ALLIANCE BANK

Alliance Bank Malaysia Berhad (88103-W)

REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

88103-W

ALLIANCE BANK MALAYSIA BERHAD
(Incorporated in Malaysia)

CONTENTS

ALLIANCE BANK MALAYSIA BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors present their report together with the audited financial statements of the Bank and of the Group for the financial year ended 31 March 2015.

PRINCIPAL ACTIVITIES

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

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

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

RESULTS

	BANK RM'000	GROUP RM'000
Profit before taxation and zakat	624,336	678,513
Taxation and zakat	(141,107)	(168,713)
Net profit for the financial year	483,229	509,800

RESERVES AND PROVISIONS

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

ORDINARY SHARES DIVIDENDS

The amount of ordinary shares dividends declared and paid by the Bank since 31 March 2014 were as follows:

		RM'000
(i)	A second interim dividend of 26.9 sen, tax exempt under the single tier tax system on 596,517,043 ordinary shares in respect of the financial year ended 31 March 2014, was paid on 22 May 2014	160,463
(ii)	A first interim dividend of 24.4 sen, tax exempt under the single tier tax system on 596,517,043 ordinary shares in respect of the financial year ended 31 March 2015, was paid on 26 November 2014	145,550
		306,013

ORDINARY SHARES DIVIDENDS (CONTD.)

Subsequent to the financial year end, on 27 May 2015, the Directors declared a second interim dividend of 8.46 sen, tax exempt under the single tier tax system, on 796,517,043 ordinary shares amounting to approximately RM67,386,000 in respect of current financial year. The accompanying financial statements do not reflect these dividend. The dividend will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 March 2015. The Directors do not propose any final dividend in respect of the financial year ended 31 March 2015.

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

The amount of ICPS dividends declared and paid by the Bank since 31 March 2014 was as follows:

	RM'000
A dividend of 5.0 sen per share, tax exempt under the single tier tax system on 400,000,000 ICPS in respect of financial year ended 31 March 2015, was paid on 26 November 2014	20,000

ALLIANCE FINANCIAL GROUP BERHAD EMPLOYEES' SHARE SCHEME

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

Alliance Financial Group Berhad, the holding company of the Bank awarded the following share grants to employees of the Alliance Financial Group Berhad and its subsidiaries under the Share Grant Plan who have met the criteria of eligibility for participation in the AFG Bhd ESS:

(i) On 23 June 2014, 2,143,600 share grants awarded under the Share Grant Plan. The first 33.3% of the share grants are to be vested at the end of the first year, the second 33.3% are to be vested at the end of the second year and the remaining 33.4% of the share grants are to be vested at the end of the third year from the date on which an award is made.

(ii) On 26 January 2015, 34,500 share grants awarded under the Share Grant Plan. The first 33.3% of the share grants are to be vested at the end of the first year, the second 33.3% are to be vested at the end of the second year and the remaining 33.4% of the share grants are to be vested at the end of the third year from the date on which an award is made.

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

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

BUSINESS REVIEW FOR FINANCIAL YEAR ENDED ("FYE") 31 MARCH 2015

For the financial year ended 31 March 2015, the Group's net profit after taxation and zakat was RM509.8 million, a decrease of RM53.4 million or 9.5% compared to FYE2014, primarily due to higher allowance for losses, in line with balance sheet size and loans growth.

Revenue growth was not commensurate, owing to continued margin pressures: net interest income, including Islamic Banking income, grew by RM54.8 million or 5.5%, lagging the 14.7% expansion of total gross loans to RM36.9 billion.

Other operating income declined by RM43.6 million or 12.1% due to lower gain from sale/redemption of financial investments.

While the size and growth of the balance sheet drove higher provisioning for losses, the reduction in the impaired loans continued, albeit more moderately.

This resulted in a better impaired loan ratio from 1.4% to 1.0%.

The loan loss coverage improved from 92.7% to 102.7%, reflecting a healthy book and strong performance from new origination.

Operating expenses increased by RM20.6 million or 3.3% on higher marketing spend and personnel costs.

Customer deposits registered a very healthy growth rate of 13.9% to RM44.7 billion. In particular CASA deposits grew by RM1.7 billion or 12.5%.

As a result, the CASA ratio stood at 33.5%, while the loans-to-deposits ratio rose only slightly to 82.6% as at 31 March 2015, from 82.0% last year.

The Group's total capital ratio remained sound at 13.0%, with a Common Equity Tier 1 Capital ratio of 11.1% as at 31 March 2015.

The Bank declared a second interim dividend of RM67.4 million, bringing the total dividend declared for the financial year ended 31 March 2015 to RM232.9 million (FYE2014: RM306.6 million).

Performance by business segment

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

Consumer Banking's profit before taxation of RM161.9 million for the financial year ended 31 March 2015, was RM62.5million or 27.9% lower compared to last financial year. This was mainly due to lower operating income, lower net interest income and higher allowance for impairment of loans, advances and financing. Segment assets increased by RM2.6 billion or 13.7% year-on-year to RM21.8 billion as at 31 March 2015.

Business Banking's profit before taxation of RM342.9 million for the for the financial year ended 31 March 2015, was RM8.6 million or 2.5% lower compared to last financial year, mainly due to lower write-back of impairment on loans, advances and financing by RM30.4 million. Operating profit before allowance improved by RM29.0 million or 9.4% to RM336.4 million on higher net interest income, other operating income and net income from Islamic banking business. Segment assets increased by RM2.2 billion or 18.0% year-on-year to RM14.6 billion as at 31 March 2015.

Financial Markets' profit before taxation of RM197.7 million for the financial year ended 31 March 2015, was RM2.1 million or 1.1% lower compared to last financial year due to lower other operating income.

Investment Banking covers stockbroking, capital market activities and corporate advisory services. It incurred a loss of RM13.9 million for the financial year ended 31 March 2015, mainly attributed to higher operating expenses while net income only grew marginally.

ECONOMIC OUTLOOK AND PROSPECTS FOR FYE 31 MARCH 2016

Bank Negara Malaysia reported that the domestic economy is to remain on a steady growth path in 2015, expanding in the range of 4.5% to 5.5% despite some uncertainties in the external and domestic environment.

Domestic demand will continue to be the key driver of growth although there are some headwinds to private consumption following the expected cost-push price pressures from the implementation of the Goods and Services Tax.

However, inflation is expected to be manageable, ranging between 2% and 3%.

Meanwhile, gross exports are forecasted to expand by 1.5%, slower than the 6.4% growth achieved in 2014 as trade activities are expected to be subdued on the back of slow global growth recovery and soft commodity prices.

BUSINESS OUTLOOK FOR FYE 31 MARCH 2016

The Group will continue to capitalize on its strength in the SME segment as well as Transactional and Business Banking to generate sustainable revenue growth.

It will also centre its Consumer Banking activities around Wealth Management, cards and unsecured lending, with a strong focus on fulfilling the financial needs of the owners, employees and clients of our SME and Business Banking partners.

The focus areas for Financial Year 2016 will be to improve asset efficiency as measured by risk adjusted returns, ensure that deposits growth exceeds loans growth and continue to grow customer based non-interest income.

Financial markets will focus on helping our customers with their foreign exchange and treasury products needs, as well as on optimizing the balance sheet for returns within a prudent risk management framework.

Investment Banking, having built its capabilities in the debt and equity markets, will support our SME and Business Banking customers with enhanced access to capital markets in addition to growing its institutional broking business.

The Group expects that these actions will position its businesses for sustainable revenue and profit growth in financial year 2016.

RATING BY EXTERNAL RATING AGENCY

The Bank is rated by Rating Agency Malaysia Berhad ("RAM"). Based on RAM's rating in November 2014, the Bank's short-term and long-term ratings are reaffirmed at P1 and A1 respectively. RAM has classified these rating categories as follows:

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

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

DIRECTORS

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

Dato' Thomas Mun Lung Lee (Chairman)	
Megat Dziauddin bin Megat Mahmud	(ceased on 21 April 2015)
Kung Beng Hong	
Tan Yuen Fah	
Ou Shian Waei	
Kuah Hun Liang	
Lee Ah Boon	
Datuk Wan Azhar bin Wan Ahmad	(appointed on 7 April 2015)
Lee Boon Huat	(appointed on 7 April 2015)
Sng Seow Wah	(ceased on 4 October 2014)

DIRECTORS' BENEFITS

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

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

DIRECTORS' INTERESTS

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

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

SHARE CAPITAL

On 30 December 2014, the Bank has converted existing 400,000,000 Irredeemable Convertible Preference Shares ("ICPS") of RM0.01 each to 200,000,000 New Ordinary Shares of RM1.00 each at the conversion price of RM2.00 each after having obtained approval from Bank Negara Malaysia.

BAD AND DOUBTFUL DEBTS

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

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

CURRENT ASSETS

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

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

VALUATION METHOD

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

CONTINGENT AND OTHER LIABILITIES

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

(i) any charge on the assets of the Bank or of the Group which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability in respect of the Bank or of the Group which has arisen since the end of the financial year other than in the ordinary course of banking business.

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

In the opinion of the Directors:

(i) the results of the operations of the Bank and of the Group during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

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

HOLDING COMPANY

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

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

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

SUBSEQUENT EVENTS

The subsequent events are disclosed in Note 53 to the financial statements.

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the Directors dated 27 May 2015.

Dato' Thomas Mun Lung Lee   Kung Beng Hong

Kuala Lumpur, Malaysia

ALLIANCE BANK MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Dato' Thomas Mun Lung Lee and Kung Beng Hong, being two of the Directors of Alliance Bank Malaysia Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 11 to 144 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965 so as to give a true and fair view of the state of affairs of the Bank and of the Group as at 31 March 2015 and of the results and the cash flows of the Bank and of the Group for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 27 May 2015.

