310	30,650	30,938	31,250
Corporate advisory fees	-	-	2,285	1,639
Underwriting commissions	-	-	85	375
Brokerage fees	-	-	29,795	33,793
Guarantee fees	18,165	15,161	18,427	15,430
Processing fees	7,993	6,553	12,857	8,061
Commitment fees	15,947	15,421	15,972	15,445
Cards related income	96,643	98,407	96,643	98,407
Other fee income	2,999	3,000	2,999	3,000
	<u>259,627</u>	<u>247,035</u>	<u>297,571</u>	<u>285,243</u>
(b) <u>Fee and commission expense:</u>				
Commissions expense	(1,965)	(2,050)	(1,965)	(2,050)
Brokerage fees expense	(7)	(7)	(11,420)	(15,778)
Guarantee fees expense	(1,047)	(898)	(1,047)	(898)
Cards related expense	<u>(85,440)</u>	<u>(88,046)</u>	<u>(85,440)</u>	<u>(88,046)</u>
	<u>(88,459)</u>	<u>(91,001)</u>	<u>(99,872)</u>	<u>(106,772)</u>
(c) <u>Investment income:</u>				
Gain/(Loss) arising from sale/redemption of:				
- Financial assets held-for-trading	988	(763)	988	(281)
- Financial investments held-to-maturity	-	(34)	-	(34)
- Financial investments available-for-sale	3,154	4,966	5,239	6,125
Marked-to-market revaluation of:				
- Financial assets held-for-trading	(1,199)	1,253	(1,147)	1,253
- Derivative instruments	144,553	(166,215)	144,553	(166,215)
- Unrealised (loss)/gain arising from financial liabilities designated at fair value	(6,555)	26,728	(6,555)	26,728
Realised (loss)/gain on derivative instruments	(2,800)	221,532	(2,800)	221,532
Gross dividend income from:				
- Financial investments available-for-sale	2,440	2,440	3,218	3,190
- Subsidiaries	51,856	5,974	-	-
	<u>192,437</u>	<u>95,881</u>	<u>143,496</u>	<u>92,298</u>
(d) <u>Other income:</u>				
Foreign exchange (loss)/gain	(44,129)	32,342	(43,706)	32,646
Rental income	698	379	-	-
Loss on disposal of property, plant and equipment	(346)	(11)	(346)	(11)
Others	25,069	27,935	28,060	28,750
	<u>(18,708)</u>	<u>60,645</u>	<u>(15,992)</u>	<u>61,385</u>
Total other operating income	<u>344,897</u>	<u>312,560</u>	<u>325,203</u>	<u>332,154</u>

33. OTHER OPERATING EXPENSES

	<u>BANK</u>		<u>GROUP</u>	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	258,404	256,500	336,580	333,812
- Contribution to EPF	41,415	41,054	53,757	53,210
- Share options/grants under ESS	1,733	5,930	2,035	6,349
- Others	28,462	30,580	36,817	38,988
	<u>330,014</u>	<u>334,064</u>	<u>429,189</u>	<u>432,359</u>
<u>Establishment costs</u>				
- Depreciation of property, plant and equipment	20,544	22,444	21,177	22,966
- Amortisation of computer software	21,834	21,443	22,397	21,750
- Rental of premises	23,715	23,460	30,431	30,581
- Water and electricity	5,662	6,008	7,796	8,207
- Repairs and maintenance	7,382	6,850	9,780	9,164
- Information technology expenses	37,739	32,583	48,137	41,529
- Others	3,736	3,920	13,056	14,156
	<u>120,612</u>	<u>116,708</u>	<u>152,774</u>	<u>148,353</u>
<u>Marketing expenses</u>				
- Promotion and advertisement	6,851	3,527	7,416	4,459
- Branding and publicity	9,092	11,155	10,727	13,984
- Others	4,266	4,666	7,463	7,758
	<u>20,209</u>	<u>19,348</u>	<u>25,606</u>	<u>26,201</u>
<u>Administration and general expenses</u>				
- Communication expenses	11,116	10,509	13,861	13,345
- Printing and stationery	2,594	2,714	3,174	3,454
- Insurance	10,118	18,420	10,959	20,410
- Professional fees	15,176	15,435	19,947	19,010
- Others	28,657	22,552	34,165	25,521
	<u>67,661</u>	<u>69,630</u>	<u>82,106</u>	<u>81,740</u>
Total other operating expenses	<u>538,496</u>	<u>539,750</u>	<u>689,675</u>	<u>688,653</u>

Included in the other operating expenses are the following:

	<u>BANK</u>		<u>GROUP</u>	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Auditors' remuneration				
- statutory audit fees	726	726	1,067	1,067
- audit related fees	389	419	621	651
- tax compliance fees	49	49	93	103
- tax related services	-	20	-	20
Hire of equipment	4,870	5,881	4,869	5,888
Property, plant and equipment written-off	231	736	233	762
Computer software written-off	208	74	213	74

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

	<u>BANK</u>		<u>GROUP</u>	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Allowance for impaired loans and financing and other receivables:				
(a) Individual assessment allowance				
- Made during the financial year (net)	21,344	18,795	23,506	24,229
(b) Collective assessment allowance				
- Made during the financial year (net)	35,986	1,502	80,408	40,577
(c) Bad debts on loans and financing				
- Recovered	(24,720)	(28,264)	(33,552)	(37,799)
- Written-off	10,785	9,955	19,757	17,229
	<u>43,395</u>	<u>1,988</u>	<u>90,119</u>	<u>44,236</u>
Allowance for other receivables, net	2,290	2,719	2,561	4,095
Write-back of losses from balances due from clients	-	-	(2)	(3)
Allowance for commitment and contingencies	<u>2,301</u>	<u>-</u>	<u>2,301</u>	<u>-</u>
	<u>47,986</u>	<u>4,707</u>	<u>94,979</u>	<u>48,328</u>

35. ALLOWANCE FOR/(WRITE-BACK OF) IMPAIRMENT ON OTHER ASSETS

	<u>BANK</u>		<u>GROUP</u>	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Write-back of impairment on securities:				
- Financial investments available-for-sale	-	-	-	(6,050)
- Financial investments held-to-maturity	-	(1,698)	-	(1,715)
Allowance for impairment of goodwill	-	-	1,208	-
	<u>-</u>	<u>(1,698)</u>	<u>1,208</u>	<u>(7,765)</u>

36. TAXATION

	<u>BANK</u>		<u>GROUP</u>	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Income tax:				
Provision for current financial year	140,537	149,059	173,501	170,984
(Over)/under provision in prior years	(988)	7,208	(817)	7,525
	<u>139,549</u>	<u>156,267</u>	<u>172,684</u>	<u>178,509</u>
Deferred tax (Note 17)	<u>(5,374)</u>	<u>(8,611)</u>	<u>(4,588)</u>	<u>(7,149)</u>
	<u>134,175</u>	<u>147,656</u>	<u>168,096</u>	<u>171,360</u>

Income tax is calculated at the Malaysian statutory tax rate of 24% (2016: 24%) of the estimated assessable profit for the financial year.

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

	<u>BANK</u>		<u>GROUP</u>	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	<u>594,349</u>	<u>599,786</u>	<u>680,396</u>	<u>691,398</u>
Taxation at Malaysian statutory tax rate of 24% (2016: 24%)	142,644	143,949	163,295	165,936
Effect of income not subject to tax	(13,031)	(1,888)	(504)	(674)
Effect of expenses not deductible for tax purposes	5,550	4,498	6,122	4,865
Over provision of deferred tax in prior years	-	(6,111)	-	(6,292)
(Over)/under provision of tax expense in prior years	<u>(988)</u>	<u>7,208</u>	<u>(817)</u>	<u>7,525</u>
Tax expense for the financial year	<u>134,175</u>	<u>147,656</u>	<u>168,096</u>	<u>171,360</u>

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

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

	<u>GROUP</u>	
	2017	2016
	RM'000	RM'000
Profit for the year attributable to Equity holder of the Bank	<u>512,300</u>	<u>520,038</u>
	2017	2016
	'000	'000
Weighted average numbers of ordinary shares in issue	<u>796,517</u>	<u>796,517</u>
	2017	2016
	sen	sen
Basic earnings per share	<u>64</u>	<u>65</u>

38. DIVIDENDS

Dividends on Ordinary Shares:

	<u>Recognised during the year</u>	
	2017 RM'000	2016 RM'000
<u>Second Interim</u>		
8.46 sen per share, on 796,517,043 ordinary shares, declared in financial year ended 31 March 2015, was paid on 15 June 2015	-	67,386
<u>First Interim</u>		
15.7 sen per share, on 796,517,043 ordinary shares, declared in financial year ending 31 March 2016, was paid on 18 December 2015	-	125,053
<u>Second Interim</u>		
12.66 sen per share, on 796,517,043 ordinary shares, declared in financial year ended 31 March 2016, was paid on 17 June 2016	100,839	-
<u>First Interim</u>		
16.53 sen per share, on 796,517,043 ordinary shares, declared in financial year ending 31 March 2017, was paid on 21 December 2016	131,664	-
	<u>232,503</u>	<u>192,439</u>

Subsequent to the financial year end, on 31 May 2017, the Directors declared a second interim dividend of 14.67 sen per share, on 796,517,043 ordinary shares amounting to approximately RM116,849,000 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 2018.

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>	
	2017 Sen	2016 Sen
Declared subsequent to financial year end:		
Second interim dividend of 14.67 sen per share,	14.67	-
Second interim dividend of 12.66 sen per share,	-	12.66
Paid:		
First Interim dividend of 16.53 per share,	16.53	-
First Interim dividend of 15.7 per share,	-	15.70
	<u>31.20</u>	<u>28.36</u>

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:

The related parties of, and their relationship with the Company are as follows:

Relationship	Related parties
-Key management personnel	Key management personnel refer to those persons having authority and responsibility for planning, directing and controlling the activities of the 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 Business Support Heads who report directly to Group Chief Executive Officer or to the Board Committees (including close members of their families).
-Holding company	Holding company of the Bank as disclosed in Note 45.
-Subsidiaries	Subsidiaries of the Bank as disclosed in Note 13.
-Related companies	Related companies of the Bank as disclosed in Note 45.
-Associate	Associate of the Bank as disclosed in Note 14.
-Joint venture	Joint venture of the Bank as disclosed in Note 15.

