



ALLIANCE BANK

Building Alliances To Improve Lives

2019 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 then holding company, Alliance Financial Group Berhad upon the completion of a corporate re-organisation exercise.

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

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

Our Vision

Building Alliances to Improve Lives

Our Brand Attributes

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

Our Key Behaviours



Commit to Excellence



Take Ownership



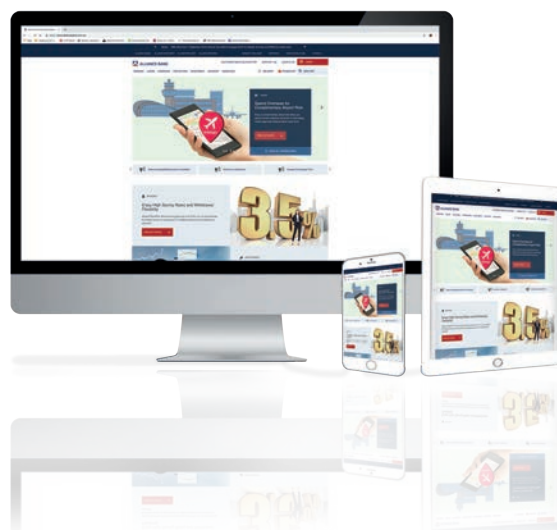
Collaborate



Understand & Act



Innovate & Simplify



VIEW OUR REPORT ONLINE

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



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



Indicates a website reference where more information can be found.

CONTENTS

SECTION

1

CORPORATE

- Corporate Profile
- Our Vision, Key Behaviours & Brand Attributes
- 2** Corporate Information
- 4** Corporate Structure
- 5** Products and Services
- 10** Financial Highlights

SECTION

2

PERSPECTIVES

- 12** Statement by Chairman of Alliance Bank Malaysia Berhad
- 14** Management Discussion & Analysis
- 27** Sustainability Statement
- 50** Calendar of Significant Events

SECTION

3

GOVERNANCE

- 62** Corporate Governance Overview Statement
 - Leadership and Effectiveness
 - Board of Directors
 - Senior Management
 - Audit and Risk Management
 - Group Audit Committee Report
 - Shariah Committee of Alliance Islamic Bank Berhad
 - Relations with Shareholders
- 96** Statement on Risk Management and Internal Control
- 97** Risk Management
- 104** Additional Compliance Information

SECTION

4

FINANCIAL

- 106** Statement of Board of Directors' Responsibilities
- 107** Financial Statements
 - Directors' Report
 - Statement by Directors
 - Statutory Declaration
 - Independent Auditors' Report
 - Statements of Financial Position
 - Statements of Income
 - Statements of Comprehensive Income
 - Statements of Changes in Equity
 - Statements of Cash Flows
 - Notes to the Financial Statements
- 285** Basel II Pillar 3 Report Disclosure

SECTION

5

ADDITIONAL INFORMATION

- 340** List of Properties
- 342** Directory
- 347** Analysis of Shareholdings
- 349** Substantial Shareholders
- 349** Directors' Shareholdings
- 350** Senior Management's Shareholdings

SECTION

6

NOTICE AND FORM

- 351** Notice of 37th Annual General Meeting Form of Proxy

CORPORATE INFORMATION

as at 31 May 2019

BOARD OF DIRECTORS

TAN SRI DATO' AHMAD BIN MOHD DON
Chairman of the Board,
Independent Non-Executive Director

KUAH HUN LIANG
Senior Independent Non-Executive Director

OU SHIAN WAEI
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

SUSAN YUEN SU MIN
Independent Non-Executive Director
(Appointed on 15 October 2018)

EXECUTIVE COMMITTEE

LEE AH BOON (Chairman)
Non-Independent Non-Executive Director

DATUK WAN AZHAR BIN WAN AHMAD
Independent Non-Executive Director

LEE BOON HUAT
Independent Non-Executive Director

OU SHIAN WAEI
Independent Non-Executive Director

TAN CHIAN KHONG
Independent Non-Executive Director
(Appointed on 1 April 2019)

GROUP NOMINATION & REMUNERATION COMMITTEE*

OU SHIAN WAEI (Chairman)
Independent Non-Executive Director

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

DATUK WAN AZHAR BIN WAN AHMAD
Independent Non-Executive Director

LEE AH BOON
Non-Independent Non-Executive Director

SUSAN YUEN SU MIN
Independent Non-Executive Director
(Appointed on 1 April 2019)

GROUP AUDIT COMMITTEE*

THAYAPARAN S. SANGARAPILLAI
(Chairman)
Independent Non-Executive Director

KUAH HUN LIANG
Independent Non-Executive Director

DATUK WAN AZHAR BIN WAN AHMAD
Independent Non-Executive Director

HO HON CHEONG
Non-Independent Non-Executive Director

TAN CHIAN KHONG
Independent Non-Executive Director

GROUP RISK MANAGEMENT COMMITTEE*

LEE BOON HUAT (Chairman)
Independent Non-Executive Director

HO HON CHEONG
Non-Independent Non-Executive Director

THAYAPARAN S. SANGARAPILLAI
Independent Non-Executive Director

TUAN HAJI IBRAHIM BIN HASSAN
Independent Non-Executive Director of
Alliance Islamic Bank Berhad

MAZIDAH BINTI ABDUL MALIK
Independent Non-Executive Director of
Alliance Investment Bank Berhad

SHARIAH COMMITTEE^

**ASSOCIATE PROFESSOR DR BADRUDDIN
BIN HJ IBRAHIM** (Chairman)

TUAN HAJI MD ALI BIN MD SARIF

USTAZ ZAHARUDIN BIN MUHAMMAD

DR AZRUL AZLAN BIN ISKANDAR MIRZA

USTAZ AHMAD FAUWAZ BIN ALI @ FADZIL

Notes:

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

^ Resides in Alliance Islamic Bank Berhad.



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
Email : 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
50706 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 2019



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

allianceonline

allianceonline Internet Banking (24x7 service availability)

- Account Overview
- Alliance SavePlus Account Opening
- Bill Payment (JomPAY)
- Credit Card Balance Transfer & Fast Cash
- Credit Card Payment (Pay to Alliance Bank/Interbank/DuitNow/GIRO)
- eFD
- E-Foreign Telegraphic Transfer
- eIPO
- e-Statement
- Foreign Remittance
- FPX Payment
- Fund Transfer (Pay to Alliance Bank/Interbank/DuitNow/GIRO)
- Loan Payment (Pay to Alliance Bank/Interbank/DuitNow/GIRO)
- Prepaid Reload
- Stock Trading Sign On
- Transaction History

allianceonline Mobile Banking (24x7 service availability)

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

allianceonline Cash2Home (24x7 service availability)

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

Wealth Management

Bancassurance

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

Deposits

- Alliance Buddy
- Alliance FDGold
- Alliance Hybrid Account/Alliance Premium Hybrid Account
- Alliance My eSaving Account
- Alliance SavePlus Account
- Alliance Senior Savers
- Alliance Xchange Account/Fixed Deposit
- AllianceSave
- AllianceSave Pendidikan
- Current Account/Basic Current Account
- Fixed Deposit
- Foreign Currency Current Account
- Foreign Currency Fixed Deposit
- Savings Account/Basic Savings Account

Unit Trust

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

PRODUCTS AND SERVICES (Cont'd)

Retail Broking & Investment Lending

- Alliance One Invest stock trading platform for retail clients (available on web and mobile app)
- Dedicated Omni-Channels to serve our customers
 - Call N Trade through Alliance Bank's Share Trading Centres (STC), relationship managed and serviced by Equity Specialists
 - Daily research reports, stock trading ideas & Model Portfolio from ADBS Research
 - Online share trading via Internet & Mobile
- Share Margin Financing
 - ESOS/IPO/Placement Financing Account
 - External Margin Account
 - Foreign Share Margin
 - Portfolio Financing Account
 - Share Margin + Trading 2-in-1 Account
- Share Trading Account
 - Cash Upfront Trading Account
 - Collateralised Trading Account
 - Flexi 7 Account (i.e.T+7 Trading Account)
- Foreign Share Trading

Retail Securities

- Foreign Currency Retail Bond
- MYR-denominated Retail Bond

Structured Investment

- Basket Equity-Linked Knock-In Knock-Out Structured Investment
- Dual Currency Investment
- Equity Linked Convertible Structured Investment
- Equity Linked Structured Investment
- Fund-Linked Structured Investment
- Interest-rate Linked Structured Investment

Conventional Loans

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

Cards

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

Debit Cards

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

BUSINESS BANKING

SME

Bancassurance

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

Business Credit Card

- 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
- Deposit Account Offering
 - Bulk Payment with Payment Advice
 - Business Current Account
 - Business Fixed Deposit
 - DuitNow/Instant Transfer
 - E-Dividend Payment
 - Foreign Telegraphic Transfer
 - Fund Transfer (Pay to Alliance Bank/Interbank GIRO/RENTAS)
 - MyGST Payment
 - Payroll (Salary/EPF/SOCSO/SOCSO-EIS/Monthly Contribution/PCB-LHDN Payment)
 - Prepaid Reload
 - Zakat Selangor

Credit Facilities

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

Employee Account Opening

- Employee Account Opening for Local and Foreign Workers (via BizSmart)

Trade Facilities

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

Corporate & Commercial**Bancassurance**

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

Business Credit Card

- Business Platinum 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: Deposit cum Withdrawal function via Self-Service Terminals (ATM/CDM/CES)
 - Bank Cheque Collection Service
 - Cash Concentration Solution
 - Cash in Transit
 - JomPAY Collection
 - Payee Corporation Service (FPX Payment)
 - Business Foreign Currency Current Account
 - Business Foreign Currency Fixed Deposit

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

Credit Facilities

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

Foreign Exchange**Interest Rate Swap****Trade Facilities**

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

FINANCIAL MARKETS

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

PRODUCTS AND SERVICES (Cont'd)

ALLIANCE ISLAMIC BANK BERHAD

Bancatakaful

- i-Great Bakti
- Takaful Optimuz

Business Financing

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

Cards

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

Consumer Financing

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

Deposits

- Alliance 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

Financial Markets

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

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

Unit Trust

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

ALLIANCE INVESTMENT BANK BERHAD

Corporate Banking

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

Corporate Finance

- Independent Advice to Minority Shareholders for related party transactions, General Offers and General Offer Exemption
- Initial Public Offerings
 - Involving public issues of new securities and/or offers for sale of existing securities in companies seeking listing and quotation on the Main Market, the ACE Market and the LEAP Market of Bursa Malaysia Securities Berhad
- Merger, Takeover, Acquisition and Corporate Restructuring Advisory
- Other General Corporate Advisory such as bonus issue, share split and employee share option scheme

- Secondary Offerings
 - Involving raising of funds subsequent to the initial public offerings through rights issues, restricted issues, private placements and special issues of both equity and equity linked instruments

Debt Capital Markets

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

Equity Syndication

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

Financial Markets

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

Islamic Banking

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

Stockbroking

Alliance Retail Broking

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

Institutional Stockbroking

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

ALLIANCEDBS RESEARCH SDN BHD

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

ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD

ALLIANCEGROUP NOMINEES (ASING) SDN BHD

FINANCIAL HIGHLIGHTS

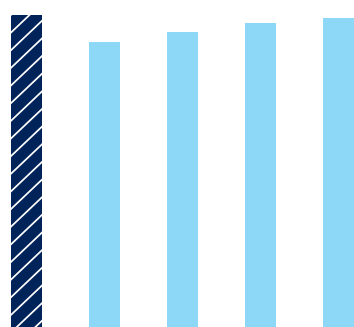
FINANCIAL YEAR ENDED 31 MARCH	2019	2018	2017	2016	2015
OPERATING RESULTS (RM MILLION)					
Net income	1,622	1,572	1,469	1,424	1,383
Profit before taxation	708	685	681	695	703
Net profit after taxation	538	493	512	522	531
KEY BALANCE SHEET DATA (RM MILLION)					
Total assets	56,521	53,938	54,089	55,627	53,142
Gross loans, advances and financing	42,730	40,307	39,336	38,748	36,923
Total liabilities	50,788	48,479	48,975	50,785	48,646
Deposits from customers	45,018	42,740	45,228	46,025	44,607
Paid-up capital	1,548	1,548	1,548	1,548	1,548
Shareholders' equity	5,733	5,460	5,114	4,842	4,495
Commitments and contingencies	24,182	22,641	26,494	21,832	22,746
SHARE INFORMATION AND VALUATIONS					
Share Information					
Earnings per share (sen)	34.7	31.9	33.5	34.2	34.8
Diluted earnings per share (sen)	34.7	31.9	33.5	34.2	34.8
Dividend per share (sen)	16.7	15.3	16.0	14.5	15.4
Net assets per share (RM)	3.70	3.53	3.30	3.13	2.90
Share price as at 31 March (RM)	4.09	4.37	4.08	4.15	4.79
Market capitalisation (RM million)	6,332	6,765	6,316	6,425	7,415
Share Valuations					
Dividend yield (%)	4.08	3.50	3.92	3.49	3.22
Dividend payout ratio (%)	48.1	48.0	48.4	43.0	45.0
Price to earnings multiple (times)	11.8	13.7	12.2	12.1	13.8
Price to book multiple (times)	1.1	1.2	1.2	1.3	1.6
FINANCIAL RATIOS (%)					
Profitability Ratios					
Net interest margin on average interest-earning assets	2.5	2.4	2.2	2.1	2.2
Net return on average equity	9.9	9.5	10.5	11.2	12.3
Net return on average assets	1.0	0.9	0.9	1.0	1.0
Net return on average risk-weighted assets	1.5	1.4	1.5	1.5	1.6
Cost to income ratio	47.8	50.5	47.1	48.4	46.8
Asset Quality Ratios					
Loan loss coverage	142.9¹	96.7 ¹	136.7 ¹	109.1 ¹	102.7
Gross impaired loans ratio	1.1	1.4	1.0	1.3	1.0
Net impaired loans ratio	0.6	1.0	0.6	0.8	0.6
Liquidity Ratios					
CASA ratio	35.5	37.3	34.2	32.1	33.6
Loan to Deposit ratio	94.9	94.3	87.0	84.2	82.8
Loan to Funds ratio	86.6	85.3	83.8	80.1	81.6
Capital Adequacy Ratios					
Common Equity Tier I (CET I) capital ratio	13.39	13.39	12.55	11.78	11.11
Tier I capital ratio	14.07	13.82	12.55	11.78	11.11
Total capital ratio	18.51	18.34	17.18	17.36	12.97

¹ Including Regulatory Reserve provision.

Improved Earnings

Profit After Taxation
(RM million)

538 493 512 522 531

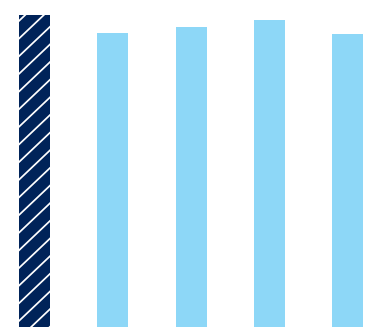


2019 2018 2017 2016 2015

Steady Balance Sheet Growth

Total Assets
(RM million)

56,521 53,938 54,089 55,627 53,142

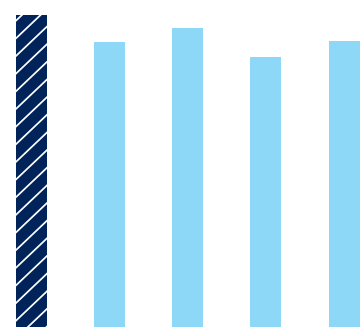


2019 2018 2017 2016 2015

Enhanced Shareholders Value

Dividend Per Share
(sen)

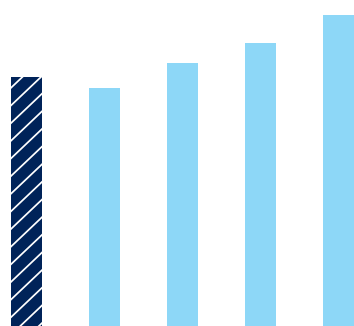
16.7 15.3 16.0 14.5 15.4



2019 2018 2017 2016 2015

Net Return on Average Equity
(%)

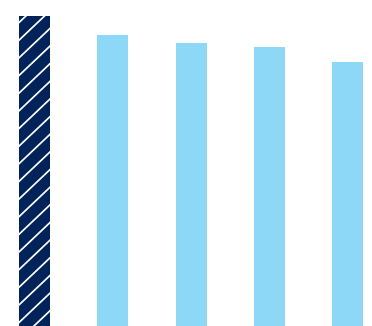
9.9 9.5 10.5 11.2 12.3



2019 2018 2017 2016 2015

Gross Loans, Advances and Financing
(RM million)

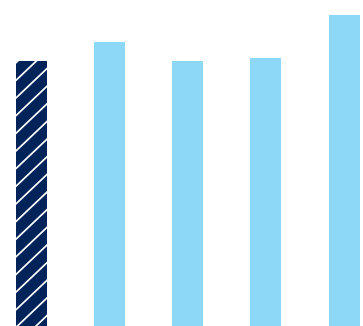
42,730 40,307 39,336 38,748 36,923



2019 2018 2017 2016 2015

Market Capitalisation
(RM million)

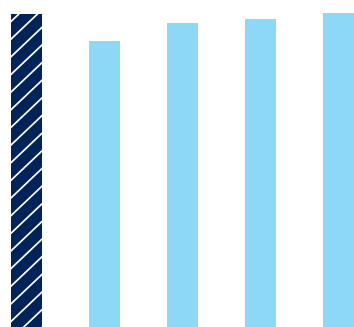
6,332 6,765 6,316 6,425 7,415



2019 2018 2017 2016 2015

Earnings Per Share
(sen)

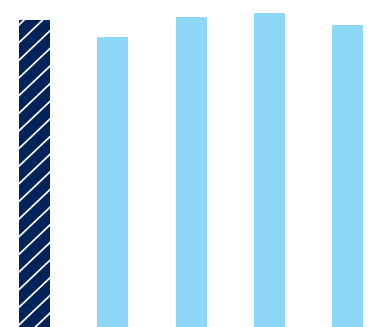
34.7 31.9 33.5 34.2 34.8



2019 2018 2017 2016 2015

Deposits from Customers
(RM million)

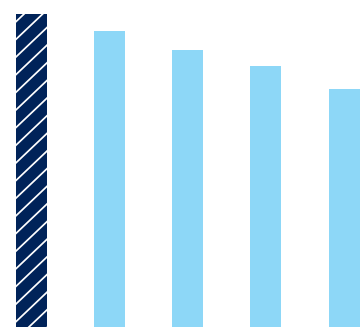
45,018 42,740 45,228 46,025 44,607



2019 2018 2017 2016 2015

Net Assets Per Share
(RM)

3.7 3.5 3.3 3.1 2.9



2019 2018 2017 2016 2015

STATEMENT BY CHAIRMAN OF ALLIANCE BANK MALAYSIA BERHAD



TAN SRI DATO' AHMAD BIN MOHD DON
Chairman, Alliance Bank Malaysia Berhad

Dear Shareholders,

It is my pleasure to present to you our Annual Report for the financial year ended 31 March 2019 (FY2019).

The Bank recorded stronger performance for the year under review, delivering on our commitment to create greater shareholder value. This has been the result of our focus on executing our Transformation initiatives, while we are digitising products and processes to enhance operational efficiency. Despite the Malaysian banking sector's subdued growth in FY2019, our revenue was one of the fastest growing in the industry. Our capital levels and asset quality remained among the sector's strongest.

LEVERAGING ON OUR UNIQUE STRENGTHS TO DRIVE GROWTH

We remained on track with our strategy to be the most important relationship for the financial success of business owners, in line with our vision of building alliances to improve lives. With SMEs and consumers as our key customer segments, the Bank has been laying a stronger foundation for future growth and accelerating core businesses.

To communicate our brand attributes of Innovative, Fast, Simple, Responsive and Aligned to Customers' Needs, we launched a new brand campaign in early 2019. Complementing that, we accelerated momentum for our Transformation initiatives, i.e. Alliance ONE Account (AOA), SME Banking, and Alliance@Work. We supported our market expansion efforts with a strong customer service culture which focused on improving customer experiences and offering better financial advice. Consequently, our Net Promoter Score improved across all touchpoints, and is among the highest in the industry.

Alliance ONE Account continues to be popular among customers seeking to consolidate their loans and strengthen their financial position. We enhanced our SME Banking portfolio to help business owners grow their businesses with solutions such as the SME Express Loan and programme lending. We have also launched digital local employee onboarding for Alliance@Work, which is a fully paperless process. We also enhanced training and onboarding programmes for new front-liners (e.g. AOA, SME Banking, Alliance@Work), covering technical skills, sales and service, soft skills, and compliance.

Building on our Transformation initiatives are our digitisation efforts, which help streamline and automate our processes bank-wide. This enables us to offer better, faster and simpler service.

During the financial year, we continued to strengthen our business resilience with proactive risk management. Mr Joel Kornreich, our Group Chief Executive Officer, presents more of our initiatives and outcomes for the financial year in his Management Discussion and Analysis on pages 14 to 26 of this Annual Report.

As a result of our efforts, the Bank recorded revenue growth of 3.2% to RM1.62 billion, which puts us among the Top 3 in the industry.

Our net interest margin continued to register strong improvement, up 10 basis points year-on-year (YOY) to 2.50%. Net profit after tax grew by 9.0% YOY to a five-year high of RM537.6 million.

ENHANCING SHAREHOLDER VALUE

The Bank's earnings per share for FY2019 was 34.7 sen with a return on equity of 9.9%. Our capital position remains one of the sector's strongest, with a Common Equity Tier 1 (CET 1) ratio at 13.4%, and total capital ratio at 18.5%. We maintained our approach of conserving CET 1 capital through earnings retention net of dividend, and managing Additional Tier 1 and total capital through capital programmes to support future business expansion.

In FY2019, we issued RM100 million Additional Tier-1 Capital Securities, and Alliance Islamic Bank Berhad (AIS) issued RM100 million

Islamic Additional Tier-1 Sukuk Wakalah. This helped to strengthen the Bank's and AIS' Tier-1 capital ratio to 14.1% and 12.6% respectively.

For FY2019, the Board of Directors has declared a second interim dividend of 8.2 sen. Together with the first interim dividend of 8.5 sen per share paid out on 28 December 2018, the total dividend for FY2019 amounts to 16.7 sen per share. This amounts to a total dividend payment ratio of 48% or RM258.5 million.

STRENGTHENING OUR SUSTAINABILITY COMMITMENT

The Bank views Economic, Environmental and Social (EES) sustainability matters as important components of our long-term business sustainability. We create real value for our stakeholders by integrating EES into the Bank's product and service portfolio, as well as our customer service and public outreach programmes.

Our signature sustainability programmes serve different community segments, and reflect our vision of "Building Alliances to Improve Lives". We help empower people with the right financial skills and knowledge through our AEIOU programme for school children and *Program Bimbingan Kewangan* for civil service employees. Our SME-oriented initiatives include the entrepreneurial-driven BizSmart Challenge and environmentally themed Eco-Biz Dream Project.

Continuing with our vision of building alliances to improve lives, in May 2019, our Islamic banking arm, AIS, launched a new social crowdfunding digital platform known as SocioBiz. To do this, AIS partnered with three charity organisations, namely Yayasan Kebajikan Negara, Yayasan Noor Al-Syakur and Pertubuhan Kebajikan Islam Malaysia, as well as a FinTech company, Ethis Ventures. Open to all members of the society, and not just Muslims, SocioBiz provides the public with the opportunity to channel their donations to help the financial disadvantaged segment start or expand a business, or learn a skill to earn a sustainable livelihood. AIS will match all contributions raised on SocioBiz dollar-for-dollar. SocioBiz abides by the Islamic principles encapsulated within Maqasid

Syariah, and supports three of the 17 United Nations' Sustainable Development Goals of poverty eradication, decent work and economic growth, and partnerships for the goals.

Our Sustainability Statement which has been prepared in accordance with Bursa Malaysia Securities Berhad's (Bursa Malaysia) business sustainability reporting framework, provides details of our EES initiatives and outcomes for the year.



More information can be found on pages 27 to 49.

OUR STRATEGIC COURSE FOR FY2020

Our plans for the year ahead will focus on enhancing customer propositions to offer them faster, simpler, more responsive and innovative products and services, which are aligned with their business and personal financial goals. We will continue to drive growth in our core Transformation initiatives of Alliance ONE Account, SME Banking, and Alliance@Work, by offering unique value-added propositions which differentiate us in the market place. The new focus will be on broad-basing customer acquisition through strategic ecosystem partnerships and new digital propositions.



More information can be found on pages 14 to 26.

ACKNOWLEDGEMENTS

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

I also wish to extend our appreciation to Bank Negara Malaysia, the Securities Commission Malaysia, Bursa Malaysia, and other regulatory authorities for their guidance and assistance.

Thank you to my fellow Board members for their efforts to drive the growth of the Bank by sharing their industry insights and contributing to our strategies.

On behalf of the Board, I wish to thank Mr Kung Beng Hong who has retired as Director of Alliance Bank and Chairman of Alliance

Investment Bank Berhad (AIBB) effective 1 January 2019. We are indebted to him for his 12 and a half years of service, having been a Board member since April 2006. We also thank Dato' Albert Yeoh Beow Tit for his service as Director of AIBB. Dato' Albert retired on 16 May 2019, having joined AIBB in May 2016.

Our collective gratitude also goes to Dato' Majid Mohamed, a Director of AIBB who retired on 28 February 2018 and a Director of AIS who resigned on 31 December 2018. We thank him for his strategic guidance in steering our Group's direction. Dato' Majid has taken on a significant role on the Board of another financial institution, and we wish him all the best in his future endeavours.

On the new directors who have joined us in FY2019, I would like to welcome Ms Susan Yuen Su Min who was appointed as Independent Director of Alliance Bank Malaysia Berhad on 15 October 2018, Datin Ooi Swee Lian who was appointed as Independent Director of AIBB on 1 November 2018, and Dato' Ahmad Hisham Kamaruddin who was appointed as an Independent Director of AIS on 15 February 2019. We look forward to working with them, and the strategic insights and wisdom they have to share with us.

On behalf of the Board, I wish to thank the Group's Senior Management for effectively leading and implementing our strategic priorities. I also thank all our staff members for their hard work and commitment in delivering results and values.

Lastly, I wish to extend our gratitude to our customers and shareholders for their continued support and faith in the Bank.

As we continue with our business journey, I am confident that together we will create long-term growth and value. To all our shareholders and stakeholders, we re-affirm our commitment to continue pursuing excellence in all our efforts.

Thank you.

AHMAD BIN MOHD DON

Chairman, Alliance Bank Malaysia Berhad

MANAGEMENT DISCUSSION & ANALYSIS

Dear Shareholders,

Alliance Bank Malaysia Berhad recorded strong performance for the financial year ended 31 March 2019 (FY2019), with a profit growth of 9% to RM537.6 million from RM493.2 million in FY2018.

We have enhanced our sales capacities, scaled up digital efforts, and restructured for greater efficiencies as part of our Transformation initiatives. We are on track with our Transformation strategy, and are constantly refining it to obtain greater growth and profitability in the medium to long-term.

This Management Discussion and Analysis provides an account of our strategies, initiatives and outcomes of our growth journey in FY2019.

MARKET ENVIRONMENT

In the past few years, the banking sector has faced several external factors which will continue to shape the industry in the foreseeable future. These factors come with both challenges and opportunities for growth.

Digital adoption by consumers who seek the convenience of digitalised lifestyles is accelerating. Consequently, digital banking penetration has grown from 41% three years ago to 64% this year. There is, however, still significant upside for digital banking sales, with the current proportion of digital sales standing at 10%, compared to e-commerce penetration of 46%.

Banking institutions and FinTech companies have expanded their digital propositions to capture growth opportunities. Banks are pursuing digitisation initiatives within areas such as payments and lending, while over 160 FinTechs are currently operating in Malaysia, with more than 35% of them focusing on payments.



MR JOEL KORNREICH
Group Chief Executive Officer

There is also a growing affluent and emerging affluent population in Malaysia. This segment is earning enough to both save and invest, and have more discerning investment objectives and needs. The affluent and emerging affluent segments of the population are expected to increase from approximately 8.9 million in 2015, to around 11.6 million by 2020.

SME's contribution to Malaysia's Gross Domestic Product (GDP) has also increased significantly in recent years. Between 2011 and 2016, SMEs in Malaysia grew at 7% per annum. SME's contribution to GDP could reach 41% by 2020.

IMPLEMENTING OUR STRATEGY, VISION AND BRAND PROMISE – “BUILDING ALLIANCES TO IMPROVE LIVES”

The Group's strategy is **To Be the Most Important Relationship for the Financial Success of Business Owners** with a vision of **Building Alliances to Improve Lives**. We focus on the needs of business owners. This

enables us to identify and provide them with the financial products and services they require to finance and grow their business, and improve their competitiveness. The Bank also seeks to answer the needs of the business owners' stakeholders, namely their families, employees and retail clients.

In FY2019, we launched a new brand campaign to communicate our four key attributes of speed, simplicity, responsiveness, and innovation. Bearing in mind current digital lifestyles, we increased the weight of marketing and branding activities in social media and digital channels. By expanding our media engagement, we were able to amplify our brand presence.

We employed a financial education approach for the content in our marketing campaigns, to increase consumer awareness on how they can use the Bank's product and service portfolio to drive business growth, and increase their financial wealth. We also engaged with different consumer segments by leveraging on our various Corporate

Responsibility initiatives as a reflection of our brand promise to create value in their lives.

Our efforts resulted in the Bank increasing its brand awareness, with spontaneous awareness rising from 20% in FY2017 to 27% in FY2019.

ENSURING A STRONG FOUNDATION

Efficient Balance Sheet Management

We continued to practise efficient balance sheet management which led to healthy funding and liquidity positions. Customer-based funding based on total customer deposits and structured investments grew 5.3% for the year to RM46 billion. We used fixed deposit growth from the consumer segment to fund growth in better Risk Adjusted Return (RAR) loans portfolio such as Alliance ONE Account (AOA) and personal financing. Our proportion of better RAR loans have improved from 27% to 43% since FY2015. Our Liquidity Coverage Ratio (LCR) and loan to fund ratio remained healthy at 154.3% and 86.6% respectively.

Practising Proactive Credit Management

We stabilised credit cost in line within our guidance of <35.0 bps, coming in at 31.5 bps for the year. Personal financing and mortgage portfolios were the main drivers of credit cost, partially mitigated by write backs from major business accounts in SME, corporate, and commercial segments, as we continue to implement measures to keep loans well under control. The Bank's Gross Impaired Loan (GIL) ratio of 1.12% is one of the lowest in the industry. The ongoing regularisation of residential properties portfolio through proactive collection efforts and several repayments in the non-residential properties portfolio contributed to the lower GIL in FY2019.

We improved our credit policy by enhancing our early warning system, automating reports, and improving process for both credit collection and remedial. Tightened

margins of finance and a strict focus on repayments from major business accounts within business premises financing led to the GIL ratio improving to 2.1%. In the mortgage business, which includes Alliance ONE Account, we continued with our proactive collection programme, while ensuring the Debt-Service-Ratio (DSR) is comfortable enough for consumers to manage their obligations. This resulted in GIL ratio improving to 1.3%. The delinquency within business premises financing continued on a downtrend, and stabilised for the mortgage and AOA portfolios.

In the corporate and commercial segment, impairment continued to improve, with a GIL ratio of 0.7%. We continue to review our underwriting standards for real estate and practise a selective approach in new property proposals.

The delinquency and impairment trend within the SME programme stabilised with the implementation of a new SME scorecard. GIL ratio improved to 1.7% in FY2019, from 2.2% in FY2018. For our personal financing portfolio, we recorded GIL ratio of 2.2% due to our stringent underwriting policies for higher risk segments.

Enhancing Customer Service

Providing excellent and consistent customer service has been one of the key drivers of growth within our various business segments. To strengthen our relationship managers' product knowledge and client service management capabilities, we enhanced our staff onboarding and credit training programmes, as well as maintained continuous learning programmes.

In the SME segment, we improved customer experience by providing better advisory services. In this respect, the Bank implemented a systematic method known as the SME Alliance Way. For example, we launched our Financial Health Calculator in the fourth quarter of FY2019. Complementing that were initiatives that focused on improving the speed of complaints resolution at first point of contact.

Leveraging on automation and digitisation, the Bank improved processes in our different business segments. To enhance service at our branches, we focus on service rituals such as daily briefings and staff coaching to cultivate a strong service culture. We also introduced the Branch Recognition Programme to motivate branches to embed the delivery of excellent customer experience in their daily engagements with customers.

Two years ago, we implemented a bank-wide Customer Service Council as a platform for all key internal stakeholders to significantly improve our Net Promoter Score (NPS) results, and improve customer service levels. We have implemented enhanced contact strategies in both the consumer and SME segments to improve engagements with our customers.

As a result, by the fourth quarter of FY2019, NPS has improved substantially across all nine touch points we measure from a FY2018 baseline. Highlights of our NPS achievements within our different touch points are as follows:

- Improving contact centre engagements, supported by customer-centric contact centre vision, service promise and culture resulted in NPS of 26, from 17 in FY2018.
- Quicker turnaround time on Current Account/Savings Account (CASA) openings and improvements in service levels at branches resulted in NPS of 27, compared to NPS of 8 in FY2018.
- Structured SME onboarding and engagement programmes, as well as quicker turnaround on loan disbursements through a new loan origination system led to SME Borrowing NPS improving to 30, from 20 in FY2018.



More information on our customer-facing initiatives can be found in our Sustainability Statement on page 27 of this Annual Report.

MANAGEMENT DISCUSSION & ANALYSIS (Cont'd)

Embedding an Innovation Culture

In January 2019, we set up rotating innovation teams made up of Management Trainee graduates called Innovation Marvels. The Innovation Marvel teams champion ideas generated by our staff in our weekly bank-wide huddle. They seek to identify and implement new approaches to improve processes in line with our growth ambition.

One of the ideas implemented is the introduction of the Alliance Remedial Collection Sharing Portal. The new proposed solution consolidates data from three external applications onto one screen, thus reducing work duplication. This helps to increase productivity per staff by 30%, and considerably improve client experience by ensuring a unified approach.

Another initiative is the Alliance ONE Account (AOA) referral campaign. This is being done through a staff onboarding and awareness programme utilising mobile phones as the communication platform to enhance our staff's product knowledge, and also serves to increase the number of Alliance Mortgage Partner-in-Sales.



More information on our innovation efforts can be found in our Sustainability Statement on page 27 of this Annual Report.

PROGRESSING WITH OUR TRANSFORMATION TO ACCELERATE BUSINESS GROWTH

Alliance ONE Account

Alliance ONE Account (AOA) is our consumer refinancing product which offers customers the simplicity and convenience that comes with a hassle-free loan consolidation service. By consolidating their various loans into one mortgage account consisting of part term loan and part overdraft, our customers enjoy greater savings on interest rate per annum, and more flexibility to make investments and cater to family needs with the cash they have in hand.



ALLIANCE BANK

Alliance ONE Account

"Life is **SIMPLER** with only one lower monthly repayment for all my loans."

Get started at alliancebank.com.my

"Hidup lebih **MUDAH** dengan hanya satu bayaran balik bulanan yang lebih rendah bagi semua pinjaman saya."

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Terms and conditions apply. Terma dan syarat mengikut Alliance Bank Malaysia Berhad (88103-W)

AOA's volume tripled during the year, with loan balances exceeding RM3.2 billion as at end FY2019, compared to RM1.0 billion the previous year. Its risk adjusted return improved by 27.3%, with improvements in the loan mix.

Growth is attributable to the efforts of our Mortgage Specialist team, our digital marketing channel, and the expansion of our Alliance Mortgage Partner-in-Sales programme.

The Alliance Mortgage Partner-in-Sales programme is a fast and simple online mortgage referral platform for business associates comprising solicitors, real estate agents, mortgage brokers and developers. Launched in FY2018, it has become a valuable source of leads for the growth of AOA. In FY2019, we increased our Partner-in-Sales to 1,157 by the fourth quarter of FY2019, from 455 in the first quarter of the year.

Digital marketing efforts accounted for 17% of AOA approvals for the year, the result of renewed focus on digital channels to engage with potential customers. Efforts from the Alliance Mortgage Partner-in-Sales contributed 32%. Year-on-year (YOY), we recorded 36% growth in loan approvals and 102% in loan disbursements. In total, 89% of AOA customers were new to the bank.



More information on AOA can be found in our Sustainability Statement on page 27 of this Annual Report.

SME Banking

Our efforts to expand the SME Banking business has resulted in 11% YOY growth in SME loan balances despite a loan contraction in the overall SME market. We launched a new system, the Alliance Origination System (AOS) in July 2018. We now register 95% of our new SME loan applications in FY2019 on this new system. The new loan origination system allows for

most of the data fields to be automatically populated from validated external sources. As part of our digitisation efforts, AOS has simplified the loan disbursement process allowing for faster turnaround time.

Additionally, our SME Express Loan product provides short-term loans which SMEs can use to cover any gaps in working capital. The product reduces the bureaucracy of the loan process and offers SMEs a simpler loan application method. These efforts led to SME loan disbursements growing by 39% to RM2.35 billion in FY2019.

In FY2019, we piloted a digital onboarding process for Business CASA accounts. The aim is to activate Business CASA within a day, from an average of two weeks, by the end of FY2020.

We also launched the Credit Guarantee Corporate (CGC) scheme in November 2018 with a portfolio of RM50 million, and quickly utilised the portfolio limit. The CGC assists SME entrepreneurs who have viable businesses but lack the collateral to obtain the required credit facility for funds to expand their business by offering a guarantee on a portfolio basis. Due to its success, we extended the scheme with an additional portfolio of RM100 million.

Alliance@Work

Alliance@Work, which was launched in FY2017, provides payroll services to companies by onboarding their local employees and foreign workers, and providing them with the Bank's products and services.

In FY2019, we opened 1,392 company payroll accounts (FY2018: 471). The number of individual payroll accounts increased to 35,841 in FY2019, as compared to 10,709 in FY2018. This was driven by improved referrals from our business banking units in the SME, corporate, and commercial segments, the consumer banking unit, as well as from other external sources.

During the year, we also rolled out our digital local employee (LEO) application to enable a completely paperless onboarding process. This helped us grow Alliance@Work employee CASA to RM105 million in FY2019, compared to RM24.8 million the previous year.

The foreign workers' onboarding process is managed through our Cash2Home mobile app, a digital tool which uses biometric facial recognition and optical character recognition technology for faster turnaround time. In addition to the simple and paperless on-site mass onboarding in less than an hour, foreign workers can also activate their ATM card at the companies' premises.

The app has proven to be popular within the foreign worker segment as it addresses their financial needs and encourages cashless transactions. It also provides remittance services for workers to transfer money back home. The app is available in five languages, and can be downloaded on both Android and iPhone.

We also extended the Cash2Home app to domestic helpers via our partnership with a foreign embassy. This proposition has benefited the industry as it provides transparency and flexibility.

Local employees and foreign workers enjoy preferential rates for remittance, credit cards, deposits, and more. There is no fee for using the Malaysian Electronic Payment System (MEPS), and they receive waivers on initial deposit requirements.

Business owners are able to enjoy preferential rates on services provided by our partners when they log on to our partner portal. The portal was created via our cash management system, BizSmart, and includes services related to accounting software, human resource systems, intellectual property registration, and tax advisory services.



Alliance@Work

"It took just 20 minutes for all my staff to open their accounts including online access. That's what I call **INNOVATIVE**."

Get started at alliancebank.com.my

"Hanya 20 minit diperlukan untuk semua staf saya membuka akaun mereka, termasuk akses dalam talian. Inilah yang saya panggil **INNOVATIF**."



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MANAGEMENT DISCUSSION & ANALYSIS (Cont'd)

During the year, we implemented a Customer Journey map to keep our customers informed on the Bank's latest products and services, campaigns, and required regulatory information.

For FY2020, we plan to enhance our value proposition to business owners, and their local employees and foreign workers, by simplifying and digitising processes for faster turnaround time, and strengthening our product line-up.



More information on Alliance@Work and Cash2Home can be found in our Sustainability Statement on page 27 of this Annual Report.

Digitisation of Processes

Digitisation of our processes enables us to provide faster, simpler, and more responsive service to our customers. Examples of how we did this in FY2019 can be seen throughout all our business segments. Customer-facing initiatives include individual CASA opening which can now be completed in less than 20 minutes, from 45 minutes previously, while

Business current account openings can be done within the day through a pilot project launched during the year.

Backroom processes include AOS for loan applications which has freed up our relationship managers' time by allowing data fields to be automatically populated from sources such as CTOS and Company Registry. As a result, our relationship managers now have more time to focus on valuable engagement with customers, in line with customer service enhancements conducted during the year. Quicker turnaround times supported a 39% growth in loan disbursements.

Digital marketing has become an increasingly important component of our marketing efforts, focusing on performance marketing to generate leads and a digital branding campaign to expand our market reach. Our partnership with a FinTech firm for lead generation targets non-borrowing customers using propensity modelling and machine learning. We are able to identify opportunities for existing SME non-borrowing customers to offer relevant credit facilities.

As a result of our sustained efforts in social media and digital channels since July 2018, we have increased our social media engagement rate. We now have a digital Share of Voice of almost 30% based purely on key banking product segments – AOA, Personal Loans, and Alliance SavePlus Account.

Our mobile banking app, allianceonline Mobile, which we launched in April 2018, has simplified and enhanced our customers overall banking experience, by offering access to online banking services including viewing account balances, transaction flows and e-deposit payments in a hassle-free manner. As at the end of FY2019, there were more than 52,000 sign-ups. Our plans for FY2020 include launching a mobile BizSmart app to enable SMEs to make faster decisions on time-sensitive payments and transactions at their convenience. We will also be enabling paperless branches in the near future, while continuing to streamline our back office processes to accelerate growth.



More information on our digitisation initiatives can be found in our Sustainability Statement on page 27 of this Annual Report.

PERFORMANCE HIGHLIGHTS

The Bank recorded strong performance in FY2019. Net interest income grew 8.9% due to the expansion of total loans and improved loan mix from better risk adjusted return loans. The Bank recorded growth in net profit after tax of 9% to RM537.6 million.

Summarised Income Statement	FY2019 RM million	FY2018 RM million	Growth RM million	Growth %
Net Interest Income	998.1	925.2	72.9	8
Net Income from Islamic Banking business	359.1	318.2	40.8	13
Other Operating Income	265	328.6	(63.7)	(19)
Net Income	1,622.1	1,572	50.1	3
Other Operating Expenses	(774.9)	(794)	(19.1)	(2)
Allowance for Loans & Impairment	(139.2)	(93.4)	(45.8)	49
Profit before Taxation	708	684.6	23.4	3
Taxation	(170.4)	(191.4)	20.9	(11)
Net Profit after Taxation	537.6	493.2	44.4	9

Summarised Balance Sheet	FY2019 RM million	FY2018 RM million	Growth RM million	Growth %
Net Loans, Advances and Financing	42,320.3	39,989.5	2,330.8	6
Investment and Dealing Securities	9,944.6	8,862.6	1,082.8	12
Total Assets	56,520.9	53,938.3	2,582.6	5
Deposits from Customers	45,017.6	42,740.5	2,277.1	5
of which: CASA	15,960.9	15,953.8	7.1	0
Shareholders' Funds	5,732.8	5,459.6	273.3	5

Creation of Value for Business Owners and Stakeholders

As part of our continuous proactive capital management to support the future business expansion of all our entities, we completed our Additional Tier-1 Capital Securities issuance of RM100 million out of the existing RM1 billion Additional Tier-1 Capital Securities programme for Alliance Bank Malaysia Berhad in March 2019. Together with the previous issuance of RM150 million, the Bank has a total RM250 million Additional Tier-1 Capital Securities. This strengthened our Tier-1 capital ratio to 14.1%. We maintained our strong capital levels with Common Equity Tier-1 (CET 1) ratio at 13.4% and total capital ratio at 18.5%, which is among the strongest in the sector.

To support our Islamic Banking business, Alliance Islamic Bank Berhad (AIS) has also successfully completed its first Additional Tier-1 Sukuk Wakalah of RM100 million out of the newly-established RM500 million Additional Tier-1 Sukuk Wakalah programme. This strengthened AIS Tier-1 capital ratio to 12.6%.

Our net asset per share has grown with a four-year Compound Annual Growth Rate (CAGR) of 6.3% to RM3.70. For FY2019, the Bank declared a second interim dividend of 8.2 sen per share. Together with the first interim dividend of 8.5 sen per share paid out on 28 December 2018, the total dividend for FY2019 amounting to 16.7 sen per share. This represents a dividend payout ratio of 48% or RM258.5 million. The Bank has been maintaining its dividend payout ratio of 48% over the last three years.

PERFORMANCE BY BUSINESS SEGMENTS

Consumer Banking

In the consumer banking segment, the Bank recorded incremental improvement in revenue by 1.5% to RM563 million, compared to RM555 million in FY2018. Net interest margin improved by 16 basis points.

Customer-based funding grew 4.4% YOY, with CASA ratio at 31.9%. We significantly improved the CASA opening process to 20 minutes using digital onboarding. This formed

the first phase of our paperless branch initiative, where the Bank is aiming to drive efficiencies through the digitisation of product applications and services.

The Alliance SavePlus account which was launched in FY2018, performed well during the year. The product's value proposition of offering enhanced interest rates has proven attractive within the emerging affluent customer segment. In FY2019, we acquired more than RM1 billion in deposits, with more than 60% being fresh funds.



Having a chat with our business partner, CompareHero.my



With our business partner, RinggitPlus

MANAGEMENT DISCUSSION & ANALYSIS (Cont'd)

Our Alliance@Work proposition broadened our consumer banking segment customer base, and we acquired more than 20,000 new-to-bank CASA.

Our mortgage portfolio comprising Alliance ONE Account (AOA) and traditional mortgages grew 5.5% to more than RM18 billion in ending net receivables. AOA doubled its YOY disbursements to RM2.45 billion, driven by its value proposition of loan consolidation to provide the convenience of one consolidated account, lower monthly payments, more cash in hand, and lower rates to our customers.

To accelerate AOA growth, we embarked on our Alliance Mortgage Partner-In-Sales channels involving partnerships with real estate agents, independent financial consultants and insurance agents. This resulted in more quality leads and an increase in lead conversion. As a result, contributions from the Partner-In-Sales channel improved to 32% in the fourth quarter of FY2019.

Our personal loans business has grown faster than industry over the past two years. In FY2019, we recorded YOY loan disbursement growth of 40% with a total of RM938 million in loan disbursements in FY2019, compared to RM664 million the previous year. New-to-bank customers increased to 14,270 from 11,786 previously. This was primarily due to the increase in sales capacity and productivity, thanks to better leads management, training, and sales planning. We continued our partnership with CTOS Data System (CTOS) and launched Version 2 of the CTOS scorecard which offers better predictive analytics for unsecured loans and credit card. This has helped strengthen our credit business.

Due to downtrends in the macroeconomic outlook, the majority of our customers took a cautious approach in their investment decisions. As a result, our client-based fee income declined in FY2019. Wealth management fees were lower by RM14.4 million.

Nevertheless, we implemented a number of initiatives to improve our investment services. This included a renewed focus on enhancing our sales staff's soft skills and product

knowledge, so they could offer customers advice and guidance on how they should invest despite the economic downturn. By the end of FY2019, we began seeing an upturn in customer investments. We expect this trend to continue in the year ahead.

Within the bancassurance business, we worked with Manulife Insurance Berhad on a review to improve our product range and suitability to our clients' current needs. We explored propensity models to identify customers with a higher likelihood of purchasing insurance products, to better serve our existing customer base, and cross-sell our other banking products such as wealth management. Complementing this, we also enhanced training for our relationship managers.

FY2019 has been a year of rebuilding towards accelerating acquisition of new CASA via Alliance@Work and Alliance SavePlus, as well as expanding the wealth management business. We launched the Wealth Academy, a structured programme conducted on a quarterly basis for our relationship managers.

We improved sales performance management through a daily process. As a result, our staff productivity increased by 18%.

We had embarked on the first phase of our digital marketing channel roadmap the previous year by activating multiple digital marketing channels on social media. In FY2019, we progressed into the second phase which employs a refined approach of targeting the emerging affluent segment, and creating



At our client's premises, Modu System (M) Sdn Bhd



With our client, OEM Autoseats Malaysia Sdn Bhd

more awareness in the marketplace through above-the-line and digital campaigns. We are on track with our digital marketing strategy, having increased our leads conversion success rate by 13%.

FY2020 Outlook

Our focus for FY2020 is to modernise and digitise our processes by enabling our branch-in-a-tablet initiative. With this, we will be able to offer digital CASA account openings and electronic service requests.



More information on the Wealth Academy can be found in our Sustainability Statement on page 27 of this Annual Report.

SME Banking

The SME Banking segment continued with strong growth in FY2019, contributing more than 25% to Group's profit before tax. SME loans comprised 26% of the Bank's total loans. This was driven by our value proposition of providing products in the right loan quantum and competitive value. Along with this, we offered better business advisory, as well as speedier processes based on our digitisation efforts.

Our SME loans grew 8.8% to RM11.1 million YOY. Profit before tax improved by 37% to RM183 million, due to better pricing and focus on better RAR loans. Net interest margin improved by 11 bps in FY2019.

In April 2018, the Bank set up a new acquisition team targeting emerging businesses. Existing team productivity improved by approximately 33%, as a result of our focused training programmes for relationship managers, in particular the Alliance SME Way.

The fifth iteration of the BizSmart Challenge debuted as a reality TV business challenge programme, the first by a financial institution in Malaysia, with 1.5 million viewers nationwide. The Bank's flagship programme continues to help SMEs take their businesses to the next level through business training, coaching, mentoring, and networking opportunities. The programme helps young entrepreneurs and brands gain more prominence, and increases the Bank's brand awareness.

We implemented AOS as planned in FY2019, which embedded company data into a digital application to improve credit workflow processes. By streamlining data input and automating processes, we reduced the turnaround time for SME loan approvals to nine days from up to 20 days previously.

To ensure consistent levels of service among our relationship managers, we launched Alliance SME Way in March 2019, a sales and service programme to deliver a structured and meaningful customer experience. It complements our digital value-add efforts such as offering financial advice with the Financial Health Calculator, and offering free

or subsidised tools and apps such as human resource apps for our SME customer segment.

FY2020 Outlook

For FY2020, our plan is to enhance the competitiveness of our credit programme and increase our efforts in digitising processes for better customer experience. We also plan to expand into sectoral-based lending, and offer tailored programmes.



More information on Alliance SME Way and BizSmart Challenge can be found in our Sustainability Statement on page 27 of this Annual Report.



With our customer, Glocomp Systems (M) Sdn Bhd



At Ann Joo Resources Berhad office

MANAGEMENT DISCUSSION & ANALYSIS (Cont'd)

Corporate, Commercial and Transaction Banking

In FY2019, the Corporate, Commercial and Transaction Banking segment recorded marginal growth of 1.2% in net profit before tax, driven by loan assets growth of 3.6%. We maintained our momentum in trade finance within the Transaction Banking segment and achieved growth of 10% YOY.

In line with the Bank's Transformation priority of enhancing customer service, we conducted a series of trade and foreign exchange seminars nationwide. At these seminars, we shared our industry insights and provided updates on the economic climate and global foreign exchange (FX) trends. These efforts have helped to strengthen relationships with our clients, and secure a pipeline of new clients. As a result, the Bank recorded a robust trade assets growth of 10% YOY, and maintained our trade facility utilisation at above 65%.

FY2020 Outlook

We are currently piloting digital onboarding for BizSmart accounts, which will enable same day account opening. We plan to rollout the solution nationwide in FY2020. We will also be digitising other front-end interactions with our customers, towards delivering faster turnaround time.

Continuing with our digitisation journey, we plan to introduce the Mobile BizSmart app in FY2020 to enable SMEs to make faster decisions on time-sensitive payments. The app will be a valuable addition to our digital product portfolio and enables us to increase our digital engagement by driving wider adoption among smaller SMEs.

GROUP FINANCIAL MARKETS

The Bank's Group Financial Markets (GFM) segment cuts across four core areas of funding and investment, trading and market-making, client-based activities, and asset and liability management.

In FY2019, a number of geo-political and macroeconomic factors impacted the GFM segment. The trade war between the United States and China, as well as post-Brexit implications contributed towards uncertainties in global and local financial markets. The normalisation of interest rates towards the end of the year 2018, along with volatility in the international equity market led to fund flows being diverted, especially within emerging markets. These had a knock-on effect on trading and sales orientation, leading to investment portfolio adjustments. Within Malaysia, the inevitable adjustments post-General Election 14 led to cautious market sentiment, as investors sought clarity in the market outlook.

To mitigate the impact these uncertainties had on the GFM segment, we led with a light trading portfolio which focused on client-based activities. We also created awareness among our clients on the need to hedge within both foreign exchange (FX) and derivatives to protect their assets and investments. This effectively translated to greater business opportunities for the GFM segment. However, this was offset by margin compression as a result of stiffer competition in the marketplace.

Consequently, our revenue trajectory was impacted, and YOY revenue improved marginally by 2.3%. While the overall trading portfolio recorded flat growth, active portfolio rebalancing led to greater revenue from investment income. Consequently, the segment recorded revenue of RM289 million in FY2019, compared to RM282 million in FY2018.

Liquidity and Funding

The Bank maintained a healthy liquidity position for FY2019. Our liquidity ratios have consistently recorded above the regulatory threshold for Liquidity Coverage Ratio (LCR) with a minimum of 100% and net stable funding ratio (NSFR) at above 105%. We maintained our loan to fund ratio at below 88%.

FY2020 Outlook

Our focus for the year ahead is to grow the non-interest income space, particularly within client-facing activities such as consumer wealth management and SME Banking activities. While traditional FX hedging activities continue to face margin compression, we will put in place innovative structured solutions to provide more hedging instruments to our clients.

INVESTMENT BANKING

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

In FY2019, AIBB registered a net profit after tax of RM1.4 million. Net interest margin grew marginally to 2.2%. Other operating income reduced marginally to RM35.4 million, yielding a total revenue of RM72.6 million. Operating expenses decreased to RM41.5 million.

Stockbroking

The bullish trend which marked the first half of FY2019 as a result of robust trading in the securities market took a downturn and was more subdued by the second half of the year. This was due to prevailing market uncertainties based on global macroeconomic challenges, coupled with ongoing domestic policy reforms. By year end FY2019, trading on Bursa Malaysia had settled lower, pressured by weak corporate earnings and profit-taking activities resulting in declining Small Cap and ACE market indices.

Consequently, trading value on Bursa Malaysia declined by 7.4% to RM1,178.2 billion (FY2018: RM1,272.6 billion). Institutional trading value reduced by 6.0% to RM801.8 billion (FY2018: RM853.2 billion), while retail trading value reduced by 10.2% to RM376.4 billion (FY2018: RM419.4 billion)¹.

As a result, stockbroking net income contracted by 16.6% YOY mainly attributed to the lower brokerage income by 16.0%, and net interest income of share financing reduced by 11.5%.

Corporate Advisory

In FY2019, fundraising activities in the Malaysian capital market moderated in comparison to the previous year. A total of RM105.4 billion was raised in the corporate bond and sukuk market in 2018 (2017: RM124.9 billion), while only RM9.2 billion was raised in the equity market in 2018 (2017: RM21.7 billion)². Despite this, we completed one bond deal and two syndicated loan transactions during the year.

In July 2018, AIBB successfully listed Radiant Globaltech Berhad on the ACE Market of Bursa Malaysia Securities Berhad, with an IPO market capitalisation of RM120.8 million. Additionally, we completed 10 non-IPO deals, as well as the privatisation of MWE Holdings Berhad via the selective capital repayment method.

We maintained our strong performance despite capital market challenges to grow our revenue by 20.4% or RM1.12 million to RM6.5 million (2018: RM5.4 million).

FY2020 Outlook

We expect capital market challenges to continue in FY2020 as dampened external demand, slowing global growth and domestic political uncertainties continue to weigh in on the Malaysian economy.

Factors related to trade policy uncertainties and weakening market sentiment are risks to global economic growth. Within Malaysia,

domestic demand will continue as the main driver of growth, underpinned by continued expansion in private sector activity.

Bearing in mind these external challenges, AIBB will capitalise on revenue opportunities by focusing on core business activities and client segments. We will continue to drive growth in the corporate finance and debt capital markets business through intra-Bank collaborations with the Group Corporate, Commercial and Transactions department.

We will maintain our operations review to ensure efficiencies and productivity gains. These include expanding our digital stockbroking capabilities to enhance our customers' onboarding experience and improve activation rates for new accounts. We will be selectively adding loans on to our balance sheet which meet risk adjusted returns in line with the Bank's risk appetite.

ISLAMIC BANKING

Our Islamic Banking arm, Alliance Islamic Bank Berhad (AIS), has a portfolio of Shariah-based financing, deposits and transaction

services aimed at fulfilling the needs of our consumer and business customer segments. These are compliant with the Islamic Financial Services Act 2013, Bank Negara Malaysia's (BNM) Shariah Governance Framework, and Shariah standards and regulations.

AIS' portfolio focuses on enabling SMEs drive their business growth with Halal solutions and advisory. A total of 21% of AIS customers comprise SMEs, while the bulk of clients consist of consumers.

In FY2019, AIS' focused execution of its growth strategies resulted in its excellent performance. Net profit after tax recorded double-digit growth of 35.4% YOY, while its other operating income ratio increased to 8.7%. AIS recorded a return on equity of 13%.

In FY2019, AIS contributed RM280.4 million in Islamic net finance income, and RM26.6 million in Islamic other operating income towards the Bank's income base. This represents a YOY increase of 14.9% in Islamic net financing and 21.4% in Islamic non-financing income from the previous year.

Key Highlights	FY2019 vs FY2018	Growth Drivers
Profit & Loss		
Revenue	+15.5%	• Driven by financing growth (+15.9%) and other operating income (+21.4%)
Net Profit Margin	Declined to 2.48% from 2.51%	• Impacted by higher cost of funds (+31bps) due to SavePlus-i and a large volume of term deposits
Cost-to-income ratio	Improved to 38.4% from 38.7%	• Improvements in cost efficiency
Balance Sheet		
Financing	+15.9%	• Growth in AOA-i
CASA	+10.7%	• Growth in SavePlus-i
CASA Ratio	Improved to 30.7% from 29.1%	• Growth in SavePlus-i
Total Capital	Improved to 15.4% from 15.1%	• Issuance of RM100 million Additional Tier-1 Sukuk Wakalah on 29 March 2019

¹ Bursa Malaysia website, Market Statistics, Key Indicators and Trading Participation by Category of Investors.

² Annual Report 2018, Securities Commission Malaysia, Part 4: Capital Market Review and Outlook.

MANAGEMENT DISCUSSION & ANALYSIS (Cont'd)

In FY2018, AIS embarked on a three-year plan to drive its business growth within the Islamic finance sector. Its strong performance in FY2019 was the result of the successful execution of its plan over the past two years. As part of its plan, AIS strengthened its brand by executing unique Halal-themed programmes, support for social enterprises, and social funding platforms.

In FY2019, AIS' gross financing growth exceeded RM1 billion. Alliance SavePlus Account-i's growth doubled to RM426 million.

AIS' unaided brand awareness doubled to 6% in FY2019, from a FY2018 baseline of 3%. The primary drivers of its branding activities, namely the AIS Zakat programme and Eco-Biz Dream Project 3, successfully communicated AIS' brand attributes through increased media coverage.

AIS improved its operations by incorporating a granular Management Information System (MIS) which allows for better performance management and interventions when necessary. To motivate employees, it rolled out a rewards and recognition programme for top Islamic sales performers, and initiated the Alliance Islamic Banking Fundamentals (ALIF) training which enhances staff capabilities by providing them in-depth knowledge of the Islamic banking system, processes and products.

New Business Initiatives

AIS differentiated itself from other players in the Islamic financing sector by adding financial outreach programmes such as Health and Wealth (Program Bimbingan Kewangan) events for civil service officers, and Halal Talks for SMEs to its existing community engagement efforts. Following on from AIS' status as an emergent Value-Based Intermediation (VBI) practitioner validated by BNM, it conducted the VBI Scorecard assessment in August 2018.

To help SMEs grow their business, we offer business advisory, halal certification, and opportunities to tap into larger customer base with our One-Stop Halal Business

Solution. We also hold Halal Talks to provide SMEs with the knowledge and support they require to advance into the Halal business sector.

Our Shariah-compliant Portfolio

AIS focused on generating growth by aligning its propositions to the Bank's Transformation priorities of Alliance ONE Account, SME Banking expansion, Alliance@Work, and deposits. In FY2018, AIS introduced the Shariah-compliant Alliance One Account-i (AOA-i), Alliance SavePlus Account-i (ASA-i), restricted investment account to cater for large Shariah-compliant financing requirements, and Alliance Cash2Home-i for blue-collar foreign workers.

Diversified Islamic Wealth Management

Within the Islamic Wealth Management segment, AIS launched three new funds, namely the Amanah Saham Nasional Berhad (ASNB) Funds and, in line with the bank's open platform concept, two award-winning Bank Islam Malaysia Berhad (BIMB) Investment Management Funds of BIMB-Arabesque iGlobal Dividend Fund 1, and BIMB-Arabesque Malaysia Shariah ESG Equity Fund.

Sukuk Programme

During the year, AIS put in place the mechanism to roll out its sukuk programme, in line with its expectations that growth in Islamic business will outpace conventional business within the next three years.

In March 2019, AIS made its maiden issuance of RM100 million Islamic Additional Tier-1 Sukuk Wakalah (AT1 sukuk) under this programme. AIS will utilise the proceeds of the AT1 sukuk to fund the growth of its Shariah-compliant portfolio and future plans in the Halal and VBI space.

FY2020 Outlook

For FY2020, AIS will focus on expanding its One-Stop Halal Business Solutions offerings by partnering with Jabatan Kemajuan Islam Malaysia (JAKIM) and other agencies to put

in place a certification support platform for SMEs seeking to obtain Halal certification.

In May 2019, AIS launched its social crowdfunding platform, SocioBiz. Through this platform, AIS will help financially disadvantaged individuals seeking to raise funds to start or expand a business, or learn a skill to earn a sustainable livelihood. SocioBiz's beneficiary partners are Yayasan Kebajikan Negara, Yayasan Noor Al-Syakur, and Pertubuhan Kebajikan Islam Malaysia. AIS has committed to bearing 100% of the administration fees, as well as help raise up to RM150,000 for individuals seeking funds.

Also in the pipeline are plans to launch Do-Good-As-You-Go (DGAYG), a unique proposition which gives customers the opportunity to create a positive impact on society through their daily banking transactions. DGAYG is a fixed deposit campaign where customers have the option of donating a portion of their interest to a charity of their choice, for which AIS will match the amount.



More information on employee training and development, the Zakat programme, Eco-Biz Dream Project 3, One-Stop Halal Business Solutions, financial outreach programmes, and SocioBiz can be found in our Sustainability Statement on page 27 of this Annual Report.

BUSINESS RISKS

In FY2019, we continued to strengthen our risk management controls and processes. We reviewed our products, policies and limits, as well as changes in our business and regulatory landscape. Our thematic and portfolio reviews centred on areas such as post-election sectoral impact, and SME business and property sector reviews. The results were shared with Senior Management and the Board of Directors (Board).

The Bank took into account requirements of the Malaysian Financial Reporting Standards (MFRS) 9 which were introduced during the year. We realigned our policies and financial

models to suit these new accounting requirements. Within the Bank's product and service portfolio, we looked into new service offerings for our customers. These focused on more efficient mediums such as mobile banking, without compromising on key controls.

In implementing these measures, our aim was to ensure that our business activities were aligned to our risk appetite. These were balanced against our goal of driving sustainable growth, while continuing to provide excellent customer service.

The Bank faces a multitude of risks in its day-to-day operational activities. These include risks pertaining to credit, market, liquidity, operations, regulatory, and Shariah compliance. Improper management of these risks could have a major impact on the Bank's reputation. To ensure that we maintain our organisational and business sustainability, we employ a multi-pronged strategy:

- We strongly emphasise good governance by setting the right "tone from the top". This is actualised through our Code of Conduct guidelines. Both the Management and the Board reinforce this through frequent internal communication messages.
- We supplement these measures by providing our employees with orientation and motivation training,

as well as skillset training. Our talent management initiatives to upskill our current managers, and groom our next generation of leaders and supervisors, extend to providing further skills training to staff we have identified as having good potential. A good example of this is the Alliance Leaders' Programme.

- We have in place a structured check and balance system. We practise good governance by ensuring active Board oversight. Board oversight is complemented with assistance from designated Board and Senior Management committees. All our governance processes emphasise close monitoring, supervision and guidance. We establish appropriate layers of physical security, dual controls, limit controls and a mix of automated and semi-automated controls, within our on-the-ground operational activities.
- We proactively manage our business and risks, bearing in mind the need to maintain a good balance between risks and controls. We conduct ongoing reviews of our lending policies and operational practices, which take into consideration evolving business conditions, emerging risks and business trends.
- We promote an innovation-led culture by adopting new technologies into our processes. Our dual aim is to improve

our efficiency and enhance the way we do business, as well as improve the lives of our customers through seamless and simple processes. Underlying these are controls we have established to protect our customers' data and privacy.

- Our efforts to build and grow our customer base are focused on providing suitable value-added products and services. Our investment products take into account our customers' assessed risk profiles. With regards to our financing products, we conduct affordability assessments.
- We diligently monitor the health of our credit portfolios and balance sheet. This is conducted through continuous tracking of key ratios and early warning indicators. Results are then reported to Senior Management and the Board.



More information on employee training and development programmes can be found in our Sustainability Statement on page 27 of this Annual Report. For full details of the Bank's risk management process and mitigations, please refer to the Statement on Risk Management and Internal Controls on page 96, as well as Risk Management on page 97 of this Annual Report.