Dato' Thomas Mun Lung Lee   Kung Beng Hong

Kuala Lumpur, Malaysia

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

I, Teo Wee Chee, being the officer primarily responsible for the financial management of Alliance Bank Malaysia Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 11 to 144 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed Teo Wee Chee
at Kuala Lumpur in the Federal Territory on
27 May 2015   Teo Wee Chee

Before me,

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Alliance Bank Malaysia Berhad on pages 11 to 144 which comprise the statements of financial position as at 31 March 2015 of the Bank and of the Group, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Bank and the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 53.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair of the financial position of the Bank and the Group as of 31 March 2015 and of their financial performance and cash flows for the year ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank and its subsidiaries have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Bank's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(c) Our audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

SOO HOO KHOON YEAN
(No. 2682/10/15 (J))
Chartered Accountant

Kuala Lumpur, Malaysia
27 May 2015

88103-W

ALLIANCE BANK MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2015

		BANK		GROUP	
		2015	2014	2015	2014
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and short-term funds	3	2,443,337	1,842,996	2,690,353	2,129,759
Deposits and placements with banks and other financial institutions	4	298,167	655,305	298,167	655,305
Balances due from clients and brokers	5	-	-	102,743	76,265
Financial assets held-for-trading	6	10,037	110,172	10,037	110,172
Financial investments available-for-sale	7	7,882,199	7,538,607	9,753,856	9,738,760
Financial investments held-to-maturity	8	714,915	710,730	1,319,035	1,320,122
Derivative financial assets	9	132,460	39,677	132,460	39,677
Loans, advances and financing	10	29,853,853	26,582,780	36,566,032	31,818,991
Other assets	11	95,839	138,429	89,592	94,337
Tax recoverable		20,186	-	27,017	52
Statutory deposits with Bank Negara Malaysia	12	1,344,000	1,291,950	1,675,326	1,584,144
Investments in subsidiaries	13	792,820	792,820	-	-
Investment in associate	14	230	230	511	501
Investment in joint venture	15	-	-	410	-
Property, plant and equipment	16	95,458	90,432	97,343	92,214
Deferred tax assets	17	-	18,036	12,020	32,343
Intangible assets	18	244,522	238,665	359,935	353,256
TOTAL ASSETS		43,928,023	40,050,829	53,134,837	48,045,898
LIABILITIES AND EQUITY					
Deposits from customers	19	36,856,167	32,908,978	44,723,429	39,256,033
Deposits and placements of banks and other financial institutions	20	928,495	2,070,046	1,489,775	3,059,357
Balances due to clients and brokers	21	-	-	62,833	44,834
Bills and acceptances payable	22	801,578	-	801,578	-
Derivative financial liabilities	9	115,224	64,874	115,224	64,874
Amount due to Cagamas Berhad	23	7,003	14,014	7,003	14,014
Other liabilities	24	746,890	722,234	933,572	857,348
Provision for taxation and zakat		-	8,155	1,946	10,811
Deferred tax liabilities	17	3,241	-	13,041	5,367
Subordinated obligations	25	613,267	612,718	613,267	612,718
TOTAL LIABILITIES		40,071,865	36,401,019	48,761,668	43,925,356
Share capital	26	796,517	600,517	796,517	600,517
Reserves	27	3,059,641	3,049,293	3,576,652	3,520,025
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNER OF THE PARENT		3,856,158	3,649,810	4,373,169	4,120,542
TOTAL LIABILITIES AND EQUITY		43,928,023	40,050,829	53,134,837	48,045,898
COMMITMENTS AND CONTINGENCIES	46	20,691,697	22,346,627	22,745,783	24,146,075

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

ALLIANCE BANK MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2015

		BANK		GROUP	
		2015	2014	2015	2014
	Note	RM'000	RM'000	RM'000	RM'000
Interest income	29	1,713,858	1,540,214	1,771,835	1,601,230
Interest expense	30	(909,801)	(777,882)	(954,732)	(824,772)
Net interest income		804,057	762,332	817,103	776,458
Net income from Islamic banking business	31	-	-	225,057	210,917
		804,057	762,332	1,042,160	987,375
Fee and commission income	32	265,009	274,948	309,288	314,009
Fee and commission expense	32	(94,328)	(87,758)	(113,649)	(103,878)
Investment income	32	139,166	136,331	86,830	103,958
Other income	32	32,390	46,650	33,252	45,220
Other operating income	32	342,237	370,171	315,721	359,309
Net income		1,146,294	1,132,503	1,357,881	1,346,684
Other operating expenses	33	(493,603)	(487,437)	(646,518)	(625,901)
Operating profit before allowance		652,691	645,066	711,363	720,783
(Allowance made for)/write-back of losses on loans, advances and financing and other receivables	34	(28,955)	19,012	(39,604)	12,971
Write-back of impairment on securities	35	600	10,709	6,728	14,927
Operating profit after allowance		624,336	674,787	678,487	748,681
Share of results of associate	14	-	-	10	4
Share of profit of equity accounted, net of tax joint venture	15	-	-	16	-
Profit before taxation and zakat		624,336	674,787	678,513	748,685
Taxation and zakat	36	(141,107)	(163,619)	(168,713)	(185,482)
Net profit for the financial year		483,229	511,168	509,800	563,203
Other comprehensive income/(expense):					
Items that may be reclassified subsequently to profit or loss					
Revaluation reserve on financial investments available-for-sale					
- Net gain/(loss) from change in fair value		86,825	(93,820)	113,466	(110,428)
- Realised gain transferred to statement of income on disposal and impairment		(14,637)	(34,363)	(14,977)	(38,986)
- Transfer (to)/from deferred tax		(20,804)	35,380	(27,328)	41,088
Other comprehensive income/(expense), net of tax		51,384	(92,803)	71,161	(108,326)
Total comprehensive income for the year		534,613	418,365	580,961	454,877
Net profit for the financial year attributable to:					
Owner of the parent		483,229	511,168	509,800	563,203
Total comprehensive income attributable to:					
Owner of the parent		534,613	418,365	580,961	454,877
Earnings per share attributable to owner of the parent	37				
- Basic (sen)				64	94
- Diluted (sen)				64	71

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

ALLIANCE BANK MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2015

				Non-distributable reserves			Distributable reserves	
BANK	Ordinary shares RM'000	ICPS RM'000	Share premium RM'000	Statutory reserve RM'000	Revaluation reserves RM'000	Equity contribution from parent RM'000	Retained profits RM'000	Total equity RM'000
At 1 April 2013	596,517	4,000	597,517	601,561	85,257	13,495	1,641,549	3,539,896
Net profit after taxation and zakat	-	-	-	-	-	-	511,168	511,168
Other comprehensive expense	-	-	-	-	(92,803)	-	-	(92,803)
Total comprehensive (expense)/income	-	-	-	-	(92,803)	-	511,168	418,365
Share-based payment under ESS	-	-	-	-	-	9,572	-	9,572
Payment for ESS recharged from parent	-	-	-	-	-	(4,537)	-	(4,537)
Transfer of ESS recharged difference on shares vested	-	-	-	-	-	(1,153)	1,153	-
Dividends paid (Note 38)	-	-	-	-	-	-	(313,486)	(313,486)
At 31 March 2014	596,517	4,000	597,517	601,561	(7,546)	17,377	1,840,384	3,649,810
At 1 April 2014	596,517	4,000	597,517	601,561	(7,546)	17,377	1,840,384	3,649,810
Net profit after taxation and zakat	-	-	-	-	-	-	483,229	483,229
Other comprehensive income	-	-	-	-	51,384	-	-	51,384
Total comprehensive income	-	-	-	-	51,384	-	483,229	534,613
Conversion of ICPS*	200,000	(4,000)	(196,000)	-	-	-	-	-
Share-based payment under ESS	-	-	-	-	-	5,630	-	5,630
Payment for ESS recharged from parent	-	-	-	-	-	(7,882)	-	(7,882)
Transfer of ESS recharged difference on shares vested	-	-	-	-	-	(4,043)	4,043	-
Transfer to retained profits on share options lapsed	-	-	-	-	-	(351)	351	-
Transfer to statutory reserve	-	-	-	120,807	-	-	(120,807)	-
Dividends paid (Note 38)	-	-	-	-	-	-	(326,013)	(326,013)
At 31 March 2015	796,517	-	401,517	722,368	43,838	10,731	1,881,187	3,856,158

* On 30 December 2014, the Bank has converted 400 million ICPS of RM0.01 each to 200 million ordinary shares of RM1 each at the conversion price of RM2 each after having obtained approval from Bank Negara Malaysia.

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

88103-W

ALLIANCE BANK MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2015 (CONTD.)

	← Attributable to Owner of the Parent →											
GROUP	Ordinary shares RM'000	ICPS RM'000	Share premium RM'000	Statutory reserve RM'000	Other reserves RM'000	Revaluation reserves RM'000	Equity contribution from parent RM'000	Profit equalisation reserve ("PER") RM'000	Retained profits RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 April 2013	596,517	4,000	597,517	885,744	10,018	115,397	14,368	1,033	1,749,256	3,973,850	4,747	3,978,597
Net profit after taxation and zakat	-	-	-	-	-	-	-	-	563,203	563,203	-	563,203
Other comprehensive expense	-	-	-	-	-	(108,326)	-	-	-	(108,326)	-	(108,326)
Total comprehensive (expense)/income	-	-	-	-	-	(108,326)	-	-	563,203	454,877	-	454,877
Share-based payment under ESS	-	-	-	-	-	-	10,291	-	-	10,291	-	10,291
Payment for ESS recharged from parent	-	-	-	-	-	-	(4,925)	-	-	(4,925)	-	(4,925)
Transfer of ESS recharged difference on shares vested	-	-	-	-	-	-	(1,257)	-	1,257	-	-	-
Transfer to statutory reserve	-	-	-	43,311	-	-	-	-	(43,311)	-	-	-
Transfer PER to retained profit	-	-	-	-	-	-	-	(1,033)	1,033	-	-	-
Disposal of subsidiary	-	-	-	-	-	-	(65)	-	-	(65)	(4,747)	(4,812)
Dividends paid (Note 38)	-	-	-	-	-	-	-	-	(313,486)	(313,486)	-	(313,486)
At 31 March 2014	596,517	4,000	597,517	929,055	10,018	7,071	18,412	-	1,957,952	4,120,542	-	4,120,542
At 1 April 2014	596,517	4,000	597,517	929,055	10,018	7,071	18,412	-	1,957,952	4,120,542	-	4,120,542
Net profit after taxation and zakat	-	-	-	-	-	-	-	-	509,800	509,800	-	509,800
Other comprehensive income	-	-	-	-	-	71,161	-	-	-	71,161	-	71,161
Total comprehensive income	-	-	-	-	-	71,161	-	-	509,800	580,961	-	580,961
Conversion of ICPS*	200,000	(4,000)	(196,000)	-	-	-	-	-	-	-	-	-
Share-based payment under ESS	-	-	-	-	-	-	5,868	-	-	5,868	-	5,868
Payment for ESS recharged from parent	-	-	-	-	-	-	(8,189)	-	-	(8,189)	-	(8,189)
Transfer of ESS recharged difference on shares vested	-	-	-	-	-	-	(4,323)	-	4,323	-	-	-
Transfer to retained profits on share options lapsed	-	-	-	-	-	-	(363)	-	363	-	-	-
Transfer to statutory reserve	-	-	-	140,610	-	-	-	-	(140,610)	-	-	-
Dividends paid (Note 38)	-	-	-	-	-	-	-	-	(326,013)	(326,013)	-	(326,013)
At 31 March 2015	796,517	-	401,517	1,069,665	10,018	78,232	11,405	-	2,005,815	4,373,169	-	4,373,169

* On 30 December 2014, the Bank has converted 400 million ICPS of RM0.01 each to 200 million ordinary shares of RM1 each at the conversion price of RM2 each after obtained approval from Bank Negara Malaysia.