Significant related party transactions and balances as follows:

	<u>BANK</u>		<u>GROUP</u>	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
(a) <u>Transactions</u>				
Interest income				
- subsidiaries	35,935	29,221	-	-
- key management personnel	1	53	2	63
Other income				
- holding company	-	-	500	-
Dividend income				
- subsidiaries	51,856	5,974	-	-
Management fees				
- subsidiaries	327	266	-	-
Rental income				
- subsidiaries	698	379	-	-
Other operating expenses recharged				
- holding company	3,072	3,298	3,232	3,452
- subsidiaries	98,933	99,167	-	-
- joint venture	185	185	185	185
Interest expenses				
- holding company	-	-	(1,882)	(1,846)
- subsidiaries	(11)	(41)	-	-
- related companies	-	-	(1,345)	(1,518)
- associate	(39)	(40)	(39)	(40)
- key management personnel	(147)	(113)	(176)	(132)

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

	<u>BANK</u>		<u>GROUP</u>	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Other operating expenses				
- holding company	(4,005)	(4,199)	(5,945)	(6,122)
- subsidiaries	(5,136)	-	-	-
- joint venture	-	-	(55)	(221)
Commission paid				
- subsidiaries	(23,619)	(40,630)	-	-
Dividend paid				
- holding company	(232,503)	(192,439)	(232,503)	(192,439)

(b) Balances

Deposits from customers				
- holding company	(17)	(18)	(97,246)	(47,332)
- subsidiaries	(33,445)	(31,460)	-	-
- related companies	(505)	(11)	(4,190)	(47,002)
- associate	(1,227)	(1,206)	(1,227)	(1,206)
- joint venture	(58)	(351)	(1,859)	(351)
- key management personnel	(10,589)	(8,412)	(12,239)	(9,668)
Financial investments available-for-sale				
- subsidiaries	939,529	836,325	-	-
Loans, advances and financing				
- key management personnel	2,282	2,677	3,042	3,955
Money at call and deposit placements with financial institutions				
- subsidiaries	431,375	284,805	-	-
- joint venture	-	-	-	351
Other assets				
- holding company	191	105	191	105
- subsidiaries	2,327	12,878	-	-
- related companies	215	49	37	49
- joint venture	378	42	378	190
Other liabilities				
- holding company	-	-	(178)	(161)
- subsidiaries	(21,338)	(7,252)	-	-

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

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

	<u>BANK</u>		<u>GROUP</u>	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Short-term employee benefits				
- Fees	1,286	765	2,218	1,358
- Salary and other remuneration, including meeting allowances	23,697	20,117	26,730	22,654
- Contribution to EPF	3,052	2,655	3,438	2,980
- Share options/grants under ESS	747	1,740	927	1,981
Benefits-in-kind	220	98	220	98
	<u>29,002</u>	<u>25,375</u>	<u>33,533</u>	<u>29,071</u>

Included in the total key management personnel are:

CEO and Directors' remuneration,
excluding past CEO and
Directors (Note 42)

	<u>8,468</u>	<u>8,585</u>	<u>12,999</u>	<u>12,281</u>
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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:

	<u>Share Options</u>		<u>Share Grants</u>	
	2017 '000	2016 '000	2017 '000	2016 '000
<u>BANK</u>				
At beginning of financial year	2,148	5,120	712	844
Directors/key management personnel appointed during the financial year	154	-	27	-
Offered/awarded	-	-	-	534
Vested	-	-	(327)	(563)
Lapsed	(2,302)	(2,972)	(112)	(103)
At end of financial year	<u>-</u>	<u>2,148</u>	<u>300</u>	<u>712</u>

	<u>Share Options</u>		<u>Share Grants</u>	
	2017 '000	2016 '000	2017 '000	2016 '000
<u>GROUP</u>				
At beginning of financial year	2,419	5,541	831	894
Directors/key management personnel appointed during the financial year	154	-	27	-
Offered/awarded	-	-	-	624
Vested	-	-	(374)	(584)
Lapsed	(2,573)	(3,122)	(112)	(103)
At end of financial year	<u>-</u>	<u>2,419</u>	<u>372</u>	<u>831</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).

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

Total value of remuneration and numbers of officers with variable remuneration for the year are as follow:

		<u>2017</u>				<u>2016</u>	
	Number	Unrestricted RM'000	Deferred RM'000	Number	Unrestricted RM'000	Deferred RM'000	
<u>Fixed remuneration</u>							
Cash		19,415	-		16,561	-	
		<u>19,415</u>	<u>-</u>		<u>16,561</u>	<u>-</u>	
<u>Variable remuneration</u>							
Cash	15	7,777	1,063	14	7,074	-	
Shares and share-linked instruments	7	-	747	8	-	1,740	
		<u>7,777</u>	<u>1,810</u>		<u>7,074</u>	<u>1,740</u>	
		<u>27,192</u>	<u>1,810</u>		<u>23,635</u>	<u>1,740</u>	

Group

		<u>2017</u>				<u>2016</u>	
		Unrestricted RM'000	Deferred RM'000		Unrestricted RM'000	Deferred RM'000	
<u>Fixed remuneration</u>							
Cash		22,820	-		19,391	-	
		<u>22,820</u>	<u>-</u>		<u>19,391</u>	<u>-</u>	
<u>Variable remuneration</u>							
Cash	17	8,577	1,209	16	7,699	-	
Shares and share-linked instruments	9	-	927	10	-	1,981	
		<u>8,577</u>	<u>2,136</u>		<u>7,699</u>	<u>1,981</u>	
		<u>31,397</u>	<u>2,136</u>		<u>27,090</u>	<u>1,981</u>	

40. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

	<u>BANK</u>	
	2017	2016
	RM'000	RM'000
Outstanding credit exposures with connected parties	<u>96,182</u>	<u>65,946</u>
of which:		
Total credit exposure which is impaired or in default	<u>-</u>	<u>-</u>
Total credit exposures	<u>45,970,955</u>	<u>39,847,975</u>
Percentage of outstanding credit exposures to connected parties		
- as a proportion of total credit exposures	<u>0.21%</u>	<u>0.17%</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>	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Chief Executive Officers:				
- Salary and other remuneration	3,638	4,195	5,669	5,774
- Bonuses	2,300	2,000	3,100	2,625
- Contribution to EPF	699	816	1,085	1,141
- Share options/grants under ESS	-	-	180	241
- Benefits-in-kind	37	52	37	52
	6,674	7,063	10,071	9,833
Non-executive Directors:				
- Fees	1,286	765	2,218	1,358
- Allowances	508	726	710	1,059
- Benefits-in-kind	-	31	-	31
	1,794	1,522	2,928	2,448
	8,468	8,585	12,999	12,281
Past Chief Executive Officers/Directors:				
- Salary and other remuneration, including meeting allowance	52	7	71	74
- Fees	128	7	207	143
- Benefits-in-kind	10	-	10	-
	190	14	288	217
	8,658	8,599	13,287	12,498
Total Directors' remuneration excluding benefits-in-kind	8,611	8,516	13,240	12,415

Note:

- (a) Other than Directors fees and allowances, there were no amount paid or payable for services rendered by any Directors of the Bank and the Group during the financial year.
- (b) During the financial year, Directors of the Bank and the Group are covered under the Directors' & Officers' Liability Insurance in respect of liabilities arising from acts committed in their capacity as Directors and Officers of the Bank and the Group, provided that such Director or Officer has not acted negligently, fraudulently or dishonestly, or is in breach of his or her duty of trust. The total apportioned amount of insurance effected for Directors under the Bank and the Group was RM85,000 and RM103,000.

41 CEOs AND DIRECTORS' REMUNERATION (CONTD.)

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

<u>BANK</u>	<u>Salary and other remuneration</u>	<u>Bonuses</u>	<u>Contribution to EPF</u>	<u>Fees</u>	<u>Allowances</u>	<u>Share options/grants under ESS</u>	<u>Benefits- in-kind</u>	<u>Total</u>
<u>2017</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>Chief Executive Officer:</u>								
Joel Kornreich	3,638	2,300	699	-	-	-	37	6,674
	3,638	2,300	699	-	-	-	37	6,674
<u>Non-executive Directors:</u>								
Tan Sri Dato' Ahmad Bin Mohd Don	-	-	-	37	5	-	-	42
Kung Beng Hong	-	-	-	155	73	-	-	228
Ou Shian Waei	-	-	-	212	68	-	-	280
Kuah Hun Liang	-	-	-	157	61	-	-	218
Lee Ah Boon	-	-	-	153	63	-	-	216
Datuk Wan Azhar Bin Wan Ahmad	-	-	-	160	75	-	-	235
Lee Boon Huat	-	-	-	157	64	-	-	221
Ho Hon Cheong	-	-	-	142	62	-	-	204
Thayaparan A/L S Sangarapillai	-	-	-	113	37	-	-	150
Dato' Thomas Mun Lung Lee	-	-	-	67	27	-	10	104
Tan Yuen Fah	-	-	-	61	25	-	-	86
	-	-	-	1,414	560	-	10	1,984
Total CEO and Directors' remuneration	3,638	2,300	699	1,414	560	-	47	8,658

41 CEOs AND DIRECTORS' REMUNERATION (CONTD.)

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

<u>GROUP</u>	<u>Salary and other remuneration</u>	<u>Bonuses</u>	<u>Contribution to EPF</u>	<u>Fees</u>	<u>Allowances</u>	<u>Share options/grants under ESS</u>	<u>Benefits- in-kind</u>	<u>Total</u>
2017	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Chief Executive Officers:</u>								
Joel Kornreich	3,638	2,300	699	-	-	-	37	6,674
Mahesh s/o Shri Pranalal Rupawalla	1,286	500	243	-	-	96	-	2,125
Foziakhatoon Binti Amanulla Khan	745	300	143	-	-	84	-	1,272
	5,669	3,100	1,085	-	-	180	37	10,071
<u>Non-executive Directors:</u>								
Tan Sri Dato' Ahmad Bin Mohd Don	-	-	-	37	5	-	-	42
Kung Beng Hong	-	-	-	336	96	-	-	432
Ou Shian Waei	-	-	-	212	68	-	-	280
Kuah Hun Liang	-	-	-	269	85	-	-	354
Lee Ah Boon	-	-	-	153	63	-	-	216
Datuk Wan Azhar Bin Wan Ahmad	-	-	-	280	90	-	-	370
Lee Boon Huat	-	-	-	157	64	-	-	221
Ho Hon Cheong	-	-	-	142	62	-	-	204
Thayaparan A/L S Sangarapillai	-	-	-	113	37	-	-	150
Dato' Majid Bin Mohamad	-	-	-	188	57	-	-	245
Mazidah Binti Abdul Malik	-	-	-	101	29	-	-	130
Dato' Yeoh Beow Tit	-	-	-	66	11	-	-	77
Hj Md Ali Bin Md Sarif	-	-	-	76	21	-	-	97
Ibrahim Bin Hassan	-	-	-	44	11	-	-	55
Shaharuddin Bin Zainuddin	-	-	-	44	11	-	-	55
Dato' Thomas Mun Lung Lee	-	-	-	67	27	-	10	104
Tan Yuen Fah	-	-	-	61	25	-	-	86
Premod Paul Thomas	-	-	-	4	-	-	-	4
Megat Dziauddin Bin Megat Mahmud	-	-	-	75	19	-	-	94
	-	-	-	2,425	781	-	10	3,216
Total CEO and Directors' remuneration	5,669	3,100	1,085	2,425	781	180	47	13,287

41 CEOs AND DIRECTORS' REMUNERATION (CONTD.)

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

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

41 CEOs AND DIRECTORS' REMUNERATION (CONTD.)

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

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

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 Group's borrowers or counterparties to fulfil their contractual obligations to repay their loans or settle commitments. Exposure to credit risk may be categorised as primary or secondary.