2018 Asian Institute of Chartered Bankers Graduates

MANAGEMENT DISCUSSION & ANALYSIS (Cont'd)

OUTLOOK AND PROSPECTS

Global economic growth is expected to moderate slightly from 3% to 2.9% in 2019 due to intensifying trade tensions and tightening financial conditions in emerging markets. Within advanced economies, a growth of 2% is forecast due to slowing external demand, rising borrowing costs and persistent policy uncertainties.

Global macroeconomic and geo-political headwinds are expected to persist, namely the trade war between the United States and China, Brexit, and the weakening Chinese economy. These would dampen external demand for Malaysia's manufacturing exports, especially within the electrical and electronics manufacturing, and the oil and gas sectors.

Weaker global growth and declining international trade activities will affect Malaysia's GDP. For the year ahead, Bank Negara Malaysia (BNM) has projected steady GDP growth of between 4.3% and 4.8% (2018: 4.7%).

Growth will primarily be driven by private sector spending, underpinned by steady private consumption due to stable labour market conditions. Private investment is expected to be supported by ongoing and new capital investment, especially within the manufacturing and services sector, as well as the repayment of corporate tax refunds.

Export growth is projected at 3.4%, compared to 6.8% in FY2018 as a result of weaker demand from trade partners and the impact of ongoing global trade tensions. BNM's monetary policy for FY2020 will focus on ensuring sufficient liquidity to support financial intermediation activity.

Despite the uncertain outlook, we are confident that our Transformation initiatives have put us on a stronger footing to accelerate our growth. We will also focus on widening our franchise through strategic ecosystem partnerships. In addition, we will continue to amplify the brand through various media channels, and increase the weight of digital channels to support our sales and marketing activities throughout the Bank.

Our focus will remain on Business Owners as our key area of growth, and extending our financial products and services to their stakeholder base of families, employees, business partners, and retail clients.

Underscoring all our efforts is our brand promise to deliver Fast, Simple, Responsive, and Innovative products and services that are Aligned to Our Customers' Needs.

APPRECIATION

Our sustained growth trajectory in FY2019 would not have been possible without the hard work and efforts of our Board, Management team and employees.

To our employees and Management team, thank you for your unfailing dedication and commitment to keep the Bank on track with our value creation efforts.

We are indebted to our Board of Directors for sharing their insightful advice and perspectives, which have steered us through the challenges of the past year. In particular, I would like to thank our Chairman, Tan Sri Dato' Ahmad Bin Mohd Don for his support, wisdom, and guidance in keeping us on course with achieving our Vision.

We would like to extend our appreciation to the regulators, policymakers and corporate governance custodians for their continued guidance and support of the Bank's business activities. I would especially like to thank BNM, the Securities Commission Malaysia, and Bursa Malaysia Securities Berhad for their co-operation and assistance.

On behalf of everyone here at the Bank, I would like to express our sincere appreciation to our customers and business partners, for the sustained faith in our brand promise and continuing their journey of growth with us.

We affirm our commitment to continue to create value for all our stakeholders, as we continue with our vision of Building Alliances to Improve Lives.

Thank you.

JOEL KORNREICH

Group Chief Executive Officer

SUSTAINABILITY STATEMENT



At the Grand Finale of BizSmart Challenge 2018

We believe that embedding sustainability into our business strategies ensures our long-term business resilience. We take into account Economic, Environmental and Social (EES) risks and opportunities, as well as financial implications.

Our sustainability initiatives reflect our vision of Building Alliances to Improve Lives. Our efforts differentiate us in the marketplace, as we seek to create meaningful impacts in our stakeholders' lives.

SCOPE

This Sustainability Statement provides an account of our EES initiatives and outcomes across our various business segments for the period covering 1 April 2018 to 31 March 2019 (FY2019).

Our Sustainability Statement is in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Malaysia) relating to Sustainability Statements in Annual Reports published in 2016. The Bank's corporate responsibility strategy is also aligned with the requirements of Bank Negara Malaysia (BNM). Additionally, it takes into account our position as a constituent of the FTSE4Good Bursa Malaysia Index (FTSE4Good).

This Sustainability Statement has been prepared in accordance to the Second Edition of Bursa Malaysia's Sustainability Reporting Guide published in 2018.

SUSTAINABILITY STATEMENT (Cont'd)

OUR APPROACH TO SUSTAINABILITY

Given the role of the Bank as a financial institution, we believe we are able to contribute to the empowerment and well-being of our various stakeholder groups through our EES initiatives.

Our EES initiatives have been created and implemented to address issues that are important to our stakeholder groups. Our materiality assessment and stakeholder engagements conducted in FY2019 form the basis of our report.

The outcomes of our materiality assessment and stakeholder engagements were also used to refine our existing EES initiatives. In FY2019, we rolled out new programmes in response to issues identified.

HOW WE GOVERN SUSTAINABILITY

Our Corporate Responsibility (CR) initiatives are planned, implemented and managed by the Bank's Corporate Responsibility and Event Management (CREM) unit, which reports to the Group Chief Marketing and Customer Experience Officer.

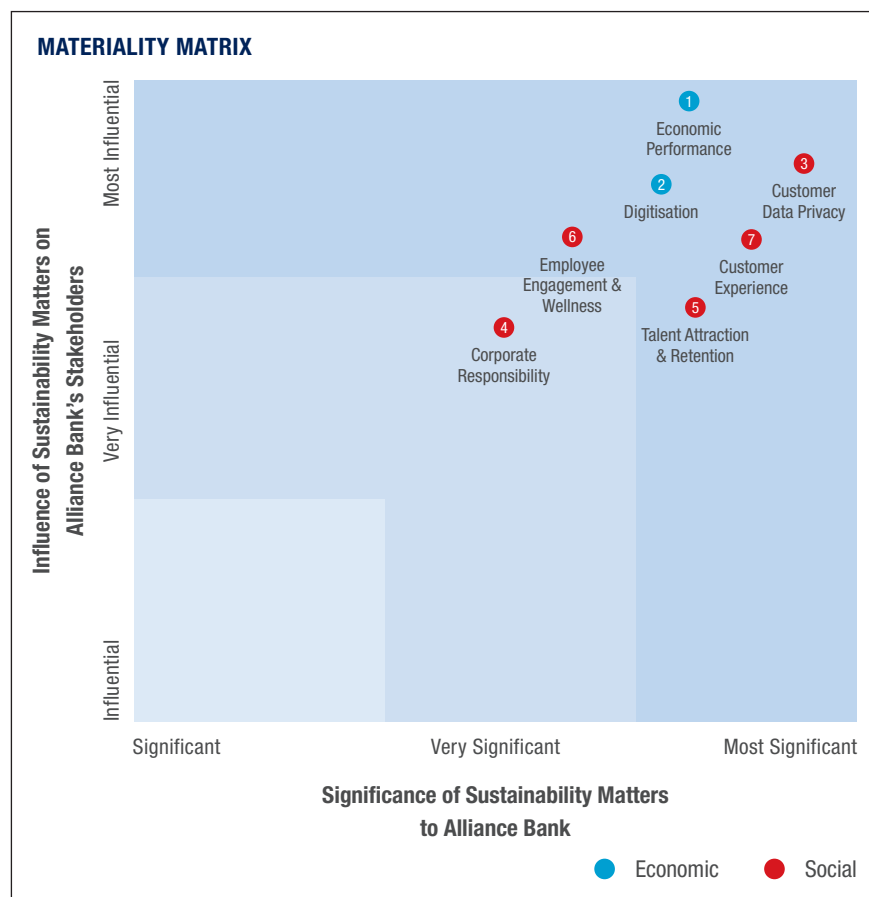
Our sustainability agenda is incorporated into the Bank's Transformation initiatives. This is evident from the various enhanced product and service propositions we have introduced since embarking on our Transformation journey in FY2016. These products and services have been referred to in the Management Discussion and Analysis on page 14 of this Annual Report. We have provided further elaborations within the relevant sections in this Sustainability Statement.

Towards the end of FY2019, we appointed an external independent sustainability consultant to advise us on enhancing our sustainability framework, governance and management. This exercise will enable us to identify an appropriate sustainability governance structure which will be implemented in FY2020 and beyond. We will also assess gaps in compliance with FTSE4Good requirements and identify areas for improvement, as well as develop a three-year sustainability roadmap. All these improvements will be rolled out in the years ahead.

MATERIALITY MATRIX

In FY2019, we identified the following sustainability matters as being the most relevant to us and our stakeholders:

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



STAKEHOLDER ENGAGEMENT

We conduct our stakeholder engagement activities through inclusive interactions. In all our communications with our stakeholders, we aim to further our strategy to be the most important relationship for the financial success of business owners. This also encompasses our customers' stakeholders comprising their families, employees and retail clients.

In FY2019, we held the following 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"> Regular shareholder communications and announcements to Bursa Malaysia and on the Bank's corporate website Annual General Meeting Quarterly and annual financial statements Periodic engagements with equity analysts and fund managers
Government/ Regulators and Policy Makers	Regulation, compliance and relationship building	<ul style="list-style-type: none"> Frequent dialogues between BNM and Compliance Officers Networking Group to discuss issues related to regulations and new requirements 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 Frequent dialogues with BNM, Bursa Malaysia, Securities Commission, Personal Data Protection Commissioner, and Inland Revenue Board Malaysia by Senior Management and Compliance Officers via forums organised by The Association of Banks in Malaysia (ABM), Association of Islamic Banking Institutions Malaysia (AIBIM), Malaysian Investment Banking Association (MIBA), and Association of Stockbroking Companies Malaysia (ASCM) Alliance Investment Bank Berhad (AIBB) participated in the Annual Securities Commission Dialogue with Members of MIBA to discuss issues affecting the Capital Markets and Stockbroking industry
Customers, Suppliers and Partners	Innovative products and services, business direction, knowledge sharing, business guidelines and relationship building	<ul style="list-style-type: none"> Innovative customer-oriented solutions that are fast, simple and responsive; product or service-specific communications on the Bank and its subsidiaries' websites Customer or industry meetings, talks, exhibitions, tradeshow, roadshows, networking events and appreciation events Regulatory reminders highlighting anti-money laundering, personal data protection and procurement guidelines
Employees	Human capital development, safety, governance, corporate developments and relationship building	<ul style="list-style-type: none"> Regular communications via email Training and development initiatives such as Alliance Bank Leadership Excellence (ABLE) Academy, Alliance Leaders' Programme, Alliance Impactful Managers programme, Management Trainee Programme, Accelerated Strengths Coaches initiative, Train the Trainer programmes, G.R.E.A.T @ Alliance, Working with Strengths programme, Alliance Islamic Banking Fundamentals (ALIF), Wealth Academy, Alliance SME Way, and Global Leaders Talkshop e-learning modules covering Anti-Money Laundering (AML), Code of Conduct, Information Risk Management and Cyber Security, and Personal Data Protection Act (PDPA) 2010 Social activities and work-life balance initiatives via the AFG Recreational and Sports Club and Fit@ Alliance Rewards and recognition programmes Voluntary participation in corporate responsibility programmes for the community Weekly and quarterly employee engagement activities, e.g. Huddles and department meetings Allies of Alliance microsite as a platform for employees to contribute and discuss new ideas to improve products and processes, as well as the work environment at the Bank Innovation Marvels, the employee innovation platform that empowers staff to conceptualise and implement innovative ideas inAlliance portal, an internal channel that allows for sharing of information and knowledge between departments, and repository of manuals and procedures
Local Communities	Education, and community-building initiatives	<ul style="list-style-type: none"> Financial literacy outreach programmes, e.g. AEIOU Challenge, Buku Wang Saku, and Program Bimbingan Kewangan Digital financial inclusion and empowerment such as the Cash2Home app Supporting the SME community through platforms such as Alliance BizSmart Challenge, One-Stop Halal Business Solutions, and Credit Guarantee Corporate (CGC) scheme Advocating social enterprise initiatives that have a positive impact on communities via the Eco-Biz Dream Project and social crowdfunding platform, SocioBiz

SUSTAINABILITY STATEMENT (Cont'd)

THE THREE PILLARS OF SUSTAINABILITY

We believe we play an important role in contributing to the EES sustainability of our communities, as we help people sustain their lives and livelihoods.

ECONOMIC

Our economic sustainability initiatives are centred on contributing towards more equitable wealth distribution in society. It comprises programmes that support the growth of SMEs, providing impact investment funds which are aligned with Environmental, Social and Governance (ESG) objectives, and helping to reduce Malaysian household debt.

Our digitisation efforts provide our customers with accessible and speedier platforms to manage their financial needs. The Bank's commitment to customer data privacy ensures that we maintain our customers' trust in protecting their personal and financial information.

Stable Financial Operations

The Bank's product and service portfolio provides both businesses and individuals with the financial tools to grow their business and personal wealth. The Bank's economic contributions are conducted through the taxes we pay to the government, dividends to our shareholders for their investment, community investments, and salaries paid to our employees.

Our lending and investment activities cover our business and personal loans portfolio, as well as the CGC scheme which was launched in FY2019. To ensure that we are able to deliver on our financial duties to our customers, we maintain adequate capital and liquidity to support these activities.

Our capital and liquidity management is guided by BNM's Capital Adequacy Framework (Capital Components) and the Capital Adequacy Framework (Basel II – Risk Weighted Assets). The Group maintains a strong capital base to support current activities and future growth, to meet regulatory capital requirements at all times, and to buffer against potential losses. The capital management process involves monitoring of capital levels, estimation of capital requirements based on annual budgeting process, and regular reporting of the capital position to senior management and the Board.

We implement stress testing to estimate the potential impact of extreme but plausible events on our earnings, balance sheet, and capital. The results of these stress tests help us formulate the necessary contingency plans.

We maintain our liquidity coverage ratio in compliance with BNM's Basel III requirements. The Group continues to maintain sufficient liquidity to fund daily operations and mitigate contingencies.

To ensure a strong balance sheet which optimises value for our shareholders, we have in place ongoing management reviews as follows:

- Weekly and monthly production management with all our business segments, with action plans to address identified gaps
- Updating the Board of Directors on a monthly basis on business performance.

	FY2019 RM Million
Direct economic value generated: Revenue	1,662.1
Economic value distributed:	
i. Operating costs (excluding personnel expenses and community investments)	285.3
ii. Employee wages and benefits	489.6
iii. Payments to providers of capital – cash dividends paid to shareholders	236.9
iv. Payments to Government – taxation and zakat	170.4
v. Community investments (administration expenses – donation)	0.4
vi. Net bad debts	139.2
Sub-total	1,321.8
Economic value retained	300.3

Supporting the Growth of SMEs

Our purpose as a responsible financial organisation is to contribute to the renewal and growth of enterprises, as well as the greater Malaysian economy. This is achieved through our efforts to support SMEs through our various financial products and services.

SMEs provide jobs for an estimated 66%¹ of the population, and contribute more than 37%¹ to the national Gross Domestic Product (GDP). Considering that SMEs comprise our main customer segment, the Bank is committed to offer SME businesses the financial advice and support they require to grow their business.

Alliance Bank BizSmart Challenge

Our flagship programme, the Alliance Bank BizSmart Challenge, was launched in 2013 as a programme to champion the cause of Malaysian SMEs with high development potential. SMEs participating in the Challenge are given business training, coaching and mentoring to help them achieve their growth ambitions. Participants also have access to industry icons, as well as networking opportunities. The programme involves giving SME owners business challenges to tackle, with winners receiving attractive prizes.

Since its inception, we have received more than 1,300 submissions from SMEs nationwide, signifying its popularity and relevance to the SME business community. More than 110 young SMEs have been discovered and groomed to achieve greater heights in their businesses, both in Malaysia as well as abroad.

In FY2019, the Alliance Bank BizSmart Challenge became the first reality TV business programme in Malaysia by a financial institution. Over 400 SMEs from a cross-section of industries applied for the programme. Winners received a total of RM1 million in cash and media coverage prizes. To help these SMEs grow their business, the Bank extended up to RM5 million in unsecured loans to the Top 20 finalists of the BizSmart Challenge.

The Bank leveraged on social media channels to engage viewers, and encourage a loyal following for the programme.

Our efforts have resulted in participating SMEs receiving the exposure they need to drive their business growth. Through the structured business coaching programme, we have been able to nurture and grow the Malaysian SME sector. The programme has also inspired other young SME owners to stay on course to achieve their business ambitions.

ALLIANCE BANK BIZSMART CHALLENGE



Total
TV viewership of
1.5 million
across Astro Awani and AXN



Ranked as
one of the
Top 10
shows on AXN



Total press
public relations value of
RM2.5
million



Strong social media
buzz, with total reach of
3.9 million



7.7 million social media impressions

Nurturing Young SMEs

The aim of the Alliance Bank BizSmart Challenge is to create a sustainable platform for young businesses to advance within their sectors, and thus contribute to the Malaysian economy.

We put in place new partnerships for the Challenge in FY2019, which has strengthened its proposition for young SMEs. The Bank co-partnered with Eco World Development Group Berhad. Other programme partners included Manulife Insurance Berhad, Visa Malaysia, BFM89.9 – The Business Station, and Astro Malaysia Holdings Berhad.

The Challenge is open to Malaysian SMEs which have been in operations between 18 months and 5 years. Of the 400 applications received, 20 were shortlisted to undergo structured business coaching. We also provided them mentoring sessions and networking opportunities. Of these 20, a final 12 were selected to be featured in the seven-episode series which began airing in early October 2018.

In the FY2019 Challenge, a number of alumni from past Challenges returned as advisors to the Top 12 finalists. Our alumni provided positive feedback on how participating in the Challenge gave them greater business knowledge and insight, as well as brand exposure. It also enabled access to networking opportunities to further their business ambitions.

¹ Source: Department of Statistics Malaysia, August 2018.

SUSTAINABILITY STATEMENT (Cont'd)

WINNERS OF THE ALLIANCE BANK BIZSMART CHALLENGE 2018

Brand	Type of Business	Awards
Chriszen Malaysia Sdn Bhd	Local beauty and skincare brand	<ul style="list-style-type: none"> Grand Prize – RM250,000 cash Astro Media Award – RM200,000 in media coverage
Klezcar	Car rental service company	<ul style="list-style-type: none"> First runner-up – RM200,000 cash
OhMostWanted	Cosmeceutical brand (products that combine cosmetics with pharmaceutical properties)	<ul style="list-style-type: none"> Second runner-up – RM150,000 cash
Homegrown Farms Semenyih	Sustainable farming service provider	<ul style="list-style-type: none"> Manulife Sustainability Award – RM100,000 cash
IGL Coatings	Eco-friendly cleaning and protection products for cars, household and industrial use	<ul style="list-style-type: none"> Visa Retail Award – RM100,000 cash



Winners, Judges, and sponsors of BizSmart Challenge 2018

Bridging Businesses into the Halal Space

In FY2019, our Islamic Banking business, Alliance Islamic Bank Berhad (AIS), introduced the concept of One-Stop Halal Business Solutions. The objective is to help SMEs grow their business in the Halal segment.

The Halal economy in Malaysia is currently ranked number one in the world, with a comprehensive ecosystem in place. Malaysia's Halal business sector has huge growth potential. The Government has announced its intention to position the country as the Halal hub in the Asian region. Support is available in the form of Halal certifications by Jabatan Kemajuan Islam Malaysia (JAKIM), and the Malaysia External Trade Development Corporation (Matrade) marketing the industry globally.

Prior to setting up our One-Stop Halal Business Solutions, we had conducted a Halal market insight research. Our research revealed that many SMEs needed help obtaining Halal certification as they are unfamiliar with the application process and certification requirements.

To help address this, we piloted Halal Talks in partnership with JAKIM, Halal trading Business-to-Business portal DagangHalal, and the International Institute for Halal Research and Training (INHART) during the year. The talks provided SMEs with the right knowledge, and helped them to establish relationships with key Halal agencies and partners. We plan to continue with the Halal Talks in FY2020, and will be putting in place a support platform for SMEs seeking to obtain Halal certification.

Assisting SMEs through the Credit Guarantee Corporate Scheme

In November 2018, we collaborated with CGC to launch a Portfolio Guarantee scheme offering unsecured loans to SMEs with promising growth prospects.

The scheme reaches out to the underserved SME segment which lacks the necessary collateral to secure credit facilities. The initial portfolio size of RM50 million was quickly fully utilised. In February 2019, we extended the scheme with an additional portfolio limit of RM100 million.

SUPPORTING SOCIAL ENTREPRENEURS

Social entrepreneurs use private sector business models to bring about positive social, cultural and environmental change. It is a relatively new sector in Malaysia, with tremendous potential for growth.

Eco-Biz Dream Project

Eco-Biz Dream Project is Malaysia's first environmental-themed business plan competition. It is designed to help nurture forward-looking social entrepreneurs who can create positive impact for the economy, environment and community. The challenge is open to public and private university students in Malaysia to propose sound and sustainable business solutions to address socio-economic and environmental issues.

The contest in FY2019 was the third season. We have enhanced the challenge by helping the winners create a live proof of concept of their business plan. To facilitate viable ideas, we had a specific theme for Eco-Biz Dream Project 3, namely to help revitalise the Kerayong River corridor in the Klang Valley.

Kerayong River is one of the eight rivers identified under the national River of Life (ROL) initiative. The objective of the ROL programme is to improve the water quality of rivers, and ensure that it is safe for recreational purposes.

To turn the challenge from an academic exercise into a real-life application, we introduced a new framework comprising a series of structured activities to help students progress with their ideas. In the initial Ideation Phase, participating students from local universities came up with practical business solutions to address environmental concerns associated with the Kerayong River.

Students and their professors attended a one-day Design Thinking Workshop where they learnt ideation and creative thinking. The workshop was conducted by the Asia School of Business (ASB), in collaboration with MIT Sloan Management. The teams also met the Kerayong River community to gain a better understanding of issues faced.

After the workshop, the teams used their knowledge to fine tune their ideas and present their proposals to the Eco-Biz Dream Project panel of judges. A total of 10 teams were then selected to advance to the final round. The finalists selected were given business coaching and mentoring by experts from Malaysian Green Technology Corporation (GreenTech Malaysia) and ASB. Winners were selected based on a number of different criteria. These included the creativity and purposefulness of the business solution, social impact, strength of the business plan and execution strategy, and entrepreneurial awareness and teamwork capabilities.

In January 2019, the Green Team from Universiti Malaysia Sarawak (UNIMAS) won the Eco-Biz Dream Project 3. Today, we are helping the Green Team, now known as GT Envirosentry Sdn Bhd, bring their idea to life through a strategic alliance made up of civic and corporate enterprises.

In addition to the winning prize of RM10,000 cash, we have set aside RM200,000 in seed funding to execute the winner's business plan. Complementing this, the winning team will be provided business and financial management training to help them actualise their plan effectively. We have established an Implementation Steering Committee which will oversee the team's performance. The RM200,000 funding will be disbursed in tranches based on performance-based milestones.

Throughout the challenge, we maintained a high profile on social media channels and through public relations activities. These showcased the students and their environmental business solutions.



The Green Team from Universiti Malaysia Sarawak

SUSTAINABILITY STATEMENT (Cont'd)

ECO-BIZ DREAM PROJECT 3 WINNERS

Team	School	Winning Prize
Green Team	Universiti of Malaysia Sarawak (UNIMAS)	Winner: RM10,000 cash + trophy + certificate
Monash Green Lab	Monash University	First runner-up: RM5,000 cash + trophy + certificate
Aqua Plethora	Universiti Putra Malaysia (UPM)	Second runner-up: RM3,000 cash + trophy + certificate
Sungai Savers	Xiamen University Malaysia	Consolation Prizes: RM1,000 cash + trophy + certificate
Adiawangsa	Universiti Kebangsaan Malaysia	Consolation Prizes: RM1,000 cash + trophy + certificate

Bringing Green Solutions to Life

Eco-Biz Dream Project 3 is a unique social entrepreneurship activation initiative conducted in collaboration with the Bank's partners. The winning project came from UNIMAS' Green Team comprising team leader Norzafirah Azriah Mohd Fadzli (25), Mohd Fakharuddin Muhamad (25), Dayang Siti Herdawati Abang Hardin (24), and Lennevey Kinidi (25).

The students worked on their idea with guidance from Professor Madya Dr Shanti Faridah Salleh, Director of Centre for Academic Assurance and Academic Development at UNIMAS. They were inspired to develop a sustainable solution to tackle pollution. Their end goal is to inspire behavioural change within the Kerayong River community.

The team proposed a simple yet innovative solution using BioChar, in a plug-and-clean filter that will be used at wet markets situated at the Kerayong River. The aim is to reduce the amount of untreated effluents associated with high Chemical Oxygen Demand and nutrients going into the river. The waste collected is then recycled as fertiliser, thus bringing value back to the environment.

Since they were awarded the prize, the team has been given training in business and financial management. These included providing them support for Intellectual Patent filings. They also conducted a field investigation and lab analysis of samples collected. Upon completing the planning stage, they then proceeded with business set up. Future plans in the pipeline involve constructing, installing and commissioning the plug-and-clean filter.

Throughout this process, the Bank's alliance of partners are providing the team with the support they need to take their idea to the next level. Should more funding be required which exceeds the RM200,000 set aside, the Bank will help them explore crowdfunding platforms alternatives as a source of working capital funds. External parties have also expressed interest in the technology utilised for the project, which has the potential to be used throughout the country should it be successful.

SocioBiz

In FY2019, Alliance Islamic Bank Berhad (AIS) collaborated with FinTech company, Ethis Ventures, to set up a social crowdfunding platform named SocioBiz. This platform provides the public with the means to donate funds to individuals who want to start a new business, expand an existing business, or learn a new life skill so they can attain economic empowerment.

SocioBiz's beneficiary partners are Yayasan Kebajikan Negara (YKN), Yayasan Noor Al-Syakur (YANAS), and Pertubuhan Kebajikan Islam Malaysia (PERKIM).

For 2019, AIS has committed to bearing all administrative costs, ensuring that 100% of the funds collected are channelled to the recipients.



At the launch of SocioBiz

PROVIDING CUSTOMERS WITH IMPACT INVESTMENT OPTIONS

In line with its BNM validated status as an emergent Value-Based Intermediation (VBI) practitioner, AIS launched two impact investment funds in FY2019. These comprised two BIMB-Arabesque Shariah ESG equity funds, namely the BIMB-Arabesque iGlobal Dividend Fund 1 and the BIMB-Arabesque Malaysia Shariah ESG Equity Fund. These award-winning funds integrate ESG elements with financial and momentum analysis.

Both these funds integrate the United Nations Global Compact (UNGC) principles and values, and prioritise capital preservation as their main objective.

HELPING TO REDUCE MALAYSIAN HOUSEHOLD DEBT

As at December 2018, Malaysian household debt accounted for 83.0% of the country's nominal Gross Domestic Product². Factors such as debt repayment capacity and financial resilience have a huge impact on the well-being of the average family. In many cases, households have a variety of loans to service such as personal loans, hire purchases, credit card payments, and mortgages. This results in the average household making multiple loan repayments to different banks, resulting in having less cash in hand for their daily needs.

Our Alliance ONE Account (AOA) and the Shariah-compliant Alliance ONE Account-i were designed to help alleviate the financial burden of households with multiple loan repayments. AOA consolidates all our customer's loans into a single mortgage loan. It is a more prudent way to pay off high interest loans. Among other worry-free propositions they can enjoy is the greater savings on interest or profit rate per annum, or having cash in hand when faced with family emergencies.

DIGITISATION

The Bank's digitisation initiatives are part of its Transformation strategy. Through our various initiatives, we aim to provide our customers with digital value propositions in line with the increasingly mobile lifestyle of tech-savvy Malaysians.

Our digitisation efforts reflect our brand attributes of Innovative, Fast, Simple, Responsive, and Aligned to Customers' Needs. Aimed at moving the Bank towards a paperless branch offering higher efficiencies, they comprise of two primary thrusts:

- Customer-facing digitisation initiatives to migrate customers from traditional over-the-counter transactions to digital channels
- Digitisation of back-end processes and systems to ensure simpler and speedier processes

allianceonline Mobile

In the first quarter of FY2019, we strengthened our digital banking presence by launching our first mobile banking application, allianceonline Mobile. The aim was to simplify and enhance our customers' overall banking experience. The app offers our customers convenient and easy access to online banking services including viewing account balances, transaction flows and e-deposit placements.

The app features cutting edge technologies to enable a more user-friendly banking experience. These include:

- Smart Reminder – the first-of-its-kind feature within a mobile banking app in Malaysia, which uses machine learning to identify users' payment behaviours. Smart Reminder serves as a personalised payment assistant that reminds customers of payments due. It allows our customers to track their payments for bills, transfers, credit cards, loans, and top-ups
- Easy Search – a search facility that helps customers with recurring payments look up past transactions based on name, account number, or purpose of payment. It eliminates the need to recall lengthy payment details when conducting a transaction
- Mobile Secure Approval – strengthens the security of web and mobile-based transactions by turning customers' mobile phones into a security token unique to them via push notifications



² Source: CEIC Data

SUSTAINABILITY STATEMENT (Cont'd)

Alliance BizSmart SME Solution

We launched the Alliance BizSmart SME solution to provide our business customers with an online banking portal which business owners can adapt to suit their business needs. Business owners can access the range of secured banking services at their convenience anytime, anywhere. The solution addresses the challenges faced by businesses of all sizes in various sectors and industries.

Alliance BizSmart's innovative features have won several regional awards including "Best Digital Sales Initiative, Application or Programme" at the prestigious Asian Banker's International Excellence in Retail Services Awards 2018. It also won the "Excellence in Service Innovation" and "Excellence in Business Model Innovation" awards at the RBI Asia Trailblazer Awards 2018.



Alliance Origination System

In July 2018, the Bank launched the Alliance Origination System (AOS) to simplify its credit workflow process. AOS streamlines data input from third party databases, allowing for most of its data fields to be automatically populated.

AOS significantly reduces paperwork, freeing up our relationship managers' time to focus on serving our customers better. Its automated processes also enable faster turnaround time on loan disbursements.

Digital Onboarding

During the year, we launched digital onboarding for three of our key product lines to speed up turnaround time:

- Alliance@Work's Local Employee Onboarding (LEO) enables payroll account opening at the workplace with immediate activation of ATM/debit card and allianonline Mobile account

- Individual Current Account/Savings Account (CASA) – utilising a tablet, our staff can assist customers with the onboarding process quickly. Digital Know-Your-Customer (e-KYC) process leverages on facial recognition and optical character recognition (OCR) technologies to capture customer information. This has shortened individual CASA openings to under 20 minutes, compared to 45 minutes previously
- Business CASA accounts – a pilot programme was launched in April 2019 using a number of different digital technologies. The system automatically identifies the company and populates the data fields with verified data from third party databases. OCR technology captures customer information, while e-KYC utilises facial recognition technology for identity card information, selfie images, declarations and e-signatures. The process reduces the number of signatories required from seven to only one. Also, the number of documents required has halved from six to three. The digitised process will improve Business CASA activations to within a day, from two weeks previously

Reaping the Benefits of Robotic Process Automation

Our purpose in digitising our processes is to provide our customers with faster and more efficient turnaround time. We also provide them more accurate reports and data. One of the initiatives we successfully launched in August 2018 was Phase One of the Robotic Process Automation (RPA).

RPA uses software robots that captures repetitive processes which it then automates by repeating those tasks within existing interfaces, software applications and structures. Among the processes automated are updating real-time information, navigating multiple systems to retrieve information, copying, and auto-printing reports and files.

Using RPA has freed up a substantial portion of our staff's time which was previously spent doing these same processes manually. With the extra time on their hands, our employees have been able to be more productive on their jobs, by focusing on more complex matters. RPA also saves on costs, increases process efficiency and optimises business processes. Additionally, it reduces turnaround time and human error, as well as improves accuracy and quality of output.

Outcomes achieved in the Phase One launch include:

- Improved processing time from two hours to five minutes
- Reduced turnaround time from two days to same-day fulfilment
- Reduced human error, and repetitive work and actions

In Phase Two, RPA will be expanded to units such as the Centralised Process Centre, e-banking, Remittance, and System Access Control. By automating manual processes within these areas, the Bank will be able to further improve its efficiencies.

CUSTOMER DATA PRIVACY

We take our duty and responsibility to protect our customers' financial information and personal data seriously. Towards ensuring that Customer Data Privacy is protected at all times, we have in place a Privacy Policy in relation to the collection, use, and management of our customers' personal data. Our policy is in compliance with prevailing legislation, namely the Personal Data Protection Act (PDPA) 2010, Financial Services Act (FSA) 2013 and the Islamic Financial Services Act (IFSA) 2013.

We have upgraded our cyber protection systems in line with our digitisation drive. Our enhanced systems reduce the risk of cyber-attacks in the form of unauthorised access, security breaches and information leaks.

Customer data is available in printed form, or as digital information within our system. We restrict access to printed data to authorised personnel only. These are kept in locked cabinets in a secured storage area. Printed data which is not used is destroyed in a paper shredder.

We strictly control data available in digital form. System access is only granted according to job function, with requests requiring approval from the relevant authority. We inculcate a culture which prioritises customer data. This includes advising employees to lock their personal computers when they are not at their desk, and to treat customers' personal data with integrity and as their own.

ENVIRONMENTAL

The Bank's environmental initiatives reflect our commitment to uphold our environmental stewardship obligations as a responsible corporate citizen. We have in place a range of internal workplace initiatives at the Bank's offices which help reduce our carbon footprint.

Prohibitive Lending Policies

The Bank's policy prohibits lending to illegal business activities that will cause environmental harm.

Internal Workplace Initiatives to Reduce Carbon Footprint

We have in place internal programmes which we monitor on an ongoing basis to ensure that we minimise our environmental impact.

ENERGY MANAGEMENT

We manage our energy consumption at our headquarters and branches to ensure efficient energy use. A significant portion of electricity is consumed by air conditioning systems at all our premises. Our measures in reducing energy consumption in air-conditioning comprise the following:

- Temperature setting optimisation of Computer Room Air-Conditioning (CRAC)
 - Our target is to reduce energy consumption by 5% by setting the temperature one degree Celsius higher on CRAC units
 - Initiated in 2015, it covers all CRAC units located at communications and server rooms located at the Bank's headquarters in Capital Square, Cyberjaya, and Strateg
- Not increasing the number of split air-conditioning units at offices with centralised air-conditioning
 - Since 2014, we have maintained strict control on new air-conditioning split units installed by getting Group Heads to approve all requests
 - Exceptions are only made if non-installations will significantly impair operations

Lighting at all our premises is another large source of electricity consumption. We have set a target to reduce lighting energy consumption by 10%. Since 2016, we have been working towards this by fitting LED lights at all our new offices and branches. We have also expanded this effort to renovations we conduct.



10%

reduction in electricity consumption for light fittings

Using Environmentally-Friendly Materials

Since 2016, we have been using eco-friendly materials as much as possible within our organisation as follows:

- Replacing R20 refrigerant equipment for air-conditioning units with more environmentally friendly substitutes, such as R22, R410, or R32
- Within all our office renovation projects, using eco-friendly materials for renovation, in compliance with US-based Leadership in Energy and Environmental Design (LEED), UL Environment's GREENGUARD Green Certified products, Australian-based GECA standards or equivalent certifications. This extends to using environmentally-friendly furnishing such as workstations, chairs and carpets.

SUSTAINABILITY STATEMENT (Cont'd)

Reducing Paper Use

We believe in doing our part to aid in conserving our planet's trees by carrying out paper recycling programmes and reducing paper use. Since 2016, we have been recycling used paper at our offices. To responsibly manage our paper use, we encourage our employees to reduce printing. Measures we have in place include password controls on our paper copier machines, and generating a monthly report on printing volume sent to the respective businesses.



Annual printing reduced to

2.8 million

copies in FY2019, from 3.3 million copies in FY2018

SOCIAL

The Bank's social initiatives and programmes are centred on our workforce, customers and communities.

We provide our employees a supportive and conducive work environment through a range of policies, workplace initiatives, and talent development platforms. Our customer engagement programmes are designed to offer excellent service, as well as provide customers with the information they require to grow their financial wealth. In our engagements with society at large, our aim is to empower communities through financial literacy programmes, as well as digital financial inclusion and empowerment initiatives.

EMPLOYEES

The labour market is defined by a continuously evolving workforce, with dynamic employment sentiment. Employees, especially the Millennial generation, are looking for employers who offer them a supportive and conducive workplace environment.

The Bank has streamlined its efforts and initiatives to ensure that the workforce, being the most important intangible asset, remains dynamic and relevant. We place great importance on employee engagement, and support our people's professional and personal growth. Underscoring this is our aim to cultivate a highly ethical workforce and sustainable business practices.

Our Human Capital Base

The Bank has in place a range of policies to ensure a conducive work environment, which respects its employees' rights.

Workforce Diversity, Equal Opportunities and the Bar on Discrimination at the Workplace

We believe in a diversified and inclusive workforce and practise equal employment opportunity. We support the TalentCorp Career Comeback programme, as our commitment to aid in national economic transformation. The programme encourages women to return to the workforce after career breaks, and assists in the transition process. Under this programme, we have successfully recruited several female employees.

In pursuit of diversity and equal gender participation in our workforce, 61% of our employees are women. Of the total female workforce, 79% hold management positions (Senior Executives and above) and 16% of that hold Senior Management positions (Senior Vice President and above).

The Bank promotes a culture of tolerance and mutual respect, beginning with the recruitment process. Each candidate is assessed and evaluated in a fair manner. We reject all forms of discrimination based on gender, race, religion, age, or sexual orientation.

We practise this same culture in staff career advancement. We assess our staff on behavioural and professional criteria for career progression. Decisions on promotions and financial compensation are made by a varied and diverse senior management committee. Complaints of discrimination of any kind are investigated thoroughly via the Bank's disciplinary processes and consequence management is applied accordingly.

WOMEN IN THE WORKFORCE



79%

of our female employees
hold management positions;

16%

hold Senior Management positions

Addressing Bullying and Harassment at the Workplace

We continuously enhance and revise our Whistle Blower Policy in response to industry and situational changes. Our most recent revision was conducted in March 2018. The Bank's Whistle Blower Policy and the Speak Up Statement is positioned to highlight instances of unethical conduct, harassment, and unreasonable behaviour by all parties. Aggrieved individuals have recourse to internal and external reporting channels. Our Whistle Blower Policy has an in-built mechanism which maintains the strictest of confidence with regards to all complaints made in good faith.

The Whistle Blower Policy can be accessed by staff on the Bank's inAlliance intranet portal, while the Speak Up Statement can be found

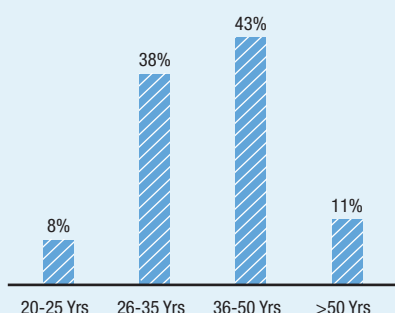
on our corporate website. Managers and employees alike are educated on the importance and utilisation of the Whistle Blower platform via staff induction programmes, staff communications, and Huddle letters. The Bank's strong stand on this extends to the inclusion of a whistle blowing and complaints reporting clause in all third-party contracts and agreements which the Bank is party to.

Employee Composition & Workforce Strength

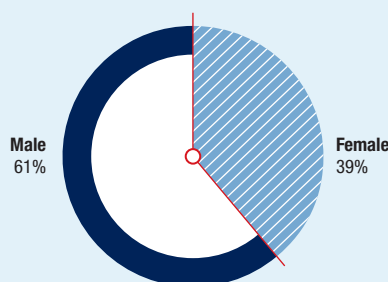
The Bank believes in the importance of a diverse workforce which offers us the benefits of a spectrum of different perspectives and insights. As at 30 April 2019, we have a total of 3,590 employees of differing age groups and varying backgrounds.

WORKFORCE STATISTICS AT A GLANCE

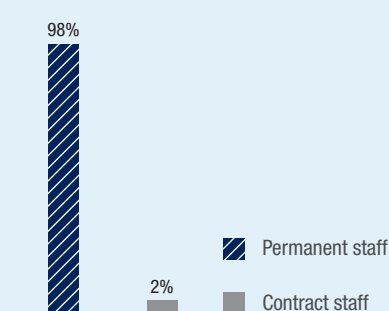
EMPLOYEE AGE PROFILE



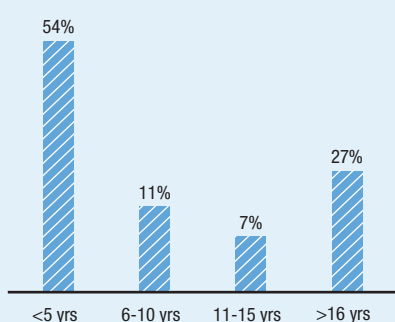
GENDER COMPOSITION



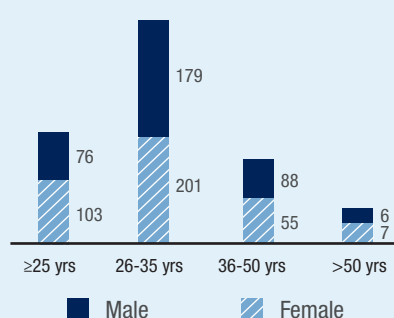
EMPLOYMENT STATUS



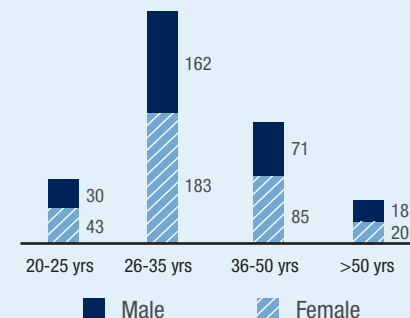
DIVERSITY IN TENURE



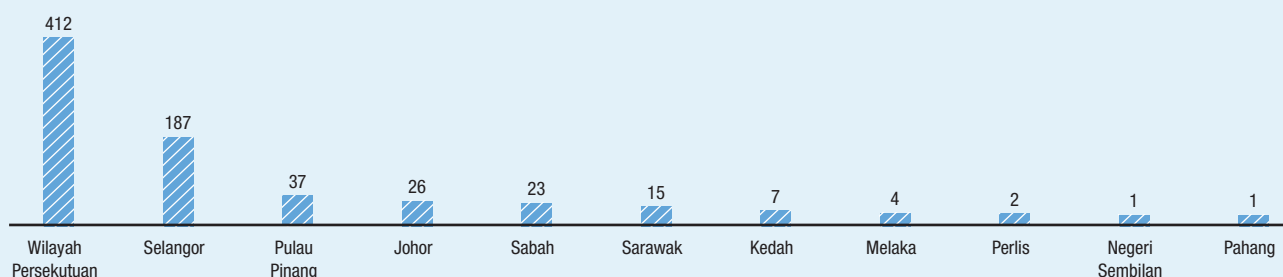
RECRUITMENT BY AGE AND GENDER



TURNOVER BY AGE AND GENDER FY2019



RECRUITMENT BY STATE FY2019



SUSTAINABILITY STATEMENT (Cont'd)

Employee Engagement and Wellness

We proactively engage with our employees on a variety of platforms to ensure a sustainable and engaging experience at the workplace.

Voice of Employee

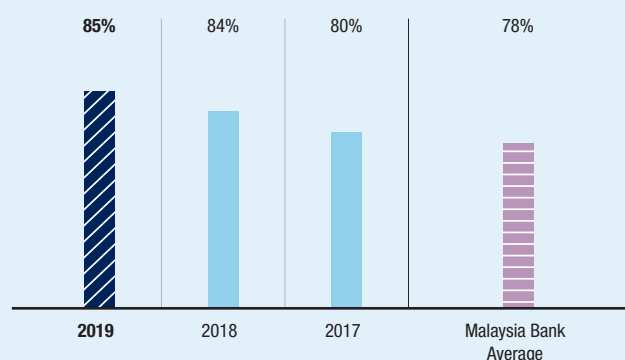
The Bank's annual employee engagement survey, "Voice of Employee" (VOE), has been instrumental in providing honest feedback from employees at all levels within the organisation. We have used employee feedback to guide our initiatives and management decisions. Our approach has resulted in significant improvement in employee engagement and sentiment as follows:

- Sustainable Engagement Index improved by 1 point to 88% in FY2019 from 87% in FY2018
- Performance Management improved significantly to 79% in FY2019 from 74% in FY2018
- The Bank's Image and Competitive Position rose to 54% in FY2019 from 50% in FY2018
- Net Promoter Score (NPS) in terms of recommending others to be customers of the Bank improved from -6 to 0
- The Bank's internal NPS improved from -13 to -7 in terms of recommending others to be employees of the Bank

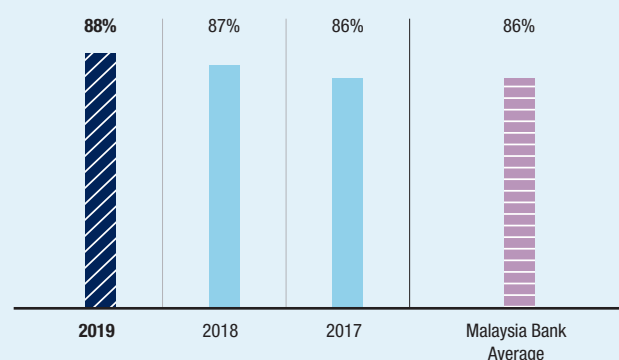
In addition to the annual VOE, the Bank carries out quarterly VOE Surveys to gauge employee engagement regularly.

FY2019 COMMUNICATION AND ENGAGEMENT INDEX – ABOVE INDUSTRY BENCHMARKS

COMMUNICATION INDEX @ BANK LEVEL



SUSTAINABILITY ENGAGEMENT @ BANK LEVEL



Both Indexes above all Benchmarks

	Total Favourable Score (%)	Global Financial Services Norm 2019	Global High Performance Norm 2019	Malaysia National Norm 2019	Malaysia Financial Services Norm 2019	Malaysia Banking Norm 2019
Communication Index	85	+19*	+9*	+7*	+8*	+6*
Sustainable Engagement Index	88	+5*	+0*	+2*	+3*	+3*

Note:

* +/- represents the improvement or decline of Bank's Scores against benchmark.

Employee Engagement Initiatives

Upon completion of the annual VOE survey, the Bank conducts “Skip” sessions between management levels to obtain clarity and feedback on gaps, identify opportunities for improvements, and positive initiatives to repeat. At divisional level, we have allocated funds for engagement activities designed to strengthen bonds within the team.

Our annual townhall and Leaders Conference are held to align the whole organisation with the Bank’s strategic direction and key initiatives. These conferences also serve as platforms for employees to clarify the ambitions of the Bank for the coming financial year.

During the year, we held a competition for our employees to refresh the staff ID card and lanyard with a new design. The final design selection was made by the employees themselves through an online voting system.

The “Alliance at Heart” initiative, collaboratively driven by the Group Marketing and Customer Experience Office and Group Human Resource (GHR), was introduced to create awareness and reinforce the Bank’s vision, strategies, brand attributes, key behaviours, and financial goals. These are interactively communicated through a series of educational cards, online quizzes, and challenges.

Allies of Alliance Portal

Introduced in FY2017, the “Allies of Alliance” portal and its Ideas Bank have resulted in the activation of ideas originating from all levels of employees. A total of 37 business-related initiatives and 16 employee engagement related-initiatives were activated based on ideas collated from the Ideas Bank and weekly Huddle sessions. These include proposals on simplification of processes.

Fit@Alliance

Since its inception in 2017, Fit@Alliance has been promoting physical, mental and financial wellness among employees. In FY2019, Fit@Alliance organised a series of physical activities targeted at enhancing and promoting active lifestyles and camaraderie among employees.

During the year, the Bank also participated in the Perkeso’s nationwide Activ@Work challenge, with more than 600 of our staff participating.

We received an enviable final placement of Second Most Active Employer in the large corporate category. Six of our employees were placed among the Top 10 Most Active Employee nationwide out of 100,000 participants.

Throughout the year, employees can join in the various physical activities organised by the Bank. These include vertical challenges, walk hunts, hikes, and Zumba sessions. It also extends to talks and programmes on healthy lifestyle topics such as good diet, “Getting Fit in the Office”, “Happiness at Work”, and “Understanding and Living with Diabetes”, all organised under the Fit@Alliance banner.

Recognising that wellness is not just limited to physical aspects, the Fit@Alliance committee actively pursues mental and financial wellness initiatives. Talks on Stress Management and the Financial Wellness series featured seminars on “Personal Budget”, “Cash Flow Management”, “Managing Credit”, “Investing Done Right”, “Early Retirement Planning”, bank-wide quizzes, contests, and complimentary Financial Planning sessions for employees have been well received for their creative take on wellness. The use of infographics and quizzes allowed all staff to reap the benefits of the financial literacy programme, which recorded a 40% participation rate.

Recreational and Sports Club

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

their colleagues throughout the Bank. Additionally, the Recreational and Sports Club also presented talks on Health and Sports Safety.

Rewards and Recognition Programmes

We believe in recognising and appreciating the hard work and efforts of our employees to keep them motivated.

During the year, we launched the “ManCo Appreciates You” page on the inAlliance Portal. The portal is a conduit for Management to showcase their appreciation for employees who portray positive attitudes and exemplary work ethics.

Our Monthly Celebrations showcase businesses that achieved or exceeded their business goals to maintain employee enthusiasm. Branches are not left behind in these endeavours. We present the Monthly Service Awards to branches that meet service standards.

During the year, we introduced the Branch Recognition Programme to motivate the Bank’s branches by recognising and rewarding top performing branches that delivered excellent customer experiences. Launched in August 2018, the programme is aligned with our Transformation priority of ensuring excellent customer service, and provides an avenue to learn from each other by sharing success stories.

Monthly awards are given to the top 10 performing branches that meet the minimum set service standards, quarterly awards to the top performing branch, and a special award to the most improved branch.



AFG Recreational and Sports Club Family Day

SUSTAINABILITY STATEMENT (Cont'd)

Work Life Balance Initiatives

With evolving employee sentiments, the Bank understands the importance of work life balance in promoting our people's personal growth and health.

Career Break Option

One of our sustainable long-term initiatives is the Career Break option. This option is offered to exemplary performers occupying critical positions, who wish or need to take an extended break from work for personal reasons and is exercised at the Bank's discretion. Through this option, we hope to retain talent in the long run. Employees on a career break have the assurance of job security upon their return to the workforce.

Parental Leave

The Bank provides both maternity and paternity leave to our staff to allow them to fulfill their family responsibilities.

Paternal Leave	Male	Female
Entitled	39%	61%
Utilisation Rate	3%	3%
Staff that return to work after parental leave	100%	98%

Promoting a Culture of Innovation

Employee-driven innovation is a critical enabler in driving through our brand attributes of Innovative, Fast, Simple, Responsive, and Aligned to Customers' Needs.

In FY2019, we introduced Innovation Marvels (IM), a programme that champions the ideas contributed by the various Huddle groups within the Bank. The IM team, comprising Management Trainee graduates, identifies the ideas to be worked on and recommends strategic actions to improve processes.

Among the initiatives that were successfully implemented are the Alliance Remedial Collection Sharing portal, an online resource centre to help our employees prepare for the Asian Institute of Chartered Bankers certification, and the Alliance ONE Account (AOA) referral campaign. Ideas being explored for implementation in FY2020 include digitising approval processes to increase efficiencies, and providing customers with faster and more responsive service.

Training and Development

We believe that talent development is a crucial component of the Bank's success. It ensures we have a sustainable pipeline of ready and industry-relevant talents at the Bank. We have introduced new initiatives in FY2019 with a wide range of talent development programmes. All our talent development initiatives are aligned with our strategic vision and Transformation initiatives.

TRAINING AND DEVELOPMENT



Contributed

RM4.2 million

to Staff Training Fund to upskill employees



Invested

RM10 million

on employee training and development in FY2019



34 hours

or 4.25 days per employee spent on employee development training



414

face-to-face development programmes



19

e-learning programmes

Internship and Management Trainee Programmes

The Bank strongly advocates early work exposure to students from a diverse range of fields. We launched our inaugural Decision Management Structured Internship Programme (DMSIP) to provide students with insights into data management and analytics in a banking environment. Additionally, we support and facilitate direct internships into various departments, with a total of 24 intern students benefiting from early work exposure in FY2019.

Alliance Bank Leadership Excellence (ABLE) Academy

The award-winning Alliance Bank Management Trainee Programme (MTP), now in its seventh year, has been successfully developing and nurturing young graduates into holistic young leaders. We continuously improve our strategies to develop and manage young talents to be well-rounded future leaders at the Bank.

The MTP is the first step in the Alliance Bank Leadership Excellence (ABLE) Academy. The purpose of the ABLE Academy is to develop a channel of potential leaders with breadth and depth of knowledge. It is also a platform for young aspirants to gain relevant knowledge, skills, and experience in the financial industry so they can assume future leadership roles.

We continue to innovate the MTP based on the needs of young graduates and organic changes in the industry. Since its inception in 2012, 181 management trainees have benefited from the programme. In FY2019, 25 management trainees joined the ranks at ABLE Academy.

Alliance Leaders Programme

Alliance Leaders Programme is a flagship initiative aimed at building a strong foundation of leadership knowledge, skills and experience to cultivate successful leaders in the Bank. During the year, our pioneering batch of 15 graduates completed their 10-month long journey of self-development.

Alliance Impactful Managers Programme

This programme aims to inculcate positive workplace environment and build high performing teams. To date, more than 500 employees have benefited from this programme with 82 managers trained by our own internal Accelerated Strengths Coaches in FY2019.

OUR LEADERSHIP DEVELOPMENT PROGRAMMES

77

leaders have been identified as Mentors

24

leaders have been certified as Strengths Coaches

37

bank-wide leaders are part of our training team

Accelerated Strengths Coaching

We are continuously creating a base of certified Accelerated Strengths Coaches who in turn are coaching other employees, thus creating a multiplier effect. They focus on new and innovative approaches to enhance team effectiveness and maximise employee potential. In FY2019, more than 300 employees were coached by our pool of 24 certified coaches.

Working with Strengths Programme

The programme benefits from the innovative concept of strengths-based approach. Workshops conducted provide participants with fundamental concepts and tools to champion a culture of change and drive performance at work. In FY2019, 292 employees participated in the workshops.

G.R.E.A.T. @ Alliance

As one of the Bank's customer-based programmes, G.R.E.A.T. @ Alliance is designed to support our strategy "To Be the Most Important Relationship for the Financial Success of Business Owners". In FY2019, we organised 22 classes for 880 participants under the programme.

Global Leaders Talkshop

To accelerate our employees' leadership insights and learning, we invite global leaders to speak to our own homegrown talents. In FY2019, our employees accessed talks by leaders sharing their experiences on the following themes:

- "Leading in the Age of Disruption"
- "Leading from the Edge"
- "Resilient Leadership"
- "Sustaining the Passion Within"
- "The Pillars of Innovation"

Career Development Paths

Our Internal Job Opportunities platform encourages employees to take a proactive role in their career development. This helps to mitigate workforce stagnation by empowering our employees to participate in their own career development path. Individual Development Plans are formulated and utilised as key components of our workforce performance management. This is complemented by experiential learning through internal and external learning programmes, coaching, mentoring, and networking.

SUSTAINABILITY STATEMENT (Cont'd)

Enhancing Staff Awareness on Banking Regulations

We hold regular in-house training to ensure our staff are up-to-date with current regulatory guidelines and requirements. This comprises in-house training on Law, Banking, Anti-Money Laundering (AML), and Combating the Financing of Terrorism (CFT). During the year, 784 employees participated in these trainings. To gauge awareness levels and effectiveness of training, we conducted pre- and post-training tests.

Alliance Islamic Banking Fundamentals Training

From August 2018 till March 2019, Alliance Islamic Bank Berhad (AIS) held monthly Alliance Islamic Banking Fundamentals (ALIF) training for front line staff who are the first point of contact for customers. The training focused on the different types and nature of Islamic contracts, financial system, transparent disclosure of wealth products, and coverage of Shariah Non-Compliant Event and risk areas. In FY2019, 154 employees attended the ALIF training.

Wealth Academy

In FY2019, we took steps to strengthen our wealth management advisory team by collaborating with business management institutions to offer Wealth Management certification to our employees.

Alliance SME Way

Another new initiative introduced in FY2019 was Alliance SME Way, a structured sales and advisory approach in delivering excellent customer experience for our SME clients. Launched in March 2019, the Alliance SME Way covers customer contact strategy, sales interaction model, and tools our relationship managers can use to advise SME clients on business and finance matters.

Future Proofing Our Workforce

To ensure that our employees are kept updated on the latest regulations governing the financial services industry, we provide them e-learning modules such as Anti-Money Laundering (AML), Code of Conduct, Information Risk Management and Cyber Security, and Personal Data Protection Act (PDPA) 2010.

To keep up with digital trends, we are developing programmes relating to Big Data Analytics, Data Science, Artificial Intelligence, Cyber Security, Robotic Process Automation, Chatbot, the Digital Economy, and Digital Marketing.

Staff Education Events

The Bank regularly holds staff education events to provide additional exposure to our employees on areas relevant to their jobs. An example is the quarterly staff investment talk, where employees are informed of the advantages of share trading, and our online share trading platform, Alliance ONE Invest (AOI).



Trade Shares
Even When You
Are On The Move

CUSTOMERS

In FY2018, we set up a comprehensive internal communication system with a defined set of service rituals that would help us deliver excellent customer service.

Several of our training and development programmes focus on enhancing our relationship managers' capabilities in delivering our brand promise such as the Wealth Academy, Alliance SME Way, and ALIF training. Our rewards and recognition programmes are meant to motivate our employees to continue to create great customer experience.

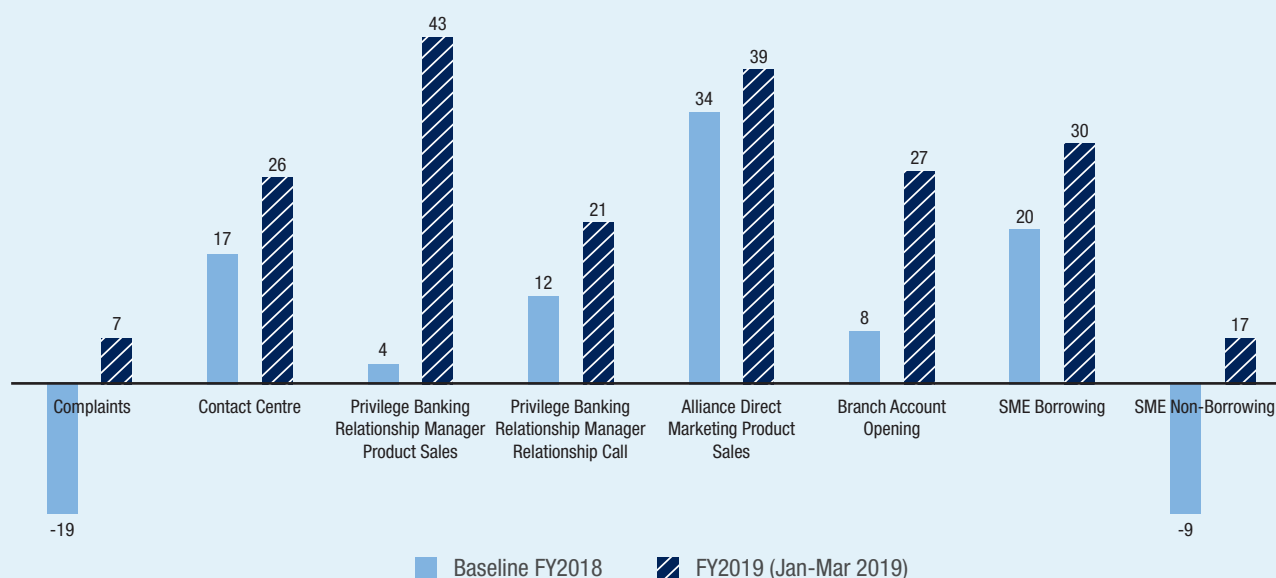
In FY2018, we began tracking our Net Promoter Score (NPS) across nine touch points on a monthly basis. We also initiated a Service Council where key stakeholders Bank-wide meet to share our NPS results for the month. Collaboratively, we performed a deep dive into the results, identified areas for improvement, and implemented the action items. We closely track and monitor these projects to ensure that we remain on track.

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

We enhanced service levels at branches by setting up the Branch Service Council to review and identify action plans on branch issues to close the service gap. Digitisation initiatives such as automation are executed to improve customer experience by offering quicker service with a shorter turnaround time.

As a result of our focused approach, we recorded significant improvement in our NPS scores from FY2018 baseline.

FOURTH QUARTER FY2019 NET PROMOTER SCORE



Helping Customers Make Informed Financial Decisions

Alliance Retail Broking

In FY2019, Alliance Retail Broking (ARB), a collaboration between the conventional and investment banks, carried out several initiatives to help simplify share trading for Malaysians. We:

- Launched an educational video series that uses fun and simplified explanations to tackle complex propositions
- Published articles in English and Mandarin on how one can build one's wealth through share trading
- Went on air on BFM89.9 to help Malaysians demystify the barriers to starting an investment portfolio
- Participated in the InvestSmart Fest 2018 organised by Securities Commission Malaysia held from 12-14 October 2018
- Hosted Customer Investment Talks in partnership with Bursa Malaysia and Affin Hwang Asset Management in February and March 2019 at four different locations in the country

Since FY2018, we have been disseminating our Daily Research Summary via mobile, and sharing the Alliance Monthly Model Portfolio with retailers. The information is shared in both English and Mandarin. Our efforts have received positive feedback from remisiers and customers, especially with the Mandarin version.

SUSTAINABILITY STATEMENT (Cont'd)

COMMUNITY

We have extended our role as a financial institution to provide support for our communities by leveraging on our abilities and skills. Our Corporate Responsibility (CR) activities are centred on promoting financial literacy, and enabling financial inclusion and empowerment. Our efforts ensure that we are able to create meaningful social impact. This is in line with our organisational ethos of conducting our business to the highest standards of responsibility, trustworthiness, transparency, and sustainability.

Our CR activities have been conceptualised and implemented in accordance to Bursa Malaysia's Corporate Social Responsibility Framework for financial institutions. Our CR programmes feature engagements with strategic partners to create positive outcomes in society through financial education, corporate projects, philanthropic works, and staff engagement.

FINANCIAL LITERACY PROGRAMMES

The Bank's financial literacy programmes are based on our belief in equipping communities with the right financial tools.

The AEIOU Programme

The fourth cycle of the AEIOU Financial Comic Strip Challenge saw us continuing to financially educate school children through the fun and interactive approach of a comic-drawing competition with the theme "Smart Financial Habits". Open to students in Primary Four, Five and Six, the challenge encourages children to practise saving, planning, and prudent spending habits from a young age.

Since its inception, we have reached out to more than 7,500 primary schools nationwide, and to more than 365,000 students. The success of the programme has resulted in it being a two-time award winner for Best Financial Literacy Programme for Primary Schools by BNM.

For AEIOU Challenge 4, the Bank organised a teacher-led workshop to assist teachers to conduct their own AEIOU workshops at their respective schools. This approach also empowers teachers to be ambassadors of financial education. It ensures that instilling financial management knowledge in children

extends beyond the AEIOU Challenge. We held four AEIOU Teachers' Briefing sessions which were attended by 193 teachers in the states of Perak, Melaka, Sabah, and Selangor.

We introduced a new element to the challenge in FY2019, i.e. the AEIOU Save and Snap Challenge. Our intent was to assess the impact of savings through tangible actions and create visible online peer-to-peer influence among schoolchildren. The Save and Snap Challenge was conducted as an online competition where parents and teachers posted creative photo submissions of the children exhibiting saving habits on the social media platforms of Facebook and Instagram. The challenge ran for two months, and received 50 submissions. Ten winners were announced on the Bank's Facebook and Instagram channels. Each winner received a RM100 cash prize.

To complement the AEIOU Programme, we continued with our AEIOU Rural School Initiative for the second year. Through this programme, the Bank helped to restore five schools in Sabah that had suffered infrastructure damage as a result of natural disasters.

The restoration included repairs to the schools' roofs, walls and doors, as well as classrooms, canteens, and toilets. We also contributed teaching aids such as projectors to help with learning activities towards creating a conducive education environment.

The five schools under AEIOU Rural School Initiative were SK Sugud, SK Tampasak, SK Koporingan, SK St Theresa, and SK Bantayan, which are also the Bank's adopted schools under the BNM School Adoption Programme.

AEIOU PROGRAMME

13,065

students participated
in the AEIOU roadshow nationwide

193

teachers participated in AEIOU
Teachers' Briefing sessions

15,000

students took part in the AEIOU
Drawing Challenge, an increase of

42.6%

from FY2018

About

1,000

schoolchildren benefited from the
AEIOU Rural School Initiative

Invested

RM286,600

on the AEIOU Roadshow and
Comic Strip Challenge, and

RM48,000

on the AEIOU Rural School Initiative



With the top 40 finalists of the AEIOU Challenge 4

Inculcating Winning Financial Habits

On 1 November 2018, we held the Grand Finale and Closing Ceremony for the AEIOU Challenge at HGH Convention Centre, Sentul, Kuala Lumpur. The top 40 contestants competed for the last time after being shortlisted from more than 15,000 entries. At the end of that session, nine lucky contestants were selected to enter a bonus round, the Buzzer Challenge, that offers a cash prize of RM1,000.

Khor Joo Ching, 12, from SJK (C) Yik Nam in Sabah was named champion of the Alliance Bank AEIOU Financial Comic Strip Challenge 4. She took home RM5,000 in cash, a trophy and a participation certificate. Tan Yen Zhi, 12, from SJK (C) Sentul, and Foo Qiao Ying, 12, from SJK (C) Chong Hwa in Setapak were named first and second runner-up in that order. Each won RM3,000 cash and RM1,000 cash respectively, as well as a trophy and certificate of participation.

SK Sg Binjai won the School with Highest Participation Award, which entitled them to RM5,000 in school development fund. SK Talungan Telipok won the Smart Financial School Challenge, giving them a RM3,000 school development fund. The runners-up for the Smart Financial School Challenge, SK Pulau Nyior and SK Antara Gapi, won RM1,000 for their school development fund.

