



# **BUILDING ALLIANCES TO IMPROVE LIVES**

2018 ANNUAL REPORT

# CORPORATE PROFILE

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

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

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

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

## OUR VISION, KEY BEHAVIOURS & BRAND ATTRIBUTES

### Our Vision

**Building Alliances to Improve Lives**

### Our Brand Attributes

- **Innovative**
- **Fast, Simple & Responsive**
- **Aligned to Customers' Needs**

### Our Key Behaviours

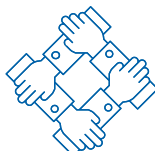
#### Commit to Excellence



#### Take Ownership



#### Collaborate



#### Understand & Act



#### Innovate & Simplify





## View Our Report Online

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



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



Indicates a website reference where more information can be found.



Indicates a photo caption.

# CONTENTS

## ▶ Corporate

	Corporate Profile
	Our Vision, Key Behaviours & Brand Attributes
<b>2</b>	Corporate Information
<b>3</b>	Corporate Structure
<b>4</b>	Products and Services
<b>8</b>	Financial Highlights

## ▶ Perspectives

<b>10</b>	Statement by Chairman of Alliance Bank Malaysia Berhad
<b>12</b>	Management Discussion & Analysis
<b>23</b>	Sustainability Statement
	- Scope
	- Our Approach to Sustainability
	- How We Govern Sustainability
	- Materiality Matrix
	- Stakeholder Engagement
	- The 3 Pillars of Sustainability
	- Conclusion
<b>31</b>	Calendar of Significant Events

## ▶ Governance

<b>40</b>	Corporate Governance Overview Statement
	• Leadership and Effectiveness
	- Board of Directors
	- Group Chief Executive Officer
	- Senior Management
	- Group Nomination & Remuneration Committee Report
	• Audit and Risk Management
	- Group Audit Committee Report
	- Group Risk Management Committee Report
	- Shariah Committee of Alliance Islamic Bank Berhad
	• Relations with Shareholders
<b>76</b>	Statement on Risk Management and Internal Control
<b>77</b>	Risk Management
<b>84</b>	Additional Compliance Information

## ▶ Financial

<b>86</b>	Statement of Board of Directors' Responsibilities
<b>87</b>	Financial Statements
	- Directors' Report
	- Statement by Directors
	- Statutory Declaration
	- Independent Auditors' Report
	- Statements of Financial Position
	- Statements of Income
	- Statements of Comprehensive Income
	- Statement of Changes in Equity
	- Statements of Cash Flows
	- Notes to the Financial Statements
<b>242</b>	Basel II Pillar 3 Report Disclosure

## ▶ Additional Information

<b>287</b>	List of Properties
<b>290</b>	Directory
<b>295</b>	Analysis of Shareholdings
<b>297</b>	Substantial Shareholders
<b>297</b>	Directors' Shareholdings

## ▶ Notice and Form

<b>298</b>	Notice of Annual General Meeting
	Form of Proxy

# CORPORATE INFORMATION

## DIRECTORS

### TAN SRI DATO' AHMAD BIN MOHD DON

Chairman,  
Independent Non-Executive Director

### OU SHIAN WAEI

Senior Independent Non-Executive Director

### KUNG BENG HONG

Non-Independent Non-Executive Director

### KUAH HUN LIANG

Independent Non-Executive Director

### LEE AH BOON

Non-Independent Non-Executive Director

### DATUK WAN AZHAR BIN WAN AHMAD

Independent Non-Executive Director

### LEE BOON HUAT

Independent Non-Executive Director

### HO HON CHEONG

Non-Independent Non-Executive Director

### THAYAPARAN S. SANGARAPILLAI

Independent Non-Executive Director

### TAN CHIAN KHONG

Independent Non-Executive Director  
(Appointed on 26 September 2017)



## GROUP CHIEF EXECUTIVE OFFICER

Joel Kornreich

## GROUP COMPANY SECRETARY

Lee Wei Yen (MAICSA 7001798)

## REGISTERED OFFICE

3rd Floor, Menara Multi-Purpose  
Capital Square  
No. 8, Jalan Munshi Abdullah  
50100 Kuala Lumpur, Malaysia

Tel : 03-2604 3333  
Fax : 03-2694 6200  
Website : [www.alliancebank.com.my](http://www.alliancebank.com.my)  
Email : [enquiry@alliancefg.com](mailto:enquiry@alliancefg.com)

## REGISTRAR

Shareworks Sdn Bhd  
No. 2-1, Jalan Sri Hartamas 8  
Sri Hartamas  
50480 Kuala Lumpur, Malaysia

Tel : 03-6201 1120  
Fax : 03-6201 3121

## AUDITORS

PricewaterhouseCoopers PLT  
Level 10, 1 Sentral, Jalan Rakyat  
Kuala Lumpur Sentral  
50470 Kuala Lumpur, Malaysia

## PRINCIPAL BANKER

Alliance Bank Malaysia Berhad

## BURSA MALAYSIA STOCK NAME/CODE

ABMB/2488

## INTERNATIONAL SECURITIES IDENTIFICATION NUMBER (ISIN)

MYL248800004

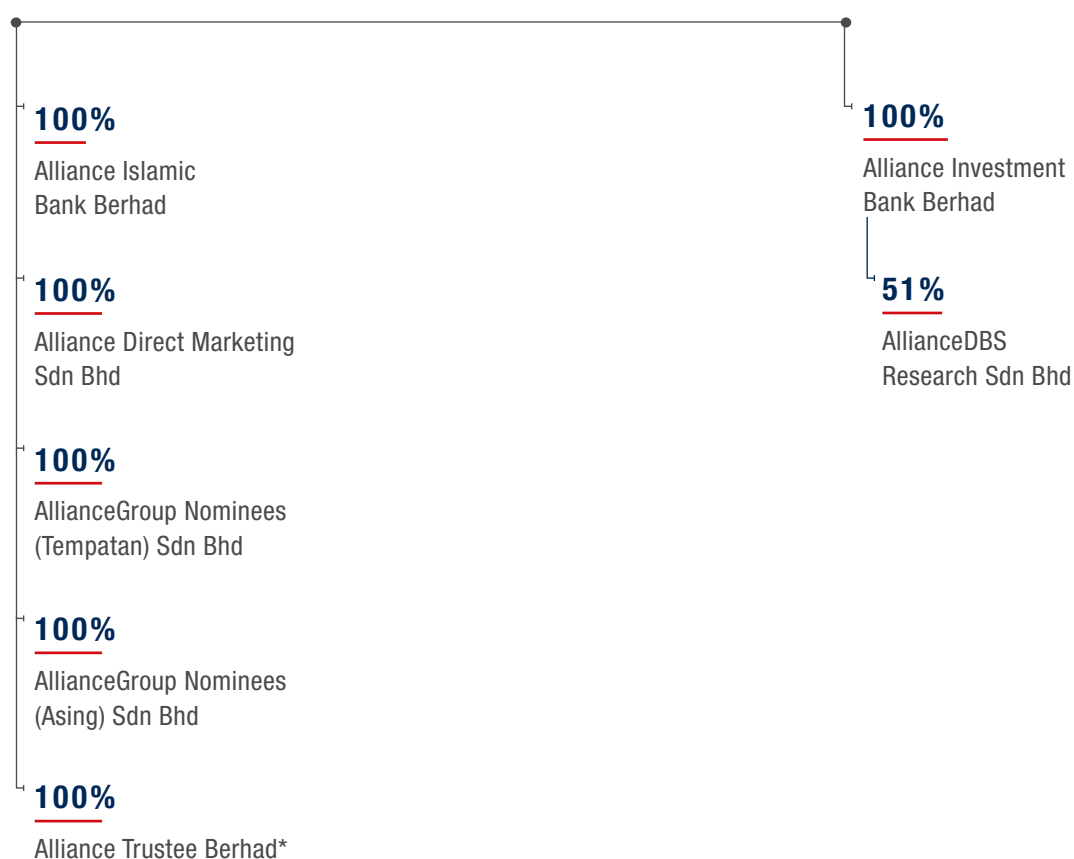
# CORPORATE STRUCTURE

as at 31 May 2018



## ALLIANCE BANK

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



This chart features the main operating companies and does not include inactive companies and companies that are under members' voluntary liquidation.

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

# PRODUCTS AND SERVICES

## ► ALLIANCE BANK MALAYSIA BERHAD

### PERSONAL BANKING

#### Wealth Management

##### Deposits

- Alliance Buddy
- Alliance FDGold
- Alliance Hybrid Account
- Alliance My eSaving Account
- Alliance SavePlus Account
- Alliance Senior Savers
- Alliance XChange Account (via allianceonline)
- Alliance XChange FD (via allianceonline)
- AllianceSave
- AllianceSave Pendidikan
- Current Account/Basic Current Account
- eFD (via allianceonline)
- Fixed Deposit
- Foreign Currency Current Account
- Foreign Currency Fixed Deposit
- Savings Account/Basic Savings Account

##### Unit Trust

- ASNB Fixed Price Funds
- ASNB Variable Price Funds
- Balanced Funds
- Bond Funds
- Equity Funds
- Money Market Funds

##### Retail Bond

- Foreign Currency Retail Bond (available in all major currencies)
- MYR-denominated Retail Bond

##### Structured Investment

- Dual Currency Investment
- Equity Linked Convertible Structured Investment
- Equity Linked Structured Investment
- Interest-rate Linked Structured Investment

#### Retail Broking & Investment Lending

##### Alliance One Invest

- Dedicated Omni-Channels to Serve Alliance Bank Customers
  - Call N Trade through Alliance Bank's Share Trading Centre (STC) via Equity Specialists
  - Internet Trading via allianceonline Stockbanking
  - Mobile Trading via Alliance iStock Application
- Margin Accounts (loan)
  - ESOS/IPO/Placement Financing
  - Foreign Share Margin Account
  - Portfolio Financing
  - Share Margin + Trading 2-in-1 Account
  - Share Margin Account
- Trading Accounts (non-loan)
  - Cash Upfront Trading Account
  - Collateralised Trading Account
  - T+7 Trading Account

##### Bancassurance

- Care Assure
- Elite Annuity Plan
- Elite Cash Saver
- Elite Credit Shield
- Elite Global Annuity
- Elite Income Saver
- Elite Max Saver
- Elite Prestige Life
- Elite Prime Life
- Elite Smart Kids
- Elite Smart Life
- Fire/House Owner (Conventional & Takaful)
- Home Assure
- Mortgage Level Term Assurance
- Mortgage Level Term Takaful
- Mortgage Reducing Term Assurance
- Mortgage Reducing Term Takaful
- Motor Insurance (Conventional & Takaful)
- Personal Accident
- Personal Loan - Group Credit Family Takaful
- Personal Loan Reducing Term Assurance
- Safe Assure
- Travel Insurance

##### Conventional Loans

- Alliance CashFirst Personal Loan
- Alliance Conventional Commercial Property Loan
- Alliance Conventional Home Loan
- Alliance Conventional Oil Palm Plantation Financing
- Alliance Hire Purchase
- Alliance One Account

#### Cards

##### Credit Cards

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

##### Debit Cards

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

## **BUSINESS BANKING**

### **SME**

#### **Credit Facilities**

- Business Premises Financing
- Equipment Financing
- Foreign Exchange
- Oil Palm Plantation Financing
- Schemes promoted by CGC/BNM/Government
- SME Express Cash
- Working Capital Financing

#### **Trade Facilities**

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

#### **Bancassurance**

- Alliance Business Shield/Biz Assure
- Commercial Line General Insurance
- Keyman Credit-Life Insurance/Return of Premium Rider

#### **Business Credit Card**

- Business Platinum Credit Card
- Visa Infinite Business Credit Card

#### **Cash Management**

- Account Management (via Alliance BizSmart)
  - Consolidated Account Overview
  - e-Statement
  - Tax Invoice/Merchant Report
  - Transaction History Download
- Alliance BizSmart Online Banking
- Collection Management
  - Auto Debit Service
  - Biz-Xpress Card: With functions such as Deposit, Local Cash, Withdrawal, mydebit (local purchases) and overseas cash withdrawal via Cirrus network
  - JomPAY Collection
  - Payee Corporation Service (FPX Payment)
- Deposit Account Offering
  - Business Current Account
  - Business Fixed Deposit
  - Business Foreign Currency Current Account
  - Business Foreign Currency Fixed Deposit
- Liquidity Management
  - Auto Sweeping Service
  - Business Rewards Services
- Payment Management (via Alliance BizSmart)
  - Bill Payment (JomPAY/Direct Bill)
  - Bulk Payment
  - Bulk Payment with Payment Advice
  - E-Dividend Payment
  - Foreign Telegraphic Transfer

- Fund Transfer (Pay to Alliance Bank/Interbank GIRO/RENTAS)
- MyGST Payment
- Payroll (Salary/EPF/SOCSSO/Monthly Contribution/PCB-LHDN Payment)
- Prepaid Reload
- Zakat Selangor

### **Corporate & Commercial**

#### **Credit Facilities**

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

#### **Trade Facilities**

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

#### **Business Credit Card**

- Business Platinum Card
- Visa Infinite Business Credit Card

#### **Foreign Exchange**

#### **Bancassurance**

#### **Interest Rate Swap**

#### **Cash Management**

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



## PRODUCTS AND SERVICES (Cont'd)

### ► ALLIANCE BANK MALAYSIA BERHAD

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

#### FINANCIAL MARKETS

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

### ► ALLIANCE ISLAMIC BANK BERHAD

#### **Deposits**

- Alliance Cash2Home
- Alliance Hybrid Account-i
- Alliance My eSavings Account-i
- Alliance SavePlus Account-i (via allianceonline)
- Alliance Term Deposit-i
- allianceonline Banking
- Basic Current Account-i
- Basic Savings Account-i
- Current Account-i
- e-Alliance Term Deposit-i (via allianceonline)
- Junior Smart Saver-i
- Junior Smart Term Deposit-i
- Savings Account-i

#### **Consumer Financing**

- Alliance Hire Purchase-i
- Alliance Home Financing-i
- Bai' Bithaman Ajil Home Financing-i
- Cashline Facility-i
- CashVantage Financing-i
- Home Complete-i
- i-Wish Home Financing-i
- Oil Palm Plantation Financing-i

#### **Business Financing**

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

#### **Trade Financing and Services**

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

#### **Cards**

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

#### **Unit Trust**

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

#### **Financial Markets**

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

#### **Bancatakaful**

- i-Great Bakti
- Takaful Optimuz



## ► ALLIANCE INVESTMENT BANK BERHAD

### Corporate Finance

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

### Corporate Banking

- Bank Guarantee
- Bankers Acceptance
- Credit Facilities
- Term Loans

### Debt Capital Markets

- Asset Securitisation
- Commercial Papers Programmes
- Fixed/Floating Rate Bonds
- Loan Syndication
- Medium Term Notes Programmes
- Project Financing
- Structured Financing
- Sukuk Programmes

### Equity Syndication

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

### Islamic Banking

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

### Stockbroking Products & Services

- Corporate Action Services
- E-Services
  - Direct Credit
  - E-Dividend
- Foreign Share Trading
- Institutional Share Trading
- Online Share Trading Services
  - eAllianceShare
  - Mobile Share Trading
- Retail Share Trading
  - Alliance Flexi 7
  - Cash Trading Account
  - Collateralised Trading Account
- Share Margin Financing

## ► ALLIANCEDBS RESEARCH SDN BHD

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

## ► ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD

## ► ALLIANCEGROUP NOMINEES (ASING) SDN BHD

- Nominee Services

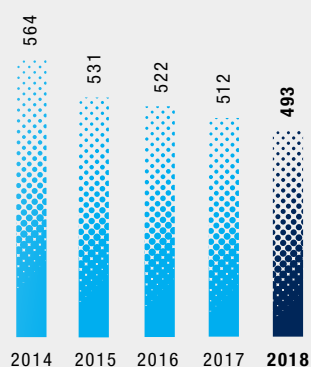
# FINANCIAL HIGHLIGHTS

FINANCIAL YEAR ENDED 31 MARCH	2018	2017	2016	2015	2014
<b>OPERATING RESULTS (RM MILLION)</b>					
Net income	1,572	1,469	1,424	1,383	1,349
Profit before taxation	685	681	695	703	749
Net profit after taxation	493	512	522	531	564
<b>KEY BALANCE SHEET DATA (RM MILLION)</b>					
Total assets	53,902	54,089	55,627	53,142	48,075
Gross loans, advances and financing	40,307	39,336	38,748	36,923	32,199
Total liabilities	48,442	48,975	50,785	48,646	43,909
Deposits from customers	42,740	45,228	46,025	44,607	39,237
Paid-up capital	1,548	1,548	1,548	1,548	1,548
Shareholders' equity	5,460	5,114	4,842	4,495	4,166
Commitments and contingencies	22,641	26,494	21,832	22,746	24,146
<b>SHARE INFORMATION AND VALUATIONS</b>					
<b>Share Information</b>					
Earnings per share (sen)	31.9	33.5	34.2	34.8	37.2
Diluted earnings per share (sen)	31.9	33.5	34.2	34.8	37.1
Dividend per share (sen)	15.3	16.0	14.5	15.4	29.5 <sup>1</sup>
Net assets per share (RM)	3.53	3.30	3.13	2.90	2.69
Share price as at 31 March (RM)	4.37	4.08	4.15	4.79	4.41
Market capitalisation (RM million)	6,765	6,316	6,425	7,415	6,827
<b>Share Valuations</b>					
Dividend yield (%)	3.50	3.92	3.49	3.22	6.69 <sup>1</sup>
Dividend payout ratio (%)	48.0	48.4	43.0	45.0	79.5 <sup>1</sup>
Price to earnings multiple (times)	13.7	12.2	12.1	13.8	11.9
Price to book multiple (times)	1.2	1.2	1.3	1.6	1.6
<b>FINANCIAL RATIOS (%)</b>					
<b>Profitability Ratios</b>					
Net interest margin on average interest-earning assets	2.4	2.2	2.1	2.2	2.2
Net return on average equity	9.5	10.5	11.2	12.3	13.8
Net return on average assets	0.9	0.9	1.0	1.0	1.2
Net return on average risk-weighted assets	1.4	1.5	1.5	1.6	1.9
Cost to income ratio	50.5	47.1	48.4	46.8	46.6
<b>Asset Quality Ratios</b>					
Loan loss coverage	96.7 <sup>2</sup>	136.7 <sup>2</sup>	109.1 <sup>2</sup>	102.7	92.7
Gross impaired loans ratio	1.4	1.0	1.3	1.0	1.4
Net impaired loans ratio	1.0	0.6	0.8	0.6	0.7
<b>Liquidity Ratios</b>					
CASA ratio	37.3	34.2	32.1	33.6	34.0
Loan to Deposit ratio	94.3	87.0	84.2	82.8	82.1
Loan to Funds ratio	85.3	83.8	80.1	81.6	-
<b>Capital Adequacy Ratios</b>					
Common Equity Tier I (CET I) capital ratio	13.39	12.55	11.78	11.11	10.38
Tier I capital ratio	13.82	12.55	11.78	11.11	11.43
Total capital ratio	18.34	17.18	17.36	12.97	13.67

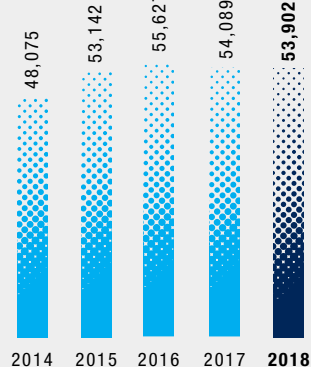
<sup>1</sup> Including special dividend of 10.5 sen; should special dividend is excluded, the dividend yield and dividend payout ratio are 4.31% and 51.3% respectively.

<sup>2</sup> Including Regulatory Reserve provision.

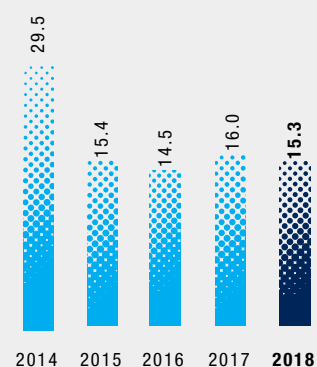
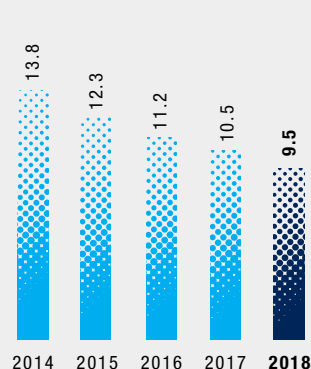
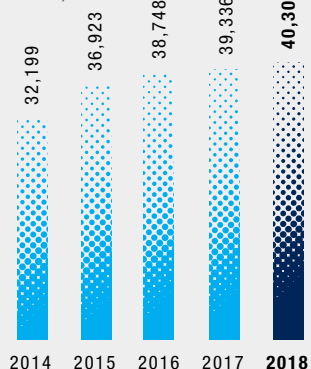
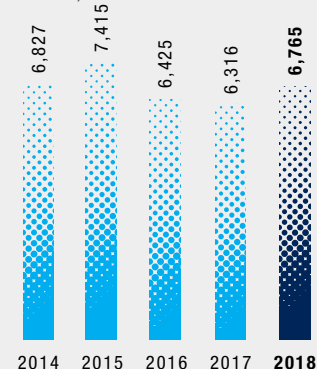
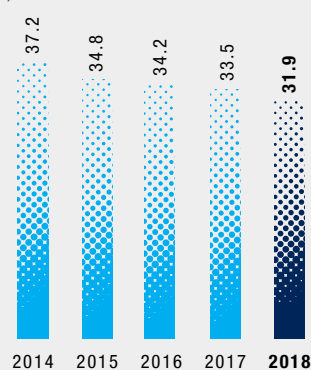
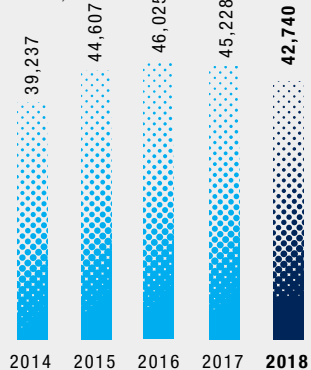
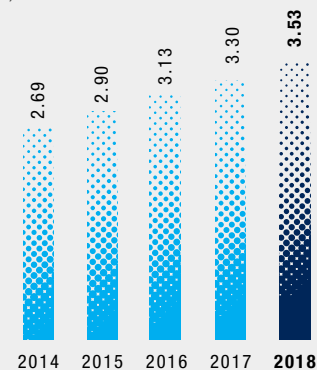
## EARNINGS

Profit After Taxation  
(RM million)

## BALANCE SHEET

Total Assets  
(RM million)

## SHAREHOLDERS VALUE

Dividend Per Share  
(sen)Net Return on Average Equity  
(%)Gross Loans, Advances and Financing  
(RM million)Market Capitalisation  
(RM million)Earnings Per Share  
(sen)Deposits from Customers  
(RM million)Net Assets Per Share  
(RM)

## STATEMENT BY CHAIRMAN OF ALLIANCE BANK MALAYSIA BERHAD



**Dear shareholders,**

It gives me great pleasure to address you for the first time through the Alliance Bank Malaysia Berhad's annual report.

The Bank continues to create and deliver shareholder value for the year under review. By leveraging on our unique strengths, focusing on our strategy, and enhancing operational efficiencies, we have emerged stronger.

Our net interest margin is Top 2 in the industry, and revenue growth is at its highest in five years. We also have one of the strongest capital levels in the industry.

### EXPANDING FOR GROWTH

Since launching our Vision of "Building Alliances to Improve Lives" two years ago, we have applied innovation to deliver fast, simple and responsive solutions that are aligned to our customers' needs.

In FY2018, we began expanding our key strategic priorities which are the Alliance One Account, SME Banking Expansion, and Alliance@Work.

Our loan consolidation proposition, the Alliance One Account, enables Malaysians to have greater control over their loan repayments with options of lower instalments, financing costs, and/or more cash in hand. Since its launch, it has largely been taken up by customers seeking new investment opportunities, or for personal or lifestyle aspirations.

The Bank continues to serve its business banking clients well, in particular, the SME business owners. We have the highest net promoter score (NPS) in the industry for the second consecutive year.



**TAN SRI DATO' AHMAD BIN MOHD DON**

Chairman, Alliance Bank Malaysia Berhad

Our Alliance@Work proposition offers companies payroll services which also benefits their employees. Alliance@Work is supported by Alliance Cash2Home, a mobile foreign remittance app that uses biometric facial recognition and optical character recognition for secure and convenient on-site account opening and remittance of funds.

The initiatives implemented over the year under review have contributed to the Bank's growth and resilience, thus enhancing our shareholder value.

The Bank's revenue grew 7% YOY to RM1.6 billion, the highest recorded growth in five years. Net interest margin is Top 2 in the industry, having improved 14 basis points YOY to 2.4%.

## ENHANCING SHAREHOLDER VALUE

In September 2017, Alliance Bank assumed the listing status of Alliance Financial Group Berhad on the Official List of the Main Market of Bursa Malaysia Securities Berhad following the completion of a corporate re-organisation exercise. The corporate exercise simplified the financial reporting process, reduced costs, and enhanced corporate efficiency.

The Bank's earnings per share (EPS) was at 31.9 sen, and return on equity (ROE) was at 9.5%.

In November 2017, we completed our Additional Tier-1 Capital Securities issuance of RM150 million out of the newly-established RM1 billion Additional Tier-1 Capital Securities programme. This helped to strengthen our Tier-1 Capital ratio to 13.8%.

Our capital position remains one of the strongest in the industry. Common Equity Tier-1 (CET 1) ratio stood at 13.4%. Total capital ratio for the Bank improved to 18.3% from 17.7% a year ago.

The Board has proposed a second interim dividend of 6.8 sen per share. Together with the first interim dividend of 8.5 sen per share paid out on 28 December 2017, the total dividend for FY2018 amounts to 15.3 sen per share. This represents a total payment ratio of 48% or RM236.9 million.

## OUR COMMITMENT TO BUSINESS SUSTAINABILITY

In line with Bursa Malaysia Securities Berhad's business sustainability reporting requirements, we present a Sustainability Statement which outlines our Economic, Environmental, and Social (EES) undertakings in this annual report. This report can be found on pages 23 to 30 in this book.

## SETTING THE COURSE FOR FY2019

With the Bank's Vision of "Building Alliances to Improve Lives" as our driving motivation, the next phase of development will see us leveraging on our competitive advantage by introducing faster, simpler, and more responsive propositions that are always aligned to our customers' needs.

In FY2019, we will continue to scale up our core growth engines, namely the Alliance One Account, SME Banking Business, and Alliance@Work, while enhancing the Bank's digital capabilities and transforming our branches to deliver higher growth.

## ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I extend our deepest gratitude to our valued shareholders, customers and business partners.

I also wish to express our gratitude to Bank Negara Malaysia, the Securities Commission Malaysia, Bursa Malaysia Securities Berhad and other regulatory authorities for their constant guidance and assistance.

My appreciation also goes out to my colleagues on the Board of Directors and the Management who have provided keen insight and advice during my first year as the Chairman of the Board.

I would like to thank the Senior Management team who is instrumental in translating the Bank's strategies into meaningful outcomes.

I especially acknowledge my predecessors, Datuk Oh Chong Peng who served as Alliance Financial Group Berhad's Chairman, and Dato' Thomas Mun Lung Lee as the Bank's Chairman, for 11 years respectively. Their leadership and commitment to the principles of integrity and fair dealing have helped the Bank become what it is today.

Last but not least, I thank our employees whose sacrifice and efforts are the very cornerstone of all our endeavours.

I am truly proud to be part of this closely knit organisation that has been built on a strong foundation of resilience and determination, and committed to the highest standards of excellence.

Thank you.

## AHMAD BIN MOHD DON

Chairman, Alliance Bank Malaysia Berhad

## MANAGEMENT DISCUSSION & ANALYSIS



**Dear shareholders,**

The Bank performed within expectations for the financial year ended 31 March 2018 (FY2018).

While we continue to optimise our balance sheet, we have intensified our focus to scale up for growth.

In FY2018, the Bank had the highest revenue growth in five years, and our net interest margin improved to be Top 2 in the industry. To position us for accelerated growth in the longer term, we have invested RM74.2 million in a number of Transformation initiatives which were focused on scaling up sales capacity, new digital capabilities, and restructuring for greater efficiency. Due to these investments and restructuring costs, net profit after tax dipped 3.7% to RM493.2 million. We believe that these investments will translate into higher growth momentum for the Bank moving forward.

This Management Discussion and Analysis details the strategies, initiatives, and results of our efforts to grow the Bank.



**MR JOEL KORNREICH**

Group Chief Executive Officer



## MARKET ENVIRONMENT

The global economy saw broad-based recovery and relatively low volatility in 2017. The growth momentum in Asia was supported by strong domestic demand. Malaysia's economy showed a robust growth of 5.9% (2016: 4.2%), mainly due to both private and public sector spending.

While Consumer Sentiment Index (CSI) had improved up to 82.6 in 4Q2017 (3Q2017: 77.1), the index remained below the 100-point mark and was considered in bearish territory. Business sentiments also continued to decline as the Business Condition Index (BCI) fell from 103.1 to 101.5 during the same quarter, due to a drop in export orders and production output expectations.

Last year, the banking industry total loans growth eased to 4.1% as at end-2017 (end-2016: 5.3%). The slowdown in total loans growth was mainly due to lower property loans growth at 6.8% (end-2016: 8.2%). Property loans (residential and non-residential) make up 46% of total loans in the banking system.

## STRATEGY, VISION AND BRAND PROMISE - "BUILDING ALLIANCES TO IMPROVE LIVES"

In FY2016, we carried out a Forward Positioning Research to understand how our customers and non-customers perceived us and our competitors. This helped us to understand our customers' expectations, identify opportunities in the market, and affirm our strategy.

Based on the Research, we developed our brand architecture, i.e. to use innovation to bring fast, simple and responsive solutions that are aligned to our customers' needs.

Our strategy is **"To Be the Most Important Relationship for the Financial Success of Business Owners"**, and it is articulated through our vision of **"Building Alliances to Improve Lives"**.

Understanding the Business Owners helps us create value for them and allows us to extend the right products to their stakeholders, i.e. family, employees and retail clients, eventually generating returns for the Bank.

## TRANSFORMATION PRIORITIES

Since FY2016, the Bank has focused on optimising and strengthening its foundations.

### Optimise and Strengthen Foundation

#### Improving asset efficiency

We have reversed inefficient asset growth by growing a higher proportion of better risk adjusted return (RAR) loans, which led to more sustainable capital ratios. Our better RAR loans now comprise more than a third of our loan portfolio, compared to a quarter three years ago. Better RAR loans (e.g. SME and consumer unsecured lending) grew 19.3% in the past year.

#### Optimising funding mix

We strengthened our medium-term funding via Cagamas funding and Additional Tier-1 (AT1) capital, and scaled up structured investment (SI) sales by three times of FY2016.

#### Strengthening risk management

We continued to enhance credit risk management through risk based pricing, imposed policy tightening for higher risk segments, and enhanced collections capacity.

Through mortgage stratification into categories of risk segments, we directed appropriate actions for each risk segment. By doing this, we reduced the under-performing segments by up to 67%.

For personal loans, we tightened underwriting policies for higher risk segments and those with bureau vintages of less than 12 months. We also increased front-end collections capacity and reduced account-to-collector ratio to less than 850.

### Scaling Up for Growth

Our area of focus for FY2018 and FY2019 is to scale up for growth based on four key priorities: Alliance One Account, SME Banking Expansion, Alliance@Work, and Branch Transformation.

#### Alliance One Account

The Alliance One Account (AOA) is a loan consolidation proposition that gives customers the control, convenience and flexibility over

their monthly loan obligations. It is a mortgage that is part term loan and part overdraft. The overdraft facility can be as high as 70% of the property value. By consolidating their various loans into one mortgage account, customers can opt to pay less each month, save on total interest cost, or have more cash in hand.

In FY2018, more than 80% of AOA's customers were new-to-bank customers. AOA's loan approval was in excess of RM2.4 billion. Its risk adjusted return (RAR) is three times that of a usual standalone mortgage.

AOA's significant success is due to its performance marketing strategy, Partner-in-Sales programme, and AOA Specialist team. The Bank uses performance marketing to generate leads via digital channels such as Facebook and Google.



Alliance Mortgage Partner-In-Sales.



## MANAGEMENT DISCUSSION & ANALYSIS (Cont'd)



Digital Transformation (DX) Leader in Omni-Experience Innovation (Malaysia) Award  
IDC DX Awards 2017.



Best Multi-Channel Offering (Highly Commended)  
Retail Banker International Asia Trailblazer Awards 2018.



Excellence in Mobile Banking - Customisation (Highly Commended)  
Retail Banker International Asia Trailblazer Awards 2018.



Alliance@Work.



The Partner-in-Sales programme is a referral microsite for our partners, i.e. solicitors, real-estate agents, mortgage brokers, and developers, launched at the end of March 2018. Our partners provide us with leads via the microsite, which are immediately assigned to the AOA Specialist team within the same hour.

We also continue our partnership with CTOS Data Systems, garnering a good measure of success. Users using CTOS credit score service to optimise their debt management are prompted to consider the AOA solution.

The Bank aims to capture at least 8% market share of new mortgage industry origination. We aim to achieve RM500 million in loans disbursement per month, and RM4 billion in ending net receivables by end of FY2019.

### Alliance@Work

Alliance@Work is our new-to-bank customer and deposits acquisition engine, where we offer payroll services to companies and banking services to their local and foreign employees.

Alliance@Work is supported by the Bank's Cash2Home mobile app solution to on-board foreign workers. The app uses biometric facial recognition technology to authenticate users while optical character recognition technology allows users to scan their documents. Instructions found within the app are available in the foreign workers' own native language.

Alliance Cash2Home helps reduce the time spent on human resource administrative functions by enabling simple and paperless mass on-boarding and ATM card activation on-site in under an hour at the business owners' premises. In addition, its automatic salary crediting eliminates the need to handle physical cash.

The mobile app enables blue-collar foreign workers to remit money from their salary account to their home country anytime, anywhere. This encourages financial inclusion, as well as a sense of independence and control over one's own finances.

Barely a year after its launch, Alliance Cash2Home's innovative value proposition has garnered regional accolades including the "Digital Transformation (DX) Leader in Omni-Experience Innovation" at the inaugural IDC DX Awards 2017. It was also Highly Commended for "Excellence in Mobile Banking – Customisation" and for being the "Best Multi-Channel Offering" at the Retail Banker International Asia Trailblazer Awards 2018.

Alliance Cash2Home also presents an opportunity for the Bank to help with local employee payroll. In FY2018, Alliance@Work acquired over 450 new-to-payroll companies, and more than 10,000 consumer CASA accounts which came from our SME and corporate/commercial banking referrals. This led to an average of 45% growth in CASA per company.

For FY2019, the Bank aims to acquire over 1,200 new-to-payroll companies, and more than 60,000 new consumer CASA accounts. With this, we will be able to cross-sell our SME loans (for new-to-bank companies), personal loans, credit cards, AOA, and bancassurance solutions.

#### SME Banking Business Expansion

The Bank's SME Banking business continues to record steady growth. In 4QFY2018, the SME Banking segment's annualised loans growth was 11.6%. We also increased productivity per staff by 30% compared to the beginning of the financial year.

The Bank aims to grow SME loans by 20%, and achieve RM300 million in loan disbursements per month by end of FY2019.

We will accomplish this by streamlining and automating our loan processes to free up time so that our relationship managers can pursue additional sales. We will also increase our sales capacity in high potential locations.

#### Branch Network Consolidation

In FY2018, the Bank completed its branch network consolidation. Five marginally profitable branches were consolidated to nearby branches. At the new branches, customers are able to enjoy better banking facilities such as access to additional specialists and Privilege Banking centres.

At the same time, we carried out a restructuring exercise to streamline operations. This yielded an annualised savings of RM20 million. We have also improved the sales to non-sales staff ratio from 1:2.5 to 1:2.

## PERFORMANCE HIGHLIGHTS

The Bank made steady progress in FY2018, recording revenue growth of 7.0% YOY, which was the highest in five years. The Bank's net interest income grew 5.5% while total fee income (including Islamic fee income) expanded 11.9%. Business-as-usual net profit after tax recorded a growth of 6.4% YOY. Including Transformation investments of RM74.2 million (of which RM36.4 million were net restructuring costs), the net profit after tax was 3.7% lower YOY.

Summarised Income Statement	FY2018 RM million	FY2017 RM million	Growth RM million	Growth %
Net Interest Income*	1,190.3	1,128.4	61.9	5.5
Other Operating Income*	381.7	341.0	40.7	11.9
Net Income	1,572.0	1,469.4	102.6	7.0
Other Operating Expenses	(794.0)	(691.9)	(102.1)	(14.8)
Allowance for Loans & Impairment	(93.4)	(95.0)	1.6	1.7
Profit before Taxation	684.6	681.4	3.2	0.5
Net Profit after Taxation	493.2	512.1	(18.9)	(3.7)

Summarised Balance Sheet	RM million	RM million	RM million	%
Net Loans, Advances and Financing	39,989.5	38,991.7	997.8	2.6
Investment & Dealing Securities	8,862.6	11,491.9	(2,629.3)	(22.9)
Total Assets	53,902.0	54,089.1	(187.1)	(0.3)
Deposits from Customers	42,740.5	44,445.7	(1,705.2)	(3.8)
of which: CASA	15,953.8	15,469.6	484.2	3.1
Shareholders' Funds	5,459.6	5,114.2	345.4	6.8

\* Inclusive of Net Financing Income from Islamic banking business of RM297.8 million (FY2017: RM280.9 million) and Other Operating Income from Islamic Banking business of RM20.4 million (FY2017: RM16.2 million).

## Creation of Value for Business Owners and Stakeholders

We are ranked Top 4 in the industry for return on equity (ROE). We have one of the strongest capital levels in the industry, with Common Equity Tier-1 (CET 1) ratio at 13.4% and total capital ratio at 18.3%.

Our net asset per share (NAV) has shown a steady increase of 18% over the past four years. In FY2018, the Bank declared a second interim dividend of 6.8 sen, bringing the total dividend declared for FY2018 to 15.3 sen. This represents a dividend payout ratio of 48%.

We have also scored the highest net promoter score (NPS) for the SME segment for two consecutive years, driven by strengths in our client relationship management.

## MANAGEMENT DISCUSSION & ANALYSIS (Cont'd)

### PERFORMANCE BY BUSINESS SEGMENTS

#### Consumer Banking

In Consumer Banking, we improved our revenue marginally, ending the year at RM554.5 million compared to the previous year's RM553.7 million. Net interest margin improved by 2 basis points.

Our innovative AOA solution reached RM1 billion loans in ending net receivables in FY2018.

In addition, our monthly disbursements of personal loans grew from RM50 million to more than RM70 million, a 40% improvement.

We continue to cultivate a strong sales culture. Our teams review cases on a daily basis, focusing on leads management and a needs-based sales approach.

As a result, our productivity improved to be one of the highest in the market for personal loans, averaging at RM250,000 per sales person per month. For AOA, our productivity is close to an average of RM3 million per sales person per month.

Asset quality has improved across all products. For personal loans, the impaired loans ratio remained stable (from 1.65% to 1.64%), while credit card impaired loans ratio improved from 1.78% to 1.55%.



**Our strong sales culture  
is key to our improved  
results.**

**Our productivity is one of  
the highest in the market.**



Alliance Bankers with iMoney Malaysia.



With our business partner, CTOS Data Systems Sdn Bhd.



We introduced the Alliance SavePlus Account, a high-yield current account with interest rates up to 3.5% per annum, designed with the needs of both business owners and individual investors in mind. We also embarked on an above-the-line campaign using print, radio, and social media. Within three months of its launch, we grew over RM300 million in Alliance SavePlus Account balances.

On investments, we scaled up our structured investments (SI) by 50%, to an asset under management (AUM) of RM1.2 billion from RM783 million last year.

In FY2019, we will focus on process streamlining and digital enhancements to improve our client experience. We will continue to grow better RAR loans, e.g. AOA and personal loans, to further improve asset efficiency. We will also be looking to improve our bancassurance business model and CASA strategy.

Our strategic partnership with CTOS continues to provide users with the opportunity to check their credit scores and explore the AOA option. With the economy and consumer sentiments gradually picking up, we expect customers will be looking to grow their savings more efficiently to prepare for investments and future business expansion.



“

**We have the highest net promoter score in the industry for two consecutive years, driven by our strength in client relationship management.**

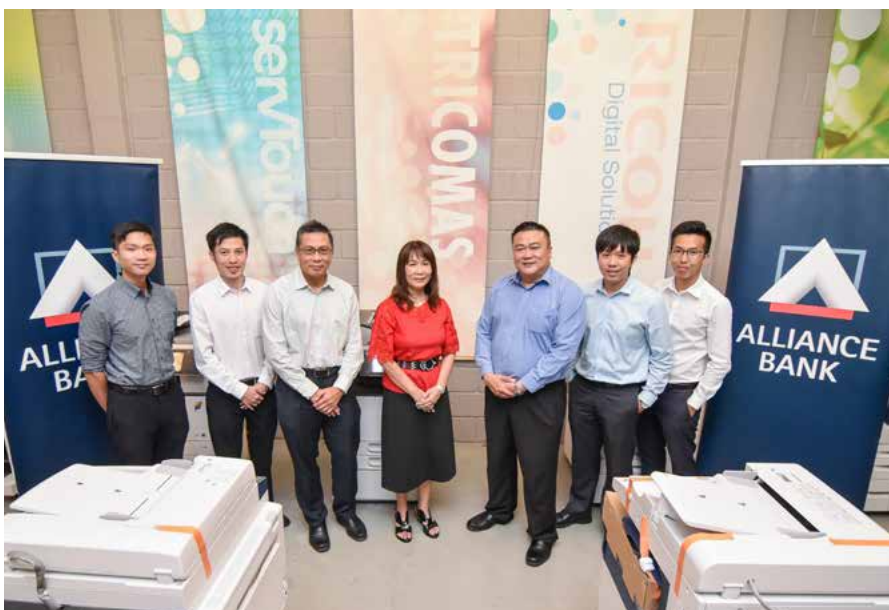
”



At CBT Petroleum Sdn Bhd's warehouse.



With our client, Tricom Marketing Sdn Bhd.



### SME Banking

The Bank continues to have an advantage in this segment. We achieved the highest net promoter score (NPS) in the industry for two consecutive years, driven by our strength in client relationship management.

Our SME loans grew 4.6% (RM446 million) YOY. Profit before tax increased by 1.7% (RM2.4 million) YOY due to higher revenue from interest income.

We launched the fifth iteration of the BizSmart Challenge in April 2018. This year, we have introduced new elements to the programme including a reality TV business challenge format, up to RM5 million non-collateralised financing for the 20 finalists, and new mentors to guide young entrepreneurs.

By the end of the next financial year, we aim to double the monthly loan disbursements and, at the same time, intensify efforts on early warning detection, portfolio reviews, and accounts collection.

The SME business will focus on scaling up capacity and productivity of the sales team to gain market share. We will also continue to promote Alliance@Work as an employer-employee benefit programme, targeting a sign up of 700 companies this financial year.

We continue to intensify efforts on streamlining and automation. As of April 2018, we have run the pilot of the new Alliance Origination System with nationwide implementation scheduled for July 2018.

The Alliance Origination System is a digital application that enhances business banking's credit and workflow processes, improving loans processing time from 15 hours to 6 hours. Most of the data inputs are automated using information from third-party sources, e.g. credit bureau and company registry. This minimises human error, and frees up time for the relationship manager to focus on serving their clients more effectively and pursue incremental sales.

In FY2019, we will focus on simplifying and digitalising the business current account opening process and activation of online services to deliver fast, simple and responsive client experience.

## MANAGEMENT DISCUSSION & ANALYSIS (Cont'd)



The Best Digital Sales Initiative,  
Application or Programme  
*The Asian Banker Excellence in Retail  
Financial Services International Awards  
2018.*



At Bridgex Sdn Bhd's manufacturing premises.



With our client, Peninsula International School Australia.



Excellence in Service Innovation  
*Retail Banker International Asia Trailblazer  
Awards 2018.*



Excellence in Business Model Innovation  
*Retail Banker International Asia Trailblazer  
Awards 2018.*



### Corporate, Commercial and Transaction Banking

Despite the muted market landscape of the year in review, the Corporate, Commercial and Transaction banking segment continues its consistent performance to optimise the balance sheet and grow revenue.

The Division continued to enhance relationships with existing clients and has built a strong pipeline of new clients. These actions resulted in resilient revenue and loans growth.

The Group Corporate and Commercial segment achieved a revenue growth of 2.8% (RM8.6 million) through higher margins and improved fee growth. The segment contributed 20% of the Bank's revenue as at 31 March 2018.

In FY2018, our BizSmart Online Banking Solution earned us two award recognitions by the Retail Banker International Asia Trailblazer Awards 2018 for "Excellence in Service Innovation" and "Excellence in Business Model Innovation", and a much-coveted award for "Best Digital Sales Initiative, Application or Programme" at The Asian Banker International Excellence in Retail Financial Services Awards 2018. The BizSmart Online Banking is a cash management tool for enterprise customers who seek a customisable business solution platform that aligns to their needs.

For the year ahead, the segment will continue to focus on the service sector, and refresh the Bank's cash management capabilities for its clients.

## Group Financial Markets

Group Financial Markets' (GFM) four core activities include funding and investment, trading and market-making, client-based activities, and asset and liability management.

For the year under review, there were many uncertainties in the global and local financial markets, e.g. aftereffects of Brexit, Trump's election and the subsequent United States' interest rates normalisation plan. This caused the unregulated offshore USD/MYR non deliverable forward (NDFs) market to have a volatile effect on the onshore USD/MYR market. To counter the effects, Bank Negara Malaysia (BNM) introduced new foreign exchange rules (FEA) to help stabilise local onshore USD/MYR market.

In the meantime, we continued to help our customers who sought hedging requirements in both foreign exchange and derivatives. We saw an increase of 14.2% YOY in business banking hedging activities volume. Structured investment activities also improved by more than 50% YOY. We were recognised as being in the Top 10 for both Foreign Exchange and Derivatives in the BNM's 2017 Financial Market league table.

### Liquidity and Funding

The Bank's liquidity position remained healthy. Both our Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) are well above the required regulatory levels. The Bank continues to diversify its funding sources through loans sold on recourse basis to Cagamas Berhad, and has also made available a Senior Medium Term Note (MTN) programme to be deployed as needed.

For the coming year, GFM will continue to focus on optimising investment and funding strategies.

## Islamic Banking

Alliance Islamic Bank Berhad (AIS) offers a wide range of Shariah-compliant financing, deposits and transaction services relevant to our consumer and business customers' needs. These offerings are governed by the Islamic Financial Services Act 2013, BNM's Shariah Governance Framework, as well as various Shariah standards and regulations.

AIS' financing portfolio is evenly balanced between the consumer and business segments. Relative to other Islamic banks, AIS has a larger proportion of SME financing. This amounts to more than 20% of its total financing book. AIS' financing base makes up 20% of the Bank's total loans.

The successful marketing of Alliance One Account-i (AOA-i) makes up 49% of AIS' total financing growth, with the remainder being better RAR financing to the business segment. We expect to grow both the consumer (with the AOA-i) and business financing book (with the various SME portfolio growth initiatives) further.

To manage asset quality and credit costs, the credit parameters for personal financing and SME financing segments were tightened during the year.

FY2018 was marked by intense competition for funding due to Basel III liquidity requirements. AIS' customer deposits however grew 8.7% due to the introduction of new deposit propositions and campaigns. AIS' deposit base represents 22.1% of the Bank's total deposits.

## PERFORMANCE & GROWTH DRIVERS

Key Highlights	FY2018 vs FY2017	Growth Drivers
<b>Profit &amp; Loss</b>		
Revenue	+6.8%	<ul style="list-style-type: none"> <li>Net finance income grew 5.5% (on 11.2% financing growth)</li> <li>26.4% growth in other operating income growth</li> </ul>
Net Profit Margin	From 2.44% to 2.51%	<ul style="list-style-type: none"> <li>7 basis point increase due to higher proportion of better RAR</li> </ul>
Cost to income ratio	From 40.6% to 38.7%	<ul style="list-style-type: none"> <li>6.8% growth in revenue against a 1.6% growth in operating expenses</li> </ul>
<b>Balance Sheet</b>		
Financing	+11.2%	<ul style="list-style-type: none"> <li>RM398 million growth in AOA-i</li> <li>RM492 million growth in financing to the corporate segment</li> </ul>
CASA	+4.8%	<ul style="list-style-type: none"> <li>Introduction of Alliance SavePlus Account-i</li> <li>Growth in corporate CASA</li> </ul>
CASA Ratio	From 30.22% to 29.14%	<ul style="list-style-type: none"> <li>1.1% decrease in CASA ratio due to 10.3% growth in term deposits against 4.8% growth in CASA</li> </ul>
Total Capital	From 14.5% to 15.1%	<ul style="list-style-type: none"> <li>Issuance of RM130 million Sukuk Murabahah in September 2017</li> </ul>



## MANAGEMENT DISCUSSION & ANALYSIS (Cont'd)

AIS introduced the following new Shariah-based financial products during the year under review:

### Alliance One Account-i

Shariah-compliant version of Alliance One Account that comes with stamp duty waiver on mortgage refinancing and no commitment fees on Cashline-i.

### Alliance SavePlus Account-i

Shariah-compliant version of Alliance SavePlus Account.

### Commodity Murabahah Term Financing

### Commodity Murabahah Revolving Credit

Shariah-compliant business financing with streamlined documentation.

### Restricted Investment Account

Investment account to cater for large Shariah-compliant financing requirements.

### Alliance Cash2Home-i

Enables blue-collar foreign workers to open an Islamic deposit account via Alliance Cash2Home mobile app.

Islamic banking assets have outpaced conventional assets as the growth driver for the domestic banking system in recent years. The Islamic finance sector is expected to continue this strong growth momentum in 2018, supported by sustained demand from the government, government-linked, and Halal sectors.

In FY2019, AIS will align its propositions to the Bank's priorities. These include the AOA, SME Banking expansion, Alliance@Work, and deposits.

AIS will also introduce a range of Takaful and Islamic funds to enhance its operating income stream. Leveraging on our existing relationships with the public sector institutions, AIS will offer financial management solutions such as AOA and Alliance@Work propositions to the government sector employees. We will also tap into opportunities in the Halal SME market.

### Stockbroking & Corporate Advisory

The Bank's investment banking arm, Alliance Investment Bank Berhad (AIBB) provides a range of investment services. This includes stockbroking, corporate advisory, underwriting and placement of equity securities, corporate bonds and sukuk, and loan syndication.

For FY2018, we grew our stockbroking business' net interest income by 25.8% YOY. Other operating income expanded 11.5% YOY. These growths are attributed to our stockbroking business which was fuelled by the modest recovery of the economy and improved sentiment in the lead-up to Malaysia's 14th General Election. Operating Expenses increased marginally by 2.4% YOY, mainly due to higher professional fees and personnel cost.

### Stockbroking

Overall, trading value on Bursa Malaysia grew 23.7% to RM1,272.6 billion (FY2017: RM1,029.2 billion), institutional trading value expanded 17.5% to RM853.2 billion (FY2017: RM726.2 billion), while retail trading value increased by 38.4% to RM419.4 billion (FY2017: RM303.0 billion).

Stockbroking net income improved in tandem with the industry by 16.1% YOY mainly attributed to the improvements in retail net brokerage income by 67.2% YOY, and net interest income driven by 23.8% YOY growth in Share Margin Financing balances. The latter is due to business initiatives undertaken by AIBB, which led to an increase in new sign ups. Overall net brokerage fees grew 33.3% YOY.

During the year, Institutional Sales & Dealing managed to on-board four and re-activate one institutional client.

### Corporate Advisory

In the Malaysian capital market, RM124.9 billion was raised in the corporate bond and sukuk market in 2017 (2016: RM85.7 billion), while only RM21.7 billion was raised in the equity market in 2017 (2016: RM12.8 billion)<sup>1</sup>.

AIBB was the Joint Lead Manager for Tranche 1 of Skyworld Capital Berhad's Islamic medium term note (MTN) and commercial paper programmes. The transaction won the "Best Islamic Structured Finance Deal of Year 2017" awarded by the Islamic Finance News.

In March 2018, AIBB successfully listed GDB Holdings Berhad on the ACE Market of Bursa Malaysia Securities Berhad with an IPO market capitalisation of RM218.75 million.

As broad-based global recovery momentum continues into 2018, it would provide positive spillovers from the external sector to Malaysia's domestic activities such as business expansion and infrastructure development. We expect the fund raising through primary and secondary markets to remain resilient in 2018, predominantly driven by bonds and sukuk refinancing as well as infrastructure financing.

Fundamentals of the capital market will remain strong and are expected to continue improving, reinforced by positive outlook of Malaysia's capital market, with higher levels of growth expected across key market segments. We expect intense competition in the industry to continue with stockbroking yields facing further compression.

**We grew our  
stockbroking business'  
net interest  
income by 25.8% YOY.**



**Overall brokerage fees  
grew 33.3% YOY.**



<sup>1</sup> Securities Commission 2017 Annual Report, Malaysian Capital Market, p85.





## Alliance Investment Bank won “Best Islamic Structured Finance Deal of 2017”.



AIBB will continue to improve its productivity and efficiency, focusing on key initiatives and products that will give the highest return in revenue. We will also grow our stockbroking and corporate advisory business.

### BUSINESS RISKS

In FY2018, in an effort to minimise risks that may have a material effect on our financial performance, operations, or reputation, we reviewed our Control Self-Assessment process and introduced a four-step methodology. These involve:

1. Identifying key processes within each area of the Bank
2. Identifying the main risks within the key processes
3. Applying appropriate controls to identify high risk items
4. Testing the controls on a quarterly basis

We have also launched a quarterly dashboard for senior managers to assess their compliance controls and take quick remedial actions where necessary.

For our internal customers' convenience, we have simplified the on-boarding process for vendors using Ariba's e-bidding system.

We have also partnered with Grab for Business so our staff can use the ride-hailing service for work-related appointments when needed. By using a centralised billing system, we were able to streamline the claims process.

### Talent Risk

The banking sector is always on the lookout for good talents. As we move into digitalisation, there is also greater demand for data analysts, and risk and compliance executives.

The Bank has a robust talent management and development process to identify and groom home-grown talents for leadership positions within the Bank.

Alliance Bank Leadership Excellence (ABLE) is our flagship talent development initiative to nurture leaders-in-waiting so they can step into expanded or senior roles at the Bank. Initiatives under ABLE include the award-winning Management Trainee Programme for fresh graduates, Alliance Managers Programme for middle managers, and Alliance Leaders Programme (ALP) for senior managers.

Other talent development programmes at the Bank include:

- Structured Internship Programme
- Working with Strengths Programme which provides essential concepts and tools to drive change and performance at work
- Accelerated Strengths Coaching Certification to help managers and supervisors be coaches and mentors at work
- Alliance Impactful Managers which equips managers with skills to develop their teams for enhanced performance
- G.R.E.A.T @ Alliance which focuses on improving customer service delivery

### Other Business Risks

The Top 5 identified risks by Group Risk Management are as follows:

- **Operational Risk:**
  - *People Risk* – Risk of losses arising from internal and external fraud, human error, omission or commission, and behavioural issues
  - *Regulatory Risk* – More regulations, heavier requirements, and punitive actions
  - *IT/Cyber Risk* – Heavy dependency on IT systems and equipment; Denial-of-Access attacks, malware, computer viruses
- **Credit Risk** – This covers all business segments, e.g. retail, SME, commercial/corporate customers
- **Liquidity Risk** – Intensive competition for deposits, with the advent of Basel III liquidity ratios
- **Market Risk** – Higher volatility in stock markets, bond markets, currency, commodities and financial options

- **Socio-political & economic risks** – Domestic/regional/global economic issues, international trade disputes, political tensions and conflicts

To mitigate, minimise or eliminate these risks, the Bank has:

- Established proper corporate governance structures
- Established risk management frameworks and policies to manage risks
- Undertook risk assessment to identify, evaluate and assess the potential risks
- Set risk measures, limits, triggers and thresholds to control risks
- Conducted regular risk monitoring, reporting and escalation

The Bank also uses a variety of systems to conduct its various business activities. Within each system, we endeavour to set appropriate transactional and authorisation limits. Examples include:

- Loans, e.g. Loan Origination System
- Deposits, e.g. Core Banking System
- Treasury, e.g. Front/Middle/Back Office system
- Transactional, e.g. online, mobile and payment systems
- Accounting, e.g. General Ledger system

The Bank also employs a wide array of steps to defend against different types of cyber risk threats. This includes:

- Setting information systems, security policies, and practices
- Logical access controls, e.g. password controls
- Physical access controls, e.g. card access controls
- Anti-virus/anti-malware scanning and treatment
- Data encryption
- Conducting penetration testing
- Monitoring network traffic
- Establishing controlled environments for Production, Disaster Recovery and Testing
- Establishing contingency plans, e.g. Business Continuity Planning; and testing these plans

These risks and our strategies to mitigate them are spelt out in further detail in the Statement on Risk Management and Internal Control on page 76 of this Annual Report.

## MANAGEMENT DISCUSSION & ANALYSIS (Cont'd)



**We will focus on pursuing sustainable growth by strengthening our relationships with Business Owners, and helping them create value for their extended network of stakeholders.**



### OUTLOOK AND PROSPECTS

The global economy is expected to strengthen in 2018 to reach 3.9% (2017: 3.7%) gross domestic product (GDP) growth, mainly from emerging and developing economies. The developed economies of the United States and the European Union are expected to maintain their strong momentum.

The Malaysian economy is expected to improve in tandem with the global business landscape. National GDP is projected to grow at 5.4% (2017: 5.9%), supported by sustained domestic demand and private consumption. Favourable external demand is likely to continue in Malaysia's manufacturing sector, particularly the electrical and electronics (E&E), and oil and gas sectors, further boosting GDP growth.

BNM expects a lower inflation rate of between 2% and 3% in 2018, due to the previous year's high-base effect. A recovering Ringgit rate will likely offset a portion of higher global energy prices and ease rising import costs. Gross exports are expected to expand at 8.4% (2017: 18.9%). Malaysia should also benefit from strengthening commodity prices and a likely Overnight Policy Rate (OPR) hike by end-2018.

Given the favourable outlook, we will continue to pursue sustainable growth by strengthening our relationships with Business Owners, and helping them create value for their extended network of stakeholders, including families, employees, business partners, and retail clients.

In all that we do, we will deliver on our brand promise which is to provide innovative, fast, simple and responsive solutions that are aligned to our customers' needs.

### APPRECIATION

The Bank owes a great part of its good performance to the determination and hard work put in by its Board of Directors, Management team, and employees.

The Bank is also indebted to the regulators, policymakers and custodians of good corporate governance who allow us to operate within a stable and orderly market environment.

My deepest gratitude goes to the assistance and co-operation extended to us by Bank Negara Malaysia, the Securities Commission Malaysia, and Bursa Malaysia Securities Berhad.

I also extend my sincere appreciation to our customers and business partners for believing in our brand promise and growing with us.

My sincere thanks to our dedicated Management team and employees for their hard work and commitment to deliver our brand promise.

To our Board of Directors, I extend my heartfelt appreciation for their invaluable advice and counsel which have helped us stay on course through the past year's challenges.

I am extremely grateful for the leadership and support of our Bank's Chairman, Tan Sri Dato' Ahmad bin Mohd Don. With his and the Board's support, we will continue to advance with confidence towards achieving our aspirations for the Bank.

With the strong support of our teams, regulatory stakeholders, Board of Directors, and of course, our clients, we are confident that we will continue to deliver on our promise to build alliances to improve lives.

Thank you.

**JOEL KORNREICH**

Group Chief Executive Officer

# SUSTAINABILITY STATEMENT

## OVERVIEW

We believe that sound sustainable practice builds business resilience, and gives the Bank an edge over its competitors.

In the past year, we have put in place various measures to help deepen our sustainability journey to one that is more financially inclusive. One such example is the Alliance Cash2Home mobile app, which enables blue-collar foreign workers to manage their own finances and remit money to their home country anytime, anywhere.

In addition to our financial performance, we believe that prioritising our Economic, Environmental and Social (EES) responsibilities will secure the future of the Bank and ensure the creation of long-term shared value for our stakeholders.

## SCOPE

This Sustainability Statement provides information on our overall EES scorecard.

This report covers the period 1 April 2017 to 31 March 2018 (FY2018) and will be produced annually.

In this report, we have included highlights of Alliance Bank Malaysia Berhad's key sustainability activities across its various business segments.

The information relates to issues that are important to both the Bank and our stakeholders, namely our customers, employees, and shareholders. We have identified seven materiality issues which reflect key priorities targeting our stakeholders.

To avoid content overlap, certain parts of this Statement may make reference to existing content within other sections of our 2018 Annual Report.

## OUR APPROACH TO SUSTAINABILITY

Alliance Bank's Vision, "Building Alliances to Improve Lives" shows that we are committed to creating a sustainable and meaningful business ecosystem that applies to Malaysians at every life stage. The Bank's corporate responsibility portfolio is focused on implementing its corporate responsibility strategy in line with the requirements of Bank Negara Malaysia (BNM), Bursa Malaysia Securities Berhad (Bursa Securities), and the Bank's business strategy and brand values.

To prepare a report that is relevant and meaningful for our stakeholders, this year we have conducted a materiality assessment to determine the issues that are important to the Bank as well as our stakeholders. We engaged with key stakeholders and the Bank's Management to prioritise the sustainability matters.

We believe we are in a position to make a positive impact in seven areas relevant to our business operations. These are:

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

Although the Bank has already integrated sustainable practices within its daily operations, we are in the initial stage of developing a formal sustainability policy that covers all areas. We will continue to monitor our activities and work on consolidating our sustainability data collection to deliver a more comprehensive Sustainability Statement.

This Sustainability Statement has not been subjected to external assurance. For the next reporting cycle, we aim to seek external assurance to ensure credibility of our published Sustainability Statement for the longer term.

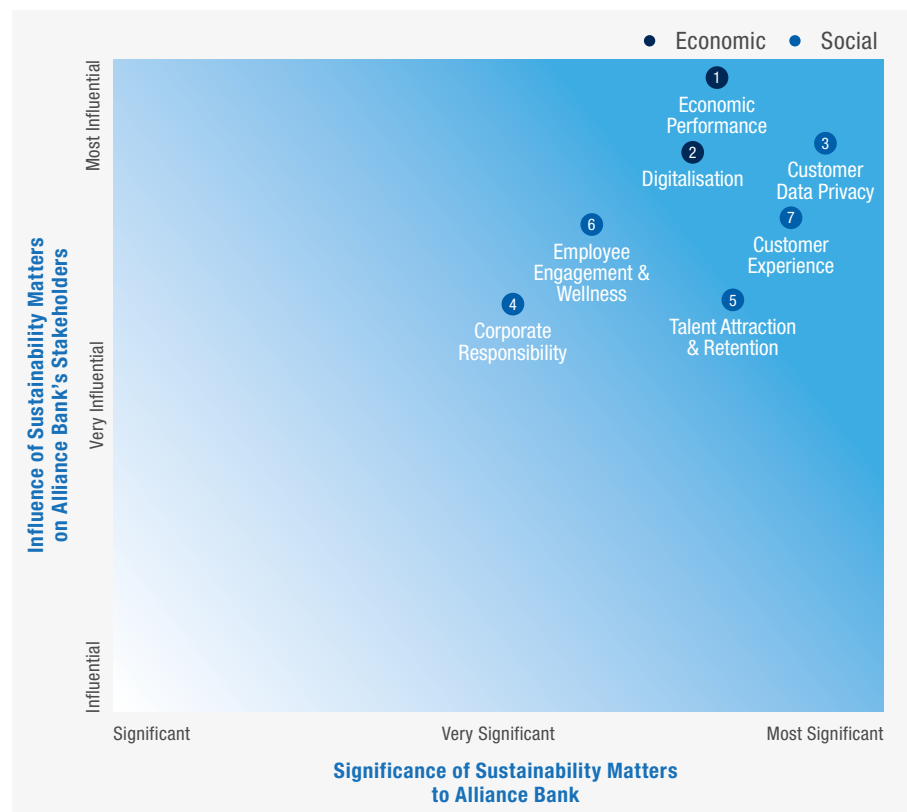
## HOW WE GOVERN SUSTAINABILITY

To ensure that corporate responsibility initiatives are carried out in the interest of our stakeholders, the Bank has a Corporate Responsibility & Event Management (CREM) unit which plans, implements, and manages the Bank's Corporate Responsibility (CR) initiatives.

The business segments are also encouraged to carry out their own initiatives. This promotes staff participation and engagement in the Bank's corporate responsibility agenda.

The Bank aims to integrate the sustainability agenda into its strategy and operations in a more holistic manner, as it is vital to the long-term success of its business.

## MATERIALITY MATRIX








# SUSTAINABILITY STATEMENT (Cont'd)

## STAKEHOLDER ENGAGEMENT

The Bank engages regularly with its stakeholders to fulfil their expectations and meet their changing needs. This allows us to make more informed assessments and execute appropriate action.

In FY2018, we carried out these stakeholder engagement activities:

Stakeholder	Key Areas of Focus	Platforms and Tools Utilised
Shareholders/Bankers and Investors 	Business direction of the Bank and key corporate developments and relationship building	<ul style="list-style-type: none"> <li>Regular shareholder communications/announcements to Bursa Securities and on Alliance Bank's corporate website</li> <li>Annual General Meeting</li> <li>Quarterly and annual financial statements</li> <li>Periodic engagements with equity analysts and fund managers</li> </ul>
Government/Regulators and Policy Makers 	Regulation, compliance and relationship building	<ul style="list-style-type: none"> <li>Frequent dialogues between BNM and Compliance Officers Networking Group to discuss issues related to regulations and new requirements</li> <li>Participation in BNM's Compliance Conference by Board of Directors, Senior Management and Group Chief Compliance Officer to keep abreast of latest development, or emerging threats in the industry</li> <li>Alliance Investment Bank (AIBB) participated in the Annual Securities Commission Dialogue with Members of Malaysian Investment Bank Association to discuss issues affecting the Capital Markets and Stockbroking Industry</li> <li>Frequent dialogues with BNM, Bursa Securities, Securities Commission, Personal Data Protection Commissioner, and Inland Revenue Board Malaysia by Senior Management and Compliance Officers via forums organised by The Association of Banks in Malaysia (ABM), Association of Islamic Banking Institutions Malaysia (AIBIM), Malaysian Investment Banking Association (MIBA) and Association of Stockbroking Companies Malaysia (ASCM)</li> </ul>
Customers, Suppliers and Partners 	Innovative products and services, business direction, knowledge sharing, business guidelines and relationship building	<ul style="list-style-type: none"> <li>Innovative customer-oriented solutions that are fast, simple and responsive; product or service-specific communications on the Bank and its subsidiaries' websites</li> <li>Customer or industry meetings, talks, exhibitions, tradeshow, roadshows, networking events, and appreciation events</li> <li>Regulatory reminders highlighting anti-money laundering, personal data protection, procurement, guidelines, etc.</li> </ul>
Employees 	Human capital development, safety, governance, corporate developments and relationship building	<ul style="list-style-type: none"> <li>Regular communications via email blasts</li> <li>Training and development initiatives such as the Alliance Impactful Manager, the award-winning Management Trainee Programme, Accelerated Strengths Coaches initiative, Train the Trainer programmes, G.R.E.A.T @ Alliance, Working with Strengths programme, and Global Leaders Talkshop</li> <li>Roll out of additional e-Learning modules including anti-money laundering (AML), code of conduct, information risk management &amp; cyber security, and Personal Data Protection Act (PDPA) 2010</li> <li>Social activities via the AFG Recreational and Sports Club</li> <li>Voluntary participation in CR programmes</li> <li>Weekly and quarterly employee engagement activities, e.g. Huddles and Department meetings</li> <li>Refresh of Allies of Alliance microsite to provide a platform for employees to contribute and discuss new ideas to improve products and processes, as well as the working environment at the Bank</li> </ul>
Local Communities 	Education and social assistance and relationship building	<ul style="list-style-type: none"> <li>Specific on-the-ground outreach programmes such as the Eco-Biz Dream Project, AEIOU Challenge, Giving With a Willing Heart, and financial education programme for children</li> </ul>

## THE 3 PILLARS OF SUSTAINABILITY

Sustainability is a journey of continuous improvement for the benefit of our future together. The Bank's Vision of "Building Alliances to Improve Lives" centres on our EES obligations as a responsible financial organisation.

We recognise our responsibility to help people manage their finances. Understanding this responsibility guides our business decisions and direction. It inspires us to create innovative products that seek to improve lives. It also influences our corporate responsibility activities in relation to community and environment.

## ECONOMIC PERFORMANCE

As a responsible financial organisation, our purpose is to create a more equitable distribution of wealth for our stakeholders, and maintain a healthy balance sheet backed by stable financial operations to deliver sound economic performance.

We have to ensure that we maintain adequate capital and liquidity to support our lending and investment activities. This assures our stakeholders that we have the capacity to grant loans to our customers to support their financial ambitions. By maintaining good economic performance, the Bank will be in a better position to serve both our new and existing customers for the long-term.

We are guided by BNM's Capital Adequacy Framework (Capital Components) issued on 13 October 2015, and the Capital Adequacy Framework (Basel II – Risk Weighted Assets) issued on 2 March 2017. We also comply with BNM's Basel III requirements on Liquidity Coverage Ratio (LCR).

The Bank manages its economic performance and shareholder value by optimising its profit and loss balance sheet through:

- i. Weekly and monthly production management (with all Lines of Businesses) with action plans to close the gaps
- ii. Monthly updates to the Board on business performance

	FY2018 (RM'000)
<b>Direct economic value generated: revenues</b>	<b>1,572,023</b>
Economic value distributed:	
i. Operating costs (excl. personnel expenses and community investments)	289,566
ii. Employee wages and benefits	504,300
iii. Payments to providers of capital	
– Cash dividends paid to shareholders	247,697
iv. Payments to government	
– Taxation and zakat	191,369
v. Community investments (administrative expenses – donation)	155
vi. Net Bad Debts	93,448
<b>Sub-total</b>	<b>1,326,535</b>
<b>Economic value retained</b>	<b>248,488</b>

Details of our financial performance are presented on page 100 to page 241 of our 2018 Annual Report.