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

ALLIANCE BANK MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2015

	BANK		GROUP	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation and zakat	624,336	674,787	678,513	748,685
Adjustments for:				
Accretion of discount less amortisation of premium of financial investments	(57,363)	(67,036)	(62,935)	(76,491)
Depreciation of property, plant and equipment	20,981	20,639	21,420	21,211
Amortisation of computer software	18,067	19,379	18,325	19,621
Dividends from financial investments available-for-sale	(1,959)	(4,570)	(2,179)	(5,430)
Dividends from subsidiaries	(52,896)	(38,020)	-	-
(Gain)/loss on disposal of property, plant and equipment	(2)	(41)	(2)	58
Gain on disposal of non-current asset held for sale	-	(3,361)	-	(1,169)
Property, plant and equipment written-off	837	348	957	622
Computer software written-off	278	10	658	11
Net gain from redemption of financial investments held-to-maturity	-	(3,564)	-	(3,742)
Net (gain)/loss from sale of financial assets held-for-trading	(873)	450	(873)	450
Net gain from sale of financial investments available-for-sale	(14,637)	(34,363)	(14,977)	(38,986)
Unrealised (gain)/loss on revaluation of financial assets held-for-trading	(33)	128	(33)	142
Unrealised (gain)/loss on revaluation of derivative instruments	(36,249)	15,007	(36,249)	15,007
Unrealised gain arising from financial liabilities designated at fair value	(3,737)	-	(3,737)	-
Interest expense on subordinated obligations	29,470	29,444	29,470	29,444
Interest income from financial investments held-to-maturity	(21,861)	(15,738)	(26,908)	(19,791)
Interest income from financial investments available-for-sale	(294,924)	(281,612)	(315,183)	(302,038)
Interest income from financial assets held-for-trading	(428)	(1,539)	(428)	(1,539)
Allowance for loans, advances and financing (net of recoveries)	60,852	6,512	81,668	17,359
Allowance for other receivables (net of recoveries)	2,279	2,967	2,041	4,272
Net write-back of financial investments available-for-sale	-	(8,018)	(1,759)	(12,236)
Operating profit before working capital changes carried forward	272,138	311,809	367,789	395,460

ALLIANCE BANK MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2015 (CONTD.)

	BANK		GROUP	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTD.)				
Operating profit before working capital changes brought forward	272,138	311,809	367,789	395,460
Net write-back of financial investments held-to-maturity	(600)	(2,691)	(4,969)	(2,691)
Share options/grants under Employees' Share Scheme	5,630	9,572	5,868	10,291
Share of results of associates	-	-	(10)	(4)
Share of results of joint venture	-	-	(16)	-
Operating profit before working capital changes	277,168	318,690	368,662	403,056
Changes in working capital:				
Deposits from customers	3,944,442	2,792,341	5,464,649	3,231,734
Deposits and placements of banks and other financial institutions	(1,141,551)	759,937	(1,569,582)	1,049,361
Bills and acceptances payable	801,578	(73,683)	801,578	(73,713)
Other liabilities	18,281	(14,989)	75,894	34,905
Deposits and placements with banks and other financial institutions	357,138	(530,359)	357,138	(502,069)
Financial assets held-for-trading	101,034	1,159,903	101,034	1,415,953
Loans, advances and financing	(3,331,926)	(3,682,020)	(4,828,710)	(4,064,609)
Other assets	12,090	(10,795)	3,576	(8,634)
Balances due from clients and brokers	-	-	(8,479)	(12,160)
Statutory deposits with Bank Negara Malaysia	(52,050)	(234,500)	(91,182)	(253,272)
Amount due to Cagamas Berhad	(7,011)	(2,276)	(7,011)	(2,276)
Cash generated from operations	979,193	482,249	667,567	1,218,276
Taxes and zakat paid	(168,976)	(170,823)	(203,874)	(200,180)
Net cash generated from operating activities	810,217	311,426	463,693	1,018,096

ALLIANCE BANK MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2015 (CONTD.)

	BANK		GROUP	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Dividends from financial investments available-for-sale	1,959	4,514	2,179	5,339
Dividends from subsidiaries	52,896	31,703	-	-
Interest income from financial investments held-to-maturity	21,861	15,738	26,908	19,791
Interest income from financial investments available-for-sale	294,924	281,612	315,183	302,038
Interest income from financial assets held-for-trading	428	1,539	428	1,539
Purchase of property, plant and equipment	(26,844)	(33,844)	(27,506)	(35,533)
Purchase of computer software	(24,202)	(16,503)	(25,662)	(17,130)
Purchase of financial investments held-to-maturity net of proceeds for redemption and maturity	64,817	(545,005)	75,704	(658,217)
Proceeds from disposal of financial investments available-for-sale (net of purchase)	(267,798)	807,525	93,421	536,603
Proceeds from disposal of property, plant and equipment	2	4,172	2	4,176
Acquisition of joint venture company	-	-	(394)	-
Net cash proceed/(outflow) from disposal of non-current assets and subsidiary held for sale	-	12,250	-	(236)
Amount due from subsidiaries	28,614	(38,228)	-	-
Amount due from holding company	(95)	122	(576)	122
Net cash generated from investing activities	146,562	525,595	459,687	158,492
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest expense on subordinated obligations	(28,920)	(28,920)	(28,920)	(28,920)
Amount due to subsidiaries	5,966	(13,917)	-	-
Amount due to holding company	411	180	336	282
Payment for ESS recharged from parent	(7,882)	(4,537)	(8,189)	(4,925)
Dividends paid to holding company	(326,013)	(313,486)	(326,013)	(313,486)
Net cash used in financing activities	(356,438)	(360,680)	(362,786)	(347,049)

ALLIANCE BANK MALAYSIA BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2015 (CONTD.)

	BANK		GROUP	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Net change in cash and cash equivalents	600,341	476,341	560,594	829,539
Cash and cash equivalents at beginning of year	1,842,996	1,366,655	2,129,759	1,300,220
Cash and cash equivalents at end of year	2,443,337	1,842,996	2,690,353	2,129,759
Cash and cash equivalents comprise the following:				
Cash and short-term funds	2,443,337	1,842,996	2,690,353	2,129,759
	2,443,337	1,842,996	2,690,353	2,129,759

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

ALLIANCE BANK MALAYSIA BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2015

1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

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

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

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

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 27 May 2015.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

Malaysian Financial Reporting Standards ("MFRS") Framework

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(a) Basis of Preparation (contd.)

(i) Annual testing for impairment of goodwill (Note 18) - the measurement of the recoverable amount of cash-generating units are determined based on the value-in-use method, which requires the use of estimates for cash flow projections approved by management covering a 5-year period, estimated growth rates for cash flows beyond the fifth year are extrapolated in perpetuity and discount rates are applied to the cash flow projections.

(ii) Allowance for losses on loans, advances and financing and other receivables (Note 34) - the Bank and the Group make allowance for losses on loans, advances and financing based on assessment of recoverability. Whilst management is guided by the relevant BNM guidelines and accounting standards, management makes judgment on the future and other key factors in respect of the estimation of the amount and timing of the cash flows in assessing allowance for impairment of loans, advances and financing. Among the factors considered are the Group’s aggregate exposure to the borrowers, the net realisable value of the underlying collateral value, the viability of the customer’s business model, the capacity to generate sufficient cash flows to service debt obligations and the aggregate amount and ranking of all other creditor claims.

Standards, amendments to published standards and interpretations that are effective

The new accounting standards, amendments and improvements to published standards and interpretations that are effective for the Bank and the Group's financial year beginning on or after 1 April 2014 are as follows:

- Amendments to MFRS 10, MFRS 12 and MFRS 127 (effective from 1 January 2014)
- Amendment to MFRS 132 "Financial instruments: Presentation" (effective from 1 January 2014)
- Amendment to MFRS 136 "Recoverable Amount Disclosures for Non-Financial Assets" (effective from 1 January 2014)
- Amendments to MFRS 139 " Financial instruments: Recognition and measurement" - Novation of derivatives and continuation of hedge accounting(effective 1 January 2014)
- IC Interpretation 21, 'Levies' (effective from 1 January 2014)

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(a) Basis of Preparation (contd.)

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

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

<u>Financial year beginning on/after 1 April 2015</u>

(a) Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRSs 2010 - 2012 Cycle" (effective 1 January 2015) - The Annual Improvements to MFRSs 2010 - 2012 Cycle consist of the following amendments:

(i) MFRS 2 Share-based Payment clarifies the definition of "vesting conditions" by separately defining "performance condition" and "service condition" to ensure consistent classification of conditions attached to a share-based payment.

(ii) MFRS 3 Business Combinations clarifies that when contingent consideration meets the definition of financial instrument, its classification as a liability or equity is determined by reference to MFRS 132 Financial Instruments: Presentation. In addition, contingent consideration that is classified as an asset or a liability shall be subsequently measured at fair value at each reporting date and changes in fair value shall be recognised in the statement of comprehensive income.

(iii) MFRS 8 Operating Segments requires the disclosure of judgements made in applying the aggregation criteria to operating segments. This includes a brief description of the operating segment and the economic indicators that have been assessed in determining the aggregated operating segments share similar economic characteristics. In addition, a reconciliation of the total reportable segments' assets to the entity's assets is required if that amount is regularly provided to the chief operating decision maker.

(iv) MFRS 13 Fair Value Measurement clarifies that when International Accounting Standards ("IASB") issued IFRS 13, it did not remove the practical ability to measure short term receivables and payables with no stated interest rate at invoice amounts without discounting, if the effect of discounting is immaterial.

(v) MFRS 116 Property, Plant and Equipment and MFRS 138 Intangible Assets clarifies the accounting for the accumulated depreciation or amortisation when as asset is revalued.

(vi) MFRS 124 Related Party Disclosure extends the definition of "related party" to include an entity, or any member of a group of which it is a party, that provides key management personnel services to the reporting entity or to the parent of the reporting entity.

The adoption of the Annual Improvements to MFRSs 2010 - 2012 Cycle is not expected to have any financial impact on the Bank and the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(a) Basis of Preparation (contd.)

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

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

Financial year beginning on/after 1 April 2015 (contd.)