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

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

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

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 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>	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Credit risk exposure of on-balance sheet:				
Cash and short-term funds				
(exclude cash in hand)	1,350,926	3,907,289	1,100,945	4,640,610
Deposits and placements with				
banks and other financial institutions	-	195,865	-	195,865
Balances due from clients and brokers	-	-	113,022	104,659
Financial assets held-for-trading	259,701	132,229	335,260	132,229
Financial investments available-for-sale				
(exclude equity securities)	7,988,058	7,150,250	10,074,263	8,413,340
Financial investments held-to-maturity	658,201	719,324	917,092	1,129,307
Derivative financial assets	86,345	133,651	86,345	133,651
Loans, advances and financing				
(exclude sales commissions and				
handling fees)	31,347,517	31,210,633	38,955,726	38,372,359
Statutory deposits with				
Bank Negara Malaysia	1,129,366	1,117,640	1,437,344	1,410,828
Other assets (exclude prepayment)	86,643	95,864	90,488	87,304
	<u>42,906,757</u>	<u>44,662,745</u>	<u>53,110,485</u>	<u>54,620,152</u>
Credit risk exposure of off-balance sheet:				
Financial guarantees	488,537	453,338	620,666	568,644
Credit related commitments				
and contingencies	8,385,420	9,246,741	10,208,969	11,176,607
	<u>8,873,957</u>	<u>9,700,079</u>	<u>10,829,635</u>	<u>11,745,251</u>
Total maximum exposure	<u>51,780,714</u>	<u>54,362,824</u>	<u>63,940,120</u>	<u>66,365,403</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.

<u>BANK</u>	<u>Government and Central Bank</u>	<u>Financial, Insurance, Business Services and Real Estate</u>	<u>Transport, Storage and Communication Services</u>	<u>Agriculture, Manufacturing, Wholesale & Retail Trade</u>	<u>Construction</u>	<u>Household</u>	<u>Others</u>	<u>Total</u>
2017	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds (exclude cash in hand)	801,475	549,451	-	-	-	-	-	1,350,926
Financial assets held-for-trading	40,159	118,330	101,212	-	-	-	-	259,701
Financial investments available-for-sale (exclude equity securities)	2,977,001	4,003,013	675,032	237,846	95,166	-	-	7,988,058
Financial investments held-to-maturity	568,160	90,041	-	-	-	-	-	658,201
Derivative financial assets	675	25,249	-	-	-	-	60,421	86,345
Loans, advances and financing (exclude sales commissions and handling fees)	-	4,211,348	289,869	8,566,414	843,848	17,085,232	350,806	31,347,517
Statutory deposits with Bank Negara Malaysia	1,129,366	-	-	-	-	-	-	1,129,366
Other assets (exclude prepayment)	-	3,111	-	-	-	-	83,532	86,643
	<u>5,516,836</u>	<u>9,000,543</u>	<u>1,066,113</u>	<u>8,804,260</u>	<u>939,014</u>	<u>17,085,232</u>	<u>494,759</u>	<u>42,906,757</u>
Financial guarantees	-	76,039	23,391	318,115	40,949	4,944	25,099	488,537
Credit related commitments and contingencies	-	1,108,015	113,699	3,410,715	1,246,506	2,032,265	474,220	8,385,420
	<u>-</u>	<u>1,184,054</u>	<u>137,090</u>	<u>3,728,830</u>	<u>1,287,455</u>	<u>2,037,209</u>	<u>499,319</u>	<u>8,873,957</u>
Total credit risk	<u>5,516,836</u>	<u>10,184,597</u>	<u>1,203,203</u>	<u>12,533,090</u>	<u>2,226,469</u>	<u>19,122,441</u>	<u>994,078</u>	<u>51,780,714</u>

42. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**(a) Credit Risk (contd.)****(ii) Credit risk concentrations (contd.)**

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

<u>GROUP</u>	<u>Government and Central Bank</u>	<u>Financial, Insurance, Business Services and Real Estate</u>	<u>Transport, Storage and Communication Services</u>	<u>Agriculture, Manufacturing, Wholesale & Retail Trade</u>	<u>Construction</u>	<u>Household</u>	<u>Others</u>	<u>Total</u>
2017	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds (exclude cash in hand)	971,784	129,161	-	-	-	-	-	1,100,945
Balances due from clients and brokers	-	17,358	-	-	-	-	95,664	113,022
Financial assets held-for-trading	40,159	193,889	101,212	-	-	-	-	335,260
Financial investments available-for-sale (exclude equity securities)	3,841,396	4,672,634	999,537	304,556	256,140	-	-	10,074,263
Financial investments held-to-maturity	770,427	146,665	-	-	-	-	-	917,092
Derivative financial assets	675	25,249	-	-	-	-	60,421	86,345
Loans, advances and financing (exclude sales commissions and handling fees)	-	5,166,846	366,667	10,749,144	979,757	21,237,776	455,536	38,955,726
Statutory deposits with Bank Negara Malaysia	1,437,344	-	-	-	-	-	-	1,437,344
Other assets (exclude prepayment)	-	606	-	-	-	-	89,882	90,488
	<u>7,061,785</u>	<u>10,352,408</u>	<u>1,467,416</u>	<u>11,053,700</u>	<u>1,235,897</u>	<u>21,237,776</u>	<u>701,503</u>	<u>53,110,485</u>
Financial guarantees	-	79,098	23,502	440,327	47,378	4,985	25,376	620,666
Credit related commitments and contingencies	-	1,347,539	120,834	4,296,222	1,328,052	2,322,542	793,780	10,208,969
	<u>-</u>	<u>1,426,637</u>	<u>144,336</u>	<u>4,736,549</u>	<u>1,375,430</u>	<u>2,327,527</u>	<u>819,156</u>	<u>10,829,635</u>
Total credit risk	<u>7,061,785</u>	<u>11,779,045</u>	<u>1,611,752</u>	<u>15,790,249</u>	<u>2,611,327</u>	<u>23,565,303</u>	<u>1,520,659</u>	<u>63,940,120</u>

42. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**(a) Credit Risk (contd.)****(ii) Credit risk concentrations (contd.)**

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

<u>BANK</u>	<u>Government and Central Bank</u>	<u>Financial, Insurance, Business Services and Real Estate</u>	<u>Transport, Storage and Communication Services</u>	<u>Agriculture, Manufacturing, Wholesale & Retail Trade</u>	<u>Construction</u>	<u>Household</u>	<u>Others</u>	<u>Total</u>
2016	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds (exclude cash in hand)	1,698,304	2,208,985	-	-	-	-	-	3,907,289
Deposits and placements with banks and other financial institutions	-	195,865	-	-	-	-	-	195,865
Financial assets held-for-trading	40,441	40,805	50,983	-	-	-	-	132,229
Financial investments available-for-sale (exclude equity securities)	2,736,023	3,623,301	501,473	204,742	84,711	-	-	7,150,250
Financial investments held-to-maturity	578,740	140,584	-	-	-	-	-	719,324
Derivative financial assets	13,175	92,277	-	-	-	-	28,199	133,651
Loans, advances and financing (exclude sales commissions and handling fees)	-	4,186,361	251,850	8,057,036	568,098	17,736,055	411,233	31,210,633
Statutory deposits with Bank Negara Malaysia	1,117,640	-	-	-	-	-	-	1,117,640
Other assets (exclude prepayment)	-	13,011	-	-	-	-	82,853	95,864
	<u>6,184,323</u>	<u>10,501,189</u>	<u>804,306</u>	<u>8,261,778</u>	<u>652,809</u>	<u>17,736,055</u>	<u>522,285</u>	<u>44,662,745</u>
Financial guarantees	-	67,078	20,914	314,252	25,715	2,675	22,704	453,338
Credit related commitments and contingencies	-	726,807	81,692	3,136,796	1,058,712	4,157,877	84,857	9,246,741
	<u>-</u>	<u>793,885</u>	<u>102,606</u>	<u>3,451,048</u>	<u>1,084,427</u>	<u>4,160,552</u>	<u>107,561</u>	<u>9,700,079</u>
Total credit risk	<u>6,184,323</u>	<u>11,295,074</u>	<u>906,912</u>	<u>11,712,826</u>	<u>1,737,236</u>	<u>21,896,607</u>	<u>629,846</u>	<u>54,362,824</u>

42. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)**(a) Credit Risk (contd.)****(ii) Credit risk concentrations (contd.)**

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

<u>GROUP</u>	<u>Government and Central Bank</u>	<u>Financial, Insurance, Business Services and Real Estate</u>	<u>Transport, Storage and Communication Services</u>	<u>Agriculture, Manufacturing, Wholesale & Retail Trade</u>	<u>Construction</u>	<u>Household</u>	<u>Others</u>	<u>Total</u>
2016	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds (exclude cash in hand)	2,712,615	1,927,995	-	-	-	-	-	4,640,610
Deposits and placements with banks and other financial institutions	-	195,865	-	-	-	-	-	195,865
Balances due from clients and brokers	-	7,816	-	-	-	-	96,843	104,659
Financial assets held-for-trading	40,441	40,805	50,983	-	-	-	-	132,229
Financial investments available-for-sale (exclude equity securities)	3,717,205	3,529,144	780,619	226,243	160,129	-	-	8,413,340
Financial investments held-to-maturity	933,960	195,347	-	-	-	-	-	1,129,307
Derivative financial assets	13,175	92,277	-	-	-	-	28,199	133,651
Loans, advances and financing (exclude sales commissions and handling fees)	-	4,803,818	293,280	10,097,608	696,968	22,013,943	466,742	38,372,359
Statutory deposits with Bank Negara Malaysia	1,410,828	-	-	-	-	-	-	1,410,828
Other assets (exclude prepayment)	-	344	-	-	-	-	86,960	87,304
	<u>8,828,224</u>	<u>10,793,411</u>	<u>1,124,882</u>	<u>10,323,851</u>	<u>857,097</u>	<u>22,013,943</u>	<u>678,744</u>	<u>54,620,152</u>
Financial guarantees	-	69,812	20,954	392,415	59,909	2,675	22,879	568,644
Credit related commitments and contingencies	-	1,019,751	86,904	4,033,902	1,131,450	4,486,937	417,663	11,176,607
	<u>-</u>	<u>1,089,563</u>	<u>107,858</u>	<u>4,426,317</u>	<u>1,191,359</u>	<u>4,489,612</u>	<u>440,542</u>	<u>11,745,251</u>
Total credit risk	<u>8,828,224</u>	<u>11,882,974</u>	<u>1,232,740</u>	<u>14,750,168</u>	<u>2,048,456</u>	<u>26,503,555</u>	<u>1,119,286</u>	<u>66,365,403</u>

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, ownership claimed over the vehicles or equipment financed; and
- For other loans/financing, charges over business assets such as premises, financial/trade receivables, or deposits.

(iv) Credit quality - Loans, advances and financing

All loans, advances and financing are categorised as either:

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

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

Distribution of loans, advances and financing by credit quality

	<u>BANK</u>		<u>GROUP</u>	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Neither past due nor impaired	30,362,759	30,215,853	37,672,110	37,029,553
Past due but not impaired	943,962	916,143	1,270,222	1,230,247
Impaired	339,580	373,199	393,349	487,868
Gross loans, advances and financing	31,646,301	31,505,195	39,335,681	38,747,668
Less: Allowance for impairment				
- Individual assessment	(64,147)	(58,061)	(66,627)	(68,331)
- Collective assessment	(234,637)	(236,501)	(313,328)	(306,978)
Net loans, advances and financing	<u>31,347,517</u>	<u>31,210,633</u>	<u>38,955,726</u>	<u>38,372,359</u>
Financial effect of collateral held for loans, advances and financing	<u>75.0%</u>	<u>77.4%</u>	<u>73.7%</u>	<u>76.3%</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>	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Grading classification				
- Good	29,166,724	28,664,064	36,188,329	35,167,665
- Fair	1,196,035	1,551,789	1,483,781	1,861,888
	<u>30,362,759</u>	<u>30,215,853</u>	<u>37,672,110</u>	<u>37,029,553</u>

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

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

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

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

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

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

	<u>BANK</u>		<u>GROUP</u>	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Past due up to 1 month	779,123	762,974	1,016,032	1,008,966
Past due > 1 - 2 months	148,204	137,024	219,448	193,473
Past due > 2 - 3 months	16,635	16,145	34,742	27,808
	<u>943,962</u>	<u>916,143</u>	<u>1,270,222</u>	<u>1,230,247</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>	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Gross impaired loans	339,580	373,199	393,349	487,868
Gross individually assessed impaired loans [Note]	122,790	113,924	129,176	127,479
Less: Allowance for impairment - Individual assessment	(64,147)	(58,061)	(66,627)	(68,331)
Net individually assessed impaired loans	58,643	55,863	62,549	59,148

Note:

Exclude individually assessed impaired loans which were fully collateralised and subsequently assessed under collective allowance for the Bank (2017: RM28,137,000; 2016: RM44,229,000) and the Group (2017: RM37,345,000; 2016: RM106,867,000).