## Digitalisation

By integrating new technologies in the way we operate, we also create platforms for new products, as well as provide easier access for new-to-bank customers.

We embarked on digitalising key processes at the branches, so that our sales teams are able to focus on strengthening our relationship with customers.

1. We support the Bank's identified strategic businesses by leveraging on digital platform:

### i. Alliance One Account

- Streamline processes using workflow systems to onboard new loans.
- Implement new Customer Relationship Management (CRM) systems to manage sales management processes better.

### ii. SME Business

- Streamline processes to improve turnaround significantly for account opening and loan approvals.

### iii. Alliance@Work

- Develop new-to-bank customer and deposits acquisition engine which offers online payroll services to companies and banking services to their local and foreign employees.
- Supported by Alliance Cash2Home which is a mobile app solution that uses biometric facial recognition technology to authenticate users.

Details of these programmes are presented on page 13 to page 15 of our 2018 Annual Report.

2. New Digital Mediums

- **allianceonline** Mobile Banking app – new banking capabilities through mobile phones.
- Robotics Process Automation - new software robots with intelligent capabilities to automate operational and customer service activities, to achieve improvements in process efficiency.

## Customer Data Privacy

The Bank takes Customer Data Privacy seriously and ensures that it is protected at all times.

We maintain a Privacy Policy so that employees and customers understand how we collect, use and manage personal data. This is in line with the Personal Data Protection Act (PDPA) 2010, Financial Services Act (FSA) 2013, and the Islamic Financial Services Act (IFSA) 2013.

As systems become more digitalised, the risk of cyber attacks increases. These can take place in the form of unauthorised access, security breaches, information leaks, and more. We recognise these threats, and have put various measures in place to safeguard our corporate as well as customers' data.



## SUSTAINABILITY STATEMENT (Cont'd)

Customer data may be available in hardcopy form or in the system. Access to hardcopy data is restricted to authorised persons only. Documents that contain customer data are kept in locked cabinets. Unused data is destroyed using a paper shredder.

As for system data, access to the system is strictly controlled. System access is only granted according to the job function. Access request is approved only by the approving authority. We also advise employees to lock their personal computers when they are not at their desk and to treat customers' personal data as though it were their own.

### ENVIRONMENT

The Bank is conscious of its impact on the environment, and aims to gradually reduce our environmental footprint by adopting a responsible approach in our daily operations.

We also encourage our employees to be aware of their individual role towards protecting and enhancing the environment.

The Bank has contributed towards the wellbeing of the environment through a few initiatives which are:

- i. Installation of new air conditioning units using only energy efficient and environmentally friendly technology
- ii. Installation of LED lightings at all new and refurbished office floors and branches
- iii. Reduction in paper consumption

We recognise the importance of instilling awareness on protecting the environment and have implemented the projects listed below in hopes of raising awareness to the community around us.

#### i. Eco-Biz Dream Project

Eco-Biz is Malaysia's first environmental-themed business challenge for young entrepreneurs to design and deliver sustainable green solutions. This project aims to equip, inspire and seed the development of the young green leaders who are keen to pursue the environmental entrepreneurs' journey.

The event in 2016 saw 20 leading universities participating in a three-month project to create sustainable eco-friendly business proposals.



Keeper for a Day at Zoo Negara.



In 2017, the competition received many high quality video submissions by student teams from 22 universities on the theme "Saving the Environment with Your Idea".

The 10 teams that advanced to the final round had the opportunity to participate in two new features of the programme. One was a digital business simulation called "Build Your Business", where teams were placed in a risk-free learning environment of making business decisions to achieve the highest net profit at the end of 12 months. This includes strategic business planning, production, pricing and marketing.

The second feature was a two-day, one-night development camp for the finalists. The camp provided training on business model development, market validation to test ideas, as well as storytelling and presentation techniques to help participants fine-tune their proposals for the final pitch.

Using knowledge gathered from the learning sessions and camp, the 10 teams pitched their ideas and business case to an expert panel of judges. The finalists were also quizzed on sustainability, growth and real world application of their business propositions.

The Eco-Biz Dream Project was supported by leading entrepreneurs and environmentalists from EcoKnights, Green

Tech Malaysia, Centre for Environment, Technology and Development Malaysia (CETDEM), and Leaderonomics.

Over the past two years, the Eco-Biz Dream Project has received over 320 submissions from university students in Malaysia, and awarded RM40,000 to budding social entrepreneurs.

Since its launch, we have conducted 43 roadshows at universities, reached out to more than 240,000 people via social media and received more than 300 environmental friendly project submissions. More than 2,236 students participated in the university roadshows, while 90 finalists participated in the Final Pitch Out.

#### ii. Keeper for a Day at Zoo Negara

As part of our commitment to save the environment and contribute to biodiversity and wildlife conservation, we invited volunteers to be zoo keepers for a day. Among the volunteer tasks include husbandry, exhibit cleaning, food preparation and behavioural enrichment activities.

A total of 80 employees and their family members came to support this initiative, and took the opportunity to understand what human impact has on wildlife.

## SOCIAL

### Customer Experience

The banking industry is constantly evolving due to rapid technological developments, digitalisation of operations and urbanisation. Customers have more choices, readily available, offered by banking or non-banking players, which leads to higher expectations in service level quality and delivery. This means we need to ensure our customers are constantly satisfied with our products and services, as well as with how we deliver these products.

In FY2016, we carried out a Forward Positioning Research to understand how our customers and non-customers perceived us and our competitors. Based on this, we developed our brand attributes: innovative solutions that are fast, simple, responsive, and aligned to customers' needs. This resonates with our strategic intent, "To Be the Most Important Relationship for the Financial Success of Business Owners".

To measure how well we fare in communicating our key brand attributes, we conduct a BrandTracker survey every quarter on brand awareness, usage, as well as brand image.

We continue to measure customer satisfaction through the Net Promoter Score (NPS) survey. The bottom-up NPS is a monthly survey. We have identified nine key customer experience touchpoints. Each month, for each touchpoint, our customers tell us how likely they would be recommending the Bank and gives us feedback on their experience with us. This gives us a better insight on what our customers like about us, and aspects that we should be improving on.

While we may not always get it right, we are making steady progress as reflected in the latest results. There is a 12% improvement in our Transactional NPS since we implemented the program in August 2017. These improvements can be seen in our sales application process, relationship managers' interaction with customers across businesses, and complaints handling.

We also carry out a top-down NPS survey to assess how we score when compared to our competitors.

We have a Client Excellence Council to analyse customers' feedback, identify root causes of issues, define action plans, and track implementation. The council members are made up of very senior staff to ensure speed of decision making and implementation. The council also reviews customer complaints and define the corrective actions required.

### Talent Attraction & Retention

The Bank believes that good employees' professional contributions can influence the performance of our business. This is why we consider it important to hire the best fit for our organisation and invest in their personal and professional growth.

We have been strong advocates of the Structured Internship Program endorsed by TalentCorp, in collaboration with the Ministry of Higher Education. In the last financial year, we have placed 45 students/interns in various Departments and Units within the Bank.

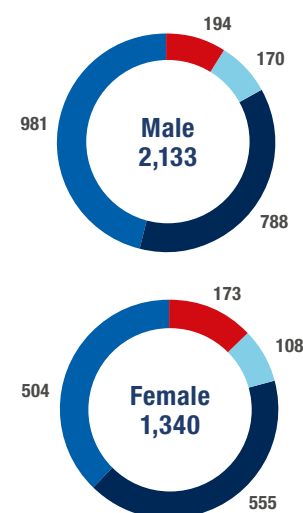
We continue to develop talent capability via the award-winning Alliance Bank Management Trainee Programme which began in 2012. This programme provides management trainees with not only personal growth, but also relevant banking experience, leadership knowledge and skills to contribute to the bench strength of the Bank. To date, 156 management trainees have participated in the programme. We now boast 47% youth (aged 35 and below) engagement in our management workforce.

### New employee hires and employee turnover by age, gender and region

As an equal opportunity employer, the Bank supports gender diversity and equal gender participation in the workplace.

The Bank has a workforce of over 3,400 employees of different age groups and from diverse backgrounds. The greater percentage of our employees is in the 26 to 50 age bracket.

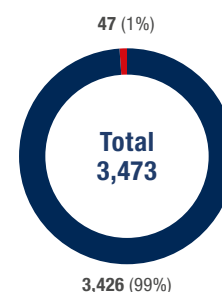
### Number of Employees by Age and Gender



#### Age Group



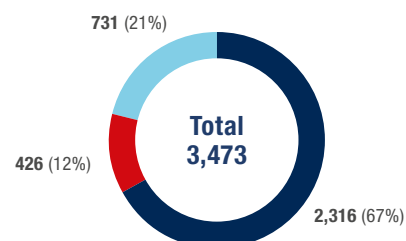
### Permanent vs Contract



#### Headcount Class



### Years of Service



#### Years of Service

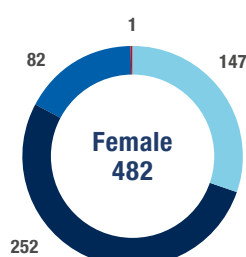
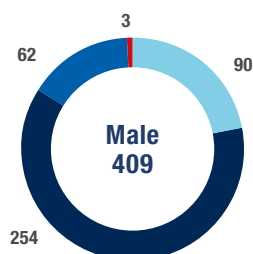


Note: As at 31 March 2018.

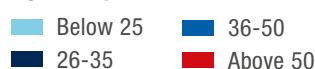


## SUSTAINABILITY STATEMENT (Cont'd)

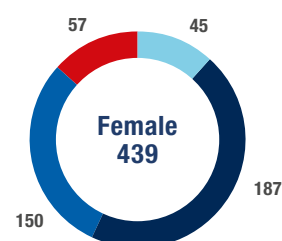
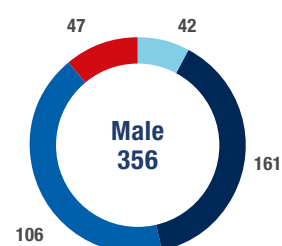
### Recruitment by Age and Gender



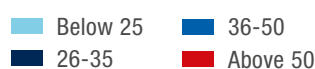
#### Age Group



### Turnover by Age and Gender



#### Age Group



Note: As at 31 March 2018.

The graphs on the left and the tables below show the recruitment and turnover by age, gender and state as at 31 March 2018.

### Recruitment by State

State	Turnover	Hires
Johor	54	36
Kedah	13	6
Labuan	2	0
Melaka	16	6
Negeri Sembilan	8	3
Penang	40	39
Pahang	5	0
Perak	4	4
Sabah	79	20
Selangor	162	186
Sarawak	19	20
Terengganu	6	2
Wilayah Persekutuan	387	569
<b>Grand Total</b>	<b>795</b>	<b>891</b>

Total number of employees that returned to work after parental leave ended that were still employed 12 months after they returned to work, by gender

Parental / Maternal Leave	Male	Female
Entitled	1,327	2,106
Took	39	66
Returned to Work	39	66
Returned to Work (12 months after)	36	63

### Employee Engagement & Wellness

We believe that building a high performance and sustainable work culture begins with engaged employees. These employees help champion the cause of the Bank and ensures that it performs sustainably in a dynamic environment.

The Bank conducts an employee survey called "Voice of Employee" on a quarterly basis. The survey provides a platform for employees to project honest feedback. This is with a view to facilitate greater engagement resulting in corresponding sustainable improvement. This feedback provides invaluable insights that preludes workplace proposition enhancement for better personal and professional development.

Since 2011, our employee engagement index has been steadily improving and is now above the Global High Performing Companies' standard. We scored 87% on our Sustainable Engagement Index (SEI), an improvement over last year's SEI score and 2% higher than the industry average.

Our scores indicated that we have improved significantly in perceived competitive position (+5 points), communication (+4 points), and performance management (+4 points).

We continue to push for proactive employee engagement, such as with the weekly "Huddle" sessions. At these sessions, employees are encouraged to discuss and reflect on different issues within the Bank. These huddles have led to further developmental breakthroughs.



A child taking part in the AEIOU Challenge 3.



Best Financial Education & Awareness  
BNM Karnival Kewangan Kuching 2017.



Best Financial Education & Awareness  
BNM Karnival Kewangan Sabah 2017.



The Bank's Senior Management team rotates their attendance at these sessions across different groups. This is to help build bonds across the organisational layers, and to better understand the sentiments of employees at the grassroots.

The ideas that spring from these huddles are collated and shared with Senior Management members to be selected for implementation. This creates a sense of inclusiveness and ownership among the staff. This also means that their voice has a role in influencing the practices and policies in the Bank.

We also have the "Allies of Alliance" portal, which features an "Ideas Bank" for employees to contribute and discuss new ideas at work. These ideas are assessed and help to create more sustainable and responsive processes and systems within the Bank.

To drive employee engagement at the Bank, we have set up an Internal Communications Committee comprising members from Communications, Marketing, Online Media and Change Management teams.

Fit@Alliance, our employee-centric wellness programme that was launched in 2017, has been making inroads to create employee awareness on personal health. Activities include a Mini "Fit" session comprising a talk on "Fit Malaysia Ignited", Body Combat, Yoga, Zumba and Pilates, weekly classes and health talks.

In addition to the Fit@Alliance programme, the Recreational & Sports Club carries out year-long activities to encourage healthy living through sports participation. During the last financial year, it held sports tournaments (i.e. badminton, futsal, basketball, bowling), Nature Run, Treasure Hunt, Family Day, and Movie Night.

## Corporate Responsibility

Corporate Responsibility is important to us because it gives us an opportunity to give back to the community in ways that have both positive and long-term benefits. In helping others, the Bank builds relationships with customers and local communities.

Among the activities that were carried out to support local communities include:

### i) The AEIOU Challenge

The AEIOU Challenge is a comic-drawing competition for children (Primary 4, 5 and 6) with the aim to educate them on financial literacy in a fun and interactive way.

Through this Challenge, the children learn good money habits such as the culture of saving, being prudent in spending and making smart financial decisions. The programme is recognised and endorsed by the Ministry of Education and BNM.

Since 2015, more than 120 schools have participated in the Challenge and submitted more than 24,000 entries. In 2017, AEIOU Challenge received two regional awards from BNM for "The Best Financial Education Programme for Primary School".

## SUSTAINABILITY STATEMENT (Cont'd)

In FY2018, the third instalment of the AEIOU Challenge saw 10,520 submissions from schoolchildren across the country. This is the highest number of submissions we have received.

Over the three seasons of the AEIOU Challenge, we have successfully reached out to over 300,000 people via 115 school roadshows and social media. More than 16,000 schoolchildren have benefited directly from the school roadshows. We have also received more than 24,000 submissions.

### ii. AEIOU: Going Beyond the Norm

Based on the positive changes effected by the AEIOU Challenge, we decided to implement an outreach initiative for rural schools. The “AEIOU: Going Beyond the Norm” programme sees us helping to refurbish selected rural schools with much-needed educational items to create a more conducive learning environment for the students.

### iii. Giving With A Willing Heart

This programme aims to encourage the staff's spirit of volunteerism and generosity among the underprivileged. Since its inception in 2016, we have contributed to five orphanage homes. Approximately 200 underprivileged children have benefited from the donated items and financial literacy sessions.

### iv. Blood Donation

We collaborate with the National Blood Centre of University Malaya, Huaren Resources Sdn Bhd (Building Management), and Lulu Hypermarket to run a blood donation drive at headquarters and Subang Jaya office. To date, we have had three blood donation campaigns.

### v. Buku Wang Saku

This is an annual initiative under the BNM School Adoption Programme where the Bank distributes books to its adopted schools nationwide. This is to help school children manage their pocket money effectively by keeping track of their spending. They also learn how money works and to plan for a better future. In FY2018, we distributed 32,900 buku wang saku to 329 adopted schools.

### vi. Financial Literacy Pocket Talk at BNM Karnival Kewangan

The Bank was invited to host a pocket talk on smart financial habits for schoolchildren at the BNM Karnival Kewangan in Alor Setar, Kedah. More than 300 participants from local primary schools from around the area took part.

### CONCLUSION

Our sustainability efforts are focused on enhancing our value propositions for our stakeholders and customers towards helping them grow financially.

We will continue to monitor and manage our material matters, and provide reports that are meaningful.

We will be watchful of the industry trends and adapt accordingly to remain in the forefront, and to stay relevant to our stakeholders and customers.

Led by our vision of “Building Alliances to Improve Lives”, we will uphold our sustainability commitments to be the bank of choice to grow and improve the lives of our customers and their extended community network.



Giving With A Willing Heart.



Blood Donation Drive.



# CALENDAR OF SIGNIFICANT EVENTS

## Financial Calendar

for the financial year ended 31 March 2018

Activities	Date
<b>Transfer of Listing Status</b> <ul style="list-style-type: none"> <li>- Transfer of Alliance Financial Group Berhad's listing status on the Main Market of Bursa Malaysia Securities Berhad to Alliance Bank Malaysia Berhad.</li> </ul>	<b>26 September 2017</b>
<b>Announcement of Financial Results</b> <ul style="list-style-type: none"> <li>- First Financial Quarter ended 30 June 2017</li> <li>- Second Financial Quarter ended 30 September 2017</li> <li>- Third Financial Quarter ended 31 December 2017</li> <li>- Fourth Financial Quarter ended 31 March 2018</li> </ul>	<b>29 August 2017</b> <b>30 November 2017</b> <b>26 February 2018</b> <b>31 May 2018</b>
<b>Dividend</b> <ul style="list-style-type: none"> <li>- First interim single tier dividend of 8.5 sen per share <ul style="list-style-type: none"> <li>• Payment Date</li> </ul> </li> <li>- Second interim single tier dividend of 6.8 sen per share <ul style="list-style-type: none"> <li>• Payment Date</li> </ul> </li> </ul>	<b>28 December 2017</b> <b>28 June 2018</b>
<b>General Meeting</b> <ul style="list-style-type: none"> <li>- Notice of 36th Annual General Meeting</li> <li>- 36th Annual General Meeting</li> </ul>	<b>18 June 2018</b> <b>11 July 2018</b>



# CALENDAR OF SIGNIFICANT EVENTS (Cont'd)

## Corporate Calendar

for the financial year ended 31 March 2018

7 April 2017 - 23 March 2018



### ALLIANCE BANK LAUNCHED FIT@ALLIANCE WELLNESS PROGRAMME

Alliance Bank launched Fit@Alliance, its in-house wellness programme, to create awareness and encourage a fitness culture among staff. Activities held included Mini "Fit" sessions and weekly classes such as Body Combat, Yoga, Zumba and Pilates, as well as health talks. The more recently held "Wellness Week" involved various activities to encourage departments to think, act and eat healthy. One of the activities was the Vertical Challenge – a heart-pumping 4-person relay run up the stairs. A total of 72 budding runners making up 18 teams participated in this programme.

20 April 2017

### EARTH DAY – GO GREEN EVERYDAY CAMPAIGN

As part of the Bank's Corporate Responsibility initiative, Alliance Bank collaborated with Forest Research Institute Malaysia (FRIM) to raise awareness on common green issues currently affecting Malaysia and the importance of environmental conservation. The event, held at Menara Multi-Purpose, saw hundreds of pledges received from Alliance Bank staff and the general public to "Go Green Everyday", in an effort to make positive changes to save Mother Earth.

27 April 2017



### LAUNCH OF ALLIANCE ONE ACCOUNT

Alliance Bank launched the Alliance One Account, the first loan consolidation service of its kind in Malaysia. The Alliance One Account offers Malaysians lower monthly loan repayments, savings on total interest or financing costs and/or more cash in hand for their personal use.

29 April 2017



### ALLIANCE ISLAMIC BANK PRESENTS ZAKAT CONTRIBUTION TO THE NEEDY

To give back to the community, Alliance Islamic Bank (AIS) participated in zakat distribution activities of *Karnival Masjid Di Hatiku* programme organised by *Masjid Abu Ubaidah Al-Jarrah* in Taman Seri Rampai, Kuala Lumpur.

At the event, AIS delivered zakat in the form of essential food items purchased from Lulu Hypermarket. Puan Fozia Amanulla, the then-Chief Executive Officer of AIS, received the items on behalf of AIS for the *asnaf*.

*Karnival Masjid Di Hatiku* was officiated by Dato' Ahmad Fauzi Zahari and was attended by Associate Professor Dr Badruddin Hj Ibrahim, Chairman of AIS Shariah Committee, and Encik Mohammad Shidek Nazaran, Head of Shariah, AIS. Encik Shidek also delivered a talk to the local community on the benefits and features of Islamic banking.

21 May 2017



### GIVING WITH A WILLING HEART – GIVING JOY DURING HARI RAYA

Alliance Bank and AIS brought joy to 40 children from the *Rumah Kasih Nurul Hasanah* by giving them a chance to shop for their own *baju raya* at Lulu Departmental Store, for the coming Hari Raya season.

The children and caretakers from the home were treated to a delicious meal after the shopping trip where volunteers from Alliance Bank and AIS took the opportunity to spend time with the children.

23 May 2017



#### ALLIANCE CHATROOM TALK SERIES – CAPTURE EVERY MOMENT IN YOUR LIFE

More than 60 Alliance Bank staff attended the first talk of the Alliance Chatroom Talk Series for the financial year on the topic of eye care, including the do's and don'ts of taking care of the eyes. The talk, entitled "Capture Every Moment in Your Life", featured advice and a free eye check from an optometrist, as well as nourishment tips from a nutritionist.

5 June 2017

#### WORLD ENVIRONMENT DAY – SELFIE CONTEST

In conjunction with World Environment Day, the Bank held a creative selfie contest to promote the importance of saving the environment. Alliance Bank staff had to capture selfies of a "green" act such as picking up rubbish in a public area or putting up new plants at home. The contest awarded 30 winning selfie shots with mystery gifts.

13 June 2017



#### LAUNCH OF ALLIANCE CASH2HOME

Alliance Bank launched the Alliance Cash2Home, a first-in-Malaysia mobile foreign remittance application. Leveraging on facial recognition and optical character recognition technology, Alliance Cash2Home offers on-premise paperless account opening and remittance service via the mobile phone.

14 June 2017



#### GIVING WITH A WILLING HEART – MAJLIS BERBUKA PUASA BERSAMA RUMAH AMAL ASNAF AL-BARAKH

In June 2017, Alliance Bank and AIS hosted a *buka puasa* event for the children of *Rumah Amal Asnaf Al-Barakh* in Ampang. Encik Rizal IL-Ehzan Fadil Azim, the then-Deputy Chief Executive Officer of AIS, and Mr Giuseppe Taibi, Group Chief Marketing & Customer Experience Officer presented the children with *zakat*, *duit raya* and essential items worth RM15,000 which were donated to the homes by Alliance Bank staff. The event was also graced by Ustaz Muhammad Syamim, who delivered a *tazkirah Ramadhan*.

20 June 2017

#### ZAKAT DISTRIBUTION TO UNDERPRIVILEGED CHILDREN AT JAKEL MALL

Underprivileged children and orphans from two charity homes, *Rumah Pengasih Warga Prihatin* and *Pusat Jagaan Suci Rohani*, were the recipients of AIS' *zakat* distribution event at Jakel Mall.

The children received *raya* attire together with *duit raya* as preparation for the Hari Raya celebration. They also celebrated *iftar* (breaking of fast) at a nearby restaurant.

1 July 2017

#### NORTHERN REGION DURIAN FIESTA

The Durian Fiesta was organised by Alliance Bank with the aim to build stronger relationships among colleagues in the northern region. Attended by 60 Alliance Bank and Alliance Investment Bank (AIBB) staff based in Penang, Kedah and Perak, the event was a smashing success!



## CALENDAR OF SIGNIFICANT EVENTS (Cont'd)

### Corporate Calendar

for the financial year ended 31 March 2018

18 July 2017



#### ALLIANCE BANK HARI RAYA CUSTOMER APPRECIATION DINNER

As a gesture of appreciation for its customers and business associates, Alliance Bank and AIS hosted a Hari Raya Appreciation Dinner for customers at One World Hotel, Bandar Utama. The Bank also took the opportunity to hand over part of AIS' business *zakat* amounting to RM33,500 to eligible recipients. The *zakat* distribution was presented by Datuk Wan Azhar bin Wan Ahmad, Chairman of AIS, and Tan Sri Dato' Ahmad bin Mohd Don, Chairman of Alliance Bank. Nine individuals and four organisations including welfare centres, education centres and non-governmental organisations were among the recipients of the *zakat* contributions.

21 July 2017



#### LAUNCH OF AEIOU CHALLENGE 3

The AEIOU Challenge 3 continues its commitment to impart "Smart Financial Habits" among Malaysia's primary schoolchildren aged between 9 and 12 with a comic drawing competition. This year, the competition was refreshed to include engaged learning via interactive video and audio learning booths, trainer-led workshops, games and prizes during school roadshows, and expanded award categories. The launch of AEIOU Challenge 3 was officiated by Dato' P. Kamalanathan, the then-Deputy Minister of Education I in Putrajaya.

22 July 2017



#### ALL-STAR WEEKEND BASKETBALL TOURNAMENT 2017

To promote a healthy lifestyle among staff while increasing interest in the lesser-known sport of basketball, Alliance Bank held a basketball competition called The All-Star Weekend Basketball in July 2017. The tournament also served as a platform to connect people from various departments and to promote team bonding. Over 44 basketball players from 11 teams participated in the tournament.

5 & 12 August 2017



#### ALLIANCE GCEO FUTSAL LEAGUE 2018

Alliance Bank held a futsal league tournament for its staff to cultivate the spirit of teamwork and a sense of competitiveness among staff from various departments. Named the GCEO Futsal League, the event attracted widespread participation within the Bank with more than 80 budding futsal players signing up.

6 August 2017

#### ALLIANCE BANK WINS REGIONAL AWARD FOR FINANCIAL EDUCATION & AWARENESS 2017 AT BNM'S KARNIVAL KEWANGAN

Alliance Bank was awarded the "Regional Award for Financial Education & Awareness 2017" by Bank Negara Malaysia (BNM) during the Karnival Kewangan Sabah 2017 at Suria Shopping Mall in Kota Kinabalu. The award is in recognition of our collective efforts to promote financial education and inclusion, particularly among primary schoolchildren, via the Alliance Bank AEIOU Challenge 3.



17 & 24 August 2017



#### BLOOD DONATION DRIVE AT MENARA MULTI-PURPOSE AND 3ALLIANCE SUBANG JAYA

Alliance Bank, in collaboration with Huaren Resources, Lulu Hypermarket, and University Malaya Medical Centre, organised a blood donation drive at its headquarters in Menara Multi-Purpose. This year, the annually held drive was expanded to include the Bank's 3Alliance Subang Jaya office to encourage participation not only from the staff, but the general public. A total of 270 heroes and heroines from both venues rallied and donated 204 pints of blood.

24 August 2017

#### ALLIANCE BANK GOLF TOURNAMENT FOR GCCT AND SME CUSTOMERS

Alliance Bank organised the annual golf tournament for over 120 Corporate, Commercial and SME Banking customers in appreciation of their support to the Bank throughout the year. This event was also attended by the Bank's directors and senior management team.

5 September 2017



#### ALLIANCE CHATROOM TALK SERIES – CHILDREN'S HEALTH TALK

The second talk from the Alliance Chatroom Talk Series focused on educating Alliance Bank staff on children's health. Collaborating with Bio-Life, the talk featured a nutritionist who spoke on "Probiotics and Digestive Health for Children". The talk carried useful insights for Alliance Bank staff who are parents and parents-to-be.

9 September 2017

#### FISHING COMPETITION 2017

As one of the most popular staff engagement activities in the Bank, Alliance Bank's fishing competition for staff never fails to garner huge participation. Held at Kolam Pancing Air Masin, Seri Kembangan, the competition offers winners prize money totaling RM4,700. Over 40 fishing enthusiasts tried their hand at winning the prize money. The champion walked away with a catch weighing in at 1.63kg and the prize money!

30 September 2017



#### KEEPER FOR A DAY VOLUNTEER PROGRAMME

As part of Alliance Bank's Corporate Responsibility initiative, the "Keeper for a Day" volunteer programme was introduced for the first time this year to Alliance Bank staff and their family members. More than 120 volunteers took the opportunity to walk in the shoes of a zookeeper at Zoo Negara. While the adults had the chance to get up close and personal with the zoo animals with cleaning and feeding tasks, the children spent their day taking part in the interactive Zoo Explorer Challenge.

1 October 2017

#### BOWLING COMPETITION 2017

The coveted annual Alliance Bank Bowling Competition this year attracted participation from 76 staff members, making up 19 different teams, all vying for the title of "Best Bowler" in Alliance Bank.

## CALENDAR OF SIGNIFICANT EVENTS (Cont'd)

### Corporate Calendar

for the financial year ended 31 March 2018

14 - 15 October 2017



#### TREASURE HUNT 2017

One of the most anticipated events of the year, the Treasure Hunt once again proved a high staff engagement activity, enabling staff to solve clues and in the process encourage teamwork. Themed "Car-Toon Trail", the Treasure Hunt was flagged off by Mr Joel Kornreich, Group Chief Executive Officer of Alliance Bank. The hunt this year also welcomed nine teams from Kuantan and Johor. All in all, 100 teams went off on a hunt that took them all the way from Kuala Lumpur to Melaka.

20 October 2017



#### ALLIANCE BANK LAUNCHES ECO-BIZ DREAM PROJECT 2

Alliance Bank launched the second instalment of the Eco-Biz Dream Project, an environmental-themed business pitch for university students at the InterContinental Hotel Kuala Lumpur. The Eco-Biz Dream Project is an initiative to enlist, encourage and nurture an environmental preservation culture among university students. It also encourages students to make a positive impact on the environment by exploring and proposing sustainable and innovative solutions on environmental issues.

11 November 2017



#### ALLIANCE INVESTMENT BANK GOLF CHAMPIONSHIP 2018

For the fourth consecutive year, AIBB held a Golf Championship for its institutional clients. The half-day golf championship at Kelab Golf Sultan Abdul Aziz Shah turned out to be a great success, and provided an opportunity for the Bank's directors and management team to mingle in a casual setting and talk to customers about their businesses, current challenges and future plans.

11 November 2017



#### ALLIANCE FAMILY NATURE RUN 2017

The Alliance Family Nature Run was held at Padang Semarak, Taman Wetlands Putrajaya for staff and family members as a joint fun run-cum-family day event. To encourage staff to spend quality weekend time with their family members, the Alliance Family Nature Run included a fun run for both adults and children, as well as fun fair activities. The event received overwhelming response from over 1,000 staff and their family members.

17 November 2017 (Group Corporate, Commercial & Transactions)  
24 November 2017 (Group SME)

#### ALLIANCE BANK DURIAN FIESTA

Alliance Bank organised its annual popular durian fiesta for over 600 Corporate, Commercial and SME customers at the TPC Kuala Lumpur. This annual event provides a great opportunity for the Bank's staff and business owners to engage in a more relaxed setting and over durian conversations. A wide variety of durians were served including the famous *Musang King*.



17 November 2017 - Kuala Lumpur  
21 November 2017 - Johor Bahru  
24 November 2017 - Penang

### NATIONAL BUDGET SEMINAR FOR SME AND COMMERCIAL BANKING CUSTOMERS

The annual National Budget Seminar was organised in Kuala Lumpur, Johor Bahru and Penang with the aim of providing our SME and Commercial Banking customers with an outlook on Budget 2018, the latest updates on income tax and GST, as well as challenges and opportunities in a digital economy, Digital Free Trade Zone (DFTZ) and China's Belt and Road initiative. The seminar was conducted by our business partner, Koong Lin Loong, CEO of K-Konsult Taxation who is also a renowned commentator of Malaysian taxes, and Peck Boon Soon, economist and Deputy Chairman of Socio-Economic Research committee of the Associated Chinese Chamber of Commerce and Industry Malaysia (ACCIM).

20 November 2017



### BREAKING RECORDS WITH AEIOU CHALLENGE 3

This year's AEIOU Challenge 3 saw record-breaking participation from 10,520 schoolchildren across the country, the highest number of submissions the Challenge has ever received. From 42 roadshows nationwide, a total of 8,500 schoolchildren attended financial education classes to equip themselves with useful money management tips and skills for the future. In support of BNM's call for financial literacy initiatives by financial institutions, Alliance Bank is committed to furthering financial education among young Malaysians through the AEIOU Challenge 3.

26 November 2017

### ANOTHER BEST FINANCIAL EDUCATION & AWARENESS PROGRAMME AWARD FOR AEIOU CHALLENGE 3

Alliance Bank's AEIOU Challenge 3 was once again awarded the Regional Award for Financial Education & Awareness 2017 at BNM's Karnival Kewangan Sarawak 2017. The regional award from BNM was in recognition for the continuous efforts to promote financial education to primary schoolchildren in Sarawak. This is the second time Alliance Bank has received the award from BNM. The award was presented by Encik Shaik Abdul Rasheed bin Abdul Ghaffour, the Deputy Governor of BNM and witnessed by Datuk Professor Dr Sim Kui Hian, the then-minister in the Cabinet of Sarawak.

5 December 2017



### INTERNATIONAL ISLAMIC UNIVERSITY MALAYSIA WON ALLIANCE BANK ECO-BIZ DREAM PROJECT 2

Team Eco Paddy Planter from the International Islamic University Malaysia emerged as the Champion of the Eco-Biz Dream Project 2 and walked away with RM10,000 cash and a trophy. Their winning pitch, Paddy 4.0, is a user-friendly autonomous paddy planting system which seeds, weeds, and manages water controls to help agriculture entrepreneurs produce healthy rice at lower costs. In total, the Eco-Biz Dream Project 2 handed out prizes worth RM20,000 to five winning teams.

19 December 2017



### MOVIE NIGHT 2017 - THE LAST JEDI

Back by popular demand, Alliance Movie Night for staff was organised this year with over 600 staff members signing up to watch one of the year's most anticipated movies, "Star Wars - The Last Jedi". Held at six cinemas regionally, the movie night provided Alliance Bank staff across the country an opportunity to spend after office hours together in a fun and casual setting.

13 January 2018

### SABAH INTERBANK BADMINTON TOURNAMENT 2018

Alliance Bank organised the inaugural Sabah Interbank Badminton Tournament for Sabah staff who expressed interest to participate in a bank-wide competition to determine Sabah's best shuttlers. The players displayed exceptional skills, enthusiasm and team spirit during the tournament.

## CALENDAR OF SIGNIFICANT EVENTS (Cont'd)

### Corporate Calendar

for the financial year ended 31 March 2018

16 January 2018



#### ALLIANCE INVESTMENT BANK 2018 CORPORATE DAY CONFERENCE

AIBB and AllianceDBS Research hosted the 2018 Corporate Day Conference for the local fund management community. Datuk Chua Tee Yong, then-Deputy Minister, Ministry of International Trade & Industry was the keynote speaker for the event. More than 160 fund managers, analysts and corporate representatives attended the one-day event, which showcased 10 public listed companies.

19 January 2018



#### ALLIANCE RETAIL BROKING INVESTMENT TALK 101 FOR STAFF

Following the initial success of ARB's Investment Talk for customers, an inaugural Staff Investment Talk 101 was organised. More than 90 Alliance Bank staff participated. Participants were given an overview on the basics of share trading while discovering the benefits of Alliance One Invest.

18 - 27 January 2018



#### ALLIANCE RETAIL BROKING INVESTMENT TALK 2018 FOR CUSTOMERS

Alliance Retail Broking (ARB) organised a series of Investment Talks nationwide in Alor Setar, Kuala Lumpur, Kluang and Kuantan in collaboration with Bursa Malaysia, AllianceDBS Research, Macquarie Malaysia, Affin Hwang Asset Management and Winvest Global Sdn Bhd. Experts were invited to discuss and speak on various topics. Topics include 'Market Outlook for 2018' by Bernard Ching, Head of Malaysia Research from AllianceDBS Research, 'Trading Warrants the Easy Way' by Johann Sze, Head of Equity Derivative Sales from Macquarie Malaysia and 'Gold – Has it Lost its Shine' by Chong Lee Choo, Director of Innovation Lab and Alternative Investment from Affin Hwang Asset Management.

The joint effort between ARB and its strategic partners attracted over 400 participants. The Investment Talk received favourable feedback and comment from the attendees.

20 January 2018

#### ALLIANCE BANK EDUCATES PRIMARY STUDENTS ON FINANCIAL MANAGEMENT AT THE BNM KARNIVAL KEWANGAN KEDAH

Alliance Bank was able to inject some fun into the financial literacy lessons for schoolchildren during one of the pocket talks at BNM's Karnival Kewangan Kedah in Alor Setar, Kedah. The lively audience of more than 300 students from the local primary schools, engaged actively with the Alliance Bank's simple and clear instructions on how to practice smart financial habits.

Dato' Wira Othman bin Aziz, then-Deputy Minister of Finance I, and Encik Shaik Abdul Rasheed bin Abdul Ghaffour, Deputy Governor of BNM both stopped briefly at the Alliance Bank booth to chat with the CEO of AIS, Encik Rizal IL-Ehzan Fadi Azim.

20 - 21 January 2018

#### INTERNAL STAFF BADMINTON TOURNAMENT 2018

Following the success of the Sabah Interbank Badminton Tournament, Alliance Bank held its annual staff badminton tournament to foster staff engagement and camaraderie through sports. It is also a platform to identify potential talents who can represent the Bank at external tournaments.



5 February 2018

#### PRE-CHINESE NEW YEAR CUSTOMER APPRECIATION DINNER FOR BUSINESS CLIENTS

Over 700 business customers and business partners attended the Pre-Chinese New Year Customer Appreciation Dinner organised by the Bank at Copper Mansion, Petaling Jaya. The guests were treated to a live band performance and Chinese cuisine. The Bank's Corporate, Commercial and SME Banking senior management team and Relationship Managers took the opportunity to extend their appreciation and enhance business working relationships with their customers.

28 February 2018



#### ALLIANCE BANK CHINESE NEW YEAR CUSTOMER APPRECIATION DINNER

To usher in good luck for the New Year, Alliance Bank organised a Chinese New Year Appreciation Dinner for its valued customers and business partners at the Kuala Lumpur Convention Centre. More than 700 people attended the event which featured performances by the Xuan Long Lion Dance Troupe and a live band.

1 March 2018



#### RETAIL BANKER INTERNATIONAL ASIA TRAILBLAZER AWARDS 2018

Alliance Cash2Home and Alliance BizSmart Online Banking took home four awards at the Retail Banker International Asia Trailblazer Awards 2018. Alliance Cash2Home was awarded the "Excellence in Mobile Banking-Customisation" and "Best Multi-Channel Offering", while Alliance BizSmart Online Banking won the "Excellence in Service Innovation" and "Excellence in Business Model Innovation" awards.

10 March 2018



#### GCEO FUTSAL CUP 2018

The GCEO Futsal Cup tournament, held annually since 2009, drew participation from 80 staff to vie for the coveted GCEO Cup. It is one of the most anticipated events of the year due to the popularity of the sport and strong staff participation.

22 March 2018



#### THE ASIAN BANKER EXCELLENCE IN RETAIL FINANCIAL SERVICES AWARDS 2018

Alliance Bank won the award for "Best Digital Sales Initiative, Application or Programme" from the prestigious Asian Banker for Alliance BizSmart Online Banking solution.



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## GUIDANCE ADHERED TO

- Malaysian Code on Corporate Governance issued in 2017 (the Code)
- Bursa Malaysia Securities Berhad (Bursa Securities) Main Market Listing Requirements
- Bursa Malaysia Corporate Governance Guide
- Bank Negara Malaysia's (BNM) Policy Document on Corporate Governance (BNM CG Policy)

The following governance overview statement is to be read in conjunction with the Corporate Governance Report which is accessible online at

 [www.alliancebank.com.my](http://www.alliancebank.com.my)

## Board Charter

The Board of Directors (Board) of Alliance Bank Malaysia Berhad (Alliance Bank or the Bank) has adopted a charter which sets out the mandates, responsibilities and procedures of the Board and the Board Committees, including the matters reserved for the Board's decision. The charter is reviewed from time-to-time and updated in accordance with the needs of the Bank and any changes in regulations to ensure its continued relevance to the Board.

The Board Charter is available on the Bank's corporate website at

 [www.alliancebank.com.my](http://www.alliancebank.com.my)

## Code of Conduct


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

The Code of Conduct is available on the Bank's corporate website at

 [www.alliancebank.com.my](http://www.alliancebank.com.my)


### Leadership

The Board has clear divisions of responsibility and is collectively responsible for the long-term success of the Bank.

 More information can be found on pages 41 to 56.


### Effectiveness

We evaluate the balance of experience, skills, knowledge and independence elements of the Board to ensure we are effective.

 More information can be found on pages 57 to 66.


### Audit and Risk Management

We present a fair, balanced and understandable assessment of the Bank's position and prospects. Our decisions are discussed within the context of the risks involved.

 More information can be found on pages 67 to 74.

### Relations with Shareholders

Strong relationships with our shareholders are crucial for the successful execution of our strategy.

 More information can be found on page 75.

## Leadership

### CREATING THE RIGHT CULTURE THROUGH OUR GOVERNANCE FRAMEWORK

The Board of Alliance Bank considers good corporate governance to be the foundation of a well-managed institution. The Board is fully committed to integrity and fair dealing in all its activities, and has endeavoured to adopt the best practices of corporate governance in all areas of its business towards enhancing business prosperity and corporate accountability with the ultimate objective of safeguarding the interests of all stakeholders and enhancing shareholders' value.

The Bank's approach to corporate governance practices is in conformity with BNM CG Policy and is guided by the principles and practices set out in the Code.

#### The Role of the Board

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

##### Key Responsibilities of the Board

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

#### Operation of the Board

We schedule Board meetings at least eight times a year, with Directors attending in person. Matters which require decisions outside the scheduled meetings are dealt with through additional ad hoc meetings. In total, we met formally as a Board 14 times during the financial year ended 31 March 2018 (FY2018).

At each regularly scheduled meeting, we receive reports from the Group CEO and Group Chief Financial Officer on the performance and results of Alliance Bank. The Heads of Business units of the Bank regularly update the Board on the performance, strategic developments and initiatives in their respective segment throughout the year. The Board also receives updates on internal control and risk management, legal, compliance, internal audit, human resources, and corporate responsibility matters.

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

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

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

## Leadership

### The Board

Responsible for the overall conduct of Alliance Bank's business including our long-term success; setting our values, standards and strategic objectives; reviewing our performance; and ensuring a successful dialogue with our shareholders.



#### Chairman

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



#### Senior Independent Director

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



#### Non-Executive Directors

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



#### Group Chief Executive Officer

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

## Board Committees

Delegated to by the Board and responsible for overseeing implementation of strategies and policies; and maintaining effective governance in the following areas: business decisions, audit and risk, remuneration, Board composition, succession planning and corporate governance.



### Executive Committee (EXCO)

The EXCO reviews/approves loan applications and other business matters recommended by the Management which are within its financial limits set by the Board. It also reviews and recommends strategies and policies for the Board's approval and oversees their implementation.

The Group Nomination & Remuneration Committee (Group NRC), Group Audit Committee (Group AC) and Group Risk Management Committee (Group RMC) operate on a Group basis covering the Bank and its two principal subsidiaries, namely Alliance Islamic Bank Berhad (AIS) and Alliance Investment Bank Berhad (AIBB) (collectively "the Group").



### Group NRC

The Group NRC is responsible to support the Boards in carrying out their functions in the following matters concerning the Boards, Shariah Committee, Senior Management and Company Secretary:

- Appointment and removals;
- Composition of the Boards;
- Performance evaluation and development; and
- Fit and proper assessments,

and actively overseeing the design and operation of the Bank's remuneration system, as prescribed in its Terms of Reference. Further, Group NRC also periodically reviews the remuneration of Directors on the Board, particularly on whether remuneration remains appropriate to each Director's contribution, taking into account the level of expertise, commitment and responsibilities undertaken.



### Group AC

Group AC assists the Boards in relation to the oversight of the Group's financial and reporting processes. It monitors the integrity of the financial statements and supervises both the internal and external audit processes, reporting back to the Board. It reviews the effectiveness of the policies, procedures and systems in place related to, among other operational risks, compliance, IT and Information Systems (including cyber security) and works closely with the Group RMC in connection with assessing the effectiveness of the risk management and internal control framework.



### Group RMC

Group RMC assists the Boards to oversee the Senior Management's activities in managing credit, market, liquidity, operational, legal and other risks as well as to ensure that the risk management process is in place and functioning according to its purposes.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

### Leadership - Board of Directors

“

**WE SEE OUR BOARD AS  
A TEAM CONSISTING  
OF INDIVIDUALS EACH  
HAVING DIFFERENT AREAS  
OF EXPERTISE, BUT WHO  
COLLECTIVELY ENGAGE IN  
THE FULL RANGE OF ISSUES  
FACING THE BANK.**

”



**TAN SRI DATO' AHMAD BIN MOHD DON**  
Chairman, Independent Non-Executive  
Director

**Member of Group Nomination &  
Remuneration Committee**

Malaysian / Male / Aged 70

Tan Sri Dato' Ahmad was appointed Chairman of the Alliance Bank Malaysia Berhad Board of Directors on 1 February 2017.

Tan Sri Dato' Ahmad is a summa cum laude graduate in Economics and Business from the Aberystwyth University, United Kingdom. He is also a Fellow of the Institute of Chartered Accountants in England and Wales, and a Member of the Malaysian Institute of Certified Public Accountants.

Tan Sri Dato' Ahmad has extensive experience in finance and banking, having worked in various capacities with Pernas Securities Sdn Bhd, Permodalan Nasional Berhad, and Malayan Banking Berhad. He served as Group Managing Director and Chief Executive Officer of Malayan Banking Berhad from 1991 to 1994. Tan Sri Dato' Ahmad was the Governor of Bank Negara Malaysia for four years from May 1994 to August 1998.

Tan Sri Dato' Ahmad is also Chairman of the Boards of Zurich Takaful Berhad, Zurich Life Insurance Malaysia Berhad, Hap Seng Plantations Holdings Berhad, and Sunway REIT Management Sdn Bhd. He holds directorships on the Boards of United Malacca Berhad and MAA Group Berhad.



**OU SHIAN WAEI**  
Senior Independent Non-Executive Director

**Chairman of Group Nomination &  
Remuneration Committee**

**Member of the Executive Committee**

Malaysian / Male / Aged 67

Mr Ou Shian Waei was appointed to the Alliance Bank Malaysia Berhad Board of Directors on 8 December 2010.

Mr Ou holds a Bachelor of Science degree in Chemistry from the University of Malaya.

He began his career with a local bank as a management trainee from 1976 to 1980. He then joined IBM Malaysia in 1981 as a trainee System Engineer and held various technical and management positions before retiring as Managing Director of IBM Malaysia in January 2010 after almost 30 years of service.

Mr Ou was the PIKOM (Association of Malaysia Computer Industry) Councillor from 1997 to 1998 and was awarded the 'Key Industry Leader Award' in 2006 by PIKOM (now known as The National ICT Association of Malaysia) for his contributions to Malaysia's IT industry. He was also the Chairman of the National International Technology Council (NITC) Taskforce for IT literacy in 1997 and Adjunct Professor for the Department of Economics & Business Administration at Universiti Putra Malaysia from 1998 to 1999.

Mr Ou serves as the Chairman of AIG Malaysia Insurance Berhad. He is also a director of Public Interest Director of Private Pension Administrator Malaysia.





**KUNG BENG HONG**  
Non-Independent Non-Executive Director

**Member of Group Nomination & Remuneration Committee and the Executive Committee**

Malaysian / Male / Aged 73

Mr Kung Beng Hong was appointed to the Alliance Bank Malaysia Berhad Board of Directors on 28 December 2007.

Mr Kung holds a Bachelor of Arts (Honours) degree in Analytical Economics from the University of Malaya. He is a Fellow of the Institute of Bankers Malaysia (now known as The Asian Institute of Chartered Bankers).

He has 50 years of working experience in the banking industry, and has held numerous senior management positions, mainly in Malaysia, including Chief Executive Officer positions in three banks and directorships in five banks. He also held various positions at Citibank N.A. in the United States and Singapore.

Mr Kung is currently an Advisor to Fullerton Financial Holdings (International) Pte Ltd.

He is also the Chairman of the Board of Alliance Investment Bank Berhad, and serves on the Boards of Asian Institute of Finance Berhad, UOA Asset Management Sdn Bhd, and Quill Motorcars Sdn Bhd.



**KUAH HUN LIANG**  
Independent Non-Executive Director

**Chairman of Group Risk Management Committee**

**Member of Group Audit Committee**

Malaysian / Male / Aged 56

Mr Kuah Hun Liang was appointed to the Alliance Bank Malaysia Berhad Board of Directors on 15 December 2011.

Mr Kuah holds a Bachelor of Science (Honours) degree in Applied Economics from the University of East London, United Kingdom.

He has over 30 years of experience in the financial services industry having begun his career at Public Bank in 1983. He joined Deutsche Bank AG in 1989 where he served as Treasurer and was then promoted as Head of Global Markets when the bank ventured into investment banking. In 2000, he was appointed as an Executive Director of Deutsche Bank (M) Berhad and was promoted to Managing Director and Chief Executive Officer in 2002, positions he held until 2006.

Mr Kuah is a Director of Alliance Investment Bank Berhad. He also holds directorships in Multi-Purpose Capital Holdings Berhad, Rexit Berhad and MPH Capital Berhad.



**LEE AH BOON**  
Non-Independent Non-Executive Director

**Chairman of the Executive Committee**

**Member of Group Nomination & Remuneration Committee**

Singaporean / Male / Aged 67

Mr Lee Ah Boon was appointed to the Alliance Bank Malaysia Berhad Board of Directors on 18 April 2012.

Mr Lee holds a Bachelor of Accounting (Honours) degree from the National University of Singapore.

He joined Citibank in 1990 and served in a variety of Consumer Banking roles in Singapore including that of Chief Financial Officer, Senior Operations Officer, Head of Credit Card business and Business Manager. In 2005, he started up Citibank's Consumer Business in China and returned to Singapore as Regional Operations Head of Citibank before joining Barclays Bank in early 2009 as its International Technology Head for the Global Retail and Commercial Bank businesses.

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

Mr Lee is currently a Senior Advisor of Fullerton Financial Holdings (International) Pte Ltd.

He also serves as a director on the Board of Sungchob Fund Pte Ltd.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

## Leadership - Board of Directors



**DATUK WAN AZHAR BIN WAN AHMAD**  
Independent Non-Executive Director

**Member of Group Nomination & Remuneration Committee, Group Audit Committee and the Executive Committee**

Malaysian / Male / Aged 59

Datuk Wan Azhar bin Wan Ahmad was appointed to the Alliance Bank Malaysia Berhad Board of Directors on 7 April 2015.

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

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

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

Datuk Wan Azhar is currently the Chairman of Alliance Islamic Bank Berhad.

Datuk Wan Azhar also serves as a director on the Board of Bank Pembangunan Malaysia Berhad and the Board of Trustees of NAMA Foundation. He is also Chairman of Global Maritime Venture Berhad, BI Credit & Leasing Berhad, Pembangunan Leasing Corporation Sdn Bhd, PLC Credit & Factoring Sdn Bhd, SME Growth Acceleration Fund Sdn Bhd, and the Small Debt Resolution Committee (SDRC) at Bank Negara Malaysia.



**LEE BOON HUAT**  
Independent Non-Executive Director

**Member of Group Nomination & Remuneration Committee, Group Risk Management Committee and the Executive Committee**

Singaporean / Male / Aged 60

Mr Lee Boon Huat was appointed to the Alliance Bank Malaysia Berhad Board of Directors on 7 April 2015.

Mr Lee holds a Bachelor of Business (Accounting) degree from the Western Australia Institute of Technology, Australia.

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

Mr Lee serves as a director on the Boards of AfrAsia Bank Ltd, British and Malayan Trustees Limited, British and Malayan Holdings Limited, Technological and Commercial Joint-stock Bank, Vietnam, and several other private corporations.



**HO HON CHEONG**  
Non-Independent Non-Executive Director

**Member of Group Audit Committee and Group Risk Management Committee**

Malaysian / Male / Aged 63

Mr Ho Hon Cheong was appointed to the Alliance Bank Malaysia Berhad Board of Directors on 26 August 2015.

Mr Ho graduated from the University of Malaya with a Bachelor of Engineering (Honours) in 1978, and from McGill University, Canada in 1980 with a Master of Business Administration degree in Finance & Accounting.

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

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

Mr Ho is currently a Senior Advisor to Temasek International Advisors Pte Ltd.

He is a director of AIA Singapore Pte Ltd and a Commissioner of PT Chandra Asri Petrochemical TBK. He is also the Non-Executive Chairman of Frasers Logistics & Industrial Trust.



**THAYAPARAN S. SANGARAPILLAI**  
Independent Non-Executive Director

**Chairman of Group Audit Committee**

Malaysian / Male / Aged 63

Mr Thayaparan S. Sangarapillai was appointed to the Alliance Bank Malaysia Berhad Board of Directors on 10 May 2016.

Mr Thaya trained as an accountant in London and qualified as a Chartered Accountant in 1982. He is a Fellow of the Institute of Chartered Accountants in England and Wales. He is also a member of the Malaysian Institute of Certified Public Accountants, and the Malaysian Institute of Accountants.

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

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

Mr Thaya serves as a director on the Boards of Sime Darby Berhad, AIG Malaysia Insurance Berhad, edotco Group Sdn Bhd, and Robi Axiata Limited.



**TAN CHIAN KHONG**  
Independent Non-Executive Director

**Member of Group Audit Committee**

Singaporean / Male / Aged 62

Mr Tan Chian Khong was appointed to the Alliance Bank Malaysia Berhad Board of Directors on 26 September 2017.

Mr Tan holds a Bachelor of Accountancy from National University of Singapore, a Master of Business Administration degree from the University of South Australia, and a Master of International Environmental Management degree from the University of Adelaide, Australia. He is a member of the American Institute of Certified Public Accountants, and a Fellow of the Institute of Singapore Chartered Accountants and of CPA Australia.

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

Mr Tan currently serves on the Boards of Hong Leong Asia Ltd, Xinghua Port Holdings Ltd, The Straits Trading Company Ltd and Casino Regulatory Authority of Singapore, a statutory board of Singapore. He is an Honorary Executive Director of Trailblazer Foundation Ltd and a member of Rules Change Panel of Energy Market Company Pte Ltd.



**MAZIDAH BINTI ABDUL MALIK**  
Independent Non-Executive Director, AIBB

**Member of Group Risk Management Committee**

Malaysian / Female / Aged 59

Puan Mazidah binti Abdul Malik was appointed to the Alliance Investment Bank Berhad Board of Directors on 18 January 2016.

Puan Mazidah holds a Bachelor in Business Administration degree from Ohio University, USA, and a Master of Law Executive (Banking Law) degree from the International Islamic University, Malaysia. She also has a Certificate in Islamic Financial Planning from the Islamic Banking and Finance Institute, Malaysia.

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

Puan Mazidah also serves on the Boards of Prudential BSN Takaful Berhad, Bursa Malaysia Securities Berhad, and Bursa Malaysia Securities Clearing Sdn Bhd.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

## Leadership - Board of Directors



**DATO' YEOH BEOW TIT**  
Independent Non-Executive Director, AIBB

Malaysian / Male / Aged 69

Dato' Yeoh Beow Tit was appointed to the Alliance Investment Bank Berhad Board of Directors on 17 May 2016.

Dato' Yeoh graduated with a Bachelor of Economics (Double Major in Economics and Operations Research) degree from Monash University, Australia, in 1972 before obtaining his Master of Science in Management degree from the University of Salford, Manchester, United Kingdom, in 1975. He was conferred the title Fellow to the Asian Institute of Chartered Bankers (formerly known as Institute of Bankers Malaysia) by the Governor of Bank Negara Malaysia in April 2002.

Dato' Yeoh was the director of Corporate Banking Group for Citibank Berhad before joining OCBC Bank Malaysia Berhad in March 1996 as Chief Executive Officer. He has held various senior positions within the company.

Dato' Yeoh's other directorships in other companies are in Great Eastern Life Assurance (Malaysia) Berhad, Great Eastern General Insurance (Malaysia) Berhad, Cagamas SRP Berhad and Cagamas MBS Berhad.



**TUAN HAJI MD ALI BIN MD SARIF**  
Independent Non-Executive Director, AIS

Malaysian / Male / Aged 64

Tuan Haji Md Ali bin Md Sarif was appointed to the Alliance Islamic Bank Berhad Board of Directors on 23 March 2011.

Tuan Haji Md Ali holds a Bachelor of Economics degree from the University of Malaya, and a Master of Business Administration degree in Finance from Universiti Kebangsaan Malaysia (UKM). He also has a Diploma in Islamic Studies, and a Post-Graduate Diploma in Islamic Law from UKM.

Tuan Haji Md Ali was with the Maybank Group from 1976, holding various senior positions until his retirement in 2008 as Head of Planning, Maybank Islamic Berhad. He has extensive experience in the areas of Islamic banking, corporate planning, asset and liability management, as well as banking operations.

Tuan Haji Md Ali was a Distinguished Academic Fellow of the Institute of Islamic Banking and Finance (IIBF) at International Islamic University Malaysia from 2008 to 2014.



**DATO' MAJID BIN MOHAMAD**  
Independent Non-Executive Director, AIS

Malaysian / Male / Aged 64

Dato' Majid bin Mohamad was appointed to the Alliance Islamic Bank Berhad Board of Directors on 6 September 2013.

Dato' Majid holds a Bachelor of Arts (Honours) degree from the University of Malaya, and a Master of Business Administration degree from Manchester Business School, United Kingdom. He also attended senior management programmes at Harvard Business School, United States, and INSEAD, France.

Dato' Majid has extensive experience in setting up, regulatory planning, and rehabilitation of financial and insurance institutions. He started his banking career at Bank Negara Malaysia in 1977 and has held various supervisory roles in key departments including audit, economics, bank and insurance regulation. He was Chief Executive Officer of several life and general insurance companies in Malaysia including Pacific and Orient Insurance Berhad, Malaysia National Insurance Berhad, The People's Insurance Co. (Malaysia) Berhad, and Talasco Insurance Berhad. In 2001, he facilitated the successful merger of Talasco Insurance Berhad and The People's Insurance Co. (Malaysia) Berhad. He retired as Chief Executive Officer and President of Labuan Reinsurance (L) Ltd at the end of 2010.

Dato' Majid is currently the Managing Advisor of MBM Advisors (L) Ltd, a consultancy outfit based at the Labuan International Business and Financial Centre, and Technical Advisor to the Labuan International Insurance Association. He also serves on the Investment Committee of Universiti Malaysia Pahang.

Dato' Majid is the Chairman of the Boards of Etiqa Family Takaful Berhad, Etiqa General Takaful Berhad and UMP Holdings Sdn Bhd. He also holds directorships on the Boards of Maybank Ageas Holdings Berhad, Pasdec Resources (South Africa) Ltd, and Pasdec Holdings Berhad.





**TUAN HAJI IBRAHIM BIN HASSAN**  
Independent Non-Executive Director, AIS

**Member of Group Risk Management Committee**

Malaysian / Male / Aged 62

Tuan Haji Ibrahim bin Hassan was appointed to the Alliance Islamic Bank Berhad Board of Directors on 1 September 2016.

Tuan Haji Ibrahim holds a Bachelor of Economics (Hons) degree from the University of Malaya. He has over 30 years of banking experience, and was the Managing Director/Chief Executive Officer of RHB Islamic Bank Berhad from 2 September 2013 to 1 August 2016.

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

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

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

## ADDITIONAL INFORMATION OF DIRECTORS OF ALLIANCE BANK

### (i) Family relationship

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

### (ii) Conflict of interests

None of the Directors have any conflict of interests with the Bank.

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

None of the Directors have been convicted for any offences within the past 5 years (other than traffic offences) and have been imposed any public sanction or penalty by the relevant regulatory bodies during the FY2018.

### (iv) Attendance of Directors at Board Meetings

There were 14 Board Meetings held during the FY2018. Details of attendance of Directors at Board Meetings are as follows:

No.	Name of Directors	Attendance	Percentage
1.	Tan Sri Dato' Ahmad bin Mohd Don	14/14	100%
2.	Ou Shian Waei	13/14	93%
3.	Lee Ah Boon	14/14	100%
4.	Kung Beng Hong	13/14	93%
5.	Kuah Hun Liang	14/14	100%
6.	Datuk Wan Azhar bin Wan Ahmad	14/14	100%
7.	Lee Boon Huat	13/14	93%
8.	Ho Hon Cheong	13/14	93%
9.	Thayaparan S. Sangarapillai	13/14	93%
10.	Tan Chian Khong	7/7	100%



# CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

## Leadership - Senior Management

### SENIOR MANAGEMENT

**Joel Kornreich**

Group Chief Executive Officer

**Kong Kim Yihe**

Group Chief Operating Officer

**Suparman Kusuma**

Head, Group Consumer Banking

**Ernest Kwong Kah Wah**

Head, Group SME

**Jeff Tham Kok Kuen**

Head, Group Corporate, Commercial and Transactions

**Tan Eng Kiang**

Head, Group Financial Markets

**Mahesh S/O Shri Pranlal Rupawalla**

Chief Executive Officer,  
Alliance Investment Bank Berhad

**Rizal IL-Ehzan Fadil Azim**

Chief Executive Officer,  
Alliance Islamic Bank Berhad

**Foziakhatoon binti Amanulla Khan**

Chief Business Development Officer

**Raymond Wong Lai Loong**

Group Chief Financial Officer

**Aaron Sum Wei Wern**

Head, Group Strategy &  
Performance Management

**Peter Fong Seow Loong**

Group Chief Credit Officer

**Pang Choon Han**

Group Chief Risk Officer

**Giuseppe Taibi**

Group Chief Marketing &  
Customer Experience Officer

**Chew Siew Suan**

Head, Group Human Resource

**Manuel Bulens**

Group Chief Administrative Officer

**Leong Sow Yoke**

Group Chief Internal Auditor

**Ang Lek Hui**

Group Chief Compliance Officer

**Lee Wei Yen**

Group Company Secretary



**JOEL KORNREICH**  
Group Chief Executive Officer

Belgian / Male / Aged 52

Mr Joel Kornreich is the Group Chief Executive Officer of Alliance Bank Malaysia Berhad. He joined Alliance Bank on 1 January 2015. He was appointed to the Board of Directors of Alliance Islamic Bank Berhad on 10 October 2017.

He is an experienced banker with more than 26 years in the financial services industry. Before joining Alliance Bank, Mr Kornreich was with Citigroup for 20 years in various roles around the world. His last position with Citigroup was as its Country Business Manager of Citibank Global Consumer Group, South Korea. Prior to this, he served as Chief Executive Officer for Spain, Belgium and Greece and managed Citigroup's Consumer Banking businesses in Indonesia and Russia.

Before his tenure in Indonesia and Europe, Mr Kornreich was Citigroup's Marketing Director and Head of Mortgages and Liabilities for Asia Pacific, as well as Retail Banking Head for Singapore.

Prior to this, Mr Kornreich was a senior member of the Consumer Banking Team of ABN AMRO Bank as Head of Sales and Distribution for Asia, and Consumer Banking business manager for Indonesia and Hong Kong.

He holds a Masters of Science in Business Engineering with Magna cum Laude from Solvay Business School in Brussels, Belgium and is a Chartered Banker.

Mr Kornreich does not have any family relationship with any directors and/or major shareholders of the Bank. He does not have any conflict of interests with the Bank. He has not been convicted of any offences within the past five years (other than traffic offences), and had no public sanction or penalty imposed upon him by the relevant regulatory bodies during the financial year.



**KONG KIM YIHE**  
Group Chief Operating Officer

Malaysian / Male / Aged 54

Mr Kong Kim Yihe is the Executive Vice President and Group Chief Operating Officer of Alliance Bank Malaysia Berhad. He joined Alliance Bank on 23 March 2016. In his role, Mr Kong manages areas related to banking operations and information technology.

He brings to the table more than 30 years of experience in technology-related operations in the financial services industry. He previously served with CIMB Bank and Phileo Allied Bank, and has also served in the non-financial services sectors with a global IT company and a multinational insurance company.

Prior to joining Alliance Bank, Mr Kong was the Group Chief Technology Officer of The Edge Media Group.

He holds a Master of Business Administration from the National University of Singapore, and is a Fellow of the Life Management Institute, USA.

Mr Kong does not have any family relationship with any directors and/or major shareholders of the Bank. He does not have any conflict of interests with the Bank. He has not been convicted of any offences within the past five years (other than traffic offences), and had no public sanction or penalty imposed upon him by the relevant regulatory bodies during the financial year.



**SUPARMAN KUSUMA**  
Head, Group Consumer Banking

Indonesian / Male / Aged 49

Mr Suparman Kusuma is the Executive Vice President and Head, Group Consumer Banking of Alliance Bank Malaysia Berhad. He joined Alliance Bank on 22 July 2015 and oversees all aspects of Consumer Banking, including wealth management, cards, loans, deposits, and bancassurance.

Mr Kusuma has over 27 years of experience in Consumer Banking. Prior to his appointment at Alliance Bank, Mr Kusuma was the Managing Director, Consumer Banking at Bank Mega in Indonesia.

He served with various banking institutions in Asia and the Middle East, including with Citibank, Emirates National Bank of Dubai, Tokyo Star Bank, Standard Chartered Bank in Taiwan, Hong Kong and Singapore, as well as Bank Danamon in Indonesia.

Mr Kusuma holds a Bachelor of Science in Mathematics and Business Administration from the University of Pittsburgh, USA.

Mr Kusuma does not have any family relationship with any directors and/or major shareholders of the Bank. He does not have any conflict of interests with the Bank. He has not been convicted of any offences within the past five years (other than traffic offences), and had no public sanction or penalty imposed upon him by the relevant regulatory bodies during the financial year.



**ERNEST KWONG KAH WAH**  
Head, Group SME

Malaysian / Male / Aged 44

Mr Ernest Kwong is the Executive Vice President and Head, Group SME of Alliance Bank Malaysia Berhad. He joined Alliance Bank on 10 November 2006 as Head of Remedial Management before moving on to several other roles within the business banking segment. He was appointed to his current role on 12 November 2016 and oversees the SME banking operations at the Bank.

Mr Kwong has over 21 years of experience in the SME and Commercial segments in both local and international financial institutions. Before assuming his current role, he was instrumental in the revamp of the Bank's financial programmes, in which he led a team to assess the viability and relevance of the SME programmes at every business life stage. Besides SME banking, he was also involved in credit, recovery and sales roles.

Prior to his current appointment, Mr Kwong was the Head of Commercial Banking.

Mr Kwong holds a Bachelor of Business Administration (Hons) majoring in Finance from University Utara Malaysia.

Mr Kwong does not have any family relationship with any directors and/or major shareholders of the Bank. He does not have any conflict of interests with the Bank. He has not been convicted of any offences within the past five years (other than traffic offences), and had no public sanction or penalty imposed upon him by the relevant regulatory bodies during the financial year.



**JEFF THAM KOK KUEN**  
Head, Group Corporate, Commercial and Transactions

Malaysian / Male / Aged 49

Mr Jeff Tham is the Executive Vice President and Head, Group Corporate, Commercial and Transactions of Alliance Bank Malaysia Berhad. He joined Alliance Bank on 6 July 2015.

Mr Tham has over 25 years of experience in the financial services industry. He was previously attached to HSBC Malaysia and UOB Malaysia, covering various roles encompassing commercial and corporate banking, credit underwriting, trade services, and business management.

He holds a Bachelor's Degree in Business with distinction from Curtin University of Technology, Australia.

Mr Tham does not have any family relationship with any directors and/or major shareholders of the Bank. He does not have any conflict of interests with the Bank. He has not been convicted of any offences within the past five years (other than traffic offences), and had no public sanction or penalty imposed upon him by the relevant regulatory bodies during the financial year.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

## Leadership - Senior Management



**TAN ENG KIANG**  
Head, Group Financial Markets

Malaysian / Male / Aged 54

Mr Tan Eng Kiang is the Executive Vice President and Head, Group Financial Markets of Alliance Bank Malaysia Berhad. He joined Alliance Bank on 14 July 2014 as Deputy Head, Financial Markets prior to his current appointment on 25 November 2014.

Mr Tan brings with him more than 25 years of experience in financial markets, having worked in several banks and banking groups in various capacities including treasury operations, sales, trading, funding, and liquidity management.

He is an Associate Member of The Chartered Institute of Management Accountants, UK.

Mr Tan does not have any family relationship with any directors and/or major shareholders of the Bank. He does not have any conflict of interests with the Bank. He has not been convicted of any offences within the past five years (other than traffic offences), and had no public sanction or penalty imposed upon him by the relevant regulatory bodies during the financial year.



**MAHESH S/O SHRI PRANLAL RUPAWALLA**  
Chief Executive Officer,  
Alliance Investment Bank Berhad

Singaporean / Male / Aged 57

Mr Rupawalla is the Chief Executive Officer of Alliance Investment Bank Berhad (AIBB). He joined AIBB on 21 April 2014.

Mr Rupawalla has more than 27 years of experience in the financial services industry. He began his career with the Monetary Authority of Singapore (MAS) and held the position of Assistant Director, Securities Industry Department when he left nine years later. He subsequently spent the next 11 years of his career with DBS Bank Ltd., Singapore, rising to the position of Regional Managing Director, Mergers and Acquisitions Advisory. Thereafter, Mr Rupawalla established a consultancy firm focused on corporate finance, acquisition and fund raising advisory to clients in South East Asia.

Prior to joining AIBB, he was the Chief Executive Officer of HwangDBS Investment Bank for three years.

Mr Rupawalla holds a Bachelor of Business Administration from the National University of Singapore and a Master of Finance from the Royal Melbourne Institute of Technology, Australia. He is also a Chartered Banker with the Asian Institute of Chartered Bankers (UK).

Mr Rupawalla does not have any family relationship with any directors and/or major shareholders of the Bank. He does not have any conflict of interests with the Bank. He has not been convicted of any offences within the past five years (other than traffic offences), and had no public sanction or penalty imposed upon him by the relevant regulatory bodies during the financial year.



**RIZAL IL-EHZAN FADIL AZIM**  
Chief Executive Officer,  
Alliance Islamic Bank Berhad

Malaysian / Male / Aged 47

En Rizal IL-Ehzan Fadil Azim is the Chief Executive Officer of Alliance Islamic Bank Berhad (AIS). He was appointed to his current role on 1 August 2017. Prior to his current role, he was the Deputy Chief Executive Officer and Senior Vice President, Strategy and Business Performance of AIS.