(b) Amendment to MFRSs contained in the document entitled "Annual Improvements to MFRSs 2011 - 2013 Cycle" (effective 1 January 2015) - The Annual Improvements to MFRSs 2011 - 2013 Cycle consist of the following amendments:

(i) MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards relates to the IASB's Basis for Conclusions which clarifies that a first-time adopter is permitted but not required to apply a new or revised Standard that is not yet mandatory but is available for early application.

(ii) MFRS 3 Business Combinations clarifies that MFRS 3 excludes from its scope the accounting for the formation of all types of joint arrangements (as defined in MFRS 11 Joint Arrangements) in the financial statements of the joint arrangement itself, but not to the parties to the joint arrangements for their interests in the joint arrangements.

(iii) MFRS 13 Fair Value Measurement clarifies that the scopes of the portfolio exception of MFRS 13 includes all contracts accounted for within the scope of MFRS 139 Financial Instruments: Recognition and Measurements or MFRS 9 Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities as defined in MFRS 132 Financial Instruments: Presentation.

(iv) MFRS 140 Investment Property clarifies that the determination of whether an acquisition of investment property meets the definition of both a business combination as defined in MFRS 3 and investment property as defined in MFRS 140 requires the separate application of both Standards independently of each other.

The adoption of the Annual Improvements to MFRSs 2011 - 2013 Cycle is not expected to have any financial impact on the Bank and the Group.

Financial year beginning on/after 1 April 2016

(a) Amendment to MFRS 11 "Joint Arrangement" (effective from 1 January 2016) requires an investor to apply the principles of MFRS 3 "Business Combination" when it acquires an interest in a joint operation that constitutes a business. The amendments are applicable to both the acquisition of the initial interest in a joint operation and the acquisition of additional interest in the same joint operation. However, a previously held interest is not re-measured when the acquisition of an additional interest in the same joint operation results in retaining joint control.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(a) Basis of Preparation (contd.)

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

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

Financial year beginning on/after 1 April 2016 (contd.)

(b) Amendments to MFRS 116 "Property, Plant and Equipment" and MFRS 138 "Intangible Assets" (effective from 1 January 2016) clarify that the use of revenue-based methods to calculate depreciation and amortisation an item of property, plant and equipment and intangible asset are not appropriate. This is because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

The amendments to MFRS 138 also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption can be overcome only in the limited circumstances where the intangible asset is expressed as a measure of revenue or where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

(c) Amendments to MFRS 10 and MFRS 128 regarding sale or contribution of assets between an investor and its associate or joint venture (effective from 1 January 2016) resolve a current inconsistency between MFRS 10 and MFRS 128. The accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a "business". Full gain or loss shall be recognised by the investor where the non-monetary assets constitute a "business". If the assets do not meet the definition of a business, the gain and loss is recognised by the investor to the extent of the other investors' interest. The amendments will only apply when an investor sells or contributes assets to its associate or joint venture. They are not intended to address accounting for the sale or contribution of assets by an investor in a joint operation.

(d) Amendments to MFRS 127 regarding equity method in separate financial statements (effective from 1 January 2016) allow an entity to use the equity method in its separate financial statement to account for investments in subsidiary companies, joint ventures and associated companies, in addition to the existing cost method.

(e) Amendment to MFRSs contained in the document entitled "Annual Improvements to MFRSs 2012 - 2014 Cycle" (effective 1 January 2016) - The Annual Improvements to MFRSs 2012 - 2014 Cycle consist of the following amendments:

(i) MFRS 5 Non-current Assets Held for Sale and Discontinued Operations introduces specific guidance in MFRS 5 for cases in which an entity re-classifies an asset from held for sale to held for distribution or vice-versa and cases in which held-for distribution is discontinued. The amendment clarifies that changing from one of these disposal methods to the other should not be considered to be a new plan of disposal and that changing the disposal method does not change the date of classification.

(ii) MFRS 7 Financial Instruments: Disclosures requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety. The amendment clarifies that a servicing contract that included a fee can constitute continuing involvement in a financial asset and an entity must assess the nature of the fee and arrangement in order to assess whether the disclosures are required. The amendments also clarify the applicability of the amendments to MFRS 7 on offsetting disclosures to condensed interim financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(a) Basis of Preparation (contd.)

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

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

Financial year beginning on/after 1 April 2016 (contd.)

(e) Amendment to MFRSs contained in the document entitled "Annual Improvements to MFRSs 2012 - 2014 Cycle" (effective 1 January 2016) - The Annual Improvements to MFRSs 2012 - 2014 Cycle consist of the following amendments (contd.):

(iii) MFRS 119 Employee Benefits clarifies the meaning that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. When there is no deep market for high quality corporate bonds, government bonds denominated in similar currency must be used.

(iv) MFRS 134 Interim Financial Reporting clarifies the meaning of "elsewhere in the interim financial report" as used in MFRS 134 and states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and some other statement that is available to users of the financial statements on the same terms and at the same time.

The adoption of the above is not expected to have any significant financial impact on the Group.

Financial year beginning on/after 1 April 2017

MFRS 15 "Revenue from Contracts with Customers" (effective from 1 January 2017) - MFRS 15 establishes principles that an entity shall apply to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with customers. The core principle of MFRS 15 is that an entity recognises revenue in a manner which reflects the consideration an entity expects to be entitled in exchange for goods and services. The Group has yet to assess MFRS 15's full impact.

Financial year beginning on/after 1 April 2018

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

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

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than income statement, unless this creates an accounting mismatch.

There is now a new expected credit losses model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The expected credit losses model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised. The Group has yet to assess MFRS 9's full impact.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(b) Economic Entities in the Group

(i) Subsidiaries

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

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

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

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

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

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

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

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

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

(iii) Disposal of Subsidiaries

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

(iv) Associates

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

Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment.

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

The Group determines of each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculate the amount of the impairment as the different between the recoverable amount of the associate and its carrying value and recognised the amount adjacent to share of profit/(loss) of an associate of the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

(iv) Associates (contd.)

Profits and losses resulting from upstream and downstream transactions between the Group and its associate recognised in the Group's financial statements only to 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. The most recent available audited financial statements of the associates are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for transactions and events in similar circumstances.

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

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

(v) Joint Ventures

Joint ventures are the arrangements of which there are contractually agreed sharing of control by the Group with one or more parties, where decisions about the relevant activities relating to the joint ventures require unanimous consent of the parties sharing control. A joint venture depends upon the rights and obligations of the parties to the arrangements. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangements.

The Group's interest in a joint venture is accounted for the financial statements by the equity method of accounting. Under the equity method of accounting, interest in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits and losses and movements in other comprehensive income. When the Groups' share of losses in a joint venture equals or exceeds it interest in the joint venture (which included any long-term interest that, in substance, from part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group’s interest in the joint ventures.

Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(c) Investments in Subsidiaries and Associates

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

(d) Intangible Assets

(i) Goodwill

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

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

(ii) Computer software

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(d) Intangible Assets (Contd.)

(iii) Other non-financial assets

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

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

(e) Financial Assets

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

(i) Loans, advances and financing

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(e) Financial Assets (contd.)

(iii) Financial investments held-to-maturity

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

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

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

(iv) Financial investments available-for-sale

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

(v) Reclassification of financial assets

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(f) Financial Liabilities

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

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

(g) Repurchase Agreements

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

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

(h) Property, Plant and Equipment and Depreciation

Property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

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

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

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

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

(i) Impairment of Assets

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

(i) Loans, advances and financing

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

(1) principal or interest or both are past due for three (3) months or more;

(2) where a loan is in arrears for less than three (3) months, the loan exhibits indications of credit weaknesses; or

(3) where an impaired loan has been rescheduled or restructured, the loan will continue to be classified as impaired until repayments based on the revised and/or restructured terms have been observed continuously for a period of six (6) months.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(i) Impairment of Assets (contd.)

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

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

(a) significant financial difficulty of the obligor;

(b) a breach of contract, such as a default or delinquency in interest or principal payments;

(c) it becomes probable that the borrower will enter bankruptcy or winding up petition is served on the borrower, significant shareholder or significant guarantor;

(d) adverse Center Credit Reference Information System ("CCRIS") findings or unfavorable industry developments for that borrower; and

(e) observable data indicating that there is a measurable decrease in the estimated future cash flows including adverse changes in the repayment behavior of the borrower or downgrade of the borrower's credit ratings.

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(i) Impairment of Assets (contd.)

(ii) Financial investments held-to-maturity

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

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

(iii) Financial investments available-for-sale

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(i) Impairment of Assets (contd.)

(iv) Goodwill/Intangible assets

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

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

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

(v) Other non-financial assets

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(j) Leases

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

(i) Finance Leases

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

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

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

(ii) Operating Leases

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(k) Bills and Acceptances Payable

Bills and acceptances payable represent the Bank's own bills and acceptances rediscounted and outstanding in the market. Refer to 2(f).

(l) Equity Instruments

Ordinary shares and ICPS are classified as equity. Dividends on ordinary shares and ICPS are recognised in equity in the period in which they are declared.

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

(m) Subordinated Bonds

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

(n) Other Assets

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

(o) Provisions

Provisions are recognised when:

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(p) Balances Due From Clients and Brokers

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

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

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

(q) Recognition of Interest and Financing Income

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

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

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

(r) Recognition of Interest and Financing Expenses

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(s) Recognition of Fees and Other Income

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

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

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

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

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

(t) Derivatives Financial Instruments and Hedging Activities

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

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

(i) Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);

(ii) Hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or

(iii) Hedges of a net investment in a foreign operation (net investment hedge).

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

(i) Fair value hedge

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(t) Derivatives Financial Instruments and Hedging Activities (contd.)

(ii) Cash flow hedge

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

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

(iii) Net investment hedge

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

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

(iv) Derivatives that do not qualify for hedge accounting

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

(u) Foreign Currency Translations

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(v) Income Tax

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

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

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

(w) Foreclosed Properties

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

(x) Cash and Cash Equivalents

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

(y) Zakat

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(z) Employee Benefits

(i) Short-term Benefits

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

(ii) Defined Contribution Plans

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

(iii) Equity Compensation Benefits

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

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

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

Upon vesting, the ultimate holding company will recharge the cost to the Group. The differential of the amount between the fair value recognised on grant date and recharged amount is treated as distribution to ultimate holding company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(aa) Contingent Liabilities and Contingent Assets

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

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

(ab) Financial Guarantee Contract

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

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

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

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

(ac) Segment Reporting

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

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

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

(ae) Offsetting financial instruments

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

3. CASH AND SHORT-TERM FUNDS

	BANK		GROUP	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	690,832	675,451	778,903	625,097
Money at call and deposit placements maturing within one month	1,752,505	1,167,545	1,911,450	1,504,662
	2,443,337	1,842,996	2,690,353	2,129,759

4. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	BANK		GROUP	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Licensed banks	298,167	655,305	298,167	655,305

5. BALANCES DUE FROM CLIENTS AND BROKERS

	GROUP	
	2015	2014
	RM'000	RM'000
Due from clients	60,289	77,459
Due from brokers	43,294	-
	103,583	77,459
Less:		
Allowance for other losses	(840)	(1,194)
	102,743	76,265

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

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

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

	GROUP	
	2015	2014
	RM'000	RM'000
Classified as doubtful	128	102
Classified as bad	927	1,294
	1,055	1,396

Other balances are neither past due nor impaired.