(v) Credit quality - financial instruments and financial assets

Financial instrument include cash and short term funds, deposits and placements with other financial institutions, balances due from clients and brokers, debt securities, derivative financial assets, statutory deposit with BNM and other 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.

<u>BANK</u>	Neither past <u>due nor impaired</u>	Past due but <u>not impaired</u>	<u>Impaired</u>	Allowance <u>for impairment</u>	<u>Total</u>
2017	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds (exclude cash in hand)	1,350,926	-	-	-	1,350,926
Financial assets held-for-trading	259,701	-	-	-	259,701
Financial investments available-for-sale (exclude equity securities)	7,988,058	-	135,681	(135,681)	7,988,058
Financial investments held-to-maturity	658,201	-	1,294	(1,294)	658,201
Derivative financial assets	86,345	-	-	-	86,345
Statutory deposits with Bank Negara Malaysia	1,129,366	-	-	-	1,129,366
Other assets (exclude prepayment)	86,643	-	24,409	(24,409)	86,643
	11,559,240	-	161,384	(161,384)	11,559,240

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

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

<u>GROUP</u>	<u>Neither past due nor impaired</u>	<u>Past due but not impaired</u>	<u>Impaired</u>	<u>Allowance for impairment</u>	<u>Total</u>
2017	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds (exclude cash in hand)	1,100,945	-	-	-	1,100,945
Balances due from clients and brokers	112,910	-	947	(835)	113,022
Financial assets held-for-trading	335,260	-	-	-	335,260
Financial investments available-for-sale (exclude equity securities)	10,074,263	-	231,911	(231,911)	10,074,263
Financial investments held-to-maturity	912,720	-	18,565	(14,193)	917,092
Derivative financial assets	86,345	-	-	-	86,345
Statutory deposits with Bank Negara Malaysia	1,437,344	-	-	-	1,437,344
Other assets (exclude prepayment)	90,488	-	28,833	(28,833)	90,488
	<u>14,150,275</u>	<u>-</u>	<u>280,256</u>	<u>(275,772)</u>	<u>14,154,759</u>

<u>BANK</u>	<u>Neither past due nor impaired</u>	<u>Past due but not impaired</u>	<u>Impaired</u>	<u>Allowance for impairment</u>	<u>Total</u>
2016	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds (exclude cash in hand)	3,907,289	-	-	-	3,907,289
Deposits and placements with banks and other financial institutions	195,865	-	-	-	195,865
Financial assets held-for-trading	132,229	-	-	-	132,229
Financial investments available-for-sale (exclude equity securities)	7,150,250	-	135,681	(135,681)	7,150,250
Financial investments held-to-maturity	719,324	-	1,294	(1,294)	719,324
Derivative financial assets	133,651	-	-	-	133,651
Statutory deposits with Bank Negara Malaysia	1,117,640	-	-	-	1,117,640
Other assets (exclude prepayment)	95,864	-	22,119	(22,119)	95,864
	<u>13,452,112</u>	<u>-</u>	<u>159,094</u>	<u>(159,094)</u>	<u>13,452,112</u>

<u>GROUP</u>	<u>Neither past due nor impaired</u>	<u>Past due but not impaired</u>	<u>Impaired</u>	<u>Allowance for impairment</u>	<u>Total</u>
2016	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds (exclude cash in hand)	4,640,610	-	-	-	4,640,610
Deposits and placements with banks and other financial institutions	195,865	-	-	-	195,865
Balances due from clients and brokers	104,596	-	900	(837)	104,659
Financial assets held-for-trading	132,229	-	-	-	132,229
Financial investments available-for-sale (exclude equity securities)	8,413,340	-	231,911	(231,911)	8,413,340
Financial investments held-to-maturity	1,124,935	-	18,565	(14,193)	1,129,307
Derivative financial assets	133,651	-	-	-	133,651
Statutory deposits with Bank Negara Malaysia	1,410,828	-	-	-	1,410,828
Other assets (exclude prepayment)	87,304	-	26,382	(26,382)	87,304
	<u>16,243,358</u>	<u>-</u>	<u>277,758</u>	<u>(273,323)</u>	<u>16,247,793</u>

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

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

	Cash and short-term <u>funds</u> RM'000	Financial assets held-for- <u>trading</u> RM'000	Financial investments available-for <u>sale</u> RM'000	Financial investments held-to- <u>maturity</u> RM'000	Derivative financial <u>assets</u> RM'000	Statutory deposits with Bank Negara <u>Malaysia</u> RM'000	<u>Total</u> RM'000
BANK							
2017							
<i>By rating agencies</i>							
<u>RAM</u>							
AAA	45,504	-	405,989	-	18,830	-	470,323
AA1	-	-	642,627	-	1,311	-	643,938
AA2	2,501	-	800,886	-	2,864	-	806,251
AA3	-	-	476,413	-	-	-	476,413
A1	431,375	2,849	988,583	-	-	-	1,422,807
A2	-	-	-	-	125	-	125
P1	-	44,950	49,491	-	-	-	94,441
<u>MARC</u>							
AA	-	-	86,254	-	-	-	86,254
AAA	-	20,351	822,810	-	-	-	843,161
AA-	-	-	260,867	-	-	-	260,867
MARC-1	-	24,972	-	-	-	-	24,972
<u>FITCH</u>							
AA	459	-	-	-	-	-	459
<u>Moody's</u>							
AA2	1,666	-	-	-	153	-	1,819
AA3	2,442	-	-	-	558	-	3,000
A1	226	-	-	-	234	-	460
A3	1,641	-	-	-	-	-	1,641
<u>S&P</u>							
AA-	440	-	-	-	-	-	440
BBB+	83	-	-	-	-	-	83
Government backed	801,475	166,579	3,454,138	657,864	675	1,129,366	6,210,097
Unrated [Note]	63,114	-	-	337	61,595	-	125,046
	<u>1,350,926</u>	<u>259,701</u>	<u>7,988,058</u>	<u>658,201</u>	<u>86,345</u>	<u>1,129,366</u>	<u>11,472,597</u>

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

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

	Cash and short-term funds RM'000	Financial assets held-for- trading RM'000	Financial investments available-for- sale RM'000	Financial investments held-to- maturity RM'000	Derivative financial assets RM'000	Statutory deposits with Bank Negara Malaysia RM'000	Total RM'000
<u>GROUP</u>							
2017							
<i>By rating agencies</i>							
<u>RAM</u>							
AAA	49,173	-	615,122	-	18,830	-	683,125
AA1	-	-	1,028,787	-	1,311	-	1,030,098
AA2	2,522	-	1,164,113	-	2,864	-	1,169,499
AA3	-	-	696,887	-	-	-	696,887
A1	7,395	2,849	58,835	-	-	-	69,079
A2	-	-	-	-	125	-	125
P1	-	79,815	49,491	-	-	-	129,306
<u>MARC</u>							
AA	-	-	127,092	-	-	-	127,092
AAA	-	61,045	1,011,773	-	-	-	1,072,818
AA-	-	-	280,875	-	-	-	280,875
MARC-1	-	24,972	-	-	-	-	24,972
<u>FITCH</u>							
AA	459	-	-	-	-	-	459
<u>Moody's</u>							
AA2	1,666	-	-	-	153	-	1,819
AA3	2,442	-	-	-	558	-	3,000
A1	226	-	-	-	234	-	460
A3	1,641	-	-	-	-	-	1,641
<u>S&P</u>							
AA-	440	-	-	-	-	-	440
BBB+	83	-	-	-	-	-	83
Government backed	971,784	166,579	5,036,328	912,347	675	1,437,344	8,525,057
Unrated [Note]	63,114	-	4,960	4,745	61,595	-	134,414
	<u>1,100,945</u>	<u>335,260</u>	<u>10,074,263</u>	<u>917,092</u>	<u>86,345</u>	<u>1,437,344</u>	<u>13,951,249</u>

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

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

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

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

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

	Cash and short-term funds RM'000	Deposits and placement with financial institutions RM'000	Financial assets held-for- trading RM'000	Financial investments available-for sale RM'000	Financial investments held-to- maturity RM'000	Derivative financial assets RM'000	Statutory deposits with Bank Negara Malaysia RM'000	Total RM'000
GROUP								
2016								
<i>By rating agencies</i>								
RAM								
AAA	938,495	-	61,256	691,709	-	43,538	-	1,734,998
AA1	-	-	-	1,253,070	-	9,231	-	1,262,301
AA2	259,405	-	-	204,533	-	38,017	-	501,955
AA3	50,076	-	-	450,682	-	-	-	500,758
A1	2,542	-	-	-	-	-	-	2,542
A3	150,143	-	-	-	-	4	-	150,147
MARC								
AAA	-	-	10,280	922,122	-	13,175	-	945,577
AA-	310,064	-	-	326,688	-	-	-	636,752
FITCH								
AA	1,019	-	-	-	-	-	-	1,019
Moody's								
AA1	634	-	-	-	-	-	-	634
AA2	2,139	-	-	-	-	4	-	2,143
AA3	1,164	-	-	-	-	60	-	1,224
A1	-	-	-	-	-	29	-	29
A2	2,888	-	-	-	-	-	-	2,888
A3	1,954	-	-	-	-	-	-	1,954
S&P								
AA-	759	-	-	-	-	2	-	761
A	340	-	-	-	-	-	-	340
BBB+	157	-	-	-	-	-	-	157
Government backed	2,712,615	-	60,693	4,559,544	1,124,562	-	1,410,828	9,868,242
Unrated [Note]	206,216	195,865	-	4,992	4,745	29,591	-	441,409
	<u>4,640,610</u>	<u>195,865</u>	<u>132,229</u>	<u>8,413,340</u>	<u>1,129,307</u>	<u>133,651</u>	<u>1,410,828</u>	<u>16,055,830</u>

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 rate/profit rate risk

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

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

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

42. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

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

	Non-trading book						Non-interest	Trading book	Total
<u>BANK</u>	<u>Up to 1 month</u>	<u>>1-3 months</u>	<u>>3-6 months</u>	<u>>6-12 months</u>	<u>>1-5 years</u>	<u>Over 5 years</u>	<u>sensitive</u>		
2017	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets									
Cash and short-term funds	1,064,674	-	-	-	-	-	553,943	-	1,618,617
Financial assets held-for-trading	-	-	-	-	-	-	-	259,701	259,701
Financial investments available-for-sale	1,030,050	890,159	194,657	760,963	4,213,754	971,315	38,552	-	8,099,450
Financial investments held-to-maturity	-	-	235,373	209,943	209,115	-	3,770	-	658,201
Derivative financial assets	-	-	-	-	-	-	-	86,345	86,345
Loans, advances and financing	26,841,225	1,265,292	271,276	348,579	1,963,546	641,193	40,796 *	-	31,371,907
Other financial assets^	-	-	-	-	-	-	1,234,507	-	1,234,507
Total assets	28,935,949	2,155,451	701,306	1,319,485	6,386,415	1,612,508	1,871,568	346,046	43,328,728
Liabilities									
Deposits from customers	16,663,248	4,323,621	2,716,518	6,612,184	301,566	463,122	5,814,958	-	36,895,217
Deposits and placements of banks and other financial institutions	92,403	180,200	4,500	14,340	350,988	-	7,298	-	649,729
Derivative financial liabilities	-	-	-	-	-	-	-	81,892	81,892
Amount due to Cagamas Berhad	-	-	-	200,010	300,009	-	2,694	-	502,713
Other borrowings	-	-	-	5,000	-	-	70	-	5,070
Subordinated obligations	-	-	-	-	1,198,763	-	26,901	-	1,225,664
Other liabilities	-	-	-	-	-	-	821,624	-	821,624
Total liabilities	16,755,651	4,503,821	2,721,018	6,831,534	2,151,326	463,122	6,673,545	81,892	40,181,909
On-balance sheet interest sensitivity gap	12,180,298	(2,348,370)	(2,019,712)	(5,512,049)	4,235,089	1,149,386	(4,801,977)	264,154	3,146,819

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

^ Includes statutory deposits and other assets.

42. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

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

GROUP	Non-trading book						Non-interest/ profit sensitive	Trading book	Total
	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 years	Over 5 years			
2017	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets									
Cash and short-term funds	737,319	-	-	-	-	-	631,317	-	1,368,636
Balances due from clients and brokers	3,561	-	-	-	-	-	109,461	-	113,022
Financial assets held-for-trading	-	-	-	-	-	-	-	335,260	335,260
Financial investments available-for-sale	1,259,455	1,203,276	143,948	760,579	4,887,652	1,874,448	110,199	-	10,239,557
Financial investments held-to-maturity	-	80,030	265,429	280,223	281,518	-	9,892	-	917,092
Derivative financial assets	-	-	-	-	-	-	-	86,345	86,345
Loans, advances and financing	31,831,875	1,728,327	352,462	368,454	2,818,711	1,878,466	13,394 *	-	38,991,689
Other financial assets^	-	-	-	-	-	-	1,547,252	-	1,547,252
Total assets	33,832,210	3,011,633	761,839	1,409,256	7,987,881	3,752,914	2,421,515	421,605	53,598,853
Liabilities									
Deposits from customers	21,433,942	5,934,095	3,434,226	7,661,060	425,110	463,122	5,979,060	-	45,330,615
Deposits and placements of banks and other financial institutions	93,041	182,862	7,400	18,220	553,341	-	8,040	-	862,904
Balances due to clients and brokers	-	-	-	-	-	-	69,066	-	69,066
Derivative financial liabilities	-	-	-	-	-	-	-	81,892	81,892
Amount due to Cagamas Berhad	-	-	-	200,010	300,009	-	2,694	-	502,713
Other borrowings	-	-	-	5,000	-	-	70	-	5,070
Subordinated obligations	-	-	-	-	1,199,177	-	26,901	-	1,226,078
Other liabilities	-	-	-	-	-	-	965,906	-	965,906
Total liabilities	21,526,983	6,116,957	3,441,626	7,884,290	2,477,637	463,122	7,051,737	81,892	49,044,244
On-balance sheet interest sensitivity gap	12,305,227	(3,105,324)	(2,679,787)	(6,475,034)	5,510,244	3,289,792	(4,630,222)	339,713	4,554,609

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

^ Includes statutory deposits and other assets.

42. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

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

<u>BANK</u> 2016	Non-trading book						Non-interest sensitive	Trading book	Total
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000			
Assets									
Cash and short-term funds	3,632,334	-	-	-	-	-	568,543	-	4,200,877
Deposits and placements with banks and other financial institutions	-	195,675	-	-	-	-	190	-	195,865
Financial assets held-for-trading	-	-	-	-	-	-	-	132,229	132,229
Financial investments available-for-sale	815,002	805,261	35,156	607,061	3,410,508	1,427,188	152,746	-	7,252,922
Financial investments held-to-maturity	-	-	-	63,775	651,723	-	3,826	-	719,324
Derivative financial assets	-	-	-	-	-	-	-	133,651	133,651
Loans, advances and financing	26,623,068	1,268,485	334,821	398,393	1,690,991	851,083	78,637*	-	31,245,478
Other financial assets^	-	-	-	-	-	-	1,227,216	-	1,227,216
Total assets	31,070,404	2,269,421	369,977	1,069,229	5,753,222	2,278,271	2,031,158	265,880	45,107,562
Liabilities									
Deposits from customers	17,903,122	5,126,094	3,824,880	4,626,918	405,142	16,953	5,933,460	-	37,836,569
Deposits and placements of banks and other financial institutions	119,150	198,699	9,310	423,956	261,847	-	4,470	-	1,017,432
Derivative financial liabilities	-	-	-	-	-	-	-	279,541	279,541
Amount due to Cagamas Berhad	-	-	-	-	500,000	-	2,725	-	502,725
Other borrowings	-	-	-	-	5,000	-	71	-	5,071
Subordinated obligations	599,982	-	-	-	1,198,551	-	41,080	-	1,839,613
Other liabilities	-	-	-	-	-	-	721,208	-	721,208
Total liabilities	18,622,254	5,324,793	3,834,190	5,050,874	2,370,540	16,953	6,703,014	279,541	42,202,159
On-balance sheet interest sensitivity gap	12,448,150	(3,055,372)	(3,464,213)	(3,981,645)	3,382,682	2,261,318	(4,671,856)	(13,661)	2,905,403

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

^ Includes statutory deposits and other assets.

42. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

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

GROUP	Non-trading book						Non-interest/ profit sensitive	Trading book	Total
	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 years	Over 5 years			
2016	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets									
Cash and short-term funds	4,305,504	-	-	-	-	-	628,694	-	4,934,198
Deposits and placements with banks and other financial institutions	-	195,675	-	-	-	-	190	-	195,865
Balances due from clients and brokers	1,752	-	-	-	-	-	102,907	-	104,659
Financial assets held-for-trading	-	-	-	-	-	-	-	132,229	132,229
Financial investments available-for-sale	814,808	889,933	45,201	349,345	4,273,267	1,972,452	220,690	-	8,565,696
Financial investments held-to-maturity	-	-	-	213,885	903,291	-	12,131	-	1,129,307
Derivative financial assets	-	-	-	-	-	-	-	133,651	133,651
Loans, advances and financing	31,447,934	1,666,201	411,177	423,615	2,424,167	1,925,071	112,559*	-	38,410,724
Other financial assets^	-	-	-	-	-	-	1,513,003	-	1,513,003
Total assets	36,569,998	2,751,809	456,378	986,845	7,600,725	3,897,523	2,590,174	265,880	55,119,332
Liabilities									
Deposits from customers	22,097,941	6,298,558	5,001,682	5,508,456	529,535	16,953	6,667,362	-	46,120,487
Deposits and placements of banks and other financial institutions	119,978	200,244	10,300	431,279	390,496	-	4,953	-	1,157,250
Balances due to clients and brokers	-	-	-	-	-	-	77,246	-	77,246
Derivative financial liabilities	-	-	-	-	-	-	-	279,541	279,541
Amount due to Cagamas Berhad	-	-	-	-	500,000	-	2,725	-	502,725
Other borrowings	-	-	-	-	5,000	-	71	-	5,071
Subordinated obligations	599,982	-	-	-	1,199,085	-	41,080	-	1,840,147
Other liabilities	-	-	-	-	-	-	880,138	-	880,138
Total liabilities	22,817,901	6,498,802	5,011,982	5,939,735	2,624,116	16,953	7,673,575	279,541	50,862,605
On-balance sheet interest sensitivity gap	13,752,097	(3,746,993)	(4,555,604)	(4,952,890)	4,976,609	3,880,570	(5,083,401)	(13,661)	4,256,727

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

^ Includes statutory deposits and other assets.

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 Bank and the Group from time to time. For the Group, foreign exchange risk is concentrated in its commercial banking. Foreign currency exchange risk is managed via approved risk limits and open positions are regularly revalued against current exchange rates and reported to Management.

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

<u>BANK/GROUP</u>	<u>US Dollars</u>	<u>Pound Sterling</u>	<u>Euro Dollars</u>	<u>Australian Dollars</u>	<u>Singapore Dollars</u>	<u>Others</u>	<u>Total</u>
2017	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets							
Cash and short-term funds	107,019	1,641	-	1,666	1,273	6,476	118,075
Loans, advances and financing	738,782	-	8,281	-	101	2,089	749,253
Other financial assets	22,206	4	-	2	-	5	22,217
Total financial assets	868,007	1,645	8,281	1,668	1,374	8,570	889,545
Liabilities							
Deposits from customers	493,526	60,538	23,068	140,056	33,809	40,415	791,412
Deposits and placements of banks and other financial institutions	267,483	-	2,608	-	160	1,074	271,325
Other financial liabilities	316	15	474	3	2	8	818
Total financial liabilities	761,325	60,553	26,150	140,059	33,971	41,497	1,063,555
On-balance sheet open position	106,682	(58,908)	(17,869)	(138,391)	(32,597)	(32,927)	(174,010)
Off-balance sheet open position	(157,562)	57,334	14,957	129,672	22,442	38,950	105,793
Net open position	(50,880)	(1,574)	(2,912)	(8,719)	(10,155)	6,023	(68,217)

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

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 Bank and 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 hypothetical 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>
2017	RM'000	for the year RM'000	RM'000	RM'000
Instruments:				
FX related derivatives	(2,183)	(9,803)	(773)	(372,076)
Government securities	(32,809)	(22,879)	(7,722)	(33,850)
Private debt securities	(4,317)	(4,524)	(1,417)	(10,634)
<u>GROUP</u>				
2017				
FX related derivatives	(2,183)	(9,803)	(773)	(372,076)
Government securities	(41,610)	(27,976)	(3,218)	(42,152)
Private debt securities	(14,010)	(12,190)	(3,279)	(16,298)
<u>BANK</u>				
2016				
Instruments:				
FX related derivatives	(1,108)	(10,444)	(163)	(324,920)
Government securities	(11,549)	(14,477)	(11,085)	(19,602)
Private debt securities	(1,577)	(3,849)	(1,575)	(5,996)
<u>GROUP</u>				
2016				
FX related derivatives	(1,108)	(10,444)	(163)	(324,920)
Government securities	(15,702)	(18,527)	(4,069)	(24,907)
Private debt securities	(4,541)	(6,140)	(1,646)	(7,902)

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.