En Rizal has over 23 years of experience in business advisory, banking and finance, including in Islamic Banking. Before joining AIS, he served at Hong Leong Islamic Bank, EONCAP Islamic Bank, the Boston Consulting Group, and Bank Negara Malaysia.

En Rizal holds a Bachelor of Science (Hons) degree from the University of Warwick, UK.

En Rizal does not have any family relationship with any directors and/or major shareholders of the Bank. He does not have any conflict of interests with the Bank. He has not been convicted of any offences within the past five years (other than traffic offences), and had no public sanction or penalty imposed upon him by the relevant regulatory bodies during the financial year.



**FOZIAKHATOON BINTI AMANULLA KHAN**  
Chief Business Development Officer

Malaysian / Female / Aged 50

Puan Fozia Amanulla is the Executive Vice President and Chief Business Development Officer of Alliance Bank Malaysia Berhad. She joined Alliance Islamic Bank Berhad (AIS) as its Chief Executive Officer before being appointed to her current role on 1 August 2017. She is also on the Board of AllianceDBS Research Sdn Bhd.

Puan Fozia has over 24 years of experience in the banking industry, covering Investment Banking, Commercial and Islamic Banking.

Puan Fozia holds a degree in Accounting and Finance from Humberside University in Hull, UK, and is a Chartered Banker with the Asian Institute of Chartered Bankers (UK). She is also a Grand Council member for the Chartered Institute of Islamic Finance Professionals (CIIF).

Prior to joining Alliance Bank and AIS, she was the Chief Executive Officer and Executive Director of another local Islamic bank.

Puan Fozia does not have any family relationship with any directors and/or major shareholders of the Bank. She does not have any conflict of interests with the Bank. She has not been convicted of any offences within the past five years (other than traffic offences), and had no public sanction or penalty imposed upon her by the relevant regulatory bodies during the financial year.



**RAYMOND WONG LAI LOONG**  
Group Chief Financial Officer

Malaysian / Male / Aged 57

Mr Raymond Wong is the Executive Vice President and Group Chief Financial Officer of Alliance Bank Malaysia Berhad. He joined Alliance Bank on 1 December 2015.

Mr Wong brings with him more than 30 years of experience in the banking industry, having served as Chief Financial Officer and Financial Controller at two leading global and regional banks in Malaysia.

Prior to joining Alliance Bank, he was the Chief Financial Officer of Standard Chartered Bank Malaysia.

He is a fellow member of the Chartered Institute of Management Accountants & Chartered Global Management Accountants. He is also a certified member of the Financial Planning Association of Malaysia.

Mr Wong does not have any family relationship with any directors and/or major shareholders of the Bank. He does not have any conflict of interests with the Bank. He has not been convicted of any offences within the past five years (other than traffic offences), and had no public sanction or penalty imposed upon him by the relevant regulatory bodies during the financial year.



**AARON SUM WEI WERN**  
Head, Group Strategy & Performance Management

Malaysian / Male / Aged 40

Dr Aaron Sum is the Executive Vice President and Head, Group Strategy & Performance Management of Alliance Bank Malaysia Berhad. He joined Alliance Bank on 6 December 2010 as Senior Vice President, SME Banking Strategy, before being appointed to his current role on 1 April 2015.

Dr Sum is responsible for strategic planning, business performance management, decision management (business analytics) and market insights (research), as well as execution of key strategic initiatives of the Bank.

Dr Sum has more than 19 years of combined management consulting, research and industry experience. His key expertise is in business strategy, operating model design, customer experience transformation, and process optimisation.

He holds a PhD in Engineering from the University of Nottingham, UK, and a Bachelor of Engineering from the University of Manchester, UK.

Dr Sum does not have any family relationship with any directors and/or major shareholders of the Bank. He does not have any conflict of interests with the Bank. He has not been convicted of any offences within the past five years (other than traffic offences), and had no public sanction or penalty imposed upon him by the relevant regulatory bodies during the financial year.



# CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

## Leadership - Senior Management



**PETER FONG SEOW LOONG**  
Group Chief Credit Officer

Malaysian / Male / Aged 51

Mr Peter Fong is the Executive Vice President and Group Chief Credit Officer of Alliance Bank Malaysia Berhad. He joined Alliance Bank on 10 February 2014 as Head, Group Corporate Credit. He was subsequently appointed as the Group Chief Credit Officer on 1 October 2014.

In his role, Mr Fong oversees the functions of credit risk, credit approval, early warning, remedial, collections, and special assets for the Bank's businesses.

Mr Fong has over 27 years of experience in the banking industry in both local and regional settings. He began his career with HSBC Bank and was involved in various banking functions in the organisation including corporate risk, recovery, credit assessment, corporate policy, and portfolio management. His stint at HSBC included two years at HSBC Hong Kong as Senior Manager, Asia Pacific Risk.

Prior to joining Alliance Bank, Mr Fong was the Head of Wholesale Credit for a local financial institution and was responsible for its corporate, commercial and SME credit evaluation activities.

He holds a Bachelor's Degree in Economics from the University of Leicester, UK.

Mr Fong does not have any family relationship with any directors and/or major shareholders of the Bank. He does not have any conflict of interests with the Bank. He has not been convicted of any offences within the past five years (other than traffic offences), and had no public sanction or penalty imposed upon him by the relevant regulatory bodies during the financial year.



**PANG CHOON HAN**  
Group Chief Risk Officer

Malaysian / Male / Aged 53

Mr Pang Choon Han is the Executive Vice President and Group Chief Risk Officer of Alliance Bank Malaysia Berhad. He joined Alliance Bank on 1 November 2006 as Head of Group Market Risk before being appointed to his current role on 27 October 2010.

Mr Pang is responsible for the overall risk monitoring and management of the Bank, which covers the commercial bank, investment bank, and Islamic bank. This includes the credit, operation, market, and liquidity risk functions.

Mr Pang has more than 27 years of experience in the banking industry. He began his career with Resorts World Berhad (Genting Group), before joining Malayan Banking Berhad (Maybank). Mr Pang started off in internal audit, before switching to risk management. His previous responsibilities include reviewing controls across head office business and support functions, overseas branches and banking subsidiaries, establishing risk frameworks, policies and limits; supplementing supervisory controls, and monitoring risk exposure.

Mr Pang is an Associate Member of the Chartered Institute of Management Accountants, UK. In 2015, he was conferred the title "Chartered Banker" by the Asian Institute of Chartered Bankers and the Chartered Banker Institute (UK).

Mr Pang does not have any family relationship with any directors and/or major shareholders of the Bank. He does not have any conflict of interests with the Bank. He has not been convicted of any offences within the past 5 years (other than traffic offences), and had no public sanction or penalty imposed upon him by the relevant regulatory bodies during the financial year.



**GIUSEPPE TAIBI**  
Group Chief Marketing & Customer Experience Officer

Italian / Male / Aged 56

Mr Giuseppe Taibi is the Executive Vice President and Group Chief Marketing & Customer Experience Officer of Alliance Bank Malaysia Berhad. He joined Alliance Bank on 15 August 2016, and oversees all aspects of Marketing and Communications (branding, public relations, online media, corporate responsibility, event management), as well as customer experience and contact centre activities.

Mr Taibi has over 28 years of international banking experience, having worked in nine countries in various sectors including marketing, customer experience, digital banking, decision management, business and sales, as well as technology, compliance and control.

Prior to his appointment at Alliance Bank, Mr Taibi was the Customer Franchise Head at Citibank Thailand, where he developed and implemented a customer-focused strategy to align customer promise with actual delivery.

Mr Taibi holds a Master of Science in Business Engineering from IAG in Louvain-La-Neuve, Belgium.

Mr Taibi does not have any family relationship with any directors and/or major shareholders of the Bank. He does not have any conflict of interests with the Bank. He has not been convicted of any offences within the past 5 years (other than traffic offences), and had no public sanction or penalty imposed upon him by the relevant regulatory bodies during the financial year.



**CHEW SIEW SUAN**  
Head, Group Human Resource

Malaysian / Female / Aged 60

Ms Chew Siew Suan is the Executive Vice President and Head, Group Human Resource of Alliance Bank Malaysia Berhad. She joined Alliance Bank on 3 October 2011.

Over the course of her extensive 31 years of experience, she has worked in all areas of Human Resource Management and Development.

Ms Chew began her career with a manufacturing company with local and overseas outfits. She later joined Hong Leong Bank Berhad as Head of Human Resource where she oversaw the HR functions for the banking and finance entities.

Prior to joining Alliance Bank, Ms Chew was with PricewaterhouseCoopers (PwC) for over 10 years. Her last position at PwC was as Executive Director for Human Capital where she also took charge of Regional Human Capital functions covering Malaysia, Vietnam and Cambodia.

Ms Chew holds a Bachelor of Economics degree from the University of Malaya.

Ms Chew does not have any family relationship with any directors and/or major shareholders of the Bank. She does not have any conflict of interests with the Bank. She has not been convicted of any offences within the past five years (other than traffic offences), and had no public sanction or penalty imposed upon her by the relevant regulatory bodies during the financial year.



**MANUEL BULENS**  
Group Chief Administrative Officer

Belgian / Male / Aged 41

Mr Manuel Bulens is the Executive Vice President and Group Chief Administrative Officer of Alliance Bank Malaysia Berhad. He joined Alliance Bank on 1 December 2015 and oversees the Operational Controls, Legal, Procurement, Corporate Services, Project Management Office, and Fraud Investigation units.

He has more than 16 years of experience in the financial services industry, including in financial consulting and banking.

Mr Bulens began his career as an auditor at one of the Big Four consulting firms before moving to a Regional Audit function with Citibank, Brussels. His experience in Citibank covers audit, risk, internal controls, compliance and general governance, working in various jurisdictions including Belgium, Russia, Spain and Korea, where he last served as Consumer Chief Administrative Officer.

Mr Bulens holds a Degree in Commercial and Finance Science from the Institute Catholique Des Hautes Etudes Commerciales (ICHEC), Belgium.

Mr Bulens does not have any family relationship with any directors and/or major shareholders of the Bank. He does not have any conflict of interests with the Bank. He has not been convicted of any offences within the past five years (other than traffic offences), and had no public sanction or penalty imposed upon him by the relevant regulatory bodies during the financial year.



**LEONG SOW YOKE**  
Group Chief Internal Auditor

Malaysian / Female / Aged 58

Ms Leong Sow Yoke is the Executive Vice President and Group Chief Internal Auditor of Alliance Bank Malaysia Berhad. She joined Alliance Bank on 8 December 2010.

Ms Leong has more than 31 years of external and internal audit experience that includes both general and information systems audits. She was an auditor with an audit firm and a large conglomerate before joining the banking sector.

Prior to joining Alliance Bank, she was the Head of Internal Audit at UOB Malaysia Berhad.

She is currently an examiner for the Asian Institute of Chartered Bankers (AICB)'s Chartered Banker exam and was previously an examiner for its Professional and Executive Banker exams. She previously served on the Board of the Malaysia Chapter of ISACA (previously known as the Information Systems Audit and Control Association).

In addition to being a Chartered Accountant (CA) and Fellow of the Association of Chartered Certified Accountants (FCCA), Ms Leong is also a Certified Information Systems Auditor (CISA) and Certified in Risk and Information Systems Control (CRISC). Ms Leong was conferred the title "Chartered Banker" by the Asian Institute of Chartered Banker and the Chartered Banker Institute (UK) in 2015.

Ms Leong does not have any family relationship with any directors and/or major shareholders of the Bank. She does not have any conflict of interests with the Bank. She has not been convicted of any offences within the past five years (other than traffic offences), and had no public sanction or penalty imposed upon her by the relevant regulatory bodies during the financial year.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

## Leadership - Senior Management



**ANG LEK HUI**  
Group Chief Compliance Officer

Malaysian / Male / Aged 54

Mr Ang Lek Hui is the Executive Vice President and Group Chief Compliance Officer of Alliance Bank Malaysia Berhad. He joined Alliance Bank on 1 October 2014 as Head of Operational Risk Management before his appointment as Head of Group Compliance on 13 August 2015. He was subsequently designated as Group Chief Compliance Officer on 19 August 2016. Mr Ang advises on internal and external compliance issues for the Bank and is the liaison between the Bank and regulatory bodies in Malaysia.

Mr Ang brings with him more than 28 years of working experience on the audit, risk and compliance fronts. He started his career in the UK as an external auditor before joining KPMG Malaysia.

His banking experience began with Citibank in 1994, first as Chief Internal Auditor, Chief Country Compliance Officer, and finally as the Regional Product Risk Manager, overseeing the risk management function of products within Treasury & Trade Solutions and Security & Fund Services for the Asia Pacific region. He was also the coordinator for the Asia Pacific Fiduciary Oversight Committee.

He graduated from the Chartered Associations of Certified Accountants, UK, and the Association of Accounting Technicians, UK.

Mr Ang does not have any family relationship with any directors and/or major shareholders of the Bank. He does not have any conflict of interests with the Bank. He has not been convicted of any offences within the past five years (other than traffic offences), and had no public sanction or penalty imposed upon him by the relevant regulatory bodies during the financial year.



**LEE WEI YEN**  
Group Company Secretary

Malaysian / Male / Aged 53

Mr Lee Wei Yen is the Group Company Secretary of Alliance Bank Malaysia Berhad. He joined Alliance Bank on 1 April 2004.

With over 26 years of experience in the corporate secretarial function, Mr Lee has a strong background in corporate actions of public listed companies, with wide exposure to the management and financial services industry.

He holds a Master of Business Administration in Finance from University Putra Malaysia and a Master of Advanced Business Practice from the University of South Australia. Mr Lee is also an Associate Member of the Malaysian Institute of Chartered Secretaries & Administrators.

Mr Lee does not have any family relationship with any directors and/or major shareholders of the Bank. He does not have any conflict of interests with the Bank. He has not been convicted of any offences within the past five years (other than traffic offences), and had no public sanction or penalty imposed upon him by the relevant regulatory bodies during the financial year.

## Effectiveness

### BOARD COMMITTEES

To assist the Board in carrying out its functions and to ensure there is independent oversight of financial, audit, internal control and risk issues, review of remuneration as well as oversight and review of Board and executive succession planning, the Board has delegated certain responsibilities to its Board Committees.

During FY2018, the Board had four Board Committees, which composed solely of Non-Executive Directors: the EXCO, the Group AC, the Group RMC and Group NRC. Each Board Committee has agreed Terms of Reference, which are approved by the Board and reviewed periodically. The Terms of References of the respective Board Committees can be found on our website at [www.alliancebank.com.my](http://www.alliancebank.com.my)

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

### BOARD SIZE, COMPOSITION, TENURE AND INDEPENDENCE

The Board comprises 10 members, who are all Non-Executive Directors, seven of whom are Independent Directors.

An Independent Director is defined as a Director who is independent of management and free from any business or other relationship, which could interfere with the exercise of independent judgement or the ability to act in the best interest of the Bank.

The Board considers a strong element of independence on the Board vital for good corporate governance.

Independent Directors of the Bank exercise independent judgement and participated in the deliberations of the Board objectively with no individual or small group of individuals dominating the Board's decision making process. The number of Independent Directors on the Board of the Bank is in line with the requirement laid down in BNM CG Policy to have a majority of independent directors at all times.

The Board through the Group NRC assess Independent Directors' independence annually. In the annual assessment of the Independent Directors of the Bank in respect of FY2018, the Board was satisfied that each of the Independent Directors of the Bank continues to be independent and free from any business or other relationship, which could interfere with the exercise of independent judgement or the ability

to act in the best interest of the Bank, and that each of them continues to fulfill the definition of independence as set out in Paragraph 11.7 of BNM CG Policy.

The Bank has adopted a 9-year policy for tenure of Independent Directors.

As at the date of this Statement, none of the Bank's Independent Directors have served for a cumulative period of more than 9 years.

### BOARD AND COMMITTEE MEETINGS

The Board meets on a scheduled basis at least eight times a year to review progress reports on the Bank's financial performance, approve budget, strategies, business plans and significant policies as well as to consider business and other proposals which require the Board's approval. Ad-hoc Board meetings may also be called to deliberate and assess corporate proposals or business, legal and compliance issues that require the Board's immediate consideration/decision.

The attendance of Directors at a board meeting, by way other than physical presence, remains the exception rather than the norm and is subject to appropriate safeguards to preserve the confidentiality of deliberation.

The Board's approval for urgent and straight forward matters may be obtained through written resolutions approved by circulation.

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






























The Group has implemented paperless meetings where board materials are uploaded to a secured board portal for the Directors to download to their tablets or laptops. This initiative has made the process of creating, distributing and reviewing confidential board materials more efficient and secure. It speeds up the process of board pack dissemination and removes the need for hard copy papers. The initiative also enhances the Group's corporate responsibility in line with environmental initiatives by reducing its paper consumption.

# CORPORATE GOVERNANCE

## OVERVIEW STATEMENT (Cont'd)

### Effectiveness

All Directors have demonstrated that they are able to allocate sufficient time to the Bank in discharging their duties and responsibilities, and their commitment is affirmed by their attendance at the Board and Board Committees meetings held during FY2018, as reflected below:

Directors	Designation/Independence	Attendance				
		Board	Committee			
			EXCO	Group AC	Group RMC	Group NRC
<b>Tan Sri Dato' Ahmad bin Mohd Don</b>	Independent Non-Executive Director/Chairman	 14/14	-	-	-	 12/12
<b>Ou Shian Waei</b>	Senior Independent Non-Executive Director	 13/14	 3/5 <sup>(1)</sup>	 18/18 <sup>(2)</sup>	-	 12/12
<b>Kung Beng Hong</b>	Non-Independent Non-Executive Director	 13/14	 14/14	-	-	 12/12
<b>Lee Ah Boon</b>	Non-Independent Non-Executive Director	 14/14	 14/14	-	-	 12/12
<b>Kuah Hun Liang</b>	Independent Non-Executive Director	 14/14	-	 23/24	 22/22	-
<b>Datuk Wan Azhar bin Wan Ahmad</b>	Independent Non-Executive Director	 14/14	 14/14	 24/24	-	 12/12
<b>Lee Boon Huat</b>	Independent Non-Executive Director	 13/14	 11/14	-	 20/22	 9/12
<b>Ho Hon Cheong</b>	Non-Independent Non-Executive Director	 13/14	-	 23/24	 20/22	-
<b>Thayaparan S. Sangarapillai</b>	Independent Non-Executive Director	 13/14	-	 24/24	-	-
<b>Tan Chian Khong</b>	Independent Non-Executive Director (Appointed on 26 September 2017)	 7/7	-	 6/6 <sup>(1)</sup>	-	-

#### Notes:

<sup>(1)</sup> Appointed as a member with effect from 1 January 2018

<sup>(2)</sup> Stepped down as a member with effect from 1 January 2018



## WHAT THE BOARD DID THIS YEAR

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

### BOARD'S ACTIVITY FOR FY2018



#### Strategy

- Review and approve the Group's strategies and plans
- Review and approve the Annual Budget
- Review and approve the Corporate Responsibility Initiatives
- Review and approve the Investment Intermediation Strategies of its principal subsidiary
- Review and approve the corporate re-organisation proposal
- Review and approve the Branch Transformation proposal
- Review and approve the renewal/revision to the Restructuring and Rescheduling Policy
- Review and approve the Net Stable Funding Ratio Plan 2018
- Receive updates on Strategic Partnerships



#### People

- Receive updates on recruitment and resignation of Key Responsible Persons
- Approve the Annual Compensation Review and the updated Group Compensation Policy
- Review and approve the Long Term Incentive proposal
- Review and approve the Compensation Review for Group CEO
- Review the Annual Fit and Proper assessment for Key Responsible Persons
- Review the Staff Training Fund



#### Performance

- Business Performance Review of the Group on monthly basis
- Review the Monthly Report on the Bank's Impaired Loans
- Review the Internal Capital Adequacy and Assessment Process (ICAAP) Reporting
- Review the Basel II Pillar 3 Report
- Approve the Quarterly and Annual Audited Financial Statements (unaudited/audited) of Alliance Bank
- Receive external auditors' Audit Report (Limited Review for the Half Year and Statutory Audit for the financial year)
- Review and approve the Group Dividend Proposal
- Review and approve FY2019 Group Scorecard
- Review and approve FY2018 Group Scorecard Assessment
- Receive MFRS 9 Project Progress Update
- Receive update on compliance with existing regulations and policies on market conduct



#### Governance

- Review the Monthly Group Compliance Dashboard including updates on compliance issues and key risk indicators breaches, emerging risks/trends, regulatory updates and self-regulating initiatives taken by the Group, etc.
- Review the Monthly Integrated Risk Dashboard
- Review the Credit Transactions and Exposures with Connected Parties
- Review and approve the Risk Appetite Statement
- Review and approve the Stress Test, Event, Parameters and Results Submission and Revision of Stress Framework
- Review and approve the Liquidity Coverage Ratio Methodology
- Annual Assessment of Performance Exercise of the Board, Board Committees and Individual Directors
- Review and recommend the re-election of Directors at annual general meeting of the Bank
- Review and approve the composition of Group Board Committees and rotation of membership and chairmanship of Board Committees
- Review and approve BNM Composite Risk Rating Action Plans and the reply to BNM
- Review the engagement of the external auditor, PricewaterhouseCoopers PLT for audit and non-audit services rendered to the Group
- Review and approve Group Internal Audit's Charter and Audit Planning Methodology
- Receive update on Cyber Security
- Receive Update on BNM Statistical Reporting Enforcement Framework
- Receive updates on dealings in Alliance Bank shares by Principal Officers
- Review updates on Compliance Culture
- Approve revisions to Board Committees' Terms of Reference and Board Charter

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

## Effectiveness

### DIRECTORS' RESPONSIBILITIES

Statements explaining the responsibilities of the Directors for the preparation of the Annual Audited Financial Statements for inclusion in the Annual Report can be found on page 86.

### BOARD EFFECTIVENESS REVIEW

The Board recognises that it continually needs to monitor and improve its performance. This is achieved through the Board's annual performance evaluation, induction of new Board members and ongoing Board development activities.

#### Annual Performance Evaluation

<div>STAGE 1</div> <div>COMPREHENSIVE QUESTIONNAIRE</div>	<p>Each Director evaluates the performance of the Board as a whole by way of a Self-Assessment Questionnaire by Individual Board Members.</p> <p>The assessments are made against the pre-established criteria as follows:</p> <ul style="list-style-type: none"> <li>A. Board Composition/Structure</li> <li>B. Board Process</li> <li>C. Board Governance</li> <li>D. Major Responsibilities of the Board</li> </ul>
<div>STAGE 2</div> <div>INDIVIDUAL ASSESSMENT</div>	<p>For individual Directors' assessments, Self-Assessment Forms by Individual Director are completed individually by every Director.</p>
<div>STAGE 3</div> <div>ASSESSMENT BY BOARD CHAIRMAN</div>	<p>The performance of each Board Member is also assessed by the Board Chairman based on similar criteria of the Self-Assessment Form.</p>
<div>STAGE 4</div> <div>REPORTING AND DISCUSSION WITH THE CHAIRMAN AND THE BOARD</div>	<p>The results are compiled for Group NRC's deliberation. The results of the performance evaluation are reviewed and discussed for improvements among Board Members.</p>

The Board, through the Group NRC, also assessed the fitness and propriety of the Directors in accordance with the Group's Policy on Fit and Proper.

For the financial year under review, an external consultant, the Institute of Corporate Directors Malaysia (ICDM) was engaged to undertake a Board Effectiveness Assessment and Individual Director Evaluation for the Bank. Two sets of structured questionnaires were used to interview the members of the Board and selected Senior Management of the Group to assess the following eight components of board effectiveness:

- (a) Board Composition
- (b) Board Leadership
- (c) Board Information
- (d) Board Dynamics
- (e) Board Agendas and Meetings
- (f) Board-Management Relationship
- (g) Board Committees
- (h) Board Processes

The first, longer set was used to interview the members of the Board and the second, simpler set of questions was used to interview the Senior Management.

The Board Effectiveness Assessment results were tabled to the Board while the results of the Individual Director Evaluation were presented to members of the Board on a one-to-one basis by the consultant. The suggested improvements highlighted by ICDM are considered by the Board for implementation, where necessary.

## BOARD TRAINING AND DEVELOPMENT

Continuous training is vital for the Directors to gain insight and keep abreast with the development in the industry to further enhance their skills and knowledge in discharging their responsibilities effectively. While the Directors are expected to have personal development skills to improve themselves, they are encouraged to attend a minimum of three days of training programmes relating to the relevant areas within the financial year taking into consideration emerging trends in the banking industry. In addition, each Board Committee is encouraged to attend a minimum of two days of training programmes relevant to the respective areas of the Board Committees to keep abreast with the latest developments in the industry in each financial year.

The Bank has put in place an In-house Directors' Orientation Programme for newly appointed Directors to familiarise themselves with the Bank's operations in addition to the regulatory mandatory training programmes such as Bursa Mandatory Accreditation Programme. Directors also received guidance from the Company Secretary on the Bank's governance framework and associated policies, as well as their duties as Directors of the Bank.

The Directors are provided with the opportunity to attend relevant training programmes on an on-going basis in areas relating to banking including Islamic banking and financial industry to enable them to keep abreast with the latest developments in the industry. Such training programmes include the Financial Institutions Directors' Education (FIDE) Core Programme which promotes high-impact Boards by strengthening Board competencies in dealing with corporate governance, risk management, Fintech and digitisation, cybersecurity, Anti-Money Laundering and strategic issues faced by the financial services industry.

The Directors have attended various training programmes during the financial year under review as follows:

Directors	Training Programmes attended by Directors
Tan Sri Dato' Ahmad bin Mohd Don	<ul style="list-style-type: none"> <li>FIDE Forum: Exclusive Workshop for Nomination Committee Chairman and Members: Board Selection - Engagement with Potential Directors</li> <li>Fintech: Business Opportunity of Disruption</li> <li>Briefing on New Companies Bill 2015</li> <li>Sunway Leaders Conference 2017</li> </ul>
Ou Shian Waei	<ul style="list-style-type: none"> <li>The Companies Act 2016</li> <li>FIDE Forum: Efficient Inefficiency: Making Board Effective in a Changing World</li> <li>FIDE Forum: Fintech: Opportunities for the Financial Services Industry in Malaysia</li> <li>FIDE Forum: Cryptocurrency &amp; Blockchain Technology, Viewpoint of an Entrepreneur</li> <li>CG Breakfast Series: Integrating an Innovation Mindset with Effective Governance</li> <li>CG Breakfast Series: Leading Change @ The Brain</li> <li>Changes in the Listing Requirements Post - Companies Act 2016: What to Look Out For</li> <li>Cyber Security: Cyber Proofing for the Next Wave</li> </ul>

# CORPORATE GOVERNANCE

## OVERVIEW STATEMENT (Cont'd)

### Effectiveness

Directors	Training Programmes attended by Directors
Kung Beng Hong	<ul style="list-style-type: none"> <li>The Companies Act 2016</li> <li>Bank 4.0: Banking everywhere, but not a bank</li> <li>Compliance Conference 2017</li> <li>FIDE Forum: Risk and Reward: What Must Boards Know About a Sustainable FI Remuneration System for Senior Management and Material Risk Takers?</li> <li>CG Breakfast Series: Leading in a Volatile, Uncertain, Complex, Ambiguous (VUCA) World</li> <li>Invitation to Securities Commission Malaysia's Conversation with Audit Committees</li> <li>Changes in the Listing Requirements Post - Companies Act 2016: What to Look Out For</li> <li>Cyber Security: Cyber Proofing for the Next Wave</li> </ul>
Kuah Hun Liang	<ul style="list-style-type: none"> <li>The Companies Act 2016</li> <li>Sustaining Business Growth With Sound Governance, Risk Management, Internal Control and Compliance</li> <li>FIDE Forum: Efficient Inefficiency: Making Board Effective in a Changing World</li> <li>FIDE Forum: Exclusive Workshop for Nomination Committee Chairman and Members: Board Selection - Engagement with Potential Directors</li> <li>FIDE Forum: Risk and Reward: What Must Boards Know About a Sustainable FI Remuneration System for Senior Management and Material Risk Takers?</li> <li>FIDE Forum: Navigating the VUCA World by Professor Tan Sri Dato' Lin See-Yan</li> <li>Beyond Compliance: Achieving Cyber Resiliency</li> </ul>
Lee Ah Boon	<ul style="list-style-type: none"> <li>The Companies Act 2016</li> </ul>
Datuk Wan Azhar bin Wan Ahmad	<ul style="list-style-type: none"> <li>The Companies Act 2016</li> <li>Compliance Conference 2017</li> <li>The Global Symposium on Development Financial Institutions</li> <li>Strengthening the Roles and Impact of Islamic Finance via Value-based Intermediation (VBI)</li> </ul>
Lee Boon Huat	<ul style="list-style-type: none"> <li>The Companies Act 2016</li> <li>Strengthening the Roles and Impact of Islamic Finance via Value-based Intermediation (VBI)</li> <li>Bursa-Mandatory Accreditation Programme</li> </ul>
Ho Hon Cheong	<ul style="list-style-type: none"> <li>Bursa-Mandatory Accreditation Programme</li> </ul>
Thayaparan S. Sangarapillai	<ul style="list-style-type: none"> <li>The Companies Act 2016</li> <li>FIDE Forum: Efficient Inefficiency: Making Board Effective in a Changing World</li> <li>Compliance Conference 2017</li> <li>Bursa-Mandatory Accreditation Programme</li> <li>CG Breakfast Series: Leading in a Volatile, Uncertain, Complex, Ambiguous (VUCA) World</li> <li>MIA-SC Workshop on Malaysian Code on Corporate Governance</li> </ul>
Tan Chian Khong	<ul style="list-style-type: none"> <li>The Global Symposium on Development Financial Institutions</li> </ul>

The Directors also received briefings on relevant new laws, rules and regulations, risk management updates and changes in accounting standards at Board/Board Committee meetings from time to time.



## GROUP NOMINATION & REMUNERATION COMMITTEE REPORT

### CHAIRMAN

#### **Ou Shian Waei**

Senior Independent  
Non-Executive Director

### MEMBERS

#### **Tan Sri Dato' Ahmad bin Mohd Don**

Independent Non-Executive Director

#### **Datuk Wan Azhar bin Wan Ahmad**

Independent Non-Executive Director

#### **Kung Beng Hong**

Non-Independent Non-Executive  
Director

#### **Lee Ah Boon**

Non-Independent Non-Executive  
Director

#### **Lee Boon Huat**

Independent Non-Executive Director

### COMPOSITION AND TERMS OF REFERENCE

The Group NRC comprises six members, all of whom are Non-Executive Directors with four members being independent.

The full details of the Group NRC's Terms of Reference are published on the Bank's corporate website at [www.alliancebank.com.my](http://www.alliancebank.com.my)

During the FY2018, 12 Group NRC meetings were held. The attendance of the Group NRC members is follows:

Name of Committee Members	Attendance	Percentage
<b>Ou Shian Waei (Chairman)</b>	12/12	100%
<b>Tan Sri Dato' Ahmad bin Mohd Don</b>	12/12	100%
<b>Datuk Wan Azhar bin Wan Ahmad</b>	12/12	100%
<b>Kung Beng Hong</b>	12/12	100%
<b>Lee Ah Boon</b>	12/12	100%
<b>Lee Boon Huat</b>	9/12	75%

### BOARD COMPOSITION

Any proposed appointment of new Directors to the Board or proposed re-appointment of Directors will be assessed by the Group NRC. The Group NRC is guided by the Group Board Succession Plan in identifying potential candidates for nomination as Directors. The Group Board Succession Plan entails the guiding principles for effective succession planning as well as the procedure in ensuring a smooth transition in the Board's process and functioning as existing Directors leave the Board and new ones come on board.

### Assessment Criteria

In evaluating the appointment of new Directors, the Group NRC looks for diversity of skills, knowledge, experience and gender of the candidates. Through the Group NRC, the Board has taken steps to ensure that women candidates are given priority consideration in the selection and recruitment process for directors towards achieving the gender diversity target of 30% women participation.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

## Effectiveness

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

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

## Assessment Process

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

Upon appointment, a new Director will be required to attend an in-house orientation programme within three months of the appointment where he/she will be briefed on the operations and business strategies by the Senior Management to familiarise him/her with the Bank and the Group. All Directors are also regularly being updated on new requirements affecting their responsibility and are constantly reminded of their obligations.

## REMUNERATION

### Board of Directors

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

The details of remuneration of each Director of the Bank received/receivable from the Bank and the Group in respect of FY2018 are disclosed on pages 182 to 186 of the Annual Report 2018.

### Senior Management

The Group Compensation Policy governs the design and management of remuneration for employees in the Bank. The policy is reviewed and endorsed by the Group NRC and approved by the Board on a periodic basis and whenever material changes are required. The last review was completed in 2017 to incorporate requirements from BNM CG Policy. The enhancements were on the introduction of Material Risk Takers as a new category of employees and Deferral Policy to govern deferment of a portion of variable compensation. The policy review also includes input from risk and control functions.

The remuneration strategy of the Bank is designed around the following principles:

- supports a performance culture that is based on merit, differentiates and rewards performance, both in the short and long term, and recognises the Bank's Core Values/Key Behaviours;
- enables the Bank to attract and retain employees and to motivate them to achieve the desired results;
- balances the mix of fixed and variable pay to appropriately reflect the value and responsibility of the role, and to influence appropriate behaviours and actions;
- consistent with, and promotes, effective risk management practices and the Bank's compliance and control culture;
- takes into account the long-term performance of the Bank, in order to create sustainable financial performance and value for the Bank and shareholders.

The Group Compensation Policy covers all employees, including Senior Management of the Group. Employees whose remuneration is covered by collective agreements or subject to labour union negotiations are bound by the terms and conditions of such agreements.

The remuneration of the Bank is made up of the following components:

<b>Fixed pay</b>	Consists of base salary, and where applicable, cash allowance	Determined based on roles and responsibilities, individual experience and skill sets, the Bank's legal obligations and market competitiveness.
<b>Variable rewards</b>	Consists of Cash Bonus and Deferred Cash/Share	<p>These are not guaranteed and subject to the Bank's results and performance of the work unit and individual employee. Align compensation with prudent risk-taking and incorporates adjustments to reflect:</p> <ol style="list-style-type: none"> <li>financial and non-financial measures of business performance;</li> <li>the risks related to the business activities taking into account, where relevant, of the cost of the associated capital</li> </ol> <p>Deferred Cash/Share are also used to achieve the following objectives:</p> <ol style="list-style-type: none"> <li>Retain top performers and critical staff;</li> <li>Provide market competitive total compensation;</li> <li>Align the interest of employees with long term sustainability</li> </ol>
<b>Employee Benefits</b>		Employee benefits are used to foster employees' sense of being valued and sense of well-being, delivering cost-effective programmes that are of value to employees.

The Bank bonus pool is determined based on the overall Bank performance and subject to adjustment after taking into consideration inputs from Audit, Risk and Compliance on both quantitative risk measures and qualitative risk outcomes. The final bonus pool is approved by the Board.

The Bank has identified Material Risk Takers comprising the Senior Management and other officers who are not members of the Senior Management but have authority to commit the Bank significantly to risk exposure. Their variable remuneration is subject to deferral policy up to three years to reflect the time horizon of risks and the potential for financial risks to crystallise over a longer period of time. The deferred awards, both unvested and vested portions, are subject to forfeiture and clawback in the event of a material restatement of the Bank or business unit's financials or significant deterioration in the Bank or business unit's financial health and/or the employee committed misconduct or resigned.

The following depicts the total value of remuneration awarded to the Group CEO, Senior Management and Other Material Risk Takers of the Bank in respect of FY2018:

Group CEO	Non-Deferred (RM'000)	Deferred (RM'000)	Total amount of Outstanding Deferred Remuneration as at 31.3.2018 (RM'000)	Total amount of Deferred Remuneration Paid Out (Vested) in FY2018 (RM'000)
<b>Fixed</b> - Cash-based	3,615	-	-	-
<b>Variable</b> - Cash-based	2,471	761	2,100	400
<b>Variable</b> - Share-based	-	-	-	-

Senior Management	No. of Senior Management	Non-Deferred (RM'000)	Deferred (RM'000)	Total amount of Outstanding Deferred Remuneration as at 31.3.2018 (RM'000)	Total amount of Deferred Remuneration Paid Out (Vested) in FY2018 (RM'000)
<b>Fixed</b> - Cash-based	16	16,350	-	-	-
<b>Variable</b> - Cash-based	16	6,458	2,097	5,619	1,015
<b>Variable</b> - Share-based	9	-	-	-	1,529

Other Material Risk Takers	No. of Other Material Risk Takers	Non-Deferred (RM'000)	Deferred (RM'000)	Total amount of Outstanding Deferred Remuneration as at 31.3.2018 (RM'000)	Total amount of Deferred Remuneration Paid Out (Vested) in FY2018 (RM'000)
<b>Fixed</b> - Cash-based	19	12,884	-	-	-
<b>Variable</b> - Cash-based	19	2,688	776	1,082	253
<b>Variable</b> - Share-based	8	-	-	-	401

Senior Management & Other Material Risk Takers		
Category	No.	Amount (RM'000)
Number and total amount of guaranteed bonuses awarded during FY2018	1	220
Number and total amount of sign-on awards made during FY2018	-	-
Number and total amount of severance payments made during FY2018	-	-

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

## Effectiveness

### PERFORMANCE MANAGEMENT

The Bank actively manages the performance of employees to ensure a robust link between remuneration outcomes and the achievement of the Bank's strategy. Formal assessments occur biannually, at the middle and end of the performance year respectively. Assessment outcomes directly influence an employee's short term incentive and long term incentive awards.

Employee performance is assessed against both what an employee achieves and how he/she achieves it. Individual objectives represent "what" the employee is expected to achieve. For Senior Management, objectives are set within a balanced scorecard framework with the scorecard categories aligning to the Bank's strategy. Scorecard objectives are cascaded down and documented in each employee's Individual Performance Plan or Job Standard at the commencement of the performance year.

An employee's performance will be measured based on both financial and non-financial objectives taking into consideration risk, compliance and control outcomes. In addition to achieving their objectives, employees are also assessed on the Bank's core values/key behaviours.

To safeguard the independence and authority of employees engaged in Risk and Control functions, covering the functions of Compliance, Risk and Audit, the performance of employees in Risk and Control functions are assessed independently of the performance of any business areas they oversee. The performance metrics of these employees are based principally on the achievement of the objectives of their job functions, rather than on the financial performance of the Bank. The remuneration of these risk and control functions employees is positioned at a higher fixed pay component and reviewed annually.

### SUMMARY OF GROUP NRC'S WORK

The Group NRC had carried out the following activities in the discharging of its duties during the financial year under review:

1. Reviewed the Board composition of the Bank and its principal subsidiaries, including criteria and skill sets required of Directors, development plan for Directors and gender diversity for the Bank.
2. Reviewed the Group Board Committees composition for the Bank and its principal subsidiaries.
3. Recommended to the respective entity Boards the appointment and re-appointment of Directors of the Bank.
4. Recommended to the Board of Alliance Islamic Bank Berhad (AIS) the appointment and re-appointment of Shariah Committee members.
5. Recommended to the AIS Board the appointment of Chief Executive Officer.
6. Approved the appointment of Senior Management including promotion of Senior Management.
7. Annual Fit and Proper Assessment of Key Responsible Persons i.e. Directors, AIS Shariah Committee members, Group CEO/CEO, the Company Secretary and other members of Group Management Committee.
8. Annual Assessment of the effectiveness of the Board as a whole, Board Committees and the contribution of each Individual Directors for the financial year ended 31 March 2017 (FY2017).
9. Reviewed the required mix of skills and experience of Directors; and the independence of Independent Directors.
10. Recommended to the respective entity Boards the engagement of external consultant for the Annual Board Evaluation Exercise for FY2018.
11. Assessed and recommended to the Board the performance score of the Group Corporate Scorecard for FY2017.
12. Recommended to the Board the proposal on FY2017 Corporate Bonus Pool and FY2018 Annual Salary Review for employees.
13. Assessed and recommended to the Board the performance of the Group CEO for FY2017.
14. Recommended to the Board the proposal on FY2017 Compensation for Group CEO and CEOs of subsidiaries.
15. Approved the proposal on FY2017 Compensation for the members of Group Management Committee.
16. Recommended to the Board the proposal on FY2017 Cash Deferral Award for employees.
17. Recommended to the Board the proposal on Organisational Change for Growth i.e. Voluntary Separation Scheme Exercise.
18. Recommended to the respective entity Boards the Group Corporate Scorecard for FY2018.
19. Reviewed the human capital policies and strategies of the Group including Rewards Framework, Group Compensation Policy, Risk and Reward Framework for Employees.
20. Approved the list of Material Risk Takers and Risk & Control Function Personnel for FY2018.
21. Approved Incentive Schemes for employees.




## Audit and Risk Management

### RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

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

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

The Board, through the Group RMC, has carried out a robust assessment of the principal risks facing the Bank, including those that would threaten its business model, future performance, solvency and liquidity.

 Further details of the Bank's Risk Management Framework and Internal Control System are explained in the Statement on Risk Management and Internal Control and Risk Management Report on pages 76 to 83.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

## Audit and Risk Management

### GROUP AUDIT COMMITTEE REPORT

#### CHAIRMAN

**Thayaparan S. Sangarapillai**

Independent Non-Executive Director

#### MEMBERS

**Ho Hon Cheong**

Non-Independent Non-Executive Director

**Datuk Wan Azhar bin Wan Ahmad**

Independent Non-Executive Director

**Kuah Hun Liang**

Independent Non-Executive Director

**Tan Chian Khong**

Independent Non-Executive Director  
(Appointed as a member of the Group AC  
with effect from 1 January 2018)

**Ou Shian Waei**

Senior Independent Non-Executive Director  
(Stepped down as a member of the Group  
AC with effect from 1 January 2018)

#### COMPOSITION AND TERMS OF REFERENCE

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

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

In the annual assessment of the effectiveness of Board Committees for FY2018, the Board was satisfied that the Group AC and its members have discharged their function, duties and responsibilities in accordance with the Group AC's TOR to provide independent oversight of the Bank's internal and external audit functions, internal controls and ensuring checks and balances within the Bank.

During the FY2018, a total of 24 Group AC meetings were held. The details of attendance of the Group AC members are as follows:

Name of Committee Members	Attendance	Percentage
<b>Thayaparan S. Sangarapillai (Chairman)</b>	24/24	100%
<b>Ho Hon Cheong</b>	23/24	96%
<b>Datuk Wan Azhar bin Wan Ahmad</b>	24/24	100%
<b>Kuah Hun Liang</b>	23/24	96%
<b>Tan Chian Khong</b>	6/6	100%
<b>Ou Shian Waei</b>	18/18	100%

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

## SUMMARY OF GROUP AC'S WORKS

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

### 1. Financial Reporting

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

### 2. External Audit

- Reviewed the audit plan of the external auditors, which encompassed the detailed terms of the external auditors' responsibilities and affirmation of their independence as external auditors, audit strategy, the engagement team, risk assessment, areas of audit emphasis for the financial year and additional disclosures in the auditors' report in line with the new and amended international standards on auditing, including disclosure on Key Audit Matters.
- Reviewed with the external auditors, the results of their audit together with their recommendations and Management's responses as detailed in the following reports:
  - (i) Limited Review Report of the Group for the Half-Year Ended 30 September 2017; and
  - (ii) Audit Committee Report for FY2018.
- Met twice with the external auditors on 23 October 2017 and 23 April 2018 without the presence of Management for open discussions between the Group AC and external auditors on any issues of concern of the external auditors arising from their audits.

- Reviewed the non-audit services rendered by the external auditors and their proposed fees taking into consideration the fees threshold established under the Group's policy to ensure that the external auditors' independence and objectivity are not compromised.

The details of the statutory audit, audit related and non-audit fees paid/payable to the external auditors, PricewaterhouseCoopers PLT for FY2018 and its affiliates are set out below:

Description	RM'000	
	Bank	Group
Statutory audit and audit related services	1,917	2,588
Non-audit related services	493	739

The total non-audit fees incurred as a percentage of the total statutory audit and other audit related services fees for the Group in respect of FY2018 was 39%.

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

# CORPORATE GOVERNANCE

## OVERVIEW STATEMENT (Cont'd)

### Audit and Risk Management

#### 3. Internal Audit

- Reviewed with Group Internal Audit the internal audit plan to ensure adequacy of scope, coverage and resources required to perform audits for the identified auditable areas.
- Met twice with Group Chief Internal Auditor on 25 April 2017 and 13 April 2018 without the presence of Management for open discussion between the Group AC and Group Chief Internal Auditor on any issues of concern arising from internal audits.
- Reviewed and assessed the half-yearly and full year performance of Group Chief Internal Auditor.
- Performed fit and proper assessment of the Group Chief Internal Auditor to ensure that she satisfies the fitness and propriety criteria set out in the Group Policy on Fit and Proper for Key Responsible Persons on a continuous basis.
- Reviewed and endorsed the appointment of external consultant under co-sourcing arrangement to conduct three audit assignments which are specialised and technical in nature.
- Reviewed and noted the External Quality Assurance Review Report issued by the Institute of Internal Auditors (IIA) Malaysia, and the action plan taken by Group Internal Audit to address the recommendations raised therein. Group Internal Audit was assigned a "Generally Conform" rating by IIA Malaysia with respect to its adherence to the IIA's International Standards for the Professional Practice of Internal Auditing.

#### 4. Related Party Transactions

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

#### 5. Other Works

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

#### GROUP INTERNAL AUDIT FUNCTION

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

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

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

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

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

GIA's processes and activities are governed by policies established by the Group AC and regulatory guidelines as well as the International Standards for the Professional Practices Framework (Standards) issued by the IIA Malaysia.



In line with best practices, GIA adopts a risk-based approach that deploys audit resources to focus on significant risk areas which prioritises the audits to areas that have been assessed as having potentially higher risks.

GIA also plays a consultative role in the development of major systems or projects to ensure that the necessary control features are incorporated.

GIA works collaboratively with Group Risk Management and evaluates the risk governance framework and the risk management processes that are applied to ensure an acceptable level of risk exposure which is consistent with the risk management policy of the Group. GIA also works with the external auditors to resolve any control issues raised by them to ensure that significant issues are duly acted upon by Management.

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

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

As at 31 March 2018, GIA has 33 audit personnel. During FY2018, the GIA function incurred costs amounting to RM7.9 million.

The activities undertaken by GIA in FY2018 include:

1. Established the annual audit plan for FY2018, which included key focus areas and manpower requirements, using a risk-based approach and taking into consideration the Group's business strategic plans, regulatory requirements and Management's inputs.
2. Revised the audit plan during the half-year review of the plan to take into account changes in business environment, audit priorities and ad hoc requests from regulators.
3. Conducted audits as per the approved audit plan, as well as ad-hoc reviews as requested by regulators or Management.
4. Attended meetings of the various management and working committees as a permanent invitee in a consultative capacity to provide independent feedback on internal control and governance aspects; such as Group Operational Risk Management Committee, Management Information Technology Steering Committee, MFRS 9 Project Steering Committee, Product Review Group, Cyber Security Task Force, Sales Surveillance Committee and Product Operational Readiness Team.
5. Monitored and validated the completion of management action plans to address audit findings, and reported to the Group AC the status of overdue management actions plans.
6. Reviewed and revised the risk assessment methodology used for audit planning.
7. Reviewed the branch audit sampling methodology against international audit sampling methodologies to ensure the appropriateness of the methodology adopted.
8. Involved as observers in major functional testing of Business Continuity Plan and Disaster Recovery Plan to provide an independent evaluation of the testing preparation and exercise performance.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

## Audit and Risk Management

### GROUP RISK MANAGEMENT COMMITTEE REPORT

#### CHAIRMAN

##### Kuah Hun Liang

Independent Non-Executive Director

#### MEMBERS

##### Lee Boon Huat

Independent Non-Executive Director

##### Ho Hon Cheong

Non-Independent Non-Executive Director

##### Tuan Haji Ibrahim bin Hassan

Independent Non-Executive Director, AIS  
(Appointed as a member of Group RMC with effect from 1 January 2018)

##### Mazidah binti Abdul Malik

Independent Non-Executive Director, AIBB  
(Appointed as a member of Group RMC with effect from 1 January 2018)

##### Dato' Majid bin Mohamad

Independent Non-Executive Director, AIS  
(Stepped down as a member of Group RMC with effect from 1 January 2018)

#### COMPOSITION AND TERMS OF REFERENCE

The Group RMC comprises five members, all of whom are Non-Executive Directors, with four members being independent.

The full details of the Group RMC's Terms of Reference are published on the Bank's corporate website at [www.alliancebank.com.my](http://www.alliancebank.com.my)

During the FY2018, 22 Group RMC meetings were held. The attendance of members of Group RMC member is as follows:

Name of Committee Members	Attendance	Percentage
Kuah Hun Liang (Chairman)	22/22	100%
Lee Boon Huat	20/22	91%
Ho Hon Cheong	20/22	91%
Tuan Haji Ibrahim bin Hassan	6/6	100%
Mazidah binti Abdul Malik	6/6	100%
Dato' Majid bin Mohamad	16/16	100%

A Group Risk Management Report, which provides an overview of the risk management framework within the Group, is available on the Bank's corporate website at [www.alliancebank.com.my](http://www.alliancebank.com.my). It can also be found on pages 77 to 83 of this Annual Report.

## SHARIAH COMMITTEE OF ALLIANCE ISLAMIC BANK BERHAD

### CHAIRMAN

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

### MEMBERS

**Tuan Haji Md Ali bin Md Sarif**

**Ustaz Zaharudin bin Muhammad**

**Dr. Azrul Azlan bin Iskandar Mirza**

**Ustaz Ahmad Fauwaz Ali @ Fadzil**  
(Appointed as a Shariah Committee member effective 1 April 2018)

**Dr. Abdul Rahman bin Awang**  
(Retired as a Shariah Committee member effective 31 March 2018)

### COMPOSITION AND TERMS OF REFERENCE

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

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

- Advising the Board and Management on Shariah related matters;
- Reviewing and endorsing Shariah related policies and guidelines;
- Endorsing and validating relevant documents in the proposal of new products and services including contract, agreement or other legal documentation used in executing Islamic banking transactions;
- Endorsing and validating product guidelines, marketing advertisements, sales illustrations and brochures related to AIS' products, services and activities;
- Assessing the work carried out by Shariah Review and Shariah Audit in order to ensure compliance with Shariah matters;
- Advising AIS on the computation and distribution of Zakat;
- Assisting and advising related parties such as AIS's legal counsel, auditor or consultant on Shariah matters upon request;
- Advising AIS in consultation with the Shariah Advisory Council of BNM (SAC) on any Shariah matters which have not been resolved or endorsed by the SAC;
- Monitoring AIS's compliance with all SAC's decisions; and
- Reviewing the Shariah Non-Compliance and Potential Shariah Non-Compliance of AIS.

During the FY2018, 14 meetings were held. The attendance of members of the Shariah Committee is as follows:

Shariah Committee Members	Attendance	Percentage
<b>Associate Professor Dr. Badruddin bin Hj Ibrahim (Chairman)</b>	14/14	100%
<b>Tuan Haji Md Ali bin Md Sarif</b>	14/14	100%
<b>Ustaz Zaharudin bin Muhammad</b>	14/14	100%
<b>Dr. Azrul Azlan bin Iskandar Mirza</b>	13/14	93%
<b>Dr. Abdul Rahman bin Awang</b>	10/14	71%

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

## Shariah Committee

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

Associate Professor Dr. Badruddin was appointed as a Shariah Committee member of AIS on 15 June 2009. He currently serves as a lecturer at Ahmad Ibrahim Kulliyah of Law, International Islamic University of Malaysia (IIUM). While he specialises in the Islamic Law of Trust, and Islamic Law of Property, he is also experienced in Islamic Jurisprudence and Islamic Family Law, having taught such subjects in IIUM for over a decade.

As an academia, he actively pursues his thirst for knowledge by conducting many research activities under IIUM, his most recent research project being "Transaction Involving Unlawful Wealth Under Islamic Law". Much of his work has been presented publicly in academic institutions and conferences in Malaysia, the UK, Indonesia and Russia. In recent years, he has channelled his expertise and passion into organising a myriad of Islamic Law-related conferences, conventions, and seminars.

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

**TUAN HAJI MD ALI BIN MD SARIF**  
Member of Shariah Committee

Tuan Haji Md Ali was appointed as a Shariah Committee member of AIS on 1 April 2011. He was a Distinguished Academic Fellow of the Institute of Islamic Banking and Finance (IIBF) at International Islamic University Malaysia from 2008 to 2014. Prior to joining IIBF in 2008, he was with Maybank Group from 1976, holding various senior positions until his retirement as Head of Planning, Maybank Islamic Berhad. He has extensive experience in the areas of Islamic Banking, Corporate Planning, Asset & Liability Management as well as Banking Operations.

He holds a Bachelor's Degree in Economics from University Malaya and a Masters of Business Administration (MBA) in Finance from University Kebangsaan Malaysia.

Tuan Haji Md Ali is also a member of the AIS Board and serves as a 'bridge' between the Board and the Shariah Committee. The presence of a Director with sound Shariah knowledge would foster greater understanding and appreciation amongst the Board members on the decisions made by the Shariah Committee.

**USTAZ ZAHARUDIN BIN MUHAMMAD**  
Member of Shariah Committee

Ustaz Zaharudin was appointed as a Shariah Committee member of AIS on 1 April 2009. He is currently the sole proprietor for ASZA-HT Trading Sdn Bhd.

He obtained his Masters in Islamic Economy and Jurisprudence from the University of Cairo, Egypt (1st class, graduated in top 10). He has also obtained a Bachelor in Islamic Jurisprudence from the Al-Azhar University Cairo with 1<sup>st</sup> class amongst foreign students.

Furthermore, he has written several books and articles related to his specialised field of Islamic Jurisprudence. He has since published five more field-related books.

His previous working experience was as a researcher at the International Shariah Research Academy and Chief Religious Officer of Kumpulan Perangsang Sdn Bhd. He was also a Shariah Committee member of Prudential BSN Takaful Berhad and HSBC Amanah Takaful (Malaysia) Berhad.

**DR. AZRUL AZLAN BIN ISKANDAR MIRZA**  
Member of Shariah Committee

Dr. Azrul Azlan was appointed as a member of Shariah Committee of AIS on 1 April 2015. He studied at the Al-Azhar University (Egypt) where he obtained a Bachelor in Shariah. He holds a Masters in Management from the International Islamic University of Malaysia and PhD in Islamic Finance from the International Centre for Islamic Finance.

He is currently attached to the Faculty of Economics and Muamalat, Universiti Sains Islam Malaysia as Head of Islamic Banking & Finance Program. His fields of specialisation are Shariah, Islamic finance and investment analysis. He is also a Shariah Committee member of HSBC Amanah Takaful (Malaysia) Berhad and Fatwa Researcher for Mufti Council for State of Negeri Sembilan.

Previously he was a Shariah Committee member for KAF Investment Bank Berhad and OSK Investment Berhad.

**DR. ABDUL RAHMAN BIN AWANG**  
Member of Shariah Committee

Dr. Abdul Rahman was appointed as a Shariah Committee member of AIS on 1 April 2005. He brings with him over 30 years of experience in Islamic Law, having worked in various universities in Malaysia. His last position before retiring was an Associate Professor at Department of Islamic Law, International Islamic University Malaysia.

With such credentials, and experiences, he was highly sought after to attend, present, and speak in numerous conferences that are related to his specialised field of Islamic Law around the world. He has also made several appearances in television programs on Malaysian national television as a speaker and panelist regarding Islamic Law issues.

He possesses a PhD in Islamic Law from the University of Edinburgh, Scotland, UK. Prior to that, he has obtained a Master of Laws (Comparative Laws) from Temple University, Philadelphia, USA and a Shariah and Law Degree from Al-Azhar University in Cairo, Egypt.

Dr. Abdul Rahman retired from the Shariah Committee on 31 March 2018.

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

Ustaz Fauwaz was appointed as a Shariah Committee member of AIS on 1 April 2018. He is currently a Shariah Consultant of Telaga Biru Sdn Bhd.

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

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

Ustaz Fauwaz was attached at Kolej University Insaniah, Kedah before involving in book publishing industry.

## Relations With Shareholders

### INVESTOR RELATIONS AND SHAREHOLDERS COMMUNICATION

The Bank acknowledges the importance of regular communication with shareholders and investors. The Bank endeavours to maintain constant and effective communication with shareholders through timely and comprehensive announcements. The Board regards the Annual General Meeting (AGM) as an opportunity to communicate directly with shareholders and encourages attendance and participation. The notice of AGM is despatched to shareholders, together with explanatory notes or circulars on items of special business, at least 21 days prior to the meeting date. At the forthcoming 36th AGM to be held on 11 July 2018, no substantive resolutions or resolutions on related party transactions will be put forth for shareholders' approval.

In line with the Main Market Listing Requirements of Bursa Securities, voting at general meetings of the Bank will be conducted by poll with an independent scrutineer appointed to validate the votes cast at the general meetings.

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

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

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

The investing public can contact the Head, Investor Relations & Corporate Treasury, Mr Tan Hong Ian at 03-2604 3370/[investor\\_relations@alliancefg.com](mailto:investor_relations@alliancefg.com), for any investor relations matters. Shareholders may also convey any of their concern and enquiries to the Senior Independent Non-Executive Director, Mr Ou Shian Waei who serves as the designated contact for

any shareholders' concerns and enquiries that may be raised, as an alternative to the formal channel of communication with shareholders. All correspondence to the Senior Independent Non-Executive Director can be sent via email to [SID@alliancefg.com](mailto:SID@alliancefg.com) or by mail to the registered office of the Bank at 3rd Floor, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur, Malaysia.

### Corporate Disclosure

The Corporate Disclosure Policies and Procedures (CDPP) provides timely, consistent and fair disclosure of corporate information to enable informed decision making by investors.

The objectives of the CDPP are:

- raising awareness of Directors, Management and employees on disclosure requirements and practices;
- providing guidance in disseminating corporate information to, and in dealing with investors, analysts, media representatives and the public; and
- ensuring compliance with the disclosure obligations under the Main Market Listing Requirements of Bursa Securities and other applicable laws.

The Company Secretary being the Corporate Disclosure Manager (CDM), serves as the primary contact person for matters referenced in the CDPP. He oversees and co-ordinates the disclosure of material information to Bursa Securities. The CDM also ensures compliance with the CDPP and undertakes reviews of any violations, including assessment and implementation of appropriate consequences and remedial action.

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

### KEY FOCUS AREAS AND FUTURE PRIORITIES

The Board will continue to improve the Bank's corporate governance practices and procedures and enhance the corporate disclosures practices towards promoting business prosperity and corporate accountability with the ultimate objective of realising long term shareholder value while taking into account the interest of other stakeholders.

This Corporate Governance Overview Statement was approved by the Board of Directors on 31 May 2018.



# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## RESPONSIBILITY

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

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

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

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

## RISK MANAGEMENT FRAMEWORK

The Board, through its Group Risk Management Committee (GRMC) provides oversight on risk management strategies, methodologies, policies and guidelines, risk tolerance and other risk related matters of the Group. Approval of risk policies by the Board is obtained where necessitated by regulatory requirements. In addition, the GRMC also oversees the functions of management committees such as the Group Assets and Liabilities Management Committee and Group Operational Risk Management Committee, which assume the responsibility of monitoring specific areas of risks pertaining to the Group's business activities and implement various risk management policies and procedures. For further information on the Group's risk management framework, please refer to the Risk Management report on pages 77 to 83 of this Annual Report.

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

## SYSTEM OF INTERNAL CONTROLS

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

- Regular and comprehensive management reports are made available to the Board on a monthly basis, covering financial performance and key business indicators, which allow for effective monitoring of significant variances between actual performance against budgets and plans;
- Clearly defined delegation of responsibilities to committees of the Board and to Management including organisation structures and appropriate authority levels;
- An operational risk management framework, business continuity management framework, code of conduct, human resource policies and performance reward system to support business objectives, risk management and the system of internal control;
- Defined policies and procedures to control applications and the environment of computer information systems;
- Regular updates of internal policies and procedures, to adapt to changing risk profiles and address operational deficiencies;
- Regular reviews of the Group's activities by the Group Internal Audit, to assess the effectiveness of the control environment and to highlight significant control gaps impacting the Group;
- Documentation and periodic assessment of controls and processes by all business and support units for managing key risks; and
- Regular senior management meetings to review, identify, discuss and resolve strategic, operational, financial and key management issues.

## ASSESSMENT OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

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

## REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Recommended Practice Guide (RPG) 5 (Revised 2015) issued by the Malaysian Institute of Accountants. RPG 5 (Revised 2015) does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

# RISK MANAGEMENT

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

## RESPONSIBILITIES OF THE BOARD

- The Board is responsible for reviewing and approving the risk strategy, including the risk appetite and overseeing its implementation to support the sustainability of the Bank.
- The Board ensures that the Bank establishes comprehensive risk management frameworks, policies, processes and infrastructure to manage risks arising from the Bank's business activities.
- For this purpose, the Board has established specialised Board Committees to oversee critical or major functional areas and to address matters which require detailed review or strategic consideration. The Board may delegate certain duties to these Board Committees, but remains accountable for the policies/decisions approved by these committees.
- The main Board Committee assisting the Board in risk management is the Group Risk Management Committee (GRMC).

## ROLES AND RESPONSIBILITIES OF THE GRMC

In principle, the scope of GRMC focuses on risk-related and compliance-related strategies, policies and issues at Bank and banking entity levels. In line with the above scope, GRMC is responsible for overseeing the risk management and compliance related subjects, as follows:

- Reviewing risk management strategies, policies and risk tolerance.
- Reviewing and assessing the adequacy of risk management policies and framework as well as IT policies and procedures in identifying, measuring, evaluating, monitoring and controlling the extent to which these are operating effectively, prudently and in compliance with all regulatory guidelines.
- Ensuring that appropriate infrastructure, resources and systems are in place for risk management and compliance functions; and ensuring that the staffs responsible for implementing risk management and compliance systems perform those duties independently of the financial institutions' risk taking activities.
- Reviewing periodic reports on risk exposures, risk portfolio composition and risk management activities to ensure that the risk reports facilitate understanding and the determination of appropriate risk responses.
- Ensuring that the effectiveness of the Bank's overall management of compliance risk is evaluated at least annually, and that adequate time and priority is provided in the agenda to deliberate compliance issues, to ensure that such issues are resolved effectively and expeditiously.
- Supporting the Board in meeting regulatory expectations on risk management, as set out under BNM's policy document on Risk Governance and on Compliance.
- Assisting the implementation of a sound remuneration system, examine whether incentives provided by the remuneration system take into consideration risks, capital, liquidity and the likelihood and timing of earnings, without prejudice to the tasks of the Board remuneration committee.

The GRMC held twenty-two (22) meetings during the financial year ended 31 March 2018. The attendance of the GRMC members are as follows:

Committee Members	Attendance
<b>Mr Kuah Hun Liang<sup>1</sup></b> (Chairman)	22/22
<b>Mr Lee Boon Huat<sup>1</sup></b>	20/22
<b>Mr Ho Hon Cheong<sup>2</sup></b>	20/22
<b>Tuan Haji Ibrahim bin Hassan<sup>1</sup></b> (Appointed with effect from 1 January 2018)	6/6
<b>Puan Mazidah binti Abdul Malik<sup>1</sup></b> (Appointed with effect from 1 January 2018)	6/6
<b>Dato' Majid bin Mohamad<sup>1</sup></b> (Stepped down with effect from 1 January 2018)	16/16

Notes:

<sup>1</sup> Independent Non-Executive Director

<sup>2</sup> Non-Independent Non-Executive Director

## RISK MANAGEMENT (Cont'd)

### RISK MANAGEMENT FRAMEWORK

The Risk Management universe is broadening as the risk profile continues to evolve over time. Our Risk Management Framework is embedded into the business activities of the Bank to ensure its effectiveness. It provides a structured approach for the Bank to form a consolidated and aggregated view of all risks identified at entity, business segments and product levels, and to manage these risks in a holistic manner alongside business objectives and compliance requirements. The Risk Management Framework covers the following elements:



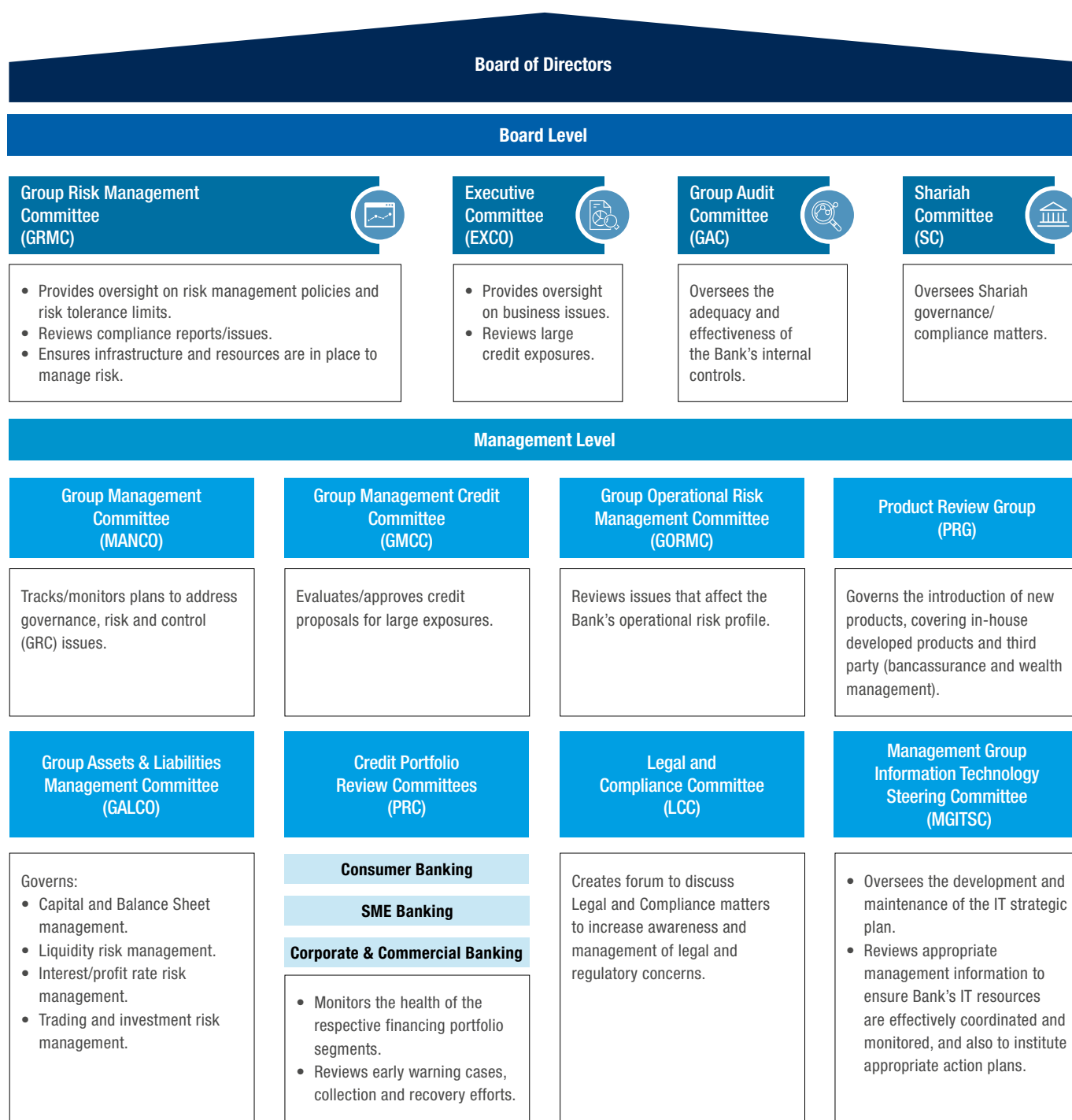
### Risk Governance and Organisation

The Bank embeds Three Lines of Defence concept in managing risks. Each line of defence plays a critical role in managing risks as follows:

1ST LINE	<b>Frontline and Support Units</b> <p>The Lines of Business which have frontline and back-end support units, define and manage processes, people and technology, and take ownership of the risks the units take. They are aided by Business Support functions, including Business Risk and Credit Underwriting functions, which report to the Group Chief Credit Officer. All of these form the first line of defence against risk by managing the risk-reward trade-off within the scope of the Bank's business model, risk tolerance levels, lending and governance policies.</p>
2ND LINE	<b>Risk Control Functions</b> <p>Group Risk Management, Group Compliance and Shariah Review Team form the second line of defence, known as independent Risk Control Units. The responsibilities of these departments include:</p> <ul style="list-style-type: none"> <li>• Formulating, reviewing and enhancing the respective units frameworks;</li> <li>• Recommending policies, methodologies, limits and parameters; and</li> <li>• Reviewing the adequacy of control measures.</li> </ul> <p>Group Risk Management and Group Compliance report to the GRMC. The Shariah Review Team reports directly to the Shariah Committee with functional reporting to Group Compliance and administratively to the Head, Shariah Department. The Shariah Review team conducts regular assessments and reviews on the compliance of the Bank's operations with Shariah requirements. This includes review of banking operations, new products and Shariah non-compliance events.</p>
3RD LINE	<b>Internal Audit</b> <p>As the third line of defence, Group Internal Audit provides independent assessment and assurance to the Audit Committee on the robustness, adequacy and effectiveness of our internal controls related to processes, risks and governance functions. Group Internal Audit reports to the Group Audit Committee.</p>

## Governance Structure

Everyone plays a crucial risk management role in the Bank. The chart below illustrates the governance structure and committees that are responsible for effective governance and supervision over risk-related functions.