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

The movements in allowance for other losses are as follows:

	GROUP	
	2015	2014
	RM'000	RM'000
At beginning of year	1,194	1,215
Write-back during the year (net)	(354)	(21)
At end of year	840	1,194

6. FINANCIAL ASSETS HELD-FOR-TRADING

	BANK		GROUP	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
At fair value				
Money market instruments:				
Malaysian Government securities	-	110,172	-	110,172
Unquoted securities:				
Medium term notes	10,037	-	10,037	-
	10,037	110,172	10,037	110,172

7. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	BANK		GROUP	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
At fair value				
Money market instruments:				
Malaysian Government securities	2,281,744	2,464,690	2,607,781	2,897,516
Malaysian Government investment certificates	1,797,682	1,763,332	2,723,129	2,575,869
Negotiable instruments of deposits	1,393,801	854,611	1,241,534	861,808
Bankers' acceptances	-	41,649	105,531	361,979
Khazanah bonds	194,349	186,734	194,349	186,734
	5,667,576	5,311,016	6,872,324	6,883,906
Quoted securities in Malaysia:				
Shares	22	22	22	22
Accumulated impairment	(11)	(11)	(11)	(11)
	11	11	11	11
Unquoted securities:				
Shares	94,376	101,576	141,651	145,505
Debt securities and medium term notes	2,255,917	2,263,149	2,979,271	2,951,962
Accumulated impairment	(135,681)	(137,145)	(239,401)	(242,624)
	2,120,236	2,126,004	2,739,870	2,709,338
	2,214,612	2,227,580	2,881,521	2,854,843
	7,882,199	7,538,607	9,753,856	9,738,760

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

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

	BANK		GROUP	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
At beginning of year	137,156	145,174	242,635	254,871
Write-back during the year	-	(8,018)	(1,759)	(12,236)
Written-off during the year	(1,464)	-	(1,464)	-
At end of year	135,692	137,156	239,412	242,635

8. FINANCIAL INVESTMENTS HELD-TO-MATURITY

	BANK		GROUP	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
At amortised cost				
Money market instruments:				
Malaysian Government securities	579,201	579,703	701,521	702,507
Malaysian Government investment certificates	-	-	423,739	434,574
Khazanah bonds	135,377	130,689	183,932	177,514
At cost				
Unquoted securities:				
Debt securities	3,329	5,339	37,668	39,730
	717,907	715,731	1,346,860	1,354,325
Accumulated impairment	(2,992)	(5,001)	(27,825)	(34,203)
	714,915	710,730	1,319,035	1,320,122

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

	BANK		GROUP	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
At beginning of year	5,001	11,231	34,203	40,531
Write-back during the year	(600)	(6,230)	(4,969)	(6,328)
Written-off during the year	(1,409)	-	(1,409)	-
At end of year	2,992	5,001	27,825	34,203

9. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

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

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

	2015			2014		
	Contract/ Notional Amount	Fair Value		Contract/ Notional Amount	Fair Value	
		Assets	Liabilities		Assets	Liabilities
BANK/GROUP	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trading Derivatives						
Foreign exchange and commodity contracts:						
- Currency forwards	1,083,171	70,152	(5,529)	561,345	4,292	(2,955)
- Currency swaps	3,285,411	56,355	(86,421)	5,775,775	25,290	(42,115)
- Currency spots	219,795	347	(869)	190,557	254	(309)
- Currency options	307,337	1,562	(803)	388,046	2,125	(1,344)
- Gold options	-	-	-	7,878	32	(107)
Interest rate related contracts:						
- Interest rate swaps	3,645,000	4,044	(9,276)	2,645,000	6,814	(1,988)
Equity related contracts:						
- Options	36,240	-	(3,624)	57,582	870	(870)
Hedging Derivatives						
Interest rate related contracts:						
- Interest rate swaps	280,422	-	(8,702)	538,376	-	(15,186)
Total derivative assets/(liabilities)	8,857,376	132,460	(115,224)	10,164,559	39,677	(64,874)

The Bank and the Group use fair value hedges to protect against the changes in fair value of financial assets and financial liabilities for a structured deposit due to movements in market interest rates. There was no ineffectiveness to be recorded from their fair value hedge.

10. LOANS, ADVANCES AND FINANCING

	BANK 2015 RM'000	BANK 2014 RM'000	GROUP 2015 RM'000	GROUP 2014 RM'000
Overdrafts	1,829,357	1,709,067	2,142,270	1,960,984
Term loans/financing				
- Housing loans/financing	11,675,464	10,273,097	14,257,710	12,576,157
- Syndicated term loans/financing	392,195	417,062	431,427	472,331
- Hire purchase receivables	797,001	815,847	1,564,527	1,219,366
- Other term loans/financing	9,505,072	8,198,082	11,751,901	9,721,105
Bills receivables	299,587	208,385	300,866	208,765
Trust receipts	157,148	132,812	182,437	153,840
Claims on customers under acceptance credits	2,058,188	2,043,043	2,567,211	2,513,103
Staff loans [include loans to Director of a subsidiary of RM155,000 (2014:RM187,000)]	14,422	18,081	37,691	41,194
Credit/charge card receivables	653,068	601,297	653,068	601,297
Revolving credits	1,275,633	1,009,817	1,467,301	1,169,632
Share margin financing	1,481,795	1,444,926	1,566,703	1,561,622
Gross loans, advances and financing	30,138,930	26,871,516	36,923,112	32,199,396
Add: Sales commissions and handling fees	39,713	45,452	33,927	30,050
Less: Allowance for impairment on loans, advances and financing				
- Individual assessment allowance	(46,191)	(67,281)	(56,303)	(97,159)
- Collective assessment allowance	(278,599)	(266,907)	(334,704)	(313,296)
Total net loans, advances and financing	29,853,853	26,582,780	36,566,032	31,818,991

(i) By maturity structure:

	BANK 2015 RM'000	BANK 2014 RM'000	GROUP 2015 RM'000	GROUP 2014 RM'000
Within one year	7,350,615	6,981,609	8,508,239	8,035,787
One year to three years	1,138,482	1,189,560	1,426,070	1,420,228
Three years to five years	1,395,031	1,400,758	1,825,760	1,685,425
Over five years	20,254,802	17,299,589	25,163,043	21,057,956
Gross loans, advances and financing	30,138,930	26,871,516	36,923,112	32,199,396

10. LOANS, ADVANCES AND FINANCING (CONTD.)

(ii) By type of customer:

	BANK 2015 RM'000	BANK 2014 RM'000	GROUP 2015 RM'000	GROUP 2014 RM'000
Domestic non-bank financial institutions	542,938	460,364	576,252	530,796
Domestic business enterprises				
- Small and medium enterprises	6,044,630	5,119,106	7,481,367	5,899,643
- Others	5,778,514	5,349,205	6,890,104	6,283,048
Government and statutory bodies	8,258	9,653	8,258	9,653
Individuals	16,789,912	15,004,115	20,866,962	18,426,080
Other domestic entities	215,146	231,066	215,146	231,066
Foreign entities	759,532	698,007	885,023	819,110
Gross loans, advances and financing	30,138,930	26,871,516	36,923,112	32,199,396

(iii) By interest/profit rate sensitivity:

	BANK 2015 RM'000	BANK 2014 RM'000	GROUP 2015 RM'000	GROUP 2014 RM'000
Fixed rate				
- Housing loans/financing	9,282	12,749	57,528	70,535
- Hire purchase receivables	744,962	815,847	1,512,488	1,219,366
- Other fixed rate loans/financing	1,345,930	1,329,394	2,248,229	2,038,485
Variable rate				
- Base lending rate plus	22,343,074	19,436,273	26,582,088	22,831,752
- Base rate plus	27,173	-	29,334	-
- Cost plus	5,439,567	5,103,363	6,253,494	5,850,762
- Other variable rate loans/financing	228,942	173,890	239,951	188,496
Gross loans, advances and financing	30,138,930	26,871,516	36,923,112	32,199,396

(iv) By economic purposes:

	BANK 2015 RM'000	BANK 2014 RM'000	GROUP 2015 RM'000	GROUP 2014 RM'000
Purchase of securities	1,512,265	1,490,585	1,597,174	1,607,281
Purchase of transport vehicles	652,535	706,781	1,426,986	1,117,797
Purchase of landed property	18,029,980	15,267,197	21,587,935	18,098,160
of which: - Residential	*12,589,545*	*11,090,346*	*15,137,475*	*13,337,595*
- Non-residential	*5,440,435*	*4,176,851*	*6,450,460*	*4,760,565*
Purchase of fixed assets excluding land and buildings	200,433	154,871	209,585	155,410
Personal use	1,380,111	1,259,841	2,276,090	2,047,339
Credit card	653,068	601,297	653,068	601,297
Construction	552,008	421,637	564,122	436,317
Mergers and acquisitions	117,687	369,054	117,687	369,151
Working capital	5,550,309	5,447,213	6,623,099	6,379,804
Others	1,490,534	1,153,040	1,867,366	1,386,840
Gross loans, advances and financing	30,138,930	26,871,516	36,923,112	32,199,396

10. LOANS, ADVANCES AND FINANCING (CONTD.)

(v) By geographical distribution:

	BANK 2015 RM'000	BANK 2014 RM'000	GROUP 2015 RM'000	GROUP 2014 RM'000
Northern region	1,999,996	1,837,003	2,413,727	2,152,976
Central region	22,103,352	19,937,557	26,845,424	23,825,877
Southern region	3,204,564	2,700,863	4,246,477	3,389,910
Sabah region	2,189,040	1,982,845	2,634,948	2,346,894
Sarawak region	641,978	413,248	782,536	483,739
Gross loans, advances and financing	30,138,930	26,871,516	36,923,112	32,199,396