Buku Wang Saku Programme

We are a strong supporter of BNM's *Buku Wang Saku* Programme that helps instil sound financial management in schoolchildren. Through this initiative, we helped schoolchildren at 329 adopted schools nationwide to effectively manage their pocket money by monitoring their spending. It inculcates the habit of saving, and creates awareness on the importance of smart financial management and planning. By teaching young children these skills, we are helping to put in place the building blocks for a financially savvy future generation.

Invested

RM31,193

to produce 329,000

Buku Wang Saku

RM16,825

were spent to deliver the books
to 329 schools nationwide

Health and Wealth Programme

In November 2018, AIS rolled out a Health and Wealth programme for civil servants called *Program Bimbingan Kewangan*. The programme offers physical and financial health check to public servants. Last year, two workshops were held at the government agencies' offices in Putrajaya.

ENABLING FINANCIAL INCLUSION AND EMPOWERMENT

Our Forward Position Research conducted in FY2016 gave us insights into how we could help business owners by offering their stakeholders, i.e. employees, family, and customers, access to useful and affordable financial products and services. A key finding resulted in us carving out a foothold in the niche segment of digital financial inclusion and empowerment.

One such endeavour is our Alliance Cash2Home app for foreign workers. It offers paperless account opening at the workplace utilising facial recognition biometrics technology, and mobile remittance service for foreign workers from the lower income segment.

More than just a convenient, safe and secure way to manage finances and perform online remittance transactions, Alliance Cash2Home promotes financial inclusiveness especially the unbanked segment.

Since the groundbreaking app was launched in FY2018, it has received numerous regional accolades including "Best Digital Banking Initiative" at the Retail Banker International Asia Trailblazer 2019, "Outstanding Client On-Boarding & Account Opening" at the Global Retail Banking Innovation Awards 2018, "Financial Inclusion Initiative of the Year – Malaysia" at the Asian Banking and Finance Retail Banking Awards 2018, as well as "Best Digital Experience" and "Best Omni-Channel Experience" at the Customer Experience Asia Excellence Awards 2018.

BENEFITS OF ALLIANCE CASH2HOME APP

- Helps business owners manage operational costs, productivity and efficiency
- Mitigates cash handling risks
- Accelerate the shift towards a cashless society
- Advocates transparency and accountability
- Encourage legalisation of foreign workers

COMMUNITY ENGAGEMENT PROGRAMMES

The Bank's community engagement programmes provide our employees with the opportunity to give back to society.

Breaking Fast with *Asnaf*

In conjunction with the holy month of Ramadan in May 2018, we held a breaking fast event at the residence of Pertubuhan Baitul Ehsan Al-Khairi (PBEA) in Taman Maluri, Kuala Lumpur. During our visit, we donated items worth RM15,000 – RM5,000 in zakat contributions, and *duit raya* (cash gifts) to 80 children at the home. Our employees also contributed additional household and grocery items to help the home prepare for Hari Raya celebration.

SUSTAINABILITY STATEMENT (Cont'd)

Hari Raya Appreciation Dinner

At last year's Hari Raya event, we invited 50 orphans and underprivileged children to join us at our annual Hari Raya Appreciation Dinner at the Connexion@Nexus, Bangsar, and Pacific Sutera Harbour, Kota Kinabalu. The children were treated to a specially catered dinner and presented with *duit raya* of RM50 each while being entertained with stage performances.

AIS also presented zakat contributions totalling RM92,000 to eligible recipients and *asnaf*, including seven individuals and three organisations from welfare centres, education centres, and non-governmental organisations.

Blood Donation

We joined forces with Huaren Resources Sdn Bhd (Huaren Resources), Lulu Hypermarket, and University Malaya Medical Centre, to set up blood donation booths at 3Alliance and at our headquarters at Menara Multi-Purpose. Close to 260 people donated about 189 pints of blood at our blood donation drive.

Keeping Your Kidney Healthy

We collaborated with Davita Malaysia Sdn Bhd and Huaren Resources to provide complimentary health screenings and consultation for the public, and shared informative health tips emphasising the importance of kidney care.

Movie Day with the Disabled

In conjunction with the International Day of People with Disability, we organised a movie outing for residents from the Selangor Cheshire Home and our staff volunteers. The residents enjoyed themselves at the theatre, and had lunch with our volunteers after the movie.

Christmas Carolling

On 14 December 2018, the Bank invited residents of Yayasan Sunbeams Home to help spread Christmas cheer together with our staff. Our young guests sang Christmas favourites such as "Joy to the World", "Jingle Bells" and "Feliz Navidad" during the carolling session.

Charity Golf Tournaments

In FY2019, the Bank participated in two charity golf tournaments:

- The Bank donated RM20,000 to MyKasih Foundation at the MyKasih Charity Golf Tournament, to help provide food, education and training programmes to the underprivileged.
- We also contributed RM8,000 to the Estee Lauder Breast Cancer Awareness (BCA) Campaign Charity Golf in support of cancer awareness and research by Cancer Research Malaysia, The National Cancer Society, The College of Radiology Malaysia, and the Breast Cancer Welfare Association.

Earth Day

In conjunction with Earth Day, we partnered with the Forest Research Institute Malaysia (FRIM) to shed some light on sustainable management and best practices in optimising forest resources through research, education and technology. We were able to get hundreds of pledges to "Go Green Everyday". Due to the positive reception, FRIM has agreed to collaborate with us for another two years.



With our partner for Earth Day, representatives from FRIM

Beach Cleaning

Working with the Malaysian Nature Society (Kuala Selangor Nature Park), we organised a one-day beach cleaning campaign at Pantai Remis in Jeram, Selangor. By the end of the day, our Bank employees and their family members collected close to 300 kg of rubbish.



Cleaning the beach with the Malaysian Nature Society

PARTNERSHIP TO CHANNEL ZAKAT CONTRIBUTIONS

Each year, AIS contributes zakat (Islamic tithes) in accordance with Islamic principles and Shariah conventions. In FY2019, we contributed close to RM500,000 in zakat.

AIS has a strategic partnership with YKN which enables it to channel zakat contributions to the economically disenfranchised. These comprise single mothers with aspirations to start their own home businesses, but lack the working capital and equipment to do so. YKN assists these women by distributing funds for them to commence with their start-ups.

Our partnership with YKN enables us to channel funds to those that need it the most, thus contributing towards strengthening the socio-economic fabric of the country.

CONCLUSION

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

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

Our end goal is to support and enhance the lives of our customers and communities towards achieving socio-economic progress in their lives.



Best Omni-Channel Experience (Gold)
Customer Experience (CX) Asia Excellence Awards 2018



Best Digital Experience (Gold)
Customer Experience (CX) Asia Excellence Awards 2018



Best Digital Banking Initiative (Winner)
Retail Banker International (RBI) Asia Trailblazer Awards 2019



Outstanding Financial Inclusion Initiative (Highly Acclaimed)
Global Retail Banking Innovation Awards 2018



Best App for Customer Experience (Highly Commended)
Retail Banker International (RBI) Asia Trailblazer Awards 2019



Financial Inclusion Initiative of the Year - Malaysia
Asian Banking & Finance Retail Banking Awards 2018

CALENDAR OF SIGNIFICANT EVENTS

Financial Calendar

for the financial year ended 31 March 2019

ACTIVITIES	DATE
Announcement of Financial Results	
- First Financial Quarter ended 30 June 2018	30 August 2018
- Second Financial Quarter ended 30 September 2018	29 November 2018
- Third Financial Quarter ended 31 December 2018	28 February 2019
- Fourth Financial Quarter ended 31 March 2019	29 May 2019
Dividend	
- First Interim single tier dividend of 8.5 sen per share	
• Payment Date	28 December 2018
- Second Interim single tier dividend of 8.2 sen per share	
• Payment Date	27 June 2019
General Meeting	
- Notice of 37th Annual General Meeting	25 June 2019
- 37th Annual General Meeting	25 July 2019

CALENDAR OF SIGNIFICANT EVENTS

for the financial year ended 31 March 2019

2018

Launch of BizSmart Challenge 2018

12 APR



Alliance Bank launched its annual flagship BizSmart Challenge 2018 in partnership with EcoWorld Development Group Berhad at the Bukit Bintang City Centre, Kuala Lumpur. In its fifth year, the BizSmart Challenge 2018 offers RM1 million cash and media coverage prizes and up to RM5 million in collateral-free financing to the Top 20 finalists. As the first reality TV business programme in Malaysia by a financial institution, the Challenge provides opportunities for Malaysian businesses to accelerate their business growth and achieve long-term success.

Charity Sale for Beautiful Gate Foundation for The Disabled



Alliance Bank organised a charity sale at its headquarters, in support of the Beautiful Gate Foundation for The Disabled. The foundation's mission is to raise funds for people with disabilities in its efforts to improve their lives. Residents of the foundation showcased and sold handicrafts made from recycled items. Other contributions include medication and clothing.

14 APR

Alliance Investment Bank Won Bronze in the MIBA Badminton Tournament 2018



Alliance Investment Bank Berhad (AIBB) won the Bronze medal in the annual Malaysian Investment Banking Association (MIBA) Badminton Tournament 2018. This was a milestone achievement after securing 7th place in 2017.

19 APR

Earth Day Celebration



Alliance Bank collaborated with Huaren Resources Sdn Bhd and the Forest Research Institute Malaysia (FRIM) to celebrate Earth Day as part of its corporate responsibility initiative.

25 APR

Launch of allianceonline Mobile app

Alliance Bank launched allianceonline Mobile app to simplify and enhance its customers' overall banking experience. The app offers customers access to online banking services, including viewing of account balances, transactions, and e-deposits placements, in a hassle-free manner.

26 APR

CALENDAR OF SIGNIFICANT EVENTS (Cont'd)

for the financial year ended 31 March 2019

2018

MIBA Men's Veteran Futsal Tournament

12 MAY



AIBB's futsal team won the gold medal at the MIBA Men's Veteran Futsal Tournament 2018. This marked the first gold medal won by AIBB since the Bank's participation in the tournament in 2015.

Program Sekampit Beras

22 MAY



AIS organised the *Program Sekampit Beras* in collaboration with the Association of Islamic Banking Institutions Malaysia (AIBIM) and Angkatan Belia Islam Malaysia (ABIM). A contribution of RM10,000 was made to *asnaf* recipients from *Projek Perumahan Rumah Termiskin*.

Projek Pelangi – Contribution of Baju Raya

9 JUNE



AIS contributed to *Projek Pelangi* initiative by purchasing baju raya for the residents of *Pertubuhan Anak Yatim dan Kebajikan Darul Izzah*, *Pusat Jagaan Pertubuhan Kebajikan Islam Peribadi Mulia* and *Rumah Pengasih Warga Prihatin*.

15 MAY

Kidney Care Awareness Programme



The Bank's Corporate Responsibility and Event Management (CREM) team collaborated with Huaren Resources Sdn Bhd and Davita to raise awareness on the importance of kidney care to help people make healthier lifestyle choices. A complimentary health screening on glucose level, body mass index, health counselling and blood pressure was held at Menara Multi-Purpose, Capital Square.

30 MAY

Majlis Berbuka Puasa with Rumah Pertubuhan Baitul Ehsan AL-Khairi



AIS organised a *Majlis Berbuka Puasa* with orphans from *Rumah Pertubuhan Baitul Ehsan AL-Khairi*. AIS also donated RM5,000 in *zakat* to the home.

2018

Zakat Contribution to *Al Fikrah* Welfare Association

11 JUNE



AIS contributed RM5,000 in *zakat* to the old folks home *Al Fikrah* Welfare Association, as part of its annual *zakat* distribution programme.

Hari Raya Customer Appreciation Dinner 2018 in Kuala Lumpur

28 JUNE



Alliance Bank organised a Hari Raya Customer Appreciation Dinner for its customers and business partners at Connexion@Nexus, Bangsar. AIS presented *zakat* contributions to seven eligible *asnaf* recipients, an education centre, a non-governmental organisation, and a welfare centre.

AIBB Wins Best Structured Finance Sukuk Award

10 JUL

AIBB received the Best Structured Finance Sukuk award at The Asset Triple A Islamic Finance Awards 2018 for its role as a Lead Manager and Underwriter for SkyWorld Capital Sdn Bhd's inaugural *sukuk* issuance.

Zakat Contribution to *Rumah Asnaf Al-Barakh*

11 JUNE



A *zakat* contribution of RM5,000 was made to the orphanage *Rumah Asnaf Al-Barakh*, as part of AIS' annual *zakat* distribution programme.

1 JUL

30 SEP

Launch of AEIOU Challenge 4

Now in its fourth year, the AEIOU Challenge is an initiative by Alliance Bank to help improve the younger generation's financial literacy. The Challenge has been recognised as the Best Financial Literacy Programme for Primary Schools by Bank Negara Malaysia. The AEIOU Challenge 4 featured new components such as the Buzzer Challenge, Save and Snap Challenge, and Smart School Challenge.

1 JUL

30 SEP

AEIOU Challenge 4: Save and Snap Challenge

The AEIOU Challenge 4: Save and Snap Challenge is a photo contest on the Bank's social media platforms. The aim is to increase the younger generation's awareness on the importance of financial literacy. The initiative comprised students from the ages of nine to 12 years old, with photographs depicting creative ways to save money.

CALENDAR OF SIGNIFICANT EVENTS (Cont'd)

for the financial year ended 31 March 2019

2018

AEIOU Challenge 4 Roadshows



As part of its AEIOU Challenge 4 initiative, the Bank visited 50 primary school nationwide to help improve school children's financial literacy. Students were educated on good financial habits during the fun and interactive sessions.

Hari Raya Customer Appreciation Dinner 2018 in Sabah



Alliance Bank hosted a celebratory Hari Raya dinner for its customers and business partners in Sabah. Close to 50 orphans and people with disabilities were also invited. A *zakat* contribution of RM11,125.00 was presented by AIS to Yayasan Kebajikan Negara Cawangan Sabah.

Alliance Bank Durian Fiesta



The Bank hosted its annual durian fiesta for over 800 Corporate, Commercial and SME customers at TPC Kuala Lumpur.

JUL
|
AUG

10 JUL

AIS Contributes to Yayasan Kebajikan Negara

AIS contributed RM100,000 and donated a dialysis machine worth RM42,000 to Yayasan Kebajikan Negara (YKN). Part of the contribution is used to help underprivileged Malaysians receive free dialysis treatments at YKN dialysis centres.

12 JUL

Alliance Bank Wins Financial Inclusion Initiative of the Year – Malaysia Award



Alliance Bank won the Financial Inclusion Initiative of the Year – Malaysia award at the Asian Banking and Finance Retail Banking Awards 2018. The ceremony was held at the Shangri-La Hotel, Singapore. The award recognised Alliance Cash2Home as an innovative first-in-the-market digital solution that delivers an effortless, seamless, and high quality banking experience to business customers and their foreign employees.

19 JUL

Alliance Bank Golf Tournament for Corporate and Commercial Customers



The Bank organised a golf tournament for its corporate and commercial customers in appreciation of their long standing support. The tournament was held at the Kota Permai Golf and Country Club.

26 JUL
GROUP SME
BANKING

10 AUG
GROUP
CORPORATE,
COMMERCIAL
AND
TRANSACTIONS

2018

AEIOU Challenge 4 Teacher's Briefing

In collaboration with selected state education ministries, the Bank organised a Teacher's Briefing in conjunction with the AEIOU Challenge 4 programme. A total of 193 teachers nationwide participated in this initiative. The aim was to encourage more teachers to be advocates of smart financial habits.

10 AUG
MELAKA

16 AUG
PERAK

13 SEP
SABAH
KUALA LUMPUR

16 AUG
3ALLIANCE,
SUBANG JAYA

5 SEP
MENARA MULTI-
PURPOSE,
CAPITAL SQUARE
Launch of Eco-Biz Dream Project 3

Alliance Bank launched the Eco-Biz Dream Project 3, an environmental-themed business pitch for university students. The Programme provides a platform to help nurture the next generation of social entrepreneurs. The third installment of the programme revolves around the revitalisation and protection of the Kerayong River corridor in the Klang Valley.

18 SEP**26 SEP****Blood Donation Drive**

Alliance Bank held its annual blood donation drive in partnership with Huaren Resources Sdn Bhd, Lulu Hypermarket, and University Malaya Medical Centre at Menara Multi-Purpose. More than 180 people took part in the blood donation drive.

Alliance Bank Wins Gold for Best Digital Experience and Best Omni-Channel Experience

Alliance Bank's Cash2Home solution won two Gold awards for Best Digital Experience and Best Omni-Channel Experience at the Customer Experience (CX) Asia Excellence Awards 2018.

CALENDAR OF SIGNIFICANT EVENTS (Cont'd)

for the financial year ended 31 March 2019

2018

Alliance Bank Wins Outstanding Client On-Boarding & Account Opening Award

27 SEP



Alliance Bank's Cash2Home solution won the award for Outstanding Client On-Boarding and Account Opening, and was Highly Acclaimed for Outstanding Financial Inclusion Initiative at the Global Retail Banking Innovation Summit and Awards Ceremony 2018.

Market Insight Seminar 2018

11 OCT



The Bank organised a Market Insight Seminar for its business customers and partners to share insights on Malaysia and the global economic outlook. The seminar included tips on how businesses can make sound investments decisions and featured speakers from the Socio-Economic Research Centre, and DBS Bank.

2 OCT

AEIOU Rural School Initiative



Under AEIOU Challenge 4, the Bank refurbished five rural schools in Sabah which had suffered damages from multiple natural disasters over the years. The infrastructure restoration included repairs of the walls and doors of classrooms, roofs, toilets, and canteen areas. The Bank also donated electrical items such as projectors to aid in the students' learning.

26 OCT

BizSmart Challenge Alumni Bazaar 2018



In celebration of Alliance Bank's inaugural TV debut of BizSmart Challenge 2018, the Bank organised a BizSmart Challenge Alumni Bazaar at Menara Multi-Purpose. The event provided an opportunity for former finalists of the BizSmart Challenge to showcase their products and services. Participating BizSmart Alumni included Christy Ng Shoes, CatchThatBus, Amazin' Graze, Happy Bunch, NutriBrown Rice, The Tapping Tapir, Biji-biji Initiative, and Little Fat Duck.

2018

Beach Cleaning Programme**27 OCT**

A total of 80 Alliance Bank employees and their family members came together to help clean Pantai Remis at Jeram, Kuala Selangor. The initiative was organised in collaboration with Kuala Selangor Nature Park managed by the Malaysian Nature Society.

AEIOU Challenge 4 Awards and Closing Ceremony**1 NOV**

The AEIOU Challenge 4 Awards and Closing Ceremony was witnessed by YB Puan Teo Nie Ching, the Deputy Minister of Education and attended by some 300 students and 50 teachers from selected participating schools. The AEIOU Programme reached more than 7,000 schools and delivered financial lessons at more than 300 schools nationwide. Submissions for the AEIOU Challenge increased from more than 5,000 in the first year, to over 15,000 in 2018.

Eco-Biz Dream Project 3 Design Thinking Workshop**29 OCT**

Under Eco-Biz Dream Project 3, 25 teams were selected to attend a Design Thinking Workshop held at the InterContinental Kuala Lumpur. The workshop taught the students problem solving skills through dynamic discussions, relevant readings, and team exercises. It was also an opportunity for the students to delve deeper into environmental problems concerning the Kerayong River.

Luncheon Speaker Series Update on the Plantation Sector**13 NOV**

AIBB hosted a luncheon series that provided an update on the latest developments pertaining to the local plantation sector for its corporate clients and business partners. The event was attended by YB Teresa Kok, Minister of Primary Industries, senior representatives from the Malaysian Palm Oil Council, and close to 70 fund managers.

CALENDAR OF SIGNIFICANT EVENTS (Cont'd)

for the financial year ended 31 March 2019

2018

Eco-Biz Dream Project 3 Business Model Canvas Boot Camp



The top 10 teams of the Eco-Biz Dream Project 3 continued with the challenge in a two-day boot camp. During the session, the students learned about business, sustainability, and social entrepreneurship from the Asia School of Business in collaboration with MIT Sloan School of Management. The boot camp also included a field visit to the Kerayong River.

Movie Screening for Alliance Bank Trade Customers

Alliance Bank's Trade customers were treated to a movie screening of the blockbuster hit, *Fantastic Beasts: The Crimes of Grindelwald* in Johor, Penang, and Sabah. Over 300 customers and business partners attended the screening.

CTOS Sweatplus Inter-Financial Institutions Badminton Championship



Alliance Bank emerged as the overall champion in the CTOS Sweatplus Inter-Financial Institutions Badminton Championship 2018 held at Sports Arena Sentosa, Kuala Lumpur. The Championship saw high participation from 12 financial institutions. Each institution had a team competing in five categories - Men's Singles, Women's Doubles, Mixed Doubles, Men's Doubles, and Men's Veteran Doubles.

17-18 NOV

15 NOV
KUALA LUMPUR

21 NOV
JOHOR

23 NOV
PENANG

18 NOV

25 NOV

1-2 DEC

National Budget Seminar for SME and Commercial Banking Customers



Alliance Bank hosted the annual National Budget Seminar in Kuala Lumpur, Johor, and Penang for our SME and Commercial Banking customers. The seminar featured topics on the Malaysian economic outlook, opportunities for SMEs and corporates under the Budget 2019, tips for business owners to access business financing, the latest updates on income tax, and sales and services tax (SST).

AIS Contributes zakat to Program Bantuan Pendidikan Perdana Lembaga Zakat Selangor



AIS contributed RM37,500 in the form of customised school bags to 800 children from low income families, in conjunction with the *Program Bantuan Pendidikan Perdana Lembaga Zakat Selangor 2018*. The initiative helps reduce back-to-school expenses for low income families.

2018

Malaysia Investor Relations Association (MIRA) Awards Ceremony 2018

5 DEC

Alliance Bank won the Best Company for Investor Relations – Mid Cap, and Mr Tan Hong Ian, Head of Investor Relations, Alliance Bank won the Best Investor Relations Professional – Mid Cap at the MIRA Awards Ceremony 2018.

BizSmart Challenge 2018 Grand Finale

8 DEC



Ms Mandy Leong, founder and owner of local beauty and skincare brand Chriszen Malaysia Sdn Bhd, was named the grand prize winner of the BizSmart Challenge 2018 during a live televised event held at Eco Majestic Semenyih, Selangor. Chriszen won RM250,000 cash along with the Astro Media Award, which comes with media coverage worth RM200,000. The first and second runner-ups were Klezcar, a car rental service company, and OhMostWanted, a cosmeceutical brand that combines cosmetics and pharmaceutical properties. The brands won RM200,000 and RM150,000 cash respectively. Homegrown Farms Semenyih, a sustainable farming service provider, won the Manulife Sustainability Award, while Carput, an on-demand car breakdown assistance app, took home the Visa Retail Award. Both brands won RM100,000 cash each.

8 DEC

Movie Day with Residents of Selangor Cheshire Home



In conjunction with the International Day of People with Disability 2018, Alliance Bank staff volunteered their time for a movie and lunch date with residents of the Selangor Cheshire Home.

14 DEC

Christmas Joy with the Children of Yayasan Sunbeams Home



In the spirit of Christmas, Alliance Bank and Huaren Resources Sdn Bhd hosted the children from Yayasan Sunbeams Home to help spread the season's cheer at Menara Multi-Purpose, Capital Square. The Home also had a bake sale with a selection of homemade festive delights.

CALENDAR OF SIGNIFICANT EVENTS (Cont'd)

for the financial year ended 31 March 2019

2019

Eco-Biz Dream Project 3 Awards and Closing Ceremony

9 JAN



The Green Team from University of Malaysia Sarawak (UNIMAS) was named the winner of Eco-Biz Dream Project 3 at its Awards and Closing Ceremony. The team was among the top 10 finalists who presented their business pitch on the revitalisation of Kerayong River. The winning pitch revolved around the idea of developing a simple solution, a Plug-and-Clean BioChar filter. This solution reduces the amount of untreated effluents associated with high Chemical Oxygen Demand and nutrients going into the river. The Green Team was awarded with RM10,000 in cash. In addition, AIS committed up to RM200,000 as seed funding to bring the winning proposition to life.

AIBB Corporate Day

15 JAN



AIBB and AllianceDBS Research hosted the 2019 Corporate Day Conference for the local fund management community. More than 150 fund managers, analysts, and corporate representatives attended the event which showcased nine public listed companies. Datuk Isham Ishak, the then-Secretary General, Ministry of International Trade and Industry, was the keynote speaker.

AIS Contributes zakat to Yayasan Kebajikan Negara Palestine People's Fund

9 JAN



AIS presented a RM50,000 zakat contribution to Yayasan Kebajikan Negara Palestine People's Fund, in support of the foundation's humanitarian initiatives.

Pre-Chinese New Year Customer Appreciation Dinner for Business Clients

18 JAN



Over 800 of Alliance Bank's Corporate, Commercial and SME customers were invited to attend the Alliance Bank's Pre-Chinese New Year Customer Appreciation Dinner. The event provided networking opportunities, and a platform for the Bank to share its achievements with customers and business partners.

2019

Alliance Bank Chinese New Year Customer Appreciation Dinner 2019



The Bank's annual Chinese New Year Customer Appreciation Dinner 2019 brought together more than 700 guests comprising customers, business partners, media, and staff.

Alliance Bank Wins Best Digital Banking Initiative



Alliance Bank's Cash2Home won the Best Digital Banking Initiative and was Highly Commended for Best App for Customer Experience at the Retail Banker International (RBI) Asia Trailblazer Awards 2019.

Tea Talk on Voluntary Tax Disclosure

Alliance Bank, in collaboration with its partners, SQL, Insure Savvy, and the Federation of Malaysian Manufacturers (FMM), organised a Tea Talk on "Voluntary Tax Disclosure". The event attracted over 350 SME participants, and featured speakers from Alliance Bank, Inland Revenue Board (IRB), ANC Hub Consultants Pte Ltd, and Insure Savvy.

18 FEB

23 FEB
|
14 MAR

5 MAR

7 MAR

15 MAR

18 MAR

Alliance Customer Investment Talks

AIBB collaborated with Bursa Malaysia Berhad and Affin Hwang Asset Management Berhad to host a series of customer investment talks in Kedah, Pahang, Johor, and Kuala Lumpur. Over 400 customers and business partners attended the talks.

Alliance Bank Wins Second Place at Activ@Work Challenge 2018



Alliance Bank won second place at the Activ@Work Challenge 2018 Award Ceremony, while seven Bank employees were placed in the Top 10 Most Active Employee category. A total of 619 Bank employees participated in the challenge, which was organised by PERKESO and Bookdoc. The three-month challenge, which ran from September to November 2018, helped participants keep track of their fitness through a mobile app.

Northern Region Customer Appreciation Dinner



A total of 210 Alliance Bank customers and business partners from the Northern Region attended a Customer Appreciation Dinner at Shangri-La's Rasa Sayang Resort and Spa, Penang. The Bank took the opportunity to thank its customers for their continuous support.

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 (MMLR)
- 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

Board Charter

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

The Board Charter was reviewed and revised by the Board on 28 November 2018 and 19 March 2019 with, among others, the changes:

- Limiting the tenure of independent directors to a maximum cumulative term of 9 years and removal of the option for an independent director to continue serving on the Board as a non-independent director upon completion of the 9 years term.
- Introduced a new policy by limiting the tenure of non-independent non-executive directors to a maximum cumulative term of 12 years.

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

 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 and the employees individually 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

The Directors also adhere to the Code of Ethics for Company Directors established by the Companies Commission of Malaysia and the Group's Conflict of Interest Policy for Directors.


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 63 to 80.


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 81 to 86.


Audit and Risk Management

We present a fair, balanced and easy to understand 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 87 to 94.

Relations with Shareholders

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

 More information can be found on page 95.

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 practice 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 shareholder 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.

The key responsibilities of the Board are set out below:

- (a) approve the risk appetite, business plans and other initiatives which would, singularly or cumulatively, have a material impact on the Bank's risk profile;
- (b) oversee the selection, performance, remuneration and succession plans of the 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. Matters which require decisions outside the scheduled meetings are dealt with through additional ad hoc meetings.

At each scheduled meeting, the Board regularly receives progress reports from the Group CEO and Group Chief Financial Officer on the business and financial performance 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 regular updates on internal control, risk management, legal, compliance, internal audit, human resources, sustainability and governance matters.

There is an annual schedule of rolling agenda items to ensure that all matters are given due consideration and reviewed at the appropriate point in the financial and regulatory cycle, 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 an effective communication with our shareholders/stakeholders.

Chairman

- (a) Ensures that appropriate procedures are in place to govern the Board's processes;
- (b) Ensures that decisions are taken on a sound and well-informed basis, including by ensuring that all strategic and critical issues are considered by the Board, and that Directors receive the relevant information on a timely basis; and
- (c) Encourages healthy discussion and ensures 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 the Board fully informed of all important aspects of the Bank's operations and ensures that sufficient and adequate information is provided to Board members; and
- (g) Ensures the day-to-day business affairs of the Bank are effectively managed.



Board Committees

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.

The Board has four (4) Board Committees, which composed solely of Non-Executive Directors: Executive Committee (EXCO), Group Nomination & Remuneration Committee (Group NRC), Group Audit Committee (Group AC) and Group Risk Management Committee (Group RMC). Among these Board Committees, the Group NRC, Group AC and 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).

Each Board Committee has agreed Terms of Reference, which are approved by the Board and reviewed at every two years interval or as and when necessary. Any proposed changes to the Terms of Reference of the Board Committees are subject to the approval of the Board. The Terms of Reference of the Board Committees are available on the Bank's website at:



www.alliancebank.com.my

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

EXCO

The EXCO reviews/vetoes loan/financing applications with total group exposure which are within its approval limits set by the Board and approves credit transactions/exposures with connected parties classified under BNM Guidelines on Credit Transactions and Exposures with Connected Parties (BNM/GP 6). It also reviews and recommends strategies and business plans for the Board's approval and oversees their implementation.

Group NRC

The Group NRC supports 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 oversees the design and operation of the Bank's remuneration system. Group NRC also periodically reviews the remuneration of Directors on the Board, and 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 others, 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 oversees the Senior Management's activities in managing credit, market, liquidity, operational, compliance, legal, IT/Cyber and other risks as well as to ensure that the risk strategy is sound and the risk management framework is in place and functioning effectively according to its purposes. It also actively promotes a consistent culture of compliance, risk awareness and risk management within the Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

Leadership - Board of Directors



TAN SRI DATO' AHMAD BIN MOHD DON

Chairman of the Board
Independent Non-Executive Director of Alliance Bank
Member of Group Nomination & Remuneration Committee

71 | Malaysian | Male

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

Academic/Professional Qualifications:

- Bachelor of Science in Economics and Business, summa cum laude, Aberystwyth University, United Kingdom
- Fellow of the Institute of Chartered Accountants in England and Wales
- Member of the Malaysian Institute of Certified Public Accountants

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

Tan Sri Dato' Ahmad is also the Chairman on the Board of Sunway REIT Management Sdn Bhd (manager of Sunway Real Estate Investment Trust listed on Bursa Malaysia) and a Director on the Board of United Malacca Berhad (listed on Bursa Malaysia).



KUAH HUN LIANG

Senior Independent Non-Executive Director of Alliance Bank
Chairman of the Board of Alliance Investment Bank Berhad
Member of Group Audit Committee

57 | Malaysian | Male

Date of Appointment to the Board of Alliance Bank Malaysia Berhad:
15 December 2011

Academic/Professional Qualifications:

- Bachelor of Science (Honours) in Applied Economics, University of East London, United Kingdom

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

Mr Kuah is the Chairman of Alliance Investment Bank Berhad. He also holds directorships in public companies listed on Bursa Malaysia namely, Rexit Berhad and MPHB Capital Berhad. In addition, he serves as a Director on the Board of Multi-Purpose Capital Holdings Berhad.



OU SHIAN WAEI

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

68 | Malaysian | Male

**Date of Appointment to the Board of
Alliance Bank Malaysia Berhad:**
8 December 2010

Academic/Professional Qualifications:

- Bachelor of Science in Chemistry, University of Malaya

Mr Ou Shian Waei began his career with a local bank as a management trainee in 1976 and remained till 1980. In 1981, he moved to IBM Malaysia as a trainee System Engineer. At IBM, he held various technical and management positions. He retired 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. In 2006, he was awarded the 'Key Industry Leader Award' 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. Additionally, Mr Ou was Adjunct Professor for the Department of Economics and Business Administration at Universiti Putra Malaysia from 1998 to 1999.

He serves as the Chairman of AIG Malaysia Insurance Berhad. He is also a Director of FIDE Forum and Public Interest Director of Private Pension Administrator Malaysia.



LEE AH BOON

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

68 | Singaporean | Male

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

Academic/Professional Qualifications:

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

Mr Lee Ah Boon joined Citibank in 1990 and held various 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. He then moved to Barclays Bank in early 2009 as its International Technology Head for the Global Retail and Consumer Bank Business.

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

Mr Lee is currently an Advisor of Fullerton Financial Holdings (International) Pte Ltd. He also serves as a Director on the Board of Alliance Investment Bank Berhad.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

Leadership - Board of Directors



DATUK WAN AZHAR BIN WAN AHMAD

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

60 | Malaysian | Male

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

Academic/Professional Qualifications:

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

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

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

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

Datuk Wan Azhar is currently the Chairman of Alliance Islamic Bank Berhad. He serves on the Board of Trustees of NAMA Foundation. He is also the Chairman of the Small Debt Resolution Committee (SDRC) at Bank Negara Malaysia.



LEE BOON HUAT

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

61 | Singaporean | Male

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

Academic/Professional Qualifications:

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

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

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



HO HON CHEONG

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

64 | Malaysian | Male

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

Academic/Professional Qualifications:

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

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

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

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



THAYAPARAN S. SANGARAPILLAI

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

64 | Malaysian | Male

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

Academic/Professional Qualifications:

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

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

Mr Thayaparan 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 Board of Sime Darby Berhad which is listed on Bursa Malaysia. He also sits on the Boards of AIG Malaysia Insurance Berhad, edotco Group Sdn Bhd and Robi Axiata Limited.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

Leadership - Board of Directors



TAN CHIAN KHONG

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

63 | Singaporean | Male

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

Academic/Professional Qualifications:

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

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

Mr Tan currently holds directorships in a number of companies listed on the Singapore Stock Exchange namely, CSE Global Limited, Hong Leong Asia Ltd and The Straits Trading Company Ltd. He also sits on the Board of Xinghua Port Holdings Ltd, listed on the Hong Kong Stock Exchange.

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



SUSAN YUEN SU MIN

Independent Non-Executive Director of Alliance Bank
Member of Group Nomination & Remuneration Committee

59 | Malaysian | Female

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

Academic/Professional Qualifications:

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

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

Ms Susan Yuen serves as an Independent Director on the Board of Chubb Insurance Malaysia Berhad.



MAZIDAH BINTI ABDUL MALIK

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

60 | Malaysian | Female

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

Academic/Professional Qualifications:

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

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

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



DATIN OOI SWEE LIAN

Independent Non-Executive Director of
Alliance Investment Bank Berhad

58 | Malaysian | Female

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

Academic/Professional Qualifications:

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

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

Leadership - Board of Directors



TUAN HAJI MD ALI BIN MD SARIF

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

65 | Malaysian | Male

**Date of Appointment to the Board of
Alliance Islamic Bank Berhad:**
23 March 2011

Academic/Professional Qualifications:

- Bachelor of Economics, University of Malaya
- Master of Business Administration in Finance, Universiti Kebangsaan Malaysia (UKM)
- Diploma in Islamic Studies, UKM
- Post-Graduate Diploma in Islamic Law, UKM

Tuan Haji Md Ali Bin Md Sarif 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.



TUAN HAJI IBRAHIM BIN HASSAN

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

63 | Malaysian | Male

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

Academic/Professional Qualifications:

- Bachelor of Economics (Hons), University of Malaya

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

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

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

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



DATO' AHMAD HISHAM BIN KAMARUDDIN

Independent Non-Executive Director of
Alliance Islamic Bank Berhad

62 | Malaysian | Male

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

Academic/Professional Qualifications:

- Bachelor of Laws (LLB), University of Malaya

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

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

He is a duly registered Trademark and Industrial Design Agent with the Ministry of Domestic Trade, Co-Operatives and Consumerism and is a Notary Public.

ADDITIONAL INFORMATION OF DIRECTORS OF ALLIANCE BANK

(i) Directors' Interest in the shares of the Bank as at 31 March 2019

Save as disclosed below, none of the other Directors have any interest in the shares of the Bank as at 31 March 2019:

Name	No. of Alliance Bank shares			
	Direct	%	Indirect	%
Ho Hon Cheong	-	-	1,000 [^]	*

Notes:

* Negligible

[^] Indirect interest in the Bank's shares by virtue of Section 59(11) (c) of the Companies Act 2016

(ii) Family relationship

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

(iii) Conflict of interests

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

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

None of the Directors have been convicted of any offences within the past 5 years (other than traffic offences) nor have they been imposed any public sanction or penalty by the relevant regulatory bodies during the FY2019.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

Leadership - Senior Management



1 JOEL KORNREICH

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

53 | Belgian | Male

Joined:

1 January 2015

Appointment to Current Positions:

1 January 2015 (Group Chief Executive Officer)
10 October 2017 (Director of AIS)

Academic/Professional Qualifications:

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

Mr Kornreich has over 28 years of experience in the financial services industry. Before joining Alliance Bank, he spent 20 years with Citigroup in various roles around the world. His last position with Citigroup was as Country Business Manager of Citibank Global Consumer Group, South Korea. Previously, he had served as the Chief Executive Officer for Spain, Belgium and Greece, and managed Citigroup's Consumer Banking businesses in Indonesia and Russia. Prior to this, Mr Kornreich was Citigroup's Marketing Director, and Head of Mortgages and Liabilities for Asia Pacific, as well as Retail Banking Head for Singapore. Earlier in his career, he was with ABN AMRO Bank's Consumer Banking business as Head of Sales and Distribution for Asia, and Consumer Banking business manager for Indonesia and Hong Kong.

In his role as Group Chief Executive Officer, Mr Kornreich's key responsibilities are to develop the strategic direction of the Banking group, and ensure that the Bank's strategies and corporate policies are effectively implemented. He also ensures that the Board's directions are implemented, and together with the Board, promote a sound corporate culture which reinforces ethical, prudent and professional behaviour.



2 KONG KIM YIHE

Group Chief Operating Officer

55 | Malaysian | Male

Joined:

23 March 2016

Appointment to Current Position:

23 March 2016

Academic/Professional Qualifications:

- Master of Business Administration, National University of Singapore
- Fellow, Life Management Institute, USA

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

In his function as Group Chief Operating Officer, Mr Kong oversees areas related to banking operations and information technology.



3 MANUEL BULENS

Head, Group Consumer Banking – Retail Banking

41 | Belgian | Male

Joined:

1 December 2015

Appointment to Current Position:

1 November 2018

Academic/Professional Qualifications:

- Degree in Commercial and Finance Science, Institute Catholique Des Hautes Etudes Commerciales (ICHEC), Belgium

Mr Bulens was previously the Relief Officer, Group Consumer Banking. He had initially joined Alliance Bank as Group Chief Administrative Officer. Presently, he is leading the strategic execution of Retail Banking and the strengthening of branch banking processes, controls, governance, and customer experience. Mr Bulens has more than 17 years of experience in the financial services industry, including financial consulting and banking. He 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 at Citibank covers audit, risk, internal controls, compliance and general governance. His international experience covers posts in Belgium, Russia, Spain and Korea, where he last served as Consumer Chief Administrative Officer.

As Head of Retail Banking, Mr Bulens oversees Branch Distribution, Wealth Management, Retail Broking and Liabilities. His responsibilities include ensuring a high performance branch distribution network with sustainable wealth, bancassurance, retail broking and deposits sales via excellent customer service. In leading the strategic execution of Retail Banking, he is strengthening branch banking processes, controls, governance and customer experience.



4 ERNEST KWONG KAH WAH

Head, Group SME Banking

45 | Malaysian | Male

Joined:

10 November 2006

Appointment to Current Position:

12 November 2016

Academic/Professional Qualifications:

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

Mr Kwong joined Alliance Bank as Head of Remedial Management before moving on to several other roles within the business banking segment. He has over 22 years of experience in the SME and Commercial segments at both local and international financial institutions. Prior to his current appointment, Mr Kwong was the Head of Commercial Banking.

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



5 JEFF THAM KOK KUEN

Head, Group Corporate, Commercial and Transactions

50 | Malaysian | Male

Joined:

6 July 2015

Appointment to Current Position:

6 July 2015

Academic/Professional Qualifications:

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

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

As Head of Group Corporate, Commercial and Transactions, Mr Tham is responsible for driving growth in the balance sheet and revenues of the Group Corporate, Commercial and Transactions division. He also leads the Trade Finance and Digital BizSmart initiatives that will be introduced in the near future.



6 TAN ENG KIANG

Head, Group Financial Markets

55 | Malaysian | Male

Joined:

14 July 2014

Appointment to Current Position:

25 November 2014

Academic/Professional Qualifications:

- Associate Member, Chartered Institute of Management Accountants, UK

Mr Tan initially joined Alliance Bank as Deputy Head, Financial Markets. He brings with him more than 25 years of experience in financial markets. He has worked in several large banking groups and regional banks in various capacities including treasury operations, sales, trading, funding, and liquidity management.

In his role as Head of Group Financial Markets, Mr Tan oversees four core financial market activities namely funding/liquidity management and investment, trading, client-facing sales activities, and asset/liability management for the Bank.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

Leadership - Senior Management



7 MAHESH S/O SHRI PRANLAL RUPAWALLA

Chief Executive Officer,
Alliance Investment Bank Berhad

58 | Singaporean | Male

Joined:
21 April 2014

Appointment to Current Position:
21 April 2014

Academic/Professional Qualifications:

- Bachelor of Business Administration, National University of Singapore
- Master of Finance, Royal Melbourne Institute of Technology, Australia
- Chartered Banker, Asian Institute of Chartered Bankers (AICB)

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, he established a consultancy firm offering corporate finance, acquisition and fund raising advisory to clients in South East Asia. Prior to joining Alliance Investment Bank Berhad, he was the Chief Executive Officer of HwangDBS Investment Bank for three years.

As Chief Executive Officer of Alliance Investment Bank Berhad, Mr Rupawalla is responsible for establishing the investment bank's business direction and priorities. This includes driving the execution of business and operational strategies, with effective control functions to achieve financial and corporate objectives.



8 RIZAL IL-EHZAN FADIL AZIM

Chief Executive Officer,
Alliance Islamic Bank Berhad

47 | Malaysian | Male

Joined:
12 November 2012

Appointment to Current Position:
1 August 2017

Academic/Professional Qualifications:

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

Prior to his current role as Chief Executive Officer of Alliance Islamic Bank Berhad (AIS), En Rizal was the Deputy Chief Executive Officer and Senior Vice President, Strategy and Business Performance of AIS. He has over 24 years of experience in business advisory, banking and finance, including Islamic Banking. Before joining AIS, he served at Hong Leong Islamic Bank, EONCAP Islamic Bank, The Boston Consulting Group and Bank Negara Malaysia.

As Chief Executive Officer of AIS, he is responsible to provide leadership to drive a steady, sustainable and profitable growth in Islamic Banking business for the Group, while exploring new business opportunities under the Islamic Financial Services Act 2013 with appropriate risk management framework employed.



9 FOZIAKHATOON BINTI AMANULLA KHAN

Chief Business Development Officer

50 | Malaysian | Female

Joined:
24 September 2012

Appointment to Current Position:
1 August 2017

Academic/Professional Qualifications:

- Degree in Accounting and Finance from Humberside University in Hull, UK
- Chartered Banker, Asian Institute of Chartered Bankers (AICB)

Puan Foziakhatoon initially joined Alliance Bank as the Chief Executive Officer of its subsidiary, Alliance Islamic Bank Berhad (AIS), before being appointed to her current position. She sits on the Board of AllianceDBS Research Sdn Bhd. She is also a Grand Council member for the Chartered Institute of Islamic Finance Professionals (CIIF). She has over 24 years of experience in the banking industry, covering Corporate and Investment Banking, and Commercial and Islamic Banking. Prior to joining Alliance Bank and AIS, she was the Chief Executive Officer and Executive Director of another local Islamic bank.

As Chief Business Development Officer, she plays a crucial role in the Bank's Transformation strategy. This entails overseeing the development of new business relationships through strategic partnerships to enable the Bank to venture into an e-commerce point of sale platform. As part of her responsibilities, she addresses the needs of the Bank's customers on a holistic basis, by leveraging on digital technologies.



10 RAYMOND WONG LAI LOONG

Group Chief Financial Officer

58 | Malaysian | Male

Joined:

1 December 2015

Appointment to Current Position:

1 December 2015

Academic/Professional Qualifications:

- Fellow Member, Chartered Institute of Management Accountants
- Fellow Member, Chartered Global Management Accountants
- Certified Member, Financial Planning Association of Malaysia

Mr Wong has more than 30 years of experience in the banking industry. His previous experience includes roles as Chief Financial Officer, Financial Controller, and other positions in Credit Portfolio Review and Asset Liability Management 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.

His primary responsibilities as Group Chief Financial Officer are overseeing, managing and optimising the Bank's financial resources. This includes financial planning, forecasting and budgeting, management of financial liquidity and capital risks, record-keeping, as well as ensuring integrity in the Bank's financial and regulatory reporting.



11 DR AARON SUM WEI WERN

Head, Group Strategy and Performance Management

41 | Malaysian | Male

Joined:

6 December 2010

Appointment to Current Position:

1 April 2015

Academic/Professional Qualifications:

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

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.

In his current role as Head of Group Strategy and Performance Management, Dr Sum is responsible for strategic planning, business performance management, decision management (business analytics) and market insights (research). He also oversees the execution of the Bank's key strategic initiatives.



12 PETER FONG SEOW LOONG

Group Chief Credit Officer

52 | Malaysian | Male

Joined:

10 February 2014

Appointment to Current Position:

1 October 2014

Academic/Professional Qualifications:

- Bachelor's Degree in Economics, University of Leicester, UK

Mr Fong first joined Alliance Bank as Head, Group Corporate Credit. He has over 28 years of experience in the local and regional banking industry. He began his career with HSBC Bank where he was involved in various banking functions including corporate risk, recovery, credit assessment, corporate policy and portfolio management. His stint at HSBC included two years at HSBC Hong Kong as Senior Manager, Asia Pacific Risk. Prior to joining Alliance Bank, Mr Fong was the Head of Wholesale Credit for a local financial institution, where he was responsible for its corporate, commercial and SME credit evaluation activities.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

Leadership - Senior Management



13 PANG CHOON HAN

Group Chief Risk Officer

54 | Malaysian | Male

Joined:

1 November 2006

Appointment to Current Position:

27 October 2010

Academic/Professional Qualifications:

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

Mr Pang first joined Alliance Bank as Head of Group Market Risk. He has more than 28 years of experience in the banking industry. He began his career with Resorts World Berhad, before joining Malayan Banking Berhad. 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.

In his current role as Group Chief Risk Officer, Mr Pang is responsible for overall Group risk monitoring and management. This covers the commercial bank, investment bank and Islamic bank. His areas of responsibility includes credit, operation, market and liquidity risk functions.



14 GIUSEPPE TAIBI

Group Chief Marketing and Customer Experience Officer

56 | Italian | Male

Joined:

15 August 2016

Appointment to Current Position:

15 August 2016

Academic/Professional Qualifications:

- Master of Science in Business Engineering, IAG, Louvain-La-Neuve, Belgium

Mr Taibi has over 28 years of international banking experience. He has worked in nine countries within 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.

As Group Chief Marketing and Customer Experience Officer, Mr Taibi oversees all marketing and communications activities. These span areas such as branding, public relations, online media, and corporate responsibility and event management. He is also in charge of customer experience and contact centre activities.



15 CHEW SIEW SUAN

Head, Group Human Resource

60 | Malaysian | Female

Joined:

3 October 2011

Appointment to Current Position:

3 October 2011

Academic/Professional Qualifications:

- Bachelor of Economics, University of Malaya

Ms Chew has over 32 years of experience in the areas of Human Resource (HR) Management and Development. She began her career in a manufacturing company with local and overseas outfits. She later joined Hong Leong Bank Berhad as Head of Human Resource where she managed the entire HR functions for the banking and finance entities. Prior to joining Alliance Bank, she spent over 10 years with PricewaterhouseCoopers (PwC) where she last held the position of Executive Director for Human Capital, covering Regional Human Capital functions for Malaysia, Vietnam and Cambodia.

As Head of Group Human Resource, Ms Chew partners with business leaders and division heads to embed the Group's key behaviours. She develops initiatives and action plans to build the Bank's employees' capabilities and strengths. Additionally, she ensures a strong pipeline of talents for succession planning. In order to meet the Bank's business needs, Ms Chew oversees an effective resourcing and selection process, as well as the execution of a robust performance management system.



16 LEONG SOW YOKE

Group Chief Internal Auditor

58 | Malaysian | Female

Joined:

8 December 2010

Appointment to Current Position:

8 December 2010

Academic/Professional Qualifications:

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

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.

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



17 JAMES TEH CHYE SEONG

Group Chief Compliance Officer

40 | Malaysian | Male

Joined:

1 November 2018

Appointment to Current Position:

1 February 2019

Academic/Professional Qualifications:

- Bachelor of Jurisprudence (Hons), University of Malaya

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

In his capacity as Group Chief Compliance Officer, Mr Teh leads the Group Compliance function. He is responsible for the identification, assessment, monitoring and reporting of compliance risk across the Group.



18 LEE WEI YEN

Group Company Secretary

54 | Malaysian | Male

Joined:

1 April 2004

Appointment to Current Position:

1 December 2004

Academic/Professional Qualifications:

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

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

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

He facilitates the annual Board performance assessment for Board effectiveness and effective flow of information between the Boards and Senior Management. Mr Lee ensures that Board procedures are followed, to support the effective function of the Boards. In his role, he organises and facilitates the induction of new Directors, and maintains a schedule for the continuous training and development of Directors.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

Leadership - Senior Management

Notes:

None of our Senior Management Team has:

- Any family relationship with any Directors and/or major shareholders of the Bank
- Any personal pecuniary interests which are in conflict with the Bank or its subsidiaries
- Any conviction of any offences within the past five years (other than traffic offences) as at 31 March 2019
- Any public sanction or penalty imposed upon him/her by the relevant regulatory bodies during the FY2019

Save as disclosed below, none of the other Senior Management has any interest in the shares of the Bank as at 31 March 2019:

Name	No. of Alliance Bank shares held as at 1 April 2018				No. of Alliance Bank shares held as at 31 March 2019			
	Direct	%	Indirect	%	Direct	%	Indirect	%
Aaron Sum Wei Wern	146,200	0.01	-	-	146,200	0.01	-	-
Chew Siew Suan	197,900	0.01	-	-	197,900	0.01	-	-
Ernest Kwong Kah Wah	122,300	0.01	-	-	122,300	0.01	-	-
Foziakhatoon Binti Amanulla Khan	92,400	0.01	-	-	92,400	0.01	-	-
Lee Wei Yen	219,800	0.01	-	-	219,800	0.01	-	-
Leong Sow Yoke	303,500	0.02	-	-	303,500	0.02	-	-
Mahesh S/O Shri Pranalal Rupawalla	56,400	*	-	-	56,400	*	-	-
Pang Choon Han	501,200	0.03	-	-	501,200	0.03	-	-
Peter Fong Seow Loong	69,500	*	-	-	69,500	*	-	-
Rizal IL-Ehzan Fadil Azim	47,500	*	-	-	47,500	*	-	-
Tan Eng Kiang	79,600	0.01	-	-	79,600	0.01	-	-

Note:

* Negligible

Effectiveness

Board Size, Composition, Tenure and Independence

The Board has 10 members, comprising entirely of Non-Executive Directors, eight of whom are Independent Directors.

The current Board comprises of individuals of high calibre with diverse experience which collectively has the necessary skills, experience and qualifications to effectively manage the Bank and to discharge the responsibilities of the Board. The diversity of business backgrounds in the composition of the Board ensures good use of their different and wide-ranging skills, regional as well as industry experience and other attributes of the Directors.

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 has well exceeded the requirement laid down in BNM CG Policy to have a majority of independent directors at all times and the requirements under MMLR to ensure that at least two (2) directors or one-third of the Board are independent directors.

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 FY2019, 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 that could interfere with the exercise of independent judgement or the ability to act in the best interest of the Bank, and that each of them continues to fulfil the 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 and a 12-year policy for tenure of Non-Independent Non-Executive 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. Mr Ou Shian Waei will retire as a Director of the Bank on 1 July 2019 upon expiry of his current term of office after serving the Group for 9 years as an Independent Director.

Board Gender Diversity

The Board has adopted a Board Gender Diversity Policy in July 2018. The Board Gender Diversity Policy provides that women candidates will be given priority consideration in the selection and recruitment process of identifying suitable board candidates towards achieving the gender diversity target of 30% women participation on the Board. While it is important to promote board gender diversity, the normal selection criteria based on an effective blend of competencies, skills, extensive experience and knowledge to strengthen the Board remain a priority.

The Board, through the Group NRC, has taken steps to ensure that women candidates are given priority consideration in the selection and recruitment process for directors towards achieving the gender diversity target of 30% women participation. During FY2019, a woman director was appointed to the Board on 15 October 2018. The Board will continue its endeavour to meet the gender diversity target of 30% women participation.

New Appointment and Re-Appointment of Director

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

The Group Board Succession Plan was last reviewed and updated by the Board in November 2018 to ensure alignment with the strategic direction of the Bank.

Assessment Criteria and Process for Board Candidates

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

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

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

Effectiveness

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 business and 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. All Directors are informed of these scheduled Board meetings before the start of the financial year. Ad hoc Board meetings may be called to deliberate and assess issues that require the Board's immediate consideration/decision.

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

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

All Directors are supplied with information on a timely manner. The agenda for each Board/Board Committee meeting, together with detailed reports and proposal papers to be tabled, are circulated to the Directors for their prior reading well in advance of the date of the meeting. The Directors

may request to be furnished with additional information for clarification. Relevant Senior Management Officers are invited to attend Board/Board Committee meetings to provide the Board/Board Committees with detailed explanations and clarifications on proposals tabled to enable the Board/Board Committees to make informed decisions.

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.

In total, the Board met formally 15 times during FY2019. 10 meetings were scheduled meetings while 5 meetings were ad hoc meetings to consider exigency matters. In addition, the Board had 2 offsite meetings on Strategy and Budget respectively during FY2019.

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 FY2019, as reflected below:

Directors	Designation/Independence	Attendance				
		Alliance Bank Board	EXCO	Board Committee		
				Group AC	Group RMC	Group NRC
Tan Sri Dato' Ahmad Bin Mohd Don	Chairman of the Board Independent Non-Executive Director	15/15	-	-	-	14/14
Kuah Hun Liang ⁽¹⁾	Senior Independent Non-Executive Director	15/15	-	20/21	21/21	-
Ou Shian Waei	Independent Non-Executive Director	15/15	13/13	-	-	14/14
Lee Ah Boon	Non-Independent Non-Executive Director	13/15	13/13	-	-	14/14
Datuk Wan Azhar Bin Wan Ahmad	Independent Non-Executive Director	15/15	13/13	21/21	-	14/14
Lee Boon Huat ^{(2),(3)}	Independent Non-Executive Director	13/15	12/13	-	20/23	6/6
Ho Hon Cheong	Non-Independent Non-Executive Director	15/15	-	21/21	23/23	-
Thayaparan S. Sangarapillai ⁽⁴⁾	Independent Non-Executive Director	15/15	-	21/21	2/2	-
Tan Chian Khong	Independent Non-Executive Director	15/15	-	20/21	-	-
Susan Yuen Su Min ⁽⁵⁾	Independent Non-Executive Director	5/5	-	-	-	-
Kung Beng Hong ⁽⁶⁾	Non-Independent Non-Executive Director	12/12	9/10	-	-	11/11
Tuan Haji Ibrahim Bin Hassan	Independent Non-Executive Director of Alliance Islamic Bank Berhad	-	-	-	22/23	-
Mazidah Binti Abdul Malik	Independent Non-Executive Director of Alliance Investment Bank Berhad	-	-	-	23/23	-

Notes:

⁽¹⁾ Chairman/Member of Group RMC until 31 December 2018. Appointed as Senior Independent Non-Executive Director with effect from 1 April 2019

⁽²⁾ Re-designated as Chairman of Group RMC with effect from 1 January 2019

⁽³⁾ Member of Group NRC until 31 July 2018

⁽⁴⁾ Appointed as a member of Group RMC with effect from 1 January 2019

⁽⁵⁾ Appointed to the Board on 15 October 2018

⁽⁶⁾ Retired from the Board with effect from 1 January 2019

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.

KEY ACTIVITIES OF THE BOARD DURING FY2019



Strategy

- Reviewed and approved the strategic directions and business plans proposed by Management
- Reviewed and approved the Annual Budget
- Reviewed and approved the specific financial and non-financial objectives proposed by Management
- Reviewed and approved the Capital Management Plan



People

- Approved appointment/re-appointment to the Board
- Received regular updates on recruitment and resignation of Key Management Staff
- Reviewed and assessed the fitness and propriety of Key Responsible Persons
- Reviewed and approved the human capital policies and strategies of the Group
- Reviewed and approved the Group Annual Compensation and the Compensation Review for Group CEO
- Reviewed remuneration for Non-Executive Directors



Performance

- Reviewed business and financial performance against targets and objectives
- Reviewed and approved the quarterly financial results and Annual Audited Financial Statements of Alliance Bank
- Reviewed the Internal Capital Adequacy and Assessment Process (ICAAP) Reporting and Basel II Pillar 3 Report
- Reviewed and approved the Group Dividend Proposals
- Reviewed and approved Group Corporate Scorecard and Group CEO Scorecard Assessment
- Reviewed and deliberated the results of the annual Board Effectiveness Assessment for the Board as a whole, Board Committees and the contribution of each Individual Director



Governance

- Reviewed Monthly Group Compliance Dashboard and Monthly Integrated Risk Dashboard
- Reviewed and/or approved the Risk Appetite Statement, the Stress Test Results and the Contingency Funding Plan Drill Results
- Reviewed and approved BNM Composite Risk Rating Action Plans and the reply to BNM
- Received the quarterly legal updates
- Reviewed and approved regulatory reporting
- Reviewed and approved Board governance related proposals including Board Gender Diversity Policy, Board Development Plan, Group Board Succession Plan, revisions to Board Charter and Board Committees' Terms of Reference, etc
- Reviewed and recommended the proposed amendments to the Constitution of the Bank for shareholders' consideration
- Reviewed and approved the Group Internal Audit Charter
- Reviewed Internal Audit Reports
- Reviewed IT Independent Assessment Report

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

Effectiveness

Key activities of Board Committees during FY2019

EXCO

During FY2019, the EXCO had carried out the following key activities:

1. Reviewed/vetoed the new/incremental loans/financing with total group exposure which is within EXCO's approval limits set by the Board.
2. Approved credit transactions/exposures with connected parties classified under BNM/GP6 Guidelines.
3. Reviewed early warning accounts and restructuring & rescheduling (performing & impaired) accounts.
4. Reviewed recovery/restructuring plans as per limits in the Approval Authorities of Group Special Assets set by the Board.
5. Reviewed and recommended strategies and business plans for the Board's approval and oversees their implementation.
6. Reviewed the loan loss provisioning under MFRS 9.
7. Approved non-credit expenditures as per limits in the Approval Authorities set by the Board.
8. Reviewed the quarterly updates of Group Information System and Voice of Customers.
9. Reviewed and approved revisions to terms of reference of Group Management Credit Committee.
10. Reviewed and recommended the revisions to terms of reference of EXCO for the Board's approval.

Group NRC

The Group NRC had carried out the following key activities during FY2019:

1. Reviewed the Board and Board Committees Composition of the Bank and its principal subsidiaries, including board and board committee size, criteria and skill sets required of Directors, development plan for Directors and gender diversity for the Bank.
2. Recommended the appointment and re-appointment of Directors, Senior Independent Director, Chief Executive Officer and Shariah Committee members to the entity Boards of the Bank and its principal subsidiaries.
3. Reviewed and deliberated the results of the annual Board Effectiveness Assessment for the Board as a whole, Board Committees and the contribution of each Individual Director.
4. Carried out annual Fit and Proper Assessment of Key Responsible Persons and annual review of Directors' fitness and propriety, including the independence of Independent Directors.
5. Engaged an independent consultant to review the remuneration of Non-Executive Directors and recommended a revised remuneration to the Board.
6. Approved the appointment of Senior Management including extension of employment of Senior Management under fixed term contract.

7. Conducted Exit Interview with Senior Management who tendered their resignation.
8. Assessed and recommended to the Board the performance of the Group CEO.
9. Recommended to the Board the compensation proposals, including Corporate Bonus Pool, Annual Salary Review for employees and Compensation for Group CEO and CEOs of subsidiaries.
10. Approved the proposal on Compensation for the members of Group Management Committee and Other Material Risk Takers, including Deferral Award.
11. Recommended to the Board the Group Corporate Scorecard and Group CEO Scorecard.
12. Assessed and recommended to the Board the performance score of the Group Corporate Scorecard.
13. Reviewed internal policies and procedures in relation to fit and proper assessment and Group Board Succession Plan.
14. Reviewed the Bank's organisation structure and human capital policies and strategies of the Group including Rewards Framework, Training and Education Sponsorship Scheme, Disciplinary Management Policy and Sales Penalty Framework.

Group AC

The Group AC's activities during FY2019 are summarised in the Group AC Report.



More information can be found on pages 89 to 90.

Group RMC

During FY2019, the Group RMC had considered and deliberated on, among others, the following:

1. Compliance Culture
2. Capital Management Plan
3. Embedded Risk Function
4. Group RMC Future Direction
5. Credit Risk Strategy for the Group
6. Top 5 Risks for the Group
7. Group Compliance Way Forward
8. IT Governance and Management
9. Risk and compliance related frameworks and policies, including BNM Review of Composite Risk Rating, review of Credit Risk Management Framework, EndPoint Security Policy, etc.
10. Regular reports such as Compliance Dashboard, Integrated Risk Management Dashboard, Regulatory Stress Test Result and ICAAP Report for submission to BNM.
11. Compensation, and Annual Fit and Proper Assessment of Group Chief Risk Officer and Group Chief Compliance Officer.

BOARD EFFECTIVENESS REVIEW

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

Board Effectiveness Assessment

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

Step 1: Completion of Comprehensive Questionnaire

I. Assessment of the Board by Board Members

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

The assessments are made against the pre-established criteria as follows:

- A. Board Composition/Structure
- B. Board Process
- C. Board Governance
- D. Major Responsibilities of the Board

II. Individual Director Self-Assessment

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

III. Peer Assessment of Individual Directors

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

IV. Assessment of the Board Committees

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

- A. Committee Governance
- B. Accountability and Responsibilities

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

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

For FY2019, the Board was satisfied with the results of the annual Board Effectiveness Assessment and would take the necessary steps to address areas for improvement suggested by the Directors.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

Effectiveness

Fit and Proper Assessment

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

For FY2019, the Board was satisfied that each of the Directors had met the required standard of fitness and propriety.

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 roles and 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 a financial year taking into consideration emerging trends in the financial services industry. In addition, each Board Committee member is encouraged to attend a minimum of two days of training programmes relevant to the respective areas of the Board Committees in each financial year to keep abreast with the latest developments in the industry.

The Bank has in place an In-house Directors' Orientation Programme for newly appointed Directors to familiarise themselves with the Bank's operations in addition to the regulatory mandatory training programmes such as Bursa Mandatory Accreditation Programme and Financial Institutions Directors' Education (FIDE) Core Programme. Upon appointment, a new Director will 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. 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 ongoing basis in areas relating to Islamic banking, corporate governance and compliance, board leaderships, risk management, anti-money laundering, strategic issues and latest development and innovation in the marketplace such as FinTech,

digitisation and Blockchain which are relevant to the financial services industry to enable them to keep abreast with the latest developments in the industry. All Directors are also regularly being updated on new requirements affecting their responsibility and are constantly reminded of their obligations.

The Directors have attended various training programmes during FY2019. The list of training programmes attended by the Directors is disclosed under Section B of the Corporate Governance Report, which is available on our website:



www.alliancebank.com.my

REMUNERATION

Board of Directors

The Bank's Policy on Directors' remuneration is disclosed under Practice 6.1 of Section A of the Corporate Governance Report, which is available on our website:



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 FY2019 are disclosed on pages 213 to 216 of the 2019 Annual Report.

For FY2019, the Board has engaged an independent consultant to carry out a review on the remuneration of the Non-Executive Directors to determine if the Bank's remuneration for the Non-Executive Directors continues to be in line with the industry taking into consideration the complexities of the Bank's business and operations. The proposed remuneration of the Non-Executive Directors will be tabled to the shareholders of the Bank for approval at the forthcoming Annual General Meeting to be held on 25 July 2019.

Senior Management

The Bank's Group Compensation Policy and employee performance management are disclosed under Section B of the Corporate Governance Report, which is available on our website:



www.alliancebank.com.my

Audit and Risk Management

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



Statements explaining the responsibilities of the Directors for the preparation of the Annual Audited Financial Statements for inclusion in the Annual Report can be found on page 106.

RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

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

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

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 96 to 103.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

Audit and Risk Management

GROUP AUDIT COMMITTEE REPORT

CHAIRMAN

Thayaparan S. Sangarapillai
Independent Non-Executive Director

MEMBERS

Kuah Hun Liang
Independent Non-Executive Director

Datuk Wan Azhar Bin Wan Ahmad
Independent Non-Executive Director

Ho Hon Cheong
Non-Independent Non-Executive Director

Tan Chian Khong
Independent Non-Executive Director

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 MMLR of Bursa Securities which states that the audit committee must be composed of no fewer than 3 members; and that all the audit committee members must be non-executive directors, with a majority of them being independent directors.