## RISK MANAGEMENT (Cont'd)

### Risk Appetite and Strategy

The Bank's Risk Appetite Statement (RAS) was approved by the Board and serves as an expression of the boundaries for managing business and risk concerns to achieve/in pursuit of its strategic objectives and business plans, as follows:

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

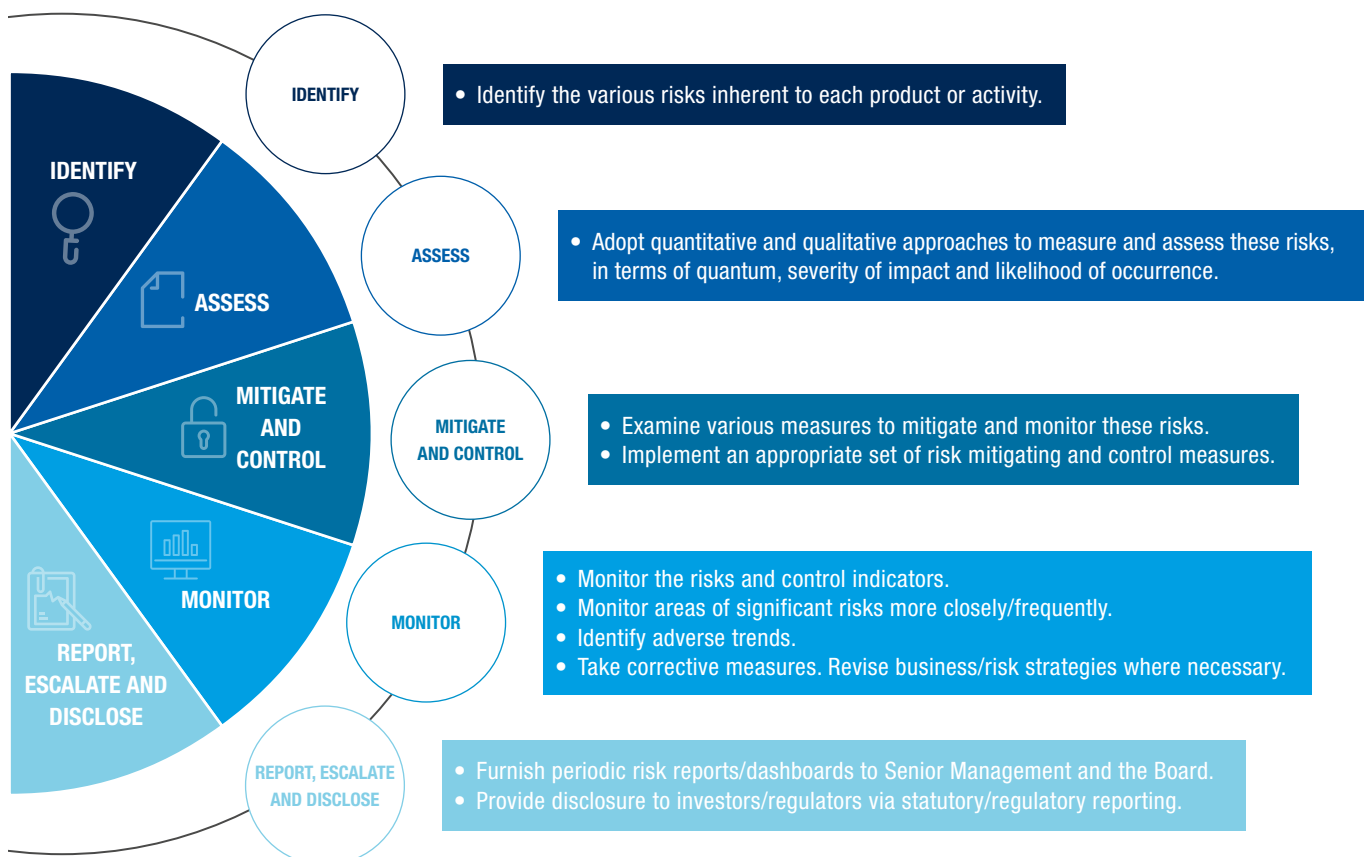
Underpinning the RAS above, the Bank is committed towards ensuring strong risk management practices, active liquidity management and a healthy capital position. Parameters include:

- Maintaining sufficient capital buffer under normal business conditions and projected stress scenarios;
- Maintaining sufficient liquidity buffer to fund daily operations and holding sufficient levels of high quality liquid assets to handle contingencies;
- Generating an equitable level of returns while controlling/managing business activities that would otherwise give rise to volatile swings in earnings;
- Maintaining good asset quality through active monitoring and management of financing activities;
- Ensuring compliance with all applicable laws, regulations and policies, including Shariah principles (where applicable); and
- Minimizing the risk of operational losses arising from avoidable errors.

These parameters are monitored regularly to ensure that the Bank operates within established risk boundaries.

### Risk Management Process

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





## Risk Culture

Risk management is not merely confined to policies, procedures, limits and models in the increasingly unpredictable banking landscape. Effective risk management also requires a strong risk culture. Risk culture is the system of values and behaviours within the Bank that shapes our day-to-day functions. The Bank's Key Behaviours from a risk management perspective are as follows:

 <b>Collaborate</b>	<ul style="list-style-type: none"> <li>• Working together across 3 Lines of Defence, to meet the Bank's strategic initiatives and ongoing mission.</li> </ul>
 <b>Innovate and Simplify</b>	<ul style="list-style-type: none"> <li>• Providing solutions that are responsive and innovative.</li> <li>• Working towards reducing complexity whenever possible.</li> </ul>
 <b>Understand and Act</b>	<ul style="list-style-type: none"> <li>• Understanding how our products/services meet customer's needs.</li> <li>• Understanding the inherent risks within our products/services.</li> <li>• Implementing controls to mitigate these risks, based on accepted risk-control trade-offs.</li> </ul>
 <b>Commit to Excellence</b>	<ul style="list-style-type: none"> <li>• Enabling the Bank to provide products and services that are aligned with the interest of our customers.</li> </ul>
 <b>Take Ownership</b>	<ul style="list-style-type: none"> <li>• Holding ourselves accountable for achieving the Bank's Mission.</li> <li>• Honouring our commitments to our stakeholders to address/resolve issues that arise.</li> </ul>

Talent management is integral to the risk management approach. The culture of innovation and creativity has been embedded in our workforce through continuous talent up-skilling programs, training, courses, workshops and huddle sessions. The Bank will continue to focus on risk talent management in order to equip the work force with the right capabilities and competencies to manage risk within the risk appetite and risk strategy as approved by the Board.

## Compliance Culture

The compliance culture of the Bank is driven with a strong tone from the top to ingrain the expected values and principles of conduct that shape the behavior and attitude of employees at all level of business and activities across the Bank. Compliance culture goes beyond complying with laws. We expect employees to be honest and conduct themselves with integrity. We also encourage every employee to report any situation they think might put the Bank at risk. We have initiated few key initiatives such as increasing staff awareness through team huddles, establishing the Compliance Guide and Code of Conduct that sets out the roles and responsibilities of every employee of the Bank.

Several on-going compliance cultures are put in place including raise compliance awareness, robust compliance monitoring, introduce the concept of self raise of risk control and compliance issues that are track at management committee. Individual scorecard is enhanced with governance and control KPIs. We continue our efforts to raise compliance awareness by introducing e-learning of compliance topics such as AML/CFT, Code of Conduct and PDPA. So far we have seen an increase in awareness on compliance and we are pleased with the progress made, but, of course, there is always room for improvement.

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

As a financial service industry, we shall continuously uphold and abide by the policy & procedure and adopt ethical principles that are vital to the achievement of a high standard of professionalism when carrying on business at all times.

## RISK MANAGEMENT (Cont'd)

### Risk Methodology, Tools and Communication

The Risk Management Framework defines the Bank's key risk activities according to risk categories. To manage risk identified, Framework and Policies are in place and various methodologies, tools are used as follows:

Risk Universe	Framework & Policies	Methodologies, Tools Used
<b>Credit Risk</b>  The risk of loss due to failure by customers/ counterparties to fulfil their financial or contractual obligations, when due.	<ul style="list-style-type: none"> <li>• Credit Risk Management Framework</li> <li>• Credit Programmes/Product Programmes</li> <li>• Risk Acceptance Criteria</li> </ul>	<ul style="list-style-type: none"> <li>• Key Risk Indicators</li> <li>• Tripwires, limits and thresholds</li> <li>• Credit ratings/scorecards</li> <li>• Risk-based pricing</li> <li>• Stress Testing</li> <li>• Thematic/portfolio review</li> </ul>
<b>Market Risk</b>  The risk of loss arising from volatile changes in market variables such as interest rates, profit rates, foreign exchange rates, equity prices and commodity prices.	<ul style="list-style-type: none"> <li>• Market Risk Management Framework</li> <li>• Trading Book Policy Statement</li> <li>• Valuation Policy</li> <li>• Hedging Policy</li> <li>• Treasury Product Programmes</li> </ul>	<ul style="list-style-type: none"> <li>• Value-at-Risk</li> <li>• Hedging</li> <li>• Revaluation, Mark-to-Market, Mark-to-Model</li> <li>• Stress Testing &amp; Back Testing</li> </ul>
<b>Liquidity Risk</b>  <ul style="list-style-type: none"> <li>• The risk of loss resulting from the Bank's inability to meet its financial obligations, when due.</li> <li>• Risk of incurring losses when attempting to liquidate assets, due to market disruptions and/or illiquid market situations.</li> </ul>	<ul style="list-style-type: none"> <li>• Liquidity Risk Management Policy</li> <li>• Contingency Funding Plan</li> </ul>	<ul style="list-style-type: none"> <li>• Liquidity gap analysis</li> <li>• Liquidity stress testing</li> <li>• Diversification of funding sources, instruments and maturities</li> <li>• Deposit concentration</li> <li>• Liquidity ratios, triggers and thresholds</li> </ul>
<b>Model Risk</b>  The risk of loss arising from inappropriate reliance on risk models.	Independent Risk Rating Model Validation Framework	Quantitative statistical tools/ratios, used to test the models ability to discriminate between potentially "good" versus "bad" credits

Risk Universe	Framework & Policies	Methodologies, Tools Used
<p><b>Operational Risk</b></p> <p>The risk of loss resulting from failures of processes, people and systems; or from external events which are neither market-related nor credit-related.</p>	<ul style="list-style-type: none"> <li>• Operational Risk Management Framework</li> <li>• IT Risk Management Framework</li> <li>• Business Continuity Plan</li> <li>• Compliance Framework</li> <li>• Legal Manual</li> <li>• Anti-Money Laundering &amp; Counter Financing of Terrorism Policy</li> </ul>	<ul style="list-style-type: none"> <li>• Risk and Control Self-Assessment</li> <li>• Control Self-Assessment</li> <li>• Key Risk Indicators</li> <li>• Loss Event Data Collection</li> <li>• Heat maps</li> <li>• Operational Risk and compliance reviews</li> <li>• New product assessment</li> <li>• Compliance and risk awareness programmes</li> </ul>
<p><b>Legal and Regulatory Risk</b></p> <p>The risk of loss or imposition of penalties, fines, or other liabilities arising from breaches of applicable laws, regulations, or contractual obligations.</p>		
<p><b>Shariah Non-Compliance Risk</b></p> <p>The risk of loss arising from failure to comply with Shariah rules and principles.</p>	<p>Shariah Governance Framework</p>	<ul style="list-style-type: none"> <li>• Shariah reviews and rating</li> <li>• Shariah non-compliance monitoring and reporting</li> </ul>
<p><b>Strategic Risk</b></p> <p>The risk of loss arising from adopting the wrong business strategy, failure to properly execute business strategies, or failure to effectively respond to changes in the industry/economy.</p>	<p>Strategic Risk Management Framework</p>	<ul style="list-style-type: none"> <li>• Integrated business strategy, risk appetite and capital planning process</li> <li>• Tracking of strategic initiatives and deliverables</li> <li>• Regular reviews by Management and Board</li> </ul>
<p><b>Reputational Risk</b></p> <p>The risk of loss arising from negative perception by customers, counter-parties, shareholders, or other relevant key stakeholders.</p>	<ul style="list-style-type: none"> <li>• Reputational Risk Management Framework</li> <li>• Code of Conduct</li> </ul>	<ul style="list-style-type: none"> <li>• Stakeholder and media analysis</li> <li>• Monitoring of corporate risk rating</li> <li>• Regular industry and market benchmarking</li> <li>• Investor relations</li> <li>• Transparent disclosure and communications</li> </ul>

## ADDITIONAL COMPLIANCE INFORMATION

### POLICY AND PROCEDURES ON RELATED PARTY TRANSACTIONS

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

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

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

### CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES POLICY

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

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

### MATERIAL CONTRACTS INVOLVING DIRECTORS OR MAJOR SHAREHOLDERS

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

# FINANCIAL STATEMENTS



## ALLIANCE BANK MALAYSIA BERHAD (88103-W)

### Contents

<b>86</b>	Statement of Board of Directors' Responsibilities
<b>87</b>	Directors' Report
<b>94</b>	Statement by Directors
<b>94</b>	Statutory Declaration
<b>95</b>	Independent Auditors' Report
<b>100</b>	Statements of Financial Position
<b>101</b>	Statements of Income
<b>102</b>	Statements of Comprehensive Income
<b>103</b>	Statements of Changes in Equity
<b>106</b>	Statements of Cash Flows
<b>110</b>	Notes to the Financial Statements



**More on this subject:**

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



## STATEMENT OF BOARD OF DIRECTORS' RESPONSIBILITIES

### For preparation of the Annual Audited Financial Statements

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

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

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

# DIRECTORS' REPORT

## DIRECTORS' REPORT

The Directors present their report together with the audited financial statements of the Group and of the Bank for the financial year ended 31 March 2018.

## PRINCIPAL ACTIVITIES

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

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

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

## FINANCIAL RESULTS

	Group RM'000	Bank RM'000
Profit before taxation	684,597	583,244
Taxation	(191,369)	(156,334)
Net profit for the financial year	493,228	426,910

## RESERVES AND PROVISIONS

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

## DIVIDENDS

The amount of dividends declared and paid by the Group and the Bank since 31 March 2017 were as follows:

	RM'000
In respect of the financial year ended 31 March 2017:	
(i) A single tier second interim dividend of 14.67 sen per share, on 796,517,043 ordinary shares, was paid by the Bank to Alliance Financial Group Berhad (AFG), the former holding company, on 20 June 2017, and was eliminated at Group level.	116,849
(ii) A single tier second interim dividend of 7.5 sen per share, on 1,548,105,929 ordinary shares was paid by AFG to the shareholders on 22 June 2017. Subsequent to the completion of the group reorganisation exercise (Note 53), the Bank became the holding company of AFG. As a result, the dividend paid by AFG to the shareholders has been reflected at the Group level.	116,108
In respect of the financial year ending 31 March 2018:	
(i) A single tier first interim dividend of 8.5 sen per share, on 1,548,105,929 ordinary shares, was paid by the Bank to the shareholders on 28 December 2017, after the completion of the group reorganisation exercise.	131,589

An amount of RM1,121,000 and RM1,549,000 being dividends paid for shares held in Trust were added back to the appropriation of retained profits in respect of the first and second interim dividend for financial year ended 31 March 2018 and 31 March 2017 respectively.

## DIRECTORS' REPORT (Cont'd)

### DIVIDENDS (cont'd)

The amount of dividends declared and paid by the Group and the Bank since 31 March 2017 were as follows: (cont'd)

Subsequent to the financial year end, on 31 May 2018, the Directors declared a single tier second interim dividend of 6.8 sen per share, on 1,548,105,929 ordinary shares amounting to approximately RM105,271,000 in respect of current financial year. The accompanying financial statements do not reflect this dividend. The dividend will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 March 2019. The Directors do not propose any final dividend in respect of the financial year ended 31 March 2018.

### 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 for a period of 10 years. The scheme ended on 2 December 2017.

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 30 to the financial statements.

Pursuant to the group corporate reorganisation exercise involving amongst others, the transfer of AFG's listing status on the Main Market of Bursa Malaysia Securities Berhad to the Bank and amendment to the Trust Deed and Bye-Laws of AFG Bhd ESS completed on 26 September 2017, AFG shares or any part thereof (to the extent they have not been sold or disposed of by the Trustee) held by the Trustee pursuant to the Trust Deed were replaced with the same number of shares of the Bank.

During the financial year ended 31 March 2018, 101,200 AFG shares and 11,500 shares of the Bank have been vested and transferred from the Trustees to the eligible employees of the Bank and its related companies. As at 8 March 2018, the Trustee had completed the disposal of all shares of the Bank it held.

### BUSINESS REVIEW FOR FINANCIAL YEAR ENDED (FYE) 31 MARCH 2018

For FYE 31 March 2018, the Group's net profit after taxation was RM493.2 million.

The Group's net income grew by RM102.6 million or 7.0% due to expansion of total gross loans/financing to RM40.3 billion. Net Interest Margin recorded at 240bps from 226bps last financial year.

Other operating income including Islamic Banking income improved by RM40.7 million or 11.9% mainly contributed from investment income and foreign exchange gain by RM29.6 million coupled with fee based income by RM11.8 million.

Operating expenses increased by RM102.1 million or 14.8% on higher due to restructuring cost and strategic initiatives. Cost to income ratio is recorded at 50.5%. Excluding restructuring cost and strategic initiatives, cost to income ratio stood at 46.0%.

Gross impaired loans recorded at 1.4%. While loan loss coverage including regulatory reserves was at 96.7%.

The Current Account/Savings Account ratio improved to 37.3% from 34.8% last year. Loans-to-deposits ratio increased to 94.3% as at 31 March 2018, from 88.5% last year, while loan-to-fund ratio stood at 85.3%.

After deducting proposed dividend, the Group's total capital ratio stood healthy at 18.3%, with a Common Equity Tier 1 Capital ratio of 13.4% and Tier 1 Capital ratio at 13.8% as at 31 March 2018.

The Group declared a second interim dividend of RM105.3 million, bringing the total dividend declared for the financial year ended 31 March 2018 to RM236.9 million (FYE2017: RM247.7 million).

## PERFORMANCE BY BUSINESS SEGMENT

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

Consumer Banking profit before tax stood at RM142.4 million where the net income was higher by RM0.8 million or 0.1% offset by higher operating expenses by RM7.2 million or 2.2% compared to last year. Allowance for loans, advances and financing was higher by RM12.4 million. Segment asset was RM41.4 billion or 0.2% higher.

Business Banking profit before tax stood at RM357.1 million where the net income was higher by RM27.7 million or 4.3% offset by higher operating expenses by RM35.3 million or 13.0% compared to last year. Allowance for loans, advances and financing improved by RM14.3 million. Segment asset registered growth of RM0.9 billion or 5.0%.

Financial Markets profit before tax stood at RM228.0 million where the operating profit was higher by RM67.6 million or 42.1% mainly due to increase in the revenue by RM74.5 million or 35.8% compared to last year. Segment asset was RM0.9 billion or 5.6% lower compare to last year.

Stockbroking and Corporate Advisory Services loss before tax improved by RM4.8 million compared to last year mainly due to higher brokerage income.

## ECONOMIC OUTLOOK AND PROSPECTS FOR FYE 31 MARCH 2019

Bank Negara Malaysia has forecasted that the Malaysian Gross Domestic Product (GDP) growth will expand between 5.5% and 6.0% in 2018, as broad based global recovery momentum continues to strengthen, providing positive spillovers from the external sector to Malaysia's domestic activity.

Private sector expenditure will remain the key driver of growth. Private consumption will likely be supported by continued wage and employment growth, while private investment is expected to be backed by capital expenditure in Malaysia's key sectors such as manufacturing and services, coupled with on-going mega infrastructure projects.

Meanwhile, Bank Negara Malaysia expects inflation to trend lower between 2.0% and 3.0% in 2018, as a result of high-base effect in 2017 which moderates the effect of price hikes in 2018. On the external sector, gross exports are forecasted to expand 8.4% in 2018, underpinned by broad-based growth in both electrical and electronics (E&E) and non E&E exports.

Overall, positive global macro prospects will likely continue to provide favourable external demand conditions that will support Malaysia's manufacturing sector especially the E&E, oil and gas and commodity sectors, contributing positively towards 2018 GDP growth.

## BUSINESS OUTLOOK FOR NEXT FINANCIAL YEAR

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 optimize and strengthen its foundation by improving balance sheet efficiency with 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. This is aligned with our vision of 'Building Alliances to Improve Lives'.

In the coming year, we will be scaling up for growth in our core businesses. We will also be digitizing key processes to deliver enhanced customer experience and 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.

Our strategic transformation initiatives will start having a positive impact on the financial trajectory for the coming year. We therefore expect profitability to improve.

## DIRECTORS' REPORT (Cont'd)

### RATING BY EXTERNAL RATING AGENCY

The Bank is rated by Rating Agency Malaysia Berhad (RAM). Based on RAM's rating in December 2017, 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)

Ou Shian Waei

Lee Ah Boon

Kung Beng Hong

Kuah Hun Liang

Datuk Wan Azhar Bin Wan Ahmad

Lee Boon Huat

Ho Hon Cheong

Thayaparan S Sangarapillai

Tan Chian Khong (appointed on 26 September 2017)

### DIRECTORS' REMUNERATION

Details of Directors' Remuneration are set out in Note 43 to the financial statements.

### DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangements to which the Bank is a party, whereby the Directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate, other than those arising from the share options and share grant 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 43 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 subsidiaries or its related corporations during the financial year.



## ISSUE OF SHARES AND DEBENTURES

- (a) On 25 August 2017, the Bank issued RM100,000,000 new Shares at an issue price of RM1.00 each to AFG, the former holding company of the Bank.
- (b) On 26 August 2017, the Bank has increased its issued and paid-up share capital from RM896,517,043 to RM1,548,105,929 via a bonus issue of RM651,588,886 new shares to AFG, detailed transactions arising from the group reorganisation exercise are disclosed in Note 53.
- (c) The Bank has established a RM1.0 billion Additional Tier 1 Capital Securities Programme on 3 October 2017 and completed its first issuance as below:

Issuance Date	Nominal Amount	Tenure	Call Date	Distribution Rate
08-Nov-17	RM150.0 million	Perpetual Non-callable Five (5) years	8 November 2022 and thereafter on every distribution payment date	6.25% per annum

- (d) 18,964,900 shares held in Trust for ESS which were in excess of the AFG Bhd ESS were disposed at an average market price of RM4.00 per share by 8 March 2018.

## BAD AND DOUBTFUL DEBTS

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

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

## CURRENT ASSETS

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

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

## VALUATION METHOD

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

## DIRECTORS' REPORT (Cont'd)

### CONTINGENT AND OTHER LIABILITIES

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

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

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

### CHANGE OF CIRCUMSTANCES

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

### ITEMS OF AN UNUSUAL NATURE

In the opinion of the Directors:

- (i) the results of the operations of the Group and of the Bank during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in Note 53 to the Financial Statements; and
- (ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature which is likely to affect substantially the results of the operations of the Group and of the Bank for the financial year in which this report is made.

### 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 35 to the financial statements.

### SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

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

### SUBSEQUENT EVENTS

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

**AUDITORS**

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF1146), have expressed their willingness to accept reappointment as auditors.

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF1146) was registered in 2 January 2018 and with effect from that date, PricewaterhouseCoopers (AF1146), a conventional partnership was converted to a limited liability partnership.

This report was approved by the Board of Directors on 31 May 2018. Signed on behalf of the Board of Directors.

**Tan Sri Dato' Ahmad Bin Mohd Don**

Kuala Lumpur, Malaysia

**Kung Beng Hong**

## STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act, 2016

We, Tan Sri Dato' Ahmad Bin Mohd Don and Kung Beng Hong, being two of the Directors of Alliance Bank Malaysia Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 100 to 241 are drawn up so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 March 2018 and financial performance of the Group and of the Bank for the financial year ended 31 March 2018 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 2018.

**Tan Sri Dato' Ahmad Bin Mohd Don**

**Kung Beng Hong**

Kuala Lumpur, Malaysia

## STATUTORY DECLARATION

Pursuant to Section 251(1) 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 100 to 241 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 2018

**Wong Lai Loong**  
(MIA Membership No. (CA29328))

Before me,

**Sivanason a/l Marimuthu**  
Commissioner for Oaths

Kuala Lumpur, Malaysia  
31 May 2018

# 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 Group and of the Bank as at 31 March 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

### What we have audited

We have audited the financial statements of the Group and of the Bank, which comprise the statements of financial position as at 31 March 2018 of the Group and of the Bank, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 100 to 241.

### Basis for opinion

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

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

### Independence and other ethical responsibilities

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

### Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and the Bank. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Bank, the accounting processes and controls, and the industry in which the Group and the Bank operate.



# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALLIANCE BANK MALAYSIA BERHAD (Cont'd)

(Incorporated in Malaysia)

(Company No. 88103-W)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (cont'd)

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of Bank for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Bank as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
<p><b>Allowance for impairment on loans, advances and financing</b></p> <p>Refer to accounting policy 2(i)(i)(a) and 2(a)(ii), Notes 10 and 36 of the Financial Statements of the Group and the Bank.</p> <p>Allowance for impairment are calculated on a collective basis for portfolio of loans of a similar credit risk characteristics and on an individual basis for individually significant loans.</p> <p>This is an area of our focus as management makes significant judgements over both timing of recognition of allowances and the estimation of the amount of any such allowances.</p> <p>In particular, we focused on:</p> <p><u>Individual assessment allowance</u></p> <ul style="list-style-type: none"> <li>How objective evidence of impairment was identified; and</li> <li>If objective evidence was identified, how the impairment amount was measured.</li> </ul> <p><u>Collective assessment allowance</u></p> <ul style="list-style-type: none"> <li>Assumptions underlying the calculation of collective assessment allowance of loans, advances and financing, in particular the probability of default and historical loss rates.</li> </ul>	<p><u>Individual assessment allowance</u></p> <ul style="list-style-type: none"> <li>We obtained an understanding and tested management's controls over identification of impaired loans, advances and financing in accordance with the Group's policy and procedures.</li> <li>We tested a sample of unimpaired loans/financing selected from certain criteria and assessed the reasonable of management's judgement that there was no objective evidence of impairment for these loans.</li> <li>For individually impaired loans, we examined a sample of loans and assessed reasonableness of management's assumptions used to estimate the impairment amount, in particular, the timing of expected cash flows.</li> </ul> <p><u>Collective assessment allowance</u></p> <ul style="list-style-type: none"> <li>We obtained an understanding and tested management's controls over the appropriateness of models used to calculate the impairment charge, the process of determining key assumptions and the identification of loans to be included within the portfolio.</li> <li>We re-computed the probability of default, the historical loss rate and the collective assessment allowance on a sample basis.</li> <li>We tested the completeness and accuracy of data used in those models by comparing to the underlying source.</li> <li>We considered reasonableness of the applied assumptions at reporting date.</li> </ul> <p>We found no material exceptions in these procedures.</p>
<p><b>Impairment testing of goodwill</b></p> <p>Refer to accounting policy 2(i)(ii)(a), and 2(a)(i), and Note 18 of the Financial Statements of the Group and the Bank.</p> <p>Management performed annual impairment review on the goodwill balance.</p> <p>The recoverable amount of each cash generating units (CGU) of which goodwill has been allocated was determined based on the value-in-use method. The value-in-use was determined using cash flow projections based on the financial budget and business plans approved by the Board of Directors.</p> <p>In particular, we focused on the following key assumptions that requires significant judgement, for each CGU:</p> <ul style="list-style-type: none"> <li>The terminal growth rate; and</li> <li>The discount rate.</li> </ul>	<p>We tested management's impairment assessment of goodwill as follows:</p> <ul style="list-style-type: none"> <li>Compared the cash flows projection of each CGU to approved budgets and business plans for each CGU.</li> <li>Compared historical cash flows projections to actual results of each CGU to assess the reasonableness of forecasting.</li> <li>Assessed the reasonableness of the applied discount rates by comparing to external and industry information. The applied discount rates reflect the specific risks relating to each CGU where the risk associated to each CGU is determined based on the CGU's business and operating model.</li> <li>Evaluated reasonableness of terminal growth rates used by comparing to Malaysia's forecasted GDP rate.</li> <li>Stress-tested the value-in-use of each CGU by using growth rates and discount rates which were within a reasonably foreseeable range. We found that the stress-tested value-in-use of each CGU is higher than the carrying value of the CGUs disclosed in the financial statements.</li> </ul> <p>Based on the evidence obtained, we found that the assumptions used by management in the value-in-use calculation were within a reasonable range.</p>

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (cont'd)

### Information other than the financial statements and auditors' report thereon

The Directors of the Bank are responsible for the other information. The other information comprises:

- (i) Financial Highlights
- (ii) Statement by Chairman of Alliance Bank Group
- (iii) Management Discussion and Analysis
- (iv) Statement on Corporate Governance
- (v) Sustainability Statement
- (vi) Audit Committee Report
- (vii) Statement on Risk Management and Internal Control
- (viii) Risk Management
- (ix) Directors' Report
- (x) Basel II Pillar 3 Report Disclosure

but does not include the financial statements of the Group and of the Bank and our auditors' report thereon.

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

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

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

### Responsibilities of the directors for the financial statements

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

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

### Auditors' responsibilities for the audit of the financial statements

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

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALLIANCE BANK MALAYSIA BERHAD (Cont'd)

(Incorporated in Malaysia)

(Company No. 88103-W)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (cont'd)

### Auditors' responsibilities for the audit of the financial statements (cont'd)

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

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

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

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Bank for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**OTHER MATTERS**

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

**PRICEWATERHOUSECOOPERS PLT**

(No. LLP0014401-LCA & AF1146)

Chartered Accountants

Kuala Lumpur

31 May 2018

**SOO HOO KHOON YEAN**

(No. 2682/10/2019 (J))

Chartered Accountant

# STATEMENTS OF FINANCIAL POSITION

as at 31 March 2018

		Group		Bank	
		2018	Restated	2018	2017
	Note	RM'000	2017 RM'000	RM'000	RM'000
<b>ASSETS</b>					
Cash and short-term funds	3	2,768,758	1,381,779	1,715,961	1,618,617
Deposits and placements with banks and other financial institutions	4	77,283	-	77,283	-
Amounts due from clients and brokers	5	101,305	113,022	-	-
Financial assets held-for-trading	6	63,750	335,260	48,771	259,701
Financial investments available-for-sale	7	8,505,189	10,239,557	6,406,448	8,099,450
Financial investments held-to-maturity	8	293,612	917,092	344,703	658,201
Derivative financial assets	9	84,455	86,345	84,455	86,345
Loans, advances and financing	10	39,989,515	38,991,689	31,546,564	31,371,907
Other assets	11	105,728	110,340	140,727	105,141
Tax recoverable		2,004	9,726	-	-
Statutory deposits	12	1,408,316	1,437,444	1,092,566	1,129,366
Investments in subsidiaries	13	-	-	989,102	892,820
Investment in former associate	14	-	-	-	230
Investment in joint venture	15	693	763	-	-
Property, plant and equipment	16	69,373	73,948	67,834	71,883
Deferred tax assets	17	22,664	14,738	9,223	4,088
Intangible assets	18	409,402	377,361	292,981	261,986
<b>TOTAL ASSETS</b>		<b>53,902,047</b>	<b>54,089,064</b>	<b>42,816,618</b>	<b>44,559,735</b>
<b>LIABILITIES AND EQUITY</b>					
Deposits from customers	19	42,740,460	44,445,720	33,508,370	36,112,501
Deposits and placements of banks and other financial institutions	20	873,871	862,904	439,238	649,729
Financial liabilities designated at fair value	21	682,238	402,734	682,238	402,734
Amounts due to clients and brokers	22	75,103	69,066	-	-
Derivative financial liabilities	9	154,686	81,892	154,686	81,892
Recourse obligations on loans and financing sold to Cagamas	23	1,102,363	502,713	601,696	502,713
Other liabilities	24	1,399,302	1,348,770	1,283,477	1,201,606
Provision for taxation		22,661	19,753	23,190	14,098
Provision for zakat		252	206	-	-
Deferred tax liabilities	17	11,907	9,960	-	-
Other borrowings	25	-	5,070	-	5,070
Subordinated obligations	26	1,379,614	1,226,078	1,379,024	1,225,664
<b>TOTAL LIABILITIES</b>		<b>48,442,457</b>	<b>48,974,866</b>	<b>38,071,919</b>	<b>40,196,007</b>
Share capital	27	1,548,106	1,548,106	1,548,106	796,517
Reserves	28	3,911,484	3,639,929	3,196,593	3,567,211
Shares held for Employees' Shares Scheme	29	-	(73,837)	-	-
<b>TOTAL EQUITY</b>		<b>5,459,590</b>	<b>5,114,198</b>	<b>4,744,699</b>	<b>4,363,728</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>53,902,047</b>	<b>54,089,064</b>	<b>42,816,618</b>	<b>44,559,735</b>
<b>COMMITMENTS AND CONTINGENCIES</b>					
Net assets per share attributable to equity holders of the Bank (RM)	47	22,641,134	26,493,954	20,272,725	24,538,276
		3.53	3.30		

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



# STATEMENTS OF INCOME

for the financial year ended 31 March 2018

	Note	Group		Bank	
		2018 RM'000	Restated 2017 RM'000	2018 RM'000	2017 RM'000
Interest income	31	<b>1,921,697</b>	1,880,213	<b>1,898,299</b>	1,852,165
Interest expense	32	<b>(1,029,186)</b>	(1,032,668)	<b>(998,364)</b>	(1,016,231)
Net interest income		<b>892,511</b>	847,545	<b>899,935</b>	835,934
Net income from Islamic banking business	33	<b>318,245</b>	297,037	-	-
		<b>1,210,756</b>	1,144,582	<b>899,935</b>	835,934
Fee and commission income		<b>303,464</b>	297,075	<b>259,228</b>	259,627
Fee and commission expense		<b>(96,677)</b>	(99,872)	<b>(84,373)</b>	(88,459)
Investment income		<b>126,757</b>	143,496	<b>159,630</b>	192,437
Other income		<b>27,723</b>	(15,858)	<b>27,222</b>	(18,708)
Other operating income	34	<b>361,267</b>	324,841	<b>361,707</b>	344,897
Net income		<b>1,572,023</b>	1,469,423	<b>1,261,642</b>	1,180,831
Other operating expenses	35	<b>(794,021)</b>	(691,907)	<b>(635,229)</b>	(538,496)
Operating profit before allowance		<b>778,002</b>	777,516	<b>626,413</b>	642,335
Allowance for impairment losses on loans, advances and financing and other receivables	36	<b>(93,386)</b>	(94,988)	<b>(43,107)</b>	(47,986)
Allowance for impairment losses on other assets	37	<b>(62)</b>	(1,208)	<b>(62)</b>	-
Operating profit after allowance		<b>684,554</b>	681,320	<b>583,244</b>	594,349
Share of results of joint venture	15	<b>43</b>	84	-	-
Profit before taxation		<b>684,597</b>	681,404	<b>583,244</b>	594,349
Taxation	38	<b>(191,369)</b>	(169,281)	<b>(156,334)</b>	(134,175)
Net profit for the financial year		<b>493,228</b>	512,123	<b>426,910</b>	460,174
Net profit for the financial year attributable to:					
Equity holders of the Bank		<b>493,228</b>	512,123	<b>426,910</b>	460,174
Earnings per share attributable to					
Equity holders of the Bank	39				
- Basic (sen)		<b>31.9</b>	33.5		
- Diluted (sen)		<b>31.9</b>	33.5		

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

# STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 31 March 2018

	Note	Group		Bank	
		2018 RM'000	Restated 2017 RM'000	2018 RM'000	2017 RM'000
Net profit for the financial year		<b>493,228</b>	512,123	<b>426,910</b>	460,174
Other comprehensive income/(expense):					
Items that may be reclassified subsequently to profit or loss					
Revaluation reserve on financial investments available-for-sale					
- Net gain/(loss) from change in fair values		<b>25,539</b>	(14,735)	<b>16,134</b>	(7,465)
- Realised gain transferred to statement of income on disposal and impairment		<b>(4,857)</b>	(5,684)	<b>(2,987)</b>	(3,372)
- Transfer (to)/from deferred tax		<b>(4,963)</b>	4,901	<b>(3,156)</b>	2,601
Other comprehensive income/(expense), net of tax		<b>15,719</b>	(15,518)	<b>9,991</b>	(8,236)
Total comprehensive income for the financial year		<b>508,947</b>	496,605	<b>436,901</b>	451,938
Total comprehensive income attributable to:					
Equity holders of the Bank		<b>508,947</b>	496,605	<b>436,901</b>	451,938

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

# STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 March 2018

← Attributable to Equity holders of the Bank →

	Ordinary shares RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserves RM'000	Capital reserves RM'000	Revaluation reserves RM'000	Equity contribution from former parent RM'000	Employees' share scheme (‘ESS’) reserve RM'000	Shares held for ESS RM'000	Retained profits RM'000	Total equity RM'000
<b>Group</b>											
At 1 April 2017											
As previously reported	796,517	401,517	1,223,525	157,900	10,018	99,268	6,062	-	-	2,306,158	5,000,965
Effect of group reorganisation [Note 55(a)]	751,589	(401,517)	-	-	79,992	-	(6,062)	6,444	(73,837)	(243,376)	113,233
As restated	1,548,106	-	1,223,525	157,900	90,010	99,268	-	6,444	(73,837)	2,062,782	5,114,198
Net profit after taxation	-	-	-	-	-	-	-	-	-	493,228	493,228
Other comprehensive income	-	-	-	-	-	15,719	-	-	-	-	15,719
Total comprehensive income	-	-	-	-	-	15,719	-	-	-	493,228	508,947
Share-based payment under ESS	-	-	-	-	-	-	-	204	-	-	204
ESS on shares lapsed:											
- employees of subsidiaries	-	-	-	-	-	-	-	(157)	-	157	-
- bank employees	-	-	-	-	-	-	-	(1,037)	-	1,037	-
ESS shares grant vested to:											
- employees of subsidiaries	-	-	-	-	-	-	-	(488)	488	-	-
- employees of joint venture	-	-	-	-	-	-	-	(111)	111	-	-
- bank employees	-	-	-	-	-	-	-	(3,099)	3,099	-	-
ESS shares option exercised by:											
- employees of subsidiaries	-	-	-	-	-	-	-	(22)	22	-	-
- bank employees	-	-	-	-	-	-	-	(96)	96	-	-
Proceeds from share options exercised	-	-	-	-	-	-	-	-	4,032	-	4,032
Transfer of ESS recharged difference on shares vested	-	-	-	-	-	-	-	-	-	-	-
Disposal of ESS share	-	-	-	-	-	-	-	(1,638)	-	1,638	-
Gain from disposal of ESS share	-	-	-	-	-	-	-	-	65,989	-	65,989
Transfer (from)/to reserves	-	-	(1,223,525)	28,164	10,140	-	-	-	-	11,247	11,247
Dividends paid to shareholders [Note 40]	-	-	-	-	-	-	-	-	-	1,185,221	-
Dividends added back for shares held in ESS trust	-	-	-	-	-	-	-	-	-	(247,697)	(247,697)
At 31 March 2018	1,548,106	-	-	186,064	100,150	114,987	-	-	-	3,510,283	5,459,590

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

# STATEMENTS OF CHANGES IN EQUITY (Cont'd)

for the financial year ended 31 March 2018

	Attributable to Equity holders of the Bank									
						Employees' share scheme ('ESS')				
Group	Ordinary shares RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserves RM'000	Capital reserves RM'000	Revaluation reserves RM'000	Equity contribution from former parent RM'000	Shares held for ESS RM'000	Retained profits RM'000	Total equity RM'000
At 1 April 2016										
As previously reported	796,517	401,517	1,200,019	157,174	10,018	114,786	10,896	-	2,047,248	4,738,175
Effect of group reorganisation [Note 55(a)]	751,589	(401,517)	-	-	67,644	-	(10,896)	11,516	(234,606)	103,833
As restated	1,548,106	-	1,200,019	157,174	77,662	114,786	-	11,516	1,812,642	4,842,008
Net profit after taxation	-	-	-	-	-	-	-	-	512,123	512,123
Other comprehensive expense	-	-	-	-	-	(15,518)	-	-	-	(15,518)
Total comprehensive (expense)/income	-	-	-	-	-	(15,518)	-	-	512,123	496,605
Share-based payment under ESS	-	-	-	-	-	-	-	2,241	-	2,241
ESS on shares lapsed:										
- employees of subsidiaries	-	-	-	-	-	-	-	(369)	369	-
- employees of joint venture	-	-	-	-	-	-	-	(47)	-	(47)
- bank employees	-	-	-	-	-	-	-	(1,857)	1,857	-
ESS shares grant vested to:										
- employees of subsidiaries	-	-	-	-	-	-	-	(412)	412	-
- employees of joint venture	-	-	-	-	-	-	-	(92)	92	-
- bank employees	-	-	-	-	-	-	-	(3,110)	3,110	-
ESS shares option exercised by:										
- bank employees	-	-	-	-	-	-	-	(129)	129	-
Proceeds from share options exercised	-	-	-	-	-	-	-	2,317	-	2,317
Transfer of ESS recharged difference on shares vested	-	-	-	-	-	-	-	(1,297)	1,297	-
Transfer to reserves	-	-	23,506	726	12,348	-	-	-	(36,580)	-
Dividends paid to shareholders [Note 40]	-	-	-	-	-	-	-	-	(232,216)	(232,216)
Dividends added back for shares held in ESS trust	-	-	-	-	-	-	-	-	3,290	3,290
At 31 March 2017	1,548,106	-	1,223,525	157,900	90,010	99,268	-	6,444	(73,837)	5,114,198

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

Bank	Non-distributable/reserves						Distributable reserves		
	Ordinary shares RM'000	Share premium RM'000	Statutory reserve RM'000	Capital reserves RM'000	Regulatory reserves RM'000	Revaluation reserves RM'000	Equity contribution from former holding company RM'000	Retained profits RM'000	Total equity RM'000
At 1 April 2017	796,517	401,517	835,401	-	144,349	64,916	5,523	2,115,505	4,363,728
Net profit after taxation	-	-	-	-	-	-	-	426,910	426,910
Other comprehensive income	-	-	-	-	-	9,991	-	-	9,991
Total comprehensive income	-	-	-	-	-	9,991	-	426,910	436,901
Issuance of shares to former holding company	100,000	-	-	-	-	-	-	-	100,000
Bonus issue	651,589	(401,517)	-	-	-	-	-	(250,072)	-
Acquisition of subsidiary under group reorganisation	-	-	-	95,515	-	-	-	-	95,515
Share-based payment under ESS	-	-	-	-	-	-	188	-	188
Payment for ESS recharged from former holding company	-	-	-	-	-	-	(3,195)	-	(3,195)
Transfer of ESS recharged difference on shares vested	-	-	-	-	-	-	(1,479)	1,479	-
ESS on share options lapsed	-	-	-	-	-	-	(1,037)	1,037	-
Transfer (to)/from retained profits	-	-	(835,401)	-	15,680	-	-	819,721	-
Dividends paid [Note 40]	-	-	-	-	-	-	-	(248,438)	(248,438)
At 31 March 2018	1,548,106	-	-	95,515	160,029	74,907	-	2,866,142	4,744,699
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 ESS	-	-	-	-	-	-	1,733	-	1,733
Payment for ESS recharged from former holding company	-	-	-	-	-	-	(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 40]	-	-	-	-	-	-	-	(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

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



# STATEMENTS OF CASH FLOWS

for the financial year ended 31 March 2018

	Group		Bank	
	2018	Restated 2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before taxation	<b>684,597</b>	681,404	<b>583,244</b>	594,349
Adjustments for:				
Accretion of discount less amortisation of premium of financial investments	<b>(79,830)</b>	(73,946)	<b>(77,155)</b>	(73,010)
Allowance for losses on loans, advances and financing	<b>105,575</b>	103,914	<b>54,703</b>	57,330
Allowance for losses on other receivables	<b>4,047</b>	2,570	<b>3,169</b>	2,290
Depreciation of property, plant and equipment	<b>20,731</b>	21,352	<b>19,986</b>	20,544
Amortisation of computer software	<b>24,161</b>	22,397	<b>23,346</b>	21,834
Dividends from financial investments available-for-sale	<b>(1,861)</b>	(3,218)	<b>(1,311)</b>	(2,440)
Dividends from subsidiaries	-	-	<b>(33,913)</b>	(51,856)
Interest on loan sold to Cagamas	<b>36,326</b>	21,770	<b>24,142</b>	21,770
Interest expense on other borrowings	<b>167</b>	238	<b>167</b>	238
Interest expense on subordinated obligations	<b>72,617</b>	69,366	<b>72,735</b>	69,485
Interest income from financial assets held-for-trading	<b>(3,566)</b>	(6,178)	<b>(3,566)</b>	(6,178)
Interest income from financial investments available-for-sale	<b>(267,241)</b>	(246,536)	<b>(260,478)</b>	(246,210)
Interest income from financial investments held-to-maturity	<b>(17,593)</b>	(26,691)	<b>(17,242)</b>	(21,650)
Allowance for impairment on goodwill	-	1,208	-	-
Allowance for impairment on property, plant and equipment	<b>62</b>	-	<b>62</b>	-
Allowance for commitment and contingencies	-	2,301	-	2,301
Loss/(gain) on disposal of property, plant and equipment	<b>105</b>	346	<b>(1)</b>	346
Property, plant and equipment written-off	<b>291</b>	233	<b>277</b>	231
Computer software written-off	<b>372</b>	213	<b>284</b>	208
Loss on disposal of Computer software	-	-	<b>675</b>	-
Net gain from sale of financial assets held-for-trading	<b>(761)</b>	(988)	<b>(761)</b>	(988)
Net gain from sale of financial investments available-for-sale	<b>(21,863)</b>	(5,239)	<b>(21,331)</b>	(3,154)
Unrealised loss on revaluation of financial assets held-for-trading	<b>48</b>	1,147	<b>6</b>	1,199
Unrealised loss/(gain) on revaluation of derivative instruments	<b>74,593</b>	(144,553)	<b>74,593</b>	(144,553)
Unrealised (gain)/loss arising from financial liabilities designated at fair value	<b>(25,555)</b>	6,555	<b>(25,555)</b>	6,555
Allowance for/(write-back of) losses from amount due from clients	<b>5</b>	(2)	-	-
Share options/grants under Employees' Share Scheme	<b>189</b>	2,154	<b>191</b>	1,733
Share of results of joint venture	<b>(43)</b>	(84)	-	-
Zakat	<b>150</b>	143	-	-
Cash flow from operating activities before capital changes carried forward	<b>605,723</b>	429,876	<b>416,267</b>	250,374

	Group		Bank	
	2018	Restated 2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES (cont'd)</b>				
Cash flow from operating activities before capital changes brought forward	<b>605,723</b>	429,876	<b>416,267</b>	250,374
Changes in working capital:				
Deposits from customers	<b>(1,705,260)</b>	(965,889)	<b>(2,604,131)</b>	(1,110,739)
Deposits and placements of banks and other financial institutions	<b>10,967</b>	(294,346)	<b>(210,491)</b>	(367,703)
Other liabilities	<b>55,187</b>	84,437	<b>86,271</b>	98,115
Deposits and placements with banks and other financial institutions	<b>(77,283)</b>	195,865	<b>(77,283)</b>	195,865
Financial liabilities designated at fair value	<b>305,059</b>	157,043	<b>305,059</b>	157,043
Financial assets held-for-trading	<b>272,407</b>	(201,848)	<b>211,887</b>	(126,634)
Loans, advances and financing	<b>(1,103,401)</b>	(684,879)	<b>(229,360)</b>	(183,759)
Other assets	<b>662</b>	(10,220)	<b>(38,666)</b>	2,145
Amount due from/(to) clients and brokers	<b>17,749</b>	(16,543)	-	-
Statutory deposits	<b>29,128</b>	(26,516)	<b>36,800</b>	(11,726)
Cash used in operations	<b>(1,589,062)</b>	(1,333,020)	<b>(2,103,647)</b>	(1,097,019)
Taxation paid	<b>(196,351)</b>	(127,946)	<b>(159,931)</b>	(106,141)
Zakat paid	<b>(104)</b>	(59)	-	-
Net cash used in operating activities	<b>(1,785,517)</b>	(1,461,025)	<b>(2,263,578)</b>	(1,203,160)

# STATEMENTS OF CASH FLOWS (Cont'd)

for the financial year ended 31 March 2018

	Group		Bank	
	2018	Restated 2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Dividends from financial investments available-for-sale	1,861	3,218	1,311	2,440
Dividends from subsidiaries	-	-	33,913	51,856
Capital injection into subsidiaries	-	-	(537)	-
Interest received from financial investments assets held-for-trading	5,677	5,825	5,102	5,825
Interest received from financial investments available-for-sale	260,342	232,838	257,081	233,433
Interest received from financial investments held-to-maturity	20,760	28,929	18,934	21,706
Purchase of property, plant and equipment	(16,670)	(9,399)	(16,291)	(8,649)
Purchase of computer software	(56,574)	(38,197)	(55,300)	(36,729)
Proceeds from redemption/disposal of financial investments held-to-maturity (net of purchase)	699,136	285,522	389,106	135,264
Proceeds from redemption/disposal of financial investments available-for-sale (net of purchase)	1,782,543	(1,677,931)	1,728,991	(843,319)
Proceeds from disposal of property, plant and equipment	56	270	16	270
Net cash generated from/(used in) investing activities	2,697,131	(1,168,925)	2,362,326	(437,903)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Dividends paid to shareholders of the company	(245,027)	(228,926)	(248,438)	(232,503)
Interest on loan sold to Cagamas	(36,674)	(21,782)	(25,152)	(21,782)
Interest on other borrowings	(237)	(238)	(237)	(238)
Interest paid on subordinated obligations	(68,654)	(83,434)	(68,654)	(83,434)
Recourse obligations on loans and financing sold to Cagamas	599,998	-	99,993	-
Settlement on other borrowings	(5,000)	-	(5,000)	-
Proceeds from issuance of/(redemption on) subordinated notes	150,000	(600,000)	150,000	(600,000)
Proceeds from ESS exercised by employees/joint venture	4,150	2,409	-	-
Proceeds from disposal of share held in trust	77,236	-	-	-
Payment for ESS recharged from former parent	-	-	(3,195)	(3,240)
Subscription of shares from former holding company	-	-	100,000	-
Transaction costs paid on issuance of subordinated notes	(427)	-	(721)	-
Net cash generated from/(used in) from financing activities	475,365	(931,971)	(1,404)	(941,197)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>1,386,979</b>	<b>(3,561,921)</b>	<b>97,344</b>	<b>(2,582,260)</b>
<b>CASH AND CASH EQUIVALENTS</b>				
AT BEGINNING OF FINANCIAL YEAR	1,381,779	4,943,700	1,618,617	4,200,877
<b>CASH AND CASH EQUIVALENTS</b>				
AT THE END OF FINANCIAL YEAR	2,768,758	1,381,779	1,715,961	1,618,617
<b>Cash and cash equivalents comprise the following:</b>				
Cash and short-term funds	2,768,758	1,381,779	1,715,961	1,618,617
	2,768,758	1,381,779	1,715,961	1,618,617

A reconciliation of liabilities from financing activities to the statement of financial position and statement of cash flows as follows:

<b>Group</b>	<b>Recourse obligations on loans and financing sold to Cagamas</b>	<b>Subordinated obligations</b>	<b>Other borrowings</b>
As at 1 April 2017	502,713	1,226,078	5,070
Cash flow			
- Issuance/redemption	599,998	150,000	(5,000)
- Interest payment	(36,674)	(68,654)	(237)
- Transaction costs	-	(427)	-
Non cash changes			
- Interest accrued	36,326	72,617	167
As at 31 March 2018	1,102,363	1,379,614	-

<b>Bank</b>	<b>Recourse obligations on loans and financing sold to Cagamas</b>	<b>Subordinated obligations</b>	<b>Other borrowings</b>
As at 1 April 2017	502,713	1,225,664	5,070
Cash flow			
- Issuance/redemption	99,993	150,000	(5,000)
- Interest payment	(25,152)	(68,654)	(237)
- Transaction costs	-	(721)	-
Non cash changes			
- Interest accrued	24,142	72,735	167
As at 31 March 2018	601,696	1,379,024	-

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2018

## 1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

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

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

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

On 26 September 2017, the group reorganisation exercise was completed upon the transfer of listing status from Alliance Financial Group Berhad (AFG) to the Bank on the Main Market of Bursa Malaysia Securities Berhad. AFG is now the wholly-owned subsidiary of the Bank as disclosed in Note 53.

The assets and liabilities of AFG are included in the consolidated financial statements of the Group at their existing carrying amounts without fair value uplift. The difference between the consideration given and the aggregate carrying amounts of the assets and liabilities (as of the date of the transaction) is recognised in equity. No goodwill is recognised. AFG's assets and liabilities are incorporated in the consolidated financial statements of the Group as if the entities had always been, prior to the group reorganisation.

The comparative financial information of the Group were restated arising from the group reorganisation and the restatement are disclosed in Note 55.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 31 May 2018.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Preparation

#### Malaysian Financial Reporting Standards (MFRS) Framework

The financial statements of the Group and the Bank have been prepared in accordance with the Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

The financial statements of the Group and the Bank have been prepared under the historical cost convention, as modified by the financial investments 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 Group and the Bank'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 (cont'd)

### (a) Basis of Preparation (cont'd)

#### Malaysian Financial Reporting Standards (MFRS) Framework (cont'd)

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 the Board of Directors covering a 4-year period, estimated growth rates for cash flows beyond the fourth year are extrapolated in perpetuity and discount rates are applied to the cash flow projections.
- (ii) Allowance for losses on loans, advances and financing and other receivables (Note 36) – the Group and the Bank make allowance for impairment 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 Group and the Bank for the financial year beginning on 1 April 2017 are as follows:

- Amendments to MFRS 107 "Statement of Cash Flows – Disclosure Initiative"
- Amendments to MFRS 112 "Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses"
- MFRS 12 "Disclosures of Interest in Other Entities"
- Annual Improvements to MFRSs 2014 - 2016 Cycles

The adoption of the Amendments to MFRS 107 has required additional disclosure of changes in liabilities arising from financing activities. Other than that, the adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

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

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

##### Financial year beginning on/after 1 April 2018

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

##### Classification and measurements

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 cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an 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.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (a) Basis of Preparation (cont'd)

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

The Group and the Bank will apply the new standards, amendments to standards and interpretations in the following period: (cont'd)

#### Financial year beginning on/after 1 April 2018 (cont'd)

- (a) MFRS 9 “Financial Instruments” (effective from 1 January 2018) will replace MFRS 139 “Financial Instruments: Recognition and Measurement” (cont'd)

#### Classification and measurements (cont'd)

The combined application of the entity's business model and cash flow characteristics of the financial assets do not result in the significant change in the classification of financial asset other than unquoted equity instruments currently classified as available-for-sale, which will be reclassified to fair value through profit and loss (FVTPL). The reclassification will result in an increase in the Group's and the Bank's opening retained profits as of 1 April 2018 due to the transfer of related fair value gains from financial instruments available-for-sale revaluation reserves to retained earnings.

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 changes are:

- For financial liabilities classified as FVTPL, the fair value changes due to own credit risk should be recognised directly to OCI. There is no subsequent recycling to profit or loss.
- When a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss, being the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate, should be recognised immediately in profit or loss.

There will be no changes to the Group's and the Bank's accounting for financial liabilities. All the financial liabilities, except for financial liabilities designated at fair value and derivatives financial liabilities which is at FVTPL, will remain as amortised cost as there has not been significant change in the requirements for financial liabilities under MFRS 9.

#### Impairment of financial assets

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

The new impairment model requires the recognition of impairment allowances based on expected credit losses (ECL) rather than only incurred credit losses as is the case under MFRS 139. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, lease receivables, loan commitments, financial guarantee contracts and other loan commitments.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (a) Basis of Preparation (cont'd)

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

The Group and the Bank will apply the new standards, amendments to standards and interpretations in the following period: (cont'd)

#### Financial year beginning on/after 1 April 2018 (cont'd)

- (a) MFRS 9 “Financial Instruments” (effective from 1 January 2018) will replace MFRS 139 “Financial Instruments: Recognition and Measurement” (cont'd)

#### Impairment of financial assets (cont'd)

Under MFRS 9, impairment will be measured on each reporting date according to a three-stage expected credit loss impairment model:

- Stage 1 – from initial recognition of a financial assets to the date on which the credit risk of the asset has increased significantly relative to its initial recognition, a loss allowance is recognised equal to the credit losses expected to result from defaults occurring over the next 12 months (12-month ECL).
- Stage 2 – following a significant increase in credit risk relative to the initial recognition of the financial assets, a loss allowance is recognised equal to the credit losses expected over the remaining life of the asset (Lifetime ECL).
- Stage 3 – when a financial asset is considered to be credit-impaired, a loss allowance equal to full lifetime expected credit losses is to be recognised (Lifetime ECL).

As all financial assets within the scope of MFRS 9 impairment model will be assessed for at least 12-month ECL, and the population of financial assets to which full lifetime ECL applies is larger than the population of impaired loans for which there is objective evidence of impairment in accordance with MFRS 139, the total allowance for credit losses is expected to increase under MFRS 9 relative to the allowance for credit losses under MFRS 139.

In addition, changes in the required credit loss allowance, including the impact of movements between Stage 1 (12-month ECL) and Stage 2 (lifetime ECL) and the application of forward looking information, will be recorded in profit or loss, allowance for credit losses will be more volatile under MFRS 9.

#### Disclosures

The new standard requires more extensive disclosures especially in the areas of ECL. The Group and the Bank expect the changes in the extent of disclosures in the financial statements for 31 March 2019.

Based on the preliminary assessments performed, the Group and the Bank expect an increase in the impairment on loans, financing and other losses arising from the new impairment requirements, which will result in a reduction in the Group's and the Bank's opening retained profits and overall capital position as of 1 April 2018.

The Group and the Bank are now progressing to the finalisation of the implementation of the identified changes and will complete this process prior to the releasing of the interim results for the financial period ending 30 June 2018.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (a) Basis of Preparation (cont'd)

**Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank but not yet effective (cont'd)**

The Group and the Bank will apply the new standards, amendments to standards and interpretations in the following period: (cont'd)

Financial year beginning on/after 1 April 2018 (cont'd)

- (b) 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.

- (c) 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (a) Basis of Preparation (cont'd)

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

The Group and the Bank will apply the new standards, amendments to standards and interpretations in the following period: (cont'd)

#### Financial year beginning on/after 1 April 2019

- (a) 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.

- (b) Amendments to MFRS 9 “Prepayment features with negative compensation” (effective 1 January 2019) allow companies to measure some prepayable financial assets with negative compensation at amortised cost. Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than the unpaid amounts of principal and interest. To qualify for amortised cost measurement, the negative compensation must be reasonable compensation for early termination of the contract, and the asset must be held within a “held to collect” business model.

The amendments will be applied retrospectively.

- (c) Amendments to MFRS 128 “Long-term Interest in Associates and Joint Ventures” effective from 1 January 2019) clarify that an entity should apply MFRS 9 “Financial Instruments” (including the impairment requirements) to long-term interests in an associate or joint venture, which are in substance form part of the entity’s net investment, for which settlement is neither planned nor likely to occur in the foreseeable future.

In addition, such long-term interest are subject to loss allocation and impairment requirements in MFRS 128.

The amendments shall be applied retrospectively.

- (d) Annual Improvements to MFRSs 2015 - 2017 Cycles:

- Amendments to MFRS 3 “Business Combinations” (effective from 1 January 2019) clarify that when a party obtains control of a business that is a joint operation, the acquirer should account the transaction as a business combination achieved in stages. Accordingly it should remeasure its previously held interest in the joint operation (rights to the assets and obligations for the liabilities) at fair value on the acquisition date.
- Amendments to MFRS 11 “Joint Arrangements” (effective from 1 January 2019) clarify that when a party obtains joint control of a business that is a joint operation, the party should not remeasure its previously held interest in the joint operation.



# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (a) Basis of Preparation (cont'd)

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

The Group and the Bank will apply the new standards, amendments to standards and interpretations in the following period: (cont'd)

#### Financial year beginning on/after 1 April 2019 (cont'd)

#### (d) Annual Improvements to MFRSs 2015 - 2017 Cycles: (cont'd)

- Amendments to MFRS 112 "Income Taxes" (effective from 1 January 2019) clarify that where income tax consequences of dividends on financial instruments classified as equity is recognised (either in profit or loss, other comprehensive income or equity) depends on where the past transactions that generated distributable profits were recognised. Accordingly, the tax consequences are recognised in profit or loss when an entity determines payments on such instruments are distribution of profits (that is, dividends). Tax on dividend should not be recognised in equity merely on the basis that it is related to a distribution to owners.
- Amendments to MFRS 123 "Borrowing Costs" (effective from 1 January 2019) clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

#### (e) IC Interpretation 23 "Uncertainty over Income Tax Treatments" (effective 1 January 2019) provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

If an entity concludes that it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. An entity shall measure the effect of uncertainty using the method which best predicts the resolution of the uncertainty.

IC Interpretation 23 will be applied retrospectively.

The above standards, amendments to published standards and interpretations to existing standards are not anticipated to have any significant impact on the financial statements of the Group and the Bank in the year of initial application, except for the impact on MFRS 9.

### (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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (b) Economic Entities in the Group (cont'd)

#### (i) Subsidiaries (cont'd)

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.

In a group reorganisation, the assets and liabilities of the acquired entity are included in the consolidated financial statements of the Group at their existing carrying amounts without fair value uplift. The difference between the consideration given and the aggregate carrying amounts of the assets and liabilities (as of the date of the transaction) is recognised in equity. No goodwill is recognised. The acquired entity's assets and liabilities are incorporated in the consolidated financial statements of the Group as if the entity had always been, prior to the group reorganisation.

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

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

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

#### (iii) Disposal of Subsidiaries

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

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

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (b) Economic Entities in the Group (cont'd)

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

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

#### (v) Joint Arrangements

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (b) Economic Entities in the Group (cont'd)

#### (v) Joint Arrangements (cont'd)

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 income.

### (d) Intangible Assets

#### (i) Goodwill

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

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (d) Intangible Assets (cont'd)

#### (ii) Computer software

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

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

### (e) Financial Assets

#### (i) Classification

The Group and the Bank 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 Group and the Bank 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 Group and the Bank'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 Group and the Bank's management has the positive intention and ability to hold to maturity. If the Group and the Bank 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.



## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (e) Financial Assets (cont'd)

#### (ii) Reclassification

The Group and the Bank 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 Group and the Bank 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 and the Bank 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 Group and the Bank have not made any such reclassification.

#### (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(s).

#### (v) De-recognition

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (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.

### (g) Repurchase Agreements

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

Conversely, obligations on financial instruments sold under repurchase agreements are instruments which the Group and the Bank have sold from their portfolio, with a commitment to repurchase at future dates. 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 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).

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (h) Property, Plant and Equipment and Depreciation (cont'd)

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 income.

### (i) Impairment of Assets

#### (i) Impairment of financial assets

##### (a) Assets carried at amortised cost

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

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

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

The Group and the Bank 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.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (i) Impairment of Assets (cont'd)

#### (i) Impairment of financial assets (cont'd)

##### (a) Assets carried at amortised cost (cont'd)

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 Group and the Bank.

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.

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

The Group and the Bank 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 Group and the Bank 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (i) Impairment of Assets (cont'd)

#### (ii) Non financial assets (cont'd)

##### (a) Goodwill/Intangible assets (cont'd)

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 income to the extent that the intangible asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortisation, if no impairment had been recognised.

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

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

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

### (j) Leases

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

#### (i) Finance Leases

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment. The corresponding liability is included in the 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 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).

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (j) Leases (cont'd)

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

### (ii) Operating Leases

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

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

### (k) Bills and Acceptances Payable

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

## (l) Share Capital

### (i) Classification

Ordinary shares with discretionary dividends are classified as equity.

### (ii) Share issues costs

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

### (iii) Earnings per share

#### Basic earnings per share

Basic earnings per share is calculated by dividing:

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

#### 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.



## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (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 and the Bank to make cash payments of either principal or interest or both to holders of the debt securities and the Group and the Bank are contractually obliged to settle the financial instrument in cash or another financial instrument.

Subsequent to initial recognition, debt securities issued are recognised at amortised cost, with any difference between proceeds net of transaction costs and the redemption value being recognised in the 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.

### (o) Provisions

Provisions are recognised when:

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

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

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

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

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

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

<b>Types</b>	<b>Criteria for classification as impaired</b>	
	<b>Doubtful</b>	<b>Bad</b>
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.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (q) Revenue Recognition

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

Interest income and financing income are recognised using effective interest/profit rates, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the loans/financing or, where appropriate, a shorter period to the net carrying amount of the loan. When calculating the effective interest/profit rate, the Group and the Bank 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.

#### (ii) 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.

### (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 Group and of the Bank are recognised on an accrual basis.

### (s) Foreign Currencies

#### (i) Functional and presentation currency

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

#### (ii) Transactions and balances

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (s) Foreign Currencies (cont'd)

#### (ii) Transactions and balances (cont'd)

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.

### (t) 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 other 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.

### (u) Foreclosed Properties

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

### (v) 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.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (w) Employee Benefits

#### (i) Short-term Employee Benefits

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

#### (ii) Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which the Group and the Bank pay fixed contributions into separate entities or funds and will have no legal or constructive obligations to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the 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

AFG, the former holding company 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 Bank. 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 Group 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, with a corresponding adjustment to ESS reserves 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 proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised. When options are not exercised and lapsed, the ESS reserves is transferred to retained profits.

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (x) Contingent Liabilities and Contingent Assets

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

### (y) Financial Guarantee Contract

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

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The 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.

### (z) 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.

### (aa) 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.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

## 3. CASH AND SHORT-TERM FUNDS

	Group		Bank	
	2018	Restated	2018	2017
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	611,394	616,096	524,088	553,744
Money at call and deposit placements maturing within one month	2,157,364	765,683	1,191,873	1,064,873
	2,768,758	1,381,779	1,715,961	1,618,617

Included in the cash and short-term funds of the Group are accounts held-in-trust for remisiers amounting to RM5,866,000 (2017: RM8,279,000).

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

	Group		Bank	
	2018	Restated	2018	2017
	RM'000	RM'000	RM'000	RM'000
Licensed banks	77,283	-	77,283	-

## 5. AMOUNTS DUE FROM CLIENTS AND BROKERS

	Group	
	2018	2017
	RM'000	RM'000
Due from clients	101,475	96,499
Due from brokers	670	17,358
	102,145	113,857
Less: Allowance for losses	(840)	(835)
	101,305	113,022

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.



## 5. AMOUNTS DUE FROM CLIENTS AND BROKERS (cont'd)

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

	2018 RM'000	Group 2017 RM'000
Classified as doubtful	228	101
Classified as bad	851	846
	<b>1,079</b>	<b>947</b>

The movements in allowance for other losses are as follows:

	2018 RM'000	Group 2017 RM'000
At beginning of financial year	835	837
Allowance for/(write-back) during the financial year (net)	5	(2)
At the end of financial year	<b>840</b>	<b>835</b>

## 6. FINANCIAL ASSETS HELD-FOR-TRADING

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>At fair value</b>				
<u>Money market instruments:</u>				
Malaysian Government investment issues	-	20,049	-	20,049
Commercial papers	<b>40,905</b>	104,773	<b>25,926</b>	69,908
Malaysian Government securities	-	20,125	-	20,125
<u>Unquoted securities:</u>				
Corporate bonds and sukuk	<b>22,845</b>	190,313	<b>22,845</b>	149,619
	<b>63,750</b>	335,260	<b>48,771</b>	259,701

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

## 7. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>At fair value</b>				
<u>Money market instruments:</u>				
Malaysian Government securities	1,698,601	1,890,820	1,586,503	1,729,625
Malaysian Government investment issues	2,063,704	1,849,621	1,196,560	1,166,584
Negotiable instruments of deposits	398,898	2,332,427	1,058,671	2,529,876
Commercial papers	14,978	49,491	14,978	49,491
Khazanah bonds	113,549	138,731	113,549	138,731
	<b>4,289,730</b>	<b>6,261,090</b>	<b>3,970,261</b>	<b>5,614,307</b>
<u>Quoted securities in Malaysia:</u>				
Shares	21	26	21	26
Accumulated impairment losses	(11)	(11)	(11)	(11)
	<b>10</b>	<b>15</b>	<b>10</b>	<b>15</b>
<u>Unquoted securities:</u>				
Shares	178,846	166,719	121,634	111,377
Accumulated impairment losses	-	(1,440)	-	-
	<b>178,846</b>	<b>165,279</b>	<b>121,634</b>	<b>111,377</b>
Unit Trust Funds	-	4,960	-	-
	<b>-</b>	<b>4,960</b>	<b>-</b>	<b>-</b>
Corporate bonds and sukuk	4,046,012	4,040,124	2,314,543	2,509,432
Accumulated impairment losses	(9,409)	(231,911)	-	(135,681)
	<b>4,036,603</b>	<b>3,808,213</b>	<b>2,314,543</b>	<b>2,373,751</b>
	<b>4,215,449</b>	<b>3,978,452</b>	<b>2,436,177</b>	<b>2,485,128</b>
	<b>8,505,189</b>	<b>10,239,557</b>	<b>6,406,448</b>	<b>8,099,450</b>

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

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At beginning of financial year	233,362	233,362	135,692	135,692
Written-off during the financial year	(223,942)	-	(135,681)	-
At the end of financial year	<b>9,420</b>	<b>233,362</b>	<b>11</b>	<b>135,692</b>

## 8. FINANCIAL INVESTMENTS HELD-TO-MATURITY

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>At amortised cost</b>				
<u>Money market instruments:</u>				
Malaysian Government securities	141,686	689,470	121,271	568,160
Malaysian Government investment issues	-	80,957	-	-
Khazanah bonds	147,181	141,920	93,036	89,704
	<b>288,867</b>	912,347	<b>214,307</b>	657,864
<b>At cost</b>				
<u>Unquoted securities:</u>				
Corporate bonds and sukuk	18,938	18,938	131,690	1,631
Accumulated impairment losses	(14,193)	(14,193)	(1,294)	(1,294)
	<b>4,745</b>	4,745	<b>130,396</b>	337
	<b>293,612</b>	917,092	<b>344,703</b>	658,201

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

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At beginning/end of financial year	14,193	14,193	1,294	1,294

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

## 9. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

Derivative financial instruments are financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates, interest rates and equity prices) of the underlying instruments. These instruments allow the Group and the Bank and the banking customers to transfer, modify or reduce their foreign exchange and interest rate risk via hedge relationships. The Group and the Bank also transacts in these instruments for proprietary trading purposes. The risks associated with the use of derivative financial instruments, as well as management's policy for controlling these risks are set out in Note 44.