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

	BANK 2015 RM'000	BANK 2014 RM'000	GROUP 2015 RM'000	GROUP 2014 RM'000
At beginning of year	353,880	472,533	442,781	579,233
Impaired during the year	560,117	419,962	688,569	555,392
Reclassified as unimpaired during the year	(335,872)	(293,999)	(412,159)	(381,732)
Recoveries	(184,976)	(181,176)	(235,458)	(225,534)
Amount written-off	(71,652)	(63,440)	(103,021)	(84,578)
At end of year	321,497	353,880	380,712	442,781
Individual allowance for impairment	(46,191)	(67,281)	(56,303)	(97,159)
Collective allowance for impairment (impaired portion)	(89,487)	(95,965)	(102,533)	(109,070)
Net impaired loans, advances and financing	185,819	190,634	221,876	236,552
Gross impaired loans as % of gross loans, advances and financing	1.1%	1.3%	1.0%	1.4%

10. LOANS, ADVANCES AND FINANCING (CONTD.)

(vii) Movements in the allowance for impairment on loans, advances and financing are as follows:

	BANK		GROUP	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Individual assessment allowance				
At beginning of year	67,281	95,282	97,159	128,471
Allowance made during the year (net)	9,159	4,626	3,475	5,613
Amount written-off	(29,888)	(27,572)	(43,873)	(30,655)
Transfers to collective assessment allowance	(361)	(5,055)	(458)	(6,270)
At end of year	46,191	67,281	56,303	97,159
Collective assessment allowance				
At beginning of year	266,907	295,834	313,296	349,203
Allowance made during the year (net)	51,693	1,886	78,193	11,746
Amount written-off	(40,362)	(35,868)	(57,243)	(53,923)
Transfers from individual assessment allowance	361	5,055	458	6,270
At end of year	278,599	266,907	334,704	313,296

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

	BANK		GROUP	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Purchase of securities	515	3,811	515	5,207
Purchase of transport vehicles	4,356	6,319	8,263	9,765
Purchase of landed property	220,432	220,305	255,939	254,194
of which: - Residential	*200,590*	*196,983*	*233,894*	*222,781*
- Non-residential	*19,842*	*23,322*	*22,045*	*31,413*
Purchase of fixed assets excluding land and buildings	541	96	541	96
Personal use	18,056	20,766	27,164	30,263
Credit card	7,611	7,847	7,611	7,847
Construction	3,978	7,225	3,979	7,225
Working capital	50,188	64,793	58,158	92,830
Others	15,820	22,718	18,542	35,354
Gross impaired loans	321,497	353,880	380,712	442,781

10. LOANS, ADVANCES AND FINANCING (CONTD.)

(ix) Impaired loans by geographical distribution:

	BANK		GROUP	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Northern region	42,274	53,862	45,294	69,548
Central region	221,285	239,862	267,873	304,328
Southern region	30,309	27,758	37,759	34,124
Sabah region	23,797	29,543	25,501	31,703
Sarawak region	3,832	2,855	4,285	3,078
Gross impaired loans	321,497	353,880	380,712	442,781

11. OTHER ASSETS

	BANK		GROUP	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Other receivables, deposits and prepayment [Note (a)]	107,511	119,303	119,463	122,387
Amount due from holding company	95	-	576	-
Amount due from subsidiaries and related companies	10,433	39,047	-	2
	118,039	158,350	120,039	122,389
Less:				
Allowance for other losses [Note (b)]	(22,200)	(19,921)	(30,447)	(28,052)
	95,839	138,429	89,592	94,337

Note:

(a) Included in other receivables, deposits and prepayment is an amount of RM7,003,000 (2014: RM14,014,000) being the principal balance of housing loans and hire purchase loans acquired by the Bank from a state owned entity and which have been sold to Cagamas Berhad, with recourse obligations.

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

	BANK		GROUP	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At beginning of year	19,921	16,955	28,052	23,760
Allowance net of write-back	2,279	2,966	2,395	4,292
At end of year	22,200	19,921	30,447	28,052

12. STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

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

13. INVESTMENTS IN SUBSIDIARIES

	BANK	
	2015	2014
	RM'000	RM'000
Unquoted shares, at cost		
At beginning of year	792,820	792,820
At end of year	792,820	792,820

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

Name	Principal activities	Effective equity interest 2015 %	2014 %
Alliance Direct Marketing Sdn. Bhd.	Dealing in sales and distribution of consumer and commercial banking products	100	100
AllianceGroup Nominees (Asing) Sdn. Bhd.	Nominee services	100	100
AllianceGroup Nominees (Tempatan) Sdn. Bhd.	Nominee services	100	100
Alliance Investment Bank Berhad	Investment banking business including Islamic banking, provision of stockbroking services and related financial services	100	100
Alliance Islamic Bank Berhad	Islamic banking and the provision of related financial services	100	100
Subsidiaries of Alliance Investment Bank Berhad			
AIBB Nominees (Tempatan) Sdn. Bhd.	Nominee services	100	100
AIBB Nominees (Asing) Sdn. Bhd.	Nominee services	100	100

13. INVESTMENTS IN SUBSIDIARIES (CONTD.)

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

Name	Principal activities	Effective equity interest 2015 %	2014 %
Subsidiaries of Alliance Investment Bank Berhad (contd.)			
ARSB Alliance Sdn. Bhd. (formerly known as Alliance Research Sdn. Bhd.)	Dormant	100	100
KLCS Sdn. Bhd.	Dormant	100	100
Alliance Investment Futures Sdn. Bhd. (under members' voluntary winding up)	Dormant	100	100
Rothputra Nominees (Tempatan) Sdn. Bhd. (under members' voluntary winding up)	Dormant	100	100

14. INVESTMENT IN ASSOCIATE

	BANK 2015 RM'000	BANK 2014 RM'000	GROUP 2015 RM'000	GROUP 2014 RM'000
Unquoted shares				
At beginning of year	230	230	501	497
Share of post acquisition profits	-	-	10	4
At the end of year	230	230	511	501
Represented by:				
Share of net tangible assets			511	501

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

Name	Principal activities	Effective equity interest 2015	2014
Alliance Trustee Berhad	Trustee to unit trusts, funds and other corporate trusts	40%	40%

14. INVESTMENT IN ASSOCIATE (CONTD.)

The summarised financial information of the associates are as follows:

	GROUP 2015 RM'000	GROUP 2014 RM'000
Assets and Liabilities		
Current assets		
Cash and short term funds	121	98
Other current assets	1,068	1,067
Total current assets	1,189	1,165
Non-current assets	103	103
Total assets	1,292	1,268
Current liabilities		
Other current liabilities	14	16
Total liabilities	14	16
Net assets	1,278	1,252

The summarised statement of comprehensive income are as follows:

	GROUP 2015 RM'000	GROUP 2014 RM'000
Revenue	47	41
Profit before tax for the year	35	33
Profit after tax for the year	26	9

Reconciliation of summarised financial information:

	GROUP 2015 RM'000	GROUP 2014 RM'000
Net assets		
At beginning of year	1,252	1,243
Profit for the year	26	9
At the end of year	1,278	1,252
Carrying value at 40% share of the equity interest of an associate	511	501

15. INVESTMENTS IN JOINT VENTURE

	GROUP	
	2015	2014
	RM'000	RM'000
Unquoted shares		
At beginning of year	-	-
Acquired during the year	394	-
Share of post acquisition losses	16	-
At the end of year	410	-
Represented by:		
Share of net tangible assets	410	-

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

Name	Principal activities	Effective equity interest 2015	2014
AllianeDBS Research Sdn. Bhd. (formerly known as HwangDBS Vickers Research Sdn. Bhd.)	Research and stock analysis	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 the net assets of the entity.

The equity accounting is accounted for on 6 May 2014 onwards, which is based on the acquisition date.

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

	GROUP	
	2015	2014
	RM'000	RM'000
Assets and Liabilities		
Current assets		
Cash and short term funds	2,256	-
Other current assets	242	-
Total current assets	2,498	-
Non-current assets	440	-
Total assets	2,938	-
Current liabilities		
Other liabilities (non trade)	2,134	-
Total liabilities	2,134	-
Net assets	804	-

15. INVESTMENTS IN JOINT VENTURE (CONTD.)

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

	GROUP	
	2015	2014
	RM'000	RM'000
Revenue	6,069	-
Profit for the financial year/total comprehensive income for the financial year	31	-
The above profit includes the following:		
Depreciation and amortisation	(82)	-
Taxation	(10)	-

Reconciliation of summarised financial information:

Net assets		
At beginning of year	-	-
Acquired during the year	773	-
Profit/(loss) for the year	31	-
At the end of year	804	-
Carrying value at 51% share of the equity interest of a joint venture	410	-

The details of the acquisition are disclosed in Note 52 to the financial statements

16. PROPERTY, PLANT AND EQUIPMENT

BANK 2015	Freehold land RM'000	Leasehold land 50 years or more RM'000	Leasehold land 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
COST									
At beginning of year	1,953	11,673	1,850	29,456	109,318	45,094	79,603	1,305	280,252
Additions	-	-	-	-	10,846	9,242	6,756	-	26,844
Disposals	-	-	-	-	-	-	-	(25)	(25)
Written-off	-	-	-	-	(4,885)	(2,916)	(572)	-	(8,373)
At end of year	1,953	11,673	1,850	29,456	115,279	51,420	85,787	1,280	298,698
ACCUMULATED DEPRECIATION									
At beginning of year	-	2,650	931	9,057	82,939	30,938	62,905	400	189,820
Charge for the year	-	95	28	589	9,352	5,225	5,586	106	20,981
Disposals	-	-	-	-	-	-	-	(25)	(25)
Written-off	-	-	-	-	(4,576)	(2,626)	(334)	-	(7,536)
At end of year	-	2,745	959	9,646	87,715	33,537	68,157	481	203,240
NET CARRYING AMOUNT	1,953	8,928	891	19,810	27,564	17,883	17,630	799	95,458

16. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

		Leasehold land							
	Freehold land	50 years or more	Less than 50 years	Buildings	Renovations	Office equipment and furniture	Computer equipment	Motor vehicles	Total
GROUP	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2015									
COST									
At beginning of year	1,953	11,673	1,850	30,415	111,800	43,916	95,585	1,230	298,422
Additions	-	-	-	-	11,385	9,317	6,804	-	27,506
Disposals	-	-	-	-	-	(10)	(45)	(25)	(80)
Written-off	-	-	-	-	(5,540)	(3,199)	(760)	-	(9,499)
At end of year	1,953	11,673	1,850	30,415	117,645	50,024	101,584	1,205	316,349
ACCUMULATED DEPRECIATION									
At beginning of year	-	2,650	931	10,017	84,163	29,150	78,933	364	206,208
Charge for the year	-	95	28	589	9,698	5,300	5,604	106	21,420
Disposals	-	-	-	-	-	(10)	(45)	(25)	(80)
Written-off	-	-	-	-	(5,199)	(2,831)	(512)	-	(8,542)
At end of year	-	2,745	959	10,606	88,662	31,609	83,980	445	219,006
NET CARRYING AMOUNT	1,953	8,928	891	19,809	28,983	18,415	17,604	760	97,343

16. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

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

16. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

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

Included in property, plant and equipment of the Bank and the Group are computer equipment under finance lease with a carrying amount of RM10,873,000 (2014: RM11,650,000).