The Terms of Reference (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

In the annual assessment of the effectiveness of Board Committees for FY2019, 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 FY2019, a total of 21 Group AC meetings were held. 11 were regular meetings scheduled before the start of the financial year while 10 meetings were ad hoc meetings convened to consider exigency matters.

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

Name of Committee Members	Attendance	Percentage
Thayaparan S. Sangarapillai (Chairman)	21/21	100%
Kuah Hun Liang	20/21	95%
Datuk Wan Azhar Bin Wan Ahmad	21/21	100%
Ho Hon Cheong	21/21	100%
Tan Chian Khong	20/21	95%

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 FY2019, 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) Audit Report in respect of the Group Statutory Audit for Financial Year Ended 31 March 2018;
 - (ii) Limited Review Report of the Group for the Half-Year Ended 30 September 2018; and
 - (iii) Audit Committee Report for FY2019.
- Met twice with the external auditors on 23 October 2018 and 24 April 2019 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 FY2019 and its affiliates are set out below:

Description	RM'000	
	Bank	Group
Statutory audit and audit related services	1,436	2,087
Non-audit related services	1,666	2,432

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 FY2019 was 16.5%.

- 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 with Group Chief Internal Auditor on 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 one audit assignment which is specialised and technical in nature.

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 is effective for the Group and the Bank for the financial year beginning on 1 April 2018, including the review of the gap analysis and the potential impact to the Group.
- Reviewed the Audit Committee Report and the Statement on Risk Management and Internal Control for the Board's approval to be included in the Annual Report.

GROUP INTERNAL AUDIT FUNCTION

The Group Internal Audit's (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, among 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 Institute of Internal Auditors (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 2019, GIA has 35 audit personnel. During FY2019, the GIA function incurred costs amounting to RM9.4 million.

The activities undertaken by GIA in FY2019 include:

1. Established the annual audit plan for FY2019, 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, Executive Risk Management Committee, Group Information Technology Steering Committee, MFRS 9 Project Steering Committee, Product Review Group, 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. 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)

Shariah Committee

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 Bin Ali @
Fadzil

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 new products and services including contract, agreement or other legal documentation used for Islamic banking transactions;
- Endorsing and validating product guidelines, marketing advertisements, sales illustrations and brochures related to AIS's products, services and activities;
- Reviewing the work carried out by Shariah Review and Shariah Audit as the AIS's second line and third line of defense providing assurance on the state of the Bank's Shariah governance;
- Endorsing AIS's zakat computation and distribution;
- 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 potential Shariah Non-Compliance events determined by the Qualified Shariah Officer whether or not they are actual Shariah related events.

During the FY2019, 9 meetings were held. The attendance of members of the Shariah Committee is as follows:

Shariah Committee Members	Attendance	Percentage
Associate Professor Dr Badruddin Bin Hj Ibrahim (Chairman)	9/9	100%
Tuan Haji Md Ali Bin Md Sarif	9/9	100%
Ustaz Zaharudin Bin Muhammad	9/9	100%
Dr Azrul Azlan Bin Iskandar Mirza	9/9	100%
Ustaz Ahmad Fauwaz Bin Ali @ Fadzil	9/9	100%

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 Kuliyah 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 among 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 1st class among 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

Shariah Committee

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, Shariah Adviser of Alliance Investment Bank Islamic Stockbroking Services and a committee member of State Fatwa Council, Negeri Sembilan.

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

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 with 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 is fatwa methodology, he has been giving training to Shariah officers at Islamic financial institutions as well as state religious authorities. He also gives talks in local radio and television stations.

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

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 28 days prior to the meeting date. At the forthcoming 37th AGM to be held on 25 July 2019, other than the proposed amendments to the Constitution of the Bank, no other substantive resolutions or resolutions on related party transactions will be put forth for shareholders' approval.

In line with the MMLR 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 for information on the Bank. There is a dedicated section for corporate governance on the Bank's corporate website where information such as the Board Charter, Code of Conduct, Annual Reports, Minutes of General Meetings, Constitution and Terms of Reference of the Board Committees are made available to the public. A corporate calendar on material events such as entitlement dates, ex-dividend dates and payment dates for dividend payment; all announcements made by the Bank to Bursa Securities including quarterly results and dividend information; and presentation slides for analyst briefings are also available on the Bank's corporate website under the Investor Relations section for the benefit of the investing public.

The investing public can contact the Head, Investor Relations & Corporate Treasury, Mr Tan Hong Ian at 03-2604 3370 or 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 Kuah Hun Liang 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 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 MMLR of Bursa Securities and other applicable laws.

The Group Company Secretary being the Corporate Disclosure Manager (CDM), serves as the primary contact person for all material corporate-related matters referenced in the CDPP. He oversees and co-ordinates the disclosure of material information to Bursa Securities. The CDM also ensures compliance with the CDPP and undertakes reviews of any violations, including assessment and implementation of appropriate consequences and remedial action.

The Chairman of the Bank and the Group CEO are the primary authorised spokespersons responsible for communicating Group information to the investing public. These primary authorised spokespersons may, from time to time, designate other officers (designated officers) of the Bank to speak on behalf of the Group or to respond to specific inquiries, where doing so facilitate effective communication with the investing public. The authorised spokespersons and designated officers are regularly reminded of their responsibility to exercise due diligence in making sure that the information to be disseminated to the investing public is accurate, clear, timely and complete, and that due care is observed when responding to analysts, the media and the investing public.

KEY FOCUS AREAS AND FUTURE PRIORITIES

The Board will continue to improve the Bank's corporate governance practices and procedures and enhance the corporate disclosures practices towards promoting transparency, 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 30 May 2019.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

RESPONSIBILITY

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

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

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

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

RISK MANAGEMENT FRAMEWORK

The Board, through its Group Risk Management Committee ("GRMC") provides oversight on risk management strategies, methodologies, policies and guidelines, risk tolerance and other risk related matters of the Group. Approval of risk policies by the Board is obtained where necessitated by regulatory requirements. In addition, the GRMC also oversees the functions of management committees such as the Executive Risk Management Committee, Group Assets and Liabilities Management Committee and Group Operational 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 97 to 103 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 45 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 to assess the adequacy and effectiveness of the risk management and internal control system;
- Documentation and periodic assessment of controls and processes by all business and support units for managing key risks; and
- Regular senior management meetings to review, identify, discuss and resolve strategic, operational, financial and key management issues.

ASSESSMENT OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

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

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

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

RISK MANAGEMENT

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

BOARD RESPONSIBILITY

The Board is responsible for:

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

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

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

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

- a. Reviewing risk management strategies, policies and risk tolerance and ensure these are in alignment and compliance of regulations and requirements from Bank Negara Malaysia, and all other relevant authorities.
- b. Reviewing and assessing the adequacy of risk management framework, policies and controls, including Information Technology (IT) risk management matters, with regard to identifying, measuring, evaluating, monitoring, controlling and reporting on the extent to which these are operating effectively, prudently and in compliance with regulatory guidelines.
- c. Ensuring that appropriate infrastructure, resources and systems are in place for risk management and compliance functions; and ensuring that the staff responsible for implementing risk management and compliance systems perform those duties independently of the Bank's risk-taking activities.
- d. Reviewing periodic reports on risk exposures, risk portfolio composition and risk management activities to ensure that these risk reports facilitate understanding; and determination of appropriate risk responses.
- e. Ensuring that the effectiveness of the Bank's overall management of compliance risk is evaluated at least annually, and that adequate time and priority is provided in the agenda to deliberate compliance issues, to ensure that such issues are resolved effectively and expeditiously.
- f. Supporting the Board in meeting regulatory expectations on risk management, as set out under BNM's policy document on Risk Governance and on Compliance.
- g. Assisting in the implementation of a sound remuneration framework that promotes a culture of prudent risk-taking while deterring inappropriate or excessive risk-taking within the Bank.

MANAGEMENT RESPONSIBILITY

Key responsibilities of the management are as follows:

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

RISK MANAGEMENT (Cont'd)

RISK MANAGEMENT FRAMEWORK

An efficient risk management framework is a prerequisite to establishing stakeholders' confidence in the Bank. The Bank's Risk Management Framework is embedded in our respective business activities in order to integrate risk-taking and decision-making with risk management. It provides a structured approach for the Bank to form a consolidated and aggregated view of all risks identified at entity, business segment and product levels; and to manage these risks in a holistic manner alongside business objectives and compliance requirements. The Bank's Risk Management Framework is comprised of the following elements:



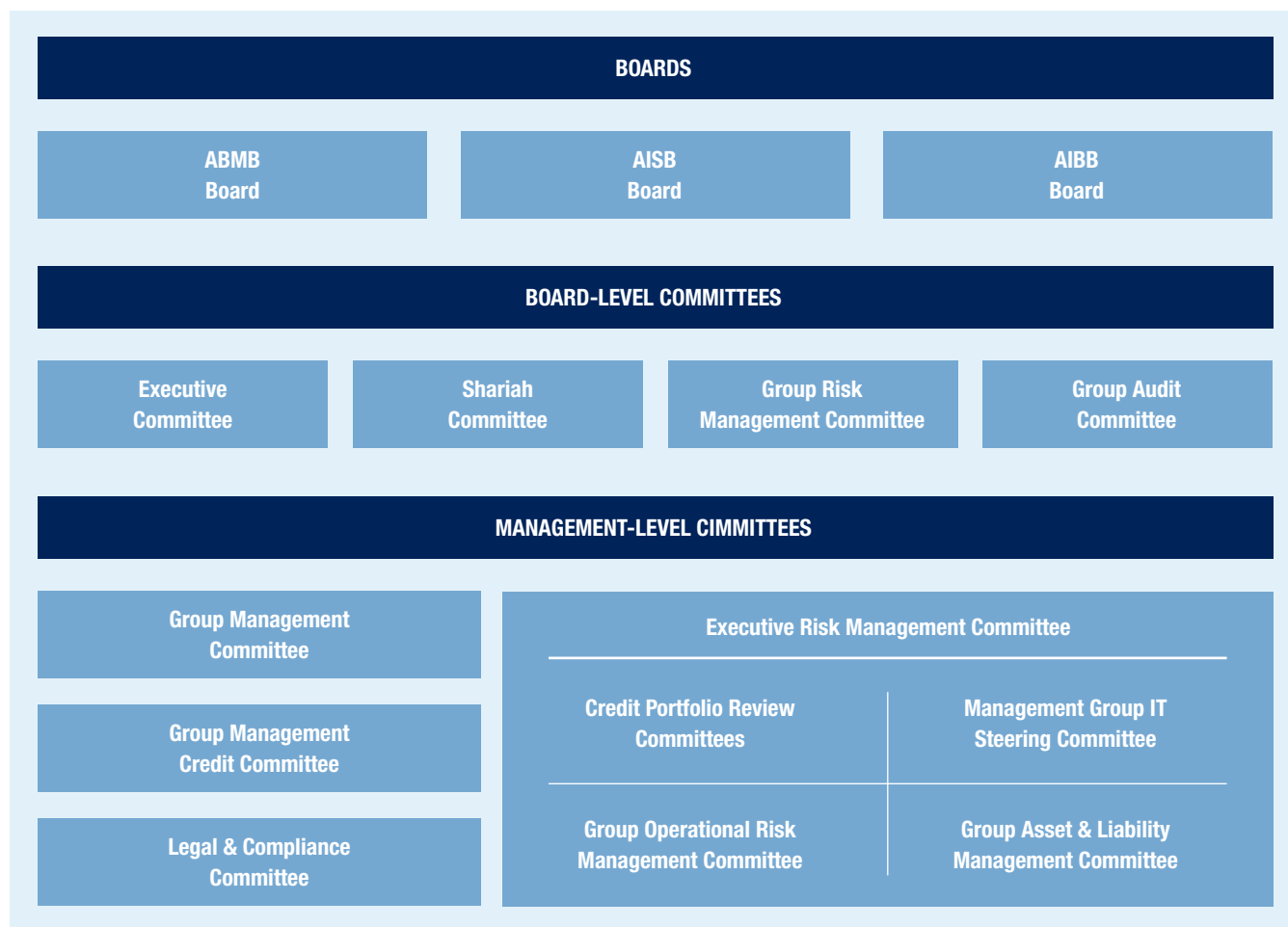
Risk Governance and Organisation

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

1st Line of Defence	Risk-Taking Business units are the primary owners of the risk, responsible for managing risks within the Bank's business activities, aided by Business Support functions.
2nd Line of Defence	Risk Control The risk control functions are represented by three independent Risk Control Units, i.e. Group Risk Management, Group Compliance and the Shariah Review Team. Group Risk Management is responsible for formulating, implementing and reviewing Risk Management frameworks, as well as recommending risk policies, risk appetite parameters, risk methodologies and risk control measures. Group Compliance is responsible for ensuring the Bank's compliance to applicable laws and regulations; and to minimize the risk of regulatory non-compliance. Shariah Review Team is responsible for ensuring Bank's compliance to Shariah laws and rulings, and to minimize the risk of Shariah non-compliance.
3rd Line of Defence	Risk Assurance Group Internal Audit is responsible for conducting independent assessment and providing assurance on the adequacy and effectiveness of the Bank's internal controls related to processes, risks and governance functions.

Governance Structure

Everyone plays a crucial risk management role in the Bank. The chart below illustrates the governance structure and committees responsible for effective governance and supervision over risk-related functions.



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

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

Risk Strategy

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

The Bank seeks to accomplish its risk strategy by:

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

RISK MANAGEMENT (Cont'd)

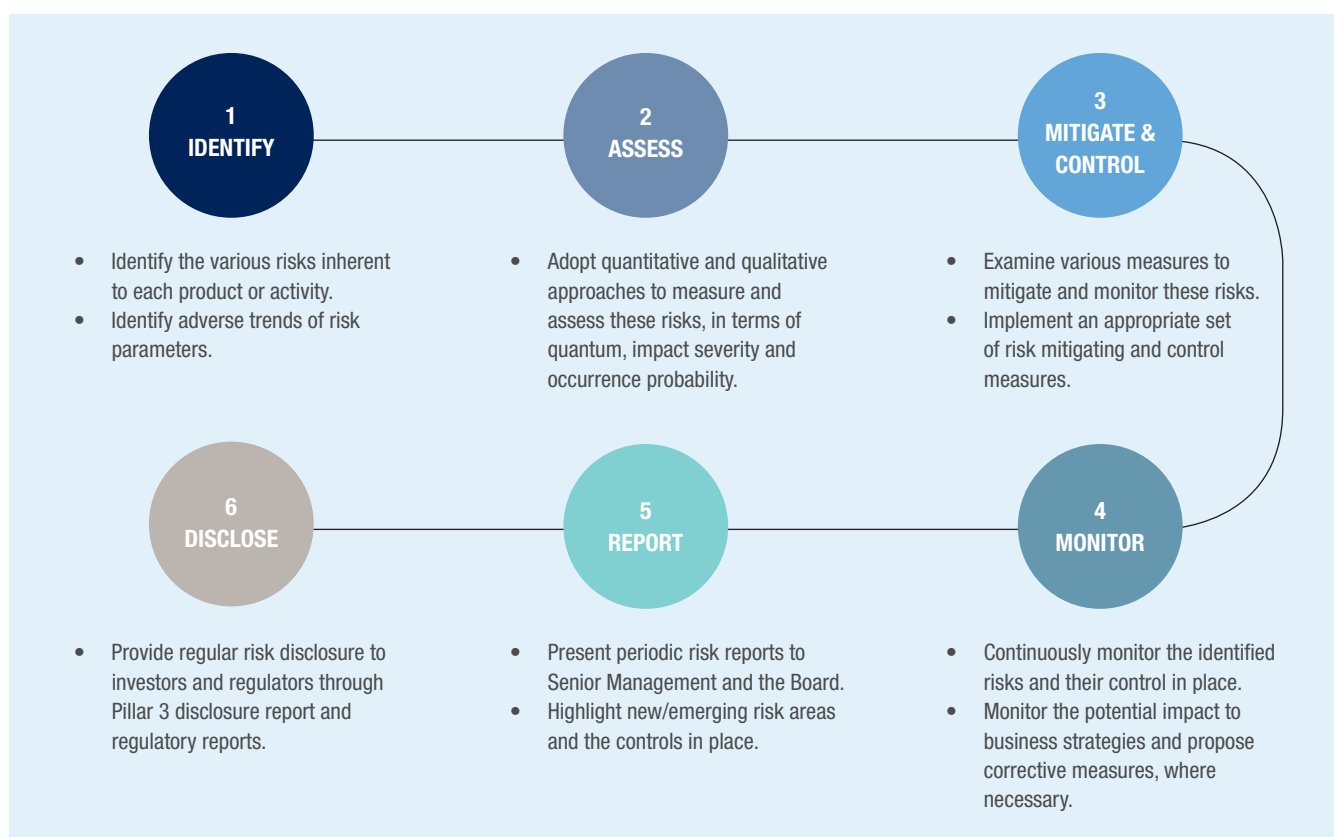
Risk Appetite

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

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

Risk Management Process

The Bank's risk management process embeds the Bank's 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 & Staff Development

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

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

Added to this, the Bank applies a variety of approaches, ranging from classroom sessions, external courses, on-the-job training and ad hoc

project-based assignments; to equip our staff with the right knowledge and skills to carry out their duties properly and professionally. Such training is not merely confined to technical skills training; the Bank devotes much effort towards embedding risk culture and instilling our set of values in our staff, with emphasis on leadership, conduct/ethics and stakeholder-centricity.

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

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

Compliance Culture

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

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

The Bank noted a satisfactorily level of increase in compliance awareness among the staff. Among the key initiatives implemented to promote compliance awareness are:

- Encouraging staff to report any situation that exposes the Bank to compliance risk
- Raising compliance awareness through team huddles, ethics week, online quiz, establishment of the Compliance Guide and Code of Conduct
- Ensuring robust compliance monitoring
- Introduction of self-raise concept for risk, control and compliance issues that are tracked at management committee
- Enhancement of staffs' performance scorecard (i.e. KPI) with emphasis on governance and risk control
- Compliance-related e-learning modules such as AML/CFT, Code of Conduct and PDPA

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

Risk Management Techniques

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 risk management techniques and tools are used. The table below provides examples of some of these techniques/tools:

Risk Category	Risk Definition	Risk Management Techniques/Tools
Credit Risk	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"> • Credit risk management framework, strategy, policies & procedures • Risk Acceptance Criteria • Financing/product programs • Product/portfolio risk limits, triggers and parameters • Credit concentration limits • Credit ratings/scorecards • Credit authorization • Risk dashboards • Early Warning triggers and Watch Lists • Risk-based pricing • Stress tests • Thematic/portfolio reviews • Independent credit reviews
Market Risk	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"> • Market risk management framework and policies • Risk measurement/valuation tools • Product/portfolio risk limits • Risk Sensitivity limits and Value-at-Risk limits • Stress testing & simulations • Risk dashboards
Liquidity Risk	<ul style="list-style-type: none"> • The risk of loss resulting from the Bank's inability to meet its financial obligations, when due. • Risk of incurring losses when attempting to liquidate assets, due to market disruptions and/or illiquid market situations. 	<ul style="list-style-type: none"> • Liquidity risk management framework and policies • Liquidity risk limits and triggers • Liquidity stress testing & simulations • Contingency funding plan • Deposit concentration monitoring & reporting

RISK MANAGEMENT (Cont'd)

Risk Category	Risk Definition	Risk Management Techniques/Tools
Operational Risk	The risk of loss resulting from failures of processes, people and systems; or from external events which are neither market-related nor credit-related.	<ul style="list-style-type: none"> Operational risk management framework and policies IT risk management framework and policies Risk and Control Self-Assessment Control Self-Assessment Key Risk Indicators Loss Event Data collection Scenario Analysis Business Continuity Plan/Drills Risk dashboards
Regulatory Non-Compliance Risk	The risk of loss or imposition of penalties, fines, or other liabilities arising from breaches of applicable laws, regulations, or contractual obligations.	<ul style="list-style-type: none"> Compliance framework, Legal manual and AML/CFT policy Group-wide education and programme on compliance and risk awareness
Shariah Non-Compliance Risk	The risk of loss arising from failure to comply with Shariah rules and principles.	<ul style="list-style-type: none"> Shariah governance framework Shariah non-compliance monitoring and reporting Independent Shariah compliance reviews
Strategic Risk	The risk of loss arising from adopting the wrong business strategy, failure to properly execute business strategies, or failure to effectively respond to changes in the industry/economy.	<ul style="list-style-type: none"> Strategic risk management framework Annual strategy and budget setting exercise Capital management framework and initiatives Stress tests/Reverse stress tests Strategic project initiatives Business reviews and production meetings
Reputational Risk	The risk of loss arising from negative perception by customers, counterparties, shareholders and other relevant key stakeholders.	<ul style="list-style-type: none"> Reputational Risk Management Framework Code of Conduct guidelines Corporate risk rating exercise Managing investor relations Corporate Social Responsibility programmes
Model Risk	The risk of loss arising from inappropriate reliance on risk models.	<ul style="list-style-type: none"> Independent Model Validation Framework Back-testing and independent model validation exercises

EMERGING RISK

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

Regulatory non-Compliance Risk

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

Conduct Risk

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

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

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

Economic Headwinds

Economic headwinds largely attributable to geopolitical and economic developments, may negatively impact the Bank's earnings. In our effort to safeguard our shareholders and depositors, the Bank continuously reviews the health of our various financing portfolios; and provide updates to Senior Management and the Board. In addition, the Bank also reviews and aligns its business strategies to address other challenges faced.

Technology Risk

The emergence of fast-paced digital technologies has paved the way for many organisations to achieve tangible benefits in a short time span. Technology leveraging on the ubiquitous mobile devices, social media, robotic process automation, and cloud computing has made it possible for the Bank to introduce fast, simple-to-use and innovative products and services. This inevitably carries other risks associated with the use of such technology.

Cyber-attacks, system disruptions, data breaches and intensified regulatory requirements challenge certain conventions in the way we do business. It requires a higher level of commitment, greater effort and added investment to offer value-added products and services, while safeguarding the interests of our customers and stakeholders.

The Bank has put in place a formalized Technology Risk Management Framework that drives our security policies, to ensure that risks arising from the use of technology are properly identified, assessed, managed and reported. Appropriate controls are in place to ensure confidentiality, integrity, and availability of information. The Bank also raises staff awareness on technology risks through its continuous education programmes, encompassing Information Risk and Cyber Security, conducted classroom style and via our e-learning modules. Additionally, reminders on IT-security and Cyber security safe practices are disseminated periodically to both customers and employees via various communication channels.

Environmental and Social Risk

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

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

ADDITIONAL COMPLIANCE INFORMATION

POLICY AND PROCEDURES ON RELATED PARTY TRANSACTIONS

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.



**ALLIANCE BANK
MALAYSIA BERHAD** (88103-W)

FINANCIAL STATEMENTS

CONTENTS

106	Statement of Board of Directors' Responsibilities
107	Directors' Report
115	Statement by Directors
115	Statutory Declaration
116	Independent Auditors' Report
121	Statements of Financial Position
122	Statements of Income
123	Statements of Comprehensive Income
124	Statements of Changes in Equity
127	Statements of Cash Flows
132	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 maintains adequate accounting records and an effective system of internal control to safeguard the assets of the Group and the Bank and prevent and detect fraud or any other irregularities.

DIRECTORS' REPORT

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 2019.

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	708,023	614,012
Taxation	(170,426)	(128,060)
Net profit for the financial year	537,597	485,952

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 2018 were as follows:

	RM'000
(i) A single tier second interim dividend of 6.8 sen per share, on 1,548,105,929 ordinary shares in respect of the financial year ended 31 March 2018, was paid on 28 June 2018.	105,271
(ii) A single tier first interim dividend of 8.5 sen per share, on 1,548,105,929 ordinary shares in respect of the financial year ending 31 March 2019, was paid on 28 December 2018.	131,589
	236,860

Subsequent to the financial year end, on 29 May 2019, the Directors declared a single tier second interim dividend of 8.2 sen per share, on 1,548,105,929 ordinary shares amounting to approximately RM126,945,000 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 2020. The Directors do not propose any final dividend in respect of the financial year ended 31 March 2019.

DIRECTORS' REPORT (Cont'd)

BUSINESS REVIEW FOR FINANCIAL YEAR ENDED ("FYE") 31 MARCH 2019

Improved Profitability:

For the FYE 31 March 2019 ("FYE2019"), the Group recorded strong financial performance as a result of the successful execution of its Transformation initiatives to scale up its core businesses in the SME and consumer segments. Net profit after taxation increased by RM44.4 million or 9.0% to RM537.6 million. Return on equity ("ROE") improved to 9.9% from 9.5% in the previous year.

Net income grew by RM50.1 million or 3.2% to an all-time record high of RM1.62 billion. This was driven by net interest income growth of 8.9% year on year ("YOY") from the expansion of total loans and the improved loan mix from better risk adjusted return loans. Net interest margin ("NIM") improved by 10bps YOY to 2.50%.

Better Loans Growth:

Gross loans and advances grew 6.0% YOY to RM42.7 billion outpacing the industry loan growth of 4.9% YOY. The Group's loan origination efforts continued to focus on better risk adjusted return loans from SME, commercial, consumer unsecured lending and Alliance ONE Account ("AOA") segments. SME and commercial loans expanded 12.9% YOY, while consumer unsecured loans grew 21.4% YOY. AOA loan balances tripled to RM3.2 billion from RM1.0 billion the previous year. The loan mix continued to improve with better risk adjusted return loans making up 43% of the portfolio as compared to 36% in the previous year.

Other Operating Income:

The Group recorded other operating income of RM265.0 million amid the challenging external environment. Wealth management fee income for FYE2019 was lower by RM15.2 million due to lower structured investment fee income and lower brokerage/share trading fee income. Lower credit card fee income by RM8.3 million was mainly due to lower regulatory interchange fees and higher redemption from the improved rewards programme proposition. The Group continues to expand its initiatives to increase the fee income business through its new exclusive general insurance partnership with Zurich Insurance, enhancing relationship managers' capabilities through the Wealth Academy and expanding cross-selling efforts for wealth management products.

Operating Expenses:

Operating expenses improved by RM19.1 million or 2.4% YOY. Excluding restructuring costs, operating expenses grew 3.1% YOY mainly due to transformation sales force investment and IT infrastructure costs. The investment of RM32.4 million in transformation sales force has generated revenue of RM58.7 million in FYE2019. Cost to income ratio ("CIR") was at 47.8%.

Better Asset Quality:

FYE2019 net credit cost was at 31.5 bps excluding a one-off write back from credit rating scale alignment for corporates in 3QFYE18 and a one-off debt-sale in 1QFYE2019, normalised FYE2019 net credit cost increased marginally by 0.8bps YOY to 33.2 bps from 32.4 bps in FYE2018. The marginal increase in credit cost was mainly due to the growth of the personal financing portfolio offset by write backs from repayment of several major business accounts.

The gross impaired loans ratio improved 31bps to 1.12% from 1.43% in FYE2018. The ongoing regularisation of the residential properties portfolio through proactive collection efforts and the repayments in the non-residential properties portfolio from several major business accounts, have contributed to the lower GIL in FYE2019. Loan loss coverage (including Regulatory Reserve) improved to 142.9% from 96.7% in FYE2018.

Healthy Funding and Liquidity Position:

Our funding position continues to be healthy despite the intense competition for deposits. Customer based funding grew 5.3% YOY to RM45.9 billion from RM43.6 billion a year ago, mainly driven by consumer deposits. The Group was able to maintain high Current Account/Savings Account ("CASA") ratio of 35.5% mainly due to the expansion of Alliance SavePlus and contribution from the Alliance@Work channel. Fixed deposits growth of RM1.5 billion YOY was utilised to fund the growth in better risk adjusted return loans portfolio such as AOA and personal financing. The Group continues to focus on growing company payroll deposits and employee CASA under Alliance@Work. Our liquidity coverage ratio and loan to fund ratio remained healthy at 154.3% and 86.6% respectively.

BUSINESS REVIEW FOR FINANCIAL YEAR ENDED ("FYE") 31 MARCH 2019 (CONT'D)

Proactive Capital Management:

As part of our continuous proactive capital management to support the future business expansion in all our entities, Alliance Bank Malaysia Berhad completed an Additional Tier-1 Capital Securities issuance of RM100 million in March 2019. This strengthened our Tier-1 Capital ratio to 14.1%. With Common Equity Tier-1 ("CET 1") ratio at 13.4% and total capital ratio at 18.5%, we continue to maintain our capital levels among the strongest in the sector. Our Islamic Banking entity, Alliance Islamic Bank Berhad ("AIS") also successfully completed its maiden Additional Tier-1 Sukuk Wakalah of RM100 million issuance out of the newly-established RM500 million Additional Tier-1 Sukuk Wakalah programme. This strengthened AIS' Tier-1 Capital ratio to 12.6%.

Sustainability:

The Group continues to prioritise Economic, Environmental and Social ("EES") sustainability matters as important components of long-term business sustainability. We continue to maintain our inclusion in the FTSE4Good Bursa Malaysia Index with improvement in our Environment, Social, Governance ("ESG") rating. Our ranking in Minority Shareholders Watch Group ("MSWG") Corporate Governance & Performance improved to 28th position in November 2017, as compared to 58th position a year ago.

Helping SMEs:

As part of our sustainability efforts, we continue to help businesses especially SMEs, thanks to our SME Banking expansion initiatives. These initiatives include our collaboration with Credit Guarantee Corporation Malaysia Berhad ("CGC") to offer a Portfolio Guarantee scheme of RM50 million in November 2018 to assist viable SMEs that may lack the necessary collateral to secure credit facilities. In February 2019, we extended the scheme with an additional portfolio limit of RM100 million. In addition, the SME Unsecured Express Loan is extended to businesses to finance their general working capital with a financing limit of up to RM500,000. These initiatives contributed to our SME loans expansion.

The Group's flagship programme for young businesses, the BizSmart Challenge 2018, has awarded RM1 million in cash and media prizes to its winners. We have also extended up to RM5 million in unsecured loans to the BizSmart Top 20 finalists to help expand their business. Since the programme's inception in 2013, we have received more than 1,300 submissions from SMEs nationwide, signifying its popularity and relevance to the SME business community. More than 110 young SMEs have been discovered and groomed to achieve greater heights in their businesses, both in Malaysia as well as abroad.

Alliance@Work addresses business owners' business needs with its paperless employee onboarding, as well as the mobile banking needs of their employees and business partners with Cash2Home and mobile banking. Alliance@Work has acquired more than 25,000 local employee CASA accounts and 1,392 company payroll accounts in FYE2019.

Performance by business segment

The Group's businesses segments comprise Consumer Banking, Business Banking, Financial Markets and Stockbroking and Corporate Advisory Services. Please refer to Note 53 on Segment Information for the composition of each business segment.

Profit before tax within the Consumer Banking segment stood at RM80.5 million, with net income increasing by RM8.4 million or 1.5%, mainly due to higher net interest income from the success of the AOA segment. Operating expenses grew by RM36.5 million or 11.0% compared to the previous year. Allowance for expected credit losses for loans, advances and financing increased by RM33.7 million. Segment asset increased by RM0.7 billion or 3.3%.

The Business Banking segment's profit before tax recorded growth of 14.6% or RM52.3 million to RM409.4 million in FYE2019. Net income improved by RM42.6 million or 6.3% mainly due to higher net interest income from the successful SME banking expansion and other operating income. Operating expenses improved by RM14.2 million or 4.6% compared to the previous year. Allowance for expected credit losses for loans, advances and financing increased by RM4.7 million. Segment asset registered a growth of RM2.0 billion or 11.1%.

Profit before tax in the Financial Markets segment increased by 2.1% or RM4.7 million to RM232.7 million. Net income was higher by RM6.5 million or 2.3%. Operating expenses grew by RM2.8 million or 5.2%. Segment asset was at RM15.3 billion, a reduction of 2.4% compared to the previous year.

The Stockbroking and Corporate Advisory Services segment recorded higher loss before tax by RM32.5 million compared to FYE2018 due to lower brokerage income and goodwill impairment arising from lower projected cash flows from the reassessment of expected future business performance in the light of current trading and economic conditions.

DIRECTORS' REPORT (Cont'd)

ECONOMIC OUTLOOK AND PROSPECTS FOR FYE 31 MARCH 2020

For FY2020, Bank Negara Malaysia ("BNM") has projected steady Malaysian Gross Domestic Product (GDP) growth at between 4.3% and 4.8% YOY, compared to 4.7% in 2018. Malaysia's domestic activity will be negatively affected by the persisting slowdown in global growth, and declining global trade activity.

Private sector spending will remain the key driver of growth, underpinned by steady private consumption. This will likely be supported by steady labour market conditions, while private investment is expected to be backed by ongoing and new capital spending in the manufacturing and services sectors, as well as the repayment of corporate tax refunds.

BNM expects inflation to trend lower between 0.7% and 1.7% in FY2020, due to the impact of tax cost pass-through from a muted Sales and Services Tax (SST) impact, as well as lower global oil prices that will help reduce domestic fuel prices. On 7 May 2019, BNM announced a cut in Overnight Policy Rate by 25bps to 3.00%.

On the external sector, gross exports growth is forecasted at 3.4%, compared to a 6.8% in FY2018. This is due to weaker demand from trade partners and the impact of ongoing trade tensions.

Overall, external risks from global headwinds such as a potential no-deal on trade war negotiations between the US and China; delay in Brexit; and a potential slowdown of the Chinese economy could be stress points that may dampen external demand for Malaysia's electrical and electronics manufacturing, and oil and gas sectors.

BUSINESS OUTLOOK FOR NEXT FINANCIAL YEAR

For the financial year ending 31 March 2020 ("FYE2020"), the Group will continue to focus on accelerating momentum in our core businesses of AOA and SME despite the uncertain outlook.

Leveraging on our strong collaborative culture across the Group, we will focus on cross-selling higher value propositions using a targeted and segmented approach which responds to our customers' financial needs. In particular, Alliance@Work will continue to contribute to new consumer CASA and work closely with Group SME, Group Corporate and Commercial, and Branches for acquisition of new company payroll accounts.

Continuing on our digitisation journey, we will modernise and streamline the processes and workflows to bring simple, fast and responsive solutions to our customers. In Consumer Banking, we will be digitising personal loans application to enable faster loan disbursement. We will continue to accelerate client acquisition through our innovative proposition such as Alliance ONE Account, Alliance SavePlus, Alliance Cash2Home as well as digital marketing, multiple referral channels and Alliance@Work.

In SME Banking, we will be piloting a digital onboarding for Alliance BizSmart accounts which will enable same day account opening as well as introducing the Mobile BizSmart app to enable SMEs to make faster decisions on time sensitive payments. Our goal is to provide a comprehensive financial advisory and funding support to help SMEs and the community grows to their full potential.

We will also focus on broadening our franchise through strategic ecosystem partnerships. In addition, we will continue to amplify the brand through various media channel, and increase the weight of digital channels to support our sales and marketing activities throughout the Bank.

Our focus will remain on business owners as our key area of growth, and extending our financial products and services to their stakeholder base of families, employees, business partners, and retail clients. Underscoring all our efforts is our brand promise to deliver Fast, Simple, Responsive, and Innovative products and services that are Aligned to Customers' Needs.

We remain confident that our continued focus on our strategic transformation initiatives will generate positive financial returns in the year ahead, and expect profitability to improve further.

RATING BY EXTERNAL RATING AGENCY

The Bank is rated by Rating Agency Malaysia Berhad ("RAM"). Based on RAM's rating in January 2019, the Bank's short-term and long-term ratings are reaffirmed at P1 and A1 respectively. RAM has classified these rating categories as follows:

- P1 – Financial institutions in this category have superior capacities for timely payments of obligations.
- A1 – Financial institutions rated in this category are adjudged to offer adequate safety for timely payments of financial obligations. This level of rating indicates financial institutions with adequate credit profiles, but possess one or more problem areas, giving rise to the possibility of future riskiness. Financial institutions rated in this category have generally performed at industry average and are considered to be more vulnerable to changes in economic conditions than those rated in the higher categories.

DIRECTORS

The Directors of the Bank in office during the financial year and during the period from the end of the financial year to the date of this report are:

Tan Sri Dato' Ahmad Bin Mohd Don (Chairman)
 Ou Shian Waei
 Lee Ah Boon
 Kuah Hun Liang
 Datuk Wan Azhar Bin Wan Ahmad
 Lee Boon Huat
 Ho Hon Cheong
 Thayaparan S Sangarapillai
 Tan Chian Khong
 Susan Yuen Su Min (appointed on 15 October 2018)
 Kung Beng Hong (retired with effect from 1 January 2019)

DIRECTORS' REMUNERATION

Details of Directors' Remuneration are set out in Note 44 to the financial statements.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangements to which the Bank is a party, whereby the Directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit (other than benefits shown under Directors' Remuneration in Note 44 to the financial statements) by reason of a contract made by the Bank or its subsidiary with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

DIRECTORS' REPORT (Cont'd)

DIRECTORS' INTERESTS

According to the Register of Directors' shareholdings required to be kept under Section 59 of the Companies Act, 2016, none of the Directors in office at the end of the financial year had any interest in shares of the Bank or its subsidiaries or its related corporations during the financial year, except as stated below:

	Number of Ordinary Shares			As at 31.3.2019
	As at 1.4.2018	Acquired	Sold	
Ho Hon Cheong	-	1,000*	-	1,000

Note:

* Indirect interest in the Bank shares held by virtue of Section 59(11)(c) of the Companies Act 2016.

ISSUE OF SHARES AND DEBENTURES

The Bank has completed the second issuance of Additional Tier 1 Capital Securities ("ATICS") pursuant to its existing ATICS Programme of up to RM1.0 billion in nominal value as below:

Issuance Date	Nominal Amount	Tenure	Call Date	Distribution Rate
8 March 2019	RM100.0 million	Perpetual Non-callable Five (5) years	8 March 2024 and thereafter on every distribution payment date	5.95% per annum

BAD AND DOUBTFUL DEBTS

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

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

CURRENT ASSETS

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

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

VALUATION METHOD

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

In the opinion of the Directors:

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

SUBSIDIARIES

Details of subsidiaries are set out in Note 16 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 54 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.

DIRECTORS' REPORT (Cont'd)

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF1146), have expressed their willingness to accept reappointment as auditors.

This report was approved by the Board of Directors on 31 May 2019. Signed on behalf of the Board of Directors.

Tan Sri Dato' Ahmad Bin Mohd Don

Kuah Hun Liang

Kuala Lumpur, Malaysia

STATEMENT BY DIRECTORS

Pursuant To Section 251(2) of the Companies Act, 2016

We, Tan Sri Dato' Ahmad Bin Mohd Don and Kuah Hun Liang, 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 121 to 284 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 2019 and financial performance of the Group and of the Bank for the financial year ended 31 March 2019 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 2019.

Tan Sri Dato' Ahmad Bin Mohd Don

Kuah Hun Liang

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 121 to 284 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 2019

Wong Lai Loong
MIA Membership No. (CA 29328)

Before me,

M. Sivanason
Commissioner for Oaths

Kuala Lumpur, Malaysia
31 May 2019

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 2019, 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 2019 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 121 to 284.

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.

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 the 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
Allowance for impairment on loans, advances and financing	
<p>Refer to accounting policy 2(k)(i) and 2(a)(ii), Note 13 and 36 of the Financial Statements of the Group and the Bank.</p> <p>The Group adopted MFRS 9 “Financial Instruments” with a date of transition of 1 April 2018. MFRS 9 introduces an expected credit loss (“ECL”) impairment model, which requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. This is a new and complex accounting standard which has required considerable judgement and interpretation in its implementation.</p> <p>In particular, the significant judgements in applying the accounting requirements for measuring ECL include the following:</p> <ul style="list-style-type: none"> • Building the appropriate models used to calculate ECL. The models are inherently complex and judgement is applied in determining the appropriate construct of the model; • Identification of loans, advances and financing that have experienced a significant increase in credit risk; and • Assumptions used in the ECL models such as expected future cash flows, forward-looking macroeconomic factors and data sets to be used as inputs to the models. 	<p>We obtained an understanding and tested management’s controls over identification of loans, advances and financing that have experienced significant increase in credit risk or objective evidence of impairment in accordance with the Group’s policy and procedures, and the calculation of ECL provisions.</p> <p>We tested a sample of loans, advances and financing and assessed the reasonableness of management’s judgement that there was no significant increase in credit risk or objective evidence of impairment for these loans.</p> <p>Where objective evidence of impairment was identified by the Group and impairment loss was individually calculated, we examined both the quantum and timing of future cash flows used by the Group in the impairment loss calculation, challenged the assumptions and compared estimated to external evidence where available. Calculations of the discounted cash flows were also re-performed.</p> <p>To determine the appropriateness of models implemented by the Group, we have:</p> <ul style="list-style-type: none"> • Assessed the methodologies inherent within the ECL models applied against the requirements of MFRS 9; • Tested the design and operating effectiveness of the controls relating to: <ul style="list-style-type: none"> - Governance over ECL methodology, model development and model validation; - Data used to determine the allowances for credit losses; and - Calculation, review and approval of the ECL calculation. • Assessed and tested the significant modelling assumptions; • Assessed and considered reasonableness of forward-looking forecasts assumptions; and • Checked the accuracy of data and calculation of the ECL amount, on a sample basis. <p>Based on the procedures performed, we did not find any material exceptions to the Group’s assessment on impairment of loans, advances and financing.</p>

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALLIANCE BANK MALAYSIA BERHAD (Cont'd)

(Incorporated in Malaysia)

(Company No: 88103-W)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key audit matters (cont'd)

Key audit matters	How our audit addressed the key audit matters
Impairment testing of goodwill	
<p>Refer to accounting policy 2(k)(ii)(a), and 2(a)(i), and Note 20 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"> • The annual growth rates in the cash flow projections; • The terminal growth rate; and • The discount rate. 	<p>We tested management's impairment assessment of goodwill as follows:</p> <ul style="list-style-type: none"> • Compared the cash flows projection of each CGU to approved budgets and business plans for each CGU. • Compared historical cash flows projections to actual results of each CGU to assess the reasonableness of forecasting. • Assessed the reasonableness of the annual growth rates used in the cash flow projections of each CGU. • 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. • Evaluated reasonableness of terminal growth rates used by comparing to Malaysia's forecasted GDP rate. • Independently performed sensitivity analysis to assess the potential impact of a reasonable possible change of the key assumptions on the recoverable amount of each CGUs. • Reviewed the adequacy of the Group's and the Bank's disclosures within the financial statements about these assumptions to which the outcome of the impairment test is most sensitive. <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>

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Information other than the financial statements and auditors' report thereon (cont'd)

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.

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.

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)

- (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

SOO HOO KHOON YEAN

(No. 2682/10/2019 (J))

Chartered Accountant

Kuala Lumpur

31 May 2019

STATEMENTS OF FINANCIAL POSITION

as at 31 March 2019

		GROUP		BANK	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
ASSETS					
Cash and short-term funds	3	1,804,734	2,768,758	1,571,995	1,715,961
Deposits and placements with banks and other financial institutions	4	500	77,283	-	77,283
Amounts due from clients and brokers	5	77,008	101,305	-	-
Financial assets at fair value through profit or loss	6	230,440	-	169,656	-
Financial investments at fair value through other comprehensive income	7	9,478,462	-	6,852,866	-
Financial investments at amortised cost	8	235,720	-	311,930	-
Financial assets held-for-trading	9	-	63,750	-	48,771
Financial investments available-for-sale	10	-	8,505,189	-	6,406,448
Financial investments held-to-maturity	11	-	293,612	-	344,703
Derivative financial assets	12	55,442	84,455	55,442	84,455
Loans, advances and financing	13	42,320,301	39,989,515	32,622,976	31,546,564
Other assets	14	199,138	141,949	320,794	176,948
Tax recoverable		20,282	2,004	5,501	-
Statutory deposits	15	1,521,592	1,408,316	1,142,108	1,092,566
Investments in subsidiaries	16	-	-	989,102	989,102
Investment in joint venture	17	802	693	-	-
Property, plant and equipment	18	70,497	69,373	69,178	67,834
Deferred tax assets	19	72,972	22,664	50,116	9,223
Intangible assets	20	432,961	409,402	323,804	292,981
TOTAL ASSETS		56,520,851	53,938,268	44,485,468	42,852,839
LIABILITIES AND EQUITY					
Deposits from customers	21	45,017,632	42,740,460	34,982,862	33,508,370
Deposits and placements of banks and other financial institutions	22	858,708	873,871	344,835	439,238
Financial liabilities designated at fair value through profit or loss	23	778,423	682,238	778,423	682,238
Amounts due to clients and brokers	24	51,164	75,103	-	-
Derivative financial liabilities	12	57,545	154,686	57,545	154,686
Recourse obligations on loans and financing sold to Cagamas	25	800,669	1,102,363	300,076	601,696
Other liabilities	26	1,740,797	1,435,523	1,572,308	1,319,698
Provision for taxation		-	22,661	-	23,190
Provision for zakat		686	252	-	-
Deferred tax liabilities	19	2,163	11,907	-	-
Subordinated obligations	27	1,480,222	1,379,614	1,479,580	1,379,024
TOTAL LIABILITIES		50,788,009	48,478,678	39,515,629	38,108,140
Share capital	28	1,548,106	1,548,106	1,548,106	1,548,106
Reserves	29	4,184,736	3,911,484	3,421,733	3,196,593
TOTAL EQUITY		5,732,842	5,459,590	4,969,839	4,744,699
TOTAL LIABILITIES AND EQUITY		56,520,851	53,938,268	44,485,468	42,852,839
COMMITMENTS AND CONTINGENCIES					
	48	24,181,704	22,641,134	21,570,720	20,272,725
Net assets per share attributable to equity holders of the Bank (RM)		3.70	3.53		

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

STATEMENTS OF INCOME

for the financial year ended 31 March 2019

	Note	GROUP		BANK	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest income	31	2,010,662	1,897,878	1,982,830	1,875,037
Interest expense	32	(1,012,579)	(972,727)	(984,350)	(941,905)
Net interest income		998,083	925,151	998,480	933,132
Net income from Islamic banking business	33	359,057	318,245	-	-
		1,357,140	1,243,396	998,480	933,132
Fee and commission income		276,746	303,464	238,120	259,228
Fee and commission expense		(86,488)	(96,677)	(76,945)	(84,373)
Investment income		45,077	94,117	120,271	126,433
Other income		29,626	27,723	29,878	27,222
Other operating income	34	264,961	328,627	311,324	328,510
Net income		1,622,101	1,572,023	1,309,804	1,261,642
Other operating expenses	35	(774,947)	(794,021)	(601,771)	(635,229)
Operating profit before allowances		847,154	778,002	708,033	626,413
Allowance for expected credit losses/impairment losses on loans, advances and financing and other financial assets	36	(130,849)	(93,386)	(94,618)	(43,107)
Write-back of expected credit losses on financial investments	37	201	-	449	-
(Allowance for)/write-back of impairment losses on non-financial assets	38	(8,592)	(62)	148	(62)
Operating profit after allowances		707,914	684,554	614,012	583,244
Share of results of joint venture	17	109	43	-	-
Profit before taxation		708,023	684,597	614,012	583,244
Taxation	39	(170,426)	(191,369)	(128,060)	(156,334)
Net profit for the financial year		537,597	493,228	485,952	426,910
Net profit for the financial year attributable to:					
Equity holders of the Bank		537,597	493,228	485,952	426,910
Earnings per share attributable to	40				
Equity holders of the Bank					
- Basic (sen)		34.7	31.9		
- Diluted (sen)		34.7	31.9		

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

STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 31 March 2019

	Note	GROUP		BANK	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Net profit for the financial year		537,597	493,228	485,952	426,910
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
Revaluation reserve on financial investments at fair value through other comprehensive income					
- Net gain from change in fair values		84,754	-	38,489	-
- Realised gain transferred to statement of income on disposal		(2,684)	-	(2,119)	-
- Transfer to deferred tax		(19,697)	-	(8,729)	-
- Changes in expected credit losses		(783)	-	(624)	-
		61,590	-	27,017	-
Revaluation reserve on financial investments available-for-sale:					
- Net gain from change in fair values		-	25,539	-	16,134
- Realised gain transferred to statement of income on disposal		-	(4,857)	-	(2,987)
- Transfer to deferred tax		-	(4,963)	-	(3,156)
		-	15,719	-	9,991
Other comprehensive income, net of tax		61,590	15,719	27,017	9,991
Total comprehensive income for the financial year		599,187	508,947	512,969	436,901
Total comprehensive income for the financial year attributable to:					
Equity holders of the Bank		599,187	508,947	512,969	436,901

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

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 March 2019

GROUP	Attributable to Equity holders of the Bank						Total equity RM'000
	Ordinary shares RM'000	Regulatory reserves RM'000	Capital reserves RM'000	FVOCI reserves RM'000	Revaluation reserves RM'000	Retained profits RM'000	
At 1 April 2018							
As previously stated	1,548,106	186,064	100,150	-	114,987	3,510,283	5,459,590
Effects of adoption of MFRS 9	-	(17,330)	-	16,923	(114,987)	41,819	(73,575)
Effects of adoption of MFRS 15	-	-	-	-	-	(15,500)	(15,500)
As restated	1,548,106	168,734	100,150	16,923	-	3,536,602	5,370,515
Net profit for the financial year	-	-	-	-	-	537,597	537,597
Other comprehensive income	-	-	-	61,590	-	-	61,590
Total comprehensive income	-	-	-	61,590	-	537,597	599,187
Transfer to regulatory reserves	-	9,663	-	-	-	(9,663)	-
Dividends paid to shareholders [Note 41]	-	-	-	-	-	(236,860)	(236,860)
At 31 March 2019	1,548,106	178,397	100,150	78,513	-	3,827,676	5,732,842

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

Attributable to Equity holders of the Bank											
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	Employees' share scheme ("ESS")			Total equity RM'000
								reserve RM'000	Shares held for ESS RM'000	Retained profits RM'000	
At 1 April 2017											
As previously stated	796,517	401,517	1,223,525	157,900	10,018	99,268	6,062	-	-	2,306,158	5,000,965
Effects of group reorganisation	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 for the financial year	-	-	-	-	-	-	-	-	-	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 ventures	-	-	-	-	-	-	-	(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	-	-	-	-	-	-	-	(1,638)	-	1,638	-
Disposal of ESS share	-	-	-	-	-	-	-	-	65,989	-	65,989
Gain from disposal of ESS share	-	-	-	-	-	-	-	-	-	11,247	11,247
Transfer (from)/to reserves	-	-	(1,223,525)	28,164	10,140	-	-	-	-	1,185,221	-
Dividends paid to shareholders [Note 41]	-	-	-	-	-	-	-	-	-	(247,697)	(247,697)
Dividends added back for shares held in ESS trust	-	-	-	-	-	-	-	-	-	2,670	2,670
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.

The diagram consists of a long horizontal line. A vertical line segment intersects this horizontal line at its midpoint. To the left of the intersection, the horizontal line extends to the left edge of the diagram. To the right of the intersection, the horizontal line extends to the right edge of the diagram. Below the horizontal line, the text "Non-distributable reserves" is written, centered under the left half. Below the horizontal line, the text "Distributable reserves" is written, centered under the right half.

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

STATEMENTS OF CASH FLOWS

for the financial year ended 31 March 2019

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	708,023	684,597	614,012	583,244
Adjustments for:				
Accretion of discount less amortisation of premium of financial investments	(84,578)	(77,535)	(83,707)	(75,417)
Allowance for expected credit losses/impairment losses on loans, advances and financing	147,238	105,575	97,909	54,703
(Write-back of)/allowance for expected credit losses on commitment and contingencies	(11,377)	-	1,304	-
Write-back of expected credit losses on financial investments	(201)	-	(449)	-
(Write-back of)/allowance for expected credit losses/impairment losses on amounts due from clients and brokers	(1)	5	-	-
Allowance for expected credit losses/impairment losses on other receivables and cash and short term funds	2,856	4,047	2,514	3,169
Amortisation of computer software	30,206	24,161	29,117	23,346
Depreciation of property, plant and equipment	23,333	20,731	22,674	19,986
Dividends from financial assets at fair value through profit or loss	(1,299)	-	(749)	-
Dividends from financial investments available-for-sale	-	(1,861)	-	(1,311)
Dividends from subsidiaries	-	-	(80,154)	(33,913)
Interest expense on recourse obligation on loans and financing sold to Cagamas	25,182	24,142	25,182	24,142
Interest expense on other borrowings	-	167	-	167
Interest expense on subordinated obligations	78,732	72,617	78,915	72,735
Interest income from financial investments at fair value through other comprehensive income	(260,639)	-	(249,720)	-
Interest income from financial investments at amortised cost	(14,174)	-	(18,176)	-
Interest income from financial investments available-for-sale	-	(267,241)	-	(260,478)
Interest income from financial investments held-to-maturity	-	(17,593)	-	(17,242)
Allowance for/(write-back of) impairment losses on non-financial assets	8,592	62	(148)	62
(Gain)/loss on disposal of property, plant and equipment	(8)	105	(8)	(1)
Loss on disposal of computer software	-	-	-	675
Property, plant and equipment written-off	42	291	43	277
Computer software written-off	1,822	372	1,724	284
Net gain from sale of financial assets at fair value through profit or loss	(3,378)	-	(3,377)	-
Net gain from sale of financial investments at fair value through other comprehensive income	(2,684)	-	(2,119)	-
Cash flow from operating activities carried forward	647,687	572,642	434,787	394,428

STATEMENTS OF CASH FLOWS (Cont'd)

for the financial year ended 31 March 2019

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONT'D)				
Cash flow from operating activities brought forward	647,687	572,642	434,787	394,428
Net gain from sale of financial assets held-for-trading	-	(761)	-	(761)
Net gain from sale of financial investments available-for-sale	-	(21,863)	-	(21,331)
Unrealised gain arising from financial assets at fair value through profit or loss	(12,092)	-	(8,248)	-
Unrealised (gain)/loss arising from derivative instruments	(18,276)	113,094	(18,276)	113,094
Unrealised loss/(gain) arising from financial liabilities designated at fair value through profit or loss	12,809	(25,555)	12,809	(25,555)
Unrealised gain arising from financial assets held-for-trading	-	(5,813)	-	(5,298)
Share options/grants under Employees' Share Scheme	-	189	-	191
Share of results of joint venture	(109)	(43)	-	-
Zakat	590	150	-	-
Cash flow from operating activities before working capital changes	630,609	632,040	421,072	454,768
Changes in working capital:				
Deposits from customers	2,277,172	(1,705,260)	1,474,492	(2,604,131)
Deposits and placements of banks and other financial institutions	(15,163)	10,967	(94,403)	(210,491)
Other liabilities	258,213	55,187	208,529	86,271
Deposits and placements with banks and other financial institutions	76,783	(77,283)	77,283	(77,283)
Financial liabilities designated at fair value through profit or loss	83,376	305,059	83,376	305,059
Financial assets held-for-trading	-	272,407	-	211,887
Financial assets at fair value through profit or loss	16,668	-	10,827	-
Loans, advances and financing	(2,801,062)	(1,103,401)	(1,400,892)	(229,360)
Other assets	(60,506)	662	(146,823)	(38,666)
Amounts due from clients and brokers	358	17,749	-	-
Statutory deposits	(113,276)	29,128	(49,542)	36,800
Cash generated from/(used in) operating activities	353,172	(1,562,745)	583,919	(2,065,146)
Taxation paid	(219,123)	(196,351)	(167,520)	(159,931)
Zakat paid	(156)	(104)	-	-
Net cash generated from/(used in) operating activities	133,893	(1,759,200)	416,399	(2,225,077)

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Dividend from financial assets at fair value through profit or loss	1,299	-	749	-
Dividends from financial investments available-for-sale	-	1,861	-	1,311
Dividends from subsidiaries	-	-	80,154	33,913
Capital injection into subsidiaries	-	-	-	(537)
Interest received from financial assets at fair value through profit or loss	1,547	-	1,547	-
Interest received from financial investments at fair value through other comprehensive income	239,129	-	241,980	-
Interest received from financial investments at amortised costs	13,071	-	17,362	-
Interest received from financial investments assets held-for-trading	-	5,677	-	5,102
Interest received from financial investments available-for-sale	-	260,342	-	257,081
Interest received from financial investments held-to-maturity	-	20,760	-	18,934
Net interest expense for derivative instruments	(49,852)	(38,501)	(49,852)	(38,501)
Purchase of property, plant and equipment	(24,560)	(16,670)	(24,122)	(16,291)
Purchase of computer software	(64,327)	(56,574)	(61,664)	(55,300)
Proceeds from redemption/disposal of financial investment at amortised cost (net of purchase)	368,791	-	302,126	-
Proceeds from redemption/disposal financial investments at fair value through other comprehensive income (net of purchase)	(1,041,224)	-	(526,693)	-
Proceeds from redemption/disposal of financial investments held-to-maturity (net of purchase)	-	699,136	-	389,106
Proceeds from redemption/disposal of financial investments available-for-sale (net of purchase)	-	1,782,543	-	1,728,991
Proceeds from disposal of property, plant and equipment	69	56	69	16
Net cash (used in)/generated from investing activities	(556,057)	2,658,630	(18,344)	2,323,825
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid to shareholders of the company	(236,860)	(245,027)	(236,860)	(248,438)
Interest paid on recourse obligation on loans and financing sold to Cagamas	(26,872)	(24,490)	(26,791)	(25,152)
Interest on other borrowings	-	(237)	-	(237)
Interest paid on subordinated obligations	(78,124)	(68,654)	(78,359)	(68,654)
Cash flow from financing activities carried forward	(341,856)	(338,408)	(342,010)	(342,481)

STATEMENTS OF CASH FLOWS (Cont'd)

for the financial year ended 31 March 2019

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES (CONT'D)				
Cash flow from financing activities brought forward	(341,856)	(338,408)	(342,010)	(342,481)
(Repayment of)/proceeds from recourse obligations on loans and financing sold to Cagamas	(300,004)	599,998	(300,011)	99,993
Settlement on other borrowings	-	(5,000)	-	(5,000)
Proceeds from issuance of subordinated notes	100,000	150,000	100,000	150,000
Proceeds from ESS exercised by employees/joint venture	-	4,150	-	-
Proceeds from disposal of share held in trust	-	77,236	-	-
Payment for ESS recharged from former parent	-	-	-	(3,195)
Subscription of shares from former holding company	-	-	-	100,000
Transaction costs paid on issuance of subordinated notes	-	(427)	-	(721)
Net cash (used in)/generated from financing activities	(541,860)	487,549	(542,021)	(1,404)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(964,024)	1,386,979	(143,966)	97,344
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	2,768,758	1,381,779	1,715,961	1,618,617
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	1,804,734	2,768,758	1,571,995	1,715,961
Cash and cash equivalents comprise the following:				
Cash and short-term funds	1,804,734	2,768,758	1,571,995	1,715,961

A reconciliation of liabilities from financing activities to the statement of financial position and statement of cash flows as follows:

GROUP	Recourse obligations on loans and financing sold to Cagamas RM'000	Subordinated obligations RM'000	Other borrowings RM'000
As at 1 April 2017	502,713	1,226,078	5,070
Cash flow			
- Issuance/redemption	599,998	150,000	(5,000)
- Interest payment	(24,490)	(68,654)	(237)
- Transaction costs	-	(427)	-
Non cash changes			
- Interest accrued	24,142	72,617	167
As at 31 March/1 April 2018	1,102,363	1,379,614	-
Cash flow			
- (Redemption)/issuance	(300,004)	100,000	-
- Interest payment	(26,872)	(78,124)	-
Non cash changes			
- Interest accrued	25,182	78,732	-
As at 31 March 2019	800,669	1,480,222	-

BANK	Recourse obligations on loans and financing sold to Cagamas RM'000	Subordinated obligations RM'000	Other borrowings RM'000
As at 1 April 2018	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/1 April 2018	601,696	1,379,024	-
Cash flow			
- (Redemption)/issuance	(300,011)	100,000	-
- Interest payment	(26,791)	(78,359)	-
Non cash changes			
- Interest accrued	25,182	78,915	-
As at 31 March 2019	300,076	1,479,580	-

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2019

1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

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

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 31 May 2019.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

Malaysian Financial Reporting Standards ("MFRS") Framework

The financial statements of the Group and the Bank have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

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

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

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

The preparation of the financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgment in the process of applying the Group's 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.

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 20) – 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.

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: (cont'd)

- (ii) The measurement of allowance for expected credit losses for financial assets measured at amortised cost and at fair value through comprehensive income is an area that requires the use of significant assumptions about future economic conditions and credit behaviour.

The allowance for expected credit losses are recognised using forward-looking information including macroeconomic factors. By using forward-looking information will increase the level of judgement as to how changes in these macroeconomic factors will affect allowance for credit losses. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

Some of the areas of significant judgements involved in the measurement of ECL are detailed as follows:

- Significant increase in credit risk
- Development of ECL models and assumption for the measurement of ECL
- Determining the number and relative weightings of forward-looking scenarios
- Establishing groups of similar financial assets for the purpose of measuring the ECL on collective basis

The sensitivity effect on the macroeconomic factor is further disclosed in Note 45.

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 2018 are as follows:

- MFRS 9 "Financial Instruments"
- MFRS 15 "Revenue from Contracts with Customers"
- IC Interpretation 22 "Foreign Currency Transactions and Advance Consideration"
- Annual Improvements to MFRSs 2014-2016 Cycles
 - Amendments to MFRS 1 "First-time Adoption of Malaysian Financial Reporting Standards"
 - Amendments to MFRS 128 "Investments in Associates and Joint Ventures"

The adoption of the above standards, amendments to published standards and interpretation to existing standards did not have any significant impact on the financial statements of the Group and the Bank other than the adoption of MFRS 9 and MFRS 15, which resulted in changes in accounting policies.

The Group and the Bank have applied MFRS 9 retrospectively with the date of initial application of 1 April 2018. In accordance with the transitional provisions provided in MFRS 9, comparative information for 31 March 2018 was not restated and continued to be reported under the previous accounting policies governed under MFRS 139. The cumulative effects of initially applying MFRS 9 were recognised as an adjustment to the opening balance of retained profits as at 1 April 2019.

The Group and the Bank have applied MFRS 15 with the date of initial application of 1 April 2018 by using the modified retrospective transition method. Under the modified retrospective transition method, the Group and the Bank apply the new standards retrospectively only to contracts that are not completed contracts at the date of initial application. Accordingly, the 31 March 2018 comparative information was not restated and the cumulative effects of initial application of MFRS 15 were recognised as an adjustment to the opening balance of retained profits as at 1 April 2018. The comparative information continued to be reported under the previous accounting policies governed under MFRS 118 and MFRS 111.

The detailed impact of change in accounting policies are set out in Note 56.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

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

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 2019

(a) MFRS 16 "Leases" supersedes MFRS 117 "Leases" and the related interpretations.

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

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

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

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

The Group and the Bank have set up a project team which has reviewed all of the leasing arrangements over the last year in light of the new lease accounting rules in MFRS 16. The standard will affect primarily the accounting for the Group's and the Bank's operating leases.

The Group and the Bank will apply the standard from its mandatory adoption date of 1 April 2019. The Group and the Bank intend to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets will be measured on transition as if the new rules had always been applied.

The Group and the Bank are now progressing to finalise the right-of-use assets and the lease liability and will complete this prior to releasing the interim results for the financial period ending 30 June 2019.

(b) Amendments to MFRS 9 "Prepayment features with negative compensation" 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.

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)

- (c) Amendments to MFRS 128 “Long-term Interest in Associates and Joint Ventures” 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” 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” 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.
- Amendments to MFRS 112 “Income Taxes” 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” 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

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 2020

Amendments to MFRS 3 "Definition of a Business"

Amendments to MFRS 3 "Definition of a Business" revise the definition of a business. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments provide guidance to determine whether an input and a substantive process are present, including situation where an acquisition does not have outputs. To be a business without outputs, there will now need to be an organised workforce. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

In addition, the revised definition of the term 'outputs' is narrower, focusses on goods or services provided to customers, generating investment returns and other income but excludes returns in the form of cost savings.

The amendments introduce an optional simplified assessment known as 'concentration test' that, if met, eliminates the need for further assessment. Under this concentration test, if substantially all of the fair value of gross assets acquired is concentrated in a single identifiable asset (or a group of similar assets), the assets acquired would not represent a business.

The amendments shall be applied prospectively.

(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 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 statement of income.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 9 in statement of income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

In a group reorganisation, the assets and liabilities of the acquired entity are included in the consolidated financial statements of the Group at their existing carrying amounts without fair value uplift. The difference between the consideration given and the aggregate carrying amounts of the assets and liabilities (as of the date of the transaction) is recognised in equity. No goodwill is recognised. The acquired entity's assets and liabilities are incorporated in the consolidated financial statements of the Group as if the entity had always been, prior to the group reorganisation.

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

(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 statement of income. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to 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 2019

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. An impairment loss is recognised for the amount by which the carrying amount of the associate exceeds its recoverable amount.

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

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(k)(ii)(b). On disposal of investments in subsidiaries, joint ventures and associates, the difference between disposal proceeds and the carrying amounts of the investments are recognised in the 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Intangible Assets (cont'd)

(i) Goodwill (cont'd)

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

(ii) Computer software

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

The policy for the recognition and measurement of impairment is in accordance with Note 2(k)(ii)(b).

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

(e) Property, Plant and Equipment and Depreciation

Property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expenses in the 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(k)(ii)(b).

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Property, Plant and Equipment and Depreciation (cont'd)

Depreciation on assets under construction commences when the assets are ready for their intended use.

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

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

(f) Financial Assets

Accounting policies applicable with effective from 1 April 2018

(i) Classification

With effective from 1 April 2018, the Group and the Bank classify the financial assets in the following measurement categories:

- Fair value through other comprehensive income ("FVOCI");
- Fair value through profit or loss ("FVTPL"); and
- Amortised cost.

For financial assets measured at fair value, gains and losses will either be recorded in statement of income or statement of other comprehensive income. For investment in debt instruments, this will depend on the business model in which the investment is held. For investment in equity instruments, it is determined by the irrevocable election at the time of initial recognition to account for the equity investment at FVTPL by the Group and the Bank.