	2017 BANK		2017 GROUP	
	- 100 bps Increase/(Decrease) RM'000	+ 100 bps RM'000	- 100 bps Increase/(Decrease) RM'000	+ 100 bps RM'000
Impact on net profit after tax	<u>(73,278)</u>	<u>73,278</u>	<u>(77,078)</u>	<u>77,078</u>
Impact on equity	<u>137,650</u>	<u>(130,741)</u>	<u>197,914</u>	<u>(187,315)</u>
	2016 BANK		2016 GROUP	
	- 100 bps Increase/(Decrease) RM'000	+ 100 bps RM'000	- 100 bps Increase/(Decrease) RM'000	+ 100 bps RM'000
Impact on net profit after tax	<u>(64,529)</u>	<u>64,529</u>	<u>(69,044)</u>	<u>69,044</u>
Impact on equity	<u>133,793</u>	<u>(127,706)</u>	<u>181,229</u>	<u>(172,433)</u>

Note:

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

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

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

(ii) Sensitivity analysis

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

(c) Liquidity Risk

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

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

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>>1-3</u>	<u>>3-6</u>	<u>>6-12</u>	<u>>1 year</u>	<u>Total</u>
2017	<u>1 month</u>	<u>months</u>	<u>months</u>	<u>months</u>	<u>RM'000</u>	<u>RM'000</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>		
Assets						
Cash and short-term funds	1,618,617	-	-	-	-	1,618,617
Financial investments	1,099,604	1,056,303	452,306	835,225	5,573,914	9,017,352
Loans, advances and financing	5,768,137	1,496,507	531,156	136,474	23,439,633	31,371,907
Other financial and non financial asset	82,262	25,199	27,869	15,024	2,401,505	2,551,859
Total assets	8,568,620	2,578,009	1,011,331	986,723	31,415,052	44,559,735
Liabilities						
Deposits from customers	22,363,293	4,368,311	2,746,108	6,647,952	769,553	36,895,217
Deposits and placements of banks and other financial institutions	98,155	181,746	4,500	14,340	350,988	649,729
Amount due to Cagamas Berhad	-	2,695	-	200,010	300,008	502,713
Other borrowings	-	70	-	5,000	-	5,070
Subordinated obligations	22,118	4,783	-	-	1,198,763	1,225,664
Other financial and non financial liability	513,319	88,913	10,461	16,553	288,368	917,614
Total liabilities	22,996,885	4,646,518	2,761,069	6,883,855	2,907,680	40,196,007
Equity	-	-	-	-	4,363,728	4,363,728
Total liabilities and equity	22,996,885	4,646,518	2,761,069	6,883,855	7,271,408	44,559,735
Net maturity mismatch	(14,428,265)	(2,068,509)	(1,749,738)	(5,897,132)	24,143,644	-

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

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

<u>GROUP</u>	<u>Up to</u> <u>1 month</u>	<u>>1-3</u> <u>months</u>	<u>>3-6</u> <u>months</u>	<u>>6-12</u> <u>months</u>	<u>>1 year</u>	<u>Total</u>
2017	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets						
Cash and short-term funds	1,368,636	-	-	-	-	1,368,636
Balances due from clients and brokers	113,022	-	-	-	-	113,022
Financial investments	1,339,769	1,495,091	430,151	905,122	7,321,776	11,491,909
Loans, advances and financing	6,919,500	1,798,614	653,263	154,309	29,466,003	38,991,689
Other financial and non financial asset	84,740	26,269	28,010	15,236	1,955,431	2,109,686
Total assets	9,825,667	3,319,974	1,111,424	1,074,667	38,743,210	54,074,942
Liabilities						
Deposits from customers	27,270,841	5,990,655	3,472,116	7,703,906	893,097	45,330,615
Deposits and placements of banks and other financial institutions	98,792	185,151	7,400	18,220	553,341	862,904
Balances due to clients and brokers	69,066	-	-	-	-	69,066
Amount due to Cagamas Berhad	-	2,695	-	200,010	300,008	502,713
Other borrowings	-	70	-	5,000	-	5,070
Subordinated obligations	22,118	4,783	-	-	1,199,177	1,226,078
Other financial and non financial liability	585,314	99,740	11,901	16,553	364,023	1,077,531
Total liabilities	28,046,131	6,283,094	3,491,417	7,943,689	3,309,646	49,073,977
Equity	-	-	-	-	5,000,965	5,000,965
Total liabilities and equity	28,046,131	6,283,094	3,491,417	7,943,689	8,310,611	54,074,942
Net maturity mismatch	(18,220,464)	(2,963,120)	(2,379,993)	(6,869,022)	30,432,599	-

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

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

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

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

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

<u>GROUP</u>	<u>Up to</u>	<u>>1-3</u>	<u>>3-6</u>	<u>>6-12</u>	<u>>1 year</u>	<u>Total</u>
2016	1 month	months	months	months	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000		
Assets						
Cash and short-term funds	4,934,198	-	-	-	-	4,934,198
Deposits and placements with banks and other financial institutions	-	195,865	-	-	-	195,865
Balances due from clients and brokers	104,659	-	-	-	-	104,659
Financial investments	841,010	927,493	60,181	560,213	7,438,335	9,827,232
Loans, advances and financing	7,671,645	1,783,082	956,625	756,060	27,243,312	38,410,724
Other financial and non financial asset	107,039	28,296	18,915	19,054	1,970,538	2,143,842
Total assets	13,658,551	2,934,736	1,035,721	1,335,327	36,652,185	55,616,520
Liabilities						
Deposits from customers	28,622,298	6,352,985	5,064,745	5,534,045	546,414	46,120,487
Deposits and placements of banks and other financial institutions	118,923	202,393	10,160	423,679	402,095	1,157,250
Balances due to clients and brokers	77,246	-	-	-	-	77,246
Amount due to Cagamas Berhad	-	2,725	-	-	500,000	502,725
Other borrowings	-	71	-	-	5,000	5,071
Subordinated obligations	636,186	4,876	-	-	1,199,085	1,840,147
Other financial and non financial liability	555,076	95,378	84,207	144,258	296,500	1,175,419
Total liabilities	30,009,729	6,658,428	5,159,112	6,101,982	2,949,094	50,878,345
Equity	-	-	-	-	4,738,175	4,738,175
Total liabilities and equity	30,009,729	6,658,428	5,159,112	6,101,982	7,687,269	55,616,520
Net maturity mismatch	(16,351,178)	(3,723,692)	(4,123,391)	(4,766,655)	28,964,916	-

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.

<u>BANK</u> 2017	<u>Up to 1 month</u> RM'000	<u>>1-3 months</u> RM'000	<u>>3-6 months</u> RM'000	<u>>6-12 months</u> RM'000	<u>>1-5 years</u> RM'000	<u>Over 5 years</u> RM'000	<u>Total</u> RM'000
Non derivative financial liabilities							
Deposits from customers	22,377,575	4,412,263	2,810,413	6,764,786	355,646	509,349	37,230,032
Deposits and placements of banks and other financial institutions	98,245	183,728	4,500	17,080	363,851	-	667,404
Amount due to Cagamas Berhad	-	5,450	5,450	210,900	313,200	-	535,000
Other borrowings	-	119	-	5,119	-	-	5,238
Subordinated obligations	25,875	8,475	-	34,350	1,406,100	-	1,474,800
Other financial liabilities	500,576	89,004	10,543	16,685	287,159	-	903,967
	<u>23,002,271</u>	<u>4,699,039</u>	<u>2,830,906</u>	<u>7,048,920</u>	<u>2,725,956</u>	<u>509,349</u>	<u>40,816,441</u>
<u>Items not recognised in the statements of financial position</u>							
Financial guarantees	62,563	120,927	103,345	135,645	65,957	100	488,537
Credit related commitments and contingencies	7,486,097	35,708	57,373	294,054	477,598	34,590	8,385,420
	<u>7,548,660</u>	<u>156,635</u>	<u>160,718</u>	<u>429,699</u>	<u>543,555</u>	<u>34,690</u>	<u>8,873,957</u>
Derivatives financial liabilities							
<u>Derivatives settled on a net basis</u>							
Interest rate derivatives and equity option	(603)	(797)	(1,673)	(3,756)	(14,234)	(2,613)	(23,676)
Net outflow	<u>(603)</u>	<u>(797)</u>	<u>(1,673)</u>	<u>(3,756)</u>	<u>(14,234)</u>	<u>(2,613)</u>	<u>(23,676)</u>
<u>Derivatives settled on a gross basis</u>							
Outflow	(4,342,913)	(1,307,582)	(243,192)	(531,461)	(75,190)	-	(6,500,338)
Inflow	4,326,600	1,298,768	237,886	520,030	72,537	-	6,455,821
	<u>(16,313)</u>	<u>(8,814)</u>	<u>(5,306)</u>	<u>(11,431)</u>	<u>(2,653)</u>	<u>-</u>	<u>(44,517)</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> 2017	<u>Up to 1 month</u> RM'000	<u>>1-3 months</u> RM'000	<u>>3-6 months</u> RM'000	<u>>6-12 months</u> RM'000	<u>>1-5 years</u> RM'000	<u>Over 5 years</u> RM'000	<u>Total</u> RM'000
Non derivative financial liabilities							
Deposits from customers	27,288,377	6,043,663	3,547,904	7,853,859	494,613	509,349	45,737,765
Deposits and placements of banks and other financial institutions	98,883	187,979	7,400	22,507	574,346	-	891,115
Balances due to clients and brokers	69,066	-	-	-	-	-	69,066
Amount due to Cagamas Berhad	-	5,450	5,450	210,900	313,200	-	535,000
Other borrowings	-	119	-	5,119	-	-	5,238
Subordinated obligations	25,875	8,475	-	34,350	1,406,100	-	1,474,800
Other financial liabilities	569,550	99,831	12,020	16,786	350,062	-	1,048,249
	<u>28,051,751</u>	<u>6,345,517</u>	<u>3,572,774</u>	<u>8,143,521</u>	<u>3,138,321</u>	<u>509,349</u>	<u>49,761,233</u>
<u>Items not recognised in the statements of financial position</u>							
Financial guarantees	72,101	141,686	114,034	218,164	74,557	124	620,666
Credit related commitments and contingencies	9,265,178	38,650	60,219	300,677	505,971	38,274	10,208,969
	<u>9,337,279</u>	<u>180,336</u>	<u>174,253</u>	<u>518,841</u>	<u>580,528</u>	<u>38,398</u>	<u>10,829,635</u>
Derivatives financial liabilities							
<u>Derivatives settled on a net basis</u>							
Interest rate derivatives and equity option	(603)	(797)	(1,673)	(3,756)	(14,234)	(2,613)	(23,676)
Net outflow	<u>(603)</u>	<u>(797)</u>	<u>(1,673)</u>	<u>(3,756)</u>	<u>(14,234)</u>	<u>(2,613)</u>	<u>(23,676)</u>
<u>Derivatives settled on a gross basis</u>							
Outflow	(4,342,913)	(1,307,582)	(243,192)	(531,461)	(75,190)	-	(6,500,338)
Inflow	4,326,600	1,298,768	237,886	520,030	72,537	-	6,455,821
	<u>(16,313)</u>	<u>(8,814)</u>	<u>(5,306)</u>	<u>(11,431)</u>	<u>(2,653)</u>	<u>-</u>	<u>(44,517)</u>