Details of the terms and conditions of the finance lease arrangement and disclosed in Note 24.

17. DEFERRED TAX

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

	BANK		GROUP	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets, net	-	18,036	12,020	32,343
Deferred tax liabilities,net	(3,241)	-	(13,041)	(5,367)
	(3,241)	18,036	(1,021)	26,976

	BANK		GROUP	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
At beginning of year	18,036	(15,859)	26,976	(13,390)
Recognised in statement of comprehensive income	(473)	(1,485)	(669)	(722)
Recognised in other comprehensive income	(20,804)	35,380	(27,328)	41,088
At end of year	(3,241)	18,036	(1,021)	26,976

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

	BANK		GROUP	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	27,712	32,645	41,052	41,971
Deferred tax liabilities	(30,953)	(14,609)	(42,073)	(14,995)
	(3,241)	18,036	(1,021)	26,976

	BANK		GROUP	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets				
- to be recovered more than 12 months	-	8,752	11,014	10,362
- to be recovered within 12 months	27,712	23,893	30,038	31,609
	27,712	32,645	41,052	41,971
Deferred tax liabilities				
- to be settled more than 12 months	(29,887)	(8,305)	(40,996)	(8,677)
- to be settled within 12 months	(1,066)	(6,304)	(1,077)	(6,318)
	(30,953)	(14,609)	(42,073)	(14,995)

17. DEFERRED TAX (CONTD.)

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

BANK	Other temporary differences RM'000	Total RM'000
Deferred tax assets		
At 31 March 2013	28,762	28,762
Recognised in statement of comprehensive income	(3,078)	(3,078)
At 31 March 2014	25,684	25,684
Recognised in statement of comprehensive income	2,028	2,028
At 31 March 2015	27,712	27,712

	Financial investments available-for-sale RM'000	Property, plant and equipment RM'000	Total RM'000
Deferred tax liabilities			
At 31 March 2013	28,419	16,202	44,621
Recognised in statement of comprehensive income	-	(1,593)	(1,593)
Recognised in other comprehensive income	(35,380)	-	(35,380)
At 31 March 2014	(6,961)	14,609	7,648
Recognised in statement of comprehensive income	-	2,501	2,501
Recognised in other comprehensive income	20,804	-	20,804
At 31 March 2015	13,843	17,110	30,953

17. DEFERRED TAX (CONTD.)

GROUP	Unabsorbed tax losses and capital allowance RM'000	Other temporary differences RM'000	Total RM'000
Deferred tax assets			
At 31 March 2013	1,941	39,764	41,705
Recognised in statement of comprehensive income	2,358	(4,715)	(2,357)
At 31 March 2014	4,299	35,049	39,348
Recognised in statement of comprehensive income	(2,287)	3,991	1,704
At 31 March 2015	2,012	39,040	41,052

	Financial investments available-for-sale RM'000	Property, plant and equipment RM'000	Total RM'000
Deferred tax liabilities			
At 31 March 2013	38,465	16,630	55,095
Recognised in statement of comprehensive income	-	(1,635)	(1,635)
Recognised in other comprehensive income	(41,088)	-	(41,088)
At 31 March 2014	(2,623)	14,995	12,372
Recognised in statement of comprehensive income	-	2,373	2,373
Recognised in other comprehensive income	27,328	-	27,328
At 31 March 2015	24,705	17,368	42,073

As mentioned in Note 2 (v), the tax effects of unused tax losses which would give rise to deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised. As of 31 March 2015, the estimated unused tax losses, the tax effects of which are not recognised in the financial statements due to uncertainty of their realisation, is as follows:

	GROUP 2015 RM'000	GROUP 2014 RM'000
Deferred tax assets of the Group have not been recognised in respect of:		
Unabsorbed tax losses	496	649

18. INTANGIBLE ASSETS

	BANK		GROUP	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Goodwill				
Cost:				
At beginning of year	186,272	186,317	301,997	302,042
Write off arising from disposal of a subsidiary	-	(45)	-	(45)
At end of year	186,272	186,272	301,997	301,997
Impairment:				
At beginning/end of year	(45)	(45)	(2,084)	(2,084)
Net carrying amount	186,227	186,227	299,913	299,913
Computer software				
Cost:				
At beginning of year	159,497	216,195	164,328	220,634
Additions	24,202	16,503	25,662	17,130
Disposal	-	-	(18)	-
Written off/adjustment	(306)	(73,201)	(698)	(73,436)
At end of year	183,393	159,497	189,274	164,328
Accumulated amortisation:				
At beginning of year	(107,059)	(160,506)	(110,985)	(164,424)
Charge for the year	(18,067)	(19,379)	(18,325)	(19,621)
Disposal	-	-	18	-
Written off/adjustment	28	72,826	40	73,060
At end of year	(125,098)	(107,059)	(129,252)	(110,985)
Net carrying amount	58,295	52,438	60,022	53,343
Total carrying amount of goodwill and computer software	244,522	238,665	359,935	353,256

18. INTANGIBLE ASSETS (Contd.)

(a) Impairment Test on Goodwill (Contd.)

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

	BANK		GROUP	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Business banking	81,448	81,448	100,822	100,822
Consumer banking	67,513	67,513	101,565	101,565
Financial markets	36,960	36,960	83,261	83,261
Corporate finance and equity capital market	40	40	1,838	1,838
Stock-broking business	266	266	12,427	12,427
	186,227	186,227	299,913	299,913

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

(i) Discount rate

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

	GROUP	
	2015	2014
	%	%
Business banking	7.54	8.92
Consumer banking	7.54	8.97
Financial markets	7.54	9.61
Corporate finance and equity capital market	7.49	8.95
Stock-broking business	7.50	8.90

(ii) Cash flow projections and growth rate

Cash flow projections are based on five-year financial budget and projections approved by management. Cash flows beyond the fifth year are extrapolated in perpetuity using a terminal growth rate of 5.1% (2014: 5.1%) based on respective industry's average growth rate forecasted. Cash flows are extrapolated in perpetuity due to the long term perspective of these businesses within the Group.

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

The Bank and the Group had reallocated the goodwill for Corporate Banking, Commercial Banking and Small and Medium Enterprise Banking into Business Banking CGU. This change is to align the segment assessment in accordance with reporting structure.

(b) Sensitivity to Changes in Assumptions

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

19. DEPOSITS FROM CUSTOMERS

	BANK		GROUP	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Amortised cost				
Demand deposits	11,040,092	9,950,079	13,222,415	11,559,044
Savings deposits	1,453,258	1,451,916	1,767,621	1,763,153
Fixed/investment deposits	17,714,630	15,432,535	21,164,118	18,643,374
Money market deposits	2,520,874	2,238,079	4,173,244	3,224,087
Negotiable instruments of deposits	3,733,216	3,507,778	4,001,934	3,737,784
Structured deposits	330,602	328,591	330,602	328,591
	36,792,672	32,908,978	44,659,934	39,256,033
At fair value through profit and loss				
Structured deposits	63,495	-	63,495	-
	36,856,167	32,908,978	44,723,429	39,256,033

Note:

(a) Structured deposits issued by the Bank include foreign currency time deposits with embedded foreign exchange, gold commodity, equity linked options and interest rate index linked placements.

(b) The Bank and the Group has undertaken a fair value hedge on the interest rate risk of certain structured deposits amounting to RM281,371,000 (2014: RM269,952,000) using interest rate swaps.

	BANK/GROUP	
	2015	2014
	RM'000	RM'000
Structured deposits	281,371	269,952
Fair value changes arising from fair value hedges	(8,702)	(15,186)
	272,669	254,766

The fair value loss of the interest rate swap in this hedge transaction as at financial year ended 31 March 2015 was RM8,702,000 (2014: RM15,186,000). There were no ineffectiveness.

(c) During the financial year, the Bank designated certain structured deposits at fair value through profit or loss. This designation is permitted under MFRS 139 "Financial Instruments: Recognition and Measurement" as it includes embedded derivatives that are not closely related to its underlying deposits. The structured deposits are recorded at fair value. The carrying amount of the structured deposits were RM3,479,000 lower than the contractual amount at maturity.

	BANK/GROUP	
	2015	2014
	RM'000	RM'000
Structured deposits	67,232	-
Fair value changes arising from designation at fair value through profit or loss	(3,737)	-
	63,495	-

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

19. DEPOSITS FROM CUSTOMERS (Contd.)

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

	BANK		GROUP	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Due within six months	19,635,124	16,200,578	24,128,402	20,078,141
Six months to one year	4,279,806	4,912,583	5,156,361	5,458,515
One year to three years	47,655	56,134	48,134	59,470
Three years to five years	6,135	9,097	6,399	9,119
	23,968,720	21,178,392	29,339,296	25,605,245

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

	BANK		GROUP	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Domestic financial institutions	3,813,411	3,638,352	4,057,149	3,868,358
Domestic non-bank financial institutions	2,406,296	1,017,736	4,443,347	2,230,725
Government and statutory bodies	1,766,434	1,612,213	2,998,668	3,016,502
Business enterprises	11,332,469	9,503,745	14,250,724	11,596,122
Individuals	16,579,623	16,238,979	17,906,583	17,564,502
Foreign entities	523,371	435,437	591,360	491,440
Others	434,563	462,516	475,598	488,384
	36,856,167	32,908,978	44,723,429	39,256,033

20. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	BANK		GROUP	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Licensed banks	601,968	1,378,558	852,198	1,998,196
Licensed investment banks	-	200,091	-	351,649
Licensed Islamic banks	-	-	200,020	145,017
Bank Negara Malaysia	326,527	391,389	437,557	464,487
Other financial institutions	-	100,008	-	100,008
	928,495	2,070,046	1,489,775	3,059,357

21. BALANCES DUE TO CLIENTS AND BROKERS

	GROUP	
	2015	2014
	RM'000	RM'000
Due to clients	62,833	22,623
Due to brokers	-	22,211
	62,833	44,834

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 RM78,850,000 (2014: RM128,020,000) have been excluded accordingly.