(i) Financial assets at FVOCI comprise of:

Debt securities where the contractual cash flows are solely principal and interest and the objective of the Group's and the Bank's business model is achieved both by collecting contractual cash flows and selling financial assets.

(ii) The Group and the Bank classify the following financial assets at FVTPL:

- Debt investments that do not qualify for measurement at either amortised cost or fair value through comprehensive income, and
- Equity investments for which the entity has not elected to recognise at fair value through other comprehensive income.

(iii) The Group and the Bank classify their financial assets at amortised cost only if both of the following criteria are met:

- The asset is held within a business model with the objective of collecting the contractual cash flows; and
- The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

The policy of the recognition of impairment is in accordance with Note 2(k)(i).

(ii) Recognition and initial measurement

Regular way purchases and sales of financial assets are recognised on settlement date, the date on which the Group and the Bank settle to purchase or sell the asset.

At initial recognition, the Group and the Bank measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial Assets (cont'd)

Accounting policies applicable with effective from 1 April 2018 (cont'd)

(ii) Recognition and initial measurement (cont'd)

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest ("SPPI").

(iii) Subsequent measurement

Debt instruments

There are three measurement categories into which the Group and the Bank classify its debt instruments:

(i) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest/profit income from these financial assets is included in gross interest/profit income using the effective interest/profit method. Any gain or loss arising on derecognition is recognised directly in statement of income and presented in other operating income. Impairment losses are presented as separate line item in the statement of income.

(ii) FVOCI

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest/profit income and foreign exchange gains and losses which are recognised in statement of income.

When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to statement of income and recognised in other operating income. Interest/profit income from these financial assets is included in gross interest income using the effective interest. Foreign exchange gains and losses are presented in other operating income and impairment expenses are presented as separate line item in the statement of income and statement of comprehensive income.

(iii) FVTPL

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. The Group and the Bank may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes is recognised in statement of income and presented net within other operating income in the period which it arises.

Equity instruments

The Group and the Bank subsequently measures all equity investments at fair value. Where the Group's and the Bank's management has elected to present fair value gains and losses on equity investments through profit and loss. Changes in the fair value of financial assets at FVTPL are recognised in other operating income in the statement of income. Dividends from such investments continue to be recognised in profit or loss as other operating income when the Group's and the Bank's right to receive payments is established.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial Assets (cont'd)

Accounting policies applicable with effective from 1 April 2018 (cont'd)

(iv) De-recognition

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

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

When financial investments at FVOCI are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to statement of income.

Accounting policies applicable prior to 1 April 2018

(v) 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(k).

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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial Assets (cont'd)

Accounting policies applicable prior to 1 April 2018 (cont'd)

(vi) 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/profit rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date.

(vii) 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 statement of income.

(viii) 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(k) and foreign exchange gains and losses Note 2(u).

(ix) De-recognition

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Derivative Financial Instrument and Hedge Accounting

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

The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives that do not qualify for hedge accounting are classified as held for trading and accounted for at fair value through profit or loss. Changes in the fair value are recognised immediately in profit or loss.

Derivatives that qualify for hedge accounting are designated as either:

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

The Group and the Bank documents at the inception of the hedge relationship, the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group and the Bank documents its risk management objective and strategy for undertaking its hedge transactions.

(i) Fair value hedge

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

The Group applies fair value hedge accounting for hedging fixed interest risk on securities. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate securities is recognised in profit or loss. The gain or loss relating to the ineffective portion is recognised in profit or loss within the other operating income. Changes in the fair value of the hedge fixed rate securities attributable to interest rate risk are recognised in equity.

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

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss.

When the forecast transaction that is hedged results in the recognition of a non-financial asset (for example property, plant and equipment), the gains or losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in depreciation of property, plant and equipment.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in statement of changes in equity and is recognised in the periods when the hedged item affects profit or loss. When hedged future cash flows or forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred cost of hedging that was reported in equity is immediately reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Derivative Financial Instrument and Hedge Accounting (cont'd)

(iii) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in reserves within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Gains and losses accumulated in equity are reclassified to profit or loss when the foreign operation is disposed or partially disposed.

(h) Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount presented in the 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.

(i) Amounts Due from Clients and Brokers

Amounts due from clients and brokers are recognised at amortised cost less impairment allowances. Impairment allowances are made based on simplified approach for balances overdue from clients and brokers, after taking into consideration collateral held by the Group and deposits of and amounts due to dealer representative in accordance with the Rules of Bursa Securities. Bad debts are written off when all recovery actions have been fully exhausted.

(j) Other Assets

Other receivables, deposits, trade receivables, balances 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.

(k) Impairment of Assets

(i) Impairment of financial assets

Accounting policies applicable with effective from 1 April 2018

The Group and the Bank assess on a forward looking basis the expected credit loss ("ECL") associated with its financial assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group and the Bank have four types of financial assets that are subjected to the ECL model includes financial assets classified at amortised cost, debt instruments measured at FVOCI, loans commitments, financial guarantee contracts and other commitments.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Impairment of Assets (cont'd)

(i) Impairment of financial assets (cont'd)

Accounting policies applicable with effective from 1 April 2018 (cont'd)

(a) General 3-stage approach

At each reporting date, the Group and the Bank measures ECL through loss allowance at an amount equal to 12 month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required.

Impairment will be measured on each reporting date according to a three-stage expected credit loss impairment model:

Stage 1 – from initial recognition of a financial assets to the date on which the credit risk of the asset has increased significantly relative to its initial recognition, a loss allowance is recognised equal to the credit losses expected to result from defaults occurring over the next 12 months (12-month ECL).

Stage 2 – following a significant increase in credit risk relative to the initial recognition of the financial assets, a loss allowance is recognised equal to the credit losses expected over the remaining life of the asset (Lifetime ECL).

Stage 3 – when a financial asset is considered to be credit-impaired, a loss allowance equal to full lifetime expected credit losses is to be recognised (Lifetime ECL). This includes exposures which have triggered obligatory impairment criterion or judgmentally impaired.

Measurement of ECL is set out in Note 45.

(b) Simplified approach for other receivables

The Group applies the MFRS 9 simplified approach to measure ECL which uses probability default ratio ("PD") and loss given default ("LGD") for the due amount.

The PD methodology is derived based on net flow rate model as a simplified approach in view of it's low credit risk and non-maturity profile on due amount. LGD deem to be in full at any point in time as accounts are short term repayment and forward looking element will not be considered.

(c) Write-off

The Group and the Bank write-off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of borrower's sources of income or assets to generate sufficient future cash flows to repay the amount. The Group and the Bank may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written-off will result in impairment gains.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Impairment of Assets (cont'd)

(i) Impairment of financial assets (cont'd)

Accounting policies applicable prior to 1 April 2018

(d) Assets carried at amortised cost

The Group and the Bank assess 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:

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

The 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Impairment of Assets (cont'd)

(i) Impairment of financial assets (cont'd)

Accounting policies applicable prior to 1 April 2018 (cont'd)

(e) 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) Impairment of non-financial assets

(a) Goodwill/Intangible assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Impairment of Assets (cont'd)

(ii) Impairment of non-financial assets (cont'd)

(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.

(l) Financial Liabilities

Financial liabilities are initially recognised at the fair value of consideration received less directly attributable transaction costs. Subsequent to initial recognition, financial liabilities are measured at amortised cost.

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

- (i) Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- (ii) Its performance is evaluated on a fair value basis, in accordance with a documented with management or investment strategy.

A financial liability which does not meet any of these criteria may still be designated as measured at FVTPL when it contains one or more embedded derivatives that sufficiently modify the cash flows of the liability and are not clearly closely related.

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

(m) Repurchase Agreements

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

(n) Bills and Acceptances Payable

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) 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 income over the period of the borrowings on an effective interest/profit method.

(p) Provisions

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

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

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

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

(q) Leases

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(e). The policy for the recognition and measurement of impairment is in accordance with Note 2(k)(ii)(b).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) 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.

(r) Share Capital

(i) Classification

Ordinary shares with discretionary dividends are classified as equity.

(ii) Share issue costs

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

(iii) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

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

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)

(s) Revenue Recognition

(i) Recognition of interest and financing income

Interest income and financing income are recognised using effective interest/profit rates, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the loans/financing or, where appropriate, a shorter period to the net carrying amount of the loan/financing. When calculating the effective interest/profit rate, the Group and the Bank 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 income and 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 base on fulfilment of the performance obligation.

Dividends are recognised when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. From 1 April 2018, dividend that clearly represents a recovery of part of the cost of an investment is recognised in other comprehensive income if it relates to an investment in equity investment measured at FVOCI.

Income from bancassurance agreements are based on time apportionment method throughout the exclusive service agreement period.

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

(t) Recognition of Interest and Financing Expenses

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

(u) Foreign Currencies

(i) Functional and presentation currency

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(u) Foreign Currencies (cont'd)

(ii) Transactions and balances

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

Changes in the fair value of monetary securities denominated in foreign currency classified as debt instruments classified as FVOCI (2018: 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 FVOCI (2018: financial investments available-for-sale), are included in other comprehensive income.

(v) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(w) Foreclosed Properties

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

(x) Cash and Cash Equivalents

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

(y) Employee Benefits

(i) Short-term employee benefits

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

(ii) Defined contribution plans

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

(iii) Equity compensation benefits

The 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(y) Employee Benefits (cont'd)

(iii) Equity compensation benefits (cont'd)

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.

(z) Contingent Assets and Contingent Liabilities

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

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

(aa) Financial Guarantee Contract

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

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued.

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

Financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with the expected credit loss model under MFRS 9 "Financial instruments" and the amount initially recognised less cumulative amount of income recognised in accordance with the principles of MFRS 15 "Revenue from Contracts with Customers", where appropriate.

Prior to 1 April 2018, 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.

(ab) Segment Reporting

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

3. CASH AND SHORT-TERM FUNDS

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and balances with banks and other financial institutions	661,540	611,394	591,842	524,088
Money at call and deposit placements maturing within one month	1,143,232	2,157,364	980,191	1,191,873
	1,804,772	2,768,758	1,572,033	1,715,961
Less: Allowance for expected credit losses	(38)	-	(38)	-
	1,804,734	2,768,758	1,571,995	1,715,961

Included in the cash and short-term funds of the Group are accounts held-in-trust for remisers amounting to RM6,122,000 (2018: RM5,866,000).

Movements in allowance for expected credit losses are as follows:

GROUP/BANK	12-Month ECL (Stage 1) RM'000	Lifetime ECL Not-credit Impaired (Stage 2) RM'000	Total RM'000
At 1 April 2018			
As previously stated	-	-	-
Effects of adoption of MFRS 9	42	459	501
As restated	42	459	501
New financial assets originated or purchased	111	423	534
Financial assets derecognised other than write-off	(103)	(896)	(999)
Changes due to change in credit risk	(13)	-	(13)
Other adjustments	1	14	15
Total write-back from income statement	(4)	(459)	(463)
At 31 March 2019	38	-	38

4. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Licensed banks	500	77,283	-	77,283

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

5. AMOUNTS DUE FROM CLIENTS AND BROKERS

	GROUP	
	2019 RM'000	2018 RM'000
Due from clients	77,182	101,475
Due from brokers	665	670
	77,847	102,145
Less: Allowance for expected credit losses/impairment losses	(839)	(840)
	77,008	101,305

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.

The movements in allowance for expected credit losses/impairment losses are as follows:

	GROUP	
	2019 RM'000	2018 RM'000
At beginning of financial year		
As previously stated	840	835
Effects of adoption of MFRS 9	-	-
As restated	840	835
(Write-back of)/allowance made during the financial year (net)	(1)	5
At end of financial year	839	840

As at 31 March 2019, the Group's and the Bank's gross exposure of amounts due from clients and brokers that are credit impaired is of RM875,000 (2018: RM851,000).

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At fair value				
<u>Money market instrument:</u>				
Malaysian Government investment issues	41,002	-	41,002	-
	41,002	-	41,002	-
<u>Unquoted securities:</u>				
Shares	187,517	-	126,733	-
Corporate bonds and sukuk	1,921	-	1,921	-
	189,438	-	128,654	-
Total financial assets at FVTPL	230,440	-	169,656	-

7. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At fair value – debt instruments				
<u>Money market instruments:</u>				
Malaysian Government securities	2,137,524	-	1,914,515	-
Malaysian Government investment certificates	3,064,770	-	1,710,316	-
Negotiable instruments of deposits	-	-	732,211	-
Commercial papers	87,001	-	48,318	-
	5,289,295	-	4,405,360	-
<u>Quoted securities:</u>				
Shares	8	-	8	-
	8	-	8	-
<u>Unquoted securities:</u>				
Corporate bonds and sukuk	4,189,159	-	2,447,498	-
	4,189,159	-	2,447,498	-
Total financial investments at FVOCI	9,478,462	-	6,852,866	-

Movements in allowance for expected credit losses are as follows:

	12-Month ECL (Stage 1) RM'000	Lifetime ECL Not-credit Impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	Total RM'000
GROUP				
At 1 April 2018				
As previously stated	-	-	-	-
Effects of adoption of MFRS 9	241	1,106	9,409	10,756
As restated	241	1,106	9,409	10,756
New financial investments originated or purchased	20	-	-	20
Changes due to change in credit risk	(80)	(662)	-	(742)
Financial investments derecognised other than write-off	(61)	-	-	(61)
Total write-back from income statement	(121)	(662)	-	(783)
At 31 March 2019	120	444	9,409	9,973

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

7. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI") (CONT'D)

Movements in allowance for expected credit losses are as follows: (cont'd)

	12-Month ECL (Stage 1) RM'000	Lifetime ECL Not-credit Impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	Total RM'000
BANK				
At 1 April 2018				
As previously stated	-	-	-	-
Effects of adoption of MFRS 9	134	872	-	1,006
As restated	134	872	-	1,006
New financial investments originated or purchased	8	-	-	8
Changes due to change in credit risk	(45)	(545)	-	(590)
Financial investments derecognised other than write-off	(42)	-	-	(42)
Total write-back from income statement	(79)	(545)	-	(624)
At 31 March 2019	55	327	-	382

As at 31 March 2019, the Group's and the Bank's gross exposure of financial investments at FVOCI that are credit impaired is at RM9,409,000 and RM Nil respectively. There is no movement during the financial year.

8. FINANCIAL INVESTMENTS AT AMORTISED COST

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At amortised cost				
<u>Money market instruments:</u>				
Malaysian Government securities	121,789	-	101,446	-
Commercial papers	38,686	-	34,880	-
	160,475	-	136,326	-
<u>Unquoted securities:</u>				
Corporate bonds and sukuk	90,020	-	177,498	-
Allowance for expected credit losses	(14,775)	-	(1,894)	-
	75,245	-	175,604	-
Total financial investments at amortised cost	235,720	-	311,930	-

8. FINANCIAL INVESTMENTS AT AMORTISED COST (CONT'D)

Movements in allowance for expected credit losses are as follows:

	12-Month ECL (Stage 1) RM'000	Lifetime ECL Not-credit Impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	Total RM'000
GROUP				
At 1 April 2018				
As previously stated	-	-	-	-
Effects of adoption of MFRS 9	-	-	14,193	14,193
As restated	-	-	14,193	14,193
New financial investments originated or purchased	42	540	-	582
Total charge to income statement	42	540	-	582
At 31 March 2019	42	540	14,193	14,775
BANK				
At 1 April 2018				
As previously stated	-	-	-	-
Effects of adoption of MFRS 9	425	-	1,294	1,719
As restated	425	-	1,294	1,719
New financial investments originated or purchased	42	270	-	312
Changes due to change in credit risk	(137)	-	-	(137)
Total (write-back from)/charge to income statement	(95)	270	-	175
At 31 March 2019	330	270	1,294	1,894

As at 31 March 2019, the Group's and the Bank's gross exposure of financial investments at amortised cost that are credit impaired is at RM18,565,000 and RM1,294,000 respectively. There is no movement during the financial year.

9. FINANCIAL ASSETS HELD-FOR-TRADING

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At fair value				
<u>Money market instruments:</u>				
Commercial papers	-	40,905	-	25,926
<u>Unquoted securities:</u>				
Corporate bonds and sukuk	-	22,845	-	22,845
	-	63,750	-	48,771

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

10. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At fair value				
<u>Money market instruments:</u>				
Malaysian Government securities	-	1,698,601	-	1,586,503
Malaysian Government investment issues	-	2,063,704	-	1,196,560
Negotiable instruments of deposits	-	398,898	-	1,058,671
Commercial papers	-	14,978	-	14,978
Khazanah bonds	-	113,549	-	113,549
	-	4,289,730	-	3,970,261
<u>Quoted securities in Malaysia:</u>				
Shares	-	21	-	21
Allowance for impairment losses	-	(11)	-	(11)
	-	10	-	10
<u>Unquoted securities:</u>				
Shares	-	178,846	-	121,634
Corporate bonds and sukuk	-	4,046,012	-	2,314,543
Allowance for impairment losses	-	(9,409)	-	-
	-	4,036,603	-	2,314,543
	-	8,505,189	-	6,406,448

The table below shows the movements in allowance for impairment losses during the financial year:

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At beginning of financial year	9,420	233,362	11	135,692
Effects of adoption of MFRS 9	(9,420)	-	(11)	-
As restated	-	233,362	-	135,692
Written-off during the financial year	-	(223,942)	-	(135,681)
At end of financial year	-	9,420	-	11

11. FINANCIAL INVESTMENTS HELD-TO-MATURITY

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At amortised cost				
<u>Money market instruments:</u>				
Malaysian Government securities	-	141,686	-	121,271
Khazanah bonds	-	147,181	-	93,036
	-	288,867	-	214,307
<u>Unquoted securities:</u>				
Corporate bonds and sukuk	-	18,938	-	131,690
Allowance for impairment losses	-	(14,193)	-	(1,294)
	-	4,745	-	130,396
	-	293,612	-	344,703

The table below shows the movements in allowance for impairment losses during the financial year:

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At beginning of financial year	14,193	14,193	1,294	1,294
Effects of adoption of MFRS 9	(14,193)	-	(1,294)	-
As restated/At end of financial year	-	14,193	-	1,294

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

12. 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 transact 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 45.

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

GROUP/BANK	2019			2018		
	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
Trading Derivatives						
Foreign exchange contracts:						
- Currency forwards	1,446,443	9,238	(14,131)	1,540,435	8,365	(96,062)
- Currency swaps	2,960,820	10,003	(10,326)	3,240,897	47,110	(13,774)
- Currency spots	190,594	246	(200)	167,965	245	(185)
- Currency options	133,034	420	(106)	198,450	1,449	(1,616)
Interest rate related contracts:						
- Interest rate swaps	6,318,009	34,489	(13,258)	5,342,800	26,882	(26,667)
Equity related contracts:						
- Options	109,768	1,046	(19,524)	106,485	404	(16,382)
Total derivative assets/(liabilities)	11,158,668	55,442	(57,545)	10,597,032	84,455	(154,686)

13. LOANS, ADVANCES AND FINANCING

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Overdrafts	4,254,342	3,410,188	2,811,642	2,544,606
Term loans/financing				
- Housing loans/financing	14,169,222	14,013,987	11,220,949	11,568,619
- Syndicated term loans/financing	542,646	328,508	400,597	183,539
- Hire purchase receivables	997,023	1,160,135	700,548	728,742
- Other term loans/financing	15,144,370	13,838,846	11,726,939	10,807,750
Bills receivables	416,944	345,530	404,862	340,283
Trust receipts	238,682	215,712	199,118	187,088
Claims on customers under acceptance credits	3,262,886	3,041,120	2,492,765	2,282,838
Staff loans (Loans to Directors: RM Nil)	23,217	26,123	6,233	7,744
Credit/charge card receivables	628,329	604,110	628,329	604,110
Revolving credits	1,842,108	2,069,989	1,333,991	1,510,347
Share margin financing	1,210,678	1,253,125	957,244	1,004,670
Gross loans, advances and financing	42,730,447	40,307,373	32,883,217	31,770,336
Add: Sales commissions and handling fees	92,517	54,591	102,848	61,630
Less: Allowance for expected credit losses/impairment losses on loans, advances and financing				
- Expected credit losses	(502,663)	-	(363,089)	-
- Individual assessment allowance	-	(75,733)	-	(64,967)
- Collective assessment allowance	-	(296,716)	-	(220,435)
Total net loans, advances and financing	42,320,301	39,989,515	32,622,976	31,546,564

The Bank has entered into an arrangement on Commodity Murabahah Term Financing ("CMTF") with Alliance Islamic Bank Berhad ("AIS"), the Bank's wholly owned subsidiary. The contract is based on Wakalah principle where the Bank will provide the funds, while the assets are managed by AIS (as the Wakeel or agent). The risk and rewards of the underlying assets are recognised and borne by the Bank. Hence, the underlying assets and allowances for expected credit losses/impairment losses are recognised and accounted for by the Bank. The total loans, advances and financing for CMTF was at RM179,795,000 as at 31 March 2019.

(i) By maturity structure:

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Within one year	11,948,217	11,169,395	8,882,437	8,623,585
One year to three years	2,028,957	1,320,249	1,596,836	951,258
Three years to five years	2,507,701	2,475,345	1,734,480	1,882,787
Over five years	26,245,572	25,342,384	20,669,464	20,312,706
Gross loans, advances and financing	42,730,447	40,307,373	32,883,217	31,770,336

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

13. LOANS, ADVANCES AND FINANCING (CONT'D)

(ii) By type of customer:

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Domestic non-bank financial institutions	454,420	451,720	397,339	374,409
Domestic business enterprises				
- Small and medium enterprises	11,134,591	10,232,690	8,715,301	8,040,287
- Others	8,378,248	8,005,100	6,462,979	6,065,223
Government and statutory bodies	62,011	3,667	62,011	3,667
Individuals	21,940,809	20,690,312	16,586,050	16,455,658
Other domestic entities	18,154	164,843	2,087	162,138
Foreign entities	742,214	759,041	657,450	668,954
Gross loans, advances and financing	42,730,447	40,307,373	32,883,217	31,770,336

(iii) By interest/profit rate sensitivity:

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Fixed rate				
- Housing loans/financing	30,924	18,387	3,819	12,488
- Hire purchase receivables	975,868	1,131,382	679,421	699,989
- Other fixed rate loans/financing	6,680,657	5,451,667	4,632,043	4,023,034
Variable rate				
- Base lending rate plus	26,180,959	25,722,537	20,862,144	21,273,098
- Base rate plus	4,659,660	3,268,524	3,485,583	2,533,620
- Cost plus	4,202,379	4,714,876	3,220,207	3,228,107
Gross loans, advances and financing	42,730,447	40,307,373	32,883,217	31,770,336

13. LOANS, ADVANCES AND FINANCING (CONT'D)

(iv) By economic purposes:

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Purchase of securities	1,204,373	1,245,600	950,940	997,145
Purchase of transport vehicles	777,449	933,698	496,279	525,290
Purchase of landed property	22,319,389	22,079,479	18,002,032	18,335,356
of which: - Residential	15,172,297	15,051,340	12,160,606	12,566,335
- Non-residential	7,147,092	7,028,139	5,841,426	5,769,021
Purchase of fixed assets excluding land and buildings	322,933	302,307	283,977	256,498
Personal use	4,624,412	3,309,928	2,575,790	1,938,753
Credit card	628,329	604,110	628,329	604,110
Construction	598,923	451,297	542,695	433,393
Mergers and acquisitions	-	117,705	-	117,705
Working capital	9,673,428	8,832,929	7,455,372	6,774,400
Others	2,581,211	2,430,320	1,947,803	1,787,686
Gross loans, advances and financing	42,730,447	40,307,373	32,883,217	31,770,336

(v) By geographical distribution:

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Northern region	3,099,338	2,835,527	2,231,147	2,139,991
Central region	30,518,935	28,946,946	23,759,896	23,158,486
Southern region	5,273,067	4,951,821	3,989,423	3,820,900
Sabah region	2,867,868	2,606,218	2,174,295	1,992,524
Sarawak region	971,239	966,861	728,456	658,435
Gross loans, advances and financing	42,730,447	40,307,373	32,883,217	31,770,336

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

13. LOANS, ADVANCES AND FINANCING (CONT'D)

(vi) Movements in credit impaired loans, advances and financing ("impaired loans") in Stage 3:

	GROUP 2019 RM'000	BANK 2019 RM'000
At 1 April 2018		
As previously stated under MFRS 139	577,519	470,646
Effects of adoption of MFRS 9	(16,386)	(15,008)
As restated	561,133	455,638
Impaired during the financial year	722,929	533,179
Recovered during the financial year	(100,684)	(75,340)
Reclassified as unimpaired during the financial year	(484,529)	(379,515)
Financial assets derecognised other than write-off during the financial year	(85,352)	(75,194)
Amount written-off	(136,895)	(89,644)
At 31 March 2019	476,602	369,124
Gross impaired loans as % of gross loans, advances and financing	1.1%	1.1%

(vii) Movements in impaired loans, advances and financing under MFRS 139:

	GROUP 2018 RM'000	BANK 2018 RM'000
At 1 April 2017	393,349	339,580
Impaired during the financial year	848,111	635,366
Reclassified as unimpaired during the financial year	(352,268)	(271,181)
Recovered during the financial year	(198,592)	(165,034)
Amount written-off	(113,081)	(68,085)
At 31 March 2018	577,519	470,646
Gross impaired loans as % of gross loans, advances and financing	1.4%	1.5%

13. LOANS, ADVANCES AND FINANCING (CONT'D)

(viii) Credit impaired loans analysed by economic purposes:

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Purchase of securities	-	50	-	50
Purchase of transport vehicles	17,088	13,671	14,777	10,131
Purchase of landed property	234,412	347,159	184,647	281,386
of which: - Residential	153,789	188,970	129,916	155,226
- Non-residential	80,623	158,189	54,731	126,160
Purchase of fixed assets excluding land and buildings	21,220	5,635	20,579	4,754
Personal use	81,293	56,852	47,995	35,527
Credit card	9,045	9,074	9,045	9,074
Construction	8,429	11,771	8,429	11,771
Working capital	79,382	98,433	60,685	89,864
Others	25,733	34,874	22,967	28,089
Gross impaired loans	476,602	577,519	369,124	470,646

(ix) Credit impaired loans by geographical distribution:

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Northern region	49,667	42,540	39,874	34,658
Central region	326,982	417,859	246,940	336,653
Southern region	63,370	78,417	49,183	65,560
Sabah region	25,316	28,145	22,554	24,263
Sarawak region	11,267	10,558	10,573	9,512
Gross impaired loans	476,602	577,519	369,124	470,646

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

13. LOANS, ADVANCES AND FINANCING (CONT'D)

(x) Movements in the allowance for expected credit losses on loans, advances and financing are as follows:

	12-Month ECL (Stage 1) RM'000	Lifetime ECL Not-credit Impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	Total RM'000
2019				
GROUP				
At 1 April 2018				
As previously stated under MFRS 139				372,449
Effects of adoption of MFRS 9				90,879
As restated	66,941	203,691	192,696	463,328
Transfer to Stage 1	24,268	(132,004)	(7,270)	(115,006)
Transfer to Stage 2	(40,020)	232,846	(103,159)	89,667
Transfer to Stage 3	(181)	(114,361)	254,377	139,835
New financial assets originated or purchased	70,774	154,861	15,818	241,453
Changes due to change in credit risk	(9,934)	20,361	(7,814)	2,613
Financial assets derecognised other than write-off	(39,199)	(152,890)	(19,415)	(211,504)
Other adjustment	30	150	-	180
	5,738	8,963	132,537	147,238
Unwinding of discount	-	-	(6,941)	(6,941)
Total charge to income statement	5,738	8,963	125,596	140,297
Write-off	-	(135)	(100,827)	(100,962)
At 31 March 2019	72,679	212,519	217,465	502,663
BANK				
At 1 April 2018				
As previously stated under MFRS 139				285,402
Effects of adoption of MFRS 9				52,797
As restated	43,894	137,652	156,653	338,199
Transfer to Stage 1	15,264	(90,649)	(5,930)	(81,315)
Transfer to Stage 2	(24,760)	154,042	(71,881)	57,401
Transfer to Stage 3	(148)	(65,538)	178,889	113,203
New financial assets originated or purchased	46,449	120,924	7,800	175,173
Changes due to change in credit risk	(5,213)	5,001	(4,699)	(4,911)
Financial assets derecognised other than write-off	(26,381)	(118,951)	(16,490)	(161,822)
Other adjustment	30	150	-	180
	5,241	4,979	87,689	97,909
Unwinding of discount	-	-	(5,408)	(5,408)
Total charge to income statement	5,241	4,979	82,281	92,501
Write-off	-	(9)	(67,602)	(67,611)
At 31 March 2019	49,135	142,622	171,332	363,089

13. LOANS, ADVANCES AND FINANCING (CONT'D)

(x) Movements in the allowance for impairment losses on loans, advances and financing are as follows: (cont'd)

Stage 1 expected credit losses ("ECL") for the Group and the Bank increased by RM5.7 million and RM5.2 million during the financial year mainly due to:

- Newly originated loans, advances and financing for the Group's and the Bank's amounting to RM23.2 billion and RM15.2 billion;
- Transfer of the Group's and the Bank's gross carrying amount from Stage 2 and 3 to Stage 1 by RM4.3 billion and RM3.4 billion;

Offset by

- Settlement of the Group's and the Bank's gross carrying amount of RM17.5 billion and RM11.9 billion; and
- Transfer of the Group's and the Bank's gross carrying amount from Stage 1 to Stage 2 by RM5.3 billion and RM4.1 billion.

Stage 2 ECL for the Group and the Bank increased by RM9.0 million and RM4.9 million mainly due to:

- Transfer of the Group's and the Bank's gross carrying amount from Stage 1 and 3 to Stage 2 by RM5.6 billion and RM4.3 billion;
- Newly originated loans, advances and financing for the Group's and the Bank's amounting to RM4.8 billion and RM3.2 billion;

Offset by

- Transfer of the Group's and the Bank's gross carrying amount from Stage 2 to Stage 1 and 3 by RM5.0 billion and RM3.8 billion; and
- Settlement of the Group's and the Bank's gross carrying amount of RM4.5 billion and RM3.2 billion.

Stage 3 ECL for the Group and the Bank increased by RM132.5 million and RM87.7 million mainly due to:

- Transfer of the Group's and the Bank's gross carrying amount from Stage 1 and 2 to Stage 3 by RM0.7 billion and RM0.5 billion;

Offset by

- Transfer of the Group's and the Bank's gross carrying amount from Stage 3 to Stage 2 by RM0.4 billion and RM0.3 billion.

The gross carrying amount of the Group and the Bank were written-off by RM137.3 million and RM89.6 million had resulted in the reduction of Stage 3 and 2.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

13. LOANS, ADVANCES AND FINANCING (CONT'D)

	GROUP 2018 RM'000	BANK 2018 RM'000
Individual assessment allowance		
At 1 April 2017	66,627	64,147
Net allowance made during the financial year (net)	31,876	24,085
Amount written-off	(25,229)	(24,617)
Transfers from collective assessment allowance	2,459	1,352
At 31 March 2018	75,733	64,967
Collective assessment allowance		
At 1 April 2017	313,328	234,637
Net allowance made during the financial year (net)	73,699	30,618
Amount written-off	(87,852)	(43,468)
Transfers to individual assessment allowance	(2,459)	(1,352)
At 31 March 2018	296,716	220,435

14. OTHER ASSETS

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Other receivables	86,513	68,394	72,185	54,502
Collateral pledged for derivative transactions	23,292	37,136	23,056	36,902
Settlement account	94,606	42,924	94,606	42,924
Deposits	8,775	8,690	8,122	8,020
Prepayment	20,038	16,430	18,573	14,992
Amounts due from subsidiaries [Note (a)]	-	-	133,557	46,794
Amount due from joint venture [Note (a)]	299	392	299	392
	233,523	173,966	350,398	204,526
Allowance for expected credit losses/impairment losses on other receivables [Note (b)]	(34,385)	(32,017)	(29,604)	(27,578)
	199,138	141,949	320,794	176,948

Note:

(a) Amounts due from subsidiaries and joint venture

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-interest bearing	299	392	133,856	47,186

The amounts due from subsidiaries and joint venture are unsecured, interest-free and repayable upon demand.

14. OTHER ASSETS (CONT'D)

Note: (cont'd)

(b) Movements for allowance for expected credit losses/impairment losses on other receivables are as follows:

		Lifetime ECL RM'000
GROUP		
At 1 April 2018		
As previously stated		32,017
Effects of adoption of MFRS 9		-
As restated		32,017
New financial assets originated or purchased		1,174
Financial assets derecognised other than write-off		(1,382)
Changes due to change in credit risk		3,527
Total charge to income statement		3,319
Write-off		(951)
At 31 March 2019		34,385
BANK		
At 1 April 2018		
As previously stated		27,578
Effects of adoption of MFRS 9		-
As restated		27,578
Changes due to change in credit risk		2,977
Total charge to income statement		2,977
Write-off		(951)
At 31 March 2019		29,604
	GROUP 2018 RM'000	BANK 2018 RM'000
At 1 April 2017	29,535	24,409
Allowance made during the financial year net of write-back	4,047	3,169
Amount written-off	(1,565)	-
At 31 March 2018	32,017	27,578

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

15. STATUTORY DEPOSITS

- (a) Non-interest bearing statutory deposits for the Group and the Bank of RM1,521,492,000 and RM1,142,108,000 (2018: RM1,408,216,000 and RM1,092,566,000) respectively are maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009, the amounts of which are determined as a set percentage of total eligible liabilities.
- (b) Interest bearing statutory deposits of RM100,000 (2018: 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.

16. INVESTMENTS IN SUBSIDIARIES

	BANK	
	2019 RM'000	2018 RM'000
Unquoted shares, at cost		
At beginning of financial year	989,102	892,820
Acquisition via group reorganisation	-	95,745
Subscription of ordinary shares in subsidiaries	-	537
At end of financial year	989,102	989,102

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

Name	Principal activities	Effective equity interest	
		2019 %	2018 %
Alliance Investment Bank Berhad	Investment banking business including Islamic banking, provision of stockbroking services and related financial services	100	100
Alliance Islamic Bank Berhad	Islamic banking, finance business and the provision of related financial services	100	100
Alliance Direct Marketing Sdn. Bhd.	Dealing in sales and distribution of consumer and commercial banking products	100	100
AllianceGroup Nominees (Asing) Sdn. Bhd.	Nominee services	100	100
AllianceGroup Nominees (Tempatan) Sdn. Bhd.	Nominee services	100	100
Alliance Trustee Berhad [Note (a)]	Trustee services	100	100
Alliance Financial Group Berhad (under members' voluntary winding up)	Dormant	100	100

16. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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

Name	Principal activities	Effective equity interest	
		2019 %	2018 %
Subsidiaries of Alliance Investment Bank Berhad			
ARSB Alliance Sdn. Bhd. (under members’ voluntary winding up)	Dormant	100	100
KLCS Sdn. Bhd. (under members’ voluntary winding up)	Dormant	100	100
AIBB Nominees (Tempatan) Sdn. Bhd. (dissolved on 16.4.2018)	Liquidated	-	100
Subsidiaries of Alliance Financial Group Berhad			
Hijauan Setiu Sdn. Bhd. (under members’ voluntary winding up)	Dormant	100	100
Setiu Intergrated Resort Sdn. Bhd. (under members’ voluntary winding up)	Dormant	100	100
Kota Indrapura Development Corporation Berhad (under members’ voluntary winding up)	Dormant	100	100

Note:

- (a) Alliance Trustee Berhad is jointly held by the following subsidiaries:

Name	Effective equity interest	
	2019 %	2018 %
Alliance Investment Bank Berhad	20	20
Alliance Direct Marketing Sdn. Bhd.	20	20
AllianceGroup Nominees (Asing) Sdn. Bhd.	20	20
AllianceGroup Nominees (Tempatan) Sdn. Bhd.	20	20

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

17. INVESTMENT IN JOINT VENTURE

	GROUP	
	2019 RM'000	2018 RM'000
Unquoted shares		
At beginning of financial year	693	650
Share of results	109	43
	802	693
Employees' Share Scheme [Note (a)]		
At beginning of financial year		
Effects of group reorganisation	-	113
As restated	-	113
Employees' Shares Scheme vested during the financial year	-	(113)
	-	-
Net Carrying Amount	802	693
Represented by:		
Share of net tangible assets	802	693

Note:

(a) This amount is in respect of the services rendered by the employees of the Bank's 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	
		2019 %	2018 %
AllianceDBS Research Sdn. Bhd.	Research and stock analysis	51	51

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

17. INVESTMENT IN JOINT VENTURE (CONT'D)

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

	GROUP	
	2019 RM'000	2018 RM'000
Assets and Liabilities		
Current assets		
Cash and short term funds	2,377	2,223
Other current assets	546	565
Total current assets	2,923	2,788
Non-current assets	509	409
Total assets	3,432	3,197
Current liabilities		
Other liabilities (non-trade)	1,860	1,838
Total liabilities	1,860	1,838
Net assets	1,572	1,359
The summarised statement of comprehensive income is as follow:		
Revenue	6,585	6,570
Profit before tax for the financial year	284	281
Profit after tax for the financial year	213	84
The above profit includes the following:		
Depreciation and amortisation	(31)	(18)
Taxation	(71)	(197)
Reconciliation of summarised financial information:		
<u>Net assets</u>		
At beginning of financial year	1,359	1,275
Profit for the financial year	213	84
At end of financial year	1,572	1,359
Carrying value at 51% share of the equity interest of a joint venture	802	693

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

18. 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						
2019									
Cost									
At 1 April 2018	1,953	11,673	1,850	30,332	124,220	56,296	62,070	870	289,264
Additions	-	-	-	-	1,951	5,876	16,733	-	24,560
Disposals	-	-	-	-	-	(1,352)	(57)	-	(1,409)
Written-off	-	-	-	-	(387)	(4,065)	(1,311)	-	(5,763)
At 31 March 2019	1,953	11,673	1,850	30,332	125,784	56,755	77,435	870	306,652
Accumulated Depreciation									
At 1 April 2018	-	3,077	1,024	12,332	113,209	38,922	51,195	70	219,829
Charge for the financial year	-	118	19	587	6,099	6,876	9,496	138	23,333
Disposals	-	-	-	-	-	(1,348)	-	-	(1,348)
Written-off	-	-	-	-	(383)	(4,042)	(1,296)	-	(5,721)
At 31 March 2019	-	3,195	1,043	12,919	118,925	40,408	59,395	208	236,093
Accumulated Impairment Losses									
At 1 April 2018/31 March 2019	-	37	-	25	-	-	-	-	62
Net Carrying Amount	1,953	8,441	807	17,388	6,859	16,347	18,040	662	70,497

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

18. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

← Leasehold land →

BANK	Freehold land RM'000	50 years or more RM'000	Less than 50 years RM'000	Buildings RM'000	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
2019									
Cost									
At 1 April 2018	1,953	11,673	1,850	29,373	120,683	57,080	57,095	944	280,651
Additions	-	-	-	-	1,592	5,851	16,679	-	24,122
Disposals	-	-	-	-	-	(1,352)	(57)	-	(1,409)
Written-off	-	-	-	-	(387)	(4,066)	(1,311)	-	(5,764)
At 31 March 2019	1,953	11,673	1,850	29,373	121,888	57,513	72,406	944	297,600
Accumulated Depreciation									
At 1 April 2018	-	3,077	1,024	11,372	110,406	40,483	46,288	105	212,755
Charge for the financial year	-	118	19	587	5,694	6,710	9,408	138	22,674
Disposals	-	-	-	-	-	(1,348)	-	-	(1,348)
Written-off	-	-	-	-	(383)	(4,042)	(1,296)	-	(5,721)
At 31 March 2019	-	3,195	1,043	11,959	115,717	41,803	54,400	243	228,360
Accumulated Impairment Losses									
At 1 April 2018/31 March 2019	-	37	-	25	-	-	-	-	62
Net Carrying Amount	1,953	8,441	807	17,389	6,171	15,710	18,006	701	69,178

18. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

BANK	Freehold land RM'000	Leasehold land		Buildings RM'000	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
		50 years or more RM'000	Less than 50 years RM'000						
2018									
Cost									
At 1 April 2017	1,953	11,673	1,850	29,373	119,667	57,864	60,028	962	283,370
Additions	-	-	-	-	1,770	8,456	6,041	24	16,291
Disposals	-	-	-	-	-	(47)	(17)	(27)	(91)
Written-off	-	-	-	-	(754)	(9,193)	(8,957)	(15)	(18,919)
At 31 March 2018	1,953	11,673	1,850	29,373	120,683	57,080	57,095	944	280,651
Accumulated Depreciation									
At 1 April 2017	-	2,959	1,005	10,785	104,181	43,313	49,234	10	211,487
Charge for the financial year	-	118	19	587	6,920	6,196	6,009	137	19,986
Disposals	-	-	-	-	-	(40)	(9)	(27)	(76)
Written-off	-	-	-	-	(695)	(8,986)	(8,946)	(15)	(18,642)
At 31 March 2018	-	3,077	1,024	11,372	110,406	40,483	46,288	105	212,755
Accumulated Impairment Losses									
At 1 April 2017	-	-	-	-	-	-	-	-	-
Impaired during the financial year [Note 38]	-	37	-	25	-	-	-	-	62
At 31 March 2018	-	37	-	25	-	-	-	-	62
Net Carrying Amount	1,953	8,559	826	17,976	10,277	16,597	10,807	839	67,834

Note:

Included in property, plant and equipment of the Group and the Bank are computer equipment under finance lease with a carrying amount of RM688,000 (2018: RM3,329,000).

Details of the finance lease arrangement is disclosed in Note 26.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

19. 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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deferred tax assets	72,972	22,664	50,116	9,223
Deferred tax liabilities	(2,163)	(11,907)	-	-
	70,809	10,757	50,116	9,223

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At beginning of financial year				
As previously stated	10,757	4,073	9,223	4,088
Effects of group reorganisation	-	705	-	-
Effects of adoption of MFRS 9	34,364	-	20,873	-
As restated	45,121	4,778	30,096	4,088
Recognised in statement of income	45,385	10,942	28,749	8,291
Recognised in equity	(19,697)	(4,963)	(8,729)	(3,156)
At end of financial year	70,809	10,757	50,116	9,223

19. DEFERRED TAX (CONT'D)

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

GROUP	Allowance for expected credit losses RM'000	Other liabilities RM'000	Financial investments available- for-sale RM'000	Financial investments at fair value through other comprehensive income RM'000	Property, plant and equipment RM'000	Total RM'000
Deferred tax assets/(liabilities)						
At 1 April 2017						
As previously stated	-	42,389	(31,348)	-	(6,968)	4,073
Effects 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 2018/1 April 2018	-	49,645	(36,311)	-	(2,577)	10,757
Effects of adoption of MFRS 9	-	-	36,311	(1,947)	-	34,364
As restated	-	49,645	-	(1,947)	(2,577)	45,121
Recognised in statement of income	46,878	(651)	-	-	(842)	45,385
Recognised in equity	-	-	-	(19,697)	-	(19,697)
At 31 March 2019	46,878	48,994	-	(21,644)	(3,419)	70,809

BANK	Allowance for expected credit losses RM'000	Other liabilities RM'000	Financial investments available- for-sale RM'000	Financial investments at fair value through other comprehensive income RM'000	Property, plant and equipment RM'000	Total RM'000
Deferred tax assets/(liabilities)						
At 1 April 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 2018/1 April 2018	-	35,236	(23,655)	-	(2,358)	9,223
Effects of adoption of MFRS 9	-	-	23,655	(2,782)	-	20,873
As restated	-	35,236	-	(2,782)	(2,358)	30,096
Recognised in statement of income	32,163	(2,813)	-	-	(601)	28,749
Recognised in equity	-	-	-	(8,729)	-	(8,729)
At 31 March 2019	32,163	32,423	-	(11,511)	(2,959)	50,116

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

20. INTANGIBLE ASSETS

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Goodwill				
Cost:				
At beginning of financial year/end of financial year	301,997	301,997	186,272	186,272
Impairment:				
At beginning of financial year	3,292	3,292	45	45
Impaired during the financial year	8,740	-	-	-
At end of financial year	12,032	3,292	45	45
Net carrying amount	289,965	298,705	186,227	186,227
Computer software				
Cost:				
At beginning of financial year	244,736	203,836	236,710	198,008
Additions	64,327	56,574	61,664	55,300
Disposal	-	-	-	(1,077)
Written-off	(1,850)	(15,674)	(1,752)	(15,521)
At end of financial year	307,213	244,736	296,622	236,710
Accumulated amortisation:				
At beginning of financial year	134,039	125,180	129,956	122,249
Charge for the financial year	30,206	24,161	29,117	23,346
Disposal	-	-	-	(402)
Written-off	(28)	(15,302)	(28)	(15,237)
At end of financial year	164,217	134,039	159,045	129,956
Net carrying amount	142,996	110,697	137,577	106,754
Total carrying amount	432,961	409,402	323,804	292,981

Note:

Computer software of the Group and of the Bank includes work in progress of RM35,819,000 and RM35,549,000 (2018: RM43,146,000 and RM42,774,000) respectively which is not amortised until ready for use.

20. 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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 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	3,687	12,427	266	266
	289,965	298,705	186,227	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	
	2019 %	2018 %
Consumer banking	7.92	10.56
Business banking	7.93	10.86
Financial markets	6.47	6.18
Corporate finance and capital market	7.92	9.92
Stockbroking business	7.87	9.80

(ii) Cash flow projections and growth rate

Cash flow projections are based on four-year financial budget and business plans approved by the Board of Directors. The cash flow projections are derived based on 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 4.6% (2018: 5.2%), representing the forecasted GDP growth rate of the country for the CGUs.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

20. INTANGIBLE ASSETS (CONT'D)

(a) Impairment Test on Goodwill (cont'd)

(iii) Impairment

During the financial year, an impairment loss of RM8,740,000 has been recognised in respect of the stockbroking business. The impairment loss is driven by lower projected cash flows resulting from the reassessment of expected future business performance in the light of current trading and economic condition.

(b) Sensitivity to Changes in Assumptions

Management is of a view that any reasonable change key assumptions would not cause the carrying amount of the goodwill to exceed the recoverable amount of the CGUs except for Stockbroking business.

21. DEPOSITS FROM CUSTOMERS

	GROUP		BANK	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Demand deposits	14,207,328	14,161,040	11,510,890	11,752,631
Savings deposits	1,753,526	1,792,710	1,432,970	1,468,774
Fixed/investment deposits	25,676,643	24,142,700	19,430,211	18,393,938
Money market deposits	2,917,200	2,277,386	2,206,407	1,716,143
Negotiable instruments of deposits	462,935	366,624	402,384	176,884
	45,017,632	42,740,460	34,982,862	33,508,370

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

	GROUP		BANK	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Due within six months	19,128,642	17,234,419	14,877,446	13,695,607
Six months to one year	8,833,425	8,371,649	6,994,821	5,709,738
One year to three years	730,686	1,018,884	157,981	869,862
Three years to five years	364,025	161,758	8,754	11,758
	29,056,778	26,786,710	22,039,002	20,286,965

21. DEPOSITS FROM CUSTOMERS (CONT'D)

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

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Domestic financial institutions	306,199	358,990	390,046	190,812
Domestic non-bank financial institutions	2,516,834	2,676,350	1,769,027	1,854,863
Government and statutory bodies	5,450,441	4,312,577	2,975,054	2,106,387
Business enterprises	16,909,336	16,354,335	12,894,883	12,945,816
Individuals	18,637,918	17,941,780	15,917,675	15,432,649
Foreign entities	630,733	596,011	559,770	534,617
Others	566,171	500,417	476,407	443,226
	45,017,632	42,740,460	34,982,862	33,508,370

22. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Licensed banks	252,558	203,995	12,467	63,619
Licensed investment banks	30,051	22,004	-	-
Bank Negara Malaysia	576,099	619,467	332,368	375,619
Others	-	28,405	-	-
	858,708	873,871	344,835	439,238

23. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

Structured investments designated at fair value for the Group and the Bank include investments with embedded equity linked options, interest rate index linked options and foreign currency options.

The Group and the Bank designated certain structured investments at fair value through profit or loss. The structured investments are recorded at fair value.

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

	GROUP/BANK	
	2019 RM'000	2018 RM'000
Structured investments	815,079	731,703
Fair value changes arising from designation at fair value through profit or loss	(36,656)	(49,465)
	778,423	682,238

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

24. AMOUNTS DUE TO CLIENTS AND BROKERS

	GROUP	
	2019 RM'000	2018 RM'000
Due to clients	51,164	75,103
	51,164	75,103

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 RM56,655,000 (2018: RM71,652,000) have been excluded accordingly.

25. 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.

26. OTHER LIABILITIES

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Other payables	488,686	292,226	406,233	243,477
Collateral pledged for derivative transactions	8,456	32,751	8,456	32,751
Bills payable	175,095	157,335	166,622	143,126
Settlement account	80,059	53,882	80,059	53,882
Clearing account	224,575	199,469	174,407	160,002
Sundry deposits	40,962	54,924	35,705	47,306
Provision and accruals	129,763	131,282	117,929	131,534
Remisiers accounts	6,122	5,866	-	-
Allowance for expected credit losses/impairment losses on commitment and contingencies	32,604	148	28,582	148
Finance lease liabilities [Note (a)]	688	3,329	688	3,329
Structured investments	553,627	504,143	553,627	504,143
Amount due to joint venture [Note (b)]	160	168	-	-
	1,740,797	1,435,523	1,572,308	1,319,698

26. OTHER LIABILITIES (CONT'D)

Note:

- (a) Finance lease liabilities of the Group and the Bank are as follows:

GROUP/BANK	Future minimum lease payments RM'000	Future finance charges RM'000	Present value of finance lease liabilities RM'000
At 31 March 2019			
Within one year	695	(7)	688
	695	(7)	688
At 31 March 2018			
Within one year	2,780	(139)	2,641
One year to five years	695	(7)	688
	3,475	(146)	3,329

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

- (b) The amounts due to joint venture are unsecured, interest-free, and repayable upon demand.

Movements for allowance for expected credit losses on commitments and contingencies are as follows:

2019 GROUP	12-Month ECL (Stage 1) RM'000	Lifetime ECL Not-credit Impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	Total RM'000
At 1 April 2018				
As previously stated	-	-	-	-
Effects of adoption of MFRS 9	8,562	21,295	14,143	44,000
As restated	8,562	21,295	14,143	44,000
Transfer to Stage 1	1,023	(10,403)	-	(9,380)
Transfer to Stage 2	(1,396)	11,958	(401)	10,161
Transfer to Stage 3	-	(1,058)	7,298	6,240
New financial assets originated or purchased	5,696	5,704	73	11,473
Changes due to change in credit risk	(3,330)	(2,786)	161	(5,955)
Financial assets derecognised other than write-off	(3,728)	(8,063)	(12,148)	(23,939)
Other adjustments	6	17	-	23
	(1,729)	(4,631)	(5,017)	(11,377)
Unwinding of discount	-	-	(19)	(19)
Total write-back from income statement	(1,729)	(4,631)	(5,036)	(11,396)
At 31 March 2019	6,833	16,664	9,107	32,604

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

26. OTHER LIABILITIES (CONT'D)

- (b) The amounts due to joint venture are unsecured, interest-free, and repayable upon demand. (cont'd)

Movements for allowance for expected credit losses on commitments and contingencies are as follows: (cont'd)

2019 BANK	Lifetime ECL			Total RM'000
	12-Month ECL (Stage 1) RM'000	Not-credit Impaired (Stage 2) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	
At 1 April 2018				
As previously stated	-	-	-	-
Effects of adoption of MFRS 9	7,520	15,587	4,183	27,290
As restated	7,520	15,587	4,183	27,290
Transfer to Stage 1	867	(8,597)	-	(7,730)
Transfer to Stage 2	(1,257)	10,651	(395)	8,999
Transfer to Stage 3	-	(1,046)	7,069	6,023
New financial assets originated or purchased	5,120	4,157	73	9,350
Changes due to change in credit risk	(3,011)	(987)	538	(3,460)
Financial assets derecognised other than write-off	(3,148)	(6,291)	(2,454)	(11,893)
Other adjustments	6	9	-	15
	(1,423)	(2,104)	4,831	1,304
Unwinding of discount	-	-	(12)	(12)
Total (write-back from)/charge to income statement	(1,423)	(2,104)	4,819	1,292
At 31 March 2019	6,097	13,483	9,002	28,582

As at 31 March 2019, the Group's and the Bank's gross exposure of commitment and contingencies that are credit impaired was at RM16,460,000 and RM14,481,000 respectively.

27. SUBORDINATED OBLIGATIONS

	Note	GROUP		BANK	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Subordinated Medium Term Notes (“Sub-MTNs”)					
RM900 million Sub-MTNs	(a)	921,510	921,793	921,300	921,295
RM300 million Sub-MTNs	(b)	304,830	304,829	304,745	304,714
RM150 million Additional Tier I Capital Securities	(c)	153,491	152,992	153,144	153,015
RM100 million Additional Tier I Capital Securities	(d)	100,391	-	100,391	-
		1,480,222	1,379,614	1,479,580	1,379,024

27. SUBORDINATED OBLIGATIONS (CONT'D)**(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	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
At cost	900,000	900,000	900,000	900,000
Accumulated unaccreted discount	(324)	(325)	(534)	(823)
Interest accrued	21,834	22,118	21,834	22,118
	921,510	921,793	921,300	921,295

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

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

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

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

(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	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
At cost	300,000	300,000	300,000	300,000
Accumulated unaccreted discount	-	-	(85)	(115)
Interest accrued	4,830	4,829	4,830	4,829
	304,830	304,829	304,745	304,714

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

27. SUBORDINATED OBLIGATIONS (CONT'D)

(b) RM300 million Sub-MTNs (cont'd)

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

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

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

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

(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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At cost	150,000	150,000	150,000	150,000
Accumulated unaccreted discount	(208)	(707)	(555)	(684)
Interest accrued	3,699	3,699	3,699	3,699
	153,491	152,992	153,144	153,015

Capital Securities have been assigned a long term rating of BBB1 by RAM Rating Services Berhad.

The coupon rate for the capital securities is fixed at 6.25% per annum, payable semi-annually throughout the entire tenure.

27. SUBORDINATED OBLIGATIONS (CONT'D)**(c) RM150 million Additional Tier 1 Capital Securities (cont'd)**

The main features of the capital securities are as follows:

- (i) Issue date : 8 November 2017
- (ii) Tenure of the facility/issue : Perpetual Non-callable five (5) years
- (iii) Interest rate/coupon : 6.25% per annum, payable semi-annually in arrears
- (iv) Call date : 8 November 2022 and thereafter on every coupon payment date
- (v) The Capital Securities constitutes direct and unsecured obligations of the issuer and are subordinated in right and priority of payment, to the extent and in the manner provided in the Capital Securities and the Transaction Documents, ranking pari passu among themselves.
- (vi) Upon the occurrence of any winding up proceeding, the amount payable on the Capital Securities will be subordinated in right of payment to all deposit liabilities and other liabilities of the issuer, except in each case to those liabilities which by their terms rank equally with or junior to the Capital Securities.

(d) RM100 million Additional Tier 1 Capital Securities

On 8 March 2019, the Bank issued RM100 million Additional Tier 1 Capital Securities under the RM1.0 billion Additional Tier 1 Capital Securities Programme.

	GROUP		BANK	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
At cost	100,000	-	100,000	-
Interest accrued	391	-	391	-
	100,391	-	100,391	-

Capital Securities have been assigned a long term rating of BBB1 by RAM Rating Services Berhad.

The coupon rate for the capital securities is fixed at 5.95% per annum, payable semi-annually throughout the entire tenure.

The main features of the capital securities are as follows:

- (i) Issue date : 8 March 2019
- (ii) Tenure of the facility/issue : Perpetual Non-callable five (5) years
- (iii) Interest rate/coupon : 5.95% per annum, payable semi-annually
- (iv) Call date : 8 March 2024 and thereafter on every distribution payment date
- (v) The Capital Securities constitutes direct and unsecured obligations of the issuer and are subordinated in right and priority of payment, to the extent and in the manner provided in the Capital Securities and the Transaction Documents, ranking pari passu among themselves.
- (vi) Upon the occurrence of any winding up proceeding, the amount payable on the Capital Securities will be subordinated in right of payment to all deposit liabilities and other liabilities of the issuer, except in each case to those liabilities which by their terms rank equally with or junior to the Capital Securities.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

28. SHARE CAPITAL

	2019		2018	
	Number of ordinary shares '000	RM'000	Number of ordinary shares '000	RM'000
GROUP				
Ordinary shares issued and fully paid:				
At beginning of the financial year	1,548,106	1,548,106	796,517	796,517
Effects of group reorganisation	-	-	751,589	751,589
At end of financial year	1,548,106	1,548,106	1,548,106	1,548,106
BANK				
Ordinary shares issued and fully paid:				
At beginning of the financial year	1,548,106	1,548,106	796,517	796,517
Issuance of shares to former holding company	-	-	100,000	100,000
Bonus issue	-	-	651,589	651,589
At end of financial year	1,548,106	1,548,106	1,548,106	1,548,106

29. RESERVES

	Note	GROUP		BANK	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-distributable:					
Statutory reserve	(a)	-	-	-	-
Share premium	(b)	-	-	-	-
Regulatory reserves	(c)	178,397	186,064	160,798	160,029
Capital reserves	(d)	100,150	100,150	95,515	95,515
FVOCI reserves	(e)	78,513	-	36,831	-
Revaluation reserves	(f)	-	114,987	-	74,907
Equity contribution from former parent	(g)	-	-	-	-
Employees' Share Scheme ("ESS") reserves	(g)	-	-	-	-
		357,060	401,201	293,144	330,451
Distributable:					
Retained profits		3,827,676	3,510,283	3,128,589	2,866,142
		4,184,736	3,911,484	3,421,733	3,196,593

29. RESERVES (CONT'D)Notes:

- (a) 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.
- (b) 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's and the Bank's share premium account have been aggregated as part of the Group's and the Bank's share capital (refer to Note 28). 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.
- (c) Regulatory reserves represent the Group's and the Bank's compliance with BNM Revised Policy Documents in Financial Reporting and Financial Reporting for Islamic Banking Institutions effective 1 April 2018 whereby the Bank and its banking subsidiaries must maintain in aggregate, loss allowance for non-credit-impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.

Prior to 1 April 2018, 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".

- (d) Capital reserves are in respect of retained profits capitalised for a bonus issue by a subsidiary.
- (e) FVOCI reserves are the cumulative gains and losses arising on the revaluation of debt instruments measured at FVOCI, net off cumulative gains and losses transferred to profit or loss upon disposal and the cumulative allowance for expected credit losses on these investments.
- (f) The revaluation reserves are in respect of unrealised fair value gains and losses on financial investments available-for-sale, net off cumulative gains and losses transferred to profit or loss upon disposal and impairment.
- (g) 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. The scheme ended on 2 December 2017.

30. ALLIANCE FINANCIAL GROUP BERHAD EMPLOYEES' SHARE SCHEME

The Alliance Financial Group Berhad Employees' Share Scheme ("AFG Bhd ESS") is governed by the By-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 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 By-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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

30. ALLIANCE FINANCIAL GROUP BERHAD EMPLOYEES' SHARE SCHEME (CONT'D)

- (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.
- (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:
- has attained the age of 18 years;
 - in the case of a Director, is on the board of directors of a corporation in the Group;
 - in the case of an employee, is employed by a corporation in the Group; and
 - 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.

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

GROUP	2019 Share Grants				2018 Share Grants			
	Number of Share Grants				Number of Share Grants			
	At beginning of financial year	Vested	Lapsed/ forfeited	At end of financial year	At beginning of financial year	Vested	Lapsed/ forfeited	At end of financial year
	'000	'000	'000	'000	'000	'000	'000	'000
2015 Share Scheme (1st grant)	-	-	-	-	356	(325)	(31)	-
2015 Share Scheme (2nd grant)	-	-	-	-	12	(12)	-	-
2016 Share Scheme	-	-	-	-	773	(725)	(48)	-
	-	-	-	-	1,141	(1,062)	(79)	-
WAEP	-	-	-	-	-	-	-	-

30. ALLIANCE FINANCIAL GROUP BERHAD EMPLOYEES' SHARE SCHEME (CONT'D)

	2019 Share Grants Number of Share Grants				2018 Share Grants Number of Share Grants			
	At beginning of financial year '000	Vested '000	Lapsed/ forfeited '000	At end of financial year '000	At beginning of financial year '000	Vested '000	Lapsed/ forfeited '000	At end of financial year '000
BANK								
2015 Share Scheme (1st grant)	-	-	-	-	298	(279)	(19)	-
2015 Share Scheme (2nd grant)	-	-	-	-	12	(12)	-	-
2016 Share Scheme	-	-	-	-	640	(598)	(42)	-
	-	-	-	-	950	(889)	(61)	-
WAEP	-	-	-	-	-	-	-	-

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

	Vesting Schedule	Vesting Dates
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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

30. ALLIANCE FINANCIAL GROUP BERHAD EMPLOYEES' SHARE SCHEME (CONT'D)

(b) Fair value of share grants offered/awarded:

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

	Share Grants		
	2015 (1st grant)	2015 (2nd grant)	2016
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.

31. INTEREST INCOME

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Loans, advances and financing	1,637,738	1,522,604	1,608,250	1,504,903
Money at call and deposit placements with financial institutions	12,782	12,546	22,226	16,640
Financial investments at fair value through other comprehensive income	260,639	-	249,720	-
Financial investments at amortised cost	14,174	-	18,176	-
Financial investments available-for-sale	-	267,241	-	260,478
Financial investments held-to-maturity	-	17,593	-	17,242
Others	751	359	751	357
	1,926,084	1,820,343	1,899,123	1,799,620
Accretion of discount less amortisation of premium	84,578	77,535	83,707	75,417
	2,010,662	1,897,878	1,982,830	1,875,037

Included in interest income on loans, advances and financing for the current financial year is interest/profit accrued on impaired loans/financing of the Group and the Bank of RM5,465,000 (2018: RM3,722,000 and RM3,487,000 respectively).