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

Bank/Group	2018			2017		
	Contract/ Notional Amount RM'000	Fair Value		Contract/ Notional Amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
<b>Trading Derivatives</b>						
<b>Foreign exchange contracts:</b>						
- Currency forwards	1,540,435	8,365	(96,062)	1,392,677	45,788	(5,109)
- Currency swaps	3,240,897	47,110	(13,774)	9,675,352	15,809	(46,870)
- Currency spots	167,965	245	(185)	40,255	56	(60)
- Currency options	198,450	1,449	(1,616)	128,868	265	(24)
<b>Interest rate related contracts:</b>						
- Interest rate swaps	5,342,800	26,882	(26,667)	4,344,432	24,339	(24,455)
<b>Equity related contracts:</b>						
- Options	106,485	404	(16,382)	82,735	88	(5,374)
<b>Total derivative assets/(liabilities)</b>	<b>10,597,032</b>	<b>84,455</b>	<b>(154,686)</b>	<b>15,664,319</b>	<b>86,345</b>	<b>(81,892)</b>

## 10. LOANS, ADVANCES AND FINANCING

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Overdrafts	3,410,188	2,763,678	2,544,606	2,248,119
Term loans/financing				
- Housing loans/financing	14,013,987	14,437,368	11,568,619	12,015,876
- Syndicated term loans/financing	328,508	363,508	183,539	217,224
- Hire purchase receivables	1,160,135	1,299,638	728,742	764,163
- Other term loans/financing	13,838,846	13,674,780	10,807,750	10,680,430
Bills receivables	345,530	502,836	340,283	494,267
Trust receipts	215,712	199,515	187,088	172,842
Claims on customers under acceptance credits	3,041,120	2,616,395	2,282,838	2,060,637
Staff loans (Loans to Directors: RM Nil)	26,123	29,864	7,744	10,123
Credit/charge card receivables	604,110	604,197	604,110	604,197
Revolving credits	2,069,989	1,745,060	1,510,347	1,480,339
Share margin financing	1,253,125	1,098,842	1,004,670	898,084
Gross loans, advances and financing	40,307,373	39,335,681	31,770,336	31,646,301
Add: Sales commissions and handling fees	54,591	35,963	61,630	24,390
Less: Allowance for impairment on loans, advances and financing				
- Individual assessment allowance	(75,733)	(66,627)	(64,967)	(64,147)
- Collective assessment allowance	(296,716)	(313,328)	(220,435)	(234,637)
Total net loans, advances and financing	39,989,515	38,991,689	31,546,564	31,371,907

(i) By maturity structure:

Within one year	11,169,395	9,595,942	8,623,585	7,993,587
One year to three years	1,320,249	1,480,000	951,258	1,149,354
Three years to five years	2,475,345	2,467,214	1,882,787	1,862,734
Over five years	25,342,384	25,792,525	20,312,706	20,640,626
Gross loans, advances and financing	40,307,373	39,335,681	31,770,336	31,646,301

(ii) By type of customer:

Domestic non-bank financial institutions	451,720	351,484	374,409	300,971
Domestic business enterprises				
- Small and medium enterprises	10,232,690	9,786,917	8,040,287	7,641,456
- Others	8,005,100	7,632,297	6,065,223	6,345,144
Government and statutory bodies	3,667	5,952	3,667	5,287
Individuals	20,690,312	20,523,924	16,455,658	16,428,669
Other domestic entities	164,843	188,394	162,138	181,071
Foreign entities	759,041	846,713	668,954	743,703
Gross loans, advances and financing	40,307,373	39,335,681	31,770,336	31,646,301

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

## 10. LOANS, ADVANCES AND FINANCING (cont'd)

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
(iii) <u>By interest/profit rate sensitivity:</u>				
Fixed rate				
- Housing loans/financing	35,331	40,638	4,151	5,541
- Hire purchase receivables	1,131,382	1,262,655	699,989	727,180
- Other fixed rate loans/financing	2,699,007	2,417,180	1,295,655	990,381
Variable rate				
- Base lending rate plus	26,055,850	26,754,482	21,606,411	22,182,402
- Base rate plus	3,259,928	1,807,725	2,510,143	1,693,697
- Cost plus	6,973,819	6,721,766	5,501,931	5,715,865
- Other variable rate loans/financing	152,056	331,235	152,056	331,235
Gross loans, advances and financing	40,307,373	39,335,681	31,770,336	31,646,301
(iv) <u>By economic purposes:</u>				
Purchase of securities	1,245,600	1,109,188	997,145	908,430
Purchase of transport vehicles	933,698	1,078,821	525,290	563,845
Purchase of landed property	22,079,479	22,487,331	18,335,356	18,825,353
of which: - Residential	15,051,340	15,506,791	12,566,335	13,066,242
- Non-residential	7,028,139	6,980,540	5,769,021	5,759,111
Purchase of fixed assets excluding land and buildings	302,307	291,617	256,498	254,742
Personal use	3,309,928	2,656,823	1,938,753	1,457,449
Credit card	604,110	604,197	604,110	604,197
Construction	451,297	655,891	433,393	641,281
Mergers and acquisitions	117,705	117,688	117,705	117,688
Working capital	8,832,929	7,844,844	6,774,400	6,277,761
Others	2,430,320	2,489,281	1,787,686	1,995,555
Gross loans, advances and financing	40,307,373	39,335,681	31,770,336	31,646,301
(v) <u>By geographical distribution:</u>				
Northern region	2,835,527	2,652,319	2,139,991	2,082,450
Central region	28,946,946	28,237,847	23,158,486	22,856,016
Southern region	4,951,821	4,652,964	3,820,900	3,584,358
Sabah region	2,606,218	2,530,304	1,992,524	2,029,525
Sarawak region	966,861	1,262,247	658,435	1,093,952
Gross loans, advances and financing	40,307,373	39,335,681	31,770,336	31,646,301



## 10. LOANS, ADVANCES AND FINANCING (cont'd)

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
(vi) <u>Movements in impaired loans, advances and financing (impaired loans) are as follows:</u>				
At beginning of financial year	393,349	487,868	339,580	373,199
Impaired during the financial year	848,111	600,685	635,366	446,621
Reclassified as unimpaired during the financial year	(352,268)	(419,465)	(271,181)	(284,275)
Recoveries	(198,592)	(176,471)	(165,034)	(142,857)
Amount written-off	(113,081)	(99,268)	(68,085)	(53,108)
At the end of financial year	577,519	393,349	470,646	339,580
Individual assessment allowance	(75,733)	(66,627)	(64,967)	(64,147)
Collective assessment allowance (impaired portion)	(107,070)	(94,714)	(83,699)	(74,410)
Net impaired loans, advances and financing	394,716	232,008	321,980	201,023
Gross impaired loans as % of gross loans, advances and financing	1.4%	1.0%	1.5%	1.1%

(vii) Movements in the allowance for impairment on loans, advances and financing are as follows:

**Individual assessment allowance**

At beginning of financial year	66,627	68,331	64,147	58,061
Net allowance made during the financial year (net)	31,876	23,506	24,085	21,344
Amount written-off	(25,229)	(21,875)	(24,617)	(12,003)
Transfers from/(to) collective assessment allowance	2,459	(3,335)	1,352	(3,255)
At the end of financial year	75,733	66,627	64,967	64,147

**Collective assessment allowance**

At beginning of financial year	313,328	306,978	234,637	236,501
Net allowance made during the financial year (net)	73,699	80,408	30,618	35,986
Amount written-off	(87,852)	(77,393)	(43,468)	(41,105)
Transfers (to)/from individual assessment allowance	(2,459)	3,335	(1,352)	3,255
At the end of financial year	296,716	313,328	220,435	234,637

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

## 10. LOANS, ADVANCES AND FINANCING (cont'd)

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
(viii) <u>Impaired loans analysed by economic purposes are as follows:</u>				
Purchase of securities	50	7	50	7
Purchase of transport vehicles	13,671	11,497	10,131	7,695
Purchase of landed property	347,159	231,786	281,386	207,435
of which: - Residential	188,970	176,996	155,226	158,701
- Non-residential	158,189	54,790	126,160	48,734
Purchase of fixed assets excluding land and buildings	5,635	1,206	4,754	1,206
Personal use	56,852	43,475	35,527	25,390
Credit card	9,074	10,201	9,074	10,201
Construction	11,771	3,888	11,771	3,888
Working capital	98,433	71,965	89,864	66,453
Others	34,874	19,324	28,089	17,305
Gross impaired loans	577,519	393,349	470,646	339,580

(ix) Impaired loans by geographical distribution:

Northern region	42,540	30,552	34,658	28,290
Central region	417,859	277,515	336,653	238,742
Southern region	78,417	58,562	65,560	49,829
Sabah region	28,145	23,737	24,263	20,245
Sarawak region	10,558	2,983	9,512	2,474
Gross impaired loans	577,519	393,349	470,646	339,580

## 11. OTHER ASSETS

	Group		Bank	
	2018	Restated 2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Other receivables	32,173	53,410	18,281	42,173
Derivative margin	37,136	22,381	36,902	22,381
Settlement account	42,924	34,923	42,924	34,923
Deposits	8,690	9,245	8,020	8,464
Prepayment	16,430	19,529	14,992	18,498
Amounts due from subsidiaries [Note (a)]	-	-	46,794	2,696
Amounts due from other related companies [Note (a)]	-	-	-	37
Amount due from joint venture [Note (a)]	392	387	392	378
	137,745	139,875	168,305	129,550
Less:				
Allowance for impairment losses on other receivables [Note (b)]	(32,017)	(29,535)	(27,578)	(24,409)
	105,728	110,340	140,727	105,141

### Note:

- (a) Amounts due from subsidiaries/related companies and joint venture

	Group		Bank	
	2018	Restated 2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Non-interest bearing	392	387	47,186	3,111

The amounts due from subsidiaries/related companies and joint venture are unsecured, interest free and repayable upon demand.

- (b) Movement in allowance for impairment losses on other receivables of the Group and the Bank:

	Group		Bank	
	2018	Restated 2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
At beginning of financial year				
As previously stated	29,535	26,382	24,409	22,119
Effect of group reorganisation	-	691	-	-
As restated	29,535	27,073	24,409	22,119
Allowance made during the financial year net of write-back	4,047	2,570	3,169	2,290
Amount written-off	(1,565)	(108)	-	-
At the end of financial year	32,017	29,535	27,578	24,409

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

## 12. STATUTORY DEPOSITS

- (a) Non-interest bearing statutory deposits for the Group and the Bank of RM1,408,316,000 and RM1,092,566,000 (2017: RM1,437,344,000 and RM1,129,366,000) 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.
- (b) Interest bearing statutory deposits of RM100,000 (2017: RM100,000) relating to a subsidiary, Alliance Trustee Berhad which is maintained with Accountant-General in compliance with Section 3(f) of the Trust Companies Act, 1949.

## 13. INVESTMENTS IN SUBSIDIARIES

	Bank	
	2018 RM'000	2017 RM'000
Unquoted shares, at cost:		
At beginning of financial year	892,820	892,820
Acquisition via group reorganisation [Note 53]	95,745	-
Subscription of ordinary shares in subsidiaries	537	-
At the end of financial year	989,102	892,820

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

Name	Principal activities	Effective equity interest	
		2018 %	2017 %
Alliance Investment Bank Berhad	Investment banking business including Islamic banking, provision of stockbroking services and related financial services	100	100
Alliance Islamic Bank Berhad	Islamic banking, finance business and the provision of related financial services	100	100
Alliance Direct Marketing Sdn. Bhd.	Dealing in sales and distribution of consumer and commercial banking products	100	100
Alliance Financial Group Berhad	Investment holding	100	-
AllianceGroup Nominees (Asing) Sdn. Bhd.	Nominee services	100	100
AllianceGroup Nominees (Tempatan) Sdn. Bhd.	Nominee services	100	100
Alliance Trustee Berhad [Note a]	Trustee services	100	40
<b><i>Subsidiaries of Alliance Investment Bank Berhad</i></b>			
AIBB Nominees (Tempatan) Sdn. Bhd. (under members' voluntary winding up)	Dormant	100	100

**13. INVESTMENTS IN SUBSIDIARIES (cont'd)**

Name	Principal activities	Effective equity interest	
		2018 %	2017 %
<b><i>Subsidiaries of Alliance Investment Bank Berhad (cont'd)</i></b>			
ARSB Alliance Sdn. Bhd. (under members' voluntary winding up)	Dormant	100	100
KLCS Sdn. Bhd. (under members' voluntary winding up)	Dormant	100	100
Rothputra Nominees (Tempatan) Sdn. Bhd.	Liquidated	-	100
AIBB Nominees (Asing) Sdn. Bhd.	Liquidated	-	100

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

***Subsidiaries of Alliance Financial Group Berhad***

Hijauan Seitu Sdn. Bhd.	Dormant	100	-
Setiu Intergrated Resort Sdn. Bhd.	Dormant	100	-
Kota Indrapura Development Corporation Berhad	Dormant	100	-
Unincorporated trust for ESS	Special purpose vehicle for ESS	-	-

**Note:**

(a) Alliance Trustee Berhad is jointly held by the following subsidiaries:

Name	Effective equity interest	
	2018 %	2017 %
Alliance Investment Bank Berhad	20	20
Alliance Direct Marketing Sdn. Bhd.	20	-
AllianceGroup Nominees (Asing) Sdn. Bhd.	20	-
AllianceGroup Nominees (Tempatan) Sdn. Bhd.	20	-
Alliance Financial Group Berhad	-	100
Hijauan Setiu Sdn. Bhd.	-	20
Setiu Intergrated Resort Sdn. Bhd.	-	20

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

## 14. INVESTMENT IN FORMER ASSOCIATE

Alliance Trustee Berhad became a wholly-own subsidiary of the Bank upon completion of the group corporate reorganisation exercise.

## 15. INVESTMENT IN JOINT VENTURE

	2018 RM'000	Group Restated 2017 RM'000
Unquoted shares		
At beginning of financial year	650	566
Share of results of joint venture	43	84
	693	650
Employees' Share Scheme [Note (a)]		
At beginning of financial year		
As previously stated	-	-
Effect of group reorganisation	113	165
As restated	113	165
Employees' Shares Scheme vested during the financial year	(113)	(52)
	-	113
Net Carrying Amount	693	763
Represented by:		
Share of net tangible assets	693	650

(a) This amount is in respect of the services rendered by the employees of the Banks' joint venture, pursuant to the Employees' Share Scheme.

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

Name	Principal activities	Effective equity interest 2018 %	2017 %
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.



## 15. INVESTMENT IN JOINT VENTURE (cont'd)

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

	Group 2018 RM'000	Restated 2017 RM'000
<b>Assets and Liabilities</b>		
<b>Current assets</b>		
Cash and short term funds	2,223	1,859
Other current assets	565	651
<b>Total current assets</b>	<b>2,788</b>	<b>2,510</b>
Non-current assets	409	512
<b>Total assets</b>	<b>3,197</b>	<b>3,022</b>
<b>Current liabilities</b>		
Other liabilities (non trade)	1,838	1,747
<b>Total liabilities</b>	<b>1,838</b>	<b>1,747</b>
<b>Net assets</b>	<b>1,359</b>	<b>1,275</b>

	Group 2018 RM'000	Restated 2017 RM'000
Revenue	6,570	6,389
Profit before tax for the financial year	281	215
Profit after tax for the financial year	84	166
The above profit includes the following:		
Depreciation and amortisation	(18)	(18)
Taxation	(197)	(49)

Reconciliation of summarised financial information:

<b>Net assets</b>		
At beginning of financial year	1,275	1,109
Profit for the financial year	84	166
<b>At the end of financial year</b>	<b>1,359</b>	<b>1,275</b>
At 51% share of the equity interest of a joint venture	693	650
Employees' Share Scheme	-	113
<b>Carrying value</b>	<b>693</b>	<b>763</b>

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

### 16. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Leasehold land		Buildings RM'000	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
		50 years or more RM'000	Less than 50 years RM'000						
<b>2018</b>									
<b>Cost</b>									
At beginning of financial year									
As previously stated	1,953	11,673	1,850	30,332	122,407	57,010	66,955	887	293,067
Effect of group reorganisation	-	-	-	-	631	416	165	501	1,713
As restated	1,953	11,673	1,850	30,332	123,038	57,426	67,120	1,388	294,780
Additions	-	-	-	-	2,032	8,475	6,139	24	16,670
Disposals	-	-	-	-	-	(47)	(17)	(527)	(591)
Written-off	-	-	-	-	(850)	(9,558)	(11,172)	(15)	(21,595)
At the end of financial year	1,953	11,673	1,850	30,332	124,220	56,296	62,070	870	289,264
<b>Accumulated Depreciation</b>									
At beginning of financial year									
As previously stated	-	2,959	1,005	11,745	105,986	41,538	56,071	(26)	219,278
Effect of group reorganisation	-	-	-	-	620	411	168	355	1,554
As restated	-	2,959	1,005	11,745	106,606	41,949	56,239	329	220,832
Charge for the financial year	-	118	19	587	7,385	6,362	6,123	137	20,731
Disposals	-	-	-	-	-	(40)	(9)	(381)	(430)
Written-off	-	-	-	-	(782)	(9,349)	(11,158)	(15)	(21,304)
At the end of financial year	-	3,077	1,024	12,332	113,209	38,922	51,195	70	219,829
<b>Accumulated Impairment</b>									
At beginning of financial year	-	-	-	-	-	-	-	-	-
Charge for the financial year [Note 37]	-	37	-	25	-	-	-	-	62
At the end of financial year	-	37	-	25	-	-	-	-	62
<b>Net Carrying Amount</b>	1,953	8,559	826	17,975	11,011	17,374	10,875	800	69,373

**16. PROPERTY, PLANT AND EQUIPMENT (cont'd)**

[illegible]



## 16. PROPERTY, PLANT AND EQUIPMENT (cont'd)

<div> <div> Leasehold land </div> </div>									
Bank	Freehold land	50 years or more	Less than 50 years	Buildings	Renovations	Office 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
<b>2017</b>									
<b>Cost</b>									
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 the end of financial year	1,953	11,673	1,850	29,373	119,667	57,864	60,028	962	283,370
<b>Accumulated Depreciation</b>									
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 the end of financial year	-	2,959	1,005	10,785	104,181	43,313	49,234	10	211,487
<b>NET CARRYING AMOUNT</b>	1,953	8,714	845	18,588	15,486	14,551	10,794	952	71,883

Note:

Included in property, plant and equipment of the Group and the Bank are computer equipment under finance lease with a carrying amount of RM3,329,000 (2017 RM5,805,000).

Details of the finance lease arrangement is disclosed in Note 24.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

## 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:

	Group		Bank	
	2018	Restated 2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	22,664	14,738	9,223	4,088
Deferred tax liabilities	(11,907)	(9,960)	-	-
	10,757	4,778	9,223	4,088

	Group		Bank	
	2018	Restated 2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
At beginning of financial year				
As previously stated	4,073	(5,416)	4,088	(3,887)
Effect of group reorganisation	705	438	-	-
As restated	4,778	(4,978)	4,088	(3,887)
Recognised in statement of income	10,942	4,855	8,291	5,374
Recognised in equity	(4,963)	4,901	(3,156)	2,601
At the end of financial year	10,757	4,778	9,223	4,088



## 17. DEFERRED TAX (cont'd)

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

Group	Unabsorbed tax losses and capital allowance RM'000	Other liabilities RM'000	Financial investments available- for-sale RM'000	Property, plant and equipment RM'000	Total RM'000
<b>Deferred tax assets/liabilities</b>					
At 31 March 2016					
As previously stated	1,096	39,329	(36,249)	(9,592)	(5,416)
Effect of group reorganisation	-	438	-	-	438
As restated	1,096	39,767	(36,249)	(9,592)	(4,978)
Recognised in statement of income	(1,096)	3,321	-	2,630	4,855
Recognised in equity	-	-	4,901	-	4,901
At 31 March 2017	-	43,088	(31,348)	(6,962)	4,778
At 31 March 2017					
As previously stated	-	42,389	(31,348)	(6,968)	4,073
Effect of group reorganisation	-	699	-	6	705
As restated	-	43,088	(31,348)	(6,962)	4,778
Recognised in statement of income	-	6,557	-	4,385	10,942
Recognised in equity	-	-	(4,963)	-	(4,963)
At 31 March 2018	-	49,645	(36,311)	(2,577)	10,757
<b>Bank</b>					
		Other liabilities RM'000	Financial investments available- for-sale RM'000	Property, plant and equipment RM'000	Total RM'000
<b>Deferred tax assets/liabilities</b>					
At 31 March 2016		28,528	(23,100)	(9,315)	(3,887)
Recognised in statement of income		2,712	-	2,662	5,374
Recognised in equity		-	2,601	-	2,601
At 31 March 2017		31,240	(20,499)	(6,653)	4,088
Recognised in statement of income		3,996	-	4,295	8,291
Recognised in equity		-	(3,156)	-	(3,156)
At 31 March 2018		35,236	(23,655)	(2,358)	9,223

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

## 18. INTANGIBLE ASSETS

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Goodwill</b>				
<b>Cost:</b>				
At beginning of financial year/end of financial year	301,997	301,997	186,272	186,272
<b>Impairment:</b>				
At beginning of financial year	(3,292)	(2,084)	(45)	(45)
Impaired during the financial year	-	(1,208)	-	-
At the end of financial year	(3,292)	(3,292)	(45)	(45)
<b>Net carrying amount</b>	<b>298,705</b>	<b>298,705</b>	<b>186,227</b>	<b>186,227</b>
<b>Computer software</b>				
<b>Cost:</b>				
At beginning of financial year	203,836	165,978	198,008	161,613
Additions	56,574	38,197	55,300	36,729
Disposal	-	-	(1,077)	-
Written-off	(15,674)	(339)	(15,521)	(334)
At the end of financial year	244,736	203,836	236,710	198,008
<b>Accumulated amortisation:</b>				
At beginning of financial year	(125,180)	(102,909)	(122,249)	(100,541)
Charge for the financial year	(24,161)	(22,397)	(23,346)	(21,834)
Disposal	-	-	402	-
Written-off	15,302	126	15,237	126
At the end of financial year	(134,039)	(125,180)	(129,956)	(122,249)
<b>Net carrying amount</b>	<b>110,697</b>	<b>78,656</b>	<b>106,754</b>	<b>75,759</b>
<b>Total carrying amount</b>	<b>409,402</b>	<b>377,361</b>	<b>292,981</b>	<b>261,986</b>

**Note:**

Computer software of the Group and of the Bank includes work in progress of RM43,146,000 and RM42,774,000 (2017: RM21,888,000) which is not amortised until ready for use.

## 18. INTANGIBLE ASSETS (cont'd)

### (a) Impairment Test on Goodwill

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

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Consumer banking	101,565	101,565	67,513	67,513
Business banking	100,822	100,822	81,448	81,448
Financial markets	83,261	83,261	36,960	36,960
Corporate finance and capital market	630	630	40	40
Stockbroking business	12,427	12,427	266	266
	<b>298,705</b>	298,705	<b>186,227</b>	186,227

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

#### (i) Discount rate

The discount rate used are pre-tax and reflect specific risks relating to the CGUs. The discount rate used in determining the recoverable amount are as follows:

	Group	
	2018 %	2017 %
Consumer banking	10.56	7.96
Business banking	10.86	7.96
Financial markets	6.18	7.96
Corporate finance and capital market	9.92	7.14
Stockbroking business	9.80	7.13

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

Cash flow projections are based on four-year financial budget and business plans approved by the Board of Directors. The cashflow projections are derived based on a number of key factors including past performance and management's expectation of market developments.

Cash flows beyond the fourth year are extrapolated in perpetuity using terminal growth rate at the range of 4.5% to 5.2% (2017: 4.5%), representing the forecasted GDP growth rate of the country for the CGUs.

### (b) Sensitivity to Changes in Assumptions

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

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

## 19. DEPOSITS FROM CUSTOMERS

	Group		Bank	
	2018	Restated	2018	2017
	RM'000	RM'000	RM'000	RM'000
Demand deposits	14,161,040	13,605,203	11,752,631	11,347,501
Savings deposits	1,792,710	1,864,445	1,468,774	1,523,658
Fixed/investment deposits	24,142,700	24,232,158	18,393,938	19,355,858
Money market deposits	2,277,386	1,412,241	1,716,143	1,142,226
Negotiable instruments of deposits	366,624	3,331,673	176,884	2,743,258
	42,740,460	44,445,720	33,508,370	36,112,501

Structured investments of the Group and the Bank which are not principal guaranteed were reclassified from Deposit from Customers to Financial Liabilities Designated at Fair Value and Other Liabilities to conform with Bank Negara Malaysia's Policy Document on Classification and regulatory Treatment for Structured Products under Financial Services Act 2013 and Islamic Financial Services Act 2013.

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

	Group		Bank	
	2018	Restated	2018	2017
	RM'000	RM'000	RM'000	RM'000
Due within six months	17,234,419	21,189,833	13,695,607	16,533,626
Six months to one year	8,371,649	7,566,156	5,709,738	6,611,177
One year to three years	1,018,884	32,637	869,862	64,464
Three years to five years	161,758	187,446	11,758	32,075
	26,786,710	28,976,072	20,286,965	23,241,342

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

	Group		Bank	
	2018	Restated	2018	2017
	RM'000	RM'000	RM'000	RM'000
Domestic financial institutions	358,990	3,299,060	190,812	2,845,588
Domestic non-bank financial institutions	2,676,350	2,292,516	1,854,863	2,069,893
Government and statutory bodies	4,312,577	3,647,891	2,106,387	1,265,071
Business enterprises	16,354,335	15,562,716	12,945,816	11,979,574
Individuals	17,941,780	18,553,298	15,432,649	16,964,325
Foreign entities	596,011	638,800	534,617	584,019
Others	500,417	451,439	443,226	404,031
	42,740,460	44,445,720	33,508,370	36,112,501

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

	<b>Group</b>		<b>Bank</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Licensed banks	<b>203,995</b>	273,325	<b>63,619</b>	273,325
Licensed investment banks	<b>22,004</b>	-	-	-
Bank Negara Malaysia	<b>619,467</b>	589,579	<b>375,619</b>	376,404
Others	<b>28,405</b>	-	-	-
	<b>873,871</b>	862,904	<b>439,238</b>	649,729

**21. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE**

Structured investments designated at fair value for the Group and the Bank include investments with embedded equity linked options, interest rate linked index investment and foreign currency options.

During the financial year, the Group and the Bank designated certain structured investments at fair value through profit or loss. The structured investments are recorded at fair value.

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

	<b>Group/Bank</b>	
	<b>2018</b>	<b>Restated 2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Structured investments	<b>731,703</b>	426,644
Fair value changes arising from designation at fair value through profit or loss	<b>(49,465)</b>	(23,910)
	<b>682,238</b>	402,734

Structured investments that are not principal guaranteed which are applying fair value option are reclassified from Deposit to Customers to Financial Liabilities Designated at Fair Value in order to conform with Bank Negara Malaysia's Policy Document on Classification and regulatory Treatment for Structured Products under Financial Services Act 2013 and Islamic Financial Services Act 2013.

**22. AMOUNTS DUE TO CLIENTS AND BROKERS**

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Due to clients	<b>75,103</b>	69,066
	<b>75,103</b>	69,066

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 RM71,652,000 (2017: RM75,447,000) have been excluded accordingly.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

## 23. RECOURSE OBLIGATIONS ON LOANS AND FINANCING SOLD TO CAGAMAS

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

## 24. OTHER LIABILITIES

	Group		Bank	
	2018	Restated 2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Other payables	254,276	243,811	205,527	189,311
Derivative premium	32,751	-	32,751	-
Bills payable	157,335	203,663	143,126	194,225
Settlement account	53,882	30,116	53,882	30,116
Clearing account	201,208	331,384	161,741	253,267
Sundry deposits	54,924	43,340	47,306	35,835
Provision and accruals	131,272	99,829	131,524	89,426
Remisiers accounts	5,866	8,279	-	-
Allowance for impairment losses on commitment and contingencies	148	2,301	148	2,301
Finance lease liabilities [Note (a)]	3,329	5,805	3,329	5,805
Structured investments [Note (b)]	504,143	379,982	504,143	379,982
Amounts due to subsidiaries [Note (c)]	-	-	-	21,338
Amount due to joint venture [Note (c)]	168	260	-	-
	<b>1,399,302</b>	<b>1,348,770</b>	<b>1,283,477</b>	<b>1,201,606</b>

### Note (a):

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

Bank/Group	Future minimum lease payments RM'000	Future finance charges RM'000	Present value of finance lease liabilities RM'000
At 31 March 2018			
Within one year	2,780	(139)	2,641
One year to five years	695	(7)	688
	<b>3,475</b>	<b>(146)</b>	<b>3,329</b>
At 31 March 2017			
Within one year	2,780	(304)	2,476
One year to five years	3,475	(146)	3,329
	<b>6,255</b>	<b>(450)</b>	<b>5,805</b>



## 24. OTHER LIABILITIES (cont'd)

### Note (a): (cont'd)

The Group and the Bank leases computer equipment under finance lease. At the end of the lease term, the Group and 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.

### Note (b):

Structured investments that are not principal guaranteed and are accounted separately from the embedded derivative are reclassified from Deposit to Customers to Other Liabilities in order to conform with Bank Negara Malaysia's Classification and regulatory Treatment for Structured Products under Financial Services Act 2013 and Islamic Financial Services Act 2013.

### Note (c):

The amounts due to subsidiaries/joint venture are unsecured, interest-free, and repayable upon demand.

## 25. OTHER BORROWINGS

On 28 August 2015, the Bank obtained approval from Bank Negara Malaysia for establishment of Senior Medium Term Notes Programme (Senior MTN Programme) 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.

	Group/Bank	
	2018 RM'000	2017 RM'000
At cost	-	5,000
Interest accrued	-	70
	-	5,070

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.

On 14 December 2017, the Group and the Bank has fully redeemed its RM5.0 million Senior MTNs.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

## 26. SUBORDINATED OBLIGATIONS

Note	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Sub-MTNs				
RM900 million Sub-MTNs (a)	921,793	921,295	921,295	921,024
RM300 million Sub-MTNs (b)	304,829	304,783	304,714	304,640
RM150 million Additional Tier I Capital Securities (c)	152,992	-	153,015	-
	<b>1,379,614</b>	<b>1,226,078</b>	<b>1,379,024</b>	<b>1,225,664</b>

### (a) RM900 million Sub-MTNs

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

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At cost	900,000	900,000	900,000	900,000
Accumulated unamortised discount	(325)	(823)	(823)	(1,094)
Interest accrued	22,118	22,118	22,118	22,118
	<b>921,793</b>	<b>921,295</b>	<b>921,295</b>	<b>921,024</b>

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 option : 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.

## 26. SUBORDINATED OBLIGATIONS (cont'd)

### (b) RM300 million Sub-MTNs

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

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At cost	300,000	300,000	300,000	300,000
Accumulated unamortised discount	-	-	(115)	(143)
Interest accrued	4,829	4,783	4,829	4,783
	<b>304,829</b>	<b>304,783</b>	<b>304,714</b>	<b>304,640</b>

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 option : 18 December 2020 and thereafter on every coupon payment date
- (vi) The Sub-MTNs constitutes direct and unsecured obligations of the issuer, subordinated in right and priority of payment, to the extent and in the manner provided in the Sub-MTNs, ranking pari passu among themselves.
- (vii) In the event of winding up or liquidation of the issuer, be subordinated in right of payment to all deposit liabilities and other liabilities of the issuer, except in each case to those liabilities which by their terms rank equally in right of payment or which are subordinated to the Sub-MTNs.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

## 26. SUBORDINATED OBLIGATIONS (cont'd)

### (c) RM150 million Additional Tier 1 Capital Securities

On 8 November 2017, the Bank issued RM150 million Additional Tier 1 Capital Securities under the RM1.0 billion Additional Tier 1 Capital Securities Programme.

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At cost	150,000	-	150,000	-
Accumulated unamortised discount	(707)	-	(684)	-
Interest accrued	3,699	-	3,699	-
	152,992	-	153,015	-

Capital Securities have been assigned a long term rating of BBB1 by RAM Rating Services Berhad.

The coupon rate for the Sub-MTNs is fixed at 6.25% per annum, payable semi-annually throughout the entire tenure.

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

- (i) Issue date : 8 November 2017
- (ii) Tenor of the facility/issue : Perpetual Non-callable five (5) years
- (iii) Interest rate/coupon : 6.25% per annum, payable semi-annually in arrears
- (iv) Call date : 8 November 2022 and thereafter on every coupon payment date
- (v) The Capital Securities constitutes direct and unsecured obligations of the issuer and are subordinated in right and priority of payment, to the extent and in the manner provided in the Capital Securities and the Transaction Documents, ranking pari passu among themselves.
- (vi) Upon the occurrence of any winding up proceeding, the amount payable on the Capital Securities will be subordinated in right of payment to all deposit liabilities and other liabilities of the issuer, except in each case to those liabilities which by their terms rank equally with or junior to the Capital Securities.

## 27. SHARE CAPITAL

Group	2018		Restated 2017	
	Number of ordinary shares '000	RM'000	Number of ordinary shares '000	RM'000
Ordinary shares issued and fully paid:				
At beginning of the financial year				
As previously stated	796,517	796,517	796,517	796,517
Effect of group reorganisation	751,589	751,589	751,589	751,589
As restated				
At the end of financial year	1,548,106	1,548,106	1,548,106	1,548,106

Bank	2018		2017	
	Number of ordinary shares '000	RM'000	Number of ordinary shares '000	RM'000
Ordinary shares issued and fully paid:				
At beginning of the financial year	796,517	796,517	796,517	796,517
Issuance of shares to former holding company	100,000	100,000	-	-
Bonus issue	651,589	651,589	-	-
At the end of financial year	1,548,106	1,548,106	796,517	796,517

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

## 28. RESERVES

	Note	Group		Bank	
		2018	Restated 2017	2018	2017
		RM'000	RM'000	RM'000	RM'000
<b>Non-distributable:</b>					
Statutory reserve	(a)	-	1,223,525	-	835,401
Regulatory reserves	(b)	<b>186,064</b>	157,900	<b>160,029</b>	144,349
Capital reserves	(c)	<b>100,150</b>	90,010	<b>95,515</b>	-
Revaluation reserves	(d)	<b>114,987</b>	99,268	<b>74,907</b>	64,916
Equity contribution from former parent	(e)	-	-	-	5,523
Employees' share scheme (ESS) reserves	(e)	-	6,444	-	-
Share premium	(f)	-	-	-	401,517
		<b>401,201</b>	1,577,147	<b>330,451</b>	1,451,706
<b>Distributable:</b>					
Retained profits		<b>3,510,283</b>	2,062,782	<b>2,866,142</b>	2,115,505
		<b>3,911,484</b>	3,639,929	<b>3,196,593</b>	3,567,211

### Notes:

- The requirement to maintain a statutory reserve fund is no longer required pursuant to BNM's Capital Fund Policy with effect from 3 May 2017.
- 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".
- Capital reserves are in respect of retained profits capitalised for a bonus issue by a subsidiary.
- The revaluation reserves are in respect of unrealised fair value gains and losses on financial investments available-for-sale.
- The ESS reserves and equity contribution from former parent relate to the equity-settled share options/share grants to former 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 former Executive Directors and employees over the vesting period.
- Share premium is used to record premium arising from new shares issued by the Bank. Prior to 31 January 2017, the application of the share premium account was governed by Section 60 and 61 of the Companies Act 1965. In accordance with the transitional provisions set out in Section 618 (2) of the Companies Act, 2016, on 31 January 2017 any amount standing to the credit of the Group and the Bank's share premium account has been aggregated as part of the Group and the Bank's share capital (refer to Note 27). Notwithstanding this provision, the Group and the Bank may within 24 months from the commencement of the Companies Act, 2016, use the amount standing to the credit of its share premium account for purposes as set out in Section 618 (3) of the Companies Act, 2016.

During the financial year, the Group and the Bank has utilised the Share Premium of RM401,517,000 for a bonus issue of new ABMB share as part of the group reorganisation exercise.



## 29. SHARES HELD FOR EMPLOYEES' SHARE SCHEME

A trust has been established for the ESS and is administrated by an appointed trustee. The Trustee will be entitled from time to time to accept financial assistance from the AFG upon such terms and conditions as stipulated in the Trust Deed dated 3 December 2007 and the Trustee may purchase the ABMB's shares (before corporate reorganisation exercise was AFG's shares) from the open market for the purpose of the ESS. The Trustee shall refrain from exercising any voting rights attached to these shares. In accordance with MFRS 132 Financial Instruments: Presentation, the share purchased for the benefit of the ESS are recorded as "Shares Held for ESS" in equity.

In the financial year ended 31 March 2018, 2,246,300 shares (2017: 1,731,400 shares) have been vested and transferred from the Trustee to the eligible employees of the Bank and its subsidiaries in accordance with the terms under the Share Grant Plan and Share Option Plan of the ESS.

During the financial year ended 31 March 2018, the Trustee of the ESS had fully disposed the shares of the Bank to the open market.

As at 31 March 2018, the Trustee of the ESS does not hold any ordinary shares (2017: 21,195,100, representing 1.37% of the issued and paid-up capital of the Bank).

## 30. 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. The scheme ended on 2 December 2017.

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

Upon the completion of group reorganisation exercise as disclosed in Note 53, the AFG shares held previously will be replaced with the same number of ABMB shares, and will continue to be held by the Trustee under AFG Bhd ESS.

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 the Bank'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.

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

### 30. ALLIANCE FINANCIAL GROUP BERHAD EMPLOYEES' SHARE SCHEME (cont'd)

- (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 the Bank'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 Bank's 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.

### 30. ALLIANCE FINANCIAL GROUP BERHAD EMPLOYEES' SHARE SCHEME (cont'd)

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

Group	Share Grants				Share Grants			
	2018	At beginning of financial year '000	Vested '000	Lapsed/ forfeited '000	At end of financial year '000	Restated 2017	At beginning of financial year '000	Effect of group reorganisation '000
2014 Share Scheme		-	-	-	-		173	14
2015 Share Scheme (1st grant)		356	(325)	(31)	-		848	55
2015 Share Scheme (2nd grant)		12	(12)	-	-		23	-
2016 Share Scheme		773	(725)	(48)	-		1,362	71
		1,141	(1,062)	(79)	-		2,406	140
WAEP		-	-	-	-		-	-

	Share Options				Share Options			
	2018	At beginning of financial year '000	Vested '000	Lapsed/ forfeited '000	At end of financial year '000	Restated 2017	At beginning of financial year '000	Effect of group reorganisation '000
2014 Share Scheme		-	-	-	-		6,122	571
		-	-	-	-		6,122	571
WAEP		-	-	-	-		5.36	-

	Share Grants				Share Grants			
	2018	At beginning of financial year '000	Vested '000	Lapsed/ forfeited '000	At end of financial year '000	Restated 2017	At beginning of financial year '000	Effect of group reorganisation '000
2014 Share Scheme		-	-	-	-		187	(167)
		-	-	-	-		903	(416)
WAEP		-	-	-	-		23	(11)

	Share Options				Share Options			
	2018	At beginning of financial year '000	Vested '000	Lapsed/ forfeited '000	At end of financial year '000	Restated 2017	At beginning of financial year '000	Effect of group reorganisation '000
2014 Share Scheme		-	-	-	-		1,433	(443)
		-	-	-	-		2,546	(1,037)
WAEP		-	-	-	-		(368)	1,141

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

### 30. ALLIANCE FINANCIAL GROUP BERHAD EMPLOYEES' SHARE SCHEME (cont'd)

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

Bank	Share Grants				Share Grants			
	2018	At beginning of financial year '000	Vested '000	Lapsed/ forfeited '000	At end of financial year '000	2017	Number of Share Grants	At end of financial year '000
2014 Share Scheme	-	-	-	-	-	162	(144)	-
2015 Share Scheme (1st grant)	298	(279)	(19)	-	788	(359)	(131)	298
2015 Share Scheme (2nd grant)	12	(12)	-	-	23	(11)	-	12
2016 Share Scheme	640	(598)	(42)	-	1,235	(378)	(217)	640
	950	(889)	(61)	-	2,208	(892)	(366)	950
WAEP	-	-	-	-	-	-	-	-

WAEP	Share Options				Share Options			
	2018	At beginning of financial year '000	Vested '000	Lapsed/ forfeited '000	At end of financial year '000	2017	Number of Share Options	At end of financial year '000
2014 Share Scheme	-	-	-	-	-	5,538	-	(5,538)
	-	-	-	-	-	5,538	-	(5,538)
WAEP	-	-	-	-	-	5.36	-	5.36

**30. ALLIANCE FINANCIAL GROUP BERHAD EMPLOYEES' SHARE SCHEME (cont'd)**

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

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

(b) 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:

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

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

## 31. INTEREST INCOME

	Group		Bank	
	2018	Restated	2018	2017
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing	1,522,604	1,491,006	1,504,903	1,464,874
Money at call and deposit placements with financial institutions	12,546	23,975	16,640	28,363
Financial assets held-for-trading	3,566	6,178	3,566	6,178
Financial investments available-for-sale	267,241	246,536	260,478	246,210
Financial investments held-to-maturity	17,593	26,691	17,242	21,650
Others	18,317	11,881	18,315	11,880
	1,841,867	1,806,267	1,821,144	1,779,155
Accretion of discount less amortisation of premium	79,830	73,946	77,155	73,010
	1,921,697	1,880,213	1,898,299	1,852,165

## 32. INTEREST EXPENSE

	Group		Bank	
	2018	Restated	2018	2017
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	25,294	15,572	13,833	13,201
Deposits from customers	846,632	888,191	827,153	874,006
Recourse obligations on loans and financing sold to Cagamas	24,142	21,770	24,142	21,770
Other borrowings	167	238	167	238
Subordinated obligations	72,617	69,366	72,735	69,485
Others	60,334	37,531	60,334	37,531
	1,029,186	1,032,668	998,364	1,016,231

## 33. NET INCOME FROM ISLAMIC BANKING BUSINESS

	Group	
	2018	2017
	RM'000	RM'000
Income derived from investment of depositors' funds and others	488,710	471,698
Income derived from investment of Islamic Banking funds	54,332	47,429
Income attributable to the depositors and financial institutions	(224,797)	(222,090)
	318,245	297,037

### Note:

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

## 34. OTHER OPERATING INCOME

	Group		Bank	
	2018	Restated 2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
(a) <b>Fee and commission income:</b>				
Commissions	89,165	87,570	89,165	87,570
Service charges and fees	31,076	30,938	30,242	30,310
Corporate advisory fees	3,221	1,785	-	-
Underwriting commissions	472	85	-	-
Brokerage fees	36,811	29,795	-	-
Guarantee fees	15,807	18,427	15,807	18,165
Processing fees	11,368	12,857	8,508	7,993
Commitment fees	16,413	15,972	16,376	15,947
Cards related income	96,130	96,643	96,130	96,643
Other fee income	3,001	3,003	3,000	2,999
	<b>303,464</b>	<b>297,075</b>	<b>259,228</b>	<b>259,627</b>
(b) <b>Fee and commission expense:</b>				
Commissions expense	(1,624)	(1,965)	(1,624)	(1,965)
Brokerage fees expense	(12,311)	(11,420)	(7)	(7)
Guarantee fees expense	(461)	(1,047)	(461)	(1,047)
Cards related expense	(82,281)	(85,440)	(82,281)	(85,440)
	<b>(96,677)</b>	<b>(99,872)</b>	<b>(84,373)</b>	<b>(88,459)</b>
(c) <b>Investment income:</b>				
Gain arising from sale/redemption of:				
- Financial assets held-for-trading	761	988	761	988
- Financial investments available-for-sale	21,863	5,239	21,331	3,154
Marked-to-market revaluation of:				
- Financial assets held-for-trading	(48)	(1,147)	(6)	(1,199)
- Derivative instruments	(74,593)	144,553	(74,593)	144,553
- Financial liabilities designated at fair value	25,555	(6,555)	25,555	(6,555)
Realised gain/(loss) on derivative instruments	151,358	(2,800)	151,358	(2,800)
Gross dividend income from:				
- Financial investments available-for-sale	1,861	3,218	1,311	2,440
- Subsidiaries	-	-	33,913	51,856
	<b>126,757</b>	<b>143,496</b>	<b>159,630</b>	<b>192,437</b>
(d) <b>Other income:</b>				
Foreign exchange gain/(loss)	1,163	(43,706)	804	(44,129)
Rental income	-	-	680	698
(Loss)/gain on disposal of property, plant and equipment	(105)	(346)	1	(346)
Others	26,665	28,194	25,737	25,069
	<b>27,723</b>	<b>(15,858)</b>	<b>27,222</b>	<b>(18,708)</b>
Total other operating income	<b>361,267</b>	<b>324,841</b>	<b>361,707</b>	<b>344,897</b>



# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

## 35. OTHER OPERATING EXPENSES

	Group		Bank	
	2018	Restated	2018	2017
	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	354,861	337,104	272,572	258,404
- Contribution to EPF	55,857	53,839	43,188	41,415
- Share options/grants under ESS	189	2,154	191	1,733
- Termination benefits	42,365	-	42,225	-
- Others	51,028	34,611	42,470	28,462
	504,300	427,708	400,646	330,014
<u>Establishment costs</u>				
- Depreciation of property, plant and equipment	20,731	21,352	19,986	20,544
- Amortisation of computer software	24,161	22,397	23,346	21,834
- Rental of premises	29,648	30,660	23,104	23,715
- Water and electricity	7,991	7,799	5,905	5,662
- Repairs and maintenance	9,980	9,905	7,947	7,382
- Information technology expenses	50,010	48,140	40,538	37,739
- Others	13,982	13,146	5,480	3,736
	156,503	153,399	126,306	120,612
<u>Marketing expenses</u>				
- Promotion and advertisement	14,193	7,416	13,437	6,851
- Branding and publicity	13,160	10,727	11,633	9,092
- Others	7,096	7,463	4,340	4,266
	34,449	25,606	29,410	20,209
<u>Administration and general expenses</u>				
- Communication expenses	10,708	13,874	8,197	11,116
- Printing and stationery	2,829	3,176	2,277	2,594
- Insurance	11,345	10,959	10,384	10,118
- Professional fees	27,853	22,019	20,838	15,176
- Others	46,034	35,166	37,171	28,657
	98,769	85,194	78,867	67,661
Total other operating expenses	794,021	691,907	635,229	538,496

**35. OTHER OPERATING EXPENSES (cont'd)**

Included in the other operating expenses are the following:

	Group		Bank	
	2018	Restated 2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Auditors' remuneration				
- statutory audit fees	1,239	1,178	850	726
- audit related fees	1,349	858	1,067	389
- tax compliance fees	113	105	53	49
- tax related services	116	135	-	-
- non-audit related services	510	-	440	-
Hire of equipment	2,994	4,869	2,994	4,870
Property, plant and equipment written-off	291	233	277	231
Computer software written-off	372	213	284	208

**36. ALLOWANCE FOR IMPAIRMENT LOSSES ON LOANS, ADVANCES AND FINANCING AND OTHER RECEIVABLES**

	Group		Bank	
	2018	Restated 2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Allowance for impairment losses on loans, advances and financing and other receivables:				
(a) Individual assessment allowance				
- Made during the financial year (net)	31,876	23,506	24,085	21,344
(b) Collective assessment allowance				
- Made during the financial year (net)	73,699	80,408	30,618	35,986
(c) Bad debts on loans and financing				
- Recovered	(37,099)	(33,552)	(25,698)	(24,720)
- Written-off	20,858	19,757	10,933	10,785
	89,334	90,119	39,938	43,395
Allowance for impairment losses on other receivables (net)	4,047	2,570	3,169	2,290
Allowance for/(write-back of) losses from amounts due from clients	5	(2)	-	-
Allowance for impairment losses on commitment and contingencies	-	2,301	-	2,301
	93,386	94,988	43,107	47,986

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

## 37. ALLOWANCE FOR IMPAIRMENT LOSSES ON OTHER ASSETS

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Allowance for impairment losses of goodwill	-	1,208	-	-
Allowance for impairment losses on property, plant and equipment	62	-	62	-
	62	1,208	62	-

## 38. TAXATION

	Group		Bank	
	2018 RM'000	Restated 2017 RM'000	2018 RM'000	2017 RM'000
Income tax:				
Provision for current financial year	191,044	174,953	153,605	140,537
Under/(over) provision in prior years	11,267	(817)	11,020	(988)
	202,311	174,136	164,625	139,549
Deferred tax [Note 17]	(10,942)	(4,855)	(8,291)	(5,374)
	191,369	169,281	156,334	134,175

Income tax is calculated at the Malaysian statutory tax rate of 24% (2017: 24%) on the estimated assessable profit for the financial year.

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

	Group		Bank	
	2018 RM'000	Restated 2017 RM'000	2018 RM'000	2017 RM'000
Profit before taxation	684,597	681,404	583,244	594,349
Taxation at Malaysian statutory tax rate of 24% (2017: 24%)	164,303	163,537	139,979	142,644
Effect of income not subject to tax	(398)	(482)	(8,455)	(13,031)
Effect of expenses not deductible for tax purposes	12,204	7,043	10,190	5,550
Under/(over) provision of tax expense in prior years	15,260	(817)	14,620	(988)
Tax expense for the financial year	191,369	169,281	156,334	134,175

### 39. EARNINGS PER SHARE

#### (a) Basic

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

	Group		Bank	
	2018 RM'000	Restated 2017 RM'000	2018 RM'000	2017 RM'000
Profit for the year attributable to Equity holders of the Bank	493,228	512,123	426,910	460,174
	2018 '000	2017 '000	2018 '000	2017 '000
Weighted average numbers of ordinary shares in issue	1,548,106	1,548,106	1,506,439	1,448,106
Shares held for ESS	-	(21,195)	-	-
	1,548,106	1,526,911	1,506,439	1,448,106
	2018 sen	2017 sen	2018 sen	2017 sen
Basic earnings per share	31.9	33.5	28.3	31.8

#### (b) Diluted

For the purpose of calculating diluted earnings per share, the profit for the year attributable to Equity holders of the Bank and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all potential ordinary shares, (non-cumulative).

	Group		Bank	
	2018 RM'000	Restated 2017 RM'000	2018 RM'000	2017 RM'000
Profit for the year attributable to Equity holders of the Bank	493,228	512,123	426,910	460,174
	2018 '000	2017 '000	2018 '000	2017 '000
Weighted average numbers of ordinary shares in issue	1,548,106	1,548,106	1,506,439	1,448,106
Shares held for ESS	-	(21,195)	-	-
Share Grants held for ESS	-	1,141	-	-
	1,548,106	1,528,052	1,506,439	1,448,106
	2018 sen	2017 sen	2018 sen	2017 sen
Diluted earnings per share	31.9	33.5	28.3	31.8

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

## 40. DIVIDENDS

Dividends on Ordinary Shares:

	Dividend recognised during the financial year			
	Group		Bank	
	2018	Restated	2018	2017
	RM'000	RM'000	RM'000	RM'000
<u>Former Holding Company</u>				
<b>First interim dividend</b>				
8.5 sen per share, on 1,548,105,929 ordinary shares, declared in financial year ended 31 March 2017, was paid on 30 December 2016 by AFG, the former holding company of the Bank to shareholders	-	131,589	-	-
<b>Second interim dividend</b>				
6.5 sen per share, on 1,548,105,929 ordinary shares, declared in financial year ended 31 March 2016, was paid on 30 June 2016 by AFG, the former holding company of the Bank to shareholders	-	100,627	-	-
7.5 sen per share, on 1,548,105,929 ordinary shares, declared in financial year ended 31 March 2017, was paid on 22 June 2017 by AFG, the former holding company of the Bank to shareholders	116,108	-	-	-
<u>Bank</u>				
<b>First interim dividend</b>				
16.53 sen per share, on 796,517,043 ordinary shares, declared in financial year ended 31 March 2017, was paid on 21 December 2016 by the Bank to AFG and was eliminated at the Group	-	-	-	131,664
8.5 sen per share, on 1,548,105,929 ordinary shares, declared in financial year ending 31 March 2018, was paid on 28 December 2017 to the shareholders	131,589	-	131,589	-
<b>Second interim dividend</b>				
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 by the Bank to AFG and was eliminated at the Group	-	-	-	100,839
14.67 sen per share, on 796,517,043 ordinary shares, declared in financial year ended 31 March 2017, was paid on 20 June 2017 to AFG, and was eliminated at the Group	-	-	116,849	-
	<b>247,697</b>	232,216	<b>248,438</b>	232,503

#### 40. DIVIDENDS (cont'd)

Dividends paid on the shares held in Trust pursuant to the Group's ESS which are classified as shares held for ESS are not accounted for in the total equity. An amount of RM1,121,000 (2017: RM1,818,000) for the first interim dividend and RM1,549,000 (2017: RM1,472,000) for second interim dividend being dividends paid for those shares were added back to the appropriation of retained profits in respect of the dividends.

The dividend paid by the Bank to AFG prior to group reorganisation exercise, is eliminated at the Group level. Upon the completion of group reorganisation exercise on 26 September 2017, the Bank is now the holding company of AFG. Dividends paid by the Bank after the group reorganisation will be reflected both in the Group and the Bank.

Subsequent to the financial year end, on 31 May 2018, the Directors declared a second interim dividend of 6.8 sen per share, on 1,548,105,929 ordinary shares amounting to approximately RM105,271,000 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 2019.

The Directors do not propose any final dividend in respect of the financial year ended 31 March 2018.

#### 41. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are the Group and the Bank'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 Group and the Bank, directly or indirectly, including Executive Directors and Non-Executive Director of the Group and the Bank (including close members of their families). Other members of key management personnel of the Group and the Bank are the Business Support Heads who report directly to Group Chief Executive Officer or to the Board Committees (including close members of their families).
- Former holding company	Alliance Financial Group Berhad
- Subsidiaries	Subsidiaries of the Bank as disclosed in Note 13.
- Joint venture/other related company	Joint venture of the Group as disclosed in Note 15.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

## 41. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (cont'd)

Significant related party transactions and balances as follows:

	Group		Bank	
	2018	Restated 2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<b>(a) Transactions</b>				
Interest income				
- subsidiaries	-	-	38,800	35,935
- key management personnel	26	2	26	1
Dividend income				
- subsidiaries	-	-	33,913	51,856
Management fees				
- subsidiaries	-	-	336	327
Rental income				
- subsidiaries	-	-	680	698
- joint venture	1	-	1	-
Other operating expenses recharged				
- former holding company	-	-	-	3,072
- subsidiaries	-	-	102,052	98,933
- joint venture	203	240	203	185
Interest expenses				
- subsidiaries	-	-	(47)	(11)
- joint venture	(32)	-	-	-
- former associate	-	-	-	(39)
- key management personnel	(314)	(176)	(281)	(147)
Rental expenses				
- subsidiaries	-	-	(89)	-
Other operating expenses				
- former holding company	-	-	-	(4,005)
- subsidiaries	-	-	(2,676)	(5,136)
- joint venture/other related company [Note(a)]	(3,052)	(2,979)	(936)	(595)
- shareholders [Note(b)]	(785)	(1,149)	(785)	(1,149)
Commission paid				
- subsidiaries	-	-	(6,267)	(23,619)
Dividend paid				
- former holding company	-	-	(117,971)	(232,503)

**Note:**

As at 31 March 2018:

- (a) The Group and the Bank have paid RM3,213,000 and RM974,000 respectively to the joint venture/other related company for the research services provided, where the joint venture/other related company was jointly held by AIBB and a DBS Vickers Securities Pte. Ltd, a company incorporated in Singapore.
- (b) The Group and the Bank has paid RM784,000 for staff secondment to an indirect shareholder, Fullerton Financial Holdings (International) Pte. Ltd., a company incorporated in Singapore.



**41. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (cont'd)**

Significant related party transactions and balances as follows: (cont'd)

	Group		Bank	
	2018	Restated 2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<b>(b) Balances</b>				
Deposits from customers				
- former holding company	-	-	-	(17)
- subsidiaries	-	-	(24,844)	(33,445)
- former other related companies	-	-	-	(505)
- former associate	-	-	-	(1,227)
- joint venture	(2,223)	(1,859)	(721)	(58)
- key management personnel	(15,376)	(12,239)	(13,925)	(10,589)
Financial investments available-for-sale				
- subsidiaries	-	-	754,750	939,529
Financial investments held-to-maturity				
- subsidiaries	-	-	130,059	-
Loans, advances and financing				
- key management personnel	4,875	3,042	3,210	2,282
Money at call and deposit placements with financial institutions				
- subsidiaries	-	-	300,054	431,375
Other assets				
- former holding company	-	-	-	191
- subsidiaries	-	-	46,794	2,327
- former other related companies	-	-	-	215
- joint venture	392	387	392	378
Other liabilities				
- subsidiaries	-	-	-	(21,338)
- joint venture	(168)	(260)	-	-

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

## 41. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (cont'd)

### (c) Compensation of key management personnel

Remuneration of Chief Executive Officers (CEO), Non-executive Directors and other members of key management excluding past CEO and Directors for the financial year is as follows:

	Group		Bank	
	2018	Restated 2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
CEO and other Key Management:				
- Salary and other remuneration	30,145	26,828	27,714	23,189
- Contribution to EPF	4,080	3,544	3,772	3,052
- Share options/grants under ESS	-	1,031	-	747
- Benefits-in-kind	309	220	266	220
	34,534	31,623	31,752	27,208
Non-executive Directors:				
- Fees payables	2,820	2,825	1,530	1,286
- Allowances	790	829	496	508
- Benefits-in-kind	34	21	34	-
	3,644	3,675	2,060	1,794

Included in the total key management personnel are:

CEO and Directors' remuneration, excluding past CEO and Directors [Note 43]	13,272	13,746	8,907	8,468
--	--------	--------	-------	-------

Key management personnel of the Group and the Bank have been offered/awarded the following number of share options/share grants under the AFG Bhd ESS:

	Share Options		Share Grants	
	2018	Restated 2017	2018	Restated 2017
Group	'000	'000	'000	'000
At beginning of financial year				
As previously stated	-	2,419	415	831
Effect of group reorganisation	-	363	-	80
As restated	-	2,782	415	911
Key management personnel appointed during the financial year	-	154	-	27
Vested	-	-	(415)	(411)
Lapsed	-	(2,936)	-	(112)
At the end of financial year	-	-	-	415

#### 41. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (cont'd)

##### (c) Compensation of key management personnel (cont'd)

Key management personnel of the Group and the Bank have been offered/awarded the following number of share options/share grants under the AFG Bhd ESS: (cont'd)

	Share Options		Share Grants	
	2018 '000	2017 '000	2018 '000	2017 '000
<b>Bank</b>				
At beginning of financial year	-	2,148	300	712
Key management personnel appointed during the financial year	-	154	43	27
Vested	-	-	(343)	(327)
Lapsed	-	(2,302)	-	(112)
At the end of financial year	-	-	-	300

The above share options/grants were offered/awarded on the same terms and conditions as those offered to other employees of the Group and the Bank (Note 30).

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

Group	Number	2018		Deferred RM'000	Number	Restated 2017		Deferred RM'000
		Unrestricted RM'000	Number			Unrestricted RM'000	Number	
<b>Fixed remuneration</b>								
Cash		25,512		-		24,125		-
		25,512		-		24,125		-
<b>Variable remuneration</b>								
Cash	19	9,589	19	3,077	18	8,877	16	1,265
Shares and share-linked instruments		-		-		-	10	1,031
		9,589		3,077		8,877		2,296
		35,101		3,077		33,002		2,296

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

## 41. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (cont'd)

### (c) Compensation of key management personnel (cont'd)

Total value of remuneration and numbers of officers with variable remuneration for the financial year are as follow: (cont'd)

Bank	Number	2018		2017		Number	Number	Deferred RM'000
		Unrestricted RM'000	Number	Deferred RM'000	Unrestricted RM'000			
Fixed remuneration								
Cash		22,025		-		19,415		-
		22,025		-		19,415		-
Variable remuneration								
Cash	17	8,929	17	2,858	15	7,777	13	1,063
Shares and share-linked instruments		-		-		-	7	747
		8,929		2,858		7,777		1,810
		30,954		2,858		27,192		1,810

## 42. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

	Bank	
	2018 RM'000	2017 RM'000
Outstanding credit exposures with connected parties	44,698	96,182
of which:		
Total credit exposure which is impaired or in default	-	-
Total credit exposures	44,389,189	45,970,955
Percentage of outstanding credit exposures to connected parties		
- as a proportion of total credit exposures	0.10%	0.21%
- which is impaired or in default	0.00%	0.00%

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

**42. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES (cont'd)**

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.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

## 43. CEOS AND DIRECTORS' REMUNERATION

Remuneration in aggregate for CEO/Directors charged to the statement of comprehensive income for the year is as follows:

	Group		Bank	
	2018	Restated	2018	2017
	RM'000	RM'000	RM'000	RM'000
Chief Executive Officers:				
- Salary and other remuneration	5,295	5,669	3,525	3,638
- Bonuses	3,131	3,100	2,471	2,300
- Contribution to EPF	1,080	1,085	771	699
- Share options/grants under ESS	-	180	-	-
- Benefits-in-kind	122	37	80	37
	9,628	10,071	6,847	6,674
Non-executive Directors:				
- Fees payables	2,820	2,825	1,530	1,286
- Allowances	790	829	496	508
- Benefits-in-kind	34	21	34	-
	3,644	3,675	2,060	1,794
	13,272	13,746	8,907	8,468
Past Chief Executive Officers/Directors:				
- Salary and other remuneration, including meeting allowance	336	95	-	52
- Fees	146	267	-	128
- Contribution to EPF	49	-	-	-
- Benefits-in-kind	51	10	-	10
	582	372	-	190
	13,854	14,118	8,907	8,658
Total Directors' remuneration excluding benefits-in-kind	13,647	14,050	8,793	8,611

### Notes:

- Other than Directors fees and allowances, there were no amount paid or payable for services rendered by any Directors of the Group and the Bank during the financial year.
- The Directors of the Group and the Bank are covered under the Directors' & Officers' Liability Insurance in respect of liabilities arising from acts committed in their capacity as Directors of the Group and the Bank, provided that such Director has not acted negligently, fraudulently or dishonestly, or is in breach of his or her duty of trust. The total apportioned amount of insurance effected for Directors under the Group and the Bank was 2018: RM134,000 and RM121,000 (2017: RM104,000 and RM85,000) respectively.

#### 43. CEOs AND DIRECTORS' REMUNERATION (cont'd)

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

	Salary and other remuneration RM'000	Bonuses RM'000	Contribution to EPF RM'000	Fees payables RM'000	Allowances RM'000	Share options/ grants under ESS RM'000	Benefits- in-kind RM'000	Total RM'000
<b>Group 2018</b>								
<u>Chief Executive Officers:</u>								
Joel Kornreich	3,525	2,471	771	-	-	-	80	6,847
Mahesh s/o Shri Pranlal Rupawalla	1,385	436	246	-	-	-	42	2,109
Rizal IL-Ehzan Bin Fadil Azim	385	224	63	-	-	-	-	672
	5,295	3,131	1,080	-	-	-	122	9,628
<u>Non-executive Directors:</u>								
Tan Sri Dato' Ahmad Bin Mohd Don	-	-	-	211	32	-	34	277
Kung Beng Hong	-	-	-	404	89	-	-	493
Ou Shian Waei	-	-	-	242	68	-	-	310
Kuah Hun Liang	-	-	-	273	91	-	-	364
Lee Ah Boon	-	-	-	234	55	-	-	289
Datuk Wan Azhar Bin Wan Ahmad	-	-	-	319	88	-	-	407
Lee Boon Huat	-	-	-	167	58	-	-	225
Ho Hon Cheong	-	-	-	142	62	-	-	204
Thayaparan S Sangaratpillai	-	-	-	132	50	-	-	182
Tan Chian Khong	-	-	-	191	33	-	-	224
Dato' Majid Bin Mohamad	-	-	-	164	56	-	-	220
Mazidah Binti Abdul Malik	-	-	-	107	36	-	-	143
Dato' Yeoh Beow Tit	-	-	-	76	19	-	-	95
Hj Md Ali Bin Md Sarif	-	-	-	76	23	-	-	99
Ibrahim Bin Hassan	-	-	-	82	30	-	-	112
	-	-	-	2,820	790	-	34	3,644
<u>Past Chief Executive Officer:</u>								
Foziakhatoon Binti Amanulla Khan	310	-	49	-	-	-	-	359
	310	-	49	-	-	-	-	359
<u>Past Non-executive Directors:</u>								
Shaharuddin Bin Zainuddin	-	-	-	37	15	-	-	52
Datuk Oh Chong Peng	-	-	-	109	11	-	51	171
	-	-	-	146	26	-	51	223
<b>Total CEOs and Directors' remuneration</b>	<b>5,605</b>	<b>3,131</b>	<b>1,129</b>	<b>2,966</b>	<b>816</b>	<b>-</b>	<b>207</b>	<b>13,854</b>



## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

### 43. CEOs AND DIRECTORS' REMUNERATION (cont'd)

The total remuneration (including benefits-in-kind) of the CEOs and Directors of the Group and the Bank are as follows: (cont'd)

	Salary and other remuneration RM'000	Bonuses RM'000	Contribution to EPF RM'000	Fees payables RM'000	Allowances RM'000	Share options/ grants under ESS RM'000	Benefits- in-kind RM'000	Total RM'000
<b>Bank</b>								
<b>2018</b>								
<u>Chief Executive Officer:</u>								
Joel Kornreich	3,525	2,471	771	-	-	-	80	6,847
	3,525	2,471	771	-	-	-	80	6,847
<u>Non-executive Directors:</u>								
Tan Sri Dato' Ahmad Bin Mohd Don	-	-	-	211	32	-	34	277
Kung Beng Hong	-	-	-	142	48	-	-	190
Ou Shian Waei	-	-	-	157	55	-	-	212
Kuah Hun Liang	-	-	-	157	66	-	-	223
Lee Ah Boon	-	-	-	157	45	-	-	202
Datuk Wan Azhar Bin Wan Ahmad	-	-	-	167	69	-	-	236
Lee Boon Huat	-	-	-	167	58	-	-	225
Ho Hon Cheong	-	-	-	142	62	-	-	204
Thayaparan S Sangarapillai	-	-	-	132	50	-	-	182
Tan Chian Khong	-	-	-	98	11	-	-	109
	-	-	-	1,530	496	-	34	2,060
<b>Total CEO and Directors' remuneration</b>	<b>3,525</b>	<b>2,471</b>	<b>771</b>	<b>1,530</b>	<b>496</b>	<b>-</b>	<b>114</b>	<b>8,907</b>

## 43. CEOs AND DIRECTORS' REMUNERATION (cont'd)

The total remuneration (including benefits-in-kind) of the CEOs and Directors of the Group and the Bank are as follows: (cont'd)

Group Restated 2017	Salary and other remuneration RM'000	Bonuses RM'000	Contribution to EPF RM'000	Fees payables RM'000	Allowances RM'000	Share options/ grants under ESS RM'000	Benefits- in-kind RM'000	Total RM'000
Chief Executive Officers:								
Joel Kornreich	3,638	2,300	699	-	-	-	37	6,674
Mahesh s/o Shri Pranlal 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
Non-executive Directors:								
Datuk Oh Chong Peng	-	-	-	224	29	-	21	274
Tan Chian Khong	-	-	-	76	14	-	-	90
Tan Sri Dato' Ahmad Bin Mohd Don	-	-	-	37	5	-	-	42
Kung Beng Hong	-	-	-	441	126	-	-	567
Ou Shian Waei	-	-	-	326	94	-	-	420
Kuah Hun Liang	-	-	-	269	85	-	-	354
Lee Ah Boon	-	-	-	241	83	-	-	324
Datuk Wan Azhar Bin Wan Ahmad	-	-	-	280	90	-	-	370
Lee Boon Huat	-	-	-	157	64	-	-	221
Ho Hon Cheong	-	-	-	142	62	-	-	204
Thayaparan S Sangarapillai	-	-	-	113	37	-	-	150
Dato' Majid Bin Mohammad	-	-	-	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
	-	-	-	2,825	829	-	21	3,675
Past Non-executive Directors:								
Dato' Thomas Mun Lung Lee	-	-	-	70	27	-	10	107
Tan Yuen Fah	-	-	-	61	25	-	-	86
Premod Paul Thomas	-	-	-	4	-	-	-	4
Megat Dziauddin Bin Megat Mahmud	-	-	-	75	19	-	-	94
Stephen Geh Sim Whye	-	-	-	57	24	-	-	81
	-	-	-	267	95	-	10	372
Total CEOs and Directors' remuneration	5,669	3,100	1,085	3,092	924	180	68	14,118

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

### 43. CEOS AND DIRECTORS' REMUNERATION (cont'd)

The total remuneration (including benefits-in-kind) of the Directors of the Group and the Bank are as follows: (cont'd)

	Salary and other remuneration RM'000	Bonuses RM'000	Contribution to EPF RM'000	Fees payables RM'000	Allowances RM'000	Share options/ grants under ESS RM'000	Benefits- in-kind RM'000	Total RM'000
<b>Bank</b>								
<b>2017</b>								
<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 S Sangarapillai	-	-	-	113	37	-	-	150
	-	-	-	1,286	508	-	-	1,794
<u>Past Non-executive Directors:</u>								
Dato' Thomas Mun Lung Lee	-	-	-	67	27	-	10	104
Tan Yuen Fah	-	-	-	61	25	-	-	86
	-	-	-	128	52	-	10	190
<b>Total CEO and Directors' remuneration</b>	<b>3,638</b>	<b>2,300</b>	<b>699</b>	<b>1,414</b>	<b>560</b>	<b>-</b>	<b>47</b>	<b>8,658</b>

#### 44. 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.

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

## 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

### (a) Credit Risk (cont'd)

#### (i) Maximum exposure to credit risk (cont'd)

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

	Group		Bank	
	2018	Restated 2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<b>Credit risk exposure: on-balance sheet</b>				
Cash and short-term funds (exclude cash in hand)	2,503,354	1,114,086	1,450,557	1,350,926
Deposits and placements with banks and other financial institutions	77,283	-	77,283	-
Amounts due from clients and brokers	101,305	113,022	-	-
Financial assets held-for-trading	63,750	335,260	48,771	259,701
Financial investments available-for-sale (exclude equity securities)	8,326,333	10,074,263	6,284,804	7,988,058
Financial investments held-to-maturity	293,612	917,092	344,703	658,201
Derivative financial assets	84,455	86,345	84,455	86,345
Loans, advances and financing (exclude sales commissions and handling fees)	39,934,924	38,955,726	31,484,934	31,347,517
Statutory deposits	1,408,316	1,437,444	1,092,566	1,129,366
Other assets (exclude prepayment)	89,298	90,811	125,735	86,643
	52,882,630	53,124,049	40,993,808	42,906,757
<b>Credit risk exposure: off-balance sheet</b>				
Financial guarantees	730,771	620,666	556,701	488,537
Credit related commitments and contingencies	11,313,331	10,208,969	9,118,992	8,385,420
	12,044,102	10,829,635	9,675,693	8,873,957
Total maximum exposure	64,926,732	63,953,684	50,669,501	51,780,714

## 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

## (a) Credit Risk (cont'd)

## (ii) Credit risk concentrations (cont'd)

A concentration of credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic and other conditions. The 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.