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

<u>BANK</u>	<u>Up to 1 month</u>	<u>>1-3 months</u>	<u>>3-6 months</u>	<u>>6-12 months</u>	<u>>1-5 years</u>	<u>Over 5 years</u>	<u>Total</u>
2016	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non derivative financial liabilities							
Deposits from customers	23,747,121	5,201,587	3,929,420	4,786,207	438,890	17,543	38,120,768
Deposits and placements of banks and other financial institutions	119,620	201,513	9,310	432,640	272,394	-	1,035,477
Amount due to Cagamas Berhad	-	5,450	5,450	10,900	535,000	-	556,800
Other borrowings	-	119	-	119	5,238	-	5,476
Subordinated obligations	614,460	34,350	-	34,350	1,474,800	-	2,157,960
Other financial liabilities	464,818	95,219	83,895	143,579	214,149	-	1,001,660
	<u>24,946,019</u>	<u>5,538,238</u>	<u>4,028,075</u>	<u>5,407,795</u>	<u>2,940,471</u>	<u>17,543</u>	<u>42,878,141</u>
<u>Items not recognised in the statements of financial position</u>							
Financial guarantees	67,553	67,295	62,027	194,820	61,643	-	453,338
Credit related commitments and contingencies	8,360,186	49,609	42,522	263,000	528,410	3,014	9,246,741
	<u>8,427,739</u>	<u>116,904</u>	<u>104,549</u>	<u>457,820</u>	<u>590,053</u>	<u>3,014</u>	<u>9,700,079</u>
Derivatives financial liabilities							
<u>Derivatives settled on a net basis</u>							
Interest rate derivatives and equity option	(145)	(777)	(6,848)	(10,078)	(10,766)	-	(28,614)
Net outflow	<u>(145)</u>	<u>(777)</u>	<u>(6,848)</u>	<u>(10,078)</u>	<u>(10,766)</u>	<u>-</u>	<u>(28,614)</u>
<u>Derivatives settled on a gross basis</u>							
Outflow	(1,087,979)	(929,712)	(838,185)	(847,127)	-	-	(3,703,003)
Inflow	1,061,062	867,657	781,293	776,282	-	-	3,486,294
	<u>(26,917)</u>	<u>(62,055)</u>	<u>(56,892)</u>	<u>(70,845)</u>	<u>-</u>	<u>-</u>	<u>(216,709)</u>

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

<u>GROUP</u> 2016	<u>Up to 1 month</u> RM'000	<u>>1-3 months</u> RM'000	<u>>3-6 months</u> RM'000	<u>>6-12 months</u> RM'000	<u>>1-5 years</u> RM'000	<u>Over 5 years</u> RM'000	<u>Total</u> RM'000
Non derivative financial liabilities							
Deposits from customers	28,641,369	6,395,986	5,143,217	5,700,114	586,071	17,543	46,484,300
Deposits and placements of banks and other financial institutions	120,448	204,097	10,300	440,983	406,483	-	1,182,311
Balances due to clients and brokers	77,246	-	-	-	-	-	77,246
Amount due to Cagamas Berhad	-	5,450	5,450	10,900	535,000	-	556,800
Other borrowings	-	119	-	119	5,238	-	5,476
Subordinated obligations	614,460	34,350	-	34,350	1,474,800	-	2,157,960
Other financial liabilities	555,076	95,507	84,328	144,468	281,211	-	1,160,590
	<u>30,008,599</u>	<u>6,735,509</u>	<u>5,243,295</u>	<u>6,330,934</u>	<u>3,288,803</u>	<u>17,543</u>	<u>51,624,683</u>
<u>Items not recognised in the statements of financial position</u>							
Financial guarantees	88,110	78,605	73,722	226,529	101,656	22	568,644
Credit related commitments and contingencies	10,242,592	53,089	56,077	268,906	552,929	3,014	11,176,607
	<u>10,330,702</u>	<u>131,694</u>	<u>129,799</u>	<u>495,435</u>	<u>654,585</u>	<u>3,036</u>	<u>11,745,251</u>
Derivatives financial liabilities							
<u>Derivatives settled on a net basis</u>							
Interest rate derivatives and equity option	(145)	(777)	(6,848)	(10,078)	(10,766)	-	(28,614)
Net outflow	<u>(145)</u>	<u>(777)</u>	<u>(6,848)</u>	<u>(10,078)</u>	<u>(10,766)</u>	<u>-</u>	<u>(28,614)</u>
<u>Derivatives settled on a gross basis</u>							
Outflow	(1,087,979)	(929,712)	(838,185)	(847,127)	-	-	(3,703,003)
Inflow	1,061,062	867,657	781,293	776,282	-	-	3,486,294
	<u>(26,917)</u>	<u>(62,055)</u>	<u>(56,892)</u>	<u>(70,845)</u>	<u>-</u>	<u>-</u>	<u>(216,709)</u>

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. Operational risk include Shariah non-compliance risk which arises from the Group's failure to comply with the Shariah rules and principles determined by the relevant Shariah advisory councils.

Group Operational Risk Management Department formulates and implements operational risk framework within the Group while the line of businesses are responsible for the management of their day to day operational and Shariah non-compliance risks.

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

The main activities undertaken by the Group 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 Bank and the Group applies the Basic Indicator Approach for operational risk capital charge computation.

43. CAPITAL COMMITMENTS

	<u>BANK</u>		<u>GROUP</u>	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Capital expenditure:				
Authorised and contracted for	43,956	15,864	43,956	15,864
	<u>43,956</u>	<u>15,864</u>	<u>43,956</u>	<u>15,864</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>	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Within one year	20,759	22,685	21,724	22,768
Between one to five years	15,688	13,583	15,842	13,629
	<u>36,447</u>	<u>36,268</u>	<u>37,566</u>	<u>36,397</u>

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

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 of the Bank and the Group are as follows:

	<u>BANK</u>		<u>GROUP</u>	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
<u>Credit-related exposures</u>				
Direct credit substitutes	649,782	625,635	757,816	717,319
Transaction-related contingent items	653,885	618,043	710,106	677,126
Short-term self-liquidating trade-related contingencies	114,249	113,621	138,588	137,524
Irrevocable commitments to extend credit:				
- maturity exceeding one year	927,426	1,940,980	1,111,249	2,287,572
- maturity not exceeding one year	4,943,831	4,803,945	6,527,092	6,327,855
Unutilised credit card lines	1,584,784	1,597,855	1,584,784	1,597,855
	<u>8,873,957</u>	<u>9,700,079</u>	<u>10,829,635</u>	<u>11,745,251</u>
 <u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
- one year or less	11,082,789	7,255,690	11,082,789	7,255,690
- over one year to three years	116,546	39,135	116,546	39,135
- over three years	37,817	-	37,817	-
Interest rate related contracts:				
- one year or less	750,000	380,000	750,000	380,000
- over one year to three years	1,988,572	809,755	1,988,572	809,755
- over three years	1,605,860	1,490,776	1,605,860	1,490,776
Equity related contracts:				
- one year or less	52,405	92,940	52,405	92,940
- over one year to three years	30,330	18,880	30,330	18,880
	<u>15,664,319</u>	<u>10,087,176</u>	<u>15,664,319</u>	<u>10,087,176</u>
	<u>24,538,276</u>	<u>19,787,255</u>	<u>26,493,954</u>	<u>21,832,427</u>

Included in direct credit substitutes and transaction-related contingent item are financial guarantee contracts of RM488,537,000 and RM620,666,000 (2016: RM453,338,000 and RM568,644,000) for the Bank and the Group respectively, of which the fair value at the time of issuance is RMnil.

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

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

	<u>BANK</u>		<u>GROUP</u>	
	2017	2016	2017	2016
<u>Before deducting proposed dividends</u>				
CET 1 capital ratio	11.558%	11.237%	12.891%	12.070%
Tier 1 capital ratio	11.558%	11.237%	12.891%	12.070%
Total capital ratio	16.347%	16.528%	17.518%	17.657%
<u>After deducting proposed dividends</u>				
CET 1 capital ratio	11.136%	10.880%	12.548%	11.775%
Tier 1 capital ratio	11.136%	10.880%	12.548%	11.775%
Total capital ratio	15.924%	16.170%	17.175%	17.362%

(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>	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
<u>CET I Capital</u>				
Paid-up share capital	796,517	796,517	796,517	796,517
Share premium	401,517	401,517	401,517	401,517
Retained profits	2,115,505	1,888,285	2,306,158	2,047,248
Statutory reserves	835,401	835,401	1,223,525	1,200,019
Revaluation reserves	64,916	73,152	99,268	114,786
Capital reserves	-	-	10,018	10,018
	<u>4,213,856</u>	<u>3,994,872</u>	<u>4,837,003</u>	<u>4,570,105</u>
Less: Regulatory adjustment				
- Goodwill and other intangibles	(261,986)	(247,299)	(377,361)	(362,982)
- Deferred tax assets	(4,088)	-	(14,033)	(10,201)
- 55% of revaluation reserves	(35,704)	(40,234)	(54,597)	(63,132)
- Investment in subsidiaries, associate and joint venture	<u>(714,440)</u>	<u>(535,830)</u>	<u>(3,840)</u>	<u>(2,824)</u>
Total CET I Capital/Total Tier I Capital	<u>3,197,638</u>	<u>3,171,509</u>	<u>4,387,172</u>	<u>4,130,966</u>
<u>Tier II Capital</u>				
Subordinated obligations	1,198,764	1,558,540	1,199,178	1,559,074
Collective assessment allowance and regulatory reserves	304,576	291,825	376,514	354,805
Less: Regulatory adjustment				
- Investment in subsidiaries, associate and joint venture	<u>(178,610)</u>	<u>(357,220)</u>	<u>(960)</u>	<u>(1,882)</u>
Total Tier II Capital	<u>1,324,730</u>	<u>1,493,145</u>	<u>1,574,732</u>	<u>1,911,997</u>
Total Capital	<u><u>4,522,368</u></u>	<u><u>4,664,654</u></u>	<u><u>5,961,904</u></u>	<u><u>6,042,963</u></u>

47. CAPITAL ADEQUACY (CONTD.)

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

	<u>BANK</u>		<u>GROUP</u>	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Credit risk	25,162,190	25,743,934	30,958,088	31,241,896
Market risk	104,490	118,013	126,042	123,843
Operational risk	2,398,898	2,361,359	2,947,948	2,858,987
Total RWA and capital requirements	<u>27,665,578</u>	<u>28,223,306</u>	<u>34,032,078</u>	<u>34,224,726</u>

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

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

	Alliance Islamic Bank Berhad	Alliance Investment Bank Berhad
2017		
<u>Before deducting proposed dividends</u>		
CET I capital ratio	13.430%	84.804%
Tier I capital ratio	13.430%	84.804%
Total capital ratio	14.509%	85.516%
<u>After deducting proposed dividends</u>		
CET I capital ratio	13.430%	83.729%
Tier I capital ratio	13.430%	83.729%
Total capital ratio	14.509%	84.441%
2016		
<u>Before deducting proposed dividends</u>		
CET I capital ratio	13.375%	103.287%
Tier I capital ratio	13.375%	103.287%
Total capital ratio	14.399%	103.641%
<u>After deducting proposed dividends</u>		
CET I capital ratio	13.044%	101.292%
Tier I capital ratio	13.044%	101.292%
Total capital ratio	14.068%	101.646%

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 approval.

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

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.

49. FAIR VALUE MEASUREMENTS (CONTD.)**(a) Determination of fair value and the fair value hierarchy (Contd.)****(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 Bank and 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 Bank and the Group classify financial instruments as Level 3 when there is reliance on unobservable inputs to the valuation model attributing to a significant contribution to the instrument value. Valuation reserves or pricing adjustments where applicable will be used to converge to fair value.