32. INTEREST EXPENSE

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deposits and placements of banks and other financial institutions	17,056	25,294	9,787	13,833
Deposits from customers	887,040	846,632	865,897	827,153
Recourse obligations on loans and financing sold to Cagamas	25,182	24,142	25,182	24,142
Other borrowings	-	167	-	167
Subordinated obligations	78,732	72,617	78,915	72,735
Others	4,569	3,875	4,569	3,875
	1,012,579	972,727	984,350	941,905

33. NET INCOME FROM ISLAMIC BANKING BUSINESS

	GROUP	
	2019 RM'000	2018 RM'000
Income derived from investment of depositors' funds and others	593,548	488,710
Income derived from investment of Islamic Banking funds	60,588	54,332
Income attributable to the depositors and financial institutions	(295,079)	(224,797)
	359,057	318,245

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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

34. OTHER OPERATING INCOME

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
(a) Fee and commission income:				
Commissions	80,064	89,165	80,064	89,165
Service charges and fees	29,322	31,076	28,851	30,242
Corporate advisory fees	3,214	3,221	-	-
Underwriting commissions	520	472	-	-
Brokerage fees	30,178	36,811	-	-
Guarantee fees	15,131	15,807	14,696	15,807
Processing fees	10,962	11,368	7,407	8,508
Commitment fees	17,404	16,413	17,358	16,376
Cards related income	83,950	96,130	83,950	96,130
Other fee income	6,001	3,001	5,794	3,000
	276,746	303,464	238,120	259,228
(b) Fee and commission expense:				
Commissions expense	(1,398)	(1,624)	(1,398)	(1,624)
Brokerage fees expense	(9,552)	(12,311)	(9)	(7)
Guarantee fees expense	(225)	(461)	(225)	(461)
Cards related expense	(75,313)	(82,281)	(75,313)	(82,281)
	(86,488)	(96,677)	(76,945)	(84,373)
(c) Investment income:				
Realised gain arising from sale/redemption of:				
- Financial assets at fair value through profit or loss	3,378	-	3,377	-
- Financial investments at fair value through other comprehensive income	2,684	-	2,119	-
- Financial assets held-for-trading	-	761	-	761
- Financial investments available-for-sale	-	21,863	-	21,331
- Derivative instruments	20,157	151,358	20,157	151,358
Marked-to-market revaluation gain/(loss):				
- Financial assets at fair value through profit or loss	12,092	-	8,248	-
- Financial assets held-for-trading	-	5,813	-	5,298
- Derivative instruments	18,276	(113,094)	18,276	(113,094)
- Financial liabilities designated at fair value through profit or loss	(12,809)	25,555	(12,809)	25,555
Gross dividend income from:				
- Financial assets at fair value through profit or loss	1,299	-	749	-
- Financial investments available-for-sale	-	1,861	-	1,311
- Subsidiaries	-	-	80,154	33,913
	45,077	94,117	120,271	126,433
(d) Other income:				
Foreign exchange gain	2,101	1,163	1,689	804
Rental income	-	-	711	680
Gain/(loss) on disposal of property, plant and equipment	8	(105)	8	1
Others	27,517	26,665	27,470	25,737
	29,626	27,723	29,878	27,222
Total other operating income	264,961	328,627	311,324	328,510

35. OTHER OPERATING EXPENSES

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	380,786	354,861	292,799	272,572
- Contribution to EPF	60,223	55,857	46,439	43,188
- Share options/grants under ESS	-	189	-	191
- Termination benefits	-	42,365	-	42,225
- Others	48,625	51,028	38,904	42,470
	489,634	504,300	378,142	400,646
<u>Establishment costs</u>				
- Depreciation of property, plant and equipment	23,333	20,731	22,674	19,986
- Amortisation of computer software	30,206	24,161	29,117	23,346
- Rental of premises	29,573	29,648	23,233	23,104
- Water and electricity	7,818	7,991	5,664	5,905
- Repairs and maintenance	9,747	9,980	7,384	7,947
- Information technology expenses	58,628	50,010	47,552	40,538
- Others	15,855	13,982	6,333	5,480
	175,160	156,503	141,957	126,306
<u>Marketing expenses</u>				
- Promotion and advertisement	12,518	14,193	10,796	13,437
- Branding and publicity	13,233	13,160	9,167	11,633
- Others	8,270	7,096	5,140	4,340
	34,021	34,449	25,103	29,410
<u>Administration and general expenses</u>				
- Communication expenses	11,601	10,708	8,609	8,197
- Printing and stationery	2,676	2,829	2,070	2,277
- Insurance	11,182	11,345	10,033	10,384
- Professional fees	23,485	27,853	18,392	20,838
- Others	27,188	46,034	17,465	37,171
	76,132	98,769	56,569	78,867
Total other operating expenses	774,947	794,021	601,771	635,229

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

35. OTHER OPERATING EXPENSES (CONT'D)

Included in the other operating expenses are the following:

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Auditors' remuneration				
- statutory audit fees	1,351	1,239	978	850
- audit related fees	726	1,349	458	1,067
- tax compliance fees	100	113	53	53
- tax related services	60	116	52	-
- non-audit related services	185	510	125	440
Hire of equipment	2,447	2,994	2,447	2,994
Property, plant and equipment written-off	42	291	43	277
Computer software written-off	1,822	372	1,724	284

36. ALLOWANCE FOR EXPECTED CREDIT LOSSES/IMPAIRMENT LOSSES ON LOANS, ADVANCES AND FINANCING AND OTHER FINANCIAL ASSETS

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Allowance for expected credit losses/impairment losses on loans, advances and financing				
(a) Expected credit losses				
- Made during the financial year (net)	147,238	-	97,909	-
(b) Individual assessment allowance				
- Made during the financial year (net)	-	31,876	-	24,085
(c) Collective assessment allowance				
- Made during the financial year (net)	-	73,699	-	30,618
(d) Bad debts on loans and financing				
- Recovered	(44,304)	(37,099)	(29,192)	(25,698)
- Written-off	36,437	20,858	22,083	10,933
(e) Commitment and contingencies	(11,377)	-	1,304	-
	127,994	89,334	92,104	39,938
(Write-back of)/allowance for expected credit losses/impairment losses on:				
- Amounts due from clients and brokers	(1)	5	-	-
- Other receivables	3,319	4,047	2,977	3,169
- Cash and short-term funds	(463)	-	(463)	-
	130,849	93,386	94,618	43,107

37. (WRITE-BACK OF)/ALLOWANCE FOR EXPECTED CREDIT LOSSES ON FINANCIAL INVESTMENTS

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
(Write-back of)/allowance for expected credit losses on:				
- Financial investments at FVOCI	(783)	-	(624)	-
- Financial investment at amortised cost	582	-	175	-
	(201)	-	(449)	-

38. ALLOWANCE FOR/(WRITE-BACK OF) IMPAIRMENT LOSSES ON NON-FINANCIAL ASSETS

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Commitment and contingencies	(148)	-	(148)	-
Intangible assets – Goodwill	8,740	-	-	-
Property, plant and equipment	-	62	-	62
	8,592	62	(148)	62

39. TAXATION

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Income tax:				
Provision for current financial year	222,893	191,044	163,354	153,605
(Over)/under provision in prior years	(7,082)	11,267	(6,545)	11,020
	215,811	202,311	156,809	164,625
Deferred tax [Note 19]	(45,385)	(10,942)	(28,749)	(8,291)
	170,426	191,369	128,060	156,334

Income tax is calculated at the Malaysian statutory tax rate of 24% (2018: 24%) on the estimated assessable profit for the financial year.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

39. TAXATION (CONT'D)

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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit before taxation	708,023	684,597	614,012	583,244
Taxation at Malaysian statutory tax rate of 24% (2018: 24%)	169,926	164,303	147,363	139,979
Income not subject to tax	(3,028)	(398)	(21,407)	(8,455)
Expenses not deductible for tax purposes	9,519	12,204	6,971	10,190
(Over)/under provision of tax expense in prior years	(5,991)	15,260	(4,867)	14,620
Tax expense for the financial year	170,426	191,369	128,060	156,334

40. 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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit for the year attributable to Equity holders of the Bank	537,597	493,228	485,952	426,910

	GROUP		BANK	
	2019 '000	2018 '000	2019 '000	2018 '000
Weighted average numbers of ordinary shares in issue	1,548,106	1,548,106	1,548,106	1,506,439

	GROUP		BANK	
	2019 sen	2018 sen	2019 sen	2018 sen
Basic earnings per share	34.7	31.9	31.4	28.3

(b) Diluted

For the purpose of calculating diluted earning per share, the profit for the year attributable to Equity holders of the Bank and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all potential ordinary shares, (non-cumulative).

There were no dilutive potential ordinary shares outstanding as at 31 March 2019 and 31 March 2018 respectively. As a result, the dilutive earnings per share equal to basic earnings per share for financial year ended 31 March 2019 and 31 March 2018.

41. DIVIDENDS

Dividends on Ordinary Shares:

	Dividend recognised during the financial year			
	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<u>Former Holding Company</u>				
Second interim dividend				
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 the former holding company of the Bank to shareholders	-	116,108	-	-
<u>Bank</u>				
First interim dividend				
8.5 sen per share, on 1,548,105,929 ordinary shares, declared in financial year ending 31 March 2019, was paid on 28 December 2018 to the shareholders	131,589	-	131,589	-
8.5 sen per share, on 1,548,105,929 ordinary shares, declared in financial year ended 31 March 2018, was paid on 28 December 2017 to the shareholders	-	131,589	-	131,589
Second interim dividend				
6.8 sen per share, on 1,548,105,929 ordinary shares, declared in the financial year ended 31 March 2018, was paid on 28 June 2018 to the shareholders	105,271	-	105,271	-
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 the former holding company, and was eliminated at the Group	-	-	-	116,849
	236,860	247,697	236,860	248,438

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

41. 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 where RM1,121,000 for the first interim dividend and RM1,549,000 for second interim dividend being dividends paid for those shares were added back to the appropriation of retained profits in respect of the dividends as at 31 March 2018.

The dividend paid by the Bank to the former holding company, Alliance Financial Group Berhad ("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 29 May 2019, the Directors declared a second interim dividend of 8.2 sen per share, on 1,548,105,929 ordinary shares amounting to approximately RM126,945,000 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 2020.

The Directors do not propose any final dividend in respect of the financial year ended 31 March 2019.

42. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

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

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

Relationship	Related parties
- Key management personnel	Key management personnel refer to those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Bank, directly or indirectly, including Executive Directors and Non-Executive Directors of the Group and the Bank (including close members of their families). Other members of key management personnel of the Group and the Bank are the Business Support Heads who report directly to Group Chief Executive Officer or to the Board Committees (including close members of their families).
- Substantial shareholders	Substantial shareholders refer to those entities or persons having significant voting power in the Group and/or the Bank, directly or indirectly, resides with certain Directors of the Group and/or the Bank.
- Subsidiaries	Subsidiaries of the Bank as disclosed in Note 16.
- Joint venture	Joint venture of the Bank as disclosed in Note 17.

42. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D)

Significant related party transactions and balances as follows:

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
(a) Transactions				
Interest income				
- subsidiaries	-	-	46,607	38,800
- key management personnel	37	26	20	26
Dividend income				
- subsidiaries	-	-	80,154	33,913
Management fees				
- subsidiaries	-	-	154	336
Rental income				
- subsidiaries	-	-	717	680
- joint venture	-	1	-	1
Other operating expenses recharged				
- subsidiaries	-	-	113,451	102,052
- joint venture	221	203	221	203
Interest expenses				
- subsidiaries	-	-	(42)	(47)
- joint venture	(39)	(32)	-	-
- key management personnel	(550)	(314)	(502)	(281)
- substantial shareholders	(2)	-	(2)	-
Rental expenses				
- subsidiaries	-	-	-	(89)
- joint venture	(1)	-	(1)	-
Other operating expenses				
- subsidiaries	-	-	(205)	(2,676)
- joint venture/other related company [Note (a)]	(3,011)	(3,052)	(1,198)	(936)
- substantial shareholders [Note (b)]	(84)	(785)	(84)	(785)
Commission paid				
- subsidiaries	-	-	(18,247)	(6,267)
Dividend paid				
- former holding company	-	-	-	(117,971)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

42. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D)

Significant related party transactions and balances as follows: (cont'd)

Note:

As at 31 March 2019:

- (a) The Group and the Bank have paid RM2,895,000 and RM1,149,000 respectively (2018: RM3,213,000 and RM974,000) to the joint venture/ other related company for the research services provided, where the joint venture/other related company was jointly held by Alliance Investment Bank Berhad and DBS Vickers Securities Pte. Ltd., a company incorporated in Singapore.
- (b) The Group and the Bank have paid RM260,000 (2018: RM784,000) for staff secondment to an indirect shareholder, Fullerton Financial Holdings (International) Pte. Ltd., a company incorporated in Singapore.
- (c) Other than transactions with joint venture company and Fullerton Financial Holdings (International) Pte. Ltd., all intercompany transactions are conducted in Malaysia.

	GROUP		BANK	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
(b) Balances				
Deposits from customers				
- subsidiaries	-	-	(34,831)	(24,844)
- joint venture	(2,377)	(2,223)	(375)	(721)
- key management personnel	(20,269)	(15,376)	(19,005)	(13,925)
- substantial shareholders	(645)	-	(645)	-
Financial investments at fair value through other comprehensive income				
- subsidiaries	-	-	745,432	754,750
Financial investments at amortised cost				
- subsidiaries	-	-	130,666	130,059
Loans, advances and financing				
- key management personnel	5,131	4,875	3,063	3,210
Money at call and deposit placements with financial institutions				
- subsidiaries	-	-	119,852	300,054
Other assets				
- subsidiaries	-	-	133,557	46,794
- joint venture	299	392	299	392
Other liabilities				
- joint venture	(160)	(168)	-	-

42. 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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CEO and other Key Management:				
- Salary and other remuneration	30,742	30,145	27,909	27,714
- Contribution to EPF	4,177	4,080	3,791	3,772
- Benefits-in-kind	309	309	266	266
	35,228	34,534	31,966	31,752
Non-executive Directors:				
- Fees payables	2,698	2,820	1,897	1,530
- Allowances	973	790	714	496
- Benefits-in-kind	31	34	31	34
	3,702	3,644	2,642	2,060
Included in the total key management personnel are:				
CEO and Directors' remuneration, excluding past CEO and Directors [Note 44]	14,305	13,272	9,983	8,907

Key management personnel of the Group and the Bank have been offered/awarded the following number of share grants under the AFG Bhd ESS:

	Share Grants	
	2019 '000	2018 '000
GROUP		
At beginning of financial year		
As restated	-	415
Vested	-	(415)
At the end of financial year	-	-
	Share Grants	
	2019 '000	2018 '000
BANK		
At beginning of financial year	-	300
Key management personnel appointed during the financial year	-	43
Vested	-	(343)
At the end of financial year	-	-

The above share grants were offered/awarded on the same terms and conditions as those offered to other employees of the Group and the Bank.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

42. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D)

(c) Compensation of key management personnel (cont'd)

GROUP

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

GROUP	2019				2018			
	Number	Unrestricted RM'000	Number	Deferred RM'000	Number	Unrestricted RM'000	Number	Deferred RM'000
Fixed remuneration								
Cash		25,709		-		25,512		-
		25,709		-		25,512		-
Variable remuneration								
Cash	19	8,663	19	4,558	19	9,589	19	3,077
		8,663		4,558		9,589		3,077
		34,372		4,558		35,101		3,077

BANK	2019				2018			
	Number	Unrestricted RM'000	Number	Deferred RM'000	Number	Unrestricted RM'000	Number	Deferred RM'000
Fixed remuneration								
Cash		22,463		-		22,025		-
		22,463		-		22,025		-
Variable remuneration								
Cash	17	7,938	17	4,207	17	8,929	17	2,858
		7,938		4,207		8,929		2,858
		30,401		4,207		30,954		2,858

43. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

	BANK	
	2019	2018
	RM'000	RM'000
Outstanding credit exposures with connected parties	43,641	44,698
of which:		
Total credit exposure which is impaired or in default	8	-
Total credit exposures	46,311,419	44,389,189
Percentage of outstanding credit exposures to connected parties		
- as a proportion of total credit exposures	0.09%	0.10%
- which is impaired or in default	0.00%	0.00%

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

44. CEOs AND DIRECTORS' REMUNERATION

Remuneration in aggregate for CEO/Directors charged to the statement of income for the year is as follows:

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Chief Executive Officers:				
- Salary and other remuneration	6,072	5,295	3,964	3,525
- Bonuses	3,175	3,131	2,449	2,471
- Contribution to EPF	1,201	1,080	815	771
- Benefits-in-kind	155	122	113	80
	10,603	9,628	7,341	6,847
Non-executive Directors:				
- Fees payables	2,698	2,820	1,897	1,530
- Allowances	973	790	714	496
- Benefits-in-kind	31	34	31	34
	3,702	3,644	2,642	2,060
	14,305	13,272	9,983	8,907
Past Chief Executive Officer/Directors:				
- Salary and other remuneration, including meeting allowance	103	336	63	-
- Fees	357	146	143	-
- Contribution to EPF	-	49	-	-
- Benefits-in-kind	20	51	10	-
	480	582	216	-
	14,785	13,854	10,199	8,907
Total Directors' remuneration excluding benefits-in-kind	14,579	13,647	10,045	8,793

Notes:

- (a) 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.
- (b) The Directors of the Group and the Bank are covered under the Directors' & Officers' Liability Insurance in respect of liabilities arising from acts committed in their capacity as Directors of the Group and the Bank, provided that such Director has not acted negligently, fraudulently or dishonestly, or is in breach of his or her duty of trust. The total apportioned amount of insurance effected for Directors under the Group and the Bank was at RM130,000 and RM118,000 (2018: RM134,000 and RM121,000) respectively.

44. CEOs AND DIRECTORS' REMUNERATION (CONT'D)

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

GROUP	Salary and other remuneration	Bonuses	Contribution to EPF	Fees payables	Allowances	Share options/ grants under ESS	Benefits- in-kind	Total
2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Chief Executive Officers:</u>								
Joel Kornreich	3,964	2,449	815	-	-	-	113	7,341
Maresh s/o Shri Pranlal Rupawalla	1,464	390	251	-	-	-	42	2,147
Rizal IL-Ehzan Bin Fadil Azim	644	336	135	-	-	-	-	1,115
	6,072	3,175	1,201	-	-	-	155	10,603
<u>Non-executive Directors:</u>								
Tan Sri Dato' Ahmad Bin Mohd Don	-	-	-	285	53	-	31	369
Ou Shian Waei	-	-	-	205	70	-	-	275
Kuah Hun Liang	-	-	-	312	118	-	-	430
Lee Ah Boon	-	-	-	217	68	-	-	285
Datuk Wan Azhar Bin Wan Ahmad	-	-	-	405	124	-	-	529
Lee Boon Huat	-	-	-	205	91	-	-	296
Ho Hon Cheong	-	-	-	190	95	-	-	285
Thayaparan S Sangarapillai	-	-	-	179	68	-	-	247
Tan Chian Khong	-	-	-	155	64	-	-	219
Susan Yuen Su Min	-	-	-	55	9	-	-	64
Datin Amy Ooi Swee Lian	-	-	-	37	15	-	-	52
Mazidah Binti Abdul Malik	-	-	-	137	71	-	-	208
Dato' Yeoh Beow Tit	-	-	-	90	30	-	-	120
Hj Md Ali Bin Md Sarif	-	-	-	90	28	-	-	118
Dato' Ahmad Hisham Bin Kamaruddin	-	-	-	11	2	-	-	13
Ibrahim Bin Hassan	-	-	-	125	67	-	-	192
	-	-	-	2,698	973	-	31	3,702
<u>Past Non-executive Directors:</u>								
Dato' Majid Bin Mohamad	-	-	-	67	18	-	10	95
Kung Beng Hong	-	-	-	290	85	-	10	385
	-	-	-	357	103	-	20	480
Total CEOs and Directors' remuneration	6,072	3,175	1,201	3,055	1,076	-	206	14,785

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

44. 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 2018	Salary and other remuneration RM'000	Bonuses RM'000	Contribution to EPF RM'000	Fees payables RM'000	Allowances RM'000	Benefits- in-kind RM'000	Total RM'000
<u>Chief Executive Officers:</u>							
Joel Kornreich	3,525	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 Sangarapillai	-	-	-	132	50	-	182
Tan Chian Khong	-	-	-	191	33	-	224
Dato' Majid Bin Mohammad	-	-	-	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
Total CEOs and Directors' remuneration	5,605	3,131	1,129	2,966	816	207	13,854

44. CEOs AND DIRECTORS' REMUNERATION (CONT'D)

The total remuneration (including benefits-in-kind) of the CEOs and Directors of the Group and the Bank are as follows: (cont'd)

BANK	Salary and other remuneration RM'000	Bonuses RM'000	Contribution to EPF RM'000	Fees payables RM'000	Allowances RM'000	Benefits- in-kind RM'000	Total RM'000
2019							
<u>Chief Executive Officer:</u>							
Joel Kornreich	3,964	2,449	815	-	-	113	7,341
	3,964	2,449	815	-	-	113	7,341
<u>Non-executive Directors:</u>							
Tan Sri Dato' Ahmad Bin Mohd Don	-	-	-	285	53	31	369
Ou Shian Waei	-	-	-	205	70	-	275
Kuah Hun Liang	-	-	-	193	91	-	284
Lee Ah Boon	-	-	-	205	68	-	273
Datuk Wan Azhar Bin Wan Ahmad	-	-	-	225	105	-	330
Lee Boon Huat	-	-	-	205	91	-	296
Ho Hon Cheong	-	-	-	190	95	-	285
Thayaparan S Sangarapillai	-	-	-	179	68	-	247
Tan Chian Khong	-	-	-	155	64	-	219
Susan Yuen Su Min	-	-	-	55	9	-	64
	-	-	-	1,897	714	31	2,642
<u>Past Non-executive Director:</u>							
Kung Beng Hong	-	-	-	143	63	10	216
Total CEOs and Directors' remuneration	3,964	2,449	815	2,040	777	154	10,199

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

44. 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)

BANK	Salary and other remuneration RM'000	Bonuses RM'000	Contribution to EPF RM'000	Fees payables RM'000	Allowances RM'000	Benefits- in-kind RM'000	Total RM'000
2018							
<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
Total CEO and Directors' remuneration	3,525	2,471	771	1,530	496	114	8,907

45. FINANCIAL RISK MANAGEMENT POLICIES

The Group engages in business activities which entail risk taking and types of risk involved include credit, market and liquidity, operational and technology, regulatory and compliance (including Shariah compliance), and strategic risks.

Risk management in the Group is governed by Risk Management Framework which covers governance, appetite, strategy, policies and processes to manage risks. The objective of risk management is to ensure that the Group conducts business in a responsible manner and to achieve sustainable growth for the Group's balance sheet and capital.

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

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

(a) Credit Risk

Credit risk is the risk of financial loss resulting from the failure of the Group's borrowers or counterparties to fulfil their contractual obligations to repay their loans or settle commitments.

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

Also, credit risk arises from financial transactions with counterparties (including interbank 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 48 to the financial statements.

(i) Maximum exposure to credit risk

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(i) Maximum exposure to credit risk (cont'd)

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Credit risk exposure: on-balance sheet				
Cash and short-term funds (exclude cash in hand)	1,549,624	2,503,354	1,316,885	1,450,557
Deposits and placements with banks and other financial institutions	500	77,283	-	77,283
Amounts due from clients and brokers	77,008	101,305	-	-
Financial assets at fair value through profit or loss (exclude equity securities)	42,923	-	42,923	-
Financial investments at fair value through other comprehensive income (exclude equity securities)	9,478,454	-	6,852,858	-
Financial investments at amortised cost	235,720	-	311,930	-
Financial assets held-for-trading	-	63,750	-	48,771
Financial investments available-for-sale (exclude equity securities)	-	8,326,333	-	6,284,804
Financial investments held-to-maturity	-	293,612	-	344,703
Derivative financial assets	55,442	84,455	55,442	84,455
Loans, advances and financing (exclude sales commissions and handling fees)	42,227,784	39,934,924	32,520,128	31,484,934
Statutory deposits	1,521,592	1,408,316	1,142,108	1,092,566
Other assets (exclude prepayment)	179,100	125,519	302,221	161,956
	55,368,147	52,918,851	42,544,495	41,030,029
Credit risk exposure: off-balance sheet				
Financial guarantees	721,500	730,771	518,066	556,701
Credit related commitments and contingencies	12,301,536	11,313,331	9,893,986	9,118,992
	13,023,036	12,044,102	10,412,052	9,675,693
Total maximum exposure	68,391,183	64,962,953	52,956,547	50,705,722

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(ii) Credit risk concentrations

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

GROUP	2019	Financial, Insurance, Business, Government and Central Bank, Transport, Storage and Communication, Agriculture, Manufacturing, Wholesale & Retail Trade										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
Cash and short-term funds (exclude cash in hand)		1,040,926	508,698	-	-	-	-	-	-	-	-	-	-	1,549,624
Deposits and placements with banks and other financial institutions		-	500	-	-	-	-	-	-	-	-	-	-	500
Amounts due from clients and brokers		-	665	-	-	-	-	-	-	-	-	-	76,343	77,008
Financial assets at fair value through profit or loss (exclude equity securities)		41,002	1,909	7	4	1	-	-	-	-	-	-	-	42,923
Financial investments at fair value through other comprehensive income (exclude equity securities)		5,293,442	2,520,795	1,149,358	245,233	269,626	-	-	-	-	-	-	-	9,478,454
Financial investments at amortised cost		121,789	43,404	-	50,015	-	-	-	-	-	-	-	20,512	235,720
Derivative financial assets		-	35,438	-	-	-	-	-	-	-	-	-	20,004	55,442
Loans, advances and financing (exclude sales commissions and handling fees)		-	4,435,835	688,241	12,844,254	1,391,351	22,425,539	442,564	42,227,784	-	-	-	-	1,521,592
Statutory deposits		1,521,592	-	-	-	-	-	-	-	-	-	-	178,801	179,100
Other assets (exclude prepayment)		-	299	-	-	-	-	-	-	-	-	-	-	-
		8,018,751	7,547,543	1,837,606	13,139,506	1,660,978	22,425,539	738,224	55,368,147					
Financial guarantees		-	79,794	33,041	542,131	52,123	4,586	9,825	721,500					
Credit related commitments and contingencies		141,985	1,540,262	125,463	5,141,861	1,611,172	3,356,111	384,682	12,301,536					
		141,985	1,620,056	158,504	5,683,992	1,663,295	3,360,697	394,507	13,023,036					
Total credit risk		8,160,736	9,167,599	1,996,110	18,823,498	3,324,273	25,786,236	1,132,731	68,391,183					

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(ii) Credit risk concentrations (cont'd)

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

GROUP	2018	Government and Central Bank	Financial, Insurance, Business Services and Real Estate	Transport, Storage and Communication	Agriculture, Manufacturing, Wholesale &	Construction	Household	Others	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds (exclude cash in hand)		1,877,818	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	-	-	-	-	125,127	125,519
		7,281,082	8,703,184	1,669,353	11,526,913	1,658,242	21,313,630	766,447	52,918,851
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	1,606,331	64,962,953

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(ii) Credit risk concentrations (cont'd)

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

BANK	2019	RM'000	Bank	Government and Central Services	Real Estate	Financial, Insurance, Business Services and Communication	Transport, Storage and 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
Cash and short-term funds (exclude cash in hand)		692,477		624,408	-	-	-	-	-	-	1,316,885
Financial assets at fair value through profit or loss (exclude equity securities)		41,002		1,909	7	4	1	-	-	-	42,923
Financial investments at fair value through other comprehensive income (exclude equity securities)		3,705,868		2,098,405	743,892	173,009	131,684	-	-	-	6,852,858
Financial investments at amortised cost		101,446		164,961	-	25,011	-	-	-	20,512	311,930
Derivative financial assets		-		35,438	-	-	-	-	-	20,004	55,442
Loans, advances and financing (exclude sales commissions and handling fees)		-		3,467,388	511,905	9,975,830	1,189,899	17,079,817	295,289	-	32,520,128
Statutory deposits		1,142,108		-	-	-	-	-	-	-	1,142,108
Other assets (exclude prepayment)		-		133,856	-	-	-	-	168,365	-	302,221
		5,682,901		6,526,365	1,255,804	10,173,854	1,321,584	17,079,817	504,170	-	42,544,495
Financial guarantees		-		77,195	27,895	383,755	15,081	4,544	9,596	-	518,066
Credit related commitments and contingencies		141,985		1,285,169	120,734	4,014,944	1,448,995	2,536,013	346,146	-	9,893,986
		141,985		1,362,364	148,629	4,398,699	1,464,076	2,540,557	355,742	-	10,412,052
Total credit risk		5,824,886		7,888,729	1,404,433	14,572,553	2,785,660	19,620,374	859,912	-	52,956,547

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(ii) Credit risk concentrations (cont'd)

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

BANK 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	-	-	-	-	114,770	161,956
	4,664,969	7,677,476	1,039,978	8,892,735	1,171,352	17,038,464	545,055	41,030,029
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	1,074,744	50,705,722

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(iii) Collaterals

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

- Where property is provided as collateral, legal charge over the title;
- For hire purchase, ownership rights over the vehicles or equipment financed; and
- For other loans/financing, charges over business assets such as premises, financial/trade receivables, or deposits.

	GROUP		BANK	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Gross loans, advances and financing	42,730,447	40,307,373	32,883,217	31,770,336
Less: Allowance for expected credit losses/ impairment losses	(502,663)	(372,449)	(363,089)	(285,402)
Net loans, advances and financing	42,227,784	39,934,924	32,520,128	31,484,934
Percentage of collateral held for loans, advances and financing	70.9%	72.0%	71.8%	73.9%

(iv) Credit risk measurement

The Group and the Bank adopt the following judgements and assumptions on measurement of expected credit loss ("ECL"):

(a) Definition of significant increase in credit risk

The Group and the Bank consider the probability of default upon initial recognition of financial asset and whether there has been a significant increase in credit risk on an ongoing basis. To assess whether there is a significant increase in credit risk, the Group and the Bank compare the risk of a default occurring on the financial asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following events are taken into consideration during the assessment:

- Contractual payment is in arrears for 30 days or more;
- Significant downgrade of credit rating or internal rating;
- Modified exposure placed under Agensi Kaunseling dan Pengurusan Kredit ("AKPK") status;
- Exposure being monitored under watchlist; or
- Restructured and rescheduled exposure with increase in credit risk.

(b) Definition of credit impaired financial assets

An exposure is classified as credit impaired when one or more events that have a detrimental impact to the estimated future cash flows of that financial assets have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

Quantitative criteria:

A financial asset is classified as credit impaired, when the counterparty fails to make contractual payment within 90 days or 3 months from when they fall due.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(iv) Credit risk measurement (cont'd)

(b) Definition of credit impaired financial assets (cont'd)

Evidence that a financial asset is credit impaired includes observable data about the following events:

Qualitative criteria:

- Significant financial difficulty of the issuer or the borrower;
- Breach of contract, such as a default of past due event;
- Concessions have been made by the lender relating to the borrower's financial difficulty;
- Indications that borrower will enter into bankruptcy/winding up or other financial restructuring;
- Disappearance of an active market for that financial asset; or
- Purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

(c) Measurement of ECL

ECL is measured by three components, i.e. exposure at default, probability of default and loss given default.

Exposure at default ("EAD")

EAD for non-retail portfolio is calculated based upon the contractual amortisation amount up to the point prior to the default event. Repayments are then assumed to cease, with only interest accrued on the outstanding balance from this point. Since the non-retail portfolio contains a variety of products with different interest accrual methods, amortisation types and repayment methods, the approaches employed to calculate EAD varies accordingly.

EAD for retail portfolio is calculated based upon either:

- (i) Simple equation based calculation approach – where the outstanding balance follows a predictable trend across the amount and tenure.
- (ii) Utilisation curve model. These curves provide a view of percent drawn down at the point of default, expressed as a percentage of the customer credit limit at observation.
- (iii) Mechanical equation based approach – which was utilised to forecast monthly default balances as per an amortisation profile and adjusted for different paths to default using an adjustment factor.

Probability at default ("PD")

A PD is assigned to each risk measure and represents a percentage of the likelihood of default.

For non-retail portfolio, the PD is measured from the internal or external rating of the borrower or issuer to determine the level of default risk.

For retail portfolio, a signature curve approach forecasted the lifetime PD and PD at any given time within the lifetime horizon. This is based upon historic default data using a chain ladder methodology to construct a lifetime default emergence curve.

Loss given default ("LGD")

This is on a time series of probability weighted loss rate relative to the monthly exposure at default where the probabilities and loss rates are estimated by key risk driver segments such as exposure migration status (e.g. loss given cure & loss given charge off), collateral type, defaulted exposure relative to original exposure amount and months in default.

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(iv) Credit risk measurement (cont'd)

(d) Forward-looking information

Three economic scenarios using different probability weightage are applied to the ECL:

- Base Case – based upon current economic outlook or forecast.
- Positive Case – based upon a projected optimistic or positive economic outlook or forecast.
- Negative Case – based upon a projected pessimistic or negative economic outlook or forecast.

Projection of economic scenario and the probability of each scenario happening in future shall be carried out and shall contain all macroeconomic variables ("MEV") which are applied in the ECL models as they are found to have significant correlation to increase of credit risk via the modelling exercise.

For forward looking estimates, analysis was carried out to determine how the estimates were affected by macroeconomic trends. Factors such as unemployment rate or GDP growth rate were analysed to identify the level of correlation with the observed trends. Given the statistically strong correlation, the estimates were adjusted to reflect macroeconomic trends.

(e) Grouping of exposure for ECL measured on collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

The appropriateness of groupings is monitored and reviewed on a periodic basis.

(f) Modification of loans

The Group and the Bank sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group and the Bank assess whether or not the new terms are substantially different to the original terms.

When the modification is not substantial and so does not result in derecognition of the original loans, the Group and the Bank recalculate the gross carrying amount based on the revised cash flow of the financial asset and recognises a modification gain or loss in the statement of income. The new gross carrying amount is recalculated by discounting the modified cash flow at the original effective interest/profit rate. The Group and the Bank monitor the subsequent performance of modified assets. The risk of default of such loans after modification is assessed and compared with the risk under the original terms at initial recognition. The Group and the Bank may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for six consecutive months or more.

If the terms are substantially different from the original terms, the Group and the Bank derecognised the original financial asset and recognised a new asset and recalculates a new effective interest/profit rate for asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including the purpose of determining whether a significant increase in credit risk has occurred. However, the Group and the Bank also assess whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are recognised in statement of income as gain or loss on derecognition.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(v) Credit quality

Upon the adoption of MFRS 9, the Group and the Bank assess the credit quality for amounts due from clients and brokers and loans, advances and financing by the below categories:

Credit Quality	Credit Grading		Definition
	Retail ⁽¹⁾	Non-retail ⁽²⁾	
Low	Low risk score	1 - 12 (AAA to BB)	Borrowers with good capacity to meet financial commitments.
Medium	Medium risk score	13 - 16 (BB- to B-)	Borrower which is in a fairly acceptable capacity to meet financial commitments.
High	High risk score	17 - 19 (CC+ to CC-)	Borrower which is in an uncertain capacity to meet financial commitments but have not been impaired.
Unrated	Unrated	Unrated	Borrower which is unrated.
Credit impaired	Credit impaired	Credit impaired	Defaulted, or judgmentally impaired due to lack of capacity to fulfil financial commitments.

Notes:

⁽¹⁾ Retail refers to Consumer Banking

⁽²⁾ Non-retail refers to Business Banking

Other financial assets are categorised in the following manner:

Credit Quality	Credit Grading	Definition
Investment graded	AAA to BBB-	Issuer with low risk of defaulting principal or interest payment.
Non-investment graded	Lower than BBB-	Issuer with medium or high risk of defaulting principal or interest payment.
Sovereign/Government backed	—	Issued or guaranteed by Malaysian government.
Unrated	Unrated	Issuer where rating is unavailable.
Credit impaired	Credit impaired	Defaulted.

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(v) Credit quality (cont'd)

The following table shows an analysis of the credit quality by stages and the allowance for expected credit losses of the financial assets:

GROUP 2019	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)				
Investment graded	508,730	-	-	508,730
Non-investment graded	6	-	-	6
Sovereign/Government backed	1,040,926	-	-	1,040,926
Gross carrying amount	1,549,662	-	-	1,549,662
Expected credit losses	(38)	-	-	(38)
Net carrying amount	1,549,624	-	-	1,549,624
Deposits and placements with banks and other financial institutions				
Investment graded	500	-	-	500
Gross carrying amount	500	-	-	500
Expected credit losses	-	-	-	-
Net carrying amount	500	-	-	500
Financial investments at fair value through other comprehensive income (exclude equity securities)				
Investment graded	2,708,219	62,478	-	2,770,697
Sovereign/Government backed	6,698,348	-	-	6,698,348
Credit impaired	-	-	9,409	9,409
Gross carrying amount	9,406,567	62,478	9,409	9,478,454
Expected credit losses [Note a]	(120)	(444)	(9,409)	(9,973)
Financial investments at amortised cost				
Sovereign/Government backed	121,790	-	-	121,790
Unrated	59,586	50,554	-	110,140
Credit impaired	-	-	18,565	18,565
Gross carrying amount	181,376	50,554	18,565	250,495
Expected credit losses	(42)	(540)	(14,193)	(14,775)
Net carrying amount	181,334	50,014	4,372	235,720

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(v) Credit quality (cont'd)

The following table shows an analysis of the credit quality by stages and the allowance for expected credit losses of the financial assets: (cont'd)

GROUP 2019	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Loans, advances and financing				
Low	26,899,181	650,501	-	27,549,682
Medium	7,396,792	2,855,264	-	10,252,056
High	1,836,349	1,681,048	-	3,517,397
Unrated	510,925	423,785	-	934,710
Credit impaired	-	-	476,602	476,602
Gross carrying amount	36,643,247	5,610,598	476,602	42,730,447
Expected credit losses	(72,679)	(212,519)	(217,465)	(502,663)
Net carrying amount	36,570,568	5,398,079	259,137	42,227,784
Statutory deposit				
Sovereign/Government backed	1,521,492	-	-	1,521,492
Unrated	100	-	-	100
Gross carrying amount	1,521,592	-	-	1,521,592
Expected credit losses	-	-	-	-
Net carrying amount	1,521,592	-	-	1,521,592
Credit related commitments and contingencies				
Low	9,031,633	268,268	-	9,299,901
Medium	1,583,967	923,861	-	2,507,828
High	356,419	83,720	-	440,139
Unrated	757,265	1,443	-	758,708
Credit impaired	-	-	16,460	16,460
Gross carrying amount	11,729,284	1,277,292	16,460	13,023,036
Expected credit losses	(6,833)	(16,664)	(9,107)	(32,604)

Note a: The ECL is recognised in other comprehensive income reserves instead of in the statement of financial position as the carrying amount of debt instruments at FVOCI is equivalent to fair value.

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(v) Credit quality (cont'd)

Simplified approach

GROUP 2019	Current to less than 16 days past due RM'000	16 days to 30 days past due RM'000	More than 30 days past due RM'000	Total RM'000
Amounts due from clients and brokers				
Gross carrying amount	76,941	31	875	77,847
Expected credit losses	-	-	(839)	(839)
Net carrying amount	76,941	31	36	77,008

	Current RM'000	More than 90 days past due RM'000	Total RM'000
Other assets (exclude prepayment)			
Gross carrying amount	179,100	34,385	213,485
Expected credit losses	-	(34,385)	(34,385)
Net carrying amount	179,100	-	179,100

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(v) Credit quality (cont'd)

BANK 2019	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)				
Investment graded	624,441	-	-	624,441
Non-investment graded	6	-	-	6
Sovereign/Government backed	692,476	-	-	692,476
Gross carrying amount	1,316,923	-	-	1,316,923
Expected credit losses	(38)	-	-	(38)
Net carrying amount	1,316,885	-	-	1,316,885
Financial investments at fair value through other comprehensive income (exclude equity securities)				
Investment graded	2,428,480	47,617	-	2,476,097
Sovereign/Government backed	4,376,761	-	-	4,376,761
Gross carrying amount	6,805,241	47,617	-	6,852,858
Expected credit losses [Note a]	(55)	(327)	-	(382)
Financial investments at amortised cost				
Investment graded	130,058	-	-	130,058
Sovereign/Government backed	101,446	-	-	101,446
Unrated	55,745	25,281	-	81,026
Credit impaired	-	-	1,294	1,294
Gross carrying amount	287,249	25,281	1,294	313,824
Expected credit losses	(330)	(270)	(1,294)	(1,894)
Net carrying amount	286,919	25,011	-	311,930

Note a: The ECL is recognised in other comprehensive income reserves instead of in the statement of financial position as the carrying amount of debt instruments at FVOCI is equivalent to fair value.

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(v) Credit quality (cont'd)

BANK 2019	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Loans, advances and financing				
Low	21,420,465	500,842	-	21,921,307
Medium	5,336,079	2,242,286	-	7,578,365
High	1,184,084	1,308,235	-	2,492,319
Unrated	390,699	131,403	-	522,102
Credit impaired	-	-	369,124	369,124
Gross carrying amount	28,331,327	4,182,766	369,124	32,883,217
Expected credit losses	(49,135)	(142,622)	(171,332)	(363,089)
Net carrying amount	28,282,192	4,040,144	197,792	32,520,128
Statutory deposit				
Sovereign/Government backed	1,142,008	-	-	1,142,008
Unrated	100	-	-	100
Gross carrying amount	1,142,108	-	-	1,142,108
Expected credit losses	-	-	-	-
Net carrying amount	1,142,108	-	-	1,142,108
Credit related commitments and contingencies				
Low	7,457,146	224,376	-	7,681,522
Medium	1,222,599	704,447	-	1,927,046
High	218,882	71,135	-	290,017
Unrated	497,553	1,433	-	498,986
Credit impaired	-	-	14,481	14,481
Gross carrying amount	9,396,180	1,001,391	14,481	10,412,052
Expected credit losses	(6,097)	(13,483)	(9,002)	(28,582)

Simplified Approach

BANK 2019	Current RM'000	More than 90 days past due RM'000	Total RM'000
Other assets (exclude prepayment)			
Gross carrying amount	302,221	29,604	331,825
Expected credit losses	-	(29,604)	(29,604)
Net carrying amount	302,221	-	302,221

Under MFRS 139, 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 Revised Policy Document on Financial Reporting and Financial Reporting for Islamic Banking Institutions.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(v) Credit quality (cont'd)

Distribution of loans, advances and financing by credit quality

	GROUP 2018 RM'000	BANK 2018 RM'000
Neither past due nor impaired	38,368,245	30,283,493
Past due but not impaired	1,361,609	1,016,197
Impaired	577,519	470,646
Gross loans, advances and financing	40,307,373	31,770,336
Less: Allowance for impairment losses		
- Individual assessment	(75,733)	(64,967)
- Collective assessment	(296,716)	(220,435)
Net loans, advances and financing	39,934,924	31,484,934

Loans, advances and financing that are 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 2018 RM'000	BANK 2018 RM'000
Grading classification		
- Good	37,096,620	29,271,361
- Fair	1,271,625	1,012,132
	38,368,245	30,283,493

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.

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(v) Credit quality (cont'd)

Loans, advances and financing that are past due but not impaired (cont'd)

	GROUP 2018 RM'000	BANK 2018 RM'000
Past due up to 1 month	1,105,247	836,874
Past due > 1 - 2 months	221,479	159,159
Past due > 2 - 3 months	34,883	20,164
	1,361,609	1,016,197

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 2018 RM'000	BANK 2018 RM'000
Gross impaired loans	577,519	470,646
Gross individually assessed impaired loans [Note]	209,987	154,629
Less: Allowance for impairment losses		
- Individual assessment	(75,733)	(64,967)
Net individually assessed impaired loans	134,254	89,662

Note:

Exclude individually assessed impaired loans which were fully collateralised and subsequently assessed under collective allowance for the Group and the Bank at RM128,035,000 and RM126,404,000 respectively in prior year.

Other financial assets

Other financial assets 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 exclude 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(v) Credit quality (cont'd)

Other financial assets (cont'd)

Distribution of other financial assets by credit quality are summarised as below:

GROUP 2018	Neither past due nor 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)	125,519	32,017	(32,017)	125,519
	12,979,316	61,081	(56,470)	12,983,927

BANK 2018	Neither past due nor impaired RM'000	Impaired RM'000	Allowance for impairment losses RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)	1,450,557	-	-	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)	161,956	27,578	(27,578)	161,956
	9,545,095	28,883	(28,883)	9,545,095

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(v) Credit quality (cont'd)

Other financial assets (cont'd)

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

GROUP	Cash and short-term funds	Deposits and placements with banks and other financial institutions	Financial assets held-for- trading	Financial investments available-for sale	Financial investments held-to- maturity	Derivative financial assets	Statutory deposits	Total
2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<i>By rating agencies</i>								
RAM								
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
A2	-	-	-	-	-	-	-	-
P1	-	-	40,904	14,978	-	-	-	55,882
MARC								
AA	-	-	-	151,794	-	-	-	151,794
AAA	-	-	-	354,440	-	-	-	354,440
AA-	-	-	-	100,280	-	-	-	100,280
A	-	-	-	-	-	5	-	5
FITCH								
AA	84	-	-	-	-	-	-	84
BBB+	947	-	-	-	-	-	-	947
Moody's								
AA1	-	-	-	-	-	-	-	-
AA2	-	-	-	-	-	-	-	-
AA3	-	-	-	-	-	48	-	48
A1	397	-	-	-	-	210	-	607
A3	154,649	-	-	-	-	-	-	154,649
S&P								
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
	2,503,354	77,283	63,750	8,326,333	293,612	84,455	1,408,316	12,757,103

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(v) Credit quality (cont'd)

Other financial assets (cont'd)

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

	Cash and short-term funds	Deposits and placements with banks and other financial institutions	Financial assets held-for- trading	Financial investments available-for- sale	Financial investments held-to- maturity	Derivative financial assets	Statutory deposits	Total
BANK 2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<i>By rating agencies</i>								
RAM								
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
MARC								
AA	-	-	-	45,852	-	-	-	45,852
AAA	-	-	-	307,873	-	-	-	307,873
AA-	-	-	-	80,206	-	-	-	80,206
A	-	-	-	-	-	5	-	5
FITCH								
AA	84	-	-	-	-	-	-	84
BBB+	947	-	-	-	-	-	-	947
Moody's								
AA3	-	-	-	-	-	48	-	48
A1	397	-	-	-	-	210	-	607
A3	154,649	-	-	-	-	-	-	154,649
S&P								
AA-	1,783	-	-	-	-	743	-	2,526
A	1,132	-	-	-	-	-	-	1,132
BBB+	1,530	-	-	-	-	-	-	1,530
Government 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
	1,450,557	77,283	48,771	6,284,804	344,703	84,455	1,092,566	9,383,139

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.

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Credit Risk (cont'd)

(vi) Sensitivity test

The Group and the Bank have performed expected credit losses sensitivity assessment on financial assets based on the changes in key variables as below while all other variables remain unchanged. The sensitivity factors used are assumptions based on parallel shifts in the key variables to project the impact on the expected credit losses of the Group and the Bank.

The table below outlines the effect of the changes in major key variables used on expected credit losses while other variables remain constant:

2019 GROUP	MEV Change (%)	+	-
		RM'000	RM'000
Measurement variables			
Retail			
Consumption credit	3.3	6,382	(6,313)
House price index	7.1	(4,551)	6,241
Unemployment rate	0.2	3,564	(3,588)
Non-retail			
3 months KLIBOR	0.4	16,772	(9,963)

2019 BANK	MEV Change (%)	+	-
		RM'000	RM'000
Measurement variables			
Retail			
Consumption credit	3.3	5,394	(5,353)
House price index	7.1	(3,582)	4,904
Unemployment rate	0.2	2,565	(2,582)
Non-retail			
3 months KLIBOR	0.4	13,936	(8,278)

(b) Market Risk

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

The Group has established a framework of risk policies, measurement methodologies and risk limits as approved by the Group Risk Management Committee ("GRMC") to manage market risk. Market risk arising from the trading activities is controlled via position limits, loss limits sensitivity limits and 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Market Risk (cont'd)

(i) Interest rate/profit rate risk

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

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

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

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Market Risk (cont'd)

(i) Interest rate/profit rate risk (cont'd)

GROUP 2019	Non-trading book					Non-interest/ profit sensitive			Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	RM'000	RM'000		
Assets										
Cash and short-term funds	1,208,638	-	-	-	-	-	596,096	-	-	1,804,734
Deposits and placements with banks and other financial institutions	500	-	-	-	-	-	-	-	-	500
Amounts due from clients and brokers	3,338	-	-	-	-	-	73,670	-	-	77,008
Financial assets at fair value through profit or loss	-	-	-	-	-	-	187,517	42,923	-	230,440
Financial investments at fair value through other comprehensive income	135,035	190,178	364,225	502,664	5,479,663	2,688,290	118,407	-	-	9,478,462
Financial investments at amortised cost	34,867	3,790	5,000	119,816	65,000	-	7,247	-	-	235,720
Derivative financial assets	-	-	-	-	-	-	-	55,442	-	55,442
Loans, advances and financing	35,649,421	1,557,935	701,796	1,190,989	1,899,093	1,347,128	(26,061)*	-	-	42,320,301
Other financial assets**	-	-	-	-	-	-	1,700,692	-	-	1,700,692
Total assets	37,031,799	1,751,903	1,071,021	1,813,469	7,443,756	4,035,418	2,657,568	98,365	55,903,299	

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Market Risk (cont'd)

(i) Interest rate/profit rate risk (cont'd)

GROUP	Up to					Non-trading book					Non-interest/			Total
	1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 years	Over 5 years	profit sensitive	Trading book			profit sensitive	Trading book		
2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000			RM'000	RM'000		RM'000
Liabilities														
Deposits from customers	15,031,482	5,304,178	4,449,081	8,687,077	11,152,336	-	393,478	-						45,017,632
Deposits and placements of banks and other financial institutions	274,173	22,342	17,922	67,071	474,929	-	2,271	-						858,708
Financial liabilities designated at fair value through profit or loss	5,862	10,894	25,242	30,375	574,847	126,102	5,101	-						778,423
Amounts due to clients and brokers	-	-	-	-	-	-	51,164	-				57,545		51,164
Derivative financial liabilities	-	-	-	-	-	-	-	-				-		57,545
Recourse obligations on loans and financing sold to Cagamas	-	-	-	-	800,013	-	656	-				-		800,669
Subordinated obligations	-	-	-	-	1,449,468	-	30,754	-				-		1,480,222
Other financial liabilities	77,313	36,410	695	-	382,720	54,670	1,059,226	-				-		1,611,034
Total liabilities	15,388,830	5,373,824	4,492,940	8,784,523	14,834,313	180,772	1,542,650	57,545				57,545		50,655,397
On-balance sheet interest sensitivity gap	21,642,969	(3,621,921)	(3,421,919)	(6,971,054)	(7,390,557)	3,854,646	1,114,918	40,820						5,247,902

Note:

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

** Included statutory deposit and other assets.

45. 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		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	RM'000	RM'000	RM'000	
Assets											
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**	-	-	-	-	-	-	1,533,835	-	-	-	1,533,835
Total assets	35,130,631	2,014,934	1,027,559	1,061,864	7,931,131	3,379,184	2,724,194	148,205	53,417,702		

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Market Risk (cont'd)

(i) Interest rate/profit rate risk (cont'd)

GROUP	Up to				Non-trading book				Non-interest/				Total
	1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 years	Over 5 years	profit sensitive	Trading book	RM'000	RM'000	RM'000	RM'000	
2018	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
Liabilities													
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 through profit or loss	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
Recourse obligations on loans and financing sold to Cagamas	-	-	-	300,011	800,006	-	2,346	-	-	-	-	-	1,102,363
Subordinated obligations	-	-	-	-	1,348,909	-	30,705	-	-	-	-	-	1,379,614
Other financial liabilities	32,913	-	13,835	20,419	283,264	151,400	802,410	-	-	-	-	-	1,304,241
Total liabilities	17,086,835	4,077,939	4,358,084	8,674,821	4,428,746	534,860	8,996,605	154,686	154,686	48,312,576			
On-balance sheet interest sensitivity gap	18,043,796	(2,063,005)	(3,330,525)	(7,612,957)	3,502,385	2,844,324	(6,272,411)	(6,481)					5,105,126

Note:

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

** Included statutory deposit and other assets.

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Market Risk (cont'd)

(i) Interest rate/profit rate risk (cont'd)

BANK 2019	Non-trading book										Total RM'000
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest/ profit sensitive RM'000	Trading book RM'000			
Assets											
Cash and short-term funds	1,004,644	-	-	-	-	-	567,351	-	-	1,571,995	
Financial assets at fair value through profit or loss	-	-	-	-	-	-	126,733	42,923	-	169,656	
Financial investments at fair value through other comprehensive income	25,009	175,169	309,189	488,643	4,377,370	1,403,500	73,986	-	-	6,852,866	
Financial investments at amortised cost	34,868	-	2,500	99,770	172,500	-	2,292	-	-	311,930	
Derivative financial assets	-	-	-	-	-	-	-	55,442	-	55,442	
Loans, advances and financing	27,900,278	1,184,947	523,683	1,162,718	1,159,138	686,178	6,034*	-	-	32,622,976	
Other financial assets**	-	-	-	-	-	-	1,444,329	-	-	1,444,329	
Total assets	28,964,799	1,360,116	835,372	1,751,131	5,709,008	2,089,678	2,220,725	98,365	-	43,029,194	

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Market Risk (cont'd)

(i) Interest rate/profit rate risk (cont'd)

BANK 2019	Up to			Non-trading book				Non-interest/ profit sensitive			Total
	1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 years	Over 5 years	Trading book	RM'000	RM'000	RM'000	RM'000
Liabilities											
Deposits from customers	11,467,121	4,114,342	3,408,976	6,957,497	8,801,724	-	-	233,202	-	-	34,982,862
Deposits and placements of banks and other financial institutions	3,223	15,674	8,151	45,671	270,889	-	-	1,227	-	-	344,835
Financial liabilities designated at fair value through profit or loss	5,862	10,894	25,242	30,375	574,847	126,102	-	5,101	-	-	778,423
Derivative financial liabilities	-	-	-	-	-	-	-	-	57,545	-	57,545
Recourse obligations on loans and financing sold to Cagamas	-	-	-	-	300,000	-	-	76	-	-	300,076
Subordinated obligations	-	-	-	-	1,448,826	-	-	30,754	-	-	1,479,580
Other financial liabilities	77,313	36,410	695	-	382,720	54,670	-	902,571	-	-	1,454,379
Total liabilities	11,553,519	4,177,320	3,443,064	7,033,543	11,779,006	180,772	57,545	1,172,931	40,820	39,397,700	
On-balance sheet interest sensitivity gap	17,411,280	(2,817,204)	(2,607,692)	(5,282,412)	(6,069,998)	1,908,906	-	1,047,794	-	-	3,631,494

Note:

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

** Included statutory deposit and other assets.

45. 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 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	RM'000		
Assets										
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**	-	-	-	-	-	-	1,254,522	-	-	1,254,522
Total assets	28,297,029	1,500,115	802,689	818,286	6,412,717	1,360,447	2,154,198	133,226	-	41,478,707

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

45. 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			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	Trading book RM'000		
Liabilities									
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 through profit or loss	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	-	-	-	-	1,348,378	-	30,646	-	1,379,024
Other financial liabilities	32,913	-	13,835	20,419	283,264	151,400	686,333	-	1,188,164
Total liabilities	12,757,788	3,341,148	3,372,357	6,021,413	3,391,586	534,860	8,379,578	154,686	37,953,416
On-balance sheet interest sensitivity gap	15,539,241	(1,841,033)	(2,569,668)	(5,203,127)	3,021,131	825,587	(6,225,380)	(21,460)	3,525,291

Note:

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

** Included statutory deposit and other assets.

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Market Risk (cont'd)

(ii) Foreign exchange risk

Foreign exchange risk refers to the risk that fair value or future cash flows of financial instruments will fluctuate because of the movements in the exchange rates for foreign exchange positions taken by the Group and the Bank from time to time.

Foreign currency exchange risk is managed via approved risk limits and open positions are regularly revalued against current exchange rates and reported to Management and Board.

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

GROUP/BANK 2019	US Dollars RM'000	Pound Sterling RM'000	Euro Dollars RM'000	Australian Dollars RM'000	Singapore Dollars RM'000	Others RM'000	Total RM'000
Assets							
Cash and short-term funds	290,207	908	-	1,170	2,585	9,180	304,050
Loans, advances and financing	287,023	94	26,098	-	1,204	306	314,725
Other financial assets	23,246	4	4	220	2	(7)	23,469
Total financial assets	600,476	1,006	26,102	1,390	3,791	9,479	642,244
Liabilities							
Deposits from customers	389,749	36,100	36,159	227,204	44,474	22,654	756,340
Deposits and placements of banks and other financial institutions	-	-	289	-	-	1,003	1,292
Other financial liabilities	16,336	1,649	2,039	40,830	63	2,306	63,223
Total financial liabilities	406,085	37,749	38,487	268,034	44,537	25,963	820,855
On-balance sheet open position	194,391	(36,743)	(12,385)	(266,644)	(40,746)	(16,484)	(178,611)
Off-balance sheet open position	(278,254)	34,755	10,360	252,142	18,716	28,059	65,778
Net open position	(83,863)	(1,988)	(2,025)	(14,502)	(22,030)	11,575	(112,833)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Market Risk (cont'd)

(ii) Foreign exchange risk (cont'd)

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
Assets							
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
Total financial assets	697,186	1,502	6,168	184	34,185	11,782	751,007
Liabilities							
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
Total financial liabilities	534,229	52,927	36,081	131,915	41,470	61,502	858,124
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
Net open position	(27,261)	(1,383)	(1,972)	(27,344)	(18,402)	6,544	(69,818)

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Market Risk (cont'd)

(iii) Value at risk ("VaR")

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

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

	Balance RM'000	Average for the year RM'000	Minimum RM'000	Maximum RM'000
GROUP				
2019				
FX related derivatives	(162)	(317)	(162)	(462)
Government securities	(10,364)	(8,148)	(6,705)	(10,364)
Private debt securities	(4,406)	(5,141)	(3,873)	(6,648)
BANK				
2019				
FX related derivatives	(162)	(317)	(162)	(462)
Government securities	(5,826)	(4,467)	(3,114)	(5,826)
Private debt securities	(4,406)	(4,935)	(3,873)	(6,648)
GROUP				
2018				
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)
BANK				
2018				
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)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Market Risk (cont'd)

(iv) Interest rate risk/rate of return risk in the banking book

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

	2019 GROUP		2019 BANK	
	- 100 bps	+ 100 bps	- 100 bps	+ 100 bps
	Increase/(Decrease)		Increase/(Decrease)	
	RM'000	RM'000	RM'000	RM'000
Impact on net profit after tax	(90,574)	90,574	(74,614)	74,614
Impact on equity	267,440	(237,670)	161,525	(146,837)

	2018 GROUP		2018 BANK	
	- 100 bps	+ 100 bps	- 100 bps	+ 100 bps
	Increase/(Decrease)		Increase/(Decrease)	
	RM'000	RM'000	RM'000	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)

Note:

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

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Market Risk (cont'd)

(v) Other risk measures

(i) Stress test

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

(ii) Sensitivity analysis

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

(c) Liquidity Risk

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

The Group's and the Bank's liquidity risk profile is managed using liquidity risk management strategies set in the Liquidity Risk Management Policy. Liquidity Risk Measures are monitored against approved thresholds by GALCO and GRMC. A contingency funding plan is also established by the Group and the Bank as a forward-looking measure to ensure that liquidity risk can be addressed according to the degrees of key risk indicators, and which incorporates alternative funding strategies which are ready to be implemented on a timely basis to mitigate the impact of unforeseen adverse changes in liquidity in the market place.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

45. 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 2019	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1 year RM'000	Total RM'000
Assets						
Cash and short-term funds	1,804,734	-	-	-	-	1,804,734
Deposits and placements with banks and other financial institutions	500	-	-	-	-	500
Amounts due from clients and brokers	77,008	-	-	-	-	77,008
Financial assets at FVTPL	379	-	118	-	229,943	230,440
Financial investments at FVOCI	180,003	230,448	387,975	502,664	8,177,372	9,478,462
Financial investments at amortised cost	37,164	4,549	4,994	119,816	69,197	235,720
Loans, advances and financing	8,681,232	2,125,500	883,666	136,537	30,493,366	42,320,301
Other financial and non-financial assets	192,956	19,453	5,812	2,791	2,152,674	2,373,686
Total assets	10,973,976	2,379,950	1,282,565	761,808	41,122,552	56,520,851
Liabilities						
Deposits from customers	25,836,029	5,376,065	4,509,248	8,733,406	562,884	45,017,632
Deposits and placements of banks and other financial institutions	278,226	22,342	17,922	66,661	473,557	858,708
Financial liabilities designated at fair value through profit or loss	9,446	17,970	34,361	29,644	687,002	778,423
Amounts due to clients and brokers	51,164	-	-	-	-	51,164
Recourse obligations on loans and financing sold to Cagamas	-	656	-	-	800,013	800,669
Subordinated obligations	-	-	-	-	1,480,222	1,480,222
Other financial and non-financial liabilities	941,843	13,381	17,255	6,486	822,226	1,801,191
Total liabilities	27,116,708	5,430,414	4,578,786	8,836,197	4,825,904	50,788,009
Net maturity mismatch	(16,142,732)	(3,050,464)	(3,296,221)	(8,074,389)	36,296,648	5,732,842

45. 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 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
Assets						
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	1,228	744	84,423	82,636	124,581	293,612
Loans, advances and financing	7,889,140	1,974,013	995,242	187,093	28,944,027	39,989,515
Other financial and non-financial assets	113,465	37,283	7,211	15,060	1,965,837	2,138,856
Total assets	10,950,722	2,470,287	1,606,153	904,582	38,006,524	53,938,268
Liabilities						
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 through profit or loss	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
Subordinated obligations	22,118	8,528	59	-	1,348,909	1,379,614
Other financial and non-financial liabilities	560,648	17,982	52,857	47,094	946,448	1,625,029
Total liabilities	25,657,483	4,142,710	4,486,425	8,776,812	5,415,248	48,478,678
Net maturity mismatch	(14,706,761)	(1,672,423)	(2,880,272)	(7,872,230)	32,591,276	5,459,590

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

45. 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)

BANK 2019	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1 year RM'000	Total RM'000
Assets						
Cash and short-term funds	1,571,995	-	-	-	-	1,571,995
Financial assets at FVTPL	379	-	118	-	169,159	169,656
Financial investments at FVOCI	58,511	199,629	325,205	488,643	5,780,878	6,852,866
Financial investments at amortised cost	36,891	446	2,556	99,771	172,266	311,930
Loans, advances and financing	6,492,380	1,527,109	669,257	106,285	23,827,945	32,622,976
Other financial and non-financial assets	267,702	18,497	5,812	2,791	2,661,243	2,956,045
Total assets	8,427,858	1,745,681	1,002,948	697,490	32,611,491	44,485,468
Liabilities						
Deposits from customers	20,197,348	4,169,377	3,454,002	6,994,865	167,270	34,982,862
Deposits and placements of banks and other financial institutions	3,224	15,674	9,378	45,260	271,299	344,835
Financial liabilities designated at fair value through profit or loss	9,446	17,970	34,361	29,644	687,002	778,423
Recourse obligations on loans and financing sold to Cagamas	-	76	-	-	300,000	300,076
Subordinated obligations	21,835	8,919	-	-	1,448,826	1,479,580
Other financial and non-financial liabilities	549,997	49,614	16,871	5,795	1,007,576	1,629,853
Total liabilities	20,781,850	4,261,630	3,514,612	7,075,564	3,881,973	39,515,629
Net maturity mismatch	(12,353,992)	(2,515,949)	(2,511,664)	(6,378,074)	28,729,518	4,969,839

45. 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)

BANK 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
Assets						
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	132,875	29,877	7,173	14,735	2,528,449	2,713,109
Total assets	8,120,869	1,892,371	1,243,153	661,195	30,935,251	42,852,839
Liabilities						
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 through profit or loss	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	460,982	17,012	52,630	46,640	920,310	1,497,574
Total liabilities	20,761,470	3,396,941	3,479,966	6,111,045	4,358,718	38,108,140
Net maturity mismatch	(12,640,601)	(1,504,570)	(2,236,813)	(5,449,850)	26,576,533	4,744,699

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity risk (cont'd)

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

The table below presents the cash flows payable by the Group and the Bank under financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flows of all financial liabilities.

GROUP	Up to						Total
	1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 years	Over 5 years	
2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non derivative financial liabilities							
Deposits from customers	25,875,927	5,423,059	4,602,190	8,961,760	609,354	-	45,472,290
Deposits and placements of banks and other financial institutions	274,355	26,629	17,922	71,136	484,833	-	874,875
Financial liabilities designated at fair value through profit or loss	60,769	18,154	34,495	30,568	722,841	183,570	1,050,397
Recourse obligations on loans and financing sold to Cagamas	-	8,882	5,494	21,265	878,453	-	914,094
Subordinated obligations	25,875	12,938	3,125	41,938	1,894,050	281,263	2,259,189
Other financial liabilities	1,154,277	470	995	2,078	887,849	-	2,045,669
	27,391,203	5,490,132	4,664,221	9,128,745	5,477,380	464,833	52,616,514
Items not recognised in the statements of financial position							
Financial guarantees	130,379	134,969	89,245	266,040	89,882	10,985	721,500
Credit related commitments and contingencies	9,954,752	115,655	45,497	93,651	1,826,460	265,521	12,301,536
	10,085,131	250,624	134,742	359,691	1,916,342	276,506	13,023,036
Derivatives financial liabilities							
Derivatives settled on a net basis							
Interest rate derivatives and equity option	(461)	(301)	(777)	(1,031)	(1,431)	119	(3,882)
Net outflow	(461)	(301)	(777)	(1,031)	(1,431)	119	(3,882)
Derivatives settled on a gross basis							
Outflow	(1,190,844)	(730,886)	(693,948)	(72,416)	(135,742)	-	(2,823,836)
Inflow	1,187,151	723,433	687,341	70,461	130,687	-	2,799,073
	(3,693)	(7,453)	(6,607)	(1,955)	(5,055)	-	(24,763)

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity risk (cont'd)

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

The table below presents the cash flows payable by the Group and the Bank under financial liabilities by remaining contractual maturities at the end of the reporting period. The amount disclosed in the table are the contractual undiscounted cash flows of all financial liabilities. (cont'd)

GROUP	Up to						Total
	1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 years	Over 5 years	
2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non derivative financial liabilities							
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 through profit or loss	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	449,648	656	17,534	26,255	645,717	142,202	1,282,012
	25,535,501	4,183,770	4,511,092	9,034,390	4,131,621	1,971,386	49,367,760
Items not recognised in the statements of financial position							
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
Derivatives financial liabilities							
Derivatives settled on a net basis							
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)
Derivatives settled on a gross basis							
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)

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity risk (cont'd)

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

The table below presents the cash flows payable by the Group and the Bank under financial liabilities by remaining contractual maturities at the end of the reporting period. The amount disclosed in the table are the contractual undiscounted cash flows of all financial liabilities. (cont'd)

BANK 2019	Up to						Total RM'000
	1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	
Non derivative financial liabilities							
Deposits from customers	20,208,190	4,208,228	3,527,523	7,156,724	175,420	-	35,276,085
Deposits and placements of banks and other financial institutions	3,223	18,146	8,151	48,045	275,962	-	353,527
Financial liabilities designated at fair value through profit or loss	9,604	18,154	34,495	30,568	722,841	183,570	999,232
Recourse obligations on loans and financing sold to Cagamas	-	3,388	-	10,276	337,383	-	351,047
Subordinated obligations	25,875	12,938	3,125	41,938	1,785,500	461,313	2,330,689
Other financial liabilities	544,206	36,561	226	694	990,612	-	1,572,299
	20,791,098	4,297,415	3,573,520	7,288,245	4,287,718	644,883	40,882,879
Items not recognised in the statements of financial position							
Financial guarantees	108,481	96,364	78,426	160,654	74,141	-	518,066
Credit related commitments and contingencies	8,101,228	66,521	34,918	87,485	1,363,401	240,433	9,893,986
	8,209,709	162,885	113,344	248,139	1,437,542	240,433	10,412,052
Derivatives financial liabilities							
Derivatives settled on a net basis							
Interest rate derivatives and equity option	(461)	(301)	(777)	(1,031)	(1,431)	119	(3,882)
Net outflow	(461)	(301)	(777)	(1,031)	(1,431)	119	(3,882)
Derivatives settled on a gross basis							
Outflow	(1,190,844)	(730,886)	(693,948)	(72,416)	(135,742)	-	(2,823,836)
Inflow	1,187,151	723,433	687,341	70,461	130,687	-	2,799,073
	(3,693)	(7,453)	(6,607)	(1,955)	(5,055)	-	(24,763)

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity risk (cont'd)

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

The table below presents the cash flows payable by the Group and the Bank under financial liabilities by remaining contractual maturities at the end of the reporting period. The amount disclosed in the table are the contractual undiscounted cash flows of all financial liabilities. (cont'd)

BANK 2018	Up to						Total RM'000
	1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	
Non derivative financial liabilities							
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 through profit or loss	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	389,938	656	17,534	26,255	589,350	142,202	1,165,935
	20,676,178	3,428,093	3,490,805	6,267,933	2,946,937	1,971,386	38,781,332
Items not recognised in the statements of financial position							
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
Derivatives financial liabilities							
Derivatives settled on a net basis							
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)
Derivatives settled on a gross basis							
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 2019

45. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(d) Operational and Shariah Compliance Risk

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

Group Operational Risk of Group Risk Management formulates and implements operational risk framework within the Group while the line of businesses in conjunction with the Risk 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 and the Bank in managing operational and Shariah non-compliance risks include the identification of risks and controls, monitoring of key risk indicators, reviews of policies and procedures, operational risk and Shariah non-compliance risk awareness training, and business continuity management.