Group	2018	Government and Central Bank RM'000	Financial, Insurance, Business Services and Real Estate RM'000	Transport, Storage and Communication Services RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)		1,877,818	625,536	-	-	-	-	-	2,503,354
Deposits and placements with banks and other financial institutions		-	77,283	-	-	-	-	-	77,283
Amounts due from clients and brokers		-	670	-	-	-	-	100,635	101,305
Financial assets held-for-trading		-	53,527	10,223	-	-	-	-	63,750
Financial investments available-for-sale (exclude equity securities)		3,853,262	2,806,383	1,161,400	208,142	297,146	-	-	8,326,333
Financial investments held-to-maturity		141,686	151,926	-	-	-	-	-	293,612
Derivative financial assets		-	56,969	-	-	-	-	27,486	84,455
Loans, advances and financing (exclude sales commissions and handling fees)		-	4,930,498	497,730	11,318,771	1,361,096	21,313,630	513,199	39,934,924
Statutory deposits		1,408,316	-	-	-	-	-	-	1,408,316
Other assets (exclude prepayment)		-	392	-	-	-	-	88,906	89,298
		7,281,082	8,703,184	1,669,353	11,526,913	1,658,242	21,313,630	730,226	52,882,630
Financial guarantees		-	36,669	31,573	576,904	57,355	7,680	20,590	730,771
Credit related commitments and contingencies		-	1,453,597	128,259	4,495,893	1,515,553	2,900,735	819,294	11,313,331
		-	1,490,266	159,832	5,072,797	1,572,908	2,908,415	839,884	12,044,102
Total credit risk		7,281,082	10,193,450	1,829,185	16,599,710	3,231,150	24,222,045	1,570,110	64,926,732

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

### 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

#### (a) Credit Risk (cont'd)

##### (ii) Credit risk concentrations (cont'd)

A concentration of credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic and other conditions. The 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. (cont'd)

	Bank 2018	Government and Central Bank RM'000	Financial, Insurance, Business Services and Real Estate RM'000	Transport, Storage and Communication Services RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)	587,207		863,350	-	-	-	-	-	1,450,557
Deposits and placements with banks and other financial institutions	-		77,283	-	-	-	-	-	77,283
Financial assets held-for-trading	-		38,549	10,222	-	-	-	-	48,771
Financial investments available-for- sale (exclude equity securities)	2,863,925		2,453,110	679,796	182,188	105,785	-	-	6,284,804
Financial investments held-to-maturity	121,271		223,432	-	-	-	-	-	344,703
Derivative financial assets	-		56,969	-	-	-	-	27,486	84,455
Loans, advances and financing (exclude sales commissions and handling fees)	-		3,917,597	349,960	8,710,547	1,065,567	17,038,464	402,799	31,484,934
Statutory deposits	1,092,566		-	-	-	-	-	-	1,092,566
Other assets (exclude prepayment)	-		47,186	-	-	-	-	78,549	125,735
	4,664,969		7,677,476	1,039,978	8,892,735	1,171,352	17,038,464	508,834	40,993,808
Financial guarantees	-		31,839	26,419	432,615	37,837	7,638	20,353	556,701
Credit related commitments and contingencies	-		1,292,655	122,364	3,509,320	1,382,911	2,302,406	509,336	9,118,992
	-		1,324,494	148,783	3,941,935	1,420,748	2,310,044	529,689	9,675,693
Total credit risk	4,664,969		9,001,970	1,188,761	12,834,670	2,592,100	19,348,508	1,038,523	50,669,501



44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(a) Credit Risk (cont'd)

(ii) Credit risk concentrations (cont'd)

A concentration of credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic and other conditions. The 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. (cont'd)

Group	Restated	2017	Financial,							Household	Others	Total
			Government and Central Bank	Insurance, Business Services and Real Estate	Transport, Storage and Communication Services	Agriculture, Manufacturing, Wholesale & Retail Trade	Construction	Household	Others			
			RM'000	RM'000	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	142,302	-	-	-	-	-	-	-	1,114,086
Amounts 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			1,437,444	-	-	-	-	-	-	-	-	1,437,444
Other assets (exclude prepayment)			-	387	-	-	-	-	-	-	90,424	90,811
			7,061,885	10,365,330	1,467,416	11,053,700	1,235,897	21,237,776	702,045	-	-	53,124,049
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
			-	1,426,637	144,336	4,736,549	1,375,430	2,327,527	819,156	-	-	10,829,635
Total credit risk			7,061,885	11,791,967	1,611,752	15,790,249	2,611,327	23,565,303	1,521,201	-	-	63,953,684

## NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

### 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

#### (a) Credit Risk (cont'd)

##### (ii) Credit risk concentrations (cont'd)

A concentration of credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic and other conditions. The 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. (cont'd)

Bank 2017	Government and Central Bank RM'000	Financial, Insurance, Business Services and Real Estate RM'000	Transport, Storage and Communication Services RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)	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	1,129,366	-	-	-	-	-	-	1,129,366
Other assets (exclude prepayment)	-	3,111	-	-	-	-	83,532	86,643
	5,516,836	9,000,543	1,066,113	8,804,260	939,014	17,085,232	494,759	42,906,757
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
	-	1,184,054	137,090	3,728,830	1,287,455	2,037,209	499,319	8,873,957
Total credit risk	5,516,836	10,184,597	1,203,203	12,533,090	2,226,469	19,122,441	994,078	51,780,714

#### 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

##### (a) Credit Risk (cont'd)

##### (iii) Collaterals

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

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

##### (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

	Group		Bank	
	2018	Restated	2018	2017
	RM'000	RM'000	RM'000	RM'000
Neither past due nor impaired	38,368,245	37,672,110	30,283,493	30,362,759
Past due but not impaired	1,361,609	1,270,222	1,016,197	943,962
Impaired	577,519	393,349	470,646	339,580
Gross loans, advances and financing	40,307,373	39,335,681	31,770,336	31,646,301
Less: Allowance for impairment				
- Individual assessment	(75,733)	(66,627)	(64,967)	(64,147)
- Collective assessment	(296,716)	(313,328)	(220,435)	(234,637)
Net loans, advances and financing	39,934,924	38,955,726	31,484,934	31,347,517
Percentage of collateral held for loans, advances and financing	72.0%	73.7%	73.9%	75.0%

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

## 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

### (a) Credit Risk (cont'd)

#### (iv) Credit quality – Loans, advances and financing (cont'd)

##### 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:

	Group		Bank	
	2018	Restated 2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Grading classification				
- Good	37,096,620	36,188,329	29,271,361	29,166,724
- Fair	1,271,625	1,483,781	1,012,132	1,196,035
	38,368,245	37,672,110	30,283,493	30,362,759

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 asset, not just the payment of principal or interest/profit or both overdue.

	Group		Bank	
	2018	Restated 2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Past due up to 1 month	1,105,247	1,016,032	836,874	779,123
Past due > 1 - 2 months	221,479	219,448	159,159	148,204
Past due > 2 - 3 months	34,883	34,742	20,164	16,635
	1,361,609	1,270,222	1,016,197	943,962

#### 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

##### (a) Credit Risk (cont'd)

##### (iv) Credit quality – Loans, advances and financing (cont'd)

##### Loans, advances and financing assessed as impaired

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

	Group		Bank	
	2018	Restated 2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Gross impaired loans	<b>577,519</b>	393,349	<b>470,646</b>	339,580
Gross individually assessed impaired loans [Note]	<b>209,987</b>	129,176	<b>154,629</b>	122,790
Less: Allowance for impairment				
- Individual assessment	<b>(75,733)</b>	(66,627)	<b>(64,967)</b>	(64,147)
Net individually assessed impaired loans	<b>134,254</b>	62,549	<b>89,662</b>	58,643

##### Note:

Exclude individually assessed impaired loans which were fully collateralised and subsequently assessed under collective allowance for the Group (2018: RM128,035,000; 2017: RM37,345,000) and the Bank (2018: RM126,404,000; 2017: RM28,137,000).

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

## 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

### (a) Credit Risk (cont'd)

#### (v) Credit quality – financial instruments and financial assets

Financial instrument include cash and short term funds, deposits and placements with other financial institutions, amounts due from clients and brokers, debt securities, derivative financial assets, statutory deposits 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 at fair value. The fair value will reflect the credit risk of the issuer.

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

Group 2018	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Impaired RM'000	Allowance for impairment losses RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)	2,503,354	-	-	-	2,503,354
Deposits and placements with banks and other financial institutions	77,283	-	-	-	77,283
Amounts due from clients and brokers	101,066	-	1,079	(840)	101,305
Financial assets held-for-trading	63,750	-	-	-	63,750
Financial investments available-for-sale (exclude equity securities)	8,326,333	-	9,420	(9,420)	8,326,333
Financial investments held-to-maturity	289,240	-	18,565	(14,193)	293,612
Derivative financial assets	84,455	-	-	-	84,455
Statutory deposits	1,408,316	-	-	-	1,408,316
Other assets (exclude prepayment)	89,298	-	32,017	(32,017)	89,298
	12,943,095	-	61,081	(56,470)	12,947,706
<b>Bank 2018</b>					
Cash and short-term funds (exclude cash in hand)	1,450,557	-	-	-	1,450,557
Deposits and placements with banks and other financial institutions	77,283	-	-	-	77,283
Financial assets held-for-trading	48,771	-	-	-	48,771
Financial investments available-for-sale (exclude equity securities)	6,284,804	-	11	(11)	6,284,804
Financial investments held-to-maturity	344,703	-	1,294	(1,294)	344,703
Derivative financial assets	84,455	-	-	-	84,455
Statutory deposits	1,092,566	-	-	-	1,092,566
Other assets (exclude prepayment)	125,735	-	27,578	(27,578)	125,735
	9,508,874	-	28,883	(28,883)	9,508,874

#### 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

##### (a) Credit Risk (cont'd)

##### (v) Credit quality – financial instruments and financial assets (cont'd)

Distribution of financial instruments by credit quality are summarised as below: (cont'd)

Group Restated 2017	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Impaired RM'000	Allowance for impairment losses RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)	1,114,086	-	-	-	1,114,086
Amounts 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	1,437,444	-	-	-	1,437,444
Other assets (exclude prepayment)	90,811	-	29,535	(29,535)	90,811
	14,163,839	-	280,958	(276,474)	14,168,323
<b>Bank 2017</b>					
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	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



# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

## 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

### (a) Credit Risk (cont'd)

#### (v) Credit quality – financial instruments and financial assets (cont'd)

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

	Cash and short-term funds RM'000	Deposits and placements with banks and other 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 RM'000	Total RM'000
<b>Group</b>								
<b>2018</b>								
<i>By rating agencies</i>								
<b><u>RAM</u></b>								
AAA	103,496	77,283	-	1,508,539	-	28,948	-	1,718,266
AA1	-	-	-	288,265	-	842	-	289,107
AA2	105,868	-	-	386,986	-	24,556	-	517,410
AA3	50,009	-	-	380,297	-	324	-	430,630
A1	59,250	-	12,623	73,250	-	34	-	145,157
P1	-	-	40,904	14,978	-	-	-	55,882
<b><u>MARC</u></b>								
AA	-	-	-	151,794	-	-	-	151,794
AAA	-	-	-	354,440	-	-	-	354,440
AA-	-	-	-	100,280	-	-	-	100,280
A	-	-	-	-	-	5	-	5
<b><u>FITCH</u></b>								
AA	84	-	-	-	-	-	-	84
BBB+	947	-	-	-	-	-	-	947
<b><u>Moody's</u></b>								
AA3	-	-	-	-	-	48	-	48
A1	397	-	-	-	-	210	-	607
A3	154,649	-	-	-	-	-	-	154,649
<b><u>S&amp;P</u></b>								
AA-	1,783	-	-	-	-	743	-	2,526
A	1,132	-	-	-	-	-	-	1,132
BBB+	1,530	-	-	-	-	-	-	1,530
Government backed	1,877,818	-	10,223	5,067,504	288,867	-	1,408,316	8,652,728
Unrated [Note]	146,391	-	-	-	4,745	28,745	-	179,881
	<b>2,503,354</b>	<b>77,283</b>	<b>63,750</b>	<b>8,326,333</b>	<b>293,612</b>	<b>84,455</b>	<b>1,408,316</b>	<b>12,757,103</b>

#### 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

##### (a) Credit Risk (cont'd)

##### (v) Credit quality – financial instruments and financial assets (cont'd)

Most listed and some unlisted securities are rated by external rating agencies. The Group and the Bank 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: (cont'd)

	Cash and short-term funds RM'000	Deposits and placements with banks and other 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 RM'000	Total RM'000
<b>Bank</b>								
<b>2018</b>								
<i>By rating agencies</i>								
<b><u>RAM</u></b>								
AAA	100,506	77,283	-	1,107,723	-	28,948	-	1,314,460
AA1	-	-	-	201,941	-	842	-	202,783
AA2	105,868	-	-	336,535	-	24,556	-	466,959
AA3	50,009	-	-	82,194	-	324	-	132,527
A1	300,054	-	12,622	817,003	130,059	34	-	1,259,772
P1	-	-	25,926	14,978	-	-	-	40,904
<b><u>MARC</u></b>								
AA	-	-	-	45,852	-	-	-	45,852
AAA	-	-	-	307,873	-	-	-	307,873
AA-	-	-	-	80,206	-	-	-	80,206
A	-	-	-	-	-	5	-	5
<b><u>FITCH</u></b>								
AA	84	-	-	-	-	-	-	84
BBB+	947	-	-	-	-	-	-	947
<b><u>Moody's</u></b>								
AA3	-	-	-	-	-	48	-	48
A1	397	-	-	-	-	210	-	607
A3	154,649	-	-	-	-	-	-	154,649
<b><u>S&amp;P</u></b>								
AA-	1,783	-	-	-	-	743	-	2,526
A	1,132	-	-	-	-	-	-	1,132
BBB+	1,530	-	-	-	-	-	-	1,530
<b>Government</b>								
backed	587,207	-	10,223	3,290,499	214,307	-	1,092,566	5,194,802
Unrated [Note]	146,391	-	-	-	337	28,745	-	175,473
	<b>1,450,557</b>	<b>77,283</b>	<b>48,771</b>	<b>6,284,804</b>	<b>344,703</b>	<b>84,455</b>	<b>1,092,566</b>	<b>9,383,139</b>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

## 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

### (a) Credit Risk (cont'd)

#### (v) Credit quality – financial instruments and financial assets (cont'd)

Most listed and some unlisted securities are rated by external rating agencies. The Group and the Bank 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: (cont'd)

	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 RM'000	Total RM'000
<b>Group</b>							
<b>Restated</b>							
<b>2017</b>							
<i>By rating agencies</i>							
<b><u>RAM</u></b>							
AAA	61,042	-	615,122	-	18,830	-	694,994
AA1	-	-	1,028,787	-	1,311	-	1,030,098
AA2	1,959	-	1,164,113	-	2,864	-	1,168,936
AA3	-	-	696,887	-	-	-	696,887
A1	7,395	2,849	58,835	-	-	-	69,079
A2	-	-	-	-	125	-	125
P1	-	79,815	49,491	-	-	-	129,306
<b><u>MARC</u></b>							
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
<b><u>FITCH</u></b>							
AA	305	-	-	-	-	-	305
<b><u>Moody's</u></b>							
AA1	1,052	-	-	-	-	-	1,052
AA2	2,663	-	-	-	153	-	2,816
AA3	1,641	-	-	-	558	-	2,199
A1	434	-	-	-	234	-	668
BAA3	354	-	-	-	-	-	354
<b><u>S&amp;P</u></b>							
AA-	170	-	-	-	-	-	170
BBB+	54	-	-	-	-	-	54
Government backed	971,784	166,579	5,036,328	912,347	675	1,437,444	8,525,157
Unrated [Note]	65,233	-	4,960	4,745	61,595	-	136,533
	1,114,086	335,260	10,074,263	917,092	86,345	1,437,444	13,964,490

#### 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

##### (a) Credit Risk (cont'd)

##### (v) Credit quality – financial instruments and financial assets (cont'd)

Most listed and some unlisted securities are rated by external rating agencies. The Group and the Bank 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: (cont'd)

	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 RM'000	Total RM'000
<b>Bank</b>							
<b>2017</b>							
<i>By rating agencies</i>							
<b>RAM</b>							
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
<b>MARC</b>							
AA	-	-	86,254	-	-	-	86,254
AAA	-	20,351	822,810	-	-	-	843,161
AA-	-	-	260,867	-	-	-	260,867
MARC-1	-	24,972	-	-	-	-	24,972
<b>FITCH</b>							
AA	459	-	-	-	-	-	459
<b>Moody's</b>							
AA2	1,666	-	-	-	153	-	1,819
AA3	2,442	-	-	-	558	-	3,000
A1	226	-	-	-	234	-	460
A3	1,641	-	-	-	-	-	1,641
<b>S&amp;P</b>							
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
	1,350,926	259,701	7,988,058	658,201	86,345	1,129,366	11,472,597

**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.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

## 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

### (b) Market Risk

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

The Group has established a framework of risk policies, measurement methodologies and risk limits as approved by the Group Risk Management Committee (GRMC) to manage market risk. Market risk arising from the trading activities is controlled via position limits, loss limits sensitivity limits and 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 amount due from clients and brokers. The risk is controlled by application of credit approvals, limits and monitoring procedures.

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

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

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

The Group and the Bank are exposed to various risks associated with the effects of fluctuations in the prevailing levels of interest/profit rates on its financial position and cash flows. The effects of changes in the levels of interest rates/rates of return on the market value of securities are monitored regularly and the 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.

## 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

## (b) Market Risk (cont'd)

## (i) Interest rate/profit rate risk (cont'd)

Group 2018	Non-trading book						Non- interest profit sensitive		Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	RM'000			
<b>Assets</b>										
Cash and short-term funds	2,156,551	-	-	-	-	-	612,207	-	-	2,768,758
Deposits and placements with banks and other financial institutions	-	77,265	-	-	-	-	18	-	-	77,283
Amounts due from clients and brokers	1,302	-	-	-	-	-	100,003	-	-	101,305
Financial assets held-for-trading	-	-	-	-	-	-	-	-	63,750	63,750
Financial investments available-for-sale	24,978	325,123	492,862	620,622	5,184,435	1,590,833	266,336	-	-	8,505,189
Financial investments held-to-maturity	-	-	84,356	82,818	119,713	-	6,725	-	-	293,612
Derivative financial assets	-	-	-	-	-	-	-	-	84,455	84,455
Loans, advances and financing	32,947,800	1,612,546	450,341	358,424	2,626,983	1,788,351	205,070*	-	-	39,989,515
Other financial assets [Note]	-	-	-	-	-	-	1,497,614	-	-	1,497,614
<b>Total assets</b>	<b>35,130,631</b>	<b>2,014,934</b>	<b>1,027,559</b>	<b>1,061,864</b>	<b>7,931,131</b>	<b>3,379,184</b>	<b>2,687,973</b>	<b>148,205</b>	<b>53,381,481</b>	
<b>Liabilities</b>										
Deposits from customers	16,798,741	4,052,178	4,316,145	8,329,210	1,164,868	-	8,079,318	-	-	42,740,460
Deposits and placements of banks and other financial institutions	249,495	13,117	13,944	22,649	571,472	-	3,194	-	-	873,871
Financial liabilities designated at fair value	5,686	12,644	14,160	2,532	260,227	383,460	3,529	-	-	682,238
Amounts due to clients and brokers	-	-	-	-	-	-	75,103	-	-	75,103
Derivative financial liabilities	-	-	-	-	-	-	-	154,686	-	154,686
Recourse obligations on loans and financing sold to Cagamas	-	-	-	300,011	800,006	-	2,346	-	-	1,102,363
Subordinated obligations	-	-	-	-	149,316	1,199,593	30,705	-	-	1,379,614
Other financial liabilities	32,913	-	13,835	20,419	283,264	151,400	766,199	-	-	1,268,030
<b>Total liabilities</b>	<b>17,086,835</b>	<b>4,077,939</b>	<b>4,358,084</b>	<b>8,674,821</b>	<b>3,229,153</b>	<b>1,734,453</b>	<b>8,960,394</b>	<b>154,686</b>	<b>48,276,365</b>	
On-balance sheet interest sensitivity gap	18,043,796	(2,063,005)	(3,330,525)	(7,612,957)	4,701,978	1,644,731	(6,272,421)	(6,481)		5,105,116

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

## 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

### (b) Market Risk (cont'd)

#### (i) Interest rate/profit rate risk (cont'd)

Bank 2018	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	RM'000	RM'000	RM'000	RM'000
<b>Assets</b>										
Cash and short-term funds	1,191,507	-	-	-	-	-	-	524,454	-	1,715,961
Deposits and placements with banks and other financial institutions	-	77,265	-	-	-	-	-	18	-	77,283
Financial assets held-for-trading	-	-	-	-	-	-	-	-	48,771	48,771
Financial investments available-for-sale	34,978	255,076	469,394	455,478	4,461,124	542,517	-	187,881	-	6,406,448
Financial investments held-to-maturity	-	-	49,698	63,330	229,596	-	-	2,079	-	344,703
Derivative financial assets	-	-	-	-	-	-	-	-	84,455	84,455
Loans, advances and financing	27,070,544	1,167,774	283,597	299,478	1,721,997	817,930	-	185,244*	-	31,546,564
Other financial assets [Note]	-	-	-	-	-	-	-	1,218,301	-	1,218,301
<b>Total assets</b>	<b>28,297,029</b>	<b>1,500,115</b>	<b>802,689</b>	<b>818,286</b>	<b>6,412,717</b>	<b>1,360,447</b>	<b>2,117,977</b>	<b>133,226</b>	<b>41,442,486</b>	
<b>Liabilities</b>										
Deposits from customers	12,660,602	3,315,387	3,331,588	5,679,854	865,845	-	-	7,655,094	-	33,508,370
Deposits and placements of banks and other financial institutions	58,587	13,117	12,774	18,597	333,872	-	-	2,291	-	439,238
Financial liabilities designated at fair value	5,686	12,644	14,160	2,532	260,227	383,460	-	3,529	-	682,238
Derivative financial liabilities	-	-	-	-	-	-	-	-	154,686	154,686
Recourse obligations on loans and financing sold to Cagamas	-	-	-	300,011	300,000	-	-	1,685	-	601,696
Subordinated obligations	-	-	-	-	149,316	1,199,062	-	30,646	-	1,379,024
Other financial liabilities	32,913	-	13,835	20,419	283,264	151,400	-	650,122	-	1,151,953
<b>Total liabilities</b>	<b>12,757,788</b>	<b>3,341,148</b>	<b>3,372,357</b>	<b>6,021,413</b>	<b>2,192,524</b>	<b>1,733,922</b>	<b>8,343,367</b>	<b>154,686</b>	<b>37,917,205</b>	
On-balance sheet interest sensitivity gap	15,539,241	(1,841,033)	(2,569,668)	(5,203,127)	4,220,193	(373,475)	(6,225,390)	(21,460)		3,525,281



## 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

## (b) Market Risk (cont'd)

## (i) Interest rate/profit rate risk (cont'd)

Group Restated 2017	Non-trading book						Non- interest profit sensitive		Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	RM'000			
Assets										
Cash and short-term funds	750,424	-	-	-	-	-	631,355	-	-	1,381,779
Amounts 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	32,032,633	1,527,569	352,462	368,454	2,818,711	1,878,466	13,394*	-	-	38,991,689
Other financial assets [Note]	-	-	-	-	-	-	1,547,784	-	-	1,547,784
Total assets	34,046,073	2,810,875	761,839	1,409,256	7,987,881	3,752,914	2,422,085	421,605	53,612,528	
Liabilities										
Deposits from customers	21,321,953	5,879,990	3,428,826	7,624,286	209,538	5,680	5,975,447	-	-	44,445,720
Deposits and placements of banks and other financial institutions	93,041	182,862	7,400	18,220	553,341	-	8,040	-	-	862,904
Financial liabilities designated at fair value	200	6,796	4,749	36,774	130,074	222,362	1,779	-	-	402,734
Amounts due to clients and brokers	-	-	-	-	-	-	69,066	-	-	69,066
Derivative financial liabilities	-	-	-	-	-	-	-	81,892	-	81,892
Recourse obligations on loans and financing sold to Cagamas	-	-	-	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 financial liabilities	55,200	2,673	-	-	85,498	235,080	870,490	-	-	1,248,941
Total liabilities	21,470,394	6,072,321	3,440,975	7,884,290	2,477,637	463,122	6,954,487	81,892	48,845,118	
On-balance sheet interest sensitivity gap	12,575,679	(3,261,446)	(2,679,136)	(6,475,034)	5,510,244	3,289,792	(4,532,402)	339,713	4,767,410	

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

## 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

### (b) Market Risk (cont'd)

#### (i) Interest rate/profit rate risk (cont'd)

Bank 2017	Non-trading book						Non- interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000			
Assets									
Cash and short-term funds	1,064,674	-	-	-	-	-	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 [Note]	-	-	-	-	-	-	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	16,607,848	4,314,152	2,711,769	6,575,410	85,994	5,680	5,811,648	-	36,112,501
Deposits and placements of banks and other financial institutions	92,403	180,200	4,500	14,340	350,988	-	7,298	-	649,729
Financial liabilities designated at fair value	200	6,796	4,749	36,774	130,074	222,362	1,779	-	402,734
Derivative financial liabilities	-	-	-	-	-	-	-	81,892	81,892
Recurse obligations on loans and financing sold to Cagamas	-	-	-	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 financial liabilities	55,200	2,673	-	-	85,498	235,080	733,729	-	1,112,180
Total liabilities	16,755,651	4,503,821	2,721,018	6,831,534	2,151,326	463,122	6,584,119	81,892	40,092,483
On-balance sheet interest sensitivity gap	12,180,298	(2,348,370)	(2,019,712)	(5,512,049)	4,235,089	1,149,386	(4,712,551)	264,154	3,236,245

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

Note:

Include statutory deposits and other assets.

#### 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

##### (b) Market Risk (cont'd)

##### (ii) Foreign exchange risk

Foreign exchange risk refers to the risk that fair value or future cash flows of a financial instruments will fluctuate because of the movements in the exchange rates for foreign exchange positions taken by the Group and the Bank from time to time.

Foreign currency exchange risk is managed via approved risk limits and open positions are regularly revalued against current exchange rates and reported to Management and Board.

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

Group/Bank 2018	US Dollars RM'000	Pound Sterling RM'000	Euro Dollars RM'000	Australian Dollars RM'000	Singapore Dollars RM'000	Others RM'000	Total RM'000
<b>Assets</b>							
Cash and short-term funds	247,253	1,502	948	178	1,929	10,463	262,273
Deposits and placements with banks and other financial institutions	77,283	-	-	-	-	-	77,283
Loans, advances and financing	332,833	-	5,220	-	32,237	1,199	371,489
Other financial assets	39,817	-	-	6	19	120	39,962
<b>Total financial assets</b>	<b>697,186</b>	<b>1,502</b>	<b>6,168</b>	<b>184</b>	<b>34,185</b>	<b>11,782</b>	<b>751,007</b>
<b>Liabilities</b>							
Deposits from customers	501,381	52,496	33,618	125,844	41,470	36,923	791,732
Deposits and placements of banks and other financial institutions	19,318	-	-	-	-	21,864	41,182
Financial liabilities designated at fair value	-	-	-	-	-	911	911
Other financial liabilities	13,530	431	2,463	6,071	-	1,804	24,299
<b>Total financial liabilities</b>	<b>534,229</b>	<b>52,927</b>	<b>36,081</b>	<b>131,915</b>	<b>41,470</b>	<b>61,502</b>	<b>858,124</b>
On-balance sheet open position	162,957	(51,425)	(29,913)	(131,731)	(7,285)	(49,720)	(107,117)
Off-balance sheet open position	(190,218)	50,042	27,941	104,387	(11,117)	56,264	37,299
<b>Net open position</b>	<b>(27,261)</b>	<b>(1,383)</b>	<b>(1,972)</b>	<b>(27,344)</b>	<b>(18,402)</b>	<b>6,544</b>	<b>(69,818)</b>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

## 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

### (b) Market Risk (cont'd)

#### (ii) Foreign exchange risk (cont'd)

Group/Bank Restated 2017	US Dollars RM'000	Pound Sterling RM'000	Euro Dollars RM'000	Australian Dollars RM'000	Singapore Dollars RM'000	Others RM'000	Total RM'000
<b>Assets</b>							
Cash and short-term funds	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
<b>Total financial assets</b>	<b>868,007</b>	<b>1,645</b>	<b>8,281</b>	<b>1,668</b>	<b>1,374</b>	<b>8,570</b>	<b>889,545</b>
<b>Liabilities</b>							
Deposits from customers	464,444	55,233	22,891	127,047	33,757	35,515	738,887
Deposits and placements of banks and other financial institutions	267,483	-	2,608	-	160	1,074	271,325
Financial liabilities designated at fair value	-	-	-	-	-	560	560
Other financial liabilities	29,398	5,320	651	13,012	54	4,348	52,783
<b>Total financial liabilities</b>	<b>761,325</b>	<b>60,553</b>	<b>26,150</b>	<b>140,059</b>	<b>33,971</b>	<b>41,497</b>	<b>1,063,555</b>
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
<b>Net open position</b>	<b>(50,880)</b>	<b>(1,574)</b>	<b>(2,912)</b>	<b>(8,719)</b>	<b>(10,155)</b>	<b>6,023</b>	<b>(68,217)</b>

#### 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

##### (b) Market Risk (cont'd)

##### (iii) Value at risk (VaR)

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

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

<b>Group 2018</b>	<b>Balance RM'000</b>	<b>Average for the year RM'000</b>	<b>Minimum RM'000</b>	<b>Maximum RM'000</b>
Instruments:				
FX related derivatives	(578)	(1,179)	(461)	(2,706)
Government securities	(4,093)	(14,646)	(4,093)	(41,511)
Private debt securities	(3,391)	(8,761)	(3,391)	(14,624)
<b>Bank 2018</b>				
FX related derivatives	(578)	(1,179)	(461)	(2,706)
Government securities	(3,017)	(11,387)	(3,015)	(32,749)
Private debt securities	(1,308)	(2,515)	(1,070)	(4,359)
<b>Group Restated 2017</b>				
Instruments:				
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)
<b>Bank 2017</b>				
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)

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

## 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

### (b) Market Risk (cont'd)

#### (iv) Interest rate risk/rate of return risk in the banking book

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

	2018 Group		2018 Bank	
	- 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	(95,584)	95,584	(78,216)	78,216
Impact on equity	198,551	(173,091)	128,578	(109,818)

	Restated 2017 Group		2017 Bank	
	- 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	(77,078)	77,078	(73,278)	73,278
Impact on equity	197,914	(187,315)	137,650	(130,741)

#### 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.

#### 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

##### (b) Market Risk (cont'd)

##### (v) Other risk measures

##### (i) Stress test

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

##### (ii) Sensitivity analysis

Sensitivity analysis is used to measure the impact of changes in individual stress factors such as interest/profit rates or foreign exchange rates. It is normally designed to isolate and quantify exposure to the underlying risk. The Group 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 liquidity risk management strategies set in the Liquidity Risk Management Policy. Liquidity Risk Measures are monitored against approved thresholds by GALCO and GRMC. A contingency funding plan is also established by the Group as a forward-looking measure to ensure that liquidity risk can be addressed according to the degrees of key risk indicators, and which incorporates alternative funding strategies which are ready to be implemented on a timely basis to mitigate the impact of unforeseen adverse changes in liquidity in the market place.



# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

## 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

### (c) Liquidity risk (cont'd)

#### (i) Liquidity risk for assets and liabilities based on remaining contractual maturities

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

Group 2018	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1 year RM'000	Total RM'000
<b>Assets</b>						
Cash and short-term funds	2,768,758	-	-	-	-	2,768,758
Deposits and placements with banks and other financial institutions	-	77,283	-	-	-	77,283
Amounts due from clients and brokers	101,305	-	-	-	-	101,305
Financial investment held-for-trading	14,978	25,926	167	-	22,679	63,750
Financial investment available-for-sale	61,848	355,038	519,110	619,793	6,949,400	8,505,189
Financial investment held to maturity	1,229	744	84,422	82,636	124,581	293,612
Loans, advances and financing	7,889,139	1,974,013	995,243	187,093	28,944,027	39,989,515
Other financial and non financial assets	87,177	37,283	7,211	15,060	1,955,904	2,102,635
<b>Total assets</b>	<b>10,924,434</b>	<b>2,470,287</b>	<b>1,606,153</b>	<b>904,582</b>	<b>37,996,591</b>	<b>53,902,047</b>
<b>Liabilities</b>						
Deposits from customers	24,747,374	4,098,867	4,396,044	8,391,457	1,106,718	42,740,460
Deposits and placements of banks and other financial institutions	250,481	13,118	16,150	22,650	571,472	873,871
Financial liabilities designated at fair value	1,759	1,869	21,315	15,600	641,695	682,238
Amounts due to clients and brokers	75,103	-	-	-	-	75,103
Recourse obligations on loans and financing sold to Cagamas	-	2,346	-	300,011	800,006	1,102,363
Other borrowings	-	-	-	-	-	-
Subordinated obligations	22,118	8,528	59	-	1,348,909	1,379,614
Other financial and non financial liabilities	534,360	17,982	52,857	47,094	936,515	1,588,808
<b>Total liabilities</b>	<b>25,631,195</b>	<b>4,142,710</b>	<b>4,486,425</b>	<b>8,776,812</b>	<b>5,405,315</b>	<b>48,442,457</b>
<b>Net maturity mismatch</b>	<b>(14,706,761)</b>	<b>(1,672,423)</b>	<b>(2,880,272)</b>	<b>(7,872,230)</b>	<b>32,591,276</b>	<b>5,459,590</b>

#### 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

##### (c) Liquidity risk (cont'd)

##### (i) Liquidity risk for assets and liabilities based on remaining contractual maturities (cont'd)

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

<b>Bank 2018</b>	<b>Up to 1 month RM'000</b>	<b>&gt;1-3 months RM'000</b>	<b>&gt;3-6 months RM'000</b>	<b>&gt;6-12 months RM'000</b>	<b>&gt;1 year RM'000</b>	<b>Total RM'000</b>
<b>Assets</b>						
Cash and short-term funds	1,715,961	-	-	-	-	1,715,961
Deposits and placements with banks and other financial institutions	-	77,283	-	-	-	77,283
Financial investment held-for-trading	-	25,926	167	-	22,678	48,771
Financial investment available-for-sale	61,449	274,130	489,924	455,660	5,125,285	6,406,448
Financial investment held to maturity	1,229	446	49,764	63,149	230,115	344,703
Loans, advances and financing	6,209,355	1,484,709	696,125	127,651	23,028,724	31,546,564
Other financial and non financial assets	106,587	29,877	7,173	14,735	2,518,516	2,676,888
<b>Total assets</b>	<b>8,094,581</b>	<b>1,892,371</b>	<b>1,243,153</b>	<b>661,195</b>	<b>30,925,318</b>	<b>42,816,618</b>
<b>Liabilities</b>						
Deposits from customers	20,217,072	3,354,730	3,391,908	5,730,196	814,464	33,508,370
Deposits and placements of banks and other financial institutions	59,539	13,117	14,113	18,598	333,871	439,238
Financial liabilities designated at fair value	1,759	1,869	21,315	15,600	641,695	682,238
Recourse obligations on loans and financing sold to Cagamas	-	1,685	-	300,011	300,000	601,696
Subordinated obligations	22,118	8,528	-	-	1,348,378	1,379,024
Other financial and non financial liabilities	434,694	17,012	52,630	46,640	910,377	1,461,353
<b>Total liabilities</b>	<b>20,735,182</b>	<b>3,396,941</b>	<b>3,479,966</b>	<b>6,111,045</b>	<b>4,348,785</b>	<b>38,071,919</b>
<b>Net maturity mismatch</b>	<b>(12,640,601)</b>	<b>(1,504,570)</b>	<b>(2,236,813)</b>	<b>(5,449,850)</b>	<b>26,576,533</b>	<b>4,744,699</b>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

## 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

### (c) Liquidity risk (cont'd)

#### (i) Liquidity risk for assets and liabilities based on remaining contractual maturities (cont'd)

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

Group Restated 2017	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1 year RM'000	Total RM'000
<b>Assets</b>						
Cash and short-term funds	1,381,779	-	-	-	-	1,381,779
Amounts due from clients and brokers	113,022	-	-	-	-	113,022
Financial investment held-for-trading	45,323	181,602	215	-	108,120	335,260
Financial investment available-for-sale	1,292,220	1,231,788	163,256	624,899	6,927,394	10,239,557
Financial investment held to maturity	2,226	81,701	266,680	280,223	286,262	917,092
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 assets	81,259	26,298	28,035	15,253	1,959,820	2,110,665
<b>Total assets</b>	<b>9,835,329</b>	<b>3,320,003</b>	<b>1,111,449</b>	<b>1,074,684</b>	<b>38,747,599</b>	<b>54,089,064</b>
<b>Liabilities</b>						
Deposits from customers	27,157,697	5,934,667	3,466,141	7,667,132	220,083	44,445,720
Deposits and placements of banks and other financial institutions	98,792	185,151	7,400	18,220	553,341	862,904
Financial liabilities designated at fair value	939	7,564	5,021	36,774	352,436	402,734
Amounts due to clients and brokers	69,066	-	-	-	-	69,066
Recourse obligations on loans and financing sold to Cagamas	-	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 liabilities	639,743	103,091	12,855	16,552	688,340	1,460,581
<b>Total liabilities</b>	<b>27,988,355</b>	<b>6,238,021</b>	<b>3,491,417</b>	<b>7,943,688</b>	<b>3,313,385</b>	<b>48,974,866</b>
<b>Net maturity mismatch</b>	<b>(18,153,026)</b>	<b>(2,918,018)</b>	<b>(2,379,968)</b>	<b>(6,869,004)</b>	<b>35,434,214</b>	<b>5,114,198</b>

#### 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

##### (c) Liquidity risk (cont'd)

##### (i) Liquidity risk for assets and liabilities based on remaining contractual maturities (cont'd)

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

<b>Bank 2017</b>	<b>Up to 1 month RM'000</b>	<b>&gt;1-3 months RM'000</b>	<b>&gt;3-6 months RM'000</b>	<b>&gt;6-12 months RM'000</b>	<b>&gt;1 year RM'000</b>	<b>Total RM'000</b>
<b>Assets</b>						
Cash and short-term funds	1,618,617	-	-	-	-	1,618,617
Financial investment held-for-trading	45,323	146,162	215	-	68,001	259,701
Financial investment available-for-sale	1,052,055	909,695	215,957	625,282	5,296,461	8,099,450
Financial investment held to maturity	2,226	446	236,134	209,943	209,452	658,201
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 assets	82,262	25,199	27,869	15,024	2,401,505	2,551,859
<b>Total assets</b>	<b>8,568,620</b>	<b>2,578,009</b>	<b>1,011,331</b>	<b>986,723</b>	<b>31,415,052</b>	<b>44,559,735</b>
<b>Liabilities</b>						
Deposits from customers	22,306,914	4,357,737	2,740,133	6,611,178	96,539	36,112,501
Deposits and placements of banks and other financial institutions	98,155	181,746	4,500	14,340	350,988	649,729
Financial liabilities designated at fair value	939	7,564	5,021	36,774	352,436	402,734
Recourse obligations on loans and financing sold to Cagamas	-	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 liabilities	568,759	91,923	11,415	16,553	608,946	1,297,596
<b>Total liabilities</b>	<b>22,996,885</b>	<b>4,646,518</b>	<b>2,761,069</b>	<b>6,883,855</b>	<b>2,907,680</b>	<b>40,196,007</b>
<b>Net maturity mismatch</b>	<b>(14,428,265)</b>	<b>(2,068,509)</b>	<b>(1,749,738)</b>	<b>(5,897,132)</b>	<b>28,507,372</b>	<b>4,363,728</b>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

## 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

### (c) Liquidity risk (cont'd)

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

The table below presents the cash flows payable by the Group and the Bank under financial liabilities by remaining contractual maturities at the end of the reporting period. The amount disclosed in the table are the contractual undiscounted cash flows of all financial liabilities.

Group 2018	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
<b>Non derivative financial liabilities</b>							
Deposits from customers	24,728,020	4,138,871	4,453,018	8,618,218	1,249,501	-	43,187,628
Deposits and placements of banks and other financial institutions	250,504	6,197	13,944	27,105	587,990	-	885,740
Financial liabilities designated at fair value	6,351	14,222	15,935	2,567	284,895	423,084	747,054
Amounts due to clients and brokers	75,103	-	-	-	-	-	75,103
Recourse obligations on loans and financing sold to Cagamas	-	10,661	10,661	321,207	901,218	-	1,243,747
Subordinated obligations	25,875	13,163	-	39,038	462,300	1,406,100	1,946,476
Other financial liabilities	451,387	656	17,534	26,255	607,767	142,202	1,245,801
	25,537,240	4,183,770	4,511,092	9,034,390	4,093,671	1,971,386	49,331,549
<b>Items not recognised in the statements of financial position</b>							
Financial guarantees	84,641	244,156	102,040	167,005	121,920	11,009	730,771
Credit related commitments and contingencies	9,366,683	51,452	77,569	350,202	1,442,650	24,775	11,313,331
	9,451,324	295,608	179,609	517,207	1,564,570	35,784	12,044,102
<b>Derivatives financial liabilities</b>							
<b>Derivatives settled on a net basis</b>							
Interest rate derivatives and equity option	(236)	(2,610)	(2,352)	(2,942)	(8,735)	232	(16,643)
Net outflow	(236)	(2,610)	(2,352)	(2,942)	(8,735)	232	(16,643)
<b>Derivatives settled on a gross basis</b>							
Outflow	(2,056,306)	(419,572)	(461,162)	(296,537)	(97,443)	(5,778)	(3,336,798)
Inflow	2,028,453	406,649	428,965	276,566	86,689	4,972	3,232,294
	(27,853)	(12,923)	(32,197)	(19,971)	(10,754)	(806)	(104,504)

#### 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

##### (c) Liquidity risk (cont'd)

##### (ii) Contractual maturity of financial liabilities on an undiscounted basis (cont'd)

Bank 2018	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
<b>Non derivative financial liabilities</b>							
Deposits from customers	20,194,470	3,388,950	3,437,874	5,865,455	916,250	-	33,802,999
Deposits and placements of banks and other financial institutions	59,544	4,376	12,774	21,241	343,095	-	441,030
Financial liabilities designated at fair value	6,351	14,222	15,935	2,567	284,895	423,084	747,054
Recourse obligations on loans and financing sold to Cagamas	-	6,726	6,688	313,377	351,047	-	677,838
Subordinated obligations	25,875	13,163	-	39,038	462,300	1,406,100	1,946,476
Other financial liabilities	391,677	656	17,534	26,255	551,400	142,202	1,129,724
	20,677,917	3,428,093	3,490,805	6,267,933	2,908,987	1,971,386	38,745,121
<u>Items not recognised in the statements of financial position</u>							
Financial guarantees	76,226	220,820	90,046	137,873	31,736	-	556,701
Credit related commitments and contingencies	7,549,654	45,861	72,315	338,040	1,088,876	24,246	9,118,992
	7,625,880	266,681	162,361	475,913	1,120,612	24,246	9,675,693
<b>Derivatives financial liabilities</b>							
<u>Derivatives settled on a net basis</u>							
Interest rate derivatives and equity option	(236)	(2,610)	(2,352)	(2,942)	(8,735)	232	(16,643)
Net outflow	(236)	(2,610)	(2,352)	(2,942)	(8,735)	232	(16,643)
<u>Derivatives settled on a gross basis</u>							
Outflow	(2,056,306)	(419,572)	(461,162)	(296,537)	(97,443)	(5,778)	(3,336,798)
Inflow	2,028,453	406,649	428,965	276,566	86,689	4,972	3,232,294
	(27,853)	(12,923)	(32,197)	(19,971)	(10,754)	(806)	(104,504)

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

## 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

### (c) Liquidity risk (cont'd)

#### (ii) Contractual maturity of financial liabilities on an undiscounted basis (cont'd)

Group Restated 2017	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
<b>Non derivative financial liabilities</b>							
Deposits from customers	27,175,963	5,989,487	3,535,993	7,826,122	242,741	-	44,770,306
Deposits and placements of banks and other financial institutions	98,883	187,979	7,400	22,507	574,346	-	891,115
Financial liabilities designated at fair value	114	5,803	6,527	20,496	149,325	245,825	428,090
Amounts due to clients and brokers	69,066	-	-	-	-	-	69,066
Recourse obligations on loans and financing sold to Cagamas	-	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	624,074	104,199	16,335	24,026	456,162	263,524	1,488,320
	27,993,975	6,301,512	3,571,705	8,143,520	3,141,874	509,349	49,661,935

#### Items not recognised in the statements of financial position

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
	9,337,279	180,336	174,253	518,841	580,528	38,398	10,829,635

#### **Derivatives financial liabilities**

##### Derivatives settled on a net basis

Interest rate derivatives and equity option	(603)	(797)	(1,673)	(3,756)	(14,234)	(2,613)	(23,676)
Net outflow	(603)	(797)	(1,673)	(3,756)	(14,234)	(2,613)	(23,676)

##### Derivatives settled on a gross basis

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
	(16,313)	(8,814)	(5,306)	(11,431)	(2,653)	-	(44,517)



#### 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

##### (c) Liquidity risk (cont'd)

##### (ii) Contractual maturity of financial liabilities on an undiscounted basis (cont'd)

Bank 2017	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
<b>Non derivative financial liabilities</b>							
Deposits from customers	22,321,926	4,402,433	2,799,571	6,737,049	103,774	-	36,364,753
Deposits and placements of banks and other financial institutions	98,245	183,728	4,500	17,080	363,851	-	667,404
Financial liabilities designated at fair value	114	5,803	6,527	20,496	149,325	245,825	428,090
Recourse obligations on loans and financing sold to Cagamas	-	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	556,111	93,031	14,858	23,926	389,706	263,524	1,341,156
	23,002,271	4,699,039	2,830,906	7,048,920	2,725,956	509,349	40,816,441
<b>Items not recognised in the statements of financial position</b>							
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
	7,548,660	156,635	160,718	429,699	543,555	34,690	8,873,957
<b>Derivatives financial liabilities</b>							
<b>Derivatives settled on a net basis</b>							
Interest rate derivatives and equity option	(603)	(797)	(1,673)	(3,756)	(14,234)	(2,613)	(23,676)
Net outflow	(603)	(797)	(1,673)	(3,756)	(14,234)	(2,613)	(23,676)
<b>Derivatives settled on a gross basis</b>							
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
	(16,313)	(8,814)	(5,306)	(11,431)	(2,653)	-	(44,517)

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

## 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

### (d) Operational and Shariah Compliance Risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. The definition of Operational Risk includes legal risk, but excludes strategic and reputational risk. Operational risk 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 of Group Risk Management formulates and implements operational risk framework within the Group while the line of businesses in conjunction with the Risk Control Officers are responsible for the management of their day to day operational and Shariah non-compliance risks.

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

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

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

## 45. CAPITAL COMMITMENTS

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Capital expenditure:				
Authorised and contracted for	56,026	43,956	55,198	43,956
Authorised but not contracted for	113,418	101,102	111,664	101,102
	169,444	145,058	166,862	145,058

## 46. LEASE COMMITMENTS

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

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Within one year	29,719	18,481	27,933	20,759
Between one to five years	40,510	12,071	37,810	15,688
	70,229	30,552	65,743	36,447

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

#### 47. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group and the Bank 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 notional exposures of the Group and the Bank are as follows:

	Group		Bank	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<u>Credit-related exposures</u>				
Direct credit substitutes [Note a]	719,148	757,816	564,446	649,782
Transaction-related contingent items [Note a]	739,535	710,106	651,896	653,885
Short-term self-liquidating trade-related contingencies	235,056	138,588	215,445	114,249
Irrevocable commitments to extend credit:				
- maturity exceeding one year	1,056,899	1,111,249	744,972	927,426
- maturity not exceeding one year	7,543,400	6,527,092	5,748,870	4,943,831
Unutilised credit card lines	1,750,064	1,584,784	1,750,064	1,584,784
	<b>12,044,102</b>	<b>10,829,635</b>	<b>9,675,693</b>	<b>8,873,957</b>
<u>Derivative financial instruments [Note b]</u>				
Foreign exchange related contracts:				
- one year or less	5,057,347	11,082,789	5,057,347	11,082,789
- over one year to three years	73,015	116,546	73,015	116,546
- over three years	17,385	37,817	17,385	37,817
Interest rate related contracts:				
- one year or less	1,206,130	750,000	1,206,130	750,000
- over one year to three years	1,990,360	1,988,572	1,990,360	1,988,572
- over three years	2,146,310	1,605,860	2,146,310	1,605,860
Equity related contracts:				
- one year or less	38,825	52,405	38,825	52,405
- over one year to three years	67,660	30,330	67,660	30,330
	<b>10,597,032</b>	<b>15,664,319</b>	<b>10,597,032</b>	<b>15,664,319</b>
	<b>22,641,134</b>	<b>26,493,954</b>	<b>20,272,725</b>	<b>24,538,276</b>

Note:

- (a) Included in direct credit substitutes and transaction-related contingent item are financial guarantee contracts of RM730,771,000 and RM556,701,000 (2017: RM620,666,000 and RM488,537,000) for the Group and the Bank respectively, of which the fair value at the time of issuance is RM Nil.
- (b) These derivatives are valued on gross position basis and the unrealised gains or losses have been reflected in the statements of income and statements of financial position as derivatives financial assets and derivatives financial liabilities. The fair value of derivatives are disclosed under Note 9.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

## 48. CAPITAL ADEQUACY

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

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

	Group		Bank	
	2018	Restated 2017	2018	2017
<u>Before deducting proposed dividends</u>				
CET 1 capital ratio	<b>13.695%</b>	13.334%	<b>11.680%</b>	11.558%
Tier 1 capital ratio	<b>14.123%</b>	13.334%	<b>12.217%</b>	11.558%
Total capital ratio	<b>18.638%</b>	17.999%	<b>17.122%</b>	16.347%
<u>After deducting proposed dividends</u>				
CET 1 capital ratio	<b>13.393%</b>	12.990%	<b>11.302%</b>	11.136%
Tier 1 capital ratio	<b>13.821%</b>	12.990%	<b>11.839%</b>	11.136%
Total capital ratio	<b>18.337%</b>	17.655%	<b>16.744%</b>	15.924%

#### 48. CAPITAL ADEQUACY (cont'd)

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

	Group		Bank	
	2018	Restated	2018	2017
	RM'000	2017 RM'000	RM'000	RM'000
<b><u>CET I Capital</u></b>				
Paid-up share capital	1,548,106	1,548,106	1,548,106	796,517
Share premium	-	-	-	401,517
Retained profits	3,510,283	2,062,782	2,866,142	2,115,505
Statutory reserves	-	1,223,525	-	835,401
Revaluation reserves	114,987	99,268	74,907	64,916
Capital reserves	100,150	90,010	95,515	-
	5,273,526	5,023,691	4,584,670	4,213,856
Less: Regulatory adjustments				
- Goodwill and other intangibles	(409,402)	(377,361)	(292,981)	(261,986)
- Deferred tax assets	(22,664)	(14,738)	(9,223)	(4,088)
- 55% of revaluation reserves	(63,243)	(54,597)	(41,199)	(35,704)
- Direct/indirect investment in own ordinary shares	-	(73,837)	-	-
- Investment in subsidiaries, associate and joint venture	(693)	(610)	(989,102)	(714,440)
Total CET I Capital	4,777,524	4,502,548	3,252,165	3,197,638
Additional Tier 1 Capital Securities	149,293	-	149,316	-
Total Tier I Capital	4,926,817	4,502,548	3,401,481	3,197,638
<b><u>Tier II Capital</u></b>				
Subordinated obligations	1,199,675	1,199,177	1,199,062	1,198,764
Collective assessment allowance and regulatory reserves	375,710	376,514	296,765	304,576
Less: Regulatory adjustments				
- Investment in subsidiaries, associate and joint venture	-	(153)	-	(178,610)
- Investment in Tier 2 capital instruments	-	-	(130,000)	-
Total Tier II Capital	1,575,385	1,575,538	1,365,827	1,324,730
<b>Total Capital</b>	<b>6,502,202</b>	<b>6,078,086</b>	<b>4,767,308</b>	<b>4,522,368</b>

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

## 48. CAPITAL ADEQUACY (cont'd)

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

	Group		Bank	
	2018	Restated	2018	2017
	RM'000	2017 RM'000	RM'000	RM'000
Credit risk	31,973,585	30,938,021	25,299,261	25,162,190
Market risk	110,857	126,042	110,389	104,490
Operational risk	2,801,473	2,704,544	2,433,159	2,398,898
Total RWA and capital requirements	34,885,915	33,768,607	27,842,809	27,665,578

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
<b>2018</b>		
<u>Before deducting proposed dividends</u>		
CET I capital ratio	12.569%	86.830%
Tier I capital ratio	12.569%	86.830%
Total capital ratio	15.421%	87.642%
<u>After deducting proposed dividends</u>		
CET I capital ratio	12.198%	85.079%
Tier I capital ratio	12.198%	85.079%
Total capital ratio	15.050%	85.892%
<b>2017</b>		
<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%

## 49. CAPITAL

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

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

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

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

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

## 50. FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

### (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.



# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

## 50. FAIR VALUE MEASUREMENTS (cont'd)

### (a) Determination of fair value and the fair value hierarchy (cont'd)

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

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

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

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

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

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

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

Group 2018	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>Assets</b>				
Financial assets held-for-trading				
- Money market instruments	-	40,905	-	40,905
- Unquoted securities	-	22,845	-	22,845
Financial investments available-for-sale				
- Money market instruments	-	4,289,730	-	4,289,730
- Quoted securities in Malaysia	10	-	-	10
- Unquoted securities	-	4,036,603	178,846	4,215,449
Derivative financial assets	-	84,455	-	84,455
<b>Liabilities</b>				
Financial liabilities designated at fair value	-	682,238	-	682,238
Derivative financial liabilities	-	154,686	-	154,686

## 50. FAIR VALUE MEASUREMENTS (cont'd)

### (b) Financial instruments measured at fair value and the fair value hierarchy (cont'd)

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

<b>Bank 2018</b>	<b>Level 1 RM'000</b>	<b>Level 2 RM'000</b>	<b>Level 3 RM'000</b>	<b>Total RM'000</b>
<b>Assets</b>				
Financial assets held-for-trading				
- Money market instruments	-	25,926	-	25,926
- Unquoted securities	-	22,845	-	22,845
Financial investments available-for-sale				
- Money market instruments	-	3,970,261	-	3,970,261
- Quoted securities in Malaysia	10	-	-	10
- Unquoted securities	-	2,314,543	121,634	2,436,177
Derivative financial assets	-	84,455	-	84,455
<b>Liabilities</b>				
Financial liabilities designated at fair value	-	682,238	-	682,238
Derivative financial liabilities	-	154,686	-	154,686
<b>Group Restated 2017</b>				
	<b>Level 1 RM'000</b>	<b>Level 2 RM'000</b>	<b>Level 3 RM'000</b>	<b>Total RM'000</b>
<b>Assets</b>				
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
<b>Liabilities</b>				
Financial liabilities designated at fair value	-	402,734	-	402,734
Derivative financial liabilities	-	81,892	-	81,892

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

## 50. FAIR VALUE MEASUREMENTS (cont'd)

### (b) Financial instruments measured at fair value and the fair value hierarchy (cont'd)

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

Bank 2017	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>Assets</b>				
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
<b>Liabilities</b>				
Financial liabilities designated at fair value	-	402,734	-	402,734
Derivative financial liabilities	-	81,892	-	81,892

There were no transfers between levels 1 and 2 of the fair value hierarchy for the Group and the Bank during the financial year ended 31 March 2018 and 31 March 2017.

Reconciliation of movements in level 3 financial instruments:

	Group		Bank	
	2018 RM'000	Restated 2017 RM'000	2018 RM'000	2017 RM'000
At beginning of financial year	170,239	157,333	111,377	102,657
Disposal	(4,970)	-	-	-
Total gains/(losses) recognised in:				
- Other comprehensive income				
(i) Revaluation reserves	13,607	12,906	10,257	8,720
- Statement of income				
(i) Loss arising from sales of financial investments available-for-sale	(30)	-	-	-
At the end of financial year	178,846	170,239	121,634	111,377

The Group's and the Bank'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.

## 50. FAIR VALUE MEASUREMENTS (cont'd)

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

The following table summarises the carrying amounts and the fair values of financial instruments of the Group and the Bank which are not carried at fair value in the 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.

	Fair value				Carrying amount
Group	Level 1	Level 2	Level 3	Total	
2018	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets					
Financial investments held-to-maturity	-	306,490	-	306,490	293,612
Loans, advances and financing	-	-	40,423,458	40,423,458	39,989,515
Financial liabilities					
Deposits from customers	-	42,742,783	-	42,742,783	42,740,460
Deposits and placements of banks and other financial institutions	-	855,375	-	855,375	873,871
Recourse obligations on loans and financing sold to Cagamas	-	1,219,264	-	1,219,264	1,102,363
Subordinated obligations	-	1,184,048	-	1,184,048	1,379,614
	Fair value				Carrying amount
Bank	Level 1	Level 2	Level 3	Total	
2018	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets					
Financial investments held-to-maturity	-	357,020	-	357,020	344,703
Loans, advances and financing	-	-	31,802,940	31,802,940	31,546,564
Financial liabilities					
Deposits from customers	-	33,508,377	-	33,508,377	33,508,370
Deposits and placements of banks and other financial institutions	-	433,145	-	433,145	439,238
Recourse obligations on loans and financing sold to Cagamas	-	642,664	-	642,664	601,696
Subordinated obligations	-	1,172,415	-	1,172,415	1,379,024

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

## 50. FAIR VALUE MEASUREMENTS (cont'd)

### (c) Fair values of financial instruments not carried at fair value (cont'd)

Group Restated 2017	Fair value				Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	
<b>Financial assets</b>					
Financial investments					
held-to-maturity	-	924,614	-	924,614	917,092
Loans, advances and financing	-	-	39,496,789	39,496,789	38,991,689
<b>Financial liabilities</b>					
Deposits from customers	-	45,332,674	-	45,332,674	44,445,720
Deposits and placements of banks and other financial institutions	-	832,353	-	832,353	862,904
Recourse obligations on loans and financing sold to Cagamas	-	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 2017	Fair value				Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	
<b>Financial assets</b>					
Financial investments					
held-to-maturity	-	663,470	-	663,470	658,201
Loans, advances and financing	-	-	31,677,396	31,677,396	31,371,907
<b>Financial liabilities</b>					
Deposits from customers	-	36,895,706	-	36,895,706	36,112,501
Deposits and placements of banks and other financial institutions	-	629,947	-	629,947	649,729
Recourse obligations on loans and financing sold to Cagamas	-	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

## 50. FAIR VALUE MEASUREMENTS (cont'd)

### (c) Fair values of financial instruments not carried at fair value (cont'd)

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

#### (i) Financial investments 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) Recourse obligations on loans and financing sold to Cagamas Berhad

The fair values of Recourse obligations on loans and financing sold to Cagamas are determined based on the discounted cash flows of future instalment payments at applicable prevailing Cagamas rates as at the end of the reporting period.

#### (v) Other borrowings and subordinated obligations

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

## 51. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

## 51. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (cont'd)

### (a) Financial assets

	Gross amounts of recognised financial assets RM'000	Gross amounts of recognised financial liabilities set off in the statement of financial position RM'000	Net amounts of financial assets presented in the statement of financial position RM'000	Related amounts not set off in the statement of financial position		Net Amount RM'000
				Financial Instruments RM'000	Cash collateral received RM'000	
<b>Group 2018</b>						
Derivative financial assets	84,455	-	84,455	(6,271)	(32,751)	45,433
Amounts due from clients and brokers	188,129	(86,824)	101,305	-	-	101,305
<b>Total</b>	<b>272,584</b>	<b>(86,824)</b>	<b>185,760</b>	<b>(6,271)</b>	<b>(32,751)</b>	<b>146,738</b>
<b>Bank 2018</b>						
Derivative financial assets	84,455	-	84,455	(6,271)	(32,751)	45,433
<b>Group 2017</b>						
Derivative financial assets	86,345	-	86,345	(18,681)	-	67,664
Amounts due from clients and brokers	213,368	(100,346)	113,022	-	-	113,022
<b>Total</b>	<b>299,713</b>	<b>(100,346)</b>	<b>199,367</b>	<b>(18,681)</b>	<b>-</b>	<b>180,686</b>
<b>Bank 2017</b>						
Derivative financial assets	86,345	-	86,345	(18,681)	-	67,664



## 51. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (cont'd)

## (b) Financial liabilities

	Gross amounts of recognised financial liabilities RM'000	Gross amounts of recognised financial assets set off in the statement of financial position RM'000	Net amounts of financial liabilities presented in the statement of financial position RM'000	Related amounts not set off in the statement of financial position		Net Amount RM'000
				Financial Instruments RM'000	Cash collateral received RM'000	
<b>Group 2018</b>						
Derivative financial liabilities	154,686	-	154,686	(6,271)	(36,901)	111,514
Amounts due to clients and brokers	161,927	(86,824)	75,103	-	-	75,103
Total	316,613	(86,824)	229,789	(6,271)	(36,901)	186,617
<b>Bank 2018</b>						
Derivative financial liabilities	154,686	-	154,686	(6,271)	(36,901)	111,514
<b>Group 2017</b>						
Derivative financial liabilities	81,892	-	81,892	(18,681)	(22,381)	40,830
Amounts due to clients and brokers	169,412	(100,346)	69,066	-	-	69,066
	251,304	(100,346)	150,958	(18,681)	(22,381)	109,896
<b>Bank 2017</b>						
Derivative financial liabilities	81,892	-	81,892	(18,681)	(22,381)	40,830

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

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

## 52. SEGMENT INFORMATION

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

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

The Group is organised into the following key operating segments:

### (i) Consumer Banking

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

### (ii) Business Banking

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

### (iii) Financial Markets

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

### (iv) 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.

## 52. SEGMENT INFORMATION (cont'd)

Group 2018	Stockbroking and						Inter- segment
	Consumer Banking RM'000	Business Banking RM'000	Financial Markets RM'000	Corporate Advisory RM'000	Others RM'000	Total Operations RM'000	
Net interest income							
- External income	416,778	329,102	158,108	13,005	2,582	919,575	(27,064)
- inter-segment	(88,599)	80,102	16,222	(7,725)	-	-	-
Net income from Islamic banking business	328,179	409,204	174,330	5,280	2,582	919,575	(27,064)
Other operating income	113,858	99,461	56,929	-	-	270,248	47,997
Net income	112,495	166,369	51,242	32,423	22,553	385,082	(23,815)
Other operating expenses	554,532	675,034	282,501	37,703	25,135	1,574,905	(2,882)
Depreciation and amortisation	(305,031)	(290,864)	(51,790)	(37,404)	(68,500)	(753,589)	4,460
Operating profit	(25,830)	(15,205)	(2,657)	(1,194)	(6)	(44,892)	-
(Allowance for)/write-back of impairment losses on loans, advances and financing and other receivables	223,671	368,965	228,054	(895)	(43,371)	776,424	1,578
Allowance for impairment losses on other assets	(81,284)	(11,855)	36	58	(341)	(93,386)	-
Segment results	-	-	(62)	-	-	(62)	(62)
Share of results of joint venture	142,387	357,110	228,028	(837)	(43,712)	682,976	1,578
Taxation							43
Net profit for the financial year							(191,369)
							493,228
Segment assets	21,323,742	18,239,957	15,998,118	51,675	126,171	55,739,663	(2,341,752)
Reconciliation of segment assets to consolidated assets:							
Investment in joint venture							693
Property, plant and equipment							69,373
Tax recoverable and deferred tax assets							24,668
Intangible assets							409,402
Total assets							53,902,047



## 52. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

On 21 September 2016, AFG, the former holding company of the Bank announced that it proposed to undertake a group reorganisation exercise whereby the listing status of AFG will be assumed by the Bank. The proposal involved, among others, the shareholders of AFG exchanging their existing AFG shares for the Bank's 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 upon completion of the group reorganisation exercise. This will enable the existing shareholders of AFG to have direct participation in the equity and future growth of the Bank.

The shareholders of AFG had, at the Extraordinary General Meeting held on 12 July 2017, approved the group corporate reorganisation exercise.

On 26 September 2017, the group reorganisation exercise was completed upon the transfer of the listing of AFG on the Main Market of Bursa Malaysia Securities Berhad to the Bank. AFG is now a wholly-owned subsidiary of the Bank.

## 54. SUBSEQUENT EVENTS

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

## 55. RESTATEMENT AND COMPARATIVES

### (a) Restatement of comparatives due to group reorganisation

The comparatives of the Group was restated in order to reflect the completion of group reorganisation exercise on 26 September 2017 as below:

- (i) AFG subscription of RM100,000,000 new shares of the Bank at the issue price of RM1.00 per share;
- (ii) The bonus issue by the Bank of RM651,588,886 new shares to AFG;
- (iii) The transfer of AFG and its non-banking subsidiaries to the Bank is accounted for as an internal reorganisation within the AFG Group. Consequently the assets, liabilities and equity of AFG Group, at their carrying amounts, are included in the consolidated financial statements of the ABMB Group, as disclosed in Note 53.

### (b) Reclassification of structured investments

Structured investments of the Group and the Bank which are not principal guaranteed and designated at fair value were reclassified from Deposit from Customers to Financial Liabilities Designated at Fair Value, while those that are not principal guaranteed and accounted for separately from the embedded derivative are reclassified from Deposit from Customers to Other Liabilities. This conforms with Bank Negara Malaysia's Classification and regulatory Treatment for Structured Products under Financial Services Act 2013 and Islamic Financial Services Act 2013.