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

(b) Financial instruments measured at fair value and the fair value hierarchy

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

<u>BANK</u> 2017	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000
<u>Assets</u>				
Financial assets held-for-trading				
- Money market instruments	-	110,082	-	110,082
- Unquoted securities	-	149,619	-	149,619
Financial investments available-for-sale				
- Money market instruments	-	5,614,307	-	5,614,307
- Quoted securities in Malaysia	15	-	-	15
- Unquoted securities	-	2,373,751	111,377	2,485,128
Derivative financial assets	-	86,345	-	86,345
<u>Liabilities</u>				
Derivative financial liabilities	-	81,892	-	81,892

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

2017

Assets

Financial assets held-for-trading

- Money market instruments	-	144,947	-	144,947
- Unquoted securities	-	190,313	-	190,313

Financial investments available-for-sale

- Money market instruments	-	6,261,090	-	6,261,090
- Quoted securities in Malaysia	15	-	-	15
- Unquoted securities	-	3,808,213	170,239	3,978,452

Derivative financial assets	-	86,345	-	86,345
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Liabilities

Derivative financial liabilities	-	81,892	-	81,892
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The following tables show the Group's financial instruments which are measured at fair value at the reporting date analysed by the various levels within the fair value hierarchy (contd.):

<u>BANK</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
2016	RM'000	RM'000	RM'000	RM'000

Assets

Financial assets held-for-trading

- Money market instruments	-	40,441	-	40,441
- Unquoted securities	-	91,788	-	91,788

Financial investments available-for-sale

- Money market instruments	-	5,202,751	-	5,202,751
- Quoted securities in Malaysia	15	-	-	15
- Unquoted securities	-	1,947,499	102,657	2,050,156

Derivative financial assets	-	133,651	-	133,651
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Liabilities

Derivative financial liabilities	-	279,541	-	279,541
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GROUP

2016

Assets

Financial assets held-for-trading

- Money market instruments	-	40,441	-	40,441
- Unquoted securities	-	91,788	-	91,788

Financial investments available-for-sale

- Money market instruments	-	5,503,569	-	5,503,569
- Quoted securities in Malaysia	15	-	-	15
- Unquoted securities	-	2,904,779	157,333	3,062,112

Derivative financial assets	-	133,651	-	133,651
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Liabilities

Derivative financial liabilities	-	279,541	-	279,541
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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 2017 and 31 March 2016.

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

Reconciliation of movements in level 3 financial instruments:

	<u>BANK</u>		<u>GROUP</u>	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
At beginning of financial year	102,657	94,376	157,333	140,211
Purchase of Unit Trust Funds	-	-	-	5,000
Total (losses)/gains recognised in:				
- Statement of comprehensive income				
(i) Loss arising from sales of financial investments available-for-sale	-	(549)	-	(549)
- Other comprehensive income				
(i) Revaluation reserves	8,720	8,856	12,906	12,697
Disposal	-	(26)	-	(26)
At end of financial year	<u>111,377</u>	<u>102,657</u>	<u>170,239</u>	<u>157,333</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 summarises 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 2017	<u>Fair value</u>				Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	
Financial assets					
Financial investments held-to-maturity	-	663,470	-	663,470	658,201
Loans, advances and financing	-	-	31,677,396	31,677,396	31,371,907
Financial liabilities					
Deposits from customers	-	36,895,706	-	36,895,706	36,895,217
Deposits and placements of banks and other financial institutions	-	629,947	-	629,947	649,729
Amount due to Cagamas Berhad	-	500,583	-	500,583	502,713
Other borrowings	-	4,870	-	4,870	5,070
Subordinated obligations	-	1,169,931	-	1,169,931	1,225,664

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

GROUP 2017	Fair value				Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	
Financial assets					
Financial investments held-to-maturity	-	924,614	-	924,614	917,092
Loans, advances and financing	-	-	39,496,789	39,496,789	38,991,689
Financial liabilities					
Deposits from customers	-	45,332,674	-	45,332,674	45,330,615
Deposits and placements of banks and other financial institutions	-	832,353	-	832,353	862,904
Amount due to Cagamas Berhad	-	500,583	-	500,583	502,713
Other borrowings	-	4,870	-	4,870	5,070
Subordinated obligations	-	1,170,346	-	1,170,346	1,226,078
BANK 2016	Fair value				Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	
Financial assets					
Financial investments held-to-maturity	-	730,910	-	730,910	719,324
Loans, advances and financing	-	-	31,526,230	31,526,230	31,245,478
Financial liabilities					
Deposits from customers	-	37,836,863	-	37,836,863	37,836,569
Deposits and placements of banks and other financial institutions	-	1,001,589	-	1,001,589	1,017,432
Amount due to Cagamas Berhad	-	500,840	-	500,840	502,725
Other borrowings	-	5,015	-	5,015	5,071
Subordinated obligations	-	1,819,959	-	1,819,959	1,839,613
GROUP 2016	Fair value				Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	
Financial assets					
Financial investments held-to-maturity	-	1,148,526	-	1,148,526	1,129,307
Loans, advances and financing	-	-	38,798,310	38,798,310	38,410,724
Financial liabilities					
Deposits from customers	-	46,122,698	-	46,122,698	46,120,487
Deposits and placements of banks and other financial institutions	-	1,133,927	-	1,133,927	1,157,250
Amount due to Cagamas Berhad	-	500,840	-	500,840	502,725
Other borrowings	-	5,015	-	5,015	5,071
Subordinated obligations	-	1,820,493	-	1,820,493	1,840,147

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

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

(i) Financial investments held-to-maturity

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

(ii) Loans, advances and financing

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

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

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

(iv) Amount due to Cagamas Berhad

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

(v) Other borrowings and subordinated obligations

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

50. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

(a) Financial assets

	Gross amounts of recognised financial assets RM'000	Gross amounts of recognised financial liabilities set off in the balance sheet RM'000	Net amounts of financial assets presented in the balance sheet RM'000	Related amounts not set off in the balance sheet		Net Amount RM'000
				Financial Instruments RM'000	Cash collateral received RM'000	
<u>BANK</u>						
2017						
Derivative financial assets	86,345	-	86,345	(18,681)	-	67,664
<u>GROUP</u>						
2017						
Derivative financial assets	86,345	-	86,345	(18,681)	-	67,664
Balances due from clients and brokers	213,368	(100,346)	113,022	-	-	113,022
Total	299,713	(100,346)	199,367	(18,681)	-	180,686
<u>BANK</u>						
2016						
Derivative financial assets	133,651	-	133,651	(61,231)	-	72,420
<u>GROUP</u>						
2016						
Derivative financial assets	133,651	-	133,651	(61,231)	-	72,420
Balances due from clients and brokers	189,714	(85,055)	104,659	-	-	104,659
Total	323,365	(85,055)	238,310	(61,231)	-	177,079

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

	Gross amounts of recognised financial liabilities RM'000	Gross amounts of recognised financial assets set off in the balance sheet RM'000	Net amounts of financial liabilities presented in the balance sheet RM'000	Related amounts not set off in the balance sheet		Net Amount RM'000
				Financial Instruments RM'000	Cash collateral received RM'000	
BANK						
2017						
Derivative financial liabilities	81,892	-	81,892	(18,681)	(22,381)	40,830
GROUP						
2017						
Derivative financial liabilities	81,892	-	81,892	(18,681)	(22,381)	40,830
Balances due to clients and brokers	169,412	(100,346)	69,066	-	-	69,066
Total	251,304	(100,346)	150,958	(18,681)	(22,381)	109,896
BANK						
2016						
Derivative financial liabilities	279,541	-	279,541	(61,231)	(29,052)	189,258
GROUP						
2016						
Derivative financial liabilities	279,541	-	279,541	(61,231)	(29,052)	189,258
Balances due to clients and brokers	162,301	(85,055)	77,246	-	-	77,246
Total	441,842	(85,055)	356,787	(61,231)	(29,052)	266,504

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

(iii) Financial Markets

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

(iv) Stockbroking and Corporate Advisory

Stockbroking and Corporate Advisory 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.)

Group	Consumer Banking RM'000	Business Banking RM'000	Financial Markets RM'000	Stockbroking and Corporate Advisory RM'000	Others RM'000	Total Operations RM'000	Inter-segment Elimination RM'000	Total RM'000
As at 31 March 2017								
Net interest income								
- External income	420,521	322,142	109,647	10,437	2,135	864,882	(20,958)	843,924
- inter-segment	(96,259)	79,839	22,660	(6,240)	-	-	-	-
	324,262	401,981	132,307	4,197	2,135	864,882	(20,958)	843,924
Net income from Islamic banking business	113,828	87,274	51,667	-	-	252,769	44,268	297,037
Other operating income	115,631	158,064	24,011	29,067	25,476	352,249	(27,046)	325,203
Net income	553,721	647,319	207,985	33,264	27,611	1,469,900	(3,736)	1,466,164
Other operating expenses	(300,217)	(254,721)	(44,391)	(36,788)	(15,853)	(651,970)	5,869	(646,101)
Depreciation and amortisation	(23,478)	(16,058)	(3,143)	(895)	-	(43,574)	-	(43,574)
Operating profit	230,026	376,540	160,451	(4,419)	11,758	774,356	2,133	776,489
Allowance for losses on loans, advances and financing and other receivables	(68,860)	(26,159)	10	30	-	(94,979)	-	(94,979)
Write-back of impairment	-	-	-	(1,208)	-	(1,208)	-	(1,208)
Segment result	161,166	350,381	160,461	(5,597)	11,758	678,169	2,133	680,302
Share of results of associate								10
Share of results of joint venture								84
Taxation								(168,096)
Net profit for the financial year								512,300
Segment assets	21,282,364	17,367,429	16,945,999	352,657	20,164	55,968,613	(2,369,760)	53,598,853
Reconciliation of segment assets to consolidated assets:								
Investments in associates								530
Investment in joint venture								650
Property, plant and equipment								73,789
Tax recoverable and deferred tax assets								23,759
Intangible assets								377,361
Total assets								54,074,942
Segment Liabilities	24,205,183	21,542,295	4,651,063	87,279	6,050	50,491,870	(1,447,626)	49,044,244
Provision for taxation and zakat and deferred tax liabilities								29,733
Total liabilities								49,073,977

51. Segment information (contd.)

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

52. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Status Of Corporate Proposals

On 21 September 2016, Alliance Financial Group ("AFG"), the holding company of the Bank announced that it proposes to undertake a corporate reorganisation exercise whereby the listing status of AFG will be assumed by the Bank.

The proposal will involve, among others, the shareholders of AFG exchanging their existing AFG shares for the Bank shares on a 1-for-1 basis, where their number of shares held and percentage shareholdings in AFG will be the same in the Bank. This will enable the existing shareholders of AFG to have direct participation in the equity and future growth of the Bank. The proposal is expected to improve cost and corporate efficiency, and enhance brand recognition for the Group.

The proposed corporate reorganisation is subject to the approvals being obtained from Bank Negara Malaysia ("BNM"), Bursa Malaysia Securities Berhad ("Bursa Malaysia"), Securities Commission Malaysia ("SC"), Ministry of Finance ("MOF"), High Court of Malaya, shareholders of AFG, and any other relevant authorities and/or parties (if required).

On 22 September 2016, AFG announced that it had submitted an application to BNM to seek the approval of BNM and/or its recommendations to MOF for approval by MOF of the proposed corporate reorganisation.

On 10 November 2016, AFG announced that it had submitted to Bursa Malaysia an application in relation to the proposed transfer of AFG's listing status to the Bank, and an application to cease to be the "Ultimate Controller" of Alliance Investment Bank Berhad to the SC pursuant to Chapter 4.02(8) of the SC Licensing Handbook.

53. SUBSEQUENT EVENTS

There were no material event subsequent to the end of the financial year that require disclosure or adjustment.