The Group and the Bank apply the Basic Indicator Approach for operational risk capital charge computation.

46. CAPITAL COMMITMENTS

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Capital expenditure:				
Authorised and contracted for	46,839	56,026	45,925	55,198
Authorised but not contracted for	123,701	113,418	121,441	111,664
	170,540	169,444	167,366	166,862

47. 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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Within one year	35,708	29,719	33,765	27,933
Between one to five years	43,506	40,510	42,241	37,810
	79,214	70,229	76,006	65,743

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

48. COMMITMENTS AND CONTINGENCIES

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

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

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<u>Credit-related exposures</u>				
Direct credit substitutes [Note a]	650,663	719,148	490,085	564,446
Transaction-related contingent items [Note a]	680,097	739,535	609,843	651,896
Short-term self-liquidating trade-related contingencies	179,994	235,056	133,405	215,445
Forward assets purchase	236,985	-	211,985	-
Obligations under an on-going underwriting agreement	46,154	-	-	-
Irrevocable commitments to extend credit:				
- maturity exceeding one year	1,319,483	1,056,899	904,181	744,972
- maturity not exceeding one year	8,308,840	7,543,400	6,461,733	5,748,870
Unutilised credit card lines	1,600,820	1,750,064	1,600,820	1,750,064
	13,023,036	12,044,102	10,412,052	9,675,693
<u>Derivative financial instruments [Note b]</u>				
Foreign exchange related contracts:				
- one year or less	4,561,102	5,057,347	4,561,102	5,057,347
- over one year to three years	159,580	73,015	159,580	73,015
- over three years	10,209	17,385	10,209	17,385
Interest rate related contracts:				
- one year or less	2,034,786	1,206,130	2,034,786	1,206,130
- over one year to three years	1,779,255	1,990,360	1,779,255	1,990,360
- over three years	2,503,968	2,146,310	2,503,968	2,146,310
Equity related contracts:				
- one year or less	78,958	38,825	78,958	38,825
- over one year to three years	30,810	67,660	30,810	67,660
	11,158,668	10,597,032	11,158,668	10,597,032
	24,181,704	22,641,134	21,570,720	20,272,725

Notes:

- Included in direct credit substitutes and transaction-related contingent item are financial guarantee contracts of RM721,500,000 and RM518,066,000 (2018: RM730,771,000 and RM556,701,000) for the Group and the Bank respectively, of which the fair value at the time of issuance is RM Nil.
- 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 12.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

49. 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	
	2019	2018	2019	2018
<u>Before deducting proposed dividends</u>				
CET 1 capital ratio	13.736%	13.695%	12.061%	11.680%
Tier 1 capital ratio	14.423%	14.123%	12.940%	12.217%
Total capital ratio	18.856%	18.638%	17.841%	17.122%
<u>After deducting proposed dividends</u>				
CET 1 capital ratio	13.388%	13.393%	11.614%	11.302%
Tier 1 capital ratio	14.074%	13.821%	12.493%	11.839%
Total capital ratio	18.508%	18.337%	17.394%	16.744%

(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	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
<u>CET I Capital</u>				
Paid-up share capital	1,548,106	1,548,106	1,548,106	1,548,106
Retained profits	3,827,676	3,510,283	3,128,589	2,866,142
Regulatory reserves	178,397	186,064	160,798	160,029
FVOCI reserve/revaluation reserves	68,540	114,987	36,449	74,907
Capital reserves	100,150	100,150	95,515	95,515
	5,722,869	5,459,590	4,969,457	4,744,699
Less: Regulatory adjustment				
- Goodwill and other intangibles	(432,961)	(409,402)	(323,804)	(292,981)
- Deferred tax assets	(72,972)	(22,664)	(50,116)	(9,223)
- 55% of revaluation reserves	(37,697)	(63,243)	(20,047)	(41,199)
- Regulatory reserves	(178,397)	(186,064)	(160,798)	(160,029)
- Investment in subsidiaries, associate and joint venture	(802)	(693)	(989,102)	(989,102)
Total CET I Capital	5,000,040	4,777,524	3,425,590	3,252,165
Additional Tier 1 Capital Securities	249,792	149,293	249,445	149,316
Total Additional Tier 1 Capital	249,792	149,293	249,445	149,316
Total Tier I Capital	5,249,832	4,926,817	3,675,035	3,401,481
<u>Tier II Capital</u>				
Subordinated obligations	1,199,676	1,199,675	1,199,381	1,199,062
Expected credit losses/collective assessment allowance and regulatory reserves	414,258	375,710	322,740	296,765
Less: Regulatory adjustment				
- Investment in Tier 2 capital instruments	-	-	(130,000)	(130,000)
Total Tier II Capital	1,613,934	1,575,385	1,392,121	1,365,827
Total Capital	6,863,766	6,502,202	5,067,156	4,767,308

49. CAPITAL ADEQUACY (CONT'D)

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

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Credit risk	33,140,642	31,973,585	25,819,184	25,299,261
Market risk	274,942	110,857	274,942	110,389
Operational risk	2,984,529	2,801,473	2,307,070	2,433,159
Total RWA and capital requirements	36,400,113	34,885,915	28,401,196	27,842,809

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
2019		
<u>Before deducting proposed dividends</u>		
CET I capital ratio	11.690%	78.200%
Tier I capital ratio	12.950%	78.200%
Total capital ratio	15.762%	79.196%
<u>After deducting proposed dividends</u>		
CET I capital ratio	11.339%	78.200%
Tier I capital ratio	12.599%	78.200%
Total capital ratio	15.411%	79.196%
2018		
<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%

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

50. 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.

51. 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.

51. 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 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

51. FAIR VALUE MEASUREMENTS (CONT'D)

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

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

GROUP 2019	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
Financial assets at FVTPL				
- Money market instruments	-	41,002	-	41,002
- Unquoted securities	-	1,921	187,517	189,438
Financial investments at FVOCI				
- Money market instruments	-	5,289,295	-	5,289,295
- Quoted securities in Malaysia	8	-	-	8
- Unquoted securities	-	4,189,159	-	4,189,159
Derivative financial assets	-	55,442	-	55,442
Liabilities				
Financial liabilities designated at fair value through profit or loss	-	778,423	-	778,423
Derivative financial liabilities	-	57,545	-	57,545

GROUP 2018	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
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
Liabilities				
Financial liabilities designated at fair value through profit or loss	-	682,238	-	682,238
Derivative financial liabilities	-	154,686	-	154,686

51. FAIR VALUE MEASUREMENTS (CONT'D)

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

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

BANK 2019	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
Financial assets at FVTPL				
- Money market instruments	-	41,002	-	41,002
- Unquoted securities	-	1,921	126,733	128,654
Financial investments at FVOCI				
- Money market instruments	-	4,405,360	-	4,405,360
- Quoted securities in Malaysia	8	-	-	8
- Unquoted securities	-	2,447,498	-	2,447,498
Derivative financial assets	-	55,442	-	55,442
Liabilities				
Financial liabilities designated at fair value through profit or loss	-	778,423	-	778,423
Derivative financial liabilities	-	57,545	-	57,545

BANK 2018				
Assets				
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
Liabilities				
Financial liabilities designated at fair value through profit or loss	-	682,238	-	682,238
Derivative financial liabilities	-	154,686	-	154,686

There were no transfers between levels of the fair value hierarchy for the Group and the Bank during the financial year ended 31 March 2019 and 31 March 2018.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

51. FAIR VALUE MEASUREMENTS (CONT'D)

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

Reconciliation of movements in Level 3 financial instruments:

	GROUP		BANK	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At beginning of financial year	178,846	170,239	121,634	111,377
Disposal	-	(4,970)	-	-
Partial distribution on liquidity shares	(195)	-	(195)	-
Total gains/(losses) recognised in:				
- Other comprehensive income				
(i) Revaluation reserves	-	13,607	-	10,257
- Statement of income				
(i) Loss arising from sales of financial investments available-for-sale	-	(30)	-	-
(ii) Revaluation gain from financial assets at FVTPL	8,866	-	5,294	-
At end of financial year	187,517	178,846	126,733	121,634

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

(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.

GROUP 2019	Fair value				Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	
Financial assets					
Deposits and placements with banks and other financial institutions	-	485	-	485	500
Financial investments at amortised cost	-	200,268	-	200,268	235,720
Loans, advances and financing	-	-	42,861,780	42,861,780	42,320,301
Financial liabilities					
Deposits from customers	-	45,021,243	-	45,021,243	45,017,632
Deposits and placements of banks and other financial institutions	-	833,871	-	833,871	858,708
Recourse obligations on loans and financing sold to Cagamas	-	886,480	-	886,480	800,669
Subordinated obligations	-	1,449,360	-	1,449,360	1,480,222

51. FAIR VALUE MEASUREMENTS (CONT'D)

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

GROUP 2018	Fair value				Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	
Financial assets					
Financial investments held-to-maturity	-	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

BANK 2019	Fair value				Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	
Financial assets					
Financial investments at amortised cost	-	276,582	-	276,582	311,930
Loans, advances and financing	-	-	32,965,110	32,965,110	32,622,976
Financial liabilities					
Deposits from customers	-	34,983,732	-	34,983,732	34,982,862
Deposits and placements of banks and other financial institutions	-	342,774	-	342,774	344,835
Recourse obligations on loans and financing sold to Cagamas	-	323,433	-	323,433	300,076
Subordinated obligations	-	1,448,826	-	1,448,826	1,479,580

BANK 2018	Fair value				Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	
Financial assets					
Financial investments held-to-maturity	-	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 2019

51. FAIR VALUE MEASUREMENTS (CONT'D)

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

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

(i) Financial investments at amortised cost

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

(ii) Loans, advances and financing

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

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

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

(iv) Recourse obligations on loans and financing sold to Cagamas

The fair values of recourse obligations on loans and financing sold to Cagamas are determined based on the discounted cash flows of future instalment payments at applicable prevailing Cagamas rates as at the end of the reporting period.

(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.

52. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

- (i) all financial assets and liabilities that are reported net on the 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.

(a) Financial assets

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not set off in the statement of financial position		Net amount
	RM'000	RM'000	RM'000	Financial instruments RM'000	Cash collateral received RM'000	RM'000
GROUP 2019						
Derivative financial assets	55,442	-	55,442	(14,492)	(8,105)	32,845
Amount due from clients and brokers	144,882	(67,874)	77,008	-	-	77,008
Total	200,324	(67,874)	132,450	(14,492)	(8,105)	109,853
GROUP 2018						
Derivative financial assets	84,455	-	84,455	(6,271)	(32,751)	45,433
Amount due from clients and brokers	188,129	(86,824)	101,305	-	-	101,305
Total	272,584	(86,824)	185,760	(6,271)	(32,751)	146,738
BANK 2019						
Derivative financial assets	55,442	-	55,442	(14,492)	(8,105)	32,845
BANK 2018						
Derivative financial assets	84,455	-	84,455	(6,271)	(32,751)	45,433

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

52. 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 pledged RM'000	
GROUP 2019						
Derivative financial liabilities	57,545	-	57,545	(14,492)	(22,541)	20,512
Amount due to clients and brokers	119,038	(67,874)	51,164	-	-	51,164
Total	176,583	(67,874)	108,709	(14,492)	(22,541)	71,676
GROUP 2018						
Derivative financial liabilities	154,686	-	154,686	(6,271)	(36,901)	111,514
Amount 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
BANK 2019						
Derivative financial liabilities	57,545	-	57,545	(14,492)	(22,541)	20,512
BANK 2018						
Derivative financial liabilities	154,686	-	154,686	(6,271)	(36,901)	111,514

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.

53. 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's companies are eliminated in inter-segment eliminations.

The Group is organised into the following key operating segments:

(i) Consumer Banking

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

(ii) Business Banking

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

(iii) Financial Markets

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

(iv) Stockbroking and Corporate Advisory

Stockbroking and Corporate Advisory 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

53. SEGMENT INFORMATION (CONT'D)

Group As at 31 March 2019	Consumer			Business Banking			Financial Markets			Stockbroking and Corporate Advisory			Others			Total Operations			Inter-segment Elimination			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	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net interest income																								
- External income	465,822	335,707	215,349	14,490										399			1,031,767			(33,684)		998,083		
- Inter-segment	(127,640)	104,394	33,032	(9,786)										-			-			-		-		
Net income from Islamic banking business	338,182	440,101	248,381	4,704										399			1,031,767			(33,684)		998,083		
Other operating income	139,378	112,055	59,636	-										1,087			312,156			46,901		359,057		
	85,400	165,526	(19,017)	28,727										23,525			284,161			(19,200)		264,961		
Net income	562,960	717,682	289,000	33,431										25,011			1,628,084			(5,983)		1,622,101		
Other operating expenses	(361,087)	(259,262)	(44,116)	(38,060)										(19,374)			(721,899)			491		(721,408)		
Depreciation and amortisation	(6,312)	(32,625)	(13,150)	(1,286)										(166)			(53,539)			-		(53,539)		
Operating profit	195,561	425,795	231,734	(5,915)										5,471			852,646			(5,492)		847,154		
(Allowance for)/write-back of expected credit losses on loans, advances and financing and other financial assets	(115,018)	(16,578)	871	(125)										-			(130,850)			1		(130,849)		
Write-back of expected credit losses on financial assets	-	-	115	-										-			115			86		201		
Write-back of/(allowance for) impairment losses on non-financial assets	-	148	-	(27,337)										-			(27,189)			18,597		(8,592)		
Segment results	80,543	409,365	232,720	(33,377)										5,471			694,722			13,192		707,914		
Share of results of joint venture																						109		
Taxation																						(170,426)		
Net profit for the financial year																						537,597		
Segment assets	22,149,320	20,476,010	15,345,234	349,018										38,299			58,357,881			(2,434,544)		55,923,337		
Reconciliation of segment assets to consolidated assets:																								
Investment in joint venture																						802		
Property, plant and equipment																						70,497		
Tax recoverable and deferred tax assets																						93,254		
Intangible assets																						432,961		
Total assets																						56,520,851		

53. SEGMENT INFORMATION (CONT'D)

Group	As at 31 March 2018	Stockbroking and Corporate							Total
		Consumer Banking RM'000	Business Banking RM'000	Financial Markets RM'000	Advisory RM'000	Others RM'000	Operations RM'000	Inter-segment Elimination RM'000	
Net interest income									
- External income	416,778	329,102	190,748	13,005	2,582	952,215	(27,064)	925,151	
- Inter-segment	(88,599)	80,102	16,222	(7,725)	-	-	-	-	
Net income from Islamic banking business									
Other operating income	328,179	409,204	206,970	5,280	2,582	952,215	(27,064)	925,151	
Net income	113,858	99,461	56,929	-	-	270,248	47,997	318,245	
Other operating expenses	112,495	166,369	18,602	32,423	22,553	352,442	(23,815)	328,627	
Depreciation and amortisation	554,532	675,034	282,501	37,703	25,135	1,574,905	(2,882)	1,572,023	
Operating profit/(loss) before allowance	(305,031)	(290,864)	(51,790)	(37,404)	(68,500)	(753,589)	4,460	(749,129)	
(Allowance for)/write-back of impairment losses on loans, advances and financing and other financial assets	(25,830)	(15,205)	(2,657)	(1,194)	(6)	(44,892)	-	(44,892)	
Allowance for impairment losses on non-financial assets	223,671	368,965	228,054	(895)	(43,371)	776,424	1,578	778,002	
Segment result	(81,284)	(11,855)	36	58	(341)	(93,386)	-	(93,386)	
Share of results of joint venture	-	-	(62)	-	-	(62)	-	(62)	
Taxation	142,387	357,110	228,028	(837)	(43,712)	682,976	1,578	684,554	
Net profit for the financial year								43	
								(191,369)	
								493,228	
Segment assets	21,439,733	18,433,988	15,724,317	51,675	126,171	55,775,884	(2,341,752)	53,434,132	
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								53,938,268	

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

54. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

On 8 March 2019, the Bank issued RM100 million Additional Tier 1 Capital Securities under the RM1.0 billion Additional Tier 1 Capital Securities Programme.

The details of issuance of new debts are disclosed in Note 27.

55. SUBSEQUENT EVENTS

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

56. CHANGES IN ACCOUNTING POLICIES

(a) Adoption of MFRS 9 "Financial Instruments"

The Group and the Bank have adopted MFRS 9 retrospectively with the date of initial application of 1 April 2018.

In accordance with the transition provision provided in MFRS 9, comparative for 2018 was not restated and continue to be reported under the previous accounting policies governed under MFRS 139. The cumulative effect of initially applying MFRS 9 were recorded as an adjustment to the opening balances of the retained profits as at 1 April 2018.

(i) Classification and Measurement

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss ("FVTPL") 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.

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 the unquoted equity instruments which was previously classified as available-for-sale, is now reclassified to financial assets at FVTPL. The reclassification has resulted in an increase of RM143,184,000 and RM86,972,000 in the Group's and the Bank's opening retained profits respectively due to the transfer of related fair value gains from financial instruments available-for-sale revaluation reserves to retained profits.

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:

- (i) 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.
- (ii) 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 are at FVTPL, will remain as amortised cost as there has not been significant change in the requirements for financial liabilities under MFRS 9.

56. CHANGES IN ACCOUNTING POLICIES (CONT'D)

(a) Adoption of MFRS 9 “Financial Instruments” (cont'd)

(ii) Impairment of Financial Assets

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

As a result of the adoption of the MFRS 9 ECL model in determining the allowances for ECL, the total ECL allowances computed under MFRS 9 is higher by RM86,475,000 and RM62,658,000 for the Group and the Bank respectively, than the total allowances of impairment losses on financial assets under MFRS 139.

(b) Adoption of MFRS 15 “Revenue from Contracts with Customers”

Effective from the financial year beginning on 1 April 2018, the Group and the Bank adopt MFRS 15 “Revenue from Contracts with Customers” which 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.

The Group and the Bank have applied MFRS 15 with the date of initial application of 1 April 2018 by using the modified retrospective transition method. Under this method, the Group and the Bank apply the new policy retrospectively only to contracts that are not completed contracts at the date of initial application. Accordingly the comparative information was not restated and the cumulative effects of initial application of MFRS 15 were recognised as an adjustment to the opening retained profits as at 1 April 2018. The comparative information continued to be reported under the previous accounting policies governed under MFRS 118 and MFRS 111.

The adoption of the MFRS 15 has resulted in a decrease of RM15,500,000 in the Group's and the Bank's retained profits as at 1 April 2018.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

56. CHANGES IN ACCOUNTING POLICIES (CONT'D)

(c) Financial effect

A reconciliation of the statement of financial position of the Group and the Bank upon adoption of MFRS 9 and MFRS 15 as at 1 April 2018 are as follow:

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

GROUP	MFRS 139 measurement category	MFRS 9 measurement category	MFRS 139 carrying amount 31 March 2018 RM'000	Reclassification RM'000	Remeasurement RM'000	Expected credit losses RM'000	MFRS 9 carrying amount 1 April 2018 RM'000	MFRS 15 adjustments RM'000	Restated 1 April 2018 RM'000
ASSETS									
Cash and short-term funds	Loans and receivables	Amortised Cost	2,768,758	-	-	(501)	2,768,257	-	2,768,257
Deposits and placements with banks and other financial institutions	Loans and receivables	Amortised Cost	77,283	-	-	-	77,283	-	77,283
Amounts due from clients and brokers	Loans and receivables	Amortised Cost	101,305	-	-	-	101,305	-	101,305
Financial investments at FVTPL	NA	FVTPL	-	242,596	-	-	242,596	-	242,596
Financial investments at FVOCI	NA	FVOCI	-	8,335,752	-	-	8,335,752	-	8,335,752
Financial investments at amortised cost	NA	Amortised Cost	-	514,106	-	-	514,106	-	514,106
Financial assets held-for-trading ("HFT")	HFT	NA	63,750	(63,750)	-	-	-	-	-
Financial investments available-for-sale ("AFS")	AFS	NA	8,505,189	(8,505,189)	-	-	-	-	-
- <i>Debt instrument</i>	AFS	NA	8,326,333	(8,326,333)	-	-	-	-	-
- <i>Quoted equity instrument</i>	AFS	NA	10	(10)	-	-	-	-	-
- <i>Unquoted equity instrument</i>	AFS	NA	178,846	(178,846)	-	-	-	-	-
Financial investments held-to-maturity ("HTM")	HTM	NA	293,612	(293,612)	-	-	-	-	-
Derivative financial assets	FVTPL	FVTPL	84,455	-	-	-	84,455	-	84,455
Loans, advances and financing Other assets	Loans and receivables	Amortised Cost	39,989,515	(220,494)	(19,592)	(90,879)	39,658,550	-	39,658,550
Tax recoverable	Loans and receivables	Amortised Cost	141,949	-	-	-	141,949	-	141,949
Statutory deposits	Loans and receivables	Amortised Cost	2,004	-	-	14,963	16,967	-	16,967
Investment in joint venture	Loans and receivables	Amortised Cost	1,408,316	-	-	-	1,408,316	-	1,408,316
Property, plant and equipment			693	-	-	-	693	-	693
Deferred tax assets			69,373	-	-	-	69,373	-	69,373
Intangible assets			22,664	22,457	-	-	45,121	-	45,121
			409,402	-	-	-	409,402	-	409,402
TOTAL ASSETS			53,938,268	31,866	(19,592)	(76,417)	53,874,125	-	53,874,125

56. CHANGES IN ACCOUNTING POLICIES (CONT'D)

(c) Financial effect (cont'd)

A reconciliation of the statement of financial position of the Group and the Bank upon adoption of MFRS 9 and MFRS 15 as at 1 April 2018 are as follow: (cont'd)

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

GROUP	MFRS 139 measurement category	MFRS 9 measurement category	MFRS 139 carrying amount 31 March 2018 RM'000	Reclassification RM'000	Remeasurement RM'000	Expected credit losses RM'000	MFRS 9 carrying amount 1 April 2018 RM'000	MFRS 15 adjustments RM'000	Restated 1 April 2018 RM'000
LIABILITIES AND EQUITY									
Deposits from customers	Amortised Cost	Amortised Cost	42,740,460	-	-	-	42,740,460	-	42,740,460
Deposits and placements of banks and other financial institutions	Amortised Cost	Amortised Cost	873,871	-	-	-	873,871	-	873,871
Financial liabilities designated at fair value through profit or loss	FVTPL	FVTPL	682,238	-	-	-	682,238	-	682,238
Amounts due to clients and brokers	Amortised Cost	Amortised Cost	75,103	-	-	-	75,103	-	75,103
Derivative financial liabilities	FVTPL	FVTPL	154,686	-	-	-	154,686	-	154,686
Recourse obligations on loans and financing sold to Cagamas	Amortised Cost	Amortised Cost	1,102,363	-	-	-	1,102,363	-	1,102,363
Other liabilities	Amortised Cost	Amortised Cost	1,435,523	-	-	44,000	1,479,523	15,500	1,495,023
Provision for taxation			22,661	-	(4,702)	(17,959)	-	-	-
Provision for zakat			252	-	-	-	252	-	252
Deferred tax liabilities			11,907	(11,907)	-	-	-	-	-
Subordinated obligations	Amortised Cost	Amortised Cost	1,379,614	-	-	-	1,379,614	-	1,379,614
TOTAL LIABILITIES			48,478,678	(11,907)	(4,702)	26,041	48,488,110	15,500	48,503,610
Share capital			1,548,106	-	-	-	1,548,106	-	1,548,106
Reserves			3,911,484	43,773	(14,890)	(102,458)	3,837,909	(15,500)	3,822,409
- Regulatory reserve			186,064	-	-	(17,330)	168,734	-	168,734
- FVOCI reserve			-	15,576	-	1,347	16,923	-	16,923
- Revaluation reserve			114,987	(114,987)	-	-	-	-	-
- Retained profits			3,510,283	143,184	(14,890)	(86,475)	3,552,102	(15,500)	3,536,602
- Capital reserve			100,150	-	-	-	100,150	-	100,150
TOTAL EQUITY			5,459,590	43,773	(14,890)	(102,458)	5,386,015	(15,500)	5,370,515
TOTAL LIABILITIES AND EQUITY			53,938,268	31,866	(19,592)	(76,417)	53,874,125	-	53,874,125

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

56. CHANGES IN ACCOUNTING POLICIES (CONT'D)

(c) Financial effect (cont'd)

A reconciliation of the statement of financial position of the Group and the Bank upon adoption of MFRS 9 and MFRS 15 as at 1 April 2018 are as follow: (cont'd)

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

BANK	MFRS 139 measurement category	MFRS 9 measurement category	MFRS 139 carrying amount 31 March 2018 RM'000	Reclassification RM'000	Remeasurement RM'000	Expected credit losses RM'000	MFRS 9 carrying amount 1 April 2018 RM'000	MFRS 15 adjustments RM'000	Restated 1 April 2018 RM'000
ASSETS									
Cash and short-term funds	Loans and receivables	Amortised Cost	1,715,961	-	-	(501)	1,715,460	-	1,715,460
Deposits and placements with banks and other financial institutions	Loans and receivables	Amortised Cost	77,283	-	-	-	77,283	-	77,283
Financial investments at FVTPL	NA	FVTPL	-	170,405	-	-	170,405	-	170,405
Financial investments at FVOCI	NA	FVOCI	-	6,284,814	-	-	6,284,814	-	6,284,814
Financial investments at amortised cost	NA	Amortised Cost	-	525,035	-	(425)	524,610	-	524,610
Financial assets held-for-trading	HFT	NA	48,771	(48,771)	-	-	-	-	-
Financial investments available-for-sale	AFS	NA	6,406,448	(6,406,448)	-	-	-	-	-
- <i>Debt instrument</i>	AFS	NA	6,284,804	(6,284,804)	-	-	-	-	-
- <i>Quoted equity instrument</i>	AFS	NA	10	(10)	-	-	-	-	-
- <i>Unquoted equity instrument</i>	AFS	NA	121,634	(121,634)	-	-	-	-	-
Financial investments held-to-maturity	HTM	NA	344,703	(344,703)	-	-	-	-	-
Derivative financial assets	FVTPL	FVTPL	84,455	-	-	-	84,455	-	84,455
Loans, advances and financing	Loans and receivables	Amortised Cost	31,546,564	(180,332)	6,557	(52,797)	31,319,992	-	31,319,992
Other assets	Loans and receivables	Amortised Cost	176,948	-	-	-	176,948	-	176,948
Statutory deposits	Loans and receivables	Amortised Cost	1,092,566	-	-	-	1,092,566	-	1,092,566
Investment in joint venture	Loans and receivables	Amortised Cost	989,102	-	-	-	989,102	-	989,102
Property, plant and equipment			67,834	-	-	-	67,834	-	67,834
Deferred tax assets			9,223	20,873	-	-	30,096	-	30,096
Intangible assets			292,981	-	-	-	292,981	-	292,981
TOTAL ASSETS			42,852,839	20,873	6,557	(53,723)	42,826,546	-	42,826,546

56. CHANGES IN ACCOUNTING POLICIES (CONT'D)

(c) Financial effect (cont'd)

A reconciliation of the statement of financial position of the Group and the Bank upon adoption of MFRS 9 and MFRS 15 as at 1 April 2018 are as follow: (cont'd)

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

BANK	MFRS 139 measurement category	MFRS 9 measurement category	MFRS 139 carrying amount 31 March 2018 RM'000	Reclassification RM'000	Remeasurement RM'000	Expected credit losses 1 April 2018 RM'000	MFRS 9 carrying amount 1 April 2018 RM'000	MFRS 15 adjustments RM'000	Restated 1 April 2018 RM'000
LIABILITIES AND EQUITY									
Deposits from customers	Amortised Cost	Amortised Cost	33,508,370	-	-	-	33,508,370	-	33,508,370
Deposits and placements of banks and other financial institutions	Amortised Cost	Amortised Cost	439,238	-	-	-	439,238	-	439,238
Financial liabilities designated at fair value through profit or loss	FVTPL	FVTPL	682,238	-	-	-	682,238	-	682,238
Derivative financial liabilities	FVTPL	FVTPL	154,686	-	-	-	154,686	-	154,686
Recourse obligations on loans and financing sold to Cagamas	Amortised Cost	Amortised Cost	601,696	-	-	-	601,696	-	601,696
Other liabilities	Amortised Cost	Amortised Cost	1,319,698	-	-	27,290	1,346,988	15,500	1,362,488
Provision for taxation			23,190	-	1,574	(19,688)	5,076	-	5,076
Subordinated obligations	Amortised Cost	Amortised Cost	1,379,024	-	-	-	1,379,024	-	1,379,024
TOTAL LIABILITIES			38,108,140	-	1,574	7,602	38,117,316	15,500	38,132,816
Share capital			1,548,106	-	-	-	1,548,106	-	1,548,106
Reserves			3,196,593	20,873	4,983	(61,325)	3,161,124	(15,500)	3,145,624
- Regulatory reserve			160,029	-	-	327	160,356	-	160,356
- FVOCI reserve			-	8,808	-	1,006	9,814	-	9,814
- Revaluation reserve			74,907	(74,907)	-	-	-	-	-
- Retained profits			2,866,142	86,972	4,983	(62,658)	2,895,439	(15,500)	2,879,939
- Capital reserve			95,515	-	-	-	95,515	-	95,515
TOTAL EQUITY			4,744,699	20,873	4,983	(61,325)	4,709,230	(15,500)	4,693,730
TOTAL LIABILITIES AND EQUITY			42,852,839	20,873	6,557	(53,723)	42,826,546	-	42,826,546

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

56. CHANGES IN ACCOUNTING POLICIES (CONT'D)

(c) Financial effect (cont'd)

The following table reconciles the prior year's allowance for impairment losses measured in accordance with MFRS 139 incurred loss model to the new expected credit losses measured in accordance with MFRS 9 as at 1 April 2018:

GROUP	MFRS 139 carrying amount 31 March 2018	Reclassification	Remeasurement	MFRS 9 carrying amount 1 April 2018
	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	-	-	501	501
Amounts due from clients and brokers	840	-	-	840
Financial investments at amortised cost	-	14,193	-	14,193
Financial investments available-for-sale	9,409	(9,409)	-	-
Financial investments held-to-maturity	14,193	(14,193)	-	-
Loans, advances and financing	372,449	-	90,879	463,328
Other assets	32,017	-	-	32,017
Other liabilities	-	-	44,000	44,000
FVOCI reserve	-	9,409	1,347	10,756
	428,908	-	136,727	565,635

BANK	MFRS 139 carrying amount 31 March 2018	Reclassification	Remeasurement	MFRS 9 carrying amount 1 April 2018
	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	-	-	501	501
Financial investments at amortised cost	-	1,294	425	1,719
Financial investments held-to-maturity	1,294	(1,294)	-	-
Loans, advances and financing	285,402	-	52,797	338,199
Other assets	27,578	-	-	27,578
Other liabilities	-	-	27,290	27,290
FVOCI reserve	-	-	1,006	1,006
	314,274	-	82,019	396,293

56. CHANGES IN ACCOUNTING POLICIES (CONT'D)

(c) Financial effect (cont'd)

The following table reconciles the Statement of Changes in Equity as at 31 March 2018 and 1 April 2018 arising from the adoption of MFRS 9 and MFRS 15:

	GROUP RM'000	BANK RM'000
Regulatory reserve		
Closing balance under MFRS 139 as at 31 March 2018	186,064	160,029
- Transfer (to)/from retained profits	(17,330)	327
Opening balance under MFRS 9 as at 1 April 2018	168,734	160,356
FVOCI reserve		
Closing balance under MFRS 139 as at 31 March 2018	-	-
- Transfer from revaluation reserve	114,987	74,907
- Effects of reclassification from financial investments available-for-sale to financial assets at fair value through profit and loss	(108,820)	(66,099)
- Recognition of expected credit losses under MFRS 9	10,756	1,006
Opening balance under MFRS 9 as at 1 April 2018	16,923	9,814
Revaluation reserve		
Closing balance under MFRS 139 as at 31 March 2018	114,987	74,907
- Transfer to FVOCI reserve	(114,987)	(74,907)
Opening balance under MFRS 9 as at 1 April 2018	-	-
Retained profits		
Closing balance under MFRS 139 as at 31 March 2018	3,510,283	2,866,142
- Effects of reclassification from financial investments available-for-sale to financial assets at fair value through profit and loss	108,820	66,099
- Tax effects arising from reclassification from financial investments available-for-sale to financial assets at fair value through profit and loss	34,364	20,873
- Remeasurement of financial assets	(19,592)	6,557
- Tax effects arising from remeasurement of financial assets	4,702	(1,574)
- Recognition of expected credit losses under MFRS 9	(136,727)	(82,019)
- Tax effects arising from recognition of expected credit losses under MFRS 9	32,922	19,688
- Transfer from/(to) regulatory reserve	17,330	(327)
Opening balance under MFRS 9 as at 1 April 2018	3,552,102	2,895,439
- Effects of adoption of MFRS 15	(15,500)	(15,500)
Opening balance under MFRS 9 and MFRS 15 as at 1 April 2018	3,536,602	2,879,939

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2019

57. COMPARATIVES

- (a) Interest income and interest expense on financial instruments that are measured at fair value through profit and loss are reclassified to investment income in accordance to amendment to MFRS 101, where interest income on items that are not measured at amortised cost or fair value through other comprehensive income will no longer be able to be included in interest revenue.

The financial effects to the statements of Income for the financial year ended 31 March 2018 are as follows:

	As previously stated RM'000	Reclassification RM'000	As restated RM'000
GROUP			
Interest income	1,921,697	(23,819)	1,897,878
Interest expense	(1,029,186)	56,459	(972,727)
Other operating income:	361,267	(32,640)	328,627
- <i>Investment income</i>	126,757	(32,640)	94,117

BANK

Interest income	1,898,299	(23,262)	1,875,037
Interest expense	(998,364)	56,459	(941,905)
Other operating income:	361,707	(33,197)	328,510
- <i>Investment income</i>	159,630	(33,197)	126,433

- (b) The following figures have been reclassified to conform with the presentation of the current financial year:

	As previously stated RM'000	Reclassification RM'000	As restated RM'000
GROUP			
Other assets	105,728	36,221	141,949
- <i>Other receivables</i>	32,173	36,221	68,394
Other liabilities	(1,399,302)	(36,221)	(1,435,523)
- <i>Other payables</i>	(254,276)	(37,950)	(292,226)
- <i>Clearing account</i>	(201,208)	1,739	(199,469)
- <i>Provision and accrual</i>	(131,272)	(10)	(131,282)

BANK

Other assets	140,727	36,221	176,948
- <i>Other receivables</i>	18,281	36,221	54,502
Other liabilities	(1,283,477)	(36,221)	(1,319,698)
- <i>Other payables</i>	(205,527)	(37,950)	(243,477)
- <i>Clearing account</i>	(161,741)	1,739	(160,002)
- <i>Provision and accrual</i>	(131,524)	(10)	(131,534)



**ALLIANCE BANK
MALAYSIA BERHAD** (88103-W)

BASEL II PILLAR 3 REPORT DISCLOSURE

CONTENTS

286	Overview
287	Scope of Application
287	Capital
2.1	Capital Adequacy Ratios
2.2	Capital Structure
2.3	Risk-Weighted Assets and Capital Requirements
294	Credit Risk
3.1	Distribution of Credit Exposures
3.2	Past Due Loans, Advances and Financing Analysis
3.3	Impaired Loans, Advances and Financing Analysis
3.4	Assignment of Risk-Weights for Portfolios Under the Standardised Approach
3.5	Credit Risk Mitigation
3.6	Off-Balance Sheet Exposures and Counterparty Credit Risk
333	Market Risk
335	Operational Risk
336	Equity Exposures in Banking Book
337	Interest Rate Risk/Rate of Return Risk in the Banking Book
339	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 2019

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 three 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 the 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 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 against unexpected losses and remain solvent.

In summary, the capital management process involves the following:

- (i) Monitoring of regulatory capital and ensuring that the minimum regulatory requirements and approved internal ratios are adhered to;
- (ii) Estimation of capital requirements based on ongoing forecasting and budgeting process; and
- (iii) Regular reporting of regulatory and internal capital ratios to senior management and the Board.

In addition, the Group's capital adequacy under extreme but plausible stress scenarios are periodically assessed via a Group-wide stress test exercise. The results of the stress tests are reported to senior management, to provide them with an assessment of the financial impact of such events on the Group's earnings and capital.

The Group's Pillar 3 Disclosure is governed by the Bank's Pillar 3 Disclosure. This policy outlines the minimum disclosure standards, approach for determining the appropriateness of information disclosed and the internal controls over the disclosure process.

1.0 SCOPE OF APPLICATION

The Pillar 3 Disclosure was prepared on a consolidated basis comprises information on Alliance Bank Malaysia Berhad (“the Bank”), its subsidiaries, associate companies and joint venture. The Group offers Conventional and Islamic banking services. The latter includes accepting deposits and providing financing under Shariah principles via the Bank’s wholly-owned subsidiary, Alliance Islamic Bank Berhad.

The basis of consolidation for the use of regulatory capital purposes is similar to that for financial accounting purposes. Investments in subsidiaries, associate companies and joint venture are deducted from regulatory capital.

There were no significant restrictions or other major impediments on transfer of funds or regulatory capital within the Group.

There were no capital deficiencies in any of the subsidiaries of the Group as at the financial year end.

The capital adequacy information was computed in accordance with BNM’s Capital Adequacy Framework. The Group has adopted the Standardised Approach for credit risk and market risk; and the Basic Indicator Approach for operational risk.

2.0 CAPITAL

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

- (i) To maintain sufficient capital to meet the regulatory capital requirements as set forth by BNM;
- (ii) To maintain sufficient capital to support the Group’s risk appetite and facilitate future business growth; and
- (iii) To meet the expectations of key stakeholders, including shareholders, investors, regulators and rating agencies.

In line with this, the Group aims to maintain capital adequacy ratios that are above the regulatory requirements, while balancing shareholders’ desire for sustainable returns and prudential standards.

The Group carries out stress testing to estimate the potential impact of extreme but plausible events on the Group’s earnings, balance sheet and capital. The results of the stress tests are to facilitate the formulation of contingency plan(s) where warranted. The results of the stress tests are tabled to the Group Risk Management Committee for approval.

BASEL II PILLAR 3 REPORT DISCLOSURE (Cont'd)

for the financial year ended 31 March 2019

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	
	2019	2018	2019	2018
<u>Before deducting proposed dividends</u>				
CET I Capital Ratio	12.061%	11.680%	13.736%	13.695%
Tier I Capital Ratio	12.940%	12.217%	14.423%	14.123%
Total Capital Ratio	17.841%	17.122%	18.856%	18.638%
<u>After deducting proposed dividends</u>				
CET I Capital Ratio	11.614%	11.302%	13.388%	13.393%
Tier I Capital Ratio	12.493%	11.839%	14.074%	13.821%
Total Capital Ratio	17.394%	16.744%	18.508%	18.337%

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

	Alliance Islamic Bank Berhad	Alliance Investment Bank Berhad
2019		
<u>Before deducting proposed dividends</u>		
CET I Capital Ratio	11.690%	78.200%
Tier I Capital Ratio	12.950%	78.200%
Total Capital Ratio	15.762%	79.196%
<u>After deducting proposed dividends</u>		
CET I Capital Ratio	11.339%	78.200%
Tier I Capital Ratio	12.599%	78.200%
Total Capital Ratio	15.411%	79.196%
2018		
<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%

The Group's and the Bank's capital ratios comply with the prescribed capital adequacy ratios under BNM's Capital Adequacy Framework.

2.0 CAPITAL (CONT'D)

2.2 Capital Structure

The following tables present the components of Common Equity Tier I ("CET I"), Tier I and Tier II capital.

	BANK		GROUP	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CET I Capital				
Paid-up share capital	1,548,106	1,548,106	1,548,106	1,548,106
Retained profits	3,128,589	2,866,142	3,827,676	3,510,283
Regulatory reserves	160,798	160,029	178,397	186,064
Revaluation reserves	36,449	74,907	68,540	114,987
Capital reserves	95,515	95,515	100,150	100,150
	4,969,457	4,744,699	5,722,869	5,459,590
Less: Regulatory adjustment				
- Goodwill and other intangibles	(323,804)	(292,981)	(432,961)	(409,402)
- Deferred tax assets	(50,116)	(9,223)	(72,972)	(22,664)
- 55% of revaluation reserves	(20,047)	(41,199)	(37,697)	(63,243)
- Regulatory reserves	(160,798)	(160,029)	(178,397)	(186,064)
- Investment in subsidiaries, associate and joint venture	(989,102)	(989,102)	(802)	(693)
Total CET I Capital	3,425,590	3,252,165	5,000,040	4,777,524
Additional Tier 1 Capital Securities ¹	249,445	149,316	249,792	149,293
Total Tier I Capital	3,675,035	3,401,481	5,249,832	4,926,817
Tier II Capital				
Subordinated obligations	1,199,381	1,199,062	1,199,676	1,199,675
Expected credit loss*/collective assessment allowance and regulatory reserves	322,740	296,765	414,258	375,710
Less: Regulatory adjustment				
- Investment in Tier 2 capital instruments	(130,000)	(130,000)	-	-
Total Tier II Capital	1,392,121	1,365,827	1,613,934	1,575,385
Total Capital	5,067,156	4,767,308	6,863,766	6,502,202

* Expected credit loss for Stage 1 and Stage 2 only.

Note:

¹ On 8 March 2019, the Bank issued RM100.0 million Additional Tier 1 Capital Securities in nominal value under Additional Tier 1 Capital Securities Programme up to RM1.0 billion.

BASEL II PILLAR 3 REPORT DISCLOSURE (Cont'd)

for the financial year ended 31 March 2019

2.0 CAPITAL (CONT'D)

2.3 Risk-Weighted Assets ("RWA") and Capital Requirements

Regulatory Capital Requirements

The following tables present the minimum regulatory capital requirements of the Bank and the Group:

BANK 2019 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		5,596,654	5,596,654	-	-
Public sector entities		69,280	69,280	13,856	1,108
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks		1,715,604	1,715,604	568,061	45,445
Insurance companies, securities firms and fund managers		28,494	28,494	28,494	2,280
Corporates		14,760,638	13,523,216	11,591,934	927,355
Regulatory retail		7,519,108	6,845,343	5,286,525	422,922
Residential mortgages		12,335,936	12,326,574	5,320,900	425,672
Higher risk assets		9,472	9,466	14,200	1,136
Other assets		616,262	616,262	361,152	28,892
Equity exposures		126,741	126,741	126,743	10,139
Defaulted exposures		200,941	199,593	209,263	16,741
Total on-balance sheet exposures		42,979,130	41,057,227	23,521,128	1,881,690
Off-balance sheet exposures:					
Credit-related off-balance sheet exposures		3,091,073	2,647,418	2,187,138	174,971
Derivative financial instruments		239,854	239,854	109,148	8,732
Defaulted exposures		1,360	860	1,770	142
Total off-balance sheet exposures		3,332,287	2,888,132	2,298,056	183,845
Total on and off-balance sheet exposures		46,311,417	43,945,359	25,819,184	2,065,535
(ii) Market Risk (Note 4.0)					
		Long Position	Short Position		
Interest rate risk				149,542	11,963
Foreign currency risk		5,598,049	(5,562,082)	124,410	9,953
		11,575	(124,410)		
Option risk		5,609,624	(5,686,492)	990	79
Total				274,942	21,995
(iii) Operational Risk		-	-	2,307,070	184,566
Total		46,311,417	43,945,359	28,401,196	2,272,096

2.0 CAPITAL (CONT'D)

2.3 RWA and Capital Requirements (cont'd)

Regulatory Capital Requirements (cont'd)

The following tables present the minimum regulatory capital requirements of the Bank and the Group (cont'd):

GROUP 2019 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	8,186,546	8,186,546	-	-
Public sector entities	196,261	196,261	39,253	3,140
Banks, DFIs and Multilateral Development Banks	829,576	829,576	164,010	13,121
Insurance companies, securities firms and fund managers	35,557	35,557	35,556	2,844
Corporates	19,580,592	17,950,144	14,854,259	1,188,340
Regulatory retail	9,999,499	9,245,382	7,256,654	580,532
Residential mortgages	16,073,138	16,062,759	6,981,541	558,523
Higher risk assets	11,086	11,080	16,621	1,330
Other assets	694,371	694,371	438,729	35,098
Equity exposures	187,525	187,525	187,525	15,002
Defaulted exposures	262,387	259,915	271,190	21,695
Total on-balance sheet exposures	56,056,537	53,659,116	30,245,338	2,419,627
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	3,920,784	3,400,266	2,783,856	222,708
Derivative financial instruments	239,854	239,854	109,148	8,732
Defaulted exposures	1,718	1,218	2,300	184
Total off-balance sheet exposures	4,162,356	3,641,339	2,895,304	231,624
Total on and off-balance sheet exposures	60,218,893	57,300,455	33,140,642	2,651,251
(ii) <u>Market Risk (Note 4.0)</u>				
	Long Position	Short Position		
Interest rate risk			149,542	11,963
Foreign currency risk	5,598,049	(5,562,082)	124,410	9,953
	11,575	(124,410)		
Option risk	5,609,624	(5,686,492)	990	79
Total			274,942	21,995
(iii) <u>Operational Risk</u>	-	-	2,984,529	238,762
Total	60,218,893	57,300,455	36,400,113	2,912,008

BASEL II PILLAR 3 REPORT DISCLOSURE (Cont'd)

for the financial year ended 31 March 2019

2.0 CAPITAL (CONT'D)

2.3 RWA and Capital Requirements (cont'd)

Regulatory Capital Requirements (cont'd)

The following tables present the minimum regulatory capital requirements of the Bank and the Group (cont'd):

BANK 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	4,800,900	4,800,900	-	-
Public sector entities	59,446	59,446	11,889	951
Banks, 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) <u>Market Risk (Note 4.0)</u>				
Interest rate risk	Long Position	Short Position	15,289	1,223
	76,686	(70,016)		
Foreign currency risk	7,016	(94,542)	94,541	7,563
	83,702	(164,558)		
Option risk			559	45
Total			110,389	8,831
(iii) <u>Operational Risk</u>				
	-	-	2,433,159	194,653
Total	44,389,191	42,150,519	27,842,809	2,227,425

2.0 CAPITAL (CONT'D)

2.3 RWA and Capital Requirements (cont'd)

Regulatory Capital Requirements (cont'd)

The following tables present the minimum regulatory capital requirements of the 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			15,757	1,261
Foreign currency risk	91,664	(70,016)	94,541	7,563
	7,016	(94,542)		
Option risk			559	45
Total	98,680	(164,558)	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

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.

BASEL II PILLAR 3 REPORT DISCLOSURE (Cont'd)

for the financial year ended 31 March 2019

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 or issues on portfolio are identified through our Early Warning Framework and thematic reviews, where applicable. Recovery of impaired loans are carried out internally or through authorised agents.

The Portfolio Review Committees for the respective lines of business, assisted by embedded risk units, helps to manage the portfolio quality. Portfolio risk reports are reviewed and action plans are formulated to manage identified risks.

Entity level Risk Dashboards are escalated to the Executive Risk Management Committee (Senior Management Level), Group Risk Management Committee (Board Level) and the Board for deliberation and strategic direction.

Group Risk Management is responsible for assessing the adequacy and effectiveness of the risk management framework, policies and guidelines. Embedded risk units are responsible for monitoring business activities and ensuring that they are carried out within the approved policies and business models.

Stress testing is used to identify potential vulnerable risk areas of the Bank's portfolios to stress events and assess the impact to earnings and capital. Stress tests are performed using a variety of market and economic assumptions to assess possible vulnerability and formulate effective mitigation actions when required. Sensitivity analysis are conducted to assess potential effect of individual risk factors.

Group Internal Audit reviews the Bank's credit processes regularly and recommends corrective measures or enhancements. These reviews provide senior management with assurance that the policies, processes and guidelines are adhered to.

Impaired Loans and Provisions

Past due accounts are loan accounts with any payment of principal and/or interest due and not paid, but are not classified as impaired. Loans are classified as impaired if the mandatory impairment thresholds are exceeded or judgmentally impaired when there are reasonable grounds to believe that the borrower may not be able to repay the entire loan amount.

Provisions for expected credit losses are carried out based on the MFRS 9 approach, loans with defined risk characteristics are transferred to Stage 2 and provisions are estimated based on potential losses for the remaining lifetime of the exposures. Impaired loans are classified as Stage 3 under MFRS 9. Loans that are not classified as Stage 2 or 3 will remain in Stage 1 where provisions will be estimated based on probability of default over the next 12 months.

Please refer to Note 2(k)(i) of the audited financial statements for accounting policies on impairment of financial assets.

3.0 CREDIT RISK (CONT'D)

3.1 Distribution of Credit Exposures

(a) Geographical Distribution

The following tables represent the Bank's and the Group's major types of gross credit exposure by geographical distribution. Exposures are allocated to the region in which the branch is located and are disclosed before taking into account of any collateral held or other credit enhancements and after allowance for impairment, where appropriate.

BANK 2019	Geographical region						Total RM'000
	Northern RM'000	Central RM'000	Southern RM'000	Sabah RM'000	Sarawak RM'000	Outside Malaysia RM'000	
Cash and short-term funds	-	1,292,132	-	-	-	24,753	1,316,885
Financial assets at fair value through profit or loss	-	42,923	-	-	-	-	42,923
Financial investments at fair value through other comprehensive income	-	6,852,858	-	-	-	-	6,852,858
Financial investments at amortised cost	-	311,930	-	-	-	-	311,930
Derivative financial assets	-	55,442	-	-	-	-	55,442
Loans, advances and financing	2,206,689	23,649,545	3,966,339	2,166,621	722,691	-	32,711,885
Statutory deposits	-	1,142,108	-	-	-	-	1,142,108
Total on-balance sheet	2,206,689	33,346,938	3,966,339	2,166,621	722,691	24,753	42,434,030
Financial guarantees	71,471	354,069	42,526	38,622	11,378	-	518,066
Credit-related commitments and contingencies	853,568	7,096,695	1,013,416	624,008	306,300	-	9,893,986
Total off-balance sheet	925,039	7,450,763	1,055,942	662,630	317,677	-	10,412,052
Total credit exposure	3,131,728	40,797,701	5,022,281	2,829,251	1,040,368	24,753	52,846,082

BASEL II PILLAR 3 REPORT DISCLOSURE (Cont'd)

for the financial year ended 31 March 2019

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 branch is located and are disclosed before taking into account of any collateral held or other credit enhancements and after allowance for impairment, where appropriate (cont'd):

GROUP 2019	Geographical region						Total RM'000
	Northern RM'000	Central RM'000	Southern RM'000	Sabah RM'000	Sarawak RM'000	Outside Malaysia RM'000	
Cash and short-term funds	-	1,524,871	-	-	-	24,753	1,549,624
Deposits and placements with banks and other financial institutions	-	500	-	-	-	-	500
Amounts due from clients and brokers	11,527	55,322	10,159	-	-	-	77,008
Financial assets at fair value through profit or loss	-	42,923	-	-	-	-	42,923
Financial investments at fair value through other comprehensive income	-	9,478,454	-	-	-	-	9,478,454
Financial investments at amortised cost	-	235,720	-	-	-	-	235,720
Derivative financial assets	-	55,442	-	-	-	-	55,442
Loans, advances and financing	3,071,510	30,376,554	5,240,640	2,859,102	965,175	-	42,512,982
Statutory deposits	-	1,521,592	-	-	-	-	1,521,592
Total on-balance sheet	3,083,037	43,291,377	5,250,800	2,859,102	965,175	24,753	55,474,245
Financial guarantees	80,179	519,451	57,431	52,646	11,793	-	721,500
Credit-related commitments and contingencies	1,203,797	8,500,343	1,349,365	788,017	460,014	-	12,301,536
Total off-balance sheet	1,283,976	9,019,794	1,406,796	840,663	471,807	-	13,023,036
Total credit exposure	4,367,013	52,311,172	6,657,596	3,699,765	1,436,982	24,753	68,497,280

Note:

The classification of financial instruments under MFRS9 was adopted with effect from 1 April 2018. Please refer to Note 56 of the financial statement.

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 branch is located and are disclosed before taking into account of any collateral held or other credit enhancements and after allowance for impairment, where appropriate (cont'd):

BANK 2018	Geographical region						Total RM'000
	Northern RM'000	Central RM'000	Southern RM'000	Sabah RM'000	Sarawak RM'000	Outside Malaysia RM'000	
Cash and short-term funds	-	1,428,981	-	-	-	21,576	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-to-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	-	1,092,566	-	-	-	-	1,092,566
Total on-balance sheet	2,122,103	32,425,918	3,794,976	1,985,937	654,300	21,576	41,004,811
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
Total off-balance sheet	884,204	6,967,745	872,115	664,019	287,610	-	9,675,693
Total credit exposure	3,006,307	39,393,663	4,667,091	2,649,956	941,910	21,576	50,680,504

BASEL II PILLAR 3 REPORT DISCLOSURE (Cont'd)

for the financial year ended 31 March 2019

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 branch is located and are disclosed before taking into account of any collateral held or other credit enhancements and after allowance for impairment, where appropriate (cont'd):

GROUP 2018	Geographical region						Total RM'000
	Northern RM'000	Central RM'000	Southern RM'000	Sabah RM'000	Sarawak RM'000	Outside Malaysia RM'000	
Cash and short-term funds	-	2,481,778	-	-	-	21,576	2,503,354
Deposits and placements with banks and other financial institutions	-	77,283	-	-	-	-	77,283
Amounts 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-to-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	-	1,408,316	-	-	-	-	1,408,316
Total on-balance sheet	2,829,916	41,649,153	4,922,490	2,598,098	961,745	21,576	52,982,979
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
Total off-balance sheet	1,181,666	8,325,819	1,128,335	1,083,657	324,625	-	12,044,102
Total credit exposure	4,011,582	49,974,972	6,050,825	3,681,756	1,286,370	21,576	65,027,081

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	Government & Central Bank	Financial, Insurance, Business Services & Real Estate	Transport, Storage & Communication	Agriculture, Manufacturing, Wholesale & Retail Trade	Construction	Household	Others	Total
2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	692,477	624,408	-	-	-	-	-	1,316,885
Financial assets at fair value through profit or loss	41,002	1,909	7	4	1	-	-	42,923
Financial investments at fair value through other comprehensive income	3,705,868	2,098,405	743,892	173,009	131,684	-	-	6,852,858
Financial investments at amortised cost	101,446	164,961	-	25,011	-	-	20,512	311,930
Derivative financial assets	-	35,438	-	-	-	-	20,004	55,442
Loans, advances and financing	-	3,480,049	517,512	10,066,243	1,203,030	17,147,433	297,618	32,711,885
Statutory deposits	1,142,108	-	-	-	-	-	-	1,142,108
Total on-balance sheet	5,682,900	6,405,171	1,261,411	10,264,267	1,334,715	17,147,433	338,134	42,434,030
Financial guarantees	-	77,195	27,895	383,755	15,081	4,544	9,596	518,066
Credit-related commitments and contingencies	141,985	1,285,169	120,734	4,014,944	1,448,995	2,536,013	346,146	9,893,986
Total off-balance sheet	141,985	1,362,364	148,629	4,398,699	1,464,076	2,540,557	355,742	10,412,052
Total credit risk	5,824,885	7,767,534	1,410,040	14,662,966	2,798,791	19,687,990	693,875	52,846,082

BASEL II PILLAR 3 REPORT DISCLOSURE (Cont'd)

for the financial year ended 31 March 2019

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 2019	Government & Central Bank RM'000	Financial, Insurance, Business Services & Real Estate RM'000	Transport, Storage & Communication RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds	1,040,926	508,698	-	-	-	-	-	1,549,624
Deposits and placements with banks and other financial institutions	-	500	-	-	-	-	-	500
Amounts due from clients and brokers	-	665	-	-	-	-	76,343	77,008
Financial assets at fair value through profit or loss	41,002	1,909	7	4	1	-	-	42,923
Financial investments at fair value through other comprehensive income	5,293,442	2,520,795	1,149,358	245,233	269,626	-	-	9,478,454
Financial investments at amortised cost	121,789	43,404	-	50,015	-	-	20,512	235,720
Derivative financial assets	-	35,438	-	-	-	-	20,004	55,442
Loans, advances and financing	-	4,451,999	695,780	12,952,982	1,406,180	22,560,416	445,625	42,512,982
Statutory deposits	1,521,592	-	-	-	-	-	-	1,521,592
Total on-balance sheet	8,018,750	7,563,409	1,845,145	13,248,234	1,675,807	22,560,416	562,484	55,474,245
Financial guarantees	-	79,794	33,041	542,131	52,123	4,586	9,825	721,500
Credit-related commitments and contingencies	141,985	1,540,262	125,463	5,141,861	1,611,172	3,356,111	384,682	12,301,536
Total off-balance sheet	141,985	1,620,056	158,504	5,683,992	1,663,295	3,360,697	394,507	13,023,036
Total credit risk	8,160,735	9,183,465	2,003,649	18,932,226	3,339,102	25,921,113	956,991	68,497,280

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):

BANK	Government & Central Bank	Financial, Insurance, Business Services & 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	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	1,092,566	-	-	-	-	-	-	1,092,566
Total on-balance sheet	4,664,969	7,649,655	1,043,470	8,965,261	1,179,186	17,069,873	432,397	41,004,811
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
Total off-balance sheet	-	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	8,974,149	1,192,253	12,907,196	2,599,934	19,379,917	962,085	50,680,503

BASEL II PILLAR 3 REPORT DISCLOSURE (Cont'd)

for the financial year ended 31 March 2019

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 2018	Government & Central Bank RM'000	Financial, Insurance, Business Services & Real Estate RM'000	Transport, Storage & Communication RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds	1,877,748	625,606	-	-	-	-	-	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	3,853,263	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	-	4,954,492	501,987	11,408,031	1,370,993	21,373,155	515,912	40,124,570
Statutory deposits	1,408,316	-	-	-	-	-	-	1,408,316
Total on-balance sheet	7,281,013	8,726,856	1,673,610	11,616,173	1,668,138	21,373,155	644,033	52,982,979
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
Total off-balance sheet	-	1,490,266	159,831	5,072,797	1,572,909	2,908,415	839,884	12,044,102
Total credit risk	7,281,013	10,217,122	1,833,442	16,688,970	3,241,047	24,281,570	1,483,917	65,027,081

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:

BANK 2019	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1 year RM'000	Total RM'000
Cash and short-term funds	1,316,885	-	-	-	-	1,316,885
Financial assets at fair value through profit or loss	379	-	118	-	42,425	42,923
Financial investments at fair value through other comprehensive income	58,511	199,629	325,205	488,643	5,780,869	6,852,858
Financial investments at amortised cost	36,891	446	2,556	99,771	172,266	311,930
Loans, advances and financing	6,554,099	1,545,631	677,178	105,355	23,829,622	32,711,885
Statutory deposits	-	-	-	-	1,142,108	1,142,108
Derivative financial assets	8,010	5,003	5,812	2,791	33,826	55,442
Total on-balance sheet exposure	7,974,775	1,750,709	1,010,870	696,560	31,001,116	42,434,030
GROUP 2019						
Cash and short-term funds	1,549,624	-	-	-	-	1,549,624
Deposits and placements with banks and other financial institutions	500	-	-	-	-	500
Amounts due from clients and brokers	77,008	-	-	-	-	77,008
Financial assets at fair value through profit or loss	379	-	118	-	42,425	42,923
Financial investments at fair value through other comprehensive income	180,003	230,448	387,975	502,664	8,177,363	9,478,454
Financial investments at amortised cost	37,164	4,549	4,994	119,816	69,196	235,720
Loans, advances and financing	8,755,066	2,146,717	892,728	135,785	30,582,686	42,512,982
Statutory deposits	-	-	-	-	1,521,592	1,521,592
Derivative financial assets	8,010	5,004	5,812	2,791	33,825	55,442
Total on-balance sheet exposure	10,607,754	2,386,718	1,291,628	761,056	40,427,087	55,474,245

BASEL II PILLAR 3 REPORT DISCLOSURE (Cont'd)

for the financial year ended 31 March 2019

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):

BANK 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
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	-	-	-	-	1,092,566	1,092,566
Derivative financial assets	17,806	25,115	4,083	11,223	26,229	84,455
Total on-balance sheet exposure	7,771,389	1,897,814	1,244,074	657,385	29,434,149	41,004,811

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
Amounts 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	-	-	-	-	1,408,316	1,408,316
Derivative financial assets	17,806	25,115	4,083	11,223	26,229	84,455
Total on-balance sheet exposure	10,628,265	2,470,464	1,608,147	900,843	37,375,260	52,982,979

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 three 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. Under MFRS 9, exposures more than 30 days past due are transferred to Stage 2.

The following tables represent the past due loans, advances and financing analysed by sector:

	BANK		GROUP	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Financial, insurance & business services and real estate	66,885	39,321	77,853	44,396
Transport, storage & communication	23,510	12,370	30,506	12,922
Agriculture, manufacturing, wholesale & retail trade	380,443	107,956	522,877	127,504
Construction	214,987	37,965	224,120	42,113
Household	956,887	814,802	1,360,089	1,130,620
Others	3,192	3,783	28,584	4,054
	1,645,903	1,016,197	2,244,029	1,361,609

Past due loans, advances and financing analysed by significant geographical areas:

	BANK		GROUP	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Northern region	127,766	75,634	180,081	107,468
Central region	1,200,186	700,806	1,626,610	926,597
Southern region	177,217	134,561	256,933	194,492
Sabah region	113,043	85,781	148,531	110,336
Sarawak region	27,691	19,415	31,874	22,716
	1,645,903	1,016,197	2,244,029	1,361,609

BASEL II PILLAR 3 REPORT DISCLOSURE (Cont'd)

for the financial year ended 31 March 2019

3.0 CREDIT RISK (CONT'D)

3.2 Past Due Loans, Advances and Financing Analysis (cont'd)

The following tables represent the loans, advances and financing by sector, where past due exposures are included under Stage 2 and Stage 3:

Sector	31 March 2019				31 March 2018	
	Non-credit Impaired		Credit Impaired	Total	Non-credit impaired	Credit impaired
	12 months ECL	Lifetime ECL	Lifetime ECL		Collectively	Individually
	(Stage 1)	(Stage 2)	(Stage 3)		Assessed	Assessed
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
BANK						
Financial, insurance & business services and real estate	2,930,949	530,927	24,264	3,486,140	-	-
Transport, storage & communication	415,838	101,592	3,027	520,457	-	-
Agriculture, manufacturing, wholesale & retail trade	7,688,544	2,328,371	114,135	10,131,050	-	-
Construction	870,175	330,024	21,786	1,221,985	-	-
Household	16,190,136	836,086	197,271	17,223,493	-	-
Others	235,685	55,766	8,641	300,092	-	-
	28,331,327	4,182,766	369,124	32,883,217	-	-
GROUP						
Financial, insurance & business services and real estate	3,762,480	670,415	25,503	4,458,398	-	-
Transport, storage & communication	564,253	131,380	3,394	699,027	-	-
Agriculture, manufacturing, wholesale & retail trade	9,840,739	3,035,916	155,162	13,031,817	-	-
Construction	1,041,903	360,673	27,515	1,430,090	-	-
Household	21,056,625	1,350,005	256,386	22,663,015	-	-
Others	377,250	62,208	8,643	448,100	-	-
	36,643,249	5,610,597	476,602	42,730,447	-	-

3.0 CREDIT RISK (CONT'D)

3.2 Past Due Loans, Advances and Financing Analysis (cont'd)

The following tables represent the loans, advances and financing by geographical region, where past due exposures are included under Stage 2 and Stage 3:

	31 March 2019				31 March 2018	
	Non-credit Impaired		Credit Impaired	Total	Non-credit impaired	Credit Impaired
	12 months ECL	Lifetime ECL	Lifetime ECL		Collectively	Individually
	(Stage 1)	(Stage 2)	(Stage 3)		Assessed	Assessed
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
BANK						
Geographic Distribution						
Northern region	1,787,685	403,588	39,874	2,231,147	-	-
Central region	20,640,286	2,872,670	246,940	23,759,896	-	-
Southern region	3,588,410	351,830	49,183	3,989,423	-	-
Sabah region	1,785,547	366,194	22,554	2,174,295	-	-
Sarawak region	529,399	188,484	10,573	728,456	-	-
	28,331,327	4,182,766	369,124	32,883,217	-	-
GROUP						
Geographic Distribution						
Northern region	2,482,149	567,523	49,667	3,099,338	-	-
Central region	26,358,419	3,833,533	326,983	30,518,935	-	-
Southern region	4,709,670	500,028	63,369	5,273,067	-	-
Sabah region	2,389,205	453,346	25,317	2,867,868	-	-
Sarawak region	703,806	256,166	11,267	971,239	-	-
	36,643,249	5,610,597	476,602	42,730,447	-	-

BASEL II PILLAR 3 REPORT DISCLOSURE (Cont'd)

for the financial year ended 31 March 2019

3.0 CREDIT RISK (CONT'D)

3.3 Impaired Loans, Advances and Financing Analysis

Impaired loans, advances and financing are exposures where the customers have failed to make a principal and/ or interest payment for more than three months. In addition, where customers are deemed incapable of continuing repayment obligations, the exposures will be judgmentally impaired. Where exposures are restructured or rescheduled due to increase in credit risk, the exposures are also classified as impaired.