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

## 55. RESTATEMENT AND COMPARATIVES (cont'd)

The effects of items (a) and (b) to the Group are as follow:

Group	As previously stated RM'000	Effect of group reorganisation RM'000 (a)	Structured investments reclassification RM'000 (b)	As restated RM'000
<b>Statements of Financial Position as at 31 March 2016</b>				
<b>ASSETS</b>				
Allowances for impairment losses on other receivables	26,382	691	-	27,073
Investment in joint venture	566	165	-	731
Property, plant and equipment	86,427	323	-	86,750
Deferred tax assets	10,201	438	-	10,639
<b>EQUITY</b>				
Share capital	796,517	751,589	-	1,548,106
Reserves	3,941,658	(567,859)	-	3,373,799
Shares held for Employees' Share Scheme	-	(79,897)	-	(79,897)
<b>Statements of Financial Position as at 31 March 2017</b>				
<b>ASSETS</b>				
Cash and short-term funds	1,368,636	13,143	-	1,381,779
Other assets	109,908	432	-	110,340
Statutory deposits	1,437,344	100	-	1,437,444
Investment in former associate	530	(530)	-	-
Investment in joint venture	650	113	-	763
Property, plant and equipment	73,789	159	-	73,948
Deferred tax assets	14,033	705	-	14,738
<b>LIABILITIES</b>				
Deposits from customers	45,330,615	(102,179)	(782,716)	44,445,720
Financial liabilities designated at fair value	-	-	402,734	402,734
Other liabilities	965,906	2,882	379,982	1,348,770
Provision for taxation	19,567	186	-	19,753
<b>EQUITY</b>				
Share capital	796,517	751,589	-	1,548,106
Reserves	4,204,448	(564,519)	-	3,639,929
Shares held for Employees' Share Scheme	-	(73,837)	-	(73,837)

## 55. RESTATEMENT AND COMPARATIVES (cont'd)

The effects of items (a) and (b) to the Group are as follow: (cont'd)

	As previously stated RM'000	Structured investments reclassification RM'000 (b)	After reclassification RM'000
--	-----------------------------------	--	-------------------------------------

### Bank

#### Statements of Financial Position as at 31 March 2017

##### LIABILITIES AND EQUITY

Deposits from customers	36,895,217	(782,716)	36,112,501
Financial liabilities designated at fair value	-	402,734	402,734
Other liabilities	821,624	379,982	1,201,606

	As previously stated RM'000	Effect of group reorganisation RM'000 (a)	As restated RM'000
--	-----------------------------------	---	--------------------------

### Group

#### Statements of Comprehensive Income for the financial year ended 31 March 2017

Interest income	1,879,859	354	1,880,213
Interest expense	(1,035,935)	3,267	(1,032,668)
Net interest income	843,924	3,621	847,545
Net income from Islamic banking business	297,037	-	297,037
	1,140,961	3,621	1,144,582
Fee and commission income	297,571	(496)	297,075
Fee and commission expense	(99,872)	-	(99,872)
Investment income	143,496	-	143,496
Other income	(15,992)	134	(15,858)
Other operating income	325,203	(362)	324,841
Net income	1,466,164	3,259	1,469,423
Other operating expenses	(689,675)	(2,232)	(691,907)
Operating profit before allowances	776,489	1,027	777,516
Allowance for impairment losses on loans, advances and financing and other receivables	(94,979)	(9)	(94,988)
Allowance for impairment losses on other assets	(1,208)	-	(1,208)
Operating profit after allowances	680,302	1,018	681,320
Share of results of associate	10	(10)	-
Share of results of joint venture	84	-	84
Profit before taxation	680,396	1,008	681,404
Taxation	(168,096)	(1,185)	(169,281)
Net profit for the financial year	512,300	(177)	512,123



# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2018

## 55. RESTATEMENT AND COMPARATIVES (cont'd)

The effects of items (a) and (b) to the Group are as follow: (cont'd)

Group	As previously stated RM'000	Effect of group reorganisation RM'000 (a)	As restated RM'000
<b>Statements of Comprehensive Income</b>			
<b>for the financial year ended 31 March 2017 (cont'd)</b>			
Net profit for the financial period attributable to:			
Equity holders of the Bank	512,300	(177)	512,123
Earnings per share attributable to Equity holders of the Bank			
- Basic (sen)	64.0	(30.5)	33.5
- Diluted (sen)	64.0	(30.5)	33.5
<b>Other comprehensive expense:</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Revaluation reserve on financial investments available-for-sale			
- Net loss from change in fair value	(14,735)	-	(14,735)
- Realised gain transferred to statement of income on disposal and impairment	(5,684)	-	(5,684)
- Transfer from deferred tax	4,901	-	4,901
Other comprehensive expense, net of tax	(15,518)	-	(15,518)
<b>Total comprehensive income for the financial year</b>	<b>496,782</b>	<b>(177)</b>	<b>496,605</b>
Total comprehensive income for the financial period attributable to:			
Equity holders of the Bank	496,782	(177)	496,605

## 55. RESTATEMENT AND COMPARATIVES (cont'd)

Group	As previously stated RM'000	Effect of group reorganisation RM'000 (a)	As restated RM'000
<b>Statements of Changes in Equity for the financial year ended 31 March 2016</b>			
Ordinary shares	796,517	751,589	1,548,106
Share premium	401,517	(401,517)	-
Capital reserve	10,018	67,644	77,662
Equity contribution from former parent	10,896	(10,896)	-
ESS reserve	-	11,516	11,516
Shares held for ESS	-	(79,897)	(79,897)
Retained profits	2,047,248	(234,606)	1,812,642
Total Equity	4,738,175	103,833	4,842,008
<b>Statements of Changes in Equity for the financial year ended 31 March 2017</b>			
Ordinary shares	796,517	751,589	1,548,106
Share premium	401,517	(401,517)	-
Capital reserve	10,018	79,992	90,010
Equity contribution from former parent	6,062	(6,062)	-
ESS reserve	-	6,444	6,444
Shares held for ESS	-	(73,837)	(73,837)
Retained profits	2,306,158	(243,376)	2,062,782
Total Equity	5,000,965	113,233	5,114,198
<b>Statements of Cash Flows for the financial year ended 31 March 2017</b>			
Profit before taxation	680,396	1,008	681,404
Net cash used in operating activities	(1,455,167)	(5,858)	(1,461,025)
Net cash used in investing activities	(1,168,914)	(11)	(1,168,925)
Net cash used in financing activities	(941,481)	9,510	(931,971)
Net changes in cash and cash equivalents	(3,565,562)	3,641	(3,561,921)
<b>Capital Adequacy as at 31 March 2017</b>			
<u>Before deducting proposed dividends</u>			
CET I capital ratio	12.891%	0.443%	13.334%
Tier I capital ratio	12.891%	0.443%	13.334%
Total capital ratio	17.518%	0.481%	17.999%
<u>After deducting proposed dividends</u>			
CET I capital ratio	12.548%	0.442%	12.990%
Tier I capital ratio	12.548%	0.442%	12.990%
Total capital ratio	17.175%	0.480%	17.655%

# BASEL II PILLAR 3 REPORT DISCLOSURE



## ALLIANCE BANK MALAYSIA BERHAD (88103-W)

### Contents

<b>243</b>	Overview
<b>244</b>	Scope of Application
<b>244</b>	Capital <ul style="list-style-type: none"><li>– Capital Adequacy Ratios</li><li>– Capital Structure</li><li>– Risk-Weighted Assets (RWA) and Capital Requirements</li></ul>
<b>251</b>	Credit Risk <ul style="list-style-type: none"><li>– Distribution of Credit Exposures</li><li>– Past Due Loans, Advances and Financing Analysis</li><li>– Impaired Loans, Advances and Financing Analysis</li><li>– Assignment of Risk-Weights for Portfolios Under the Standardised Approach</li><li>– Credit Risk Mitigation (CRM)</li><li>– Off-Balance Sheet Exposures and Counterparty Credit Risk</li></ul>
<b>281</b>	Market Risk
<b>282</b>	Operational Risk
<b>283</b>	Equity Exposures in Banking Book
<b>284</b>	Interest Rate Risk/Rate of Return Risk in the Banking Book
<b>286</b>	Shariah Governance Disclosures



**More on this subject:**  
<https://www.alliancebank.com.my/>

# BASEL II PILLAR 3 REPORT DISCLOSURE

for the financial year ended 31 March 2018

## OVERVIEW

Bank Negara Malaysia's (BNM) guidelines on capital adequacy require Alliance Bank Malaysia Berhad (the Bank) and its subsidiaries (the Group) to maintain an adequate level of capital to withstand potential losses arising from its operations. BNM's capital adequacy guidelines cover 3 main aspects:

- (a) Pillar 1 – covers the calculation of risk-weighted assets for credit risk, market risk and operational risk.
- (b) Pillar 2 – involves assessment of other risks (e.g. interest rate risk in the banking book, liquidity risk and concentration risk) not covered under Pillar 1. This promotes adoption of forward-looking approaches to capital management and stress testing/risk simulation techniques.
- (c) Pillar 3 – covers disclosure and external communication of risk and capital information by banks.

The Group maintains a strong capital base to support its current activities and future growth, to meet regulatory capital requirements at all times and to buffer against potential losses.

To ensure that risks and returns are appropriately balanced, the Group has implemented a Group-wide Integrated Risk Management Framework, with guidelines for identifying, measuring, and managing risks. This process includes quantifying and aggregating various risks in order to ensure the Group and each entity has sufficient capital to cushion unexpected losses and remain solvent.

In summary, the capital management process involves the following:

- (i) Monitoring of regulatory capital and ensuring that the minimum regulatory requirements and approved internal ratios are adhered to.
- (ii) Estimation of capital requirements based on ongoing forecasting and budgeting process.
- (iii) Regular reporting of regulatory and internal capital ratios to senior management and the Board.

In addition, the Group's capital adequacy under extreme but plausible stress scenarios are periodically assessed via a Group-wide stress test exercise. The results of the stress tests are reported to senior management, to provide them with an assessment of the financial impact of such events on the Group's earnings and capital.

The Group's Pillar 3 Disclosure is governed by the Bank's Pillar 3 Disclosure. This policy outlines the minimum disclosure standards, approach for determining the appropriateness of information disclosed and the internal controls over the disclosure process.

During the financial period, Alliance Financial Group Berhad (AFG), the holding company of the Bank has completed its corporate reorganisation exercise whereby the listing status of AFG was assumed by Alliance Bank Malaysia Berhad (ABMB or the Bank) with effect from 26 September 2017. Accordingly the comparative figures of the Group was restated, where applicable, to reflect the completion of the corporate reorganisation exercise (as disclosed in Note 55 of the Statements of Financial Position as at 31 March 2018).

- (i) AFG subscription of RM100,000,000 new ABMB Shares at the issue price of RM1.00 per share;
- (ii) The bonus issue by the Bank of RM651,588,886 new ABMB Shares to AFG, after taking into consideration the RM100,000,000 new ABMB Shares issued pursuant to AFG Subscription;
- (iii) The transfer of AFG and its non-banking subsidiaries to the Bank is accounted for as an internal reorganisation within the AFG Group. Consequently the assets, liabilities and equity of AFG Group, at their carrying amounts, are included in the consolidated financial statements of the ABMB Group.

The comparative figures was restated, where applicable, in items 2.1 (a), 2.2, 2.3, 3.1, 3.4 and 3.5 of the report.

# BASEL II PILLAR 3 REPORT DISCLOSURE

for the financial year ended 31 March 2018

## 1.0 SCOPE OF APPLICATION

The Pillar 3 Disclosure was prepared on a consolidated basis and comprises information on Alliance Bank Malaysia Berhad (the Bank), its subsidiaries, associate companies and joint venture. The Group offers Conventional and Islamic banking services. The latter includes accepting deposits and providing financing under Shariah principles via the Bank's wholly-owned subsidiary, Alliance Islamic Bank Berhad.

The basis of consolidation for the use of regulatory capital purposes is similar to that for financial accounting purposes. Investments in subsidiaries, associate companies and joint venture are deducted from regulatory capital.

There were no significant restrictions or other major impediments on transfer of funds or regulatory capital within the Group.

There were no capital deficiencies in any of the subsidiaries of the Group as at the financial year end.

The capital adequacy information was computed in accordance with BNM's Capital Adequacy Framework. The Group has adopted the Standardised Approach for credit risk and market risk; and the Basic Indicator Approach for operational risk.

## 2.0 CAPITAL

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

- (i) To maintain sufficient capital to meet the regulatory capital requirements as set forth by BNM;
- (ii) To maintain sufficient capital to support the Group's risk appetite and facilitate future business growth; and
- (iii) To meet the expectations of key stakeholders, including shareholders, investors, regulators and rating agencies.

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

The Group carries out stress testing to estimate the potential impact of extreme but plausible events on the Group's earnings, balance sheet and capital. The results of the stress tests are to facilitate the formulation of contingency plan(s) where warranted. The results of the stress tests are tabled to the Group Risk Management Committee for approval.

## 2.0 CAPITAL (cont'd)

### 2.1 Capital Adequacy Ratios

- (a) The capital adequacy ratios of the Bank and the Group are as follows:

	BANK		GROUP	
	2018	2017	2018	Restated* 2017
<u>Before deducting proposed dividends</u>				
CET I capital ratio	<b>11.680%</b>	11.558%	<b>13.695%</b>	13.334%
Tier I capital ratio	<b>12.217%</b>	11.558%	<b>14.123%</b>	13.334%
Total capital ratio <sup>1</sup>	<b>17.122%</b>	16.347%	<b>18.638%</b>	17.999%
<u>After deducting proposed dividends</u>				
CET I capital ratio	<b>11.302%</b>	11.136%	<b>13.393%</b>	12.990%
Tier I capital ratio	<b>11.839%</b>	11.136%	<b>13.821%</b>	12.990%
Total capital ratio <sup>1</sup>	<b>16.744%</b>	15.924%	<b>18.337%</b>	17.655%

Note:

- <sup>1</sup> On 8 November 2017, the Bank issued RM150 million Additional Tier 1 Capital Securities under the RM1.0 billion Additional Tier 1 Capital Securities Programme.

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

	Alliance Islamic Bank Berhad	Alliance Investment Bank Berhad
<b>2018</b>		
<u>Before deducting proposed dividends</u>		
CET I capital ratio	<b>12.569%</b>	<b>86.830%</b>
Tier I capital ratio	<b>12.569%</b>	<b>86.830%</b>
Total capital ratio	<b>15.421%</b>	<b>87.642%</b>
<u>After deducting proposed dividends</u>		
CET I capital ratio	<b>12.198%</b>	<b>85.079%</b>
Tier I capital ratio	<b>12.198%</b>	<b>85.079%</b>
Total capital ratio	<b>15.050%</b>	<b>85.892%</b>
<b>2017</b>		
<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%

The Group's and the Bank's capital ratios comply with the prescribed capital adequacy ratios under BNM's Capital Adequacy Framework.

\* Refer to Note 55 in the financial statements.

# BASEL II PILLAR 3 REPORT DISCLOSURE

for the financial year ended 31 March 2018

## 2.0 CAPITAL (cont'd)

### 2.2 Capital Structure

The following tables [resents the components of Common Equity Tier I (CET I), Tier I and Tier II capital.

	BANK		GROUP	
	2018 RM'000	2017 RM'000	2018 RM'000	Restated* 2017 RM'000
<b><u>CET I Capital</u></b>				
Paid-up share capital	1,548,106	796,517	1,548,106	1,548,106
Share premium	-	401,517	-	-
Retained profits	2,866,142	2,115,505	3,510,283	2,062,782
Statutory reserves	-	835,401	-	1,223,525
Revaluation reserves	74,907	64,916	114,987	99,268
Capital reserves	95,515	-	100,150	90,010
	4,584,670	4,213,856	5,273,526	5,023,691
Less: Regulatory adjustment				
- Goodwill and other intangibles	(292,981)	(261,986)	(409,402)	(377,361)
- Deferred tax assets	(9,223)	(4,088)	(22,664)	(14,738)
- 55% of revaluation reserves	(41,199)	(35,704)	(63,243)	(54,597)
- Direct/indirect investment in own ordinary shares	-	-	-	(73,837)
- Investment in subsidiaries, associate and joint venture	(989,102)	(714,440)	(693)	(610)
Total CET I capital/Total Tier I capital	3,252,165	3,197,638	4,777,524	4,502,548
Additional Tier 1 Capital Securities	149,316	-	149,293	-
Total Tier I Capital	3,401,481	3,197,638	4,926,817	4,502,548
<b><u>Tier II Capital</u></b>				
Subordinated obligations	1,199,062	1,198,764	1,199,675	1,199,177
Collective assessment allowance and regulatory reserves	296,765	304,576	375,710	376,514
Less: Regulatory adjustment				
- Investment in subsidiaries, associate and joint venture	-	(178,610)	-	(153)
- Investment in Tier 2 capital instruments	(130,000)	-	-	-
Total Tier II Capital	1,365,827	1,324,730	1,575,385	1,575,538
Total Capital	4,767,308	4,522,368	6,502,202	6,078,086

\* Refer to Note 55 in the financial statements.



## 2.0 CAPITAL (cont'd)

### 2.3 Risk-Weighted Assets (RWA) and Capital Requirements

#### Regulatory Capital Requirements

The following tables present the minimum regulatory capital requirement of the Bank and the Group:

Bank 2018 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000
(i) Credit Risk				
On-balance sheet exposures:				
Sovereigns/Central banks	4,800,900	4,800,900	-	-
Public sector entities	59,446	59,446	11,889	951
Banks, Development Financial Institutions (DFIs) and Multilateral Development Banks	2,212,038	2,212,038	671,377	53,710
Insurance companies, securities firms and fund managers	37,884	37,851	37,851	3,028
Corporates	13,887,523	12,773,551	10,997,016	879,762
Regulatory retail	7,451,752	6,732,624	5,147,926	411,834
Residential mortgages	11,911,755	11,902,044	5,295,448	423,636
Higher risk assets	2,801	2,795	4,192	335
Other assets	529,608	529,608	264,204	21,136
Equity exposures	121,644	121,644	121,646	9,732
Defaulted exposures	313,098	311,149	404,843	32,387
Total on-balance sheet exposures	41,328,449	39,483,650	22,956,392	1,836,511
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	2,800,489	2,406,616	2,212,069	176,966
Derivative financial instruments	254,986	254,986	122,904	9,832
Defaulted exposures	5,267	5,267	7,896	632
Total off-balance sheet exposures	3,060,742	2,666,869	2,342,869	187,430
Total on and off-balance sheet exposures	44,389,191	42,150,519	25,299,261	2,023,941
(ii) Market Risk (Note 4.0)				
	Long Position	Short Position		
Interest rate risk			15,289	1,223
Foreign currency risk	76,686	(70,016)	94,541	7,563
	7,016	(94,542)		
Option risk	83,702	(164,558)	559	45
Total			110,389	8,831
(iii) Operational Risk				
	-	-	2,433,159	194,653
Total	44,389,191	42,150,519	27,842,809	2,227,425

# BASEL II PILLAR 3 REPORT DISCLOSURE

for the financial year ended 31 March 2018

## 2.0 CAPITAL (cont'd)

### 2.3 RWA and Capital Requirements (cont'd)

#### Regulatory Capital Requirements (cont'd)

The following tables present the minimum regulatory capital requirement of the Bank and the Group: (cont'd)

Group 2018 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000
(i) <u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	7,715,107	7,715,107	-	-
Public sector entities	211,083	211,083	42,217	3,377
Banks, DFIs and Multilateral Development Banks	1,315,416	1,315,416	261,255	20,900
Insurance companies, securities firms and fund managers	63,080	63,047	63,047	5,044
Corporates	18,530,955	17,092,449	14,147,528	1,131,801
Regulatory retail	10,019,382	9,229,348	7,164,075	573,127
Residential mortgages	14,354,700	14,343,762	6,356,377	508,510
Higher risk assets	3,195	3,189	4,783	383
Other assets	639,421	639,421	374,017	29,921
Equity exposures	178,856	178,856	178,858	14,309
Defaulted exposures	385,914	383,181	494,731	39,578
Total on-balance sheet exposures	53,417,109	51,174,859	29,086,888	2,326,950
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	3,511,989	3,039,708	2,748,471	219,878
Derivative financial instruments	254,986	254,986	122,904	9,832
Defaulted exposures	11,080	10,217	15,322	1,226
Total off-balance sheet exposures	3,778,055	3,304,911	2,886,697	230,936
Total on and off-balance sheet exposures	57,195,164	54,479,770	31,973,585	2,557,886
(ii) <u>Market Risk (Note 4.0)</u>				
	Long Position	Short Position		
Interest rate risk	91,664	(70,016)	15,757	1,261
Foreign currency risk	7,016	(94,542)	94,541	7,563
	98,680	(164,558)		
Option risk			559	45
Total			110,857	8,869
(iii) <u>Operational Risk</u>	-	-	2,801,473	224,118
Total	57,195,164	54,479,770	34,885,915	2,790,873

## 2.0 CAPITAL (cont'd)

### 2.3 RWA and Capital Requirements (cont'd)

#### Regulatory Capital Requirements (cont'd)

The following tables present the minimum regulatory capital requirement of the Bank and the Group: (cont'd)

Bank 2017 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000
(i) Credit Risk				
On-balance sheet exposures:				
Sovereigns/Central banks	5,352,766	5,352,766	-	-
Public sector entities	105,293	105,293	21,059	1,685
Banks, DFIs and Multilateral Development Banks	3,281,948	3,281,948	883,783	70,704
Insurance companies, securities firms and fund managers	27,568	27,467	27,467	2,197
Corporates	12,282,183	11,546,927	9,772,227	781,778
Regulatory retail	8,873,425	7,951,918	6,012,381	480,990
Residential mortgages	12,149,938	12,139,614	5,603,518	448,281
Higher risk assets	3,182	3,176	4,764	381
Other assets	499,621	499,621	231,930	18,554
Equity exposures	111,392	111,392	111,393	8,911
Defaulted exposures	201,335	198,167	230,510	18,441
Total on-balance sheet exposures	42,888,651	41,218,289	22,899,032	1,831,922
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	2,762,616	2,395,557	2,133,275	170,662
Derivative financial instruments	313,294	313,294	120,420	9,634
Defaulted exposures	6,394	6,364	9,463	757
Total off-balance sheet exposures	3,082,304	2,715,215	2,263,158	181,053
Total on and off-balance sheet exposures	45,970,955	43,933,504	25,162,190	2,012,975
(ii) Market Risk (Note 4.0)				
	Long Position	Short Position		
Interest rate risk			29,792	2,383
Foreign currency risk	317,765	(90,830)	74,523	5,962
	8,583	(74,523)		
Option risk	326,348	(165,353)	175	14
Total			104,490	8,359
(iii) Operational Risk				
	-	-	2,398,898	191,912
Total	45,970,955	43,933,504	27,665,578	2,213,246

# BASEL II PILLAR 3 REPORT DISCLOSURE

for the financial year ended 31 March 2018

## 2.0 CAPITAL (cont'd)

### 2.3 RWA and Capital Requirements (cont'd)

#### Regulatory Capital Requirements (cont'd)

The following tables present the minimum regulatory capital requirement of the Bank and the Group: (cont'd)

Restated* Group 2017 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000
(i) Credit Risk				
On-balance sheet exposures:				
Sovereigns/Central banks	7,090,538	7,090,538	-	-
Public sector entities	175,816	175,816	35,163	2,813
Banks, DFIs and Multilateral Development Banks	2,674,355	2,674,355	538,938	43,115
Insurance companies, securities firms and fund managers	38,061	37,960	37,960	3,037
Corporates	15,689,245	14,694,080	11,857,205	948,576
Regulatory retail	11,840,659	10,814,866	8,304,851	664,388
Residential mortgages	14,544,792	14,533,347	6,685,735	534,859
Higher risk assets	3,182	3,176	4,764	381
Other assets	659,027	659,027	391,333	31,307
Equity exposures	165,294	165,294	165,295	13,224
Defaulted exposures	232,514	228,563	265,264	21,221
Total on-balance sheet exposures	53,113,483	51,077,022	28,286,508	2,262,921
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	3,309,125	2,877,659	2,517,031	201,362
Derivative financial instruments	313,294	313,294	120,420	9,634
Defaulted exposures	9,461	9,430	14,062	1,125
Total off-balance sheet exposures	3,631,880	3,200,383	2,651,513	212,121
Total on and off-balance sheet exposures	56,745,363	54,277,405	30,938,021	2,475,042
(ii) Market Risk (Note 4.0)				
	Long Position	Short Position		
Interest rate risk	393,324	(90,830)	51,344	4,108
Foreign currency risk	8,583	(74,523)	74,523	5,962
	401,907	(165,353)		
Option risk			175	14
Total			126,042	10,083
(iii) Operational Risk	-	-	2,704,544	216,364
Total	56,745,363	54,277,405	33,768,607	2,701,489

#### Note:

Under Islamic banking, the Group does not use Profit-sharing Investment Account (PSIA) as a risk absorbent mechanism.

The Bank and the Group do not have exposure to any Large Exposure Risk for equity holdings as specified under BNM's Guidelines on Investment in Shares, Interest-in-Shares and Collective Investment Schemes.

\* Refer to Note 55 in the financial statements.

### 3.0 CREDIT RISK

Credit risk is the risk of financial loss resulting from the failure of the Bank's borrowers or counterparties to fulfil their contractual obligations to repay their loans or to settle financial commitments.

#### ***Credit Risk Management***

The Board, via the Group Risk Management Committee (GRMC), established a Credit Risk Management Framework (CRMF) which outlines the broad principles for managing credit risk of the Group.

Credit approval is under the purview of the Executive Committee, Group Management Credit Committee and Credit Underwriters, depending on the size and complexity of the loans.

Retail loans are subject to portfolio reviews and corporate loans are subject to periodic individual borrower or group reviews. The Portfolio Review Committee for the respective lines of business, assisted by embedded risk units, helps to manage the portfolio quality. The process also ensures alignment of business strategy with the Bank's risk appetite.

Potential problem loans are identified through our Early Warning Framework and thematic reviews, where applicable. Recovery of impaired loans are carried out internally or through authorised agents.

The Portfolio Review Committees for the respective lines of business, assisted by embedded risk units, helps to manage the portfolio quality. Portfolio risk reports are reviewed and action plans are formulated to manage identified risks.

Entity level Risk Dashboards are escalated to the Group Risk Management Committee and the Board for deliberation and strategic direction.

Group Risk Management is responsible for assessing the adequacy and effectiveness of the risk management framework, policies and guidelines. Embedded risk units are responsible for monitoring business activities and ensuring that they are carried out within the approved policies and business models.

Stress testing is used to identify potential vulnerable risk areas of the Bank's portfolios to stress events and assess the impact to earnings and capital. Stress tests are performed using a variety of market and economic assumptions to assess possible vulnerability and to formulate effective mitigation actions when required.

Group Internal Audit reviews the Bank's credit processes regularly and recommends corrective measures or enhancements. These reviews provide senior management with assurance that the policies, processes and guidelines are adhered to.

#### ***Impaired Loans and Provisions***

Past due accounts are loan accounts with any payment of principal and/or interest due and not paid, but are not classified as impaired. Loans are classified as impaired if the mandatory impairment thresholds are exceeded or judgmentally impaired when there are reasonable grounds to believe that the borrower may not be able to repay the entire loan amount.

Individual assessments are performed on impaired accounts with principal outstanding exceeding RM1 million. The discounted cashflow method will be used to determine the recoverable amounts. The remaining loan portfolios are then collectively assessed for impairment allowance provision.

With effect from 1.4.2018, loan accounts will also be subject to FRS9 stage 1/2/3 accounting classification and treatment.

Please refer to Note 2(i)(i) of the audited financial statements for accounting policies on impaired loans, advances and financing.

# BASEL II PILLAR 3 REPORT DISCLOSURE

for the financial year ended 31 March 2018

## 3.0 CREDIT RISK (cont'd)

### 3.1 Distribution of Credit Exposures

#### (a) Geographical Distribution

The following tables represent the Bank's and the Group's major types of gross credit exposure by geographical distribution. Exposures are allocated to the region in which the customer is located and are disclosed before taking into account of any collateral held or other credit enhancements and after allowance for impairment, where appropriate.

Bank 2018	Geographical region					Total RM'000
	Northern RM'000	Central RM'000	Southern RM'000	Sabah RM'000	Sarawak RM'000	
Cash and short-term funds	-	1,450,557	-	-	-	1,450,557
Deposits and placements with banks and other financial institutions	-	77,283	-	-	-	77,283
Financial assets held-for-trading	-	48,771	-	-	-	48,771
Financial investments available-for-sale	-	6,284,804	-	-	-	6,284,804
Financial investments held-for-maturity	-	344,703	-	-	-	344,703
Derivative financial assets	-	84,455	-	-	-	84,455
Loans, advances and financing	2,122,103	23,064,355	3,794,976	1,985,937	654,300	31,621,671
Statutory deposits with Bank Negara Malaysia	-	1,092,566	-	-	-	1,092,566
<b>Total on-balance sheet</b>	<b>2,122,103</b>	<b>32,447,495</b>	<b>3,794,976</b>	<b>1,985,937</b>	<b>654,300</b>	<b>41,004,811</b>
Financial guarantees	55,509	398,635	42,934	45,088	14,535	556,701
Credit related commitments and contingencies	828,695	6,569,110	829,182	618,932	273,075	9,118,992
<b>Total off-balance sheet</b>	<b>884,204</b>	<b>6,967,745</b>	<b>872,115</b>	<b>664,119</b>	<b>287,610</b>	<b>9,675,693</b>
<b>Total credit exposure</b>	<b>3,006,307</b>	<b>39,415,239</b>	<b>4,667,091</b>	<b>2,649,956</b>	<b>941,910</b>	<b>50,680,504</b>

Group 2018	Geographical region					Total RM'000
	Northern RM'000	Central RM'000	Southern RM'000	Sabah RM'000	Sarawak RM'000	
Cash and short-term funds	-	2,503,354	-	-	-	2,503,354
Deposits and placements with banks and other financial institutions	-	77,283	-	-	-	77,283
Balances due from clients and brokers	13,920	83,873	3,512	-	-	101,305
Financial assets held-for-trading	-	63,750	-	-	-	63,750
Financial investments available-for-sale	-	8,326,333	-	-	-	8,326,333
Financial investments held-for-maturity	-	293,612	-	-	-	293,612
Derivative financial assets	-	84,455	-	-	-	84,455
Loans, advances and financing	2,815,996	28,829,752	4,918,978	2,598,098	961,745	40,124,570
Statutory deposits with Bank Negara Malaysia	-	1,408,316	-	-	-	1,408,316
<b>Total on-balance sheet</b>	<b>2,829,916</b>	<b>41,670,729</b>	<b>4,922,490</b>	<b>2,598,098</b>	<b>961,745</b>	<b>52,982,979</b>
Financial guarantees	63,441	550,533	55,015	47,209	14,574	730,771
Credit related commitments and contingencies	1,118,225	7,775,286	1,073,320	1,036,449	310,051	11,313,331
<b>Total off-balance sheet</b>	<b>1,181,666</b>	<b>8,325,819</b>	<b>1,128,335</b>	<b>1,083,657</b>	<b>324,625</b>	<b>12,044,102</b>
<b>Total credit exposure</b>	<b>4,011,582</b>	<b>49,996,548</b>	<b>6,050,825</b>	<b>3,681,756</b>	<b>1,286,370</b>	<b>65,027,081</b>

### 3.0 CREDIT RISK (cont'd)

#### 3.1 Distribution of Credit Exposures (cont'd)

##### (a) Geographical Distribution (cont'd)

The following tables represent the Bank's and the Group's major types of gross credit exposure by geographical distribution. Exposures are allocated to the region in which the customer is located and are disclosed before taking into account of any collateral held or other credit enhancements and after allowance for impairment, where appropriate. (cont'd)

Bank 2017	Geographical region					Total RM'000
	Northern RM'000	Central RM'000	Southern RM'000	Sabah RM'000	Sarawak RM'000	
Cash and short-term funds	-	1,350,926	-	-	-	1,350,926
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-
Financial assets held-for-trading	-	259,701	-	-	-	259,701
Financial investments available-for-sale	-	7,988,058	-	-	-	7,988,058
Financial investments held-for-maturity	-	658,201	-	-	-	658,201
Derivative financial assets	-	86,345	-	-	-	86,345
Loans, advances and financing	2,065,878	22,761,665	3,563,878	2,023,196	1,093,127	31,507,744
Statutory deposits with Bank Negara Malaysia	-	1,129,366	-	-	-	1,129,366
<b>Total on-balance sheet</b>	<b>2,065,878</b>	<b>34,234,262</b>	<b>3,563,878</b>	<b>2,023,196</b>	<b>1,093,127</b>	<b>42,980,341</b>
Financial guarantees	37,503	363,046	37,839	37,179	12,970	488,537
Credit related commitments and contingencies	849,608	5,779,710	872,365	626,127	257,610	8,385,420
<b>Total off-balance sheet</b>	<b>887,111</b>	<b>6,142,756</b>	<b>910,204</b>	<b>663,306</b>	<b>270,580</b>	<b>8,873,957</b>
<b>Total credit exposure</b>	<b>2,952,989</b>	<b>40,377,018</b>	<b>4,474,082</b>	<b>2,686,502</b>	<b>1,363,707</b>	<b>51,854,298</b>

Restated* Group 2017	Geographical region					Total RM'000
	Northern RM'000	Central RM'000	Southern RM'000	Sabah RM'000	Sarawak RM'000	
Cash and short-term funds	-	1,114,086	-	-	-	1,114,086
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-
Balances due from clients and brokers	27,259	79,327	6,436	-	-	113,022
Financial assets held-for-trading	-	335,260	-	-	-	335,260
Financial investments available-for-sale	-	10,074,263	-	-	-	10,074,263
Financial investments held-for-maturity	-	917,092	-	-	-	917,092
Derivative financial assets	-	86,345	-	-	-	86,345
Loans, advances and financing	2,634,711	28,127,395	4,628,523	2,522,495	1,261,217	39,174,341
Statutory deposits with Bank Negara Malaysia	-	1,437,444	-	-	-	1,437,444
<b>Total on-balance sheet</b>	<b>2,661,970</b>	<b>42,171,212</b>	<b>4,634,959</b>	<b>2,522,495</b>	<b>1,261,217</b>	<b>53,251,853</b>
Financial guarantees	47,110	470,502	50,466	39,605	12,983	620,666
Credit related commitments and contingencies	1,063,100	6,716,395	1,082,173	1,055,538	291,763	10,208,969
<b>Total off-balance sheet</b>	<b>1,110,210</b>	<b>7,186,897</b>	<b>1,132,639</b>	<b>1,095,143</b>	<b>304,746</b>	<b>10,829,635</b>
<b>Total credit exposure</b>	<b>3,772,180</b>	<b>49,358,109</b>	<b>5,767,598</b>	<b>3,617,638</b>	<b>1,565,963</b>	<b>64,081,488</b>

\* Refer to Note 55 in the financial statements.

# BASEL II PILLAR 3 REPORT DISCLOSURE

for the financial year ended 31 March 2018

## 3.0 CREDIT RISK (cont'd)

### 3.1 Distribution of Credit Exposures (cont'd)

#### (b) Industry Distribution

The following tables represent the Bank's and the Group's major types of gross credit exposure by sector. The analysis is based on the sector in which the customers are engaged.

Bank 2018	Government and Central bank		Financial, insurance, business services and real estate		Transport, storage & communication		Agriculture, manufacturing, wholesale & retail trade		Construction		Household		Others		Total	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	587,207		863,350		-		-		-		-		-		1,450,557	
Deposits and placements with banks and other financial institutions	-		77,283		-		-		-		-		-		77,283	
Financial assets held-for-trading	-		38,549		10,222		-		-		-		-		48,771	
Financial investments																
available-for-sale	2,863,925		2,453,110		679,796		182,188		105,785		-		-		6,284,804	
Financial investments																
held-to-maturity	121,271		223,432		-		-		-		-		-		344,703	
Derivative financial assets	-		56,969		-		-		-		-		27,486		84,455	
Loans, advances and financing	-		3,936,962		353,452		8,783,073		1,073,400		17,069,873		404,911		31,621,671	
Statutory deposits with Bank Negara Malaysia	1,092,566		-		-		-		-		-		-		1,092,566	
<b>Total on-balance sheet</b>	<b>4,664,969</b>		<b>7,649,655</b>		<b>1,043,470</b>		<b>8,965,261</b>		<b>1,179,186</b>		<b>17,069,873</b>		<b>432,397</b>		<b>41,004,811</b>	
Financial guarantees	-		31,839		26,419		432,615		37,837		7,638		20,353		556,701	
Credit related commitments and contingencies	-		1,292,655		122,364		3,509,320		1,382,911		2,302,406		509,336		9,118,992	
<b>Total off-balance sheet</b>	<b>-</b>		<b>1,324,494</b>		<b>148,783</b>		<b>3,941,935</b>		<b>1,420,748</b>		<b>2,310,044</b>		<b>529,689</b>		<b>9,675,693</b>	
<b>Total credit risk</b>	<b>4,664,969</b>		<b>8,974,149</b>		<b>1,192,253</b>		<b>12,907,196</b>		<b>2,599,934</b>		<b>19,379,917</b>		<b>962,085</b>		<b>50,680,503</b>	



### 3.0 CREDIT RISK (cont'd)

#### 3.1 Distribution of Credit Exposures (cont'd)

##### (b) Industry Distribution (cont'd)

The following tables represent the Bank's and the Group's major types of gross credit exposure by sector. The analysis is based on the sector in which the customers are engaged. (cont'd)

Group	Government and Central bank	Financial, insurance, business services and real estate	Transport, storage & communication	Agriculture, manufacturing, wholesale & retail trade	Construction	Household	Others	Total
2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	1,877,748	625,606	-	-	-	-	-	2,503,354
Deposits and placements with banks and other financial institutions	-	77,283	-	-	-	-	-	77,283
Balances due from clients and brokers	-	670	-	-	-	-	100,635	101,305
Financial assets held-for-trading	-	53,527	10,223	-	-	-	-	63,750
Financial investments	3,853,263	2,806,383	1,161,400	208,142	297,146	-	-	8,326,333
available-for-sale								
Financial investments held-to-maturity	141,686	151,926	-	-	-	-	-	293,612
Derivative financial assets	-	56,969	-	-	-	-	27,486	84,455
Loans, advances and financing	-	4,954,492	501,987	11,408,031	1,370,993	21,373,155	515,912	40,124,570
Statutory deposits with Bank Negara Malaysia	1,408,316	-	-	-	-	-	-	1,408,316
<b>Total on-balance sheet</b>	<b>7,281,013</b>	<b>8,726,856</b>	<b>1,673,610</b>	<b>11,616,173</b>	<b>1,668,138</b>	<b>21,373,155</b>	<b>644,033</b>	<b>52,982,979</b>
Financial guarantees	-	36,669	31,573	576,904	57,355	7,680	20,590	730,771
Credit related commitments and contingencies	-	1,453,597	128,259	4,495,893	1,515,553	2,900,735	819,294	11,313,331
<b>Total off-balance sheet</b>	<b>-</b>	<b>1,490,266</b>	<b>159,831</b>	<b>5,072,797</b>	<b>1,572,909</b>	<b>2,908,415</b>	<b>839,884</b>	<b>12,044,102</b>
<b>Total credit risk</b>	<b>7,281,013</b>	<b>10,217,122</b>	<b>1,833,442</b>	<b>16,688,970</b>	<b>3,241,047</b>	<b>24,281,570</b>	<b>1,483,917</b>	<b>65,027,081</b>

# BASEL II PILLAR 3 REPORT DISCLOSURE

for the financial year ended 31 March 2018

## 3.0 CREDIT RISK (cont'd)

### 3.1 Distribution of Credit Exposures (cont'd)

#### (b) Industry Distribution (cont'd)

The following tables represent the Bank's and the Group's major types of gross credit exposure by sector. The analysis is based on the sector in which the customers are engaged. (cont'd)

	Government and Central bank	Financial, insurance, business services and real estate	Transport, storage & communication	Agriculture, manufacturing, wholesale & retail trade	Construction	Household	Others	Total
Bank 2017	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	801,475	549,451	-	-	-	-	-	1,350,926
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	-
Financial assets held-for-trading	40,159	118,330	101,212	-	-	-	-	259,701
Financial investments								
available-for-sale	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	-	4,238,985	293,167	8,658,982	850,771	17,112,724	353,115	31,507,744
Statutory deposits with Bank Negara Malaysia	1,129,366	-	-	-	-	-	-	1,129,366
<b>Total on-balance sheet</b>	<b>5,516,836</b>	<b>9,025,069</b>	<b>1,069,411</b>	<b>8,896,828</b>	<b>945,937</b>	<b>17,112,724</b>	<b>413,536</b>	<b>42,980,341</b>
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
<b>Total off-balance sheet</b>	<b>-</b>	<b>1,184,054</b>	<b>137,090</b>	<b>3,728,830</b>	<b>1,287,455</b>	<b>2,037,209</b>	<b>499,319</b>	<b>8,873,957</b>
<b>Total credit risk</b>	<b>5,516,836</b>	<b>10,209,123</b>	<b>1,206,501</b>	<b>12,625,658</b>	<b>2,233,392</b>	<b>19,149,933</b>	<b>912,855</b>	<b>51,854,298</b>

## 3.0 CREDIT RISK (cont'd)

## 3.1 Distribution of Credit Exposures (cont'd)

## (b) Industry Distribution (cont'd)

The following tables represent the Bank's and the Group's major types of gross credit exposure by sector. The analysis is based on the sector in which the customers are engaged. (cont'd)

Restated* Group	Government and Central bank	Financial, insurance, business services and real estate	Transport, storage & communication	Agriculture, manufacturing, wholesale & retail trade	Construction	Household	Others	Total
2017	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	971,784	142,302	-	-	-	-	-	1,114,086
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	-
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	3,841,396	4,672,634	999,537	304,556	256,140	-	-	10,074,263
available-for-sale								
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	-	5,200,321	370,645	10,864,148	988,008	21,292,417	458,802	39,174,341
Statutory deposits with Bank Negara Malaysia	1,437,444	-	-	-	-	-	-	1,437,444
<b>Total on-balance sheet</b>	<b>7,061,885</b>	<b>10,398,418</b>	<b>1,471,394</b>	<b>11,168,704</b>	<b>1,244,148</b>	<b>21,292,417</b>	<b>614,887</b>	<b>53,251,853</b>
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	793,790	10,208,969
<b>Total off-balance sheet</b>	<b>-</b>	<b>1,426,637</b>	<b>144,336</b>	<b>4,736,549</b>	<b>1,375,430</b>	<b>2,327,527</b>	<b>819,156</b>	<b>10,829,635</b>
<b>Total credit risk</b>	<b>7,061,885</b>	<b>11,825,055</b>	<b>1,615,730</b>	<b>15,905,253</b>	<b>2,619,578</b>	<b>23,619,944</b>	<b>1,434,043</b>	<b>64,081,488</b>

\* Refer to Note 55 in the financial statements.

# BASEL II PILLAR 3 REPORT DISCLOSURE

for the financial year ended 31 March 2018

## 3.0 CREDIT RISK (cont'd)

### 3.1 Distribution of Credit Exposures (cont'd)

#### (c) Residual Contractual Maturity

The following tables represent the residual contractual maturity for major types of gross credit exposure for on-balance sheet financial assets of the Bank and the Group:

<b>Bank 2018</b>	<b>Up to 1 month RM'000</b>	<b>&gt;1-3 months RM'000</b>	<b>&gt;3-6 months RM'000</b>	<b>&gt;6-12 months RM'000</b>	<b>&gt;1 year RM'000</b>	<b>Total RM'000</b>
Cash and short-term funds	1,450,557	-	-	-	-	1,450,557
Deposits and placements with banks and other financial institutions	-	77,283	-	-	-	77,283
Financial assets held-for-trading	-	25,926	167	-	22,678	48,771
Financial investments available-for-sale	61,449	274,130	489,924	455,660	5,003,641	6,284,804
Financial investments held-to-maturity	1,229	446	49,764	63,149	230,115	344,703
Loans, advances and financing	6,240,348	1,494,915	700,136	127,353	23,058,919	31,621,671
Statutory deposits with Bank Negara Malaysia	-	-	-	-	1,092,566	1,092,566
Derivative financial assets	17,806	25,115	4,083	11,223	26,229	84,455
<b>Total on-balance sheet exposure</b>	<b>7,771,389</b>	<b>1,897,814</b>	<b>1,244,074</b>	<b>657,385</b>	<b>29,434,149</b>	<b>41,004,811</b>

#### **Group 2018**

Cash and short-term funds	2,503,354	-	-	-	-	2,503,354
Deposits and placements with banks and other financial institutions	-	77,283	-	-	-	77,283
Balances due from clients and brokers	101,305	-	-	-	-	101,305
Financial assets held-for-trading	14,978	25,926	167	-	22,678	63,750
Financial investments available-for-sale	61,848	355,038	519,110	619,793	6,770,545	8,326,333
Financial investments held-to-maturity	1,229	744	84,422	82,636	124,581	293,612
Loans, advances and financing	7,927,745	1,986,359	1,000,365	187,192	29,022,910	40,124,570
Statutory deposits with Bank Negara Malaysia	-	-	-	-	1,408,316	1,408,316
Derivative financial assets	17,806	25,115	4,083	11,223	26,229	84,455
<b>Total on-balance sheet exposure</b>	<b>10,628,265</b>	<b>2,470,464</b>	<b>1,608,147</b>	<b>900,843</b>	<b>37,375,260</b>	<b>52,982,979</b>

### 3.0 CREDIT RISK (cont'd)

#### 3.1 Distribution of Credit Exposures (cont'd)

##### (c) Residual Contractual Maturity (cont'd)

The following tables represent the residual contractual maturity for major types of gross credit exposure for on-balance sheet financial assets of the Bank and the Group: (cont'd)

<b>Bank 2017</b>	<b>Up to 1 month RM'000</b>	<b>&gt;1-3 months RM'000</b>	<b>&gt;3-6 months RM'000</b>	<b>&gt;6-12 months RM'000</b>	<b>&gt;1 year RM'000</b>	<b>Total RM'000</b>
Cash and short-term funds	1,350,926	-	-	-	-	1,350,926
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-
Financial assets held-for-trading	45,323	146,162	215	-	68,001	259,701
Financial investments available-for-sale	1,052,054	909,695	215,958	625,282	5,185,069	7,988,058
Financial investments held-to-maturity	2,226	446	236,134	209,943	209,452	658,201
Loans, advances and financing	5,780,293	1,511,393	536,870	135,823	23,543,365	31,507,744
Statutory deposits with Bank Negara Malaysia	-	-	-	-	1,129,366	1,129,366
Derivative financial assets	20,678	10,878	24,414	6,118	24,257	86,345
<b>Total on-balance sheet exposure</b>	<b>8,251,500</b>	<b>2,578,574</b>	<b>1,013,591</b>	<b>977,166</b>	<b>30,159,510</b>	<b>42,980,341</b>
<b>Restated* Group 2017</b>						
Cash and short-term funds	1,114,086	-	-	-	-	1,114,086
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-
Balances due from clients and brokers	113,022	-	-	-	-	113,022
Financial assets held-for-trading	45,323	181,602	215	-	108,120	335,260
Financial investments available-for-sale	1,292,220	1,231,788	163,257	624,899	6,762,099	10,074,263
Financial investments held-to-maturity	2,226	81,701	266,680	280,223	286,262	917,092
Loans, advances and financing	6,934,846	1,816,636	660,369	153,855	29,608,635	39,174,341
Statutory deposits with Bank Negara Malaysia	-	-	-	-	1,437,444	1,437,444
Derivative financial assets	20,678	10,878	24,414	6,118	24,257	86,345
<b>Total on-balance sheet exposure</b>	<b>9,522,401</b>	<b>3,322,605</b>	<b>1,114,935</b>	<b>1,065,095</b>	<b>38,226,817</b>	<b>53,251,853</b>

\* Refer to Note 55 in the financial statements.

# BASEL II PILLAR 3 REPORT DISCLOSURE

for the financial year ended 31 March 2018

## 3.0 CREDIT RISK (cont'd)

### 3.2 Past Due Loans, Advances and Financing Analysis

Past due but not impaired loans, advances and financing are loans where the customers have failed to make a principal and/or interest payment when contractually due, and include loans which are due one or more days after the contractual due date but not more than 3 months. For loans that are structured to pay principal and/or interest at quarterly interval or longer, a default of payment will trigger an impairment immediately.

Past due loans, advances and financing are analysed as follows:

	Bank		Group	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Past due up to 1 month	836,874	779,123	1,105,247	1,016,032
Past due > 1 - 2 months	159,159	148,204	221,479	219,448
Past due > 2 - 3 months	20,164	16,635	34,883	34,742
	<b>1,016,197</b>	<b>943,962</b>	<b>1,361,609</b>	<b>1,270,222</b>

Past due loans, advances and financing analysed by sector:

	Bank		Group	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Financial, insurance & business services and real estate	39,321	133,581	44,396	145,767
Transport, storage & communication	12,370	6,105	12,922	10,243
Agriculture, manufacturing, wholesale & retail trade	107,956	116,896	127,504	151,050
Construction	37,965	25,899	42,113	28,350
Household	814,802	654,809	1,130,620	925,857
Others	3,783	6,672	4,054	8,955
	<b>1,016,197</b>	<b>943,962</b>	<b>1,361,609</b>	<b>1,270,222</b>

Past due loans, advances and financing analysed by significant geographical areas:

	Bank		Group	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Northern region	75,634	75,522	107,468	101,809
Central region	700,806	649,386	926,597	853,407
Southern region	134,561	121,395	194,492	191,784
Sabah region	85,781	76,589	110,336	97,562
Sarawak region	19,415	21,070	22,716	25,660
	<b>1,016,197</b>	<b>943,962</b>	<b>1,361,609</b>	<b>1,270,222</b>

### 3.0 CREDIT RISK (cont'd)

#### 3.3 Impaired Loans, Advances and Financing Analysis

Impaired loans, advances and financing analysed by sectors:

	Bank		Group	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Financial, insurance & business services and real estate	103,133	17,284	106,333	17,284
Transport, storage & communication	5,028	11,281	5,991	11,531
Agriculture, manufacturing, wholesale & retail trade	127,274	86,840	169,844	98,235
Construction	11,450	16,504	13,271	18,699
Household	212,935	201,235	271,254	241,163
Others	10,826	6,436	10,826	6,437
	470,646	339,580	577,519	393,349

Impairment allowances on impaired loans, advances and financing analysed by sectors:

	Individual assessment allowance RM'000	Collective assessment allowance <sup>1</sup> RM'000	Individual impairment write-back/ made for during the year (net) RM'000	Individual impairment write-off for the year RM'000
<b>Bank</b>				
<b>2018</b>				
Financial, insurance & business services and real estate	1,992	29,353	1,044	-
Transport, storage & communication	2,510	4,667	1,930	(9,561)
Agriculture, manufacturing, wholesale & retail trade	47,416	96,493	12,928	(3,953)
Construction	2,665	8,980	3,888	(8,663)
Household	7,523	78,624	2,432	(2,440)
Others	2,861	2,318	1,863	-
	64,967	220,435	24,085	(24,617)
<b>Group</b>				
<b>2018</b>				
Financial, insurance & business services and real estate	2,904	34,075	1,957	-
Transport, storage & communication	2,510	6,300	1,930	(9,561)
Agriculture, manufacturing, wholesale & retail trade	55,267	115,199	18,954	(3,953)
Construction	3,265	11,425	3,968	(8,708)
Household	8,926	126,796	3,204	(3,007)
Others	2,861	2,921	1,863	-
	75,733	296,716	31,876	(25,229)

Note:

<sup>1</sup> Includes collective assessment on impaired loans and non impaired loans.

# BASEL II PILLAR 3 REPORT DISCLOSURE

for the financial year ended 31 March 2018

## 3.0 CREDIT RISK (cont'd)

### 3.3 Impaired Loans, Advances and Financing Analysis (cont'd)

Impairment allowances on impaired loans, advances and financing analysed by sectors: (cont'd)

<b>Bank 2017</b>	<b>Individual assessment allowance RM'000</b>	<b>Collective assessment allowance<sup>1</sup> RM'000</b>	<b>Individual impairment made for/ write-back during the year (net) RM'000</b>	<b>Individual impairment write-off for the year RM'000</b>
Financial, insurance & business services and real estate	735	28,754	296	-
Transport, storage & communication	10,141	3,463	(5)	-
Agriculture, manufacturing, wholesale & retail trade	38,902	110,237	17,104	(7,694)
Construction	7,197	8,524	38	-
Household	6,174	80,967	3,356	(3,344)
Others	998	2,692	555	(965)
	64,147	234,637	21,344	(12,003)
<b>Group 2017</b>				
Financial, insurance & business services and real estate	735	34,594	296	(2,031)
Transport, storage & communication	10,141	4,273	(5)	-
Agriculture, manufacturing, wholesale & retail trade	40,254	134,650	18,381	(14,278)
Construction	7,761	10,036	602	-
Household	6,738	126,126	3,681	(4,041)
Others	998	3,649	551	(1,525)
	66,627	313,328	23,506	(21,875)

Note:

<sup>1</sup> Includes collective assessment on impaired loans and non impaired loans.



### 3.0 CREDIT RISK (cont'd)

#### 3.3 Impaired Loans, Advances and Financing Analysis (cont'd)

Impaired loans, advances and financing and impairment allowances analysed by significant geographical areas:

<b>Bank 2018</b>	<b>Impaired loans, advances and financing RM'000</b>	<b>Individual assessment allowance RM'000</b>	<b>Collective assessment allowance<sup>1</sup> RM'000</b>
Northern region	34,658	7,299	26,602
Central region	336,653	42,378	144,320
Southern region	65,560	11,848	27,381
Sabah region	24,263	645	16,431
Sarawak region	9,512	2,797	5,701
	<b>470,646</b>	<b>64,967</b>	<b>220,435</b>
<b>Group 2018</b>			
Northern region	42,540	7,863	33,287
Central region	417,859	48,402	197,424
Southern region	78,417	15,284	37,739
Sabah region	28,145	1,387	20,620
Sarawak region	10,558	2,797	7,646
	<b>577,519</b>	<b>75,733</b>	<b>296,716</b>
<b>Bank 2017</b>	<b>Impaired loans, advances and financing RM'000</b>	<b>Individual assessment allowance RM'000</b>	<b>Collective assessment allowance<sup>1</sup> RM'000</b>
Northern region	28,290	5,347	31,509
Central region	238,742	50,918	148,047
Southern region	49,829	7,725	27,785
Sabah region	20,245	157	20,306
Sarawak region	2,474	-	6,990
	<b>339,580</b>	<b>64,147</b>	<b>234,637</b>
<b>Group 2017</b>			
Northern region	30,552	5,347	38,829
Central region	277,515	51,184	203,818
Southern region	58,562	9,434	37,522
Sabah region	23,737	662	24,711
Sarawak region	2,983	-	8,448
	<b>393,349</b>	<b>66,627</b>	<b>313,328</b>

**Note:**

<sup>1</sup> Includes collective assessment on impaired loans and non impaired loans.

# BASEL II PILLAR 3 REPORT DISCLOSURE

for the financial year ended 31 March 2018

## 3.0 CREDIT RISK (cont'd)

### 3.3 Impaired Loans, Advances and Financing Analysis (cont'd)

Movements in loan impairment allowances are analysed as follows:

	Bank		Group	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
<b>Individual assessment allowance:</b>				
At beginning of year	64,147	58,061	66,627	68,331
Allowance made during the year (net)	24,085	21,344	31,876	23,506
Amount written-off	(24,617)	(12,003)	(25,229)	(21,875)
Transfers from/(to) collective assessment allowance	1,352	(3,255)	2,459	(3,335)
At end of year	64,967	64,147	75,733	66,627
<b>Collective assessment allowance<sup>1</sup>:</b>				
At beginning of year	234,637	236,501	313,328	306,978
Allowance made during the year (net)	30,618	35,986	73,699	80,408
Amount written-off	(43,468)	(41,105)	(87,852)	(77,393)
Transfers (to)/from individual assessment allowance	(1,352)	3,255	(2,459)	3,335
At end of year	220,435	234,637	296,716	313,328

**Note:**

<sup>1</sup> Includes collective assessment on impaired loans and non impaired loans.

### 3.3.4 Assignment of Risk-Weights for Portfolios Under the Standardised Approach

The following tables represent the credit exposures by risk-weights and after credit risk mitigation:

[illegible]

# BASEL II PILLAR 3 REPORT DISCLOSURE

for the financial year ended 31 March 2018

### 3.0 CREDIT RISK (cont'd)

### 3.3.4 Assignment of Risk-Weights for Portfolios Under the Standardised Approach (cont'd)

The following tables represent the credit exposures by risk-weights and after credit risk mitigation: (cont'd)

[illegible]



# BASEL II PILLAR 3 REPORT DISCLOSURE

for the financial year ended 31 March 2018

## 3.0 CREDIT RISK (cont'd)

### 3.4 Assignment of Risk-Weights for Portfolios Under the Standardised Approach (cont'd)

The following tables represent the credit exposures by risk-weights and after credit risk mitigation: (cont'd)

Restated* Group 2017 Risk-Weights	Exposures after netting and credit risk mitigation											Total exposures after netting and credit risk mitigation RM'000	Total Risk- Weighted Assets RM'000
	Sovereigns/ Central banks RM'000	Public sector entities RM'000	Banks, DFIs and Multilateral Development Banks RM'000		Insurance companies, Securities firms and Fund managers RM'000		Regulatory retail RM'000	Residential mortgages RM'000	Higher risk assets RM'000	Other assets RM'000	Equity exposures RM'000		
0%	7,150,538	-	-	-	-	952,999	-	-	-	267,692	-	8,371,229	-
20%	27,876	239,511	2,766,784	-	2,319,403	111	1,714	-	-	-	-	5,355,398	1,071,080
35%	-	-	-	-	-	-	-	7,929,020	-	-	-	7,929,020	2,775,157
50%	-	-	91,937	-	63,325	21,597	5,409,320	-	-	-	-	5,586,179	2,793,089
75%	-	-	-	-	-	11,155,159	24,488	-	-	-	-	11,179,647	8,384,735
100%	-	-	21	49,957	13,062,333	794,150	1,276,790	-	391,334	165,291	15,739,876	15,739,876	
150%	-	-	-	-	31,143	79,536	-	5,374	-	3	116,056	174,084	
Total exposures	7,178,414	239,511	2,858,742	49,957	16,429,203	12,050,553	14,641,332	5,374	659,026	165,294	54,277,405	30,938,021	

Risk-weighted assets by exposures	5,575	47,902	599,346	49,957	13,604,591	9,290,644	6,775,316	8,061	391,334	165,296	30,938,021
-----------------------------------	-------	--------	---------	--------	------------	-----------	-----------	-------	---------	---------	------------

Average risk-weight	0%	20%	21%	100%	83%	77%	46%	150%	59%	100%	57%
---------------------	----	-----	-----	------	-----	-----	-----	------	-----	------	-----

Deduction from Capital base	-	-	-	-	-	-	-	-	-	-	-
-----------------------------	---	---	---	---	---	---	---	---	---	---	---

\* Refer to Note 55 in the financial statements.

### 3.0 CREDIT RISK (cont'd)

#### 3.4 Assignment of Risk-Weights for Portfolios Under the Standardised Approach (cont'd)

For the purpose of determining counterparty risk-weights, the Group uses external credit assessments from Rating Agency Malaysia (RAM), Malaysian Rating Corporation (MARC), Standard and Poor's (S&P), Moody's, Fitch, and Rating and Investment (R&I). In the context of the Group's portfolio, external credit assessments are mainly applicable to banks/financial institutions and rated corporations. The Group follows the process prescribed under BNM's Capital Adequacy Framework to map the ratings to the relevant risk-weights. The ratings are monitored and updated regularly to ensure that the latest and most appropriate risk-weights are applied in the capital computation.

The following tables show the rated credit exposures according to ratings by approved Eligible Credit Assessment Institutions (ECAIs):

#### Bank 2018

Exposure Class	Ratings by Approved ECAIs*						Total
	Moody's	Aaa to Aa3/ P-1	A1 to A3/ P-2	Baa1 to Ba3/P-3	B1 to C/ Others	Unrated	
	S&P	AAA to AA-/ A-1	A+ to A-/ A-2	BBB+ to BB-/A-3	B+ to D/ Others	Unrated	
	Fitch	AAA to AA-/ F1+, F1	A+ to A-/ A-2	BBB+ to BB-/F3	B+ to D	Unrated	
	RAM	AAA to AA3/ P-1	A+ to A3/ P-2	BBB1+ to BB3/P-3	B to D/ NP	Unrated	
	MARC	AAA to AA-/ MARC-1	A+ to A-/ MARC-2	BBB+ to BB-/MARC-3	B+ to D/ MARC-4	Unrated	
	R&I	AAA to AA-/ a-1+, a-1	A+ to A-/ a-2	BBB+ to BB-/a-3	B+ to D/ b,c	Unrated	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>On and Off Balance-Sheet Exposures</b>							
<b>(i) Exposures risk weighted using Sovereigns and Central Banks rating</b>							
Sovereigns and Central Banks (See Note 1)	-	4,800,900	-	-	-	-	4,800,900
Corporates	-	383,680	-	-	-	-	383,680
Banks, DFIs and Multilateral Development Banks	-	-	-	-	-	-	-
	-	5,184,580	-	-	-	-	5,184,580
<b>(ii) Exposures risk weighted using Banking Institutions long term rating</b>							
Banks, DFIs and Multilateral Development Banks	475,428	1,274,546	403,451	-	224,537	-	2,377,962
<b>Exposures risk weighted using Banking Institutions short term rating</b>							
Banks, DFIs and Multilateral Development Banks	14,978	-	-	-	-	-	14,978
	490,406	1,274,546	403,451	-	224,537	-	2,392,940
<b>(iii) Exposures risk weighted using Corporate long term rating</b>							
Public Sector Entities	55,778	-	-	-	18,678	-	74,456
Corporates	1,704,377	58,704	-	-	13,789,513	-	15,552,594
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	53,514	-	53,514
<b>Exposures risk weighted using Corporate short term rating</b>							
Public Sector Entities	-	-	-	-	-	-	-
Corporates	-	-	-	-	-	-	-
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	-	-	-
	1,760,155	58,704	-	-	13,861,705	-	15,680,564

# BASEL II PILLAR 3 REPORT DISCLOSURE

for the financial year ended 31 March 2018

## 3.0 CREDIT RISK (cont'd)

### 3.4 Assignment of Risk-Weights for Portfolios Under the Standardised Approach (cont'd)

The following tables show the rated credit exposures according to ratings by approved Eligible Credit Assessment Institutions (ECAIs): (cont'd)

Group  
2018

Exposure Class	Ratings by Approved ECAIs*						Total
	Moody's	Aaa to Aa3/ P-1	A1 to A3/ P-2	Baa1 to Ba3/P-3	B1 to C/ Others	Unrated	
	S&P	AAA to AA-/ A-1	A+ to A-/ A-2	BBB+ to BB-/A-3	B+ to D/ Others	Unrated	
	Fitch	AAA to AA-/ F1+, F1	A+ to A-/ A-2	BBB+ to BB-/F3	B+ to D	Unrated	
	RAM	AAA to AA3/ P-1	A+ to A3/ P-2	BBB1+ to BB3/P-3	B to D/ NP	Unrated	
	MARC	AAA to AA-/ MARC-1	A+ to A-/ MARC-2	BBB+ to BB-/MARC-3	B+ to D/ MARC-4	Unrated	
	R&I	AAA to AA-/ a-1+, a-1	A+ to A-/ a-2	BBB+ to BB-/a-3	B+ to D/ b,c	Unrated	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>On and Off Balance-Sheet Exposures</b>							
<b>(i) Exposures risk weighted using Sovereigns and Central Banks rating</b>							
Sovereigns and Central Banks (See Note 1)		-	7,775,108	-	-	-	7,775,108
Corporates		-	882,250	-	-	-	882,250
Banks, DFIs and Multilateral Development Banks		-	45,149	-	-	-	45,149
		-	8,702,507	-	-	-	8,702,507
<b>(ii) Exposures risk weighted using Banking Institutions long term rating</b>							
Banks, DFIs and Multilateral Development Banks		576,166	231,916	403,451	-	224,537	1,436,070
<b>Exposures risk weighted using Banking Institutions short term rating</b>							
Banks, DFIs and Multilateral Development Banks		14,978	-	-	-	-	14,978
		591,144	231,916	403,451	-	224,537	1,451,048
<b>(iii) Exposures risk weighted using Corporate long term rating</b>							
Public Sector Entities		137,353	-	-	-	92,739	230,092
Corporates		2,532,552	73,250	-	-	17,632,805	20,238,607
Insurance Cos, Securities Firms & Fund Managers		-	-	-	-	78,709	78,709
<b>Exposures risk weighted using Corporate short term rating</b>							
Public Sector Entities		-	-	-	-	-	-
Corporates		-	-	-	-	-	-
Insurance Cos, Securities Firms & Fund Managers		-	-	-	-	-	-
		2,669,905	73,250	-	-	17,804,253	20,547,408



### 3.0 CREDIT RISK (cont'd)

#### 3.4 Assignment of Risk-Weights for Portfolios Under the Standardised Approach (cont'd)

The following tables show the rated credit exposures according to ratings by approved Eligible Credit Assessment Institutions (ECAIs): (cont'd)

#### Bank

2017

Exposure Class	Ratings by Approved ECAIs*						Total
	Moody's	Aaa to Aa3/ P-1	A1 to A3/ P-2	Baa1 to Ba3/P-3	B1 to C/ Others	Unrated	
	S&P	AAA to AA-/ A-1	A+ to A-/ A-2	BBB+ to BB-/A-3	B+ to D/ Others	Unrated	
	Fitch	AAA to AA-/ F1+, F1	A+ to A-/ A-2	BBB+ to BB-/F3	B+ to D	Unrated	
	RAM	AAA to AA3/ P-1	A+ to A3/ P-2	BBB1+ to BB3/P-3	B to D/ NP	Unrated	
	MARC	AAA to AA-/ MARC-1	A+ to A-/ MARC-2	BBB+ to BB-/MARC-3	B+ to D/ MARC-4	Unrated	
	R&I	AAA to AA-/ a-1+, a-1	A+ to A-/ a-2	BBB+ to BB-/a-3	B+ to D/ b,c	Unrated	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>On and Off Balance-Sheet Exposures</b>							
<b>(i) Exposures risk weighted using Sovereigns and Central Banks rating</b>							
Sovereigns and Central Banks (See Note 1)		-	5,380,642	-	-	-	5,380,642
Corporates		-	419,198	-	-	-	419,198
		-	5,799,840	-	-	-	5,799,840
<b>(ii) Exposures risk weighted using Banking Institutions long term rating</b>							
Banks, DFIs and Multilateral Development Banks		892,473	2,457,655	5,694	-	110,633	3,466,455
<b>Exposures risk weighted using Banking Institutions short term rating</b>							
Banks, DFIs and Multilateral Development Banks		-	-	-	-	-	-
		892,473	2,457,655	5,694	-	110,633	3,466,455
<b>(iii) Exposures risk weighted using Corporate long term rating</b>							
Public Sector Entities		55,802	-	-	-	53,695	109,497
Corporates		1,678,213	44,126	-	-	11,722,431	13,444,770
Insurance Cos, Securities Firms & Fund Managers		-	-	-	-	39,572	39,572
<b>Exposures risk weighted using Corporate short term rating</b>							
Public Sector Entities		49,491	-	-	-	-	49,491
Corporates		-	-	-	-	-	-
Insurance Cos, Securities Firms & Fund Managers		-	-	-	-	-	-
		1,783,506	44,126	-	-	11,815,698	13,643,330

# BASEL II PILLAR 3 REPORT DISCLOSURE

for the financial year ended 31 March 2018

## 3.0 CREDIT RISK (cont'd)

### 3.4 Assignment of Risk-Weights for Portfolios Under the Standardised Approach (cont'd)

The following tables show the rated credit exposures according to ratings by approved Eligible Credit Assessment Institutions (ECAIs): (cont'd)

Restated\*  
Group  
2017

Exposure Class	Ratings by Approved ECAIs*						Total
	Moody's	Aaa to Aa3/ P-1	A1 to A3/ P-2	Baa1 to Ba3/P-3	B1 to C/ Others	Unrated	
	S&P	AAA to AA-/ A-1	A+ to A-/ A-2	BBB+ to BB-/A-3	B+ to D/ Others	Unrated	
	Fitch	AAA to AA-/ F1+, F1	A+ to A-/ A-2	BBB+ to BB-/F3	B+ to D	Unrated	
	RAM	AAA to AA3/ P-1	A+ to A3/ P-2	BBB1+ to BB3/P-3	B to D/ NP	Unrated	
	MARC	AAA to AA-/ MARC-1	A+ to A-/ MARC-2	BBB+ to BB-/MARC-3	B+ to D/ MARC-4	Unrated	
	R&I	AAA to AA-/ a-1+, a-1	A+ to A-/ a-2	BBB+ to BB-/a-3	B+ to D/ b,c	Unrated	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>On and Off Balance-Sheet Exposures</b>							
<b>(i) Exposures risk weighted using Sovereigns and Central Banks rating</b>							
Sovereigns and Central Banks (See Note 1)		-	7,178,414	-	-	-	7,178,414
Corporates		-	952,999	-	-	-	952,999
		-	8,131,413	-	-	-	8,131,413
<b>(ii) Exposures risk weighted using Banking Institutions long term rating</b>							
Banks, DFIs and Multilateral Development Banks		1,642,670	1,099,743	5,694	-	110,633	2,858,740
<b>Exposures risk weighted using Banking Institutions short term rating</b>							
Banks, DFIs and Multilateral Development Banks		-	-	-	-	-	-
		1,642,670	1,099,743	5,694	-	110,633	2,858,740
<b>(iii) Exposures risk weighted using Corporate long term rating</b>							
Public Sector Entities		86,321	-	-	-	103,699	190,020
Corporates		2,329,489	58,835	-	-	14,273,940	16,662,264
Insurance Cos, Securities Firms & Fund Managers		-	-	-	-	50,065	50,065
<b>Exposures risk weighted using Corporate short term rating</b>							
Public Sector Entities		49,491	-	-	-	-	49,491
Corporates		-	-	-	-	-	-
Insurance Cos, Securities Firms & Fund Managers		-	-	-	-	-	-
		2,465,301	58,835	-	-	14,427,704	16,951,840

Note 1: The Federal Government and Central Bank of Malaysia are accorded 0% risk-weight as provided under the Capital Adequacy Framework.

\*Upper Range = Long Term Rating, Lower Range = Short Term Rating

Note:

There is no outstanding securitisation contract at the Bank that required disclosure of ratings and short term rating of securitisation by approved ECAIs.

\* Refer to Note 55 in the financial statements.

### 3.0 CREDIT RISK (cont'd)

#### 3.5 Credit Risk Mitigation (CRM)

As a practical approach towards mitigating credit risk, the Group accepts a wide range of collaterals. Main types of collateral acceptable to the Group include cash, guarantees, commercial and residential real estate, and physical collateral/financial collateral, e.g. motor vehicles or shares. Guarantees are accepted only when the financial standing of the guarantors have been ascertained.

However, for capital computation purposes, the BNM guidelines apply more restrictive rules on collaterals that qualify as credit risk mitigants. As a result, not all of the collaterals accepted by the Group can be used to reduce our capital adequacy requirement.

The following tables represent the Bank's/Group's credit exposure including off-balance sheet items under the standardised approach, the total exposure (after, where applicable, eligible netting benefits) that is covered by eligible guarantees and credit derivatives; and eligible collateral after haircuts, allowed under the Capital Adequacy Framework.

Bank 2018 Exposure Class	Exposures before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000	Exposures covered by other eligible collateral RM'000
<b>Credit Risk</b>				
On-balance sheet exposures:				
Sovereigns/Central banks	4,800,900	-	-	-
Public sector entities	59,446	-	-	-
Banks, DFIs and Multilateral Development Banks	2,212,038	-	-	-
Insurance companies, securities firms and fund managers	37,884	-	33	-
Corporates	13,887,523	-	1,113,972	-
Regulatory retail	7,451,752	-	719,128	-
Residential mortgages	11,911,755	-	9,711	-
Higher risk assets	2,801	-	6	-
Other assets	529,608	-	-	-
Equity exposures	121,644	-	-	-
Defaulted exposures	313,098	-	1,949	-
Total on-balance sheet exposures	41,328,449	-	1,844,799	-
Off-balance sheet exposures:				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	3,055,475	-	393,872	-
Defaulted exposures	5,267	-	-	-
Total off-balance sheet exposures	3,060,742	-	393,872	-
Total on and off-balance sheet exposures	44,389,191	-	2,238,671	-

# BASEL II PILLAR 3 REPORT DISCLOSURE

for the financial year ended 31 March 2018

## 3.0 CREDIT RISK (cont'd)

### 3.5 Credit Risk Mitigation (CRM) (cont'd)

Group 2018 Exposure Class	Exposures before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000	Exposures covered by other eligible collateral RM'000
<b>Credit Risk</b>				
On-balance sheet exposures:				
Sovereigns/Central banks	7,715,107	-	-	-
Public sector entities	211,083	-	-	-
Banks, DFIs and Multilateral Development Banks	1,315,416	-	-	-
Insurance companies, securities firms and fund managers	63,080	-	33	-
Corporates	18,530,955	-	1,438,506	-
Regulatory retail	10,019,382	-	790,034	-
Residential mortgages	14,354,700	-	10,938	-
Higher risk assets	3,195	-	6	-
Other assets	639,421	-	-	-
Equity exposures	178,856	-	-	-
Defaulted exposures	385,914	-	2,733	-
Total on-balance sheet exposures	53,417,109	-	2,242,250	-
Off-balance sheet exposures:				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	3,766,975	-	472,280	-
Defaulted exposures	11,080	-	863	-
Total off-balance sheet exposures	3,778,055	-	473,143	-
Total on and off-balance sheet exposures	57,195,164	-	2,715,393	-

### 3.0 CREDIT RISK (cont'd)

#### 3.5 Credit Risk Mitigation (CRM) (cont'd)

Bank 2017 Exposure Class	Exposures before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000	Exposures covered by other eligible collateral RM'000
<b>Credit Risk</b>				
On-balance sheet exposures:				
Sovereigns/Central banks	5,352,766	-	-	-
Public sector entities	105,293	-	-	-
Banks, DFIs and Multilateral Development Banks	3,281,948	-	-	-
Insurance companies, securities firms and fund managers	27,568	-	101	-
Corporates	12,282,183	-	735,255	-
Regulatory retail	8,873,425	-	921,507	-
Residential mortgages	12,149,938	-	10,324	-
Higher risk assets	3,182	-	6	-
Other assets	499,621	-	-	-
Equity exposures	111,392	-	-	-
Defaulted exposures	201,335	-	3,168	-
Total on-balance sheet exposures	42,888,651	-	1,670,361	-
Off-balance sheet exposures:				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	3,075,910	-	367,061	-
Defaulted exposures	6,394	-	29	-
Total off-balance sheet exposures	3,082,304	-	367,090	-
Total on and off-balance sheet exposures	45,970,955	-	2,037,451	-

# BASEL II PILLAR 3 REPORT DISCLOSURE

for the financial year ended 31 March 2018

## 3.0 CREDIT RISK (cont'd)

### 3.5 Credit Risk Mitigation (CRM) (cont'd)

Restated* Group 2017 Exposure Class	Exposures before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000	Exposures covered by other eligible collateral RM'000
<b>Credit Risk</b>				
On-balance sheet exposures:				
Sovereigns/Central banks	7,090,538	-	-	-
Public sector entities	175,816	-	-	-
Banks, DFIs and Multilateral Development Banks	2,674,355	-	-	-
Insurance companies, securities firms and fund managers	38,061	-	101	-
Corporates	15,689,245	-	995,165	-
Regulatory retail	11,840,659	-	1,025,793	-
Residential mortgages	14,544,792	-	11,445	-
Higher risk assets	3,182	-	6	-
Other assets	659,027	-	-	-
Equity exposures	165,294	-	-	-
Defaulted exposures	232,514	-	3,950	-
Total on-balance sheet exposures	53,113,483	-	2,036,460	-
Off-balance sheet exposures:				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	3,622,419	-	431,467	-
Defaulted exposures	9,461	-	31	-
Total off-balance sheet exposures	3,631,880	-	431,498	-
Total on and off-balance sheet exposures	56,745,363	-	2,467,958	-

\* Refer to Note 55 in the financial statements.