Impaired loans, advances and financing analysed by sectors:

	BANK		GROUP	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Financial, insurance & business services and real estate	24,264	103,133	25,503	106,333
Transport, storage & communication	3,027	5,028	3,394	5,991
Agriculture, manufacturing, wholesale & retail trade	114,135	127,274	155,162	169,844
Construction	21,786	11,450	27,515	13,271
Household	197,271	212,935	256,386	271,254
Others	8,641	10,826	8,643	10,826
	369,124	470,646	476,602	577,519

Credit provisions on loans, advances and financing analysed by sectors:

	Non-credit Impaired		Credit Impaired	ECL charged/	Stage 3
	12 months	Lifetime	Lifetime	(write-back)	write-off
	ECL	ECL	ECL	for the	for the year
BANK	(Stage 1)	(Stage 2)	(Stage 3)	year (net)	for the year
2019	RM'000	RM'000	RM'000	RM'000	RM'000
Financial, insurance & business services and real estate	3,572	9,090	6,091	3,879	(619)
Transport, storage & communication	956	4,650	2,946	(457)	(469)
Agriculture, manufacturing, wholesale & retail trade	15,854	74,557	64,807	20,102	(24,079)
Construction	1,562	11,568	18,955	15,964	(236)
Household	26,543	41,073	76,059	48,007	(41,612)
Others	647	1,683	2,475	194	(587)
	49,135	142,622	171,332	87,689	(67,602)

3.0 CREDIT RISK (CONT'D)

3.3 Impaired Loans, Advances and Financing Analysis (cont'd)

Credit provisions on loans, advances and financing analysed by sectors (cont'd):

GROUP 2019	Non-credit Impaired		Credit Impaired	ECL charged/	Stage 3 write-off for the year RM'000
	12 months	Lifetime	Lifetime	(write-back)	
	ECL (Stage 1) RM'000	ECL (Stage 2) RM'000	ECL (Stage 3) RM'000	for the year (net) RM'000	
Financial, insurance & business services and real estate	4,598	11,603	6,400	3,191	(647)
Transport, storage & communication	1,130	6,405	3,247	(1,095)	(469)
Agriculture, manufacturing, wholesale & retail trade	19,728	88,997	78,835	25,609	(24,586)
Construction	1,897	12,934	23,909	20,030	(262)
Household	44,317	90,524	102,598	84,607	(74,276)
Others	1,009	2,055	2,476	195	(587)
	72,679	212,519	217,465	132,537	(100,827)

BANK 2018	Individual		Individual assessment made for/ write-back during the year (net) RM'000	Individual assessment write-off for the year RM'000
	assessment	Collective		
	allowance RM'000	assessment allowance RM'000		
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)

GROUP 2018				
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)

BASEL II PILLAR 3 REPORT DISCLOSURE (Cont'd)

for the financial year ended 31 March 2019

3.0 CREDIT RISK (CONT'D)

3.3 Impaired Loans, Advances and Financing Analysis (cont'd)

Impaired loans, advances and financing and credit provisions analysed by significant geographical areas:

	Impaired loans, advances and financing RM'000	Non-credit Impaired 12 months ECL (Stage 1) RM'000	Lifetime ECL (Stage 2) RM'000	Credit Impaired Lifetime ECL (Stage 3) RM'000
BANK 2019				
Northern region	39,874	4,097	17,596	24,458
Central region	246,940	37,056	97,747	110,352
Southern region	49,183	4,531	12,249	23,082
Sabah region	22,554	2,110	8,326	7,673
Sarawak region	10,573	1,342	6,704	5,765
	369,124	49,135	142,622	171,332
GROUP 2019				
Northern region	49,667	6,430	24,795	27,829
Central region	326,982	53,944	149,923	142,380
Southern region	63,370	7,688	19,785	32,427
Sabah region	25,316	3,039	10,403	8,766
Sarawak region	11,267	1,577	7,613	6,064
	476,602	72,679	212,519	217,465

	Impaired loans, advances and financing RM'000	Individual assessment allowance RM'000	Collective assessment allowance RM'000
BANK 2018			
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
	470,646	64,967	220,435
GROUP 2018			
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
	577,519	75,733	296,716

3.0 CREDIT RISK (CONT'D)

3.3 Impaired Loans, Advances and Financing Analysis (cont'd)

Movements in the credit provisions for impairment on loans, advances and financing are as follows:

	31 March 2019				31 March 2018	
	Non-credit Impaired Collectively Assessed		Credit Impaired Collectively Assessed		Collectively Assessed	Individually Assessed
	12 months ECL (Stage 1)	Lifetime ECL (Stage 2)	Lifetime ECL (Stage 3)	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
BANK						
At 1 April 2018						
As previously stated				285,402	234,637	64,147
Effect of adoption of MFRS 9				52,797	-	-
As restated	43,894	137,652	156,653	338,199	234,637	64,147
Transfer to Stage 1	15,264	(90,649)	(5,930)	(81,315)	-	-
Transfer to Stage 2	(24,760)	154,042	(71,881)	57,401	-	-
Transfer to Stage 3	(148)	(65,538)	178,889	113,203	-	-
Financial assets derecognised other than write-off	(26,381)	(118,951)	(16,490)	(161,822)	-	-
Changes due to change in credit risk	(5,213)	5,001	(4,699)	(4,911)	30,618	24,085
New financial assets originated or purchased	46,449	120,924	7,800	175,173	-	-
Other adjustment	30	150	-	180	-	-
Total charge to income statement on allowance	5,241	4,979	87,689	97,909	30,618	24,085
Unwind of discount	-	-	(5,408)	(5,408)	-	-
Write-off	-	(9)	(67,602)	(67,611)	(43,468)	(24,617)
Transfer (to)/from collective assessment allowance to individual assessment allowance	-	-	-	-	(1,352)	1,352
At the end of the financial year	49,135	142,622	171,332	363,089	220,435	64,967

BASEL II PILLAR 3 REPORT DISCLOSURE (Cont'd)

for the financial year ended 31 March 2019

3.0 CREDIT RISK (CONT'D)

3.3 Impaired Loans, Advances and Financing Analysis (cont'd)

Movements in the credit provisions for impairment on loans, advances and financing are as follows (cont'd):

GROUP	31 March 2019				31 March 2018	
	Non-credit Impaired Collectively Assessed		Credit Impaired Collectively Assessed		Collectively Assessed	Individually Assessed
	12 months ECL (Stage 1)	Lifetime ECL (Stage 2)	Lifetime ECL (Stage 3)	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 April 2018						
As previously stated				372,449	313,328	66,627
Effect of adoption of MFRS 9				90,879	-	-
As restated	66,941	203,691	192,696	463,328	313,328	66,627
Transfer to Stage 1	24,268	(132,004)	(7,270)	(115,006)	-	-
Transfer to Stage 2	(40,020)	232,846	(103,159)	89,667	-	-
Transfer to Stage 3	(181)	(114,361)	254,377	139,835	-	-
Financial assets derecognised other than write-off	(39,199)	(152,890)	(19,415)	(211,504)	-	-
Changes due to change in credit risk	(9,934)	20,361	(7,814)	2,613	73,699	31,876
New financial assets originated or purchased	70,774	154,861	15,818	241,453	-	-
Other adjustment	30	150	-	180	-	-
Total charge to income statement on allowance	5,738	8,963	132,537	147,238	73,699	31,876
Unwind of discount	-	-	(6,941)	(6,941)	-	-
Write-off	-	(135)	(100,827)	(100,962)	(87,852)	(25,229)
Transfer (to)/from collective assessment allowance to individual assessment allowance	-	-	-	-	(2,459)	2,459
At the end of the financial year	72,679	212,519	217,465	502,663	296,716	75,733

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]

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]

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):

Exposures after netting and credit risk mitigation														
BANK 2018 Risk-Weights	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, Companies, DFIs & Securities				Insurance Firms & Funds				Total Exposures after Netting & Credit Risk Mitigation RM'000			Total Risk- Weighted Assets RM'000
			Multilateral Development Banks RM'000	Firms & Funds Managers RM'000	Corporates RM'000	Regulatory		Higher Risk Assets RM'000	Other Assets RM'000	Equity Exposures RM'000	Credit Risk Mitigation RM'000			
						Retail Mortgages RM'000	Residential RM'000							
0%	4,800,900	-	-	-	383,680	-	-	-	265,404	-	5,449,984	-	-	
20%	-	74,458	1,562,541	-	1,704,378	-	456	-	-	-	3,341,833	668,366	-	
35%	-	-	-	-	-	-	6,739,628	-	-	-	6,739,628	2,358,870	-	
50%	-	-	830,379	-	68,050	5,895	4,468,233	-	-	-	5,372,557	2,686,279	-	
75%	-	-	-	-	-	7,051,491	17,402	-	-	-	7,068,893	5,301,670	-	
100%	-	-	22	53,466	12,346,197	402,310	776,879	-	264,204	121,641	13,964,719	13,964,719	-	
150%	-	-	-	-	110,301	97,790	-	4,811	-	3	212,905	319,357	-	
Total exposures	4,800,900	74,458	2,392,942	53,466	14,612,606	7,557,486	12,002,598	4,811	529,608	121,644	42,150,519	25,299,261	-	

Risk-weighted assets by
exposures

- 14,892 727,720 53,466 12,886,549 5,840,560 5,383,008 7,217 264,205 121,646 25,299,261

Average risk-weight

0% 20% 30% 100% 88% 77% 45% 150% 50% 100% 60%

Deduction from Capital
base

- - - - - - - - - - -

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):

Deduction from Capital
base

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 2019

Exposure Class	Ratings by Approved ECAIs*						Total
	Moody's	Aaa to Aa3/ P-1	A1 to A3/ P-2	Baa1 to Ba3/ P-3	B1 to C/ Others	Unrated	
	S&P	AAA to AA-/ A-1	A+ to A-/ A-2	BBB+ to BB-/ A-3	B+ to D/ Others	Unrated	
	FITCH	AAA to AA-/ F1+, F1	A+ to A-/ A-2	BBB+ to BB-/ F3	B+ to D	Unrated	
	RAM	AAA to AA3/ P-1	A+ to A3/ P-2	BBB1+ to BB3/ P-3	B to D/ NP	Unrated	
	MARC	AAA to AA-/ MARC-1	A+ to A-/ MARC-2	BBB+ to BB-/ MARC-3	B+ to D/ MARC-4	Unrated	
	R&I	AAA to AA-/ a-1+, a-1	A+ to A-/ a-2	BBB+ to BB-/ a-3	B+ to D/ b, c	Unrated	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off Balance-Sheet Exposures							
(i) Exposures risk-weighted using Sovereigns and Central Banks rating							
Sovereigns and Central Banks (See Note 1)	-	5,809,864	-	-	-	-	5,809,864
Corporates	-	711,113	-	-	-	-	711,113
Banks, DFIs and Multilateral Development Banks	-	5,024	-	-	-	-	5,024
	-	6,526,001	-	-	-	-	6,526,001
(ii) Exposures risk-weighted using Banking Institutions long-term rating							
Banks, DFIs and Multilateral Development Banks	410,209	1,204,056	13,482	-	213,397	1,841,144	
Exposures risk-weighted using Banking Institutions short-term rating							
Banks, DFIs and Multilateral Development Banks	48,318	-	-	-	-	48,318	
	458,527	1,204,056	13,482	-	213,397	1,889,462	

BASEL II PILLAR 3 REPORT DISCLOSURE (Cont'd)

for the financial year ended 31 March 2019

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 2019

Exposure Class	Ratings by Approved ECAIs*						Total
	Moody's	Aaa to Aa3/ P-1	A1 to A3/ P-2	Baa1 to Ba3/ P-3	B1 to C/ Others	Unrated	
	S&P	AAA to AA-/ A-1	A+ to A-/ A-2	BBB+ to BB-/ A-3	B+ to D/ Others	Unrated	
	FITCH	AAA to AA-/ F1+, F1	A+ to A-/ A-2	BBB+ to BB-/ F3	B+ to D	Unrated	
	RAM	AAA to AA3/ P-1	A+ to A3/ P-2	BBB1+ to BB3/ P-3	B to D/ NP	Unrated	
	MARC	AAA to AA-/ MARC-1	A+ to A-/ MARC-2	BBB+ to BB-/ MARC-3	B+ to D/ MARC-4	Unrated	
	R&I	AAA to AA-/ a-1+, a-1	A+ to A-/ a-2	BBB+ to BB-/ a-3	B+ to D/ b, c	Unrated	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off Balance-Sheet Exposures (cont'd)							
(iii) Exposures risk-weighted using Corporate long-term rating							
Public Sector Entities		61,105	-	-	-	23,422	84,527
Corporates		1,495,449	47,617	-	-	14,484,498	16,027,564
Insurance Companies, Securities Firms & Fund Managers		-	-	-	-	29,354	29,354
Exposures risk-weighted using Corporate short-term rating							
Public Sector Entities		-	-	-	-	-	-
Corporates		-	-	-	-	-	-
Insurance Companies, Securities Firms & Fund Managers		-	-	-	-	-	-
		1,556,554	47,617	-	-	14,537,274	16,141,445

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 2019

Exposure Class	Ratings by Approved ECAIs*						Total
	Moody's	Aaa to Aa3/ P-1	A1 to A3/ P-2	Baa1 to Ba3/ P-3	B1 to C/ Others	Unrated	
	S&P	AAA to AA-/ A-1	A+ to A-/ A-2	BBB+ to BB-/ A-3	B+ to D/ Others	Unrated	
	FITCH	AAA to AA-/ F1+, F1	A+ to A-/ A-2	BBB+ to BB-/ F3	B+ to D	Unrated	
	RAM	AAA to AA3/ P-1	A+ to A3/ P-2	BBB1+ to BB3/ P-3	B to D/ NP	Unrated	
	MARC	AAA to AA-/ MARC-1	A+ to A-/ MARC-2	BBB+ to BB-/ MARC-3	B+ to D/ MARC-4	Unrated	
	R&I	AAA to AA-/ a-1+, a-1	A+ to A-/ a-2	BBB+ to BB-/ a-3	B+ to D/ b, c	Unrated	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off Balance-Sheet Exposures							
(i) Exposures risk-weighted using Sovereigns and Central Banks rating							
Sovereigns and Central Banks (See Note 1)		-	8,399,756	-	-	-	8,399,756
Corporates		-	1,175,891	-	-	-	1,175,891
Banks, DFIs and Multilateral Development Banks		-	45,217	-	-	-	45,217
		-	9,620,864	-	-	-	9,620,864
(ii) Exposures risk-weighted using Banking Institutions long-term rating							
Banks, DFIs and Multilateral Development Banks		427,124	222,121	13,482	-	213,397	876,124
Exposures risk-weighted using Banking Institutions short-term rating							
Banks, DFIs and Multilateral Development Banks		87,001	-	-	-	-	87,001
		514,125	222,121	13,482	-	213,397	963,125

BASEL II PILLAR 3 REPORT DISCLOSURE (Cont'd)

for the financial year ended 31 March 2019

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 2019

Exposure Class	Ratings by Approved ECAIs*						Total
	Moody's	Aaa to Aa3/ P-1	A1 to A3/ P-2	Baa1 to Ba3/ P-3	B1 to C/ Others	Unrated	
	S&P	AAA to AA-/ A-1	A+ to A-/ A-2	BBB+ to BB-/ A-3	B+ to D/ Others	Unrated	
	FITCH	AAA to AA-/ F1+, F1	A+ to A-/ A-2	BBB+ to BB-/ F3	B+ to D	Unrated	
	RAM	AAA to AA3/ P-1	A+ to A3/ P-2	BBB1+ to BB3/ P-3	B to D/ NP	Unrated	
	MARC	AAA to AA-/ MARC-1	A+ to A-/ MARC-2	BBB+ to BB-/ MARC-3	B+ to D/ MARC-4	Unrated	
	R&I	AAA to AA-/ a-1+, a-1	A+ to A-/ a-2	BBB+ to BB-/ a-3	B+ to D/ b, c	Unrated	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off Balance-Sheet Exposures (cont'd)							
(iii) Exposures risk-weighted using Corporate long-term rating							
Public Sector Entities		122,437	-	-	-	93,071	215,508
Corporates		2,392,195	62,478	-	-	18,442,901	20,897,574
Insurance Companies, Securities Firms & Fund Managers		-	-	-	-	36,468	36,468
Exposures risk-weighted using Corporate short-term rating							
Public Sector Entities		-	-	-	-	-	-
Corporates		-	-	-	-	-	-
Insurance Companies, Securities Firms & Fund Managers		-	-	-	-	-	-
		2,514,632	62,478	-	-	18,572,440	21,149,550

3.0 CREDIT RISK (CONT'D)

3.4 Assignment of Risk-Weights for Portfolios Under the Standardised Approach (cont'd)

The following tables show the rated credit exposures according to ratings by approved Eligible Credit Assessment Institutions ("ECAIs") (cont'd):

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
On and Off Balance-Sheet Exposures							
(i) Exposures risk-weighted using Sovereigns and Central Banks rating							
Sovereigns and Central Banks (See Note 1)		-	4,800,900	-	-	-	4,800,900
Corporates		-	383,680	-	-	-	383,680
		-	5,184,580	-	-	-	5,184,580
(ii) Exposures risk-weighted using Banking Institutions long-term rating							
Banks, DFIs and Multilateral Development Banks		475,428	1,274,546	403,451	-	224,537	2,377,962
Exposures risk-weighted using Banking Institutions short-term rating							
Banks, DFIs and Multilateral Development Banks		14,978	-	-	-	-	14,978
		490,406	1,274,546	403,451	-	224,537	2,392,940

BASEL II PILLAR 3 REPORT DISCLOSURE (Cont'd)

for the financial year ended 31 March 2019

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
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
On and Off Balance-Sheet Exposures (cont'd)							
(iii) Exposures risk-weighted using Corporate long-term rating							
Public Sector Entities		55,778	-	-	-	18,678	74,456
Corporates		1,704,377	58,704	-	-	13,789,513	15,552,594
Insurance Companies, Securities Firms & Fund Managers		-	-	-	-	53,514	53,514
Exposures risk-weighted using Corporate short-term rating							
Public Sector Entities		-	-	-	-	-	-
Corporates		-	-	-	-	-	-
Insurance Companies, Securities Firms & Fund Managers		-	-	-	-	-	-
		1,760,155	58,704	-	-	13,861,705	15,680,564

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
On and Off Balance-Sheet Exposures							
(i) Exposures risk-weighted using Sovereigns and Central Banks rating							
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
(ii) Exposures risk-weighted using Banking Institutions long-term rating							
Banks, DFIs and Multilateral Development Banks	576,166	231,916	403,451	-	224,537	1,436,070	
Exposures risk-weighted using Banking Institutions short-term rating							
Banks, DFIs and Multilateral Development Banks	14,978	-	-	-	-	14,978	
	591,144	231,916	403,451	-	224,537	1,451,048	

BASEL II PILLAR 3 REPORT DISCLOSURE (Cont'd)

for the financial year ended 31 March 2019

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
On and Off Balance-Sheet Exposures (cont'd)							
(iii) Exposures risk-weighted using Corporate long-term rating							
Public Sector Entities		137,353	-	-	-	92,739	230,092
Corporates		2,532,552	73,250	-	-	17,632,805	20,238,607
Insurance Companies, Securities Firms & Fund Managers		-	-	-	-	78,709	78,709
Exposures risk-weighted using Corporate short-term rating							
Public Sector Entities		-	-	-	-	-	-
Corporates		-	-	-	-	-	-
Insurance Companies, Securities Firms & Fund Managers		-	-	-	-	-	-
		2,669,905	73,250	-	-	17,804,253	20,547,408

Note 1: The Federal Government and Central Bank of Malaysia are accorded 0% risk-weight as provided under the Capital Adequacy Framework.

*Upper Range = Long-Term Rating, Lower Range = Short-Term Rating

Note:

There is no outstanding securitisation contract in the Bank that requires disclosure of ratings and short-term rating of securitisation by approved ECAIs.

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		Exposures covered by guarantees/ credit derivatives	Exposures covered by eligible financial collateral	Exposures covered by other eligible collateral
2019	Exposures before CRM			
Exposure Class	RM'000	RM'000	RM'000	RM'000
<u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	5,596,654	-	-	-
Public sector entities	69,280	-	-	-
Banks, DFIs and Multilateral Development Banks	1,715,604	-	-	-
Insurance companies, securities firms and fund managers	28,494	-	-	-
Corporates	14,760,638	-	1,237,422	-
Regulatory retail	7,519,108	-	673,765	-
Residential mortgages	12,335,936	-	9,362	-
Higher risk assets	9,472	-	5	-
Other assets	616,262	-	-	-
Equity exposures	126,741	-	-	-
Defaulted exposures	200,941	-	1,347	-
Total on-balance sheet exposures	42,979,130	-	1,921,901	-
Off-balance sheet exposures:				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	3,330,927	-	443,656	-
Defaulted exposures	1,360	-	500	-
Total off-balance sheet exposures	3,332,287	-	444,156	-
Total on and off-balance sheet exposures	46,311,417	-	2,366,057	-

BASEL II PILLAR 3 REPORT DISCLOSURE (Cont'd)

for the financial year ended 31 March 2019

3.0 CREDIT RISK (CONT'D)

3.5 Credit Risk Mitigation ("CRM") (cont'd)

GROUP 2019 Exposure Class	Exposures before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000	Exposures covered by other eligible collateral RM'000
<u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	8,186,546	-	-	-
Public sector entities	196,261	-	-	-
Banks, DFIs and Multilateral Development Banks	829,576	-	-	-
Insurance companies, securities firms and fund managers	35,557	-	-	-
Corporates	19,580,592	-	1,630,447	-
Regulatory retail	9,999,499	-	754,117	-
Residential mortgages	16,073,138	-	10,379	-
Higher risk assets	11,086	-	5	-
Other assets	694,371	-	-	-
Equity exposures	187,525	-	-	-
Defaulted exposures	262,387	-	2,470	-
Total on-balance sheet exposures	56,056,537	-	2,397,418	-
Off-balance sheet exposures:				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	4,160,638	-	520,517	-
Defaulted exposures	1,718	-	500	-
Total off-balance sheet exposures	4,162,356	-	521,017	-
Total on and off-balance sheet exposures	60,218,893	-	2,918,435	-

3.0 CREDIT RISK (CONT'D)

3.5 Credit Risk Mitigation ("CRM") (cont'd)

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
Credit Risk				
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 (Cont'd)

for the financial year ended 31 March 2019

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
Credit Risk				
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	-

3.6 Off-Balance Sheet Exposures and Counterparty Credit Risk

Counterparty Credit Risk ("CCR") is the risk that the counterparty to a transaction involving financial instruments such as foreign exchange and derivatives, defaults before the final settlement of the transaction's cash flows. Unlike a loan where the credit risk is unilateral i.e. only the lending bank faces the risk of loss, CCR on derivatives creates bilateral risk of loss. This means either party of the transaction can incur losses depending on the market value of the derivative, which can vary over time with the movement of underlying market factors.

For derivatives, the Group is not exposed to credit risk for the full face value of the contracts. The CCR is limited to the potential cost of replacing the cash-flow if the counterparty defaults. As such, the credit equivalent amount will depend, inter alia, on the maturity of the contract and on the volatility of the rates underlying that type of instrument.

Derivatives are mainly utilised for hedging purposes with minimal trading exposures. CCR arising from the derivatives is managed via counterparty limits, which is set based on the counterparty's size and credit rating. These limits are monitored daily by Group Risk Management.

3.0 CREDIT RISK (CONT'D)

3.6 Off-Balance Sheet Exposures and Counterparty Credit Risk (cont'd)

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 2019	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
<u>Credit-related exposures</u>				
Direct credit substitutes	490,085	-	490,010	414,325
Transaction-related contingent items	609,843	-	300,635	189,732
Short-term self-liquidating trade-related contingencies	133,405	-	26,681	22,845
Forward asset purchase	211,985	-	211,985	-
Obligations under an on-going underwriting agreement	-	-	-	-
Irrevocable commitments to extend credit:				
• maturity exceeding one year	904,181	-	450,612	379,036
• maturity not exceeding one year	6,461,733	-	1,292,346	935,922
Unutilised credit card lines	1,600,820	-	320,164	247,048
	10,412,052	-	3,092,433	2,188,908
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
• one year or less	4,561,102	19,668	68,441	29,095
• over one year to three years	159,580	239	9,852	8,022
• over three years	10,209	-	868	868
Interest rate related contracts:				
• one year or less	2,034,786	1,649	5,401	1,543
• over one year to three years	1,779,255	7,108	32,711	8,548
• over three years	2,503,968	25,341	114,912	57,257
Equity related contracts:				
• one year or less	78,958	97	4,835	2,397
• over one year to three years	30,810	847	2,835	1,418
	11,158,669	54,949	239,854	109,148
	21,570,721	54,949	3,332,287	2,298,056

BASEL II PILLAR 3 REPORT DISCLOSURE (Cont'd)

for the financial year ended 31 March 2019

3.0 CREDIT RISK (CONT'D)

3.6 Off-Balance Sheet Exposures and Counterparty Credit Risk (cont'd)

GROUP 2019	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
<u>Credit-related exposures</u>				
Direct credit substitutes	650,663	-	650,588	561,367
Transaction-related contingent items	680,097	-	335,763	212,536
Short-term self-liquidating trade-related contingencies	179,994	-	35,999	31,609
Forward asset purchase	236,985	-	236,985	-
Obligations under an on-going underwriting agreement	46,154	-	23,077	23,077
Irrevocable commitments to extend credit:				
• maturity exceeding one year	1,319,483	-	658,158	509,949
• maturity not exceeding one year	8,308,840	-	1,661,768	1,200,570
Unutilised credit card lines	1,600,820	-	320,164	247,047
	13,023,036	-	3,922,502	2,786,156
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
• one year or less	4,561,102	19,668	68,441	29,095
• over one year to three years	159,580	239	9,852	8,022
• over three years	10,209	-	868	868
Interest rate related contracts:				
• one year or less	2,034,786	1,649	5,401	1,543
• over one year to three years	1,779,255	7,108	32,711	8,548
• over three years	2,503,968	25,341	114,912	57,257
Equity related contracts:				
• one year or less	78,958	97	4,835	2,397
• over one year to three years	30,810	847	2,835	1,418
	11,158,669	54,949	239,854	109,148
	24,181,704	54,949	4,162,356	2,895,304

3.0 CREDIT RISK (CONT'D)

3.6 Off-Balance Sheet Exposures and Counterparty Credit Risk (cont'd)

BANK 2018	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	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

BASEL II PILLAR 3 REPORT DISCLOSURE (Cont'd)

for the financial year ended 31 March 2019

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 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

4.0 Market Risk

Market Risk is defined as the risk of losses in on-balance sheet and off-balance sheet positions arising from movements in market prices.

Market Risk Management

The Board, via the Group Risk Management Committee (GRMC) provides oversight on market risk management activities. Its responsibilities include reviewing and approving risk management policies, risk exposures and limits whilst ensuring the necessary infrastructure and resources are in place.

At senior management level, the Group Assets and Liabilities Management Committee ("GALCO") manages the Group's market risk by reviewing and recommending market risk frameworks and policies; ensuring that market risk limits and parameters are within the approved thresholds; and aligning market risk management with business strategy and planning.

Organisationally, market risks are managed collectively via the Three Lines of Defence concept. Group Financial Markets, as the risk taking unit assumes ownership of the risk and manages the risk within the approved policies, risk limits and parameters as set by the GRMC or GALCO. The risk control function is undertaken by Group Risk Management which provides independent monitoring, valuation and reporting of the market exposures. This is supplemented by periodic review by Group Internal Audit.

For the Group, market risk is managed on an integrated approach which involves the following processes:

- (i) Identification of market risk in new products and changes in risk profiles of existing exposures;
- (ii) Assessment of the type and magnitude of market risks which takes into account the activity and market role undertaken;
- (iii) Adoption of various market risk measurement tools and techniques to quantify market risk exposures; and
- (iv) Scheduled and exception reporting on market risk exposures.

Market risk exists in the Group's activities in fixed income securities, foreign exchange and financial derivatives, which are transacted primarily by Group Financial Markets (Treasury) department. Trading positions are held intentionally for short-term resale and with the intent of benefiting from actual or expected short-term price movements while banking book positions are held until maturity or as available-for-sale. Hence, these positions are susceptible to market movements.

These exposures are governed by approved policies, risk limits and parameters which are set vis-a-vis the Group's risk appetite and strategy. Besides that, treasury activities are monitored and reported independently by Group Market Risk on a daily basis. Any limit breaches or exceptions are reported to GALCO and GRMC.

Hedging Policies and Strategies

The Group had established a hedging policy which outlines the broad principles and policies governing hedging activities by the Group. Generally, the Group enters into hedges to manage or reduce risk exposures. All hedging strategies are approved by the GALCO and monitored independently by Group Market Risk Management. Further, all hedging strategies are designated upfront and recorded separately under the hedging portfolios. Hedging positions and effectiveness, if any, are monitored and reported monthly to senior management.

Market Risk Capital Charge

For the Group, the market risk charge is computed on the standardised approach and the capital charges are mainly on the fixed income securities, foreign exchange and financial derivatives portfolios, if any.

BASEL II PILLAR 3 REPORT DISCLOSURE (Cont'd)

for the financial year ended 31 March 2019

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 RM'000	Capital Requirements RM'000	Risk-Weighted Assets RM'000	Capital Requirements RM'000
2019				
Interest rate risk				
• General interest rate risk	149,162	11,933	149,163	11,933
• Specific interest rate risk	379	30	379	30
	149,542	11,963	149,542	11,963
Option risk	990	79	990	79
Foreign exchange risk	124,410	9,953	124,410	9,953
	274,942	21,995	274,942	21,995

2018

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

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.

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 the 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; and
- (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).

BASEL II PILLAR 3 REPORT DISCLOSURE (Cont'd)

for the financial year ended 31 March 2019

6.0 EQUITY EXPOSURES IN BANKING BOOK

The Bank and the Group hold equity positions in the banking book as a result of debt to equity conversion, for social-economic purposes, or to maintain strategic relationships. All equities are held at fair value. For quoted equities, fair value is estimated based on quoted or observable market price at the end of the reporting period. For unquoted equities, the fair value is estimated using approved valuation techniques.

Any gains and losses arising from the returns and changes in fair value of these equities holdings are reflected in the Statement of Income.

The following table shows the equity exposures in banking book:

	BANK		GROUP	
	Gross credit exposures RM'000	Risk-weighted assets RM'000	Gross credit exposures RM'000	Risk-weighted assets RM'000
2019				
Publicly traded				
Holding of equity investments	8	8	8	8
Privately held				
For socio-economic purposes	126,730	126,730	187,514	187,514
Not for socio-economic purposes	3	4	3	4
	126,741	126,742	187,525	187,526
2018				
Publicly traded				
Holding of equity investments	10	10	10	10
Privately held				
For socio-economic purposes	121,631	121,631	178,843	178,843
Not for socio-economic purposes	3	5	3	5
	121,644	121,646	178,856	178,858

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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 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	(1)	(5)	(1)	(5)
• Privately held equity investments	5,294	(8,086)	8,866	(4,776)
	5,293	(8,091)	8,865	(4,781)

7.0 INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK

Interest rate risk/rate of return risk in the banking book ("IRR/RORBB") is the risk that occurs when movements in interest rates affect a banking organisation's earnings or economic value. Changes in interest rate/profit rate affects the Group's earnings by altering interest rate-sensitive income and expenses, affecting its net interest income (NII). It also affects the underlying value of banking assets, liabilities and off-balance sheet instruments as the present value of future cash flows change when interest rate/profit rate change.

Risk Governance

IRR/RORBB is managed collectively by GALCO, Group Financial Markets, Group Finance and Group Risk Management. Each of the above parties has clearly defined roles and responsibilities to provide oversight and manage IRR/RORBB within the defined framework and structure as approved by the GRMC/Board. GALCO assumes the overall responsibility in managing IRR/RORBB by setting the directions, strategy and risk limits/parameters for the Bank/Group. Group Financial Markets is tasked to execute the approved strategy by managing the assets/liabilities as well as the funding and liquidity needs of the Bank/Group. Group Finance and Group Risk Management provide support in respect of risk monitoring and reporting of the banking book exposures; and ensuring regulatory as well as accounting requirements are met.

IRR/RORBB Management

The guiding principles in managing IRR/RORBB include:

- (i) Adopting a prudent approach to manage IRR/RORBB in ways that commensurate with the Group's size and business activities. This is achieved via establishing robust IRR/RORBB policies, measures and strategies which are complemented by regular monitoring and reporting.
- (ii) Checking to ensure that IRR/RORBB are accurately measured and any mismatches are identified, reviewed and reported monthly to GALCO.
- (iii) Setting proper gapping limits and the limits are monitored closely.
- (iv) Practicing comprehensive IRR/RORBB reporting and review process, with aggregated information and supporting details to facilitate assessment of the Group's sensitivity to changes in market conditions.

BASEL II PILLAR 3 REPORT DISCLOSURE (Cont'd)

for the financial year ended 31 March 2019

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
2019		
Impact on net interest income ("NII")		
Ringgit Malaysia	98,176	119,176
Impact on Economic Value ("EV")		
Ringgit Malaysia	(38,605)	(125,355)
2018		
Impact on net interest income ("NII")		
Ringgit Malaysia	102,916	125,768
Impact on Economic Value ("EV")		
Ringgit Malaysia	29,042	(24,233)

Note:

The foreign currency impact on NII/EV are considered insignificant as the exposure is less than 5% of the respective total Banking Book assets and liabilities.

8.0 SHARIAH GOVERNANCE DISCLOSURES

Shariah Non-Compliance Risk arises from the risk of failure to comply with Shariah rules and principles as determined by Shariah Advisory Council of Bank Negara Malaysia and Alliance Islamic Bank's (AIS) Shariah Committee. To manage the risks, AIS has adopted the following guiding principles:

- (i) A sound Shariah Compliance Framework which governs the operations of AIS and outlines the roles of key functionalities within AIS, including but not limited to the Shariah risk management process. This is in line with the Shariah Governance Framework issued by BNM.
- (ii) The Board of Directors, assisted by the Shariah Committee and senior management, 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 Shariah non-compliant income and issues;
 - Addressing Shariah non-compliance finding; and
 - Ensuring compliance with regulatory and internal requirements including disclosures.
- (iii) Appointment of a qualified Shariah Committee member who also serves as AIS' Board member; serving as a 'bridge' between the Board and the Shariah Committee.
- (iv) Ongoing Shariah reviews and training to raise risk awareness and ensure compliance to Shariah rules and principles. This includes:
 - Regular assessment on Shariah compliance in the activities and operations of AIS. The findings of the review are reported to the Shariah Committee for deliberation and decision.
 - Perform research and studies on Shariah issues, including providing day-to-day Shariah advice and consultancy to relevant parties.
 - Conduct Shariah-related training and ongoing engagement with relevant parties to raise awareness on Shariah non-compliance risk.
- (v) Escalation and reporting processes of Shariah non-compliant income and issues governed through designated escalation channels, which include the Board and the Shariah Committee.
- (vi) Periodic engagement between the Board and the Shariah Committee to discuss on Shariah research, Shariah compliance and scholar's view on Islamic banking activities.

Shariah Non-Compliant Income and Events

During the financial year end, there was one (1) Shariah non-compliance event detected from the ongoing reviews of the Bank's operational processes. Necessary efforts have been taken to rectify the Shariah non-compliance event, which was tracked and escalated to the Shariah Committee and the Board. There was no Shariah non-compliant income to be disposed off in accordance with Shariah Committee's decision.

LIST OF PROPERTIES

as at 31 March 2019

No	Location	Current Use	Year of Purchase ¹	Tenure	Remaining Lease Period (Expiry Year)	Age of Property (Years) ²	Built-Up Area (Sq Ft) ³	Net Book Value (RM'000) ⁴
1	1, Jalan Tembaga SD5/2A Bandar Sri Damansara 52100 Kepong, Kuala Lumpur	Alliance Bank's branch/office premises	1991	Freehold	-	26	9,179	665
2	150 - 152, Jalan Cerdas Taman Connaught 56000 Kuala Lumpur	Alliance Bank's branch/office premises	1997	Leasehold 99 years	59 years 2078	40	11,704	2,151
3	43 & 45, Jalan Bunga Tanjung 6A Taman Putra 68000 Ampang, Selangor	Alliance Bank's branch/office premises	1998	Leasehold 99 years	62 years 2081	37	8,120	1,076
4	1960 E & F, Jalan Stadium 05100 Alor Setar, Kedah	Alliance Bank's branch/office premises	1979	Leasehold 60 years	20 years 2039	40	4,537	326
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	-	25	6,103	1,490
6	70 & 71, Block 10 Jalan Laksamana Cheng Ho 93200 Kuching, Sarawak	Alliance Bank's branch/office premises	2007	Leasehold 60 years	50 years 2069	13	9,405	1,939
7	B-400, Jalan Beserah 25300 Kuantan, Pahang	Alliance Bank's branch/office premises	1996	Freehold	-	28	6,688	353
8	LG134/LG135/G128/F89 Holiday Plaza Jalan Dato Sulaiman 80250 Johor Bharu, Johor	Alliance Bank's branch/office premises	1984	Freehold	-	35	5,414	760
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	-	26	24,334	1,365
10	3 & 5, Jalan Bentara 1 Tun Aminah 81300 Johor Bahru, Johor	Alliance Bank's branch/office premises	1996	Freehold	-	36	5,412	818
11	Unit 01-G & 01-1 Seremban City Jalan Tunku Munawir 70000 Seremban, Negeri Sembilan	Alliance Bank's branch/office premises	1997	Freehold	-	20	7,277	1,407
12	101 & 103, Jalan Melaka Raya 24 Taman Melaka Raya 75000 Melaka	Alliance Bank's branch/office premises	1995	Leasehold 99 years	75 years 2094	22	8,640	528
13	Lot 7 & 9, Block D Nountun Industrial Estate 89350 Inanam Kota Kinabalu, Sabah	Alliance Bank's branch/office premises	1995	Leasehold 999 years	904 years 2923	19	7,495	860

No	Location	Current Use	Year of Purchase ¹	Tenure	Remaining Lease Period (Expiry Year)	Age of Property (Years) ²	Built-Up Area (Sq Ft) ³	Net Book Value (RM'000) ⁴
14	Lot 4-6, Block K Sinsuran Complex 88000 Kota Kinabalu, Sabah	Alliance Bank's branch/office premises	1980	Leasehold 99 years	52 years 2071	41	13,979	390
15	Lot 1086, Jalan Utara W.D.T. 127 91009 Tawau, Sabah	Alliance Bank's branch/office premises	1981	Leasehold 99 years	42 years 2061	56	14,948	457
16	Lot 8, Block A Beaufort Jaya Commercial Centre 89808 Beaufort, Sabah	Alliance Bank's branch/office premises	1984	Leasehold 999 years	882 years 2901	33	4,500	208
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	61 years 2080	34	4,800	364
18	1 & 2, Block A, Jalan Jungkat Pangie Light Industrial Complex 89909 Tenom, Sabah	Alliance Bank's branch/office premises	1993	Leasehold 999 years	905 years 2924	25	7,085	273
19	17, 19 & 21, Jalan USJ 9/5 47620 Subang Jaya, Selangor	Alliance Bank's branch/office premises	1996	Freehold	-	23	12,892	2,113
20	2 & 3 Block A, Phase III Luyang Commercial Centre Damai Plaza, Jalan Damai 88300 Kota Kinabalu, Sabah	Alliance Bank e-Lobby	1992	Leasehold 99 years	62 years 2081	23	9,667	781
21	59-61, Jalan Tiga 90702 Sandakan, Sabah	Alliance Bank's branch/office premises	1963	Leasehold 999 years	870 years 2889	61	9,900	661
22	MPWPL U 0072 & 0073 Jalan Merdeka 87008 Labuan	Alliance Bank's branch/office premises	1979	Leasehold 99 years	38, 44 years 2057, 2063	53 53	5,800	597
23	Lot 84, Jalan Gaya 88000 Kota Kinabalu, Sabah	Alliance Bank's branch/office premises	1985	Leasehold 999 years	863 years 2882	61	10,040	1,665
24	45, Jalan Sungai Besi Indah 1/21 43300 Balakong, Selangor	Alliance Bank's branch/office premises	2001	Leasehold 99 years	72 years 2091	18	9,706	1,232
25	3, Jalan SS 15/2A, Wisma Projass (3 Alliance) 47500 Subang Jaya, Selangor	Alliance Bank's branch/office premises	2005	Freehold	-	34	35,926	6,110

Notes:

- ¹ 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
- ² 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
- ³ The Built-Up Area is based on the valuation report conducted in December 2017
- ⁴ Net Book Value as at 31 March 2019 (information as provided by Group Finance)

DIRECTORY

as at 31 March 2019



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



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

BRANCHES

KEDAH

Alor Setar

1960 E & F, Jalan Stadium
05100 Alor Setar, Kedah
Tel : 04-731 0744
Fax : 04-733 8055

Lunas, Kulim

888 & 889, Jalan Aman
Taman Sejahtera
09600 Lunas, Kulim, Kedah
Tel : 04-484 3275/76/78
Fax : 04-484 3277

Sejati Indah, Sungai Petani

Ground Floor, Wisma Uni-Green
18, Jalan Permatang Gedong
Taman Sejati Indah
08000 Sungai Petani, Kedah
Tel : 04-431 1673/81
04-431 2139
Fax : 04-431 1687

PULAU PINANG

Beach Street

Ground Floor, Bangunan Barkath
21, Beach Street
10300 Georgetown, Pulau Pinang
Tel : 04-262 8100
Fax : 04-261 3300

Bukit Mertajam

Ground & 1st Floor
Wisma Ng Ah Yan
42, Lebuhr Nangka 2
Taman Mutiara
14000 Bukit Mertajam, Pulau Pinang
Tel : 04-530 3130
Fax : 04-530 7433

Butterworth

4105-4107, Jalan Bagan Luar
12000 Butterworth, Pulau Pinang
Tel : 04-331 4863/64
Fax : 04-323 2824

Sungai Nibong Kecil

Ground & Mezzanine Floor
Wisma Malvest, 20 & 20A
Jalan Tun Dr Awang
Sungai Nibong Kecil
11900 Bayan Lepas, Pulau Pinang
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 March 2019

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 March 2019

SARAWAK (cont'd)

Sibu

Ground Floor
32, Jalan Bako
Brooke Drive 3
96000 Sibu, Sarawak
Tel : 084-317 628
Fax : 084-317 148

LABUAN

Labuan

MPWPL U 0072 & 0073
Jalan Merdeka, P.O. Box 396
87008 Labuan FT
Tel : 087-412 826
Fax : 087-415 446



**ALLIANCE
INVESTMENT BANK**

ALLIANCE INVESTMENT BANK BERHAD

(A participating organisation of
Bursa Malaysia Securities Berhad)

HEAD OFFICE

19th Floor, Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel : 03-2604 3333
Fax : 03-2692 8787

www.allianceinvestmentbank.com.my

PULAU PINANG

Pulau Pinang

Ground & Mezzanine Floor
Bangunan Barkath
21, Lebuhr Pantai
10300 Pulau Pinang
Tel : 04-261 1688
Fax : 04-261 6363

KUALA LUMPUR

Kuala Lumpur

17th Floor, Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel : 03-2604 3333
Fax : 03-2697 2929

JOHOR

Kluang

No. 73, Ground Floor
Jalan Rambutan
86000 Kluang, Johor
Tel : 07-771 7922
Fax : 07-777 1079

PAHANG

Kuantan

Ground, Mezzanine & 1st Floor
B-400, Jalan Beserah
25300 Kuantan, Pahang
Tel : 09-566 0800
Fax : 09-566 0801

TERENGGANU

Kuala Terengganu

Ground & Mezzanine Floor
Wisma Kam Choon
101, Jalan Kampong Tiong
20100 Kuala Terengganu, Terengganu
Tel : 09-631 7922
Fax : 09-631 3255



**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



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 2019

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	1,945	11.71	36,897	0.01
100 – 1,000	4,013	24.16	3,051,217	0.19
1,001 – 10,000	8,010	48.21	33,787,811	2.18
10,001 – 100,000	2,065	12.43	63,717,316	4.11
100,001 – less than 5% of issued shares	578	3.48	833,435,273	53.84
5% and above of issued shares	2	0.01	614,077,415	39.67
Total	16,613	100.00	1,548,105,929	100.00

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	164,219,640	10.61
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	45,581,000	2.94
6. Fields Equity Management Ltd	31,470,900	2.03
7. Citigroup Nominees (Tempatan) Sdn Bhd – Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	31,232,200	2.02
8. Cartaban Nominees (Asing) Sdn Bhd – Exempt AN for State Street Bank & Trust Company (West CLTOD67)	27,328,000	1.77
9. Eden Engineering Sdn Bhd	19,700,000	1.27
10. Cartaban Nominees (Tempatan) Sdn Bhd – PAMB for Prulink Equity Fund	19,458,500	1.26
11. HSBC Nominees (Asing) Sdn Bhd – JPMCB NA for Vanguard Emerging Markets Stock Index Fund	19,364,217	1.25
12. Citigroup Nominees (Asing) Sdn Bhd – Exempt AN for Citibank New York (Norges Bank 14)	18,034,800	1.17
13. HSBC Nominees (Asing) Sdn Bhd – JPMCB NA for Vanguard Total International Stock Index Fund	16,210,753	1.05
14. Citigroup Nominees (Asing) Sdn Bhd – CBNY for Dimensional Emerging Markets Value Fund	15,186,000	0.98
15. 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 2019

Name		No. of Shares Held	% of Issued Shares
16.	Citigroup Nominees (Asing) Sdn Bhd – Exempt AN for Citibank New York (Norges Bank 1)	12,158,600	0.79
17.	Cartaban Nominees (Asing) Sdn Bhd – GIC Private Limited for Government of Singapore (C)	10,111,800	0.65
18.	Citigroup Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board (CIMB PRIN)	10,106,900	0.65
19.	HSBC Nominees (Asing) Sdn Bhd – Exempt AN for Bank Julius Baer & Co. Ltd. (Singapore BCH)	9,500,000	0.61
20.	Citigroup Nominees (Asing) Sdn Bhd – CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	8,272,300	0.53
21.	Citigroup Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board (Aberdeen)	7,978,300	0.52
22.	Citigroup Nominees (Tempatan) Sdn Bhd – Great Eastern Life Assurance (Malaysia) Berhad (Par 3)	7,663,500	0.49
23.	HSBC Nominees (Asing) Sdn Bhd – HSBC BK PLC for Saudi Arabian Monetary Authority	6,842,800	0.44
24.	Citigroup Nominees (Tempatan) Sdn Bhd – Great Eastern Life Assurance (Malaysia) Berhad (LSF)	6,722,600	0.43
25.	Citigroup Nominees (Tempatan) Sdn Bhd – Kumpulan Wang Persaraan (Diperbadankan) (Principal EQITS)	6,526,600	0.42
26.	Citigroup Nominees (Tempatan) Sdn Bhd – Kumpulan Wang Persaraan (Diperbadankan) (Aberdeen)	6,465,100	0.42
27.	DB (Malaysia) Nominee (Asing) Sdn Bhd – BNYM SA/NV for People's Bank of China (SICL Asia EM)	6,024,400	0.39
28.	Permodalan Nasional Berhad	5,932,500	0.38
29.	Citigroup Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board (Affin-HWG)	5,845,300	0.38
30.	HSBC Nominees (Asing) Sdn Bhd – JPMCB NA for MSCI Equity Index Fund B - Malaysia	5,499,800	0.36
Total		1,117,867,685	72.21

SUBSTANTIAL SHAREHOLDERS

as at 21 May 2019

Name of Substantial Shareholder	No. of Ordinary Shares				Total	% of Issued Shares
	Direct Interest	% 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 ¹	29.06	449,857,775	29.06
Duxton Investments Pte Ltd	-	-	449,857,775 ¹	29.06	449,857,775	29.06
Ong Beng Seng	-	-	449,857,775 ²	29.06	449,857,775	29.06
Ong Tiong Sin	-	-	449,857,775 ²	29.06	449,857,775	29.06
Seow Lun Hoo	-	-	449,857,775 ²	29.06	449,857,775	29.06
Fullerton Financial Holdings Pte Ltd	-	-	449,857,775 ³	29.06	449,857,775	29.06
Fullerton Management Pte Ltd	-	-	449,857,775 ⁴	29.06	449,857,775	29.06
Temasek Holdings (Private) Limited	-	-	450,030,888 ⁵	29.07	450,030,888	29.07
Singapore Minister for Finance	-	-	450,030,888 ⁶	29.07	450,030,888	29.07
Employees Provident Fund Board	194,465,740	12.56	-	-	194,465,740	12.56

Notes:

¹ Deemed interested by virtue of Section 8 of the Companies Act 2016 held through Vertical Theme Sdn Bhd.

² Deemed interested by virtue of Section 8 of the Companies Act 2016 held through Langkah Bahagia Sdn Bhd.

³ Deemed interested by virtue of Section 8 of the Companies Act 2016 held through Duxton Investments Pte Ltd.

⁴ Deemed interested by virtue of Section 8 of the Companies Act 2016 held through Fullerton Financial Holdings Pte Ltd.

⁵ Deemed interested by virtue of Section 8 of the Companies Act 2016 held through Fullerton Management Pte Ltd and Fullerton (Private) Limited.

⁶ Deemed interested by virtue of Section 8 of the Companies Act 2016 held through Temasek Holdings (Private) Limited.

DIRECTORS' SHAREHOLDINGS

as at 21 May 2019

Save as disclosed below, none of the other Directors have any interest in the shares of the Bank or in any of the Bank's related corporation as at 21 May 2019:

Name	No. of Alliance Bank Shares Held			
	Direct	%	Indirect	%
Ho Hon Cheong	-	-	1,000 [^]	*

Notes:

* Negligible

[^] Indirect interest in the Bank's shares by virtue of Section 59(1)(c) of the Companies Act 2016

SENIOR MANAGEMENT'S SHAREHOLDINGS

as at 21 May 2019

Save as disclosed below, the Group Chief Executive Officer and none of the other Senior Management have any interest in the shares of the Bank or in any of the Bank's related corporation as at 21 May 2019:

Name	No. of Alliance Bank Shares Held			
	Direct	%	Indirect	%
Aaron Sum Wei Wern (Head, Group Strategy & Performance Management)	146,200	0.01	-	-
Chew Siew Suan (Head, Group Human Resource)	197,900	0.01	-	-
Ernest Kwong Kah Wah (Head, Group SME Banking)	122,300	0.01	-	-
Foziakhatoon Binti Amanulla Khan (Chief Business Development Officer)	92,400	0.01	-	-
Lee Wei Yen (Group Company Secretary)	219,800	0.01	-	-
Leong Sow Yoke (Group Chief Internal Auditor)	303,500	0.02	-	-
Mahesh S/O Shri Pranlal Rupawalla (Chief Executive Officer, Alliance Investment Bank Berhad)	56,400	*	-	-
Pang Choon Han (Group Chief Risk Officer)	501,200	0.03	-	-
Peter Fong Seow Loong (Group Chief Credit Officer)	69,500	*	-	-
Rizal IL-Ehzan Fadil Azim (Chief Executive Officer, Alliance Islamic Bank Berhad)	47,500	*	-	-
Tan Eng Kiang (Head, Group Financial Markets)	79,600	0.01	-	-

Note:

* *Negligible*

NOTICE OF 37TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 37th Annual General Meeting of Alliance Bank Malaysia Berhad (“the Bank”) will be held at Grand Ballroom, Level 2, InterContinental Kuala Lumpur, 165 Jalan Ampang, 50450 Kuala Lumpur on Thursday, 25 July 2019 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 2019 together with the Reports of the Directors and Auditors thereon. | Please refer to Explanatory Note (i) |
| 2. To approve the payment of Directors’ fees and Board Committees’ fees amounting to RM2,040,083 in respect of the financial year ended 31 March 2019. | Ordinary Resolution 1 |
| 3. To approve Directors’ benefits (other than Directors’ fees and Board Committees’ fees) payable up to an amount of RM1,200,000 from 26 July 2019 to the next Annual General Meeting of the Bank. | Ordinary Resolution 2 |
| 4. To re-elect Mr Kuah Hun Liang who retires by rotation pursuant to Article 87 of the Bank’s Constitution. | Ordinary Resolution 3 |
| 5. To re-elect Mr Lee Ah Boon who retires by rotation pursuant to Article 87 of the Bank’s Constitution. | Ordinary Resolution 4 |
| 6. To re-elect Tan Sri Dato’ Ahmad Bin Mohd Don who retires by rotation pursuant to Article 87 of the Bank’s Constitution. | Ordinary Resolution 5 |
| 7. To re-elect Ms Susan Yuen Su Min who retires pursuant to Article 93 of the Bank’s Constitution. | Ordinary Resolution 6 |
| 8. To re-appoint PricewaterhouseCoopers PLT as Auditors of the Bank and authorise the Directors to fix their remuneration. | Ordinary Resolution 7 |

As Special Business

9. To consider and if thought fit, to pass the following Special Resolution:

Proposed Amendments to the Constitution of Alliance Bank Malaysia Berhad

Special Resolution 1

“**THAT** the Constitution of the Bank be altered and/or modified, in the form and manner as set out in Appendix I to the Notice of the 37th Annual General Meeting (“Proposed Amendments”) **AND THAT** the Board of Directors of the Bank be and is hereby authorised to do all acts and things and take all such steps as may be deemed necessary to give full effect to the Proposed Amendments.”

10. 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
25 June 2019

NOTICE OF 37TH ANNUAL GENERAL MEETING (Cont'd)

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 shareholder whose name appears in the General Meeting Record of Depositors as at 18 July 2019 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 2019

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 Directors of the Bank are entitled to annual Directors' fees and annual Board Committees' fees (if applicable).

For the financial year ended 31 March 2019, the Board has engaged an independent consultant to carry out a review on the remuneration of the Non-Executive Directors to determine if the remuneration of Non-Executive Directors of the Bank continues to be in line with the industry taking into consideration the complexities of the Bank's business and operations.

On the recommendation of the Group Nomination & Remuneration Committee, the Board agreed for the proposed revision to the remuneration of Non-Executive Directors as set out in the table below for tabling to the shareholders of the Bank for approval.

Description	Proposed for Financial Year Ended 31 March 2019 (RM)	Financial Year Ended 31 March 2018 (RM)
Annual Directors' Fees		
- Non-Executive Chairman	250,000	200,000
- Non-Executive Director	120,000	92,000
Annual Board Committees' Fees		
- Chairman	50,000	40,000
- Member	35,000	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 sitting allowances and other benefits for Non-Executive Directors, as set out below:

(a) Sitting allowance

The current meeting sitting allowance of RM1,100 per meeting is proposed to be revised to RM1,500 per meeting effective from the financial year ended 31 March 2019.

(b) Other benefits include company car and driver allowance (for Chairman only), insurance coverage and other claimable benefits.

The total amount of Directors' benefits (other than Directors' fees and Board Committees' fees) from 26 July 2019 to the next Annual General Meeting of the Bank is estimated based on the proposed meeting sitting allowance and takes into account other related factors including the estimated number of meetings for the Board and Board Committees from this Annual General Meeting up to the next Annual General Meeting in 2020.

(iv) Special Resolution 1 – Proposed Amendments to the Constitution of Alliance Bank Malaysia Berhad

The Proposed Amendments will bring the Bank's Constitution to be in line with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The proposed Special Resolution 1, if passed, will give full effect to the Proposed Amendments with immediate effect.

APPENDIX I TO NOTICE OF 37TH ANNUAL GENERAL MEETING

PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE BANK

Article	Existing Provision	Proposed Amendments	Rationale
95.	<p><u>Directors' Remuneration</u></p> <p>The Directors shall be paid by way of fees for their services, such fixed sum (if any) as shall from time to time be determined by the Company in general meeting and such fees shall be divided among the Directors in such proportions and manner as the Directors may determine and in default of agreement equally, except that if a Director has held office for part only of the period in respect of which such fees are payable, such a Director shall be entitled only to that proportion of the fees as is related to the period during which he has held office PROVIDED ALWAYS that:-</p> <p>.....</p> <p>(c) fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting where notice of the proposed increase has been given in the notice convening the meeting;</p>	<p><u>Directors' Remuneration</u></p> <p>The Directors shall be paid by way of fees for their services, such fixed sum (if any) as shall from time to time be determined by the Company in general meeting and such fees shall be divided among the Directors in such proportions and manner as the Directors may determine and in default of agreement equally, except that if a Director has held office for part only of the period in respect of which such fees are payable, such a Director shall be entitled only to that proportion of the fees as is related to the period during which he has held office PROVIDED ALWAYS that:-</p> <p>.....</p> <p>(c) fees and any benefits payable to Directors shall not be increased except pursuant to a resolution passed be subject to annual shareholder approval at a general meeting where notice of the proposed increase has been given in the notice convening the meeting;</p>	<p>To align with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.</p>
119(a).	<p><u>Alternate Directors</u></p> <p>A Director may appoint any other person approved by a majority of his co-Directors to act as his alternate provided that any fee paid by the Company to the alternate shall be deducted from that Director's remuneration. The alternate Director shall not be required to hold any shares in the Company but shall be entitled to receive notices of all meetings and to attend, speak and vote, and be counted for the quorum, and generally to exercise all powers, rights, duties and authorities of the Director appointing him, at any such meeting at which the Director appointing him is not present. For the avoidance of doubt, an alternate Director may not vote nor attend any meeting at which the Director appointing him is present. Any appointment so made may be revoked at any time by the appointor or by a majority of the Directors, and any appointment or revocation under this Article shall be effected by notice in writing to be delivered to the Secretary of the Company. An alternate Director shall ipso facto cease to be an alternate Director if his appointor for any reason ceases to be a Director.</p>	<p><u>Alternate Directors</u></p> <p>A Director may appoint any other person approved by a majority of his co-Directors to act as his alternate provided that such person is not a Director of the Company and does not act as an alternate for more than one Director of the Company. any Any fee paid by the Company to the alternate shall be deducted from that Director's remuneration.</p> <p>The alternate Director shall not be required to hold any shares in the Company but shall be entitled to receive notices of all meetings and to attend, speak and vote, and be counted for the quorum, and generally to exercise all powers, rights, duties and authorities of the Director appointing him, at any such meeting at which the Director appointing him is not present. For the avoidance of doubt, an alternate Director may not vote nor attend any meeting at which the Director appointing him is present. Any appointment so made may be revoked at any time by the appointor or by a majority of the Directors, and any appointment or revocation under this Article shall be effected by notice in writing to be delivered to the Secretary of the Company. An alternate Director shall ipso facto cease to be an alternate Director if his appointor for any reason ceases to be a Director.</p>	<p>To align with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.</p>

PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE BANK

Article	Existing Provision	Proposed Amendments	Rationale
124.	<p><u>Meeting of Committees</u></p> <p>Unless otherwise determined by the Directors, the quorum for executive committee meetings shall be three (3) members. Decisions made by the executive committee will have to meet unanimous agreement of all its members present at its meetings.</p> <p>.....</p>	<p><u>Meeting of Committees</u></p> <p>Unless otherwise determined by the Directors, the quorum for executive committee meetings shall be three (3) members. Decisions made by the executive committee will have to meet unanimous agreement <u>to be carried by a majority of votes</u> of all its members present at its meetings. <u>In the case of an equality of votes, the chairman of the executive committee meeting shall have a second or casting vote.</u></p> <p>.....</p>	<p>To align with the functionality of the Board and other Board Committees of the Bank whereby decisions are carried by a majority of votes and in case of an equality of votes, the chairman of the executive committee shall have a second or casting vote.</p>
151.	<p><u>Service of Notices</u></p> <p>Notice of a meeting of Members shall be in writing and shall be given to the Members either in hard copy, in Electronic Form, or partly in hard copy and partly in Electronic Form.</p> <p>(a) In view of the above, a notice:</p> <p>.....</p> <p>(b) Notice of a meeting of Members shall not be validly given by the Company by means of the Company's website unless a notification to that effect is given in accordance with this Article.</p> <p>(c) The Company shall notify a Member of the publication of the notice on the website and such notification shall be in writing and shall be given in hard copy or Electronic Form stating:</p> <p>(i) that it concerns a meeting of Members;</p> <p>(ii) the place, date and time of the meeting; and</p> <p>(iii) whether the meeting is an annual general meeting.</p> <p>(d) The notice shall be made available on the website throughout the period beginning from the date of the notification referred to in Article 151(c) until the conclusion of the meeting.</p>	<p><u>Service of Notices and/or documents</u></p> <p>Notice of a meeting of Members or any document required to be sent to Members shall be in writing and shall be given to the Members either in hard copy, in Electronic Form, or partly in hard copy and partly in Electronic Form.</p> <p>(a) In view of the above, a notice or any document required to be sent to Members:</p> <p>.....</p> <p>(b) Notice of a meeting of Members or any document required to be sent to Members shall not be validly given by the Company by means of the Company's website unless a notification to that effect is given in accordance with this Article.</p> <p>(c) The Company shall notify a Member of the publication of the notice of a meeting of Members or document required to be sent to Members on the website and such notification shall be in writing and shall be given in hard copy or Electronic Form stating, where applicable:</p> <p>(i) that it concerns a meeting of Members;</p> <p>(ii) the place, date and time of the meeting; and</p> <p>(iii) whether the meeting is an annual general meeting.</p> <p>(d) The notice of a meeting of Members shall be made available on the website throughout the period beginning from the date of the notification referred to in Article 151(c) until the conclusion of the meeting.</p>	<p>To enable the Bank to send any documents required to be sent to Members of the Bank via Electronic Form, in addition to notice of a meeting of Members which is in line with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.</p>
152.	<p><u>When service effected</u></p> <p>(e) – (i)</p>	<p><u>When service effected</u></p> <p>To renumber as (b) – (f)</p>	<p>Administrative changes.</p>

STATEMENT ACCOMPANYING NOTICE OF 37TH 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 37th Annual General Meeting are set out below.

(i) Profile of Mr Kuah Hun Liang

Senior Independent Non-Executive Director
Member of Group Audit Committee
Malaysian / Male / Aged 57

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. He began his career at Public Bank in 1983, and thereafter joined Deutsche Bank AG (Deutsche Bank) in 1989 as Treasurer. He was promoted as Head of Global Markets when Deutsche Bank ventured into investment banking. In 2000, he was appointed as an Executive Director of Deutsche Bank (M) Berhad. In 2002, he was promoted to Managing Director and Chief Executive Officer, and held both positions until 2006.

Mr Kuah is the Chairman of Alliance Investment Bank Berhad. He also holds directorships in public companies listed on Bursa Malaysia namely, Rexit Berhad and MPHB Capital Berhad. In addition, he serves as a Director on the Board of Multi-Purpose Capital Holdings Berhad.

(ii) Profile of Mr Lee Ah Boon

Non-Independent Non-Executive Director
Chairman of Executive Committee
Member of Group Nomination & Remuneration Committee
Singaporean / Male / Aged 68

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 held various 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. He then moved to Barclays Bank in early 2009 as its International Technology Head for the Global Retail and Consumer Bank Business.

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

Mr Lee is currently an Advisor of Fullerton Financial Holdings (International) Pte Ltd. He also serves as a Director on the Board of Alliance Investment Bank Berhad.

(iii) Profile of Tan Sri Dato' Ahmad Bin Mohd Don

Chairman of the Board, Independent Non-Executive Director
Member of Group Nomination & Remuneration Committee
Malaysian / Male / Aged 71

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

Tan Sri Dato' Ahmad is Chairman on the Board of Sunway REIT Management Sdn Bhd (manager of Sunway Real Estate Investment Trust listed on Bursa Malaysia) and a Director on the Board of United Malacca Berhad (listed on Bursa Malaysia).

(iv) Profile of Ms Susan Yuen Su Min

Independent Non-Executive Director
 Member of Group Nomination & Remuneration Committee
 Malaysian / Female / Aged 59

Ms Susan Yuen Su Min was appointed to the Alliance Bank Malaysia Berhad Board of Directors on 15 October 2018.

Ms Susan Yuen holds a Bachelor of Computer Science (Honours) degree from the University of London, United Kingdom.

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

Ms Susan Yuen serves as an Independent Director on the Board of Chubb Insurance Malaysia Berhad.

Additional information of the Directors who are standing for re-election at the 37th Annual General Meeting:

(i) Directors' interest in the securities of the Bank and its subsidiaries

None of the Directors have any interest in the securities of the Bank and its subsidiaries.

(ii) Family Relationship

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

(iii) Conflict of interest

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

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

None of the Directors have been convicted of any offences within the past 5 years (other than traffic offences) nor have they been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 March 2019.



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 37th Annual General Meeting of the Bank to be held at Grand Ballroom, Level 2, InterContinental Kuala Lumpur, 165 Jalan Ampang, 50450 Kuala Lumpur on Thursday, 25 July 2019 at 11.00 a.m. and at any adjournment thereof.

NO.	RESOLUTIONS	*FOR	*AGAINST
	Ordinary Resolutions:		
1.	To approve the payment of Directors' fees and Board Committees' fees amounting to RM2,040,083 in respect of the financial year ended 31 March 2019		
2.	To approve Directors' benefits (other than Directors' fees and Board Committees' fees) payable up to an amount of RM1,200,000 from 26 July 2019 to the next Annual General Meeting of the Bank		
3.	To re-elect Mr Kuah Hun Liang who retires by rotation pursuant to Article 87 of the Bank's Constitution		
4.	To re-elect Mr Lee Ah Boon who retires by rotation pursuant to Article 87 of the Bank's Constitution		
5.	To re-elect Tan Sri Dato' Ahmad Bin Mohd Don who retires by rotation pursuant to Article 87 of the Bank's Constitution		
6.	To re-elect Ms Susan Yuen Su Min 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		
	Special Resolution:		
1.	Proposed Amendments to the Constitution of Alliance Bank Malaysia Berhad		

* 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 _____ 2019.

Signature of Member

Shareholding represented by Proxy

Proxy 1	%
Proxy 2	%
Total	%

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 shareholder whose name appears in the General Meeting Record of Depositors as at 18 July 2019 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.

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**GROUP COMPANY SECRETARY
ALLIANCE BANK MALAYSIA BERHAD**

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

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www.alliancebank.com.my



AllianceBankMalaysia



AllianceBankMY

ALLIANCE BANK MALAYSIA BERHAD (88103-W)

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