### 3.6 Off-Balance Sheet Exposures and Counterparty Credit Risk

Counterparty Credit Risk (CCR) is the risk that the counterparty to a transaction involving financial instruments such as foreign exchange and derivatives, defaults before the final settlement of the transaction's cash flows. Unlike a loan where the credit risk is unilateral i.e. only the lending bank faces the risk of loss, CCR on derivatives creates bilateral risk of loss. This means either party of the transaction can incur losses depending on the market value of the derivative, which can vary over time with the movement of underlying market factors.

For derivatives, the Group is not exposed to credit risk for the full face value of the contracts. The CCR is limited to the potential cost of replacing the cash-flow if the counterparty defaults. As such, the credit equivalent amount will depend, inter alia, on the maturity of the contract and on the volatility of the rates underlying that type of instrument.

### 3.0 CREDIT RISK (cont'd)

#### 3.6 Off-Balance Sheet Exposures and Counterparty Credit Risk (cont'd)

Derivatives are mainly utilised for hedging purposes with minimal trading exposures. CCR arising from the derivatives is managed via counterparty limits, which is set based on the counterparty's size and credit rating. These limits are monitored daily by Group Risk Management.

CCR is further mitigated via netting agreements, e.g. under the International Swaps and Derivatives Association (ISDA) master agreement. The ISDA agreement contractually binds both parties to apply close-out netting across all outstanding transactions covered by this agreement should either party default or other such predetermined credit events occur.

CCR is measured via the current exposure method whereby the credit equivalent exposure for derivatives is the sum of the positive mark-to-market exposure plus the potential future exposure which is equivalent to an add-on factor multiplied by the notional amount. The add-on factors are as stipulated by BNM.

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

Bank 2018	Principal Amount RM'000	Positive Fair Value of Derivative Contracts <sup>1</sup> RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
<u>Credit-related exposures</u>				
Direct credit substitutes	564,446	-	564,446	494,530
Transaction-related contingent items	651,896	-	325,948	244,337
Short-term self-liquidating trade-related contingencies	215,445	-	43,089	39,457
Irrevocable commitments to extend credit:				
• maturity exceeding one year	744,972	-	372,486	336,606
• maturity not exceeding one year	5,748,870	-	1,149,774	834,826
Unutilised credit card lines	1,750,064	-	350,013	270,209
	9,675,693	-	2,805,756	2,219,965
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
• one year or less	5,057,347	57,169	94,639	41,707
• over one year to three years	73,015	-	3,964	3,964
• over three years	17,385	-	1,536	1,536
Interest rate related contracts:				
• one year or less	1,206,130	1,050	5,343	1,801
• over one year to three years	1,990,360	7,158	38,427	11,888
• over three years	2,146,310	18,864	102,929	57,951
Equity related contracts:				
• one year or less	38,825	-	2,330	1,148
• over one year to three years	67,660	404	5,817	2,909
	10,597,032	84,645	254,986	122,904
	20,272,725	84,645	3,060,742	2,342,869

Note:

<sup>1</sup> Exclude interest receivable for derivatives contracts.

# BASEL II PILLAR 3 REPORT DISCLOSURE

for the financial year ended 31 March 2018

## 3.0 CREDIT RISK (cont'd)

### 3.6 Off-Balance Sheet Exposures and Counterparty Credit Risk (cont'd)

Group 2018	Principal Amount RM'000	Positive Fair Value of Derivative Contracts <sup>1</sup> RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
<u>Credit-related exposures</u>				
Direct credit substitutes	719,148	-	719,148	636,319
Transaction-related contingent items	739,535	-	369,768	274,015
Short-term self-liquidating trade-related contingencies	235,056	-	47,011	42,975
Irrevocable commitments to extend credit:				
• maturity exceeding one year	1,056,899	-	528,450	479,335
• maturity not exceeding one year	7,543,400	-	1,508,680	1,060,940
Unutilised credit card lines	1,750,064	-	350,013	270,209
	12,044,102	-	3,523,069	2,763,793
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
• one year or less	5,057,347	57,169	94,639	41,707
• over one year to three years	73,015	-	3,964	3,964
• over three years	17,385	-	1,536	1,536
Interest rate related contracts:				
• one year or less	1,206,130	1,050	5,343	1,801
• over one year to three years	1,990,360	7,158	38,427	11,888
• over three years	2,146,310	18,864	102,929	57,951
Equity related contracts:				
• one year or less	38,825	-	2,330	1,148
• over one year to three years	67,660	404	5,817	2,909
	10,597,032	84,645	254,986	122,904
	22,641,134	84,645	3,778,055	2,886,697

Note:

<sup>1</sup> Exclude interest receivable for derivatives contracts.



### 3.0 CREDIT RISK (cont'd)

#### 3.6 Off-Balance Sheet Exposures and Counterparty Credit Risk (cont'd)

Bank 2017	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
<u>Credit-related exposures</u>				
Direct credit substitutes	649,782	-	649,782	563,934
Transaction-related contingent items	653,885	-	326,943	238,065
Short-term self-liquidating trade- related contingencies	114,249	-	22,850	18,836
Irrevocable commitments to extend credit:				
• maturity exceeding one year	927,426	-	463,713	388,228
• maturity not exceeding one year	4,943,831	-	988,766	692,205
Unutilised credit card lines	1,584,784	-	316,957	241,470
	8,873,957	-	2,769,010	2,142,738
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
• one year or less	11,082,789	61,802	161,111	52,284
• over one year to three years	116,546	73	6,462	5,135
• over three years	37,817	43	3,433	3,433
Interest rate related contracts:				
• one year or less	750,000	227	1,277	270
• over one year to three years	1,988,572	8,336	44,924	15,343
• over three years	1,605,860	15,775	90,428	41,136
Equity related contracts:				
• one year or less	52,405	59	3,203	1,591
• over one year to three years	30,330	30	2,456	1,228
	15,664,319	86,345	313,294	120,420
	24,538,276	86,345	3,082,304	2,263,158

# BASEL II PILLAR 3 REPORT DISCLOSURE

for the financial year ended 31 March 2018

## 3.0 CREDIT RISK (cont'd)

### 3.6 Off-Balance Sheet Exposures and Counterparty Credit Risk (cont'd)

Group 2017	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
<u>Credit-related exposures</u>				
Direct credit substitutes	757,816	-	757,816	660,814
Transaction-related contingent items	710,106	-	355,053	255,570
Short-term self-liquidating trade-related contingencies	138,588	-	27,718	23,152
Irrevocable commitments to extend credit:				
• maturity exceeding one year	1,111,249	-	555,625	471,495
• maturity not exceeding one year	6,527,092	-	1,305,418	878,592
Unutilised credit card lines	1,584,784	-	316,957	241,470
	10,829,635	-	3,318,586	2,531,093
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
• one year or less	11,082,789	61,802	161,111	52,284
• over one year to three years	116,546	73	6,462	5,135
• over three years	37,817	43	3,433	3,433
Interest rate related contracts:				
• one year or less	750,000	227	1,277	270
• over one year to three years	1,988,572	8,336	44,924	15,343
• over three years	1,605,860	15,775	90,428	41,136
Equity related contracts:				
• one year or less	52,405	59	3,203	1,591
• over one year to three years	30,330	30	2,456	1,228
	15,664,319	86,345	313,294	120,420
	26,493,954	86,345	3,631,880	2,651,513

## 4.0 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.

### ***Market Risk Management***

The Board, via the GRMC provides oversight on market risk management activities. Its responsibilities include reviewing and approving risk management policies, risk exposures and limits whilst ensuring the necessary infrastructure and resources are in place.

At senior management level, the Group Assets and Liabilities Management Committee (GALCO) manages the Group's market risk by reviewing and recommending market risk frameworks and policies; ensuring that market risk limits and parameters are within the approved thresholds; and aligning market risk management with business strategy and planning.

Organisationally, market risks are managed collectively via the Three Lines of Defence concept. Group Financial Markets, as the risk taking unit assumes ownership of the risk and manages the risk within the approved policies, risk limits and parameters as set by the GRMC or GALCO. The risk control function is undertaken by Group Risk Management which provides independent monitoring, valuation and reporting of the market exposures. This is supplemented by periodic review by Group Internal Audit.

For the Group, market risk is managed on an integrated approach which involves the following processes:

- (i) Identification of market risk in new products and changes in risk profiles of existing exposures.
- (ii) Assessment of the type and magnitude of market risks which takes into account the activity and market role undertaken.
- (iii) Adoption of various market risk measurement tools and techniques to quantify market risk exposures.
- (iv) Scheduled and exception reporting on market risk exposures.

Market risk exists in the Group's activities in fixed income securities, foreign exchange and financial derivatives, which are transacted primarily by Group Financial Markets (treasury) department. Trading positions are held intentionally for short-term resale and with the intent of benefiting from actual or expected short-term price movements while banking book positions are held until maturity or as available-for-sale. Hence, these positions are susceptible to market movements.

These exposures are governed by approved policies, risk limits and parameters which are set vis-a-vis the Group's risk appetite and strategy. Besides that, treasury activities are monitored and reported independently by Group Market Risk on a daily basis. Any limit breaches or exceptions are reported to GALCO and GRMC.

### ***Hedging Policies and Strategies***

The Group had established a hedging policy which outlines the broad principles and policies governing hedging activities by the Group. Generally, the Group enters into hedges to manage or reduce risk exposures. All hedging strategies are approved by the GALCO and monitored independently by Group Market Risk. Further, all hedging strategies are designated upfront and recorded separately under the hedging portfolios. Hedging positions and effectiveness, if any, are monitored and reported monthly to senior management.

### ***Market risk capital charge***

For the Group, the market risk charge is computed on the standardised approach and the capital charges are mainly on the fixed income securities, foreign exchange and financial derivatives portfolios if any.

# BASEL II PILLAR 3 REPORT DISCLOSURE

for the financial year ended 31 March 2018

## 4.0 MARKET RISK (cont'd)

### Regulatory capital requirements

The risk-weighted assets and capital requirements for the various categories of risk under market risk are as follows:

	Bank		Group	
	Risk-Weighted Assets	Capital Requirements	Risk-Weighted Assets	Capital Requirements
2018	RM'000	RM'000	RM'000	RM'000
Interest rate risk				
• General interest rate risk	11,971	958	11,971	958
• Specific interest rate risk	3,318	265	3,786	303
	15,289	1,223	15,757	1,261
Option risk	559	45	559	45
Foreign exchange risk	94,541	7,563	94,541	7,563
	110,389	8,831	110,857	8,869
2017				
Interest rate risk				
• General interest rate risk	26,405	2,112	36,819	2,946
• Specific interest rate risk	3,387	271	14,525	1,162
	29,792	2,383	51,344	4,108
Option risk	175	14	175	14
Foreign exchange risk	74,523	5,962	74,523	5,962
	104,490	8,359	126,042	10,083

## 5.0 OPERATIONAL RISK

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes legal risk but excludes strategic and reputation risks.

### Operational Risk Management

Management, escalation and reporting of operational risks are instituted through the Group Operational Risk Management Committee (GORMC), Group Risk Management Committee (GRMC) as well as the Board.

The Board, via the GRMC provides oversight on operational risk management activities.

## 5.0 OPERATIONAL RISK (cont'd)

### Operational Risk Management (cont'd)

At senior management level, GORMC manages the day-to-day operational risk exposures. The roles and responsibilities of GORMC include:

- (i) Providing strategic guidance on operational issues and monitor implementation of Operational Risk Management (ORM) framework
- (ii) Reviewing and monitoring operational risk issues, reports and action plans
- (iii) Evaluating and agree on initiatives to strengthen operational processes or infrastructure
- (iv) Promoting risk awareness and operational risk management culture

The Group practices operational risk management as outlined in the ORM Framework, in accordance with Basel and regulatory guidelines. The Group applies operational risk tools and methodologies in the identification, assessment, measurement, control and monitoring of operational risks. Other efforts by the Group include the ORM awareness training which is given to all staff, and regular business continuity and disaster recovery plans.

The Group adopts the Basic Indicator Approach for computation of operational Risk-Weighted Asset (RWA).

## 6.0 EQUITY EXPOSURES IN BANKING BOOK

The Bank and the Group holds equity positions in the banking book as a result of debt to equity conversion, for social-economic purposes, or to maintain strategic relationships. All equities are held at fair value. For quoted equities, fair value is estimated based on quoted or observable market price at the end of the reporting period. For unquoted equities, the fair value is estimated using approved valuation techniques.

The returns from these equities holdings are credited to the Statement of Comprehensive Income and any gains or losses arising from a change in fair value are recognised directly in other comprehensive income or in equity through the Statement of Changes in Equity.

The following table shows the equity exposures in banking book:

	Gross credit exposures RM'000	Bank Risk-weighted assets RM'000	Gross credit exposures RM'000	Group Risk-weighted assets RM'000
<b>2018</b>				
<b>Publicly traded</b>				
Holding of equity investments	10	10	10	10
<b>Privately held</b>				
For socio-economic purposes	121,631	121,631	178,843	178,843
Not for socio-economic purposes	3	5	3	5
	<b>121,644</b>	<b>121,646</b>	<b>178,856</b>	<b>178,858</b>
<b>2017</b>				
<b>Publicly traded</b>				
Holding of equity investments	15	15	15	15
<b>Privately held</b>				
For socio-economic purposes	111,374	111,374	165,276	165,276
Not for socio-economic purposes	3	4	3	4
	<b>111,392</b>	<b>111,393</b>	<b>165,294</b>	<b>165,295</b>

# BASEL II PILLAR 3 REPORT DISCLOSURE

for the financial year ended 31 March 2018

## 6.0 EQUITY EXPOSURES IN BANKING BOOK (cont'd)

### Gains and losses on equity exposures in the banking book

The table below present the gains and losses on equity exposures in banking book:

	Bank		Group	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Realised gains/(losses) recognised in the statement of comprehensive income				
• Privately held equity investments	18,343	-	18,343	-
	18,343	-	18,343	-
Unrealised (losses)/gains recognised in revaluation reserve				
• Publicly traded equity investments	(5)	-	(5)	-
• Privately held equity investments	(8,086)	8,720	(4,776)	12,938
	(8,091)	8,720	(4,781)	12,938

## 7.0 INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK

Interest rate risk/rate of return risk in the banking book (IRR/RORBB) arises from exposure of banking book positions to interest rate/profit rate movements. Changes in interest rate/profit rate affects the Group's earnings by changing its net interest/profit income and the level of other interest/profit rate sensitive income and expenses. It also affects the underlying value of banking assets, liabilities and off-balance sheet instruments as the present value of future cash flows change when interest rate/profit rate change.

### Risk Governance

IRR/RORBB is managed collectively by GALCO, Group Financial Markets, Group Finance and Group Risk Management. Each of the above parties has clearly defined roles and responsibilities to provide oversight and manage IRR/RORBB within the defined framework and structure as approved by the GRMC/Board. GALCO assumes the overall responsibility in managing IRR/RORBB by setting the directions, strategy and risk limits/parameters for the Bank/Group. Group Financial Markets is tasked to execute the approved strategy by managing the assets/liabilities as well as the funding and liquidity needs of the Bank/Group. Group Finance and Group Risk Management provide support in respect of risk monitoring and reporting of the banking book exposures; and ensuring regulatory as well as accounting requirements are met.

### IRR/RORBB Management

The guiding principles in managing IRR/RORBB include:

- Adopting a prudent approach to manage IRR/RORBB in ways that commensurate with the Group's size and business activities. This is achieved via establishing robust IRR/RORBB policies, measures and strategies which is complemented by regular monitoring and reporting.
- Checking to ensure that IRR/RORBB are accurately measured and any mismatches identified, reviewed and reported monthly to GALCO.
- Setting of proper gapping limits and the limits monitored closely.
- Practicing comprehensive IRR/RORBB reporting and review process, with aggregated information and supporting details to facilitate assessment of the Group's sensitivity to changes in market conditions.

## 7.0 INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK (cont'd)

### IRR/RORBB Management (cont'd)

The Bank uses a range of tools, including the following primary measures to quantify and monitor IRR/RORBB:

- (i) Repricing gap analysis to measure interest rate/profit rate from the earnings perspective i.e. impact of interest rate/profit rate changes to earnings in the short-term.
- (ii) Net interest income/profit income simulation to assess the impact of interest rate/profit rate changes on short term earnings volatility.
- (iii) Economic value (EVE) simulations which measures the asset-liability impact of adverse interest rate/profit rate movements on the economic value of the Bank's capital.

Group Risk Management performs independent monitoring of the interest rate/profit rate benchmarks to ensure compliance. Any exceptions are reported and appropriate remedial actions are taken, where necessary. Schedule reporting via risk dashboards are provided to senior management, GRMC and Board. The risk dashboards provide a gauge on the IRR/RORBB of the Group.

The Group is guided by BNM's guidelines and Basel standards on management of IRR/RORBB.

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

	Bank + 100 bps RM'000	Group + 100 bps RM'000
<b>2018</b>		
<b>Impact on net interest income (NII)</b>		
Ringgit Malaysia	102,916	125,768
<b>Impact on Economic Value (EV)</b>		
Ringgit Malaysia	29,042	(24,233)
<b>2017</b>		
<b>Impact on net interest income (NII)</b>		
Ringgit Malaysia	96,418	101,418
<b>Impact on Economic Value (EV)</b>		
Ringgit Malaysia	(19,398)	(109,148)

**Note:**

The foreign currency impact on NII/EV are considered insignificant as the exposure is less than 5% of the respective total Banking Book assets and liabilities.

# BASEL II PILLAR 3 REPORT DISCLOSURE

for the financial year ended 31 March 2018

## 8.0 SHARIAH GOVERNANCE DISCLOSURES

Shariah Non-Compliance Risk arises from the risk of failure to comply with Shariah rules and principles as determined by Shariah Advisory Council of Bank Negara Malaysia and Alliance Islamic Bank's (AIS) Shariah Committee. To manage the risks, AIS has adopted the following guiding principles:

- (i) A sound Shariah Compliance Framework which governs the operations of AIS and outlines the roles of key functionalities within AIS, including but not limited to the Shariah risk management process. This is in line with the Shariah Governance Framework issued by BNM.
- (ii) The Board of Directors, assisted by the Shariah Committee and senior management, provide oversight on Shariah compliance aspects of AIS' overall operations. This amongst others include:
  - Oversight and implementation of the Shariah Compliance Framework.
  - Regular review of non-Shariah compliant income and issues.
  - Addressing non-Shariah compliance findings.
  - Ensuring compliance with regulatory and internal requirements including disclosures.
- (iii) Appointment of qualified Shariah Committee member who also serves as AIS' Board member; serving as a 'bridge' between the Board and the Shariah Committee.
- (iv) Ongoing Shariah reviews and training to raise risk awareness and ensure compliance to Shariah rules and principles. This includes:
  - Regular assessment on Shariah compliance in the activities and operations of AIS. The findings of the review are reported to the Shariah Committee for deliberation and decision.
  - Performing research and studies on Shariah issues, including providing day-to-day Shariah advice and consultancy to relevant parties.
  - Conducting Shariah-related training and ongoing engagement with relevant parties to raise awareness on Shariah non-compliance risk.
- (v) Escalation and reporting processes of non-Shariah compliance income and issues governed through designated escalation channels, which include the Board and the Shariah Committee.

### Non-Shariah Compliant Income And Events

During the financial year end, there were 2 Shariah non-compliance events detected from the ongoing reviews of AIS' operational processes. Necessary efforts had been taken to rectify each Shariah non-compliant event, which was escalated to and tracked by the Board and the Shariah Committee. The Shariah non-compliant income of RM2,797 had been disposed of in accordance with Shariah Committee's decision, except for a sum of RM445 which is pending disposal.



# LIST OF PROPERTIES

as at 31 March 2018

No	Location	Current Use	Year of Purchase <sup>1</sup>	Tenure	Remaining Lease Period (Expiry Year)	Age of Property (Years) <sup>2</sup>	Built-Up Area (Sq Ft) <sup>3</sup>	Net Book Value (RM'000) <sup>4</sup>
1	1, Jalan Tembaga SD5/2A Bandar Sri Damansara 52100 Kepong, Kuala Lumpur	Alliance Bank's branch/office premises	1991	Freehold	-	25	9,179	672
2	150 - 152, Jalan Cerdas Taman Connaught 56000 Kuala Lumpur	Alliance Bank's branch/office premises	1997	Leasehold 99 years	60 years 2078	39	11,704	2,193
3	43 & 45, Jalan Bunga Tanjung 6A Taman Putra 68000 Ampang, Selangor	Alliance Bank's branch/office premises	1998	Leasehold 99 years	63 years 2081	36	8,120	1,096
4	1960 E & F, Jalan Stadium 05100 Alor Setar, Kedah	Alliance Bank's branch/office premises	1979	Leasehold 60 years	21 years 2039	39	4,537	335
5	Ground & Mezzanine Floor Wisma Malvest 20 & 20A Jalan Tun Dr Awang Sungai Nibong Kecil 11900 Bayan Lepas, Pulau Pinang	Alliance Bank's branch/office premises	1994	Freehold	-	24	6,103	1,494
6	70 & 71, Block 10 Jalan Laksamana Cheng Ho 93200 Kuching, Sarawak	Alliance Bank's branch/office premises	2007	Leasehold 60 years	51 years 2069	12	9,405	1,975
7	B-400, Jalan Beserah 25300 Kuantan, Pahang	Alliance Bank's branch/office premises	1996	Freehold	-	27	6,688	366
8	LG134/LG135/G128/F89 Holiday Plaza Jalan Dato Sulaiman 80250 Johor Bharu, Johor	Alliance Bank's branch/office premises	1984	Freehold	-	34	5,414	779
9	Lot 1 & 3, Jalan Permas Jaya 10/2 Bandar Baru Permas Jaya, 81750 Johor Bahru, Johor	Alliance Bank's branch/office premises	1994	Freehold	-	25	24,334	1,415
10	3 & 5, Jalan Bentara 1 Tun Aminah 81300 Johor Bahru, Johor	Alliance Bank's branch/office premises	1996	Freehold	-	35	5,412	845

## LIST OF PROPERTIES (Cont'd)

as at 31 March 2018

No	Location	Current Use	Year of Purchase <sup>1</sup>	Tenure	Remaining Lease Period (Expiry Year)	Age of Property (Years) <sup>2</sup>	Built-Up Area (Sq Ft) <sup>3</sup>	Net Book Value (RM'000) <sup>4</sup>
11	Unit 01-G & 01-1, Seremban City Jalan Tunku Munawir 70000 Seremban, Negeri Sembilan	Alliance Bank's branch/office premises	1997	Freehold	-	19	7,277	1,453
12	101 & 103, Jalan Melaka Raya 24 Taman Melaka Raya 75000 Melaka	Alliance Bank's branch/office premises	1995	Leasehold 99 years	76 years 2094	21	8,640	539
13	Lot 7 & 9, Block D Nountun Industrial Estate 89350 Inanam Kota Kinabalu, Sabah	Alliance Bank's branch/office premises	1995	Leasehold 999 years	905 years 2923	18	7,495	877
14	Lot 4-6, Block K Sinsuran Complex 88000 Kota Kinabalu, Sabah	Alliance Bank's branch/office premises	1980	Leasehold 99 years	53 years 2071	40	13,979	423
15	Lot 1086, Jalan Utara W.D.T. 127 91009 Tawau, Sabah	Alliance Bank's branch/office premises	1981	Leasehold 99 years	43 years 2061	55	14,948	481
16	Lot 8, Block A Beaufort Jaya Commercial Centre 89808 Beaufort, Sabah	Alliance Bank's branch/office premises	1984	Leasehold 999 years	883 years 2901	32	4,500	214
17	Lot 1, Block C Mile 4 1/2 Jalan Utara Bandar Kim Fung 90307 Sandakan, Sabah	Alliance Bank's branch/office premises	1992	Leasehold 99 years	62 years 2080	33	4,800	373
18	1 & 2, Block A, Jalan Jungkat Pangie Light Industrial Complex 89909 Tenom, Sabah	Alliance Bank's branch/office premises	1993	Leasehold 999 years	906 years 2924	24	7,085	281
19	17, 19 & 21, Jalan USJ 9/5 47620 Subang Jaya, Selangor	Alliance Bank's branch/office premises	1996	Freehold	-	22	12,892	2,191
20	2 & 3 Block A, Phase III Luyang Commercial Centre Damai Plaza, Jalan Damai 88300 Kota Kinabalu, Sabah	Alliance Bank's branch/office premises	1992	Leasehold 99 years	63 years 2081	22	9,667	812
21	59-61, Jalan Tiga 90702 Sandakan, Sabah	Alliance Bank's branch/office premises	1963	Leasehold 999 years	871 years 2889	60	9,900	674

No	Location	Current Use	Year of Purchase <sup>1</sup>	Tenure	Remaining Lease Period (Expiry Year)	Age of Property (Years) <sup>2</sup>	Built-Up Area (Sq Ft) <sup>3</sup>	Net Book Value (RM'000) <sup>4</sup>
22	MPWPL U 0072 & 0073 Jalan Merdeka 87008 Labuan	Alliance Bank's branch/office premises	1979	Leasehold 99 years	39, 45 years 2057, 2063	52 52	5,800	612
23	Lot 84, Jalan Gaya 88000 Kota Kinabalu, Sabah	Alliance Bank's branch/office premises	1985	Leasehold 999 years	864 years 2882	60	10,040	1,686
24	45, Jalan Sungai Besi Indah 1/21 43300 Balakong, Selangor	Alliance Bank's branch/office premises	2001	Leasehold 99 years	73 years 2091	17	9,706	1,255
25	3, Jalan SS 15/2A, Wisma Projass (3 Alliance) 47500 Subang Jaya, Selangor	Alliance Bank's branch/office premises	2005	Freehold	-	33	35,926	6,275

## Notes:

- <sup>1</sup> The Year of Purchase is based on Sale & Purchase Agreement. In the event that Sale & Purchase Agreement is not available, it is based on the date of registration of ownership specified in the title document.
- <sup>2</sup> The Age of Property is based on Certificate of Fitness for Occupation. In the event that the Certificate of Fitness for Occupation is not available, it is based on the issuance date of the title document.
- <sup>3</sup> The Built-Up Area is based on the valuation report conducted in December 2017.
- <sup>4</sup> Net Book Value as at 31 March 2018.

# DIRECTORY

as at 31 May 2018



## ALLIANCE BANK

### ALLIANCE BANK MALAYSIA BERHAD

#### HEAD OFFICE

3rd Floor, Menara Multi-Purpose  
Capital Square  
No. 8, Jalan Munshi Abdullah  
50100 Kuala Lumpur  
Tel : 03-2604 3333  
Fax : 03-2694 6200

[www.alliancebank.com.my](http://www.alliancebank.com.my)



## ALLIANCE ISLAMIC BANK

### ALLIANCE ISLAMIC BANK BERHAD

#### HEAD OFFICE

22nd Floor, Menara Multi-Purpose  
Capital Square  
No. 8, Jalan Munshi Abdullah  
50100 Kuala Lumpur  
Tel : 03-2604 3333  
Fax : 03-2698 4691

[www.alliancebank.com.my/islamic/home](http://www.alliancebank.com.my/islamic/home)

## BRANCHES

### KEDAH

#### Alor Setar

1960 E & F, Jalan Stadium  
05100 Alor Setar, Kedah  
Tel : 04-731 0744  
Fax : 04-733 8055

#### Lunas, Kulim

888 & 889, Jalan Aman  
Taman Sejahtera  
09600 Lunas, Kulim, Kedah  
Tel : 04-484 3275/76/78  
Fax : 04-484 3277

#### Sejati Indah, Sungai Petani

Ground Floor, Wisma Uni-Green  
18, Jalan Permatang Gedong  
Taman Sejati Indah  
08000 Sungai Petani, Kedah  
Tel : 04-431 1673/81  
04-431 2139  
Fax : 04-431 1687

### PULAU PINANG

#### Beach Street

Ground Floor, Bangunan Barkath  
21, Beach Street  
10300 Georgetown, Pulau Pinang  
Tel : 04-262 8100  
Fax : 04-261 3300

#### Bukit Mertajam

Ground & 1st Floor  
Wisma Ng Ah Yan  
42, Lebuhrangka 2  
Taman Mutiara  
14000 Bukit Mertajam, Pulau Pinang  
Tel : 04-530 3130  
Fax : 04-530 7433

#### Butterworth

4105-4107, Jalan Bagan Luar  
12000 Butterworth, Pulau Pinang  
Tel : 04-331 4863/64  
Fax : 04-323 2824

#### Sungai Nibong Kecil

Ground & Mezzanine Floor  
Wisma Malvest, 20 & 20A  
Jalan Tun Dr Awang  
Sungai Nibong Kecil  
11900 Bayan Lepas, Pulau Pinang  
Tel : 04-642 5918  
Fax : 04-642 5924

### PERAK

#### Ipoh

40 & 42, Persiaran Greenhill  
30450 Ipoh, Perak  
Tel : 05-241 2342/3  
05-241 2346/8  
Fax : 05-241 2355

#### Sitiawan

23 & 24, Jalan Raja Omar  
Taman Selamat  
32000 Sitiawan, Perak  
Tel : 05-691 1212  
Fax : 05-691 7975

### SELANGOR

#### Aman Suria Damansara

J-G-23 & J-G-25, Block J  
Jalan PJU 1/43, PJU1  
Aman Suria Damansara  
47301 Petaling Jaya, Selangor  
Tel : 03-7880 8842  
Fax : 03-7880 4299

#### Ampang Point

Ground & Mezzanine Floor  
65, Jalan Mamanda 9  
Ampang Point  
Taman Dato Ahmad Razali  
68000 Ampang, Selangor  
Tel : 03-4252 3822  
Fax : 03-4252 3877

#### Balakong

45, Jalan Sungai Besi Indah 1/21  
Taman Sungai Besi Indah  
43300 Seri Kembangan, Selangor  
Tel : 03-8948 6972  
Fax : 03-8948 9530

#### Bandar Bukit Tinggi

56, Lorong Batu Nilam 4B  
Bandar Bukit Tinggi  
41200 Klang, Selangor  
Tel : 03-3324 1122  
Fax : 03-3324 3311

#### Bandar Puteri Puchong

11 & 13, Jalan Puteri 2/1  
Bandar Puteri Puchong  
47100 Puchong, Selangor  
Tel : 03-8063 2833  
Fax : 03-8063 2711

**SELANGOR (cont'd)****CP Tower, Petaling Jaya**

Unit 1-2, CP Tower  
11, Jalan 16/11  
46350 Petaling Jaya, Selangor  
Tel : 03-7957 3366  
Fax : 03-7957 3360

**Damansara Uptown**

Unit 102 & 103  
Level 1, Uptown 2  
2, Jalan SS21/37  
Damansara Uptown  
47400 Petaling Jaya, Selangor  
Tel : 03-7660 9798  
Fax : 03-7660 9799

**Kajang**

Lot 4 & 5, Jalan Jeloh 3  
Off Jalan Bukit  
43000 Kajang, Selangor  
Tel : 03-8733 5966  
Fax : 03-8736 4004

**Klang**

Ground Floor  
1, Lorong Kasawari 4B  
Taman Eng Ann  
41150 Klang, Selangor  
Tel : 03-3345 3700  
Fax : 03-3345 3733

**Kota Damansara**

7-G & 9-G, Jalan PJU 5/20  
Pusat Perdagangan Kota Damansara  
PJU 5 Kota Damansara  
47810 Petaling Jaya, Selangor  
Tel : 03-6142 8632  
Fax : 03-6142 8732

**Pandan Indah**

Ground & Mezzanine Floor  
11 & 13, Jalan Pandan Indah 4/34  
Pandan Indah, 55100 Selangor  
Tel : 03-4295 7300  
Fax : 03-4296 4107

**Puchong Jaya**

11, Jalan Kenari 5  
Bandar Puchong Jaya  
47100 Puchong Jaya, Selangor  
Tel : 03-8075 9185  
Fax : 03-8075 9200

**Rawang**

71, Jalan Bandar Rawang 2  
Bandar Baru Rawang  
48000 Rawang, Selangor  
Tel : 03-6091 7622  
Fax : 03-6091 7922

**Seri Kembangan**

31-1 & 31-2  
Jalan Serdang Perdana 2/1  
Taman Serdang Perdana  
43300 Seri Kembangan, Selangor  
Tel : 03-8941 6610  
Fax : 03-8941 6620

**Shah Alam**

Ground & 1st Floor  
2, Jalan Murni 25/61  
Taman Sri Muda, Seksyen 25  
40400 Shah Alam, Selangor  
Tel : 03-5121 9336  
Fax : 03-5121 9373

**Sri Damansara**

1, Jalan Tembaga SD 5/2A  
Bandar Sri Damansara  
52100 Selangor  
Tel : 03-6275 0144/0529/0684  
Fax : 03-6272 1732

**SS2, Petaling Jaya**

53 & 55, Jalan SS2/55  
47300 Petaling Jaya, Selangor  
Tel : 03-7875 8255  
Fax : 03-7874 0973

**Subang Jaya**

3 Alliance  
3, Jalan SS15/2A  
47500 Subang Jaya, Selangor  
Tel : 03-5634 2870  
Fax : 03-5634 1128

**Taman Putra**

43-45, Jalan Bunga Tanjung 6A  
Taman Putra  
68000 Ampang, Selangor  
Tel : 03-4291 7740  
Fax : 03-4296 1250

**USJ, Subang Jaya**

Ground Floor  
17, 19 & 21, Jalan USJ 9/5N  
47620 UEP Subang Jaya, Selangor  
Tel : 03-8024 1300  
Fax : 03-8023 4379

**KUALA LUMPUR****Bangsar**

No. 1, Jalan Telawi 5  
Bangsar Baru  
59100 Kuala Lumpur  
Tel : 03-2284 8633  
Fax : 03-2284 9616

**Capital Square**

Ground Floor  
Menara Multi-Purpose  
Capital Square  
No. 8, Jalan Munshi Abdullah  
50100 Kuala Lumpur  
Tel : 03-2604 3333  
Fax : 03-2694 6867

**GTower, Jalan Tun Razak**

Lot No. G-06, Ground Floor  
GTower, No. 199, Jalan Tun Razak  
50400 Kuala Lumpur  
Tel : 03-2164 8240  
Fax : 03-2168 8390

**Jalan Ipoh**

41 & 43, Jalan Sultan Azlan Shah  
51200 Kuala Lumpur  
Tel : 03-4041 2288  
Fax : 03-4041 3868

**Jalan Sultan Ismail**

Mezzanine Floor  
Menara Prudential  
10, Jalan Sultan Ismail  
50250 Kuala Lumpur  
Tel : 03-2070 4477  
Fax : 03-2070 4900

**Kepong**

Ground Floor, 52, Jalan Prima  
Vista Magna, Metro Prima Kepong  
52100 Kuala Lumpur  
Tel : 03-6257 9997  
Fax : 03-6257 9996

**Kuchai Entrepreneurs Park**

1, Jalan 1/116B  
Kuchai Entrepreneurs Park  
58200 Kuala Lumpur  
Tel : 03-7984 8800  
Fax : 03-7981 6486

**Mid Valley**

15-G & 15-1  
The Boulevard Offices  
Mid Valley City  
Lingkaran Syed Putra  
59200 Kuala Lumpur  
Tel : 03-2283 1849  
Fax : 03-2282 4430

# DIRECTORY (Cont'd)

as at 31 May 2018

## KUALA LUMPUR (cont'd)

### Mont'Kiara

Unit A-0G-02, Block A  
Plaza Mont'Kiara  
2, Jalan Kiara, Mont'Kiara  
50480 Kuala Lumpur  
Tel : 03-6203 1543  
Fax : 03-6201 2607

### Segambut

Ground Floor  
22, Wisma Sin Hoh Huat  
Persiaran Segambut Tengah  
51200 Kuala Lumpur  
Tel : 03-6257 2105  
Fax : 03-6257 6186

### Selayang

71 & 73, Jalan 2/3A  
Pusat Bandar Utara Selayang  
KM 12, Jalan Ipoh  
68100 Batu Caves, Kuala Lumpur  
Tel : 03-6135 1800  
Fax : 03-6135 1787

### Setapak

No. D-1-2, D-2-2 & D-3-2  
StarParc Point  
Taman Danau Ibu Kota  
Jalan Genting Klang, Setapak  
53300 Kuala Lumpur  
Tel : 03-4143 9643  
Fax : 03-4143 9568

### Taman Connaught

150-152, Jalan Cerdas  
Taman Connaught  
56000 Kuala Lumpur  
Tel : 03-9102 3973  
Fax : 03-9102 3740

### Taman Maluri

254 & 254A, Jalan Mahkota  
Taman Maluri, Cheras  
55100 Kuala Lumpur  
Tel : 03-9285 4133  
Fax : 03-9283 1397

### Taman Tun Dr Ismail

No. 6-3-0 & 6-3-1  
Sinaran TTDI  
Jalan Tun Mohd Fuad 3  
Taman Tun Dr Ismail  
60000 Kuala Lumpur  
Tel : 03-7729 8239  
Fax : 03-7729 8237

## PUTRAJAYA

### Putrajaya

Ground Floor, Menara Ikhlas  
(Boulevard Plaza)  
No. 17, Persiaran Perdana  
Presint 3  
62100 Putrajaya  
Wilayah Persekutuan Putrajaya  
Tel : 03-8889 1788  
Fax : 03-8889 1799

## JOHOR

### Batu Pahat

Ground, 1st & 2nd Floor  
2 & 4, Jalan Kundang 3  
Taman Bukit Pasir  
83000 Batu Pahat, Johor  
Tel : 07-431 4088  
Fax : 07-434 0033

### Bukit Bakri, Muar

88, Jalan Tepi Pasar  
Bukit Bakri  
84200 Muar, Johor  
Tel : 06-986 7633  
Fax : 06-986 6721

### Holiday Plaza, Johor Bahru

Unit G128, Holiday Plaza  
Jalan Dato Sulaiman  
Century Garden  
80250 Johor Bahru, Johor  
Tel : 07-331 1200  
Fax : 07-331 1207

### Johor Jaya

50 & 52, Jalan Dedap 13  
Taman Johor Jaya  
81100 Johor Bahru, Johor  
Tel : 07-353 5388  
Fax : 07-355 7377

### Kelapa Sawit, Kulai

16 & 17, Jalan Susur Satu  
26th Mile, Jalan Air Hitam  
Kelapa Sawit  
81030 Kulai, Johor  
Tel : 07-652 3704/5/7  
Fax : 07-652 3706

### Kluang

No. 73, Ground Floor  
Jalan Rambutan  
86000 Kluang, Johor  
Tel : 07-772 9911  
Fax : 07-772 6611

## Permas Jaya

1 & 3, Jalan Permas Jaya 10/2  
Bandar Baru Permas Jaya  
81750 Johor Bahru, Johor  
Tel : 07-386 2480  
Fax : 07-386 2478

## Segamat

No. 109A & 109B  
Jalan Genuang  
85000 Segamat, Johor  
Tel : 07-931 1170  
Fax : 07-931 2727

## Taman Molek

1 & 1-01, Jalan Molek 1/29  
Taman Molek  
81100 Johor Bahru, Johor  
Tel : 07-355 6577  
Fax : 07-355 4677

## Taman Nusa Bestari

1-G & 1-01, Jalan Bestari 6/2  
Taman Nusa Bestari  
81300 Skudai, Johor  
Tel : 07-237 8301  
Fax : 07-237 8621

## Taman Pelangi

Ground Floor, Shoplot Nos. 1 & 3  
Jalan Perang, Taman Pelangi  
80400 Johor Bahru, Johor  
Tel : 07-332 4050/1/4  
Fax : 07-333 7411

## Tun Aminah

3 & 5, Jalan Bentara 1  
Taman Ungku Tun Aminah  
81300 Skudai, Johor  
Tel : 07-554 0031  
Fax : 07-554 2494

## MELAKA

### Melaka

101 & 103  
Jalan Melaka Raya 24  
Taman Melaka Raya  
75000 Melaka  
Tel : 06-284 9249  
Fax : 06-284 9248

**NEGERI SEMBILAN****Seremban**

1G & 1-1, Seremban City Centre  
Jalan Tuanku Munawir  
70000 Seremban, Negeri Sembilan  
Tel : 06-762 5610/21  
Fax : 06-762 5612

**PAHANG****Kuantan**

B400, Jalan Beserah  
25300 Kuantan, Pahang  
Tel : 09-567 2508  
Fax : 09-567 9044

**TERENGGANU****Kuala Terengganu**

Ground & Mezzanine Floor  
Wisma Kam Choon  
101, Jalan Kampong Tiong  
20100 Kuala Terengganu, Terengganu  
Tel : 09-623 5244  
Fax : 09-623 6379

**SABAH****Bandar Kim Fung, Sandakan**

Lot 1, Block C, Bandar Kim Fung  
Mile 41/2, Jalan Utara P.O. Box 163  
Post Office, Mile 1 1/2, Jalan Utara  
90307 Sandakan, Sabah  
Tel : 089-275 020/21  
Fax : 089-275 027

**Beaufort**

Lot B, Block A, Beaufort Jaya  
Commercial Centre, P.O. Box 220  
89808 Beaufort, Sabah  
Tel : 087-211 721  
Fax : 087-212 392

**Donggongan**

Wisma PPS  
Donggongan New Township  
W.D.T. No. 56  
80509 Penampang, Sabah  
Tel : 088-713 411/2  
088-718 980  
Fax : 088-718 634

**Federal House, Kingfisher's Park, KK (Service Centre)**

Aras 1, Blok A  
Kompleks Pentadbiran Kerajaan  
Persekutuan Sabah, Jalan UMS  
88400 Kota Kinabalu, Sabah  
Tel : 088-484 718  
Fax : 088-484 712

**Inanam, Kota Kinabalu**

Ground, 1st & 2nd Floor  
Lot 7 & 9, Block D  
Nountun Industrial Estate  
89350 Inanam, Kota Kinabalu, Sabah  
Tel : 088-435 761  
Fax : 088-435 770

**Jalan Gaya**

82 & 84, Jalan Gaya  
88000 Kota Kinabalu, Sabah  
Tel : 088-251 177  
Fax : 088-223 629

**Keningau**

Lot No. 1, Block B-8  
Jalan Arusap  
89000 Keningau, Sabah  
Tel : 087-330 301  
Fax : 087-330 294

**Kota Marudu**

Shoplot No. 8, Block E  
Sedco Shophouses  
P.O. Box 260  
89108 Kota Marudu, Sabah  
Tel : 088-661 104  
Fax : 088-661 106

**Kundasang**

Shoplot No. 6, Block B  
Sedco Shophouses  
P.O. Box 152  
89308 Ranau, Sabah  
Tel : 088-889 679  
Fax : 088-889 676

**Lahad Datu**

Lot 1 MDLD 4709  
Jalan Kastam Lama  
91100 Lahad Datu, Sabah  
Tel : 089-883 911/5  
Fax : 089-883 916

**Sandakan**

59-61 Block 20  
Jalan Tiga, Bandar Sandakan  
90000 Sandakan, Sabah  
Tel : 089-275 193  
Fax : 089-271 641

**Sinsuran**

Lot 4, 5, & 6, Block K  
Sinsuran Complex  
88000 Kota Kinabalu, Sabah  
Tel : 088-237 762  
Fax : 088-212 511

**Tambunan**

Lot 1, Block B  
Sedco Shophouses, W.D.T. 55  
89659 Tambunan, Sabah  
Tel : 087-771 171  
Fax : 087-771 157

**Tawau**

1086, Jalan Utara, W.D.T. 127  
91009 Tawau, Sabah  
Tel : 089-776 000  
Fax : 089-763 287

**Tenom**

Ground & Mezzanine Floor  
Shoplot Nos 1 & 2, Block A  
Pangie Light Industrial Complex  
Jalan Jungkat, Tenom New Township  
P.O. Box 379  
89909 Tenom, Sabah  
Tel : 087-737 757  
Fax : 087-737 762

**SARAWAK****Bintulu**

No. 24, Bintulu Parkcity Commerce Square  
Phase 1, Jalan Tun Ahmad Zaidi  
97000 Bintulu, Sarawak  
Tel : 086-318 626  
Fax : 086-318 621

**Kuching**

178, Jalan Chan Chin Ann  
93100 Kuching, Sarawak  
Tel : 082-257 129  
Fax : 082-257 275

**Laksamana**

70 & 71, Block 10  
Jalan Laksamana Cheng Ho  
93200 Kuching, Sarawak  
Tel : 082-230 888  
Fax : 082-235 567

**Miri**

Ground & 1st Floor  
Lot 353, Block 7  
Miri Concession Land District  
(Pelita Commercial Centre)  
Jalan Miri Pujut  
98000 Miri, Sarawak  
Tel : 085-427 535  
Fax : 085-425 362

# DIRECTORY (Cont'd)

as at 31 May 2018

## SARAWAK (cont'd)

### Sibu

Ground Floor  
32, Jalan Bako  
Brooke Drive 3  
96000 Sibu, Sarawak  
Tel : 084-317 628  
Fax : 084-317 148

## LABUAN

### Labuan

MPWPL U 0072 & 0073  
Jalan Merdeka, P.O. Box 396  
87008 Labuan FT  
Tel : 087-412 826  
Fax : 087-415 446



## ALLIANCE INVESTMENT BANK BERHAD

(A participating organisation of Bursa Malaysia Securities Berhad)

### HEAD OFFICE

19th Floor, Menara Multi-Purpose  
Capital Square  
No. 8, Jalan Munshi Abdullah  
50100 Kuala Lumpur  
Tel : 03-2604 3333  
Fax : 03-2692 8787

[www.allianceinvestmentbank.com.my](http://www.allianceinvestmentbank.com.my)

## PULAU PINANG

### Pulau Pinang

Ground & Mezzanine Floor  
Bangunan Barkath  
21, Lebuhraya Pantai  
10300 Pulau Pinang  
Tel : 04-261 1688  
Fax : 04-261 6363

## KUALA LUMPUR

### Kuala Lumpur

17th Floor, Menara Multi-Purpose  
Capital Square  
No. 8, Jalan Munshi Abdullah  
50100 Kuala Lumpur  
Tel : 03-2604 3333  
Fax : 03-2697 2929

## JOHOR

### Kluang

No. 73, Ground Floor  
Jalan Rambutan  
86000 Kluang, Johor  
Tel : 07-771 7922  
Fax : 07-777 1079

## PAHANG

### Kuantan

Ground, Mezzanine & 1st Floor  
B-400, Jalan Beserah  
25300 Kuantan, Pahang  
Tel : 09-566 0800  
Fax : 09-566 0801

## TERENGGANU

### Kuala Terengganu

Ground & Mezzanine Floor  
Wisma Kam Choon  
101, Jalan Kampong Tiong  
20100 Kuala Terengganu, Terengganu  
Tel : 09-631 7922  
Fax : 09-631 3255



## ALLIANCEDBS RESEARCH

## ALLIANCEDBS RESEARCH SDN BHD

### HEAD OFFICE

19th Floor, Menara Multi-Purpose  
Capital Square  
No. 8, Jalan Munshi Abdullah  
50100 Kuala Lumpur  
Tel : 03-2604 3333

[www.allianceinvestmentbank.com.my](http://www.allianceinvestmentbank.com.my)



## ALLIANCE TRUSTEE

## ALLIANCE TRUSTEE BERHAD

### HEAD OFFICE

18th Floor, Menara Multi-Purpose  
Capital Square  
No. 8, Jalan Munshi Abdullah  
50100 Kuala Lumpur  
Tel : 03-2604 3333  
Fax : 03-2698 0393

## BRANCHES

## KEDAH

### Alor Setar

Lot T-30, 2nd Floor  
Wisma PKNK  
Jalan Sultan Badlishah  
05000 Alor Setar, Kedah  
Tel : 04-731 7088  
Fax : 04-731 8428



# ANALYSIS OF SHAREHOLDINGS

as at 21 May 2018

Class of securities	: Ordinary shares
Issued and paid-up share capital	: RM1,548,105,929
Voting rights	: One vote per ordinary share

## Shareholdings Distribution Schedule

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Shares
Less than 100	1,893	11.58	36,730	0.01
100 – 1,000	3,871	23.68	2,990,690	0.19
1,001 – 10,000	7,908	48.37	33,475,456	2.16
10,001 – 100,000	2,085	12.75	64,727,435	4.18
100,001 – less than 5% of issued shares	591	3.61	828,068,403	53.49
5% and above of issued shares	2	0.01	618,807,215	39.97
<b>Total</b>	<b>16,350</b>	<b>100.00</b>	<b>1,548,105,929</b>	<b>100.00</b>

## Thirty (30) Largest Shareholders

Name	No. of Shares Held	% of Issued Shares
1. CIMB Group Nominees (Tempatan) Sdn Bhd – Exempt AN for DBS Bank Ltd (SFS)	449,857,775	29.06
2. Citigroup Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board	168,949,440	10.91
3. Focus Asia Strategies Ltd	73,528,700	4.75
4. Medimetro (M) Sdn Bhd	56,000,000	3.62
5. Citigroup Nominees (Tempatan) Sdn Bhd – Exempt AN for AIA Bhd	39,732,600	2.57
6. Cartaban Nominees (Asing) Sdn Bhd – Exempt AN for State Street Bank & Trust Company (West CLTOD67)	36,754,500	2.37
7. Malaysia Nominees (Tempatan) Sendirian Berhad – Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	34,811,000	2.25
8. Fields Equity Management Ltd	31,470,900	2.03
9. HSBC Nominees (Asing) Sdn Bhd – JPMCB NA for Vanguard Emerging Markets Stock Index Fund	21,676,317	1.40
10. Citigroup Nominees (Asing) Sdn Bhd – Exempt AN for Citibank New York (Norges Bank 14)	19,929,300	1.29
11. Eden Engineering Sdn Bhd	19,700,000	1.27
12. Citigroup Nominees (Asing) Sdn Bhd – CBNY for Dimensional Emerging Markets Value Fund	15,725,000	1.02
13. Cartaban Nominees (Tempatan) Sdn Bhd – PAMB for Prulink Equity Fund	15,252,100	0.98
14. Maybank Nominees (Tempatan) Sdn Bhd – Maybank Trustees Berhad for Public Regular Savings Fund (N14011940100)	15,044,700	0.97

## ANALYSIS OF SHAREHOLDINGS (Cont'd)

as at 21 May 2018

### Thirty (30) Largest Shareholders (cont'd)

Name	No. of Shares Held	% of Issued Shares
15. HSBC Nominees (Asing) Sdn Bhd – JPMCB NA for Vanguard Total International Stock Index Fund	14,528,700	0.94
16. HSBC Nominees (Asing) Sdn Bhd – Exempt AN for Bank Julius Baer & Co. Ltd (Singapore BCH)	9,543,000	0.62
17. Citigroup Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board (Aberdeen)	9,540,000	0.62
18. HSBC Nominees (Asing) Sdn Bhd – BPSS Lux for Aberdeen Global – Asian Smaller Companies Fund	9,506,900	0.61
19. HSBC Nominees (Asing) Sdn Bhd – TNTC for Asia Discovery Emerging Companies Master Fund Pte. Ltd.	8,500,000	0.55
20. Citigroup Nominees (Asing) Sdn Bhd – CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	7,868,600	0.51
21. Citigroup Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board (CIMB Prin)	7,864,000	0.51
22. Cartaban Nominees (Asing) Sdn Bhd – GIC Private Limited for Government of Singapore (C)	7,792,800	0.50
23. Malaysia Nominees (Tempatan) Sendirian Berhad – Great Eastern Life Assurance (Malaysia) Berhad (Par 3)	7,663,500	0.50
24. Citigroup Nominees (Tempatan) Sdn Bhd – Kumpulan Wang Persaraan (Diperbadankan) (Aberdeen)	7,399,400	0.48
25. Citigroup Nominees (Asing) Sdn Bhd – Exempt AN for Citibank New York (Norges Bank 9)	6,918,800	0.45
26. Malaysia Nominees (Tempatan) Sendirian Berhad – Great Eastern Life Assurance (Malaysia) Berhad (LSF)	6,722,600	0.43
27. Citigroup Nominees (Tempatan) Sdn Bhd – Kumpulan Wang Persaraan (Diperbadankan) (CIMB Equities)	6,265,300	0.40
28. Cartaban Nominees (Asing) Sdn Bhd – BBH (Lux) SCA for Fidelity Funds ASEAN	5,568,600	0.36
29. DB (Malaysia) Nominees (Asing) Sdn Bhd – BNYM SA/NV for People's Bank of China (SICL Asia EM)	5,181,200	0.33
30. Citigroup Nominees (Tempatan) Sdn Bhd – Kumpulan Wang Persaraan (Diperbadankan) (Kenanga)	4,724,500	0.31
<b>Total</b>	<b>1,124,020,232</b>	<b>72.61</b>

## SUBSTANTIAL SHAREHOLDERS

as at 21 May 2018

Name of Substantial Shareholder	Direct Interest	% of Issued Shares	No. of Ordinary Shares		Total	% of Issued Shares
			Indirect Interest	% of Issued Shares		
Vertical Theme Sdn Bhd	449,857,775	29.06	-	-	449,857,775	29.06
Langkah Bahagia Sdn Bhd	-	-	449,857,775 <sup>1</sup>	29.06	449,857,775	29.06
Duxton Investments Pte Ltd	-	-	449,857,775 <sup>1</sup>	29.06	449,857,775	29.06
Ong Beng Seng	-	-	449,857,775 <sup>2</sup>	29.06	449,857,775	29.06
Ong Tiong Sin	-	-	449,857,775 <sup>2</sup>	29.06	449,857,775	29.06
Seow Lun Hoo	-	-	449,857,775 <sup>2</sup>	29.06	449,857,775	29.06
Fullerton Financial Holdings Pte Ltd	-	-	449,857,775 <sup>3</sup>	29.06	449,857,775	29.06
Fullerton Management Pte Ltd	-	-	449,857,775 <sup>4</sup>	29.06	449,857,775	29.06
Temasek Holdings (Private) Limited	-	-	449,857,775 <sup>5</sup>	29.06	449,857,775	29.06
Singapore Minister for Finance	-	-	449,857,775 <sup>6</sup>	29.06	449,857,775	29.06
Employees Provident Fund Board	190,812,040	12.33	-	-	190,812,040	12.33

### Notes:

<sup>1</sup> Deemed interested by virtue of Section 8 of the Companies Act 2016 held through Vertical Theme Sdn Bhd.

<sup>2</sup> Deemed interested by virtue of Section 8 of the Companies Act 2016 held through Langkah Bahagia Sdn Bhd.

<sup>3</sup> Deemed interested by virtue of Section 8 of the Companies Act 2016 held through Duxton Investments Pte Ltd.

<sup>4</sup> Deemed interested by virtue of Section 8 of the Companies Act 2016 held through Fullerton Financial Holdings Pte Ltd.

<sup>5</sup> Deemed interested by virtue of Section 8 of the Companies Act 2016 held through Fullerton Management Pte Ltd.

<sup>6</sup> Deemed interested by virtue of Section 8 of the Companies Act 2016 held through Temasek Holdings (Private) Limited.

## DIRECTORS' SHAREHOLDINGS

as at 21 May 2018

None of the Directors and the Group Chief Executive Officer have any interests in the shares of the Bank or in any of the Bank's related corporation.

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the 36th Annual General Meeting of Alliance Bank Malaysia Berhad will be held at the Grand Ballroom, Level 2, InterContinental Kuala Lumpur, 165 Jalan Ampang, 50450 Kuala Lumpur on Wednesday, 11 July 2018 at 11.00 a.m. for the following purposes:

## AGENDA

### As Ordinary Business

- |    |   |   |
|----|---|---|
| 1. | To receive the Audited Financial Statements for the financial year ended 31 March 2018 together with the Reports of the Directors and Auditors thereon.                                 | <b>Please refer to<br/>Explanatory Note (i)</b> |
| 2. | To approve the payment of Directors' fees and Board Committees' fees amounting to RM1,530,165 in respect of the financial year ended 31 March 2018.                                     | <b>Ordinary Resolution 1</b>                    |
| 3. | To approve Directors' benefits (other than Directors' fees and Board Committees' fees) up to an amount of RM1,100,000 from 12 July 2018 to the next Annual General Meeting of the Bank. | <b>Ordinary Resolution 2</b>                    |
| 4. | To re-elect Mr Ou Shian Waei who retires by rotation pursuant to Article 87 of the Bank's Constitution.   | <b>Ordinary Resolution 3</b>                    |
| 5. | To re-elect Mr Ho Hon Cheong who retires by rotation pursuant to Article 87 of the Bank's Constitution.   | <b>Ordinary Resolution 4</b>                    |
| 6. | To re-elect Mr Thayaparan S. Sangarapillai who retires by rotation pursuant to Article 87 of the Bank's Constitution.   | <b>Ordinary Resolution 5</b>                    |
| 7. | To re-elect Mr Tan Chian Khong who retires pursuant to Article 93 of the Bank's Constitution.   | <b>Ordinary Resolution 6</b>                    |
| 8. | To re-appoint PricewaterhouseCoopers PLT as Auditors of the Bank and authorise the Directors to fix their remuneration.   | <b>Ordinary Resolution 7</b>                    |
| 9. | To transact any other business for which due notice shall have been given in accordance with the Bank's Constitution and/or the Companies Act 2016.                                     |   |

BY ORDER OF THE BOARD

LEE WEI YEN (MAICSA 7001798)  
Group Company Secretary

Kuala Lumpur  
18 June 2018

**Notes:**

1. A Member entitled to attend, participate, speak and vote at the meeting is entitled to appoint a proxy or proxies to attend, participate, speak and vote in his/her stead. A proxy may but need not be a Member of the Bank.
2. To be valid, the duly completed Form of Proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority must be deposited at the registered office of the Bank at 3rd Floor, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur, not less than forty-eight (48) hours before the time set for holding the meeting.
3. A Member who is an Exempt Authorised Nominee which holds ordinary shares in the Bank for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
4. A Member other than an Exempt Authorised Nominee shall be entitled to appoint not more than two (2) proxies to attend, participate, speak and vote at the same meeting.
5. Where a Member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy.
6. If the appointor is a corporation, the Form of Proxy must be executed under its common seal or under the hand of an officer or attorney duly authorised.
7. A Member whose name appears in the General Meeting Record of Depositors as at 5 July 2018 shall be regarded as a Member entitled to attend, participate, speak and vote at the meeting or appoint a proxy or proxies to attend, participate, speak and vote in his/her stead.
8. By submitting the duly executed Form of Proxy, the Member and his/her proxy consent to the Bank (and/or its agents/service providers) collecting, using and disclosing the personal data therein in accordance with the Personal Data Protection Act 2010 for the purposes of this Annual General Meeting and any adjournment thereof.

**EXPLANATORY NOTES****(i) Item 1 on the Agenda – Audited Financial Statements for the financial year ended 31 March 2018**

This Agenda item is laid before the Annual General Meeting pursuant to Section 340(1) of the Companies Act 2016, and does not require a formal approval of the shareholders. As such, it is meant for discussion only and not put forward for voting.

**(ii) Ordinary Resolution 1 – Directors' fees and Board Committees' fees**

The Non-Executive Chairman and Non-Executive Directors are entitled to annual Directors' fees and annual Board Committees' fees (if applicable).

The current policy on the Directors' fee and Board Committees' fee is as set out below:

Description	Financial Year Ended 31 March 2018 (RM)	Financial Year Ended 31 March 2017 (RM)
Annual Directors' Fees		
- Non-Executive Chairman	200,000	200,000
- Non-Executive Director	92,000	92,000
Annual Board Committees' Fees		
- Chairman	40,000	40,000
- Member	25,000	25,000

**(iii) Ordinary Resolution 2 – Directors' benefits (other than Directors' fees and Board Committees' fees)**

The Directors' benefits (other than Directors' fees and Board Committees' fees) comprise attendance allowances and other benefits for Non-Executive Directors, as set out below:

- (a) Attendance allowance – RM1,100 per meeting

# NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

- (b) Other benefits include company car and driver allowance (for Chairman only), insurance coverage based on premium paid/payable, and other claimable benefits.

In determining the estimated total amount of Directors' benefits, the Board has considered various factors including the potential increase in Board size and the estimated number of meetings for the Board and Board Committees from this Annual General Meeting up to the next Annual General Meeting in 2019.

## STATEMENT ACCOMPANYING NOTICE OF 36TH ANNUAL GENERAL MEETING (Pursuant to Paragraph 8.27(2) of Bursa Malaysia Securities Berhad Main Market Listing Requirements)

The profiles of the Directors who are standing for re-election at the 36th Annual General Meeting are set out below.

(i) **Mr Ou Shian Waei**

Senior Independent Non-Executive Director  
Chairman of Group Nomination & Remuneration Committee and Member of the Executive Committee  
Malaysian / Male / Aged 67

Mr Ou Shian Waei was appointed to the Alliance Bank Malaysia Berhad Board of Directors on 8 December 2010.

Mr Ou holds a Bachelor of Science degree in Chemistry from the University of Malaya.

He began his career with a local bank as a management trainee from 1976 to 1980. He then joined IBM Malaysia in 1981 as a trainee System Engineer and held various technical and management positions before retiring as Managing Director of IBM Malaysia in January 2010 after almost 30 years of service.

Mr Ou was the PIKOM (Association of Malaysia Computer Industry) Councillor from 1997 to 1998 and was awarded the 'Key Industry Leader Award' in 2006 by PIKOM (now known as The National ICT Association of Malaysia) for his contributions to Malaysia's IT industry. He was also the Chairman of the National International Technology Council (NITC) Taskforce for IT literacy in 1997 and Adjunct Professor for the Department of Economics & Business Administration at Universiti Putra Malaysia from 1998 to 1999.

Mr Ou serves as the Chairman of AIG Malaysia Insurance Berhad. He is also a Director of Public Interest Director of Private Pension Administrator Malaysia.

(ii) **Mr Ho Hon Cheong**

Non-Independent Non-Executive Director  
Member of Group Audit Committee and Group Risk Management Committee  
Malaysian / Male / Aged 63

Mr Ho Hon Cheong was appointed to the Alliance Bank Malaysia Berhad Board of Directors on 26 August 2015.

Mr Ho graduated from the University of Malaya with a Bachelor of Engineering (Honours) in 1978, and from McGill University, Canada in 1980 with a Master of Business Administration degree in Finance & Accounting.

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

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

Mr Ho is currently a Senior Advisor to Temasek International Advisors Pte Ltd.

He is a Director of AIA Singapore Pte Ltd and a Commissioner of PT Chandra Asri Petrochemical TBK. He is also the Non-Executive Chairman of Frasers Logistics & Industrial Trust.

- (iii) **Mr Thayaparan S. Sangarapillai**  
Independent Non-Executive Director  
Chairman of Group Audit Committee  
Malaysian / Male / Aged 63

Mr Thayaparan S. Sangarapillai was appointed to the Alliance Bank Malaysia Berhad Board of Directors on 10 May 2016.

Mr Thaya trained as an accountant in London and qualified as a Chartered Accountant in 1982. He is a Fellow of the Institute of Chartered Accountants in England and Wales. He is also a member of the Malaysian Institute of Certified Public Accountants, and the Malaysian Institute of Accountants.

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

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

He serves as a Director on the Boards of Sime Darby Berhad, AIG Malaysia Insurance Berhad, edotco Group Sdn Bhd and Robi Axiata Limited.

- (iv) **Mr Tan Chian Khong**  
Independent Non-Executive Director  
Member of Group Audit Committee  
Singaporean / Male / Aged 62

Mr Tan Chian Khong was appointed to the Alliance Bank Malaysia Berhad Board of Directors on 26 September 2017.

Mr Tan holds a Bachelor of Accountancy from National University of Singapore, a Master of Business Administration degree from the University of South Australia, and a Master of International Environmental Management Degree from the University of Adelaide, Australia. He is a member of the American Institute of Certified Public Accountants, and a Fellow of the Institute of Singapore Chartered Accountants and of CPA Australia.

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

Mr Tan currently serves on the Boards of Hong Leong Asia Ltd, Xinghua Port Holdings Ltd, The Straits Trading Company Ltd and Casino Regulatory Authority of Singapore, a statutory board of Singapore. He is an Honorary Executive Director of Trailblazer Foundation Ltd and a member of Rules Change Panel of Energy Market Company Pte Ltd.

Additional information of the Directors who are standing for re-election at the 36th Annual General Meeting:

- (i) Interest in the securities of the Bank and its subsidiaries

None of the said Directors have any interests in the securities of the Bank or its subsidiaries.

- (ii) Family Relationship

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

- (iii) Conflict of interests

None of the said Directors have any conflict of interests with the Bank.

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

None of the said Directors have been convicted for any offences within the past 5 years (other than traffic offences) and have been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 March 2018.







# ALLIANCE BANK

Alliance Bank Malaysia Berhad (88103-W)

## FORM OF PROXY

CDS Account No.

No. of Shares Held

I/We (full name in block letters) \_\_\_\_\_

identity card no./company registration no. \_\_\_\_\_

of \_\_\_\_\_

being a Member of ALLIANCE BANK MALAYSIA BERHAD hereby appoint \_\_\_\_\_

NRIC No. \_\_\_\_\_

of \_\_\_\_\_

and/or failing him/her \_\_\_\_\_ NRIC No. \_\_\_\_\_

of \_\_\_\_\_

as my/our proxy/proxies to vote for me/us on my/our behalf at the 36th Annual General Meeting of the Bank to be held at Grand Ballroom, Level 2, InterContinental Kuala Lumpur, 165 Jalan Ampang, 50450 Kuala Lumpur on Wednesday, 11 July 2018 at 11.00 a.m. and at any adjournment thereof.

NO.	ORDINARY RESOLUTIONS	*FOR	*AGAINST
1.	To approve the payment of Directors' fees and Board Committees' fees amounting to RM1,530,165 in respect of the financial year ended 31 March 2018		
2.	To approve Directors' benefits (other than Directors' fees and Board Committees' fees) up to an amount of RM1,100,000 from 12 July 2018 to the next Annual General Meeting of the Bank		
3.	To re-elect Mr Ou Shian Waei who retires by rotation pursuant to Article 87 of the Bank's Constitution		
4.	To re-elect Mr Ho Hon Cheong who retires by rotation pursuant to Article 87 of the Bank's Constitution		
5.	To re-elect Mr Thayaparan S. Sangarapillai who retires by rotation pursuant to Article 87 of the Bank's Constitution		
6.	To re-elect Mr Tan Chian Khong who retires pursuant to Article 93 of the Bank's Constitution		
7.	To re-appoint PricewaterhouseCoopers PLT as Auditors of the Bank and authorise the Directors to fix their remuneration		

\* Please indicate with an "X" on how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his/her discretion.

As witness my/our hand(s) this \_\_\_\_\_ day of \_\_\_\_\_ 2018.

### Shareholding represented by Proxy

Proxy 1	%
Proxy 2	%
Total	%

Signature of Member

### Notes:

- A Member entitled to attend, participate, speak and vote at the meeting is entitled to appoint a proxy or proxies to attend, participate, speak and vote in his/her stead. A proxy may but need not be a Member of the Bank.
- To be valid, the duly completed Form of Proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority must be deposited at the registered office of the Bank at 3rd Floor, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur, not less than forty-eight (48) hours before the time set for holding the meeting.
- A Member who is an Exempt Authorised Nominee which holds ordinary shares in the Bank for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
- A Member other than an Exempt Authorised Nominee shall be entitled to appoint not more than two (2) proxies to attend, participate, speak and vote at the same meeting.
- Where a Member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy.
- If the appointor is a corporation, the Form of Proxy must be executed under its common seal or under the hand of an officer or attorney duly authorised.
- A Member whose name appears in the General Meeting Record of Depositors as at 5 July 2018 shall be regarded as a Member entitled to attend, participate, speak and vote at the meeting or appoint a proxy or proxies to attend, participate, speak and vote in his/her stead.
- By submitting the duly executed Form of Proxy, the Member and his/her proxy consent to the Bank (and/or its agents/service providers) collecting, using and disclosing the personal data therein in accordance with the Personal Data Protection Act 2010 for the purposes of this Annual General Meeting and any adjournment thereof.

fold this flap for sealing

then fold here



**GROUP COMPANY SECRETARY  
ALLIANCE BANK MALAYSIA BERHAD**

3rd Floor, Menara Multi-Purpose  
Capital Square, No. 8, Jalan Munshi Abdullah  
50100 Kuala Lumpur, Malaysia.

1st fold here



---

[www.alliancebank.com.my](http://www.alliancebank.com.my)



AllianceBankMalaysia



AllianceBankMY

**ALLIANCE BANK MALAYSIA BERHAD (88103-W)**

3rd Floor, Menara Multi-Purpose, Capital Square,  
No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur, Malaysia.  
Tel : 03-2604 3333 Fax : 03-2694 6200