22. BILLS AND ACCEPTANCES PAYABLE

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

23. AMOUNT DUE TO CAGAMAS BERHAD

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

24. OTHER LIABILITIES

	BANK		GROUP	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Other payables and accruals	729,919	710,289	901,303	824,419
Remisiers' accounts	-	-	21,305	20,950
Finance lease liabilities	10,299	11,650	10,299	11,650
Amount due to subsidiaries	6,081	115	-	-
Amount due to holding company	591	180	665	329
	746,890	722,234	933,572	857,348

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

BANK/GROUP	Future minimum lease payments RM'000	Future finance charges RM'000	Present value of finance lease liabilities RM'000
At 31 March 2015			
Within one year	2,780	605	2,175
One year to five years	9,035	911	8,124
Over five years	-	-	-
	11,815	1,516	10,299
At 31 March 2014			
Within one year	2,085	734	1,351
One year to five years	11,120	1,508	9,612
Over five years	694	7	687
	13,899	2,249	11,650

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

25. SUBORDINATED OBLIGATIONS

	BANK/GROUP	
	2015	2014
	RM'000	RM'000
Tier - 2 Subordinated Medium Term Notes	613,267	612,718

At cost	600,000	600,000
Accumulated unamortised discount	(598)	(1,147)
Interest accrued	13,865	13,865
	613,267	612,718

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

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

The Subordinated Notes have been assigned a long term rating of A2 by RAM Rating Services Berhad with tenure of 10 years, callable five (5) years after issue date and on every coupon payment date thereafter, subject to BNM's approval.

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

The main features of the Subordinated notes are as follows:

(i) Issue date:	8 April 2011
(ii) Tenor of the facility/issue:	10 years from the issue date and callable five (5) years after the issue date
(iii) Maturity date:	8 April 2021
(iv) Interest rate/coupon:	4.82% per annum, payable semi-annually in arrears
(v) Redemption option:	The issuer may, at its option, redeem the Subordinated Notes at any coupon payment date on or after five (5) years from the issue date. The redemption amount will be at an amount equal to 100% of the principal amount together with accrued but unpaid coupon (if any) relating to the then current interest period (if any) up to (and excluding) the date on which the Subordinated Notes are redeemed.

(vi) The Subordinated Notes will constitute direct and unsecured obligations of the issuer, subordinated in right and priority of payment, to the extent and in the manner provided in the Subordinated Notes, ranking pari passu among themselves.

(vii) In the event of winding up or liquidation of the issuer, be subordinated in right of payment to all deposit liabilities and other liabilities of the issuer, except in each case to those liabilities which by their terms rank equally in right of payment or which are subordinated to the Subordinated Notes.

26. SHARE CAPITAL

	BANK/GROUP 2015 RM'000	BANK/GROUP 2014 RM'000
Authorised:		
4,995,000,000 ordinary shares of RM1 each	4,995,000	4,995,000
500,000,000 irredeemable (non-cumulative) convertible preference shares ("ICPS") of RM0.01 each	5,000	5,000
	5,000,000	5,000,000
Issued and fully paid:		
Ordinary shares:		
At 1 April/31 March		
596,517,043 ordinary shares of RM1 each	596,517	596,517
200,000,000 ordinary shares of RM1 each	200,000	-
ICPS:		
At 1 April/31 March		
400,000,000 ICPS of RM0.01 each	4,000	4,000
Conversion of 400,000,000 ICPS of RM0.01 each to ordinary shares during the year	(4,000)	-
	796,517	600,517

Terms of the ICPS are as follows:

(a) The Bank shall be entitled at its option at any time from the issue date to convert all or any of the ICPS on the basis of Two (2) ICPS for One (1) ordinary share at Ringgit Malaysia Two (RM2.00) only per share at any time and the ordinary shares resulting from such conversion shall rank pari passu in all respects with the remaining ordinary shares;

(b) The holders of ICPS shall be entitled to receive notice of and attend all General Meetings and be heard but have no right to vote except on resolutions for winding-up of the Bank, for any reduction in capital of the Bank or for any amendment of the Memorandum of Articles of Association of the Bank affecting the rights of the holders;

(c) Upon any winding-up of the Bank, the holder of the ICPS shall be entitled to the repayment of capital of RM0.01 in priority to the ordinary shares but shall not be entitled to any participation in surplus assets and profits;

(d) The holders of the ICPS shall rank pari passu amongst themselves and shall rank after all secured and unsecured obligations but will rank ahead of the ordinary shares of the Bank; and

(e) The holders of the ICPS shall have a right to receive a non-cumulative preferential dividend of five (5) sen per annum per share, provided that there are profits available for distribution.

On 30 December 2014, the Bank has converted existing 400,000,000 Irredeemable Convertible Preference Shares ("ICPS") of RM0.01 each to 200,000,000 New Ordinary Shares of RM1.00 each at the conversion price of RM2.00 each after having obtained approval from Bank Negara Malaysia.

27. RESERVES

	Note	BANK 2015 RM'000	BANK 2014 RM'000	GROUP 2015 RM'000	GROUP 2014 RM'000
Non-distributable:					
Statutory reserve	(a)	722,368	601,561	1,069,665	929,055
Capital reserve	(b)	-	-	10,018	10,018
Revaluation reserves	(c)	43,838	(7,546)	78,232	7,071
Equity contribution from parent	(d)	10,731	17,377	11,405	18,412
Share premium	(e)	401,517	597,517	401,517	597,517
		1,178,454	1,208,909	1,570,837	1,562,073
Distributable:					
Retained profits	(f)	1,881,187	1,840,384	2,005,815	1,957,952
		3,059,641	3,049,293	3,576,652	3,520,025

(a) The statutory reserve is maintained in compliance with Section 47(2)(f) of the Financial Services Act, 2013 ("FSA") and Section 57(2)(f) of the Islamic Financial Services Act, 2013 ("IFSA") which requires a banking institution to maintain a reserve fund and minimum capital funds at all times. The reserve fund is not distributable as dividends.

(b) Capital reserve is in respect of retained profits capitalised for a bonus issue by a subsidiary company.

(c) The revaluation reserves are in respect of unrealised fair value gains and losses on financial investments available-for-sale.

(d) The equity contribution from parent relates to the equity-settled share options/share grants to Directors and employees. This reserve is made up of the estimated fair value of the share options/share grants based on the cumulative services received from Directors and employees over the vesting period.

(e) Share premium relates to:

	BANK/GROUP 2015 RM'000	BANK/GROUP 2014 RM'000
- Ordinary shares	401,517	201,517
- ICPS	-	396,000
	401,517	597,517

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

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

28. ALLIANCE FINANCIAL GROUP BERHAD EMPLOYEES' SHARE SCHEME

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

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

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

(i) The AFG Bhd ESS is implemented and administered by the Employees' Share Participating Scheme Committee ("ESPS Committee") in accordance with the Bye-Laws.

(ii) The total number of shares which may be available under the AFG Bhd ESS shall not exceed in aggregate 10% of the total issued and paid-up share capital of AFG Bhd at any one time during the existence of the AFG Bhd ESS and out of which not more than 50% of the shares available under the AFG Bhd ESS shall be allocated, in aggregate, to Directors and senior management. In addition, not more than 10% of the shares available under the AFG Bhd ESS shall be allocated to any individual Director or employee who, either singly or collectively through his/her associates, holds 20% or more in the issued and paid-up capital of AFG Bhd.

(iii) The subscription price for each share under the Share Option Plan, Share Grant Plan and Share Save Plan may be at a discount (as determined by the ESPS Committee or such other pricing mechanism as may from time to time be permitted by Bursa Malaysia Securities Berhad or such other relevant regulatory authorities), provided that the discount shall not be more than 10% from the 5-day weighted average market price of AFG Bhd's shares transacted on Bursa Malaysia Securities Berhad immediately preceding the date on which an offer is made or at par value of the shares, whichever is higher.

(iv) The ESPS Committee may at its discretion offer to any Director or employee of a corporation in the Group to participate in the AFG Bhd ESS if the Director or employee:

(a) has attained the age of 18 years;
(b) in the case of a Director, is on the board of directors of a corporation in the Group;
(c) in the case of an employee, is employed by a corporation in the Group; and
(d) is not a participant of any other employee share option scheme implemented by any other corporation within the Group which is in force for the time being

provided that the non-executive directors of the Group who are not employed by a corporation in the Group shall not be eligible to participate in the Share Save Plan.

(v) Under the Share Option Plan and Share Grant Plan, the ESPS Committee may stipulate the performance targets, performance period, value and/or other conditions deemed appropriate.

(vi) Under the Share Save Plan, the ESPS Committee may at its discretion offer Share Save Option(s) to any employees of the Group to subscribe for AFG Bhd's shares and the employee shall authorise deductions to be made from his/her salary.

(vii) AFG Bhd may decide to satisfy the exercise of options / awards of shares under the AFG Bhd ESS through the issue of new shares, transfer of existing shares or a combination of both new and existing shares.

(viii) AFG Bhd may appoint or authorise the trustee of the AFG Bhd ESS to acquire its shares from the open market to give effect to the AFG Bhd ESS.

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

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

BANK **2015**	**Share Options** Number of Share Options						**Share Grants** Number of Share Grants					
	At beginning of year '000	Offered/ awarded '000	Transfer '000	Vested/ exercised '000	Lapsed '000	At end of year '000	At beginning of year '000	Offered/ awarded '000	Transfer '000	Vested/ exercised '000	Lapsed '000	At end of year '000
2012 Share Scheme	5,759	-	-	(4,084)	(1,675)	-	623	-	-	(601)	(22)	-
2013 Share Scheme (1st grant)	9,814	-	18	(1,048)	(1,917)	6,867	1,257	-	12	(748)	(78)	443
2013 Share Scheme (2nd grant)	825	-	-	-	-	825	58	-	-	(29)	-	29
2014 Share Scheme	12,397	-	76	(1,047)	(2,287)	9,139	1,114	-	9	(593)	(50)	480
2015 Share Scheme (1st grant)	-	-	-	-	-	-	-	1,885		(122)	(34)	1,729
2015 Share Scheme (2nd grant)	-	-	-	-	-	-	-	34	-	-	-	34
	28,795	-	94	(6,179)	(5,879)	16,831	3,052	1,919	21	(2,093)	(184)	2,715
WAEP	4.58	-	5.14	3.99	4.48	4.84						

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

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

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

GROUP 2015	Share Options Number of Share Options					Share Grants Number of Share Grants				
	At beginning of year '000	Offered/ awarded '000	Vested/ exercised '000	Lapsed '000	At end of year '000	At beginning of year '000	Offered/ awarded '000	Vested/ exercised '000	Lapsed '000	At end of year '000
2012 Share Scheme	6,040	-	(4,243)	(1,797)	-	656	-	(628)	(28)	-
2013 Share Scheme (1st grant)	10,326	-	(1,063)	(2,084)	7,179	1,342	-	(782)	(94)	466
2013 Share Scheme (2nd grant)	1,050	-	-	-	1,050	74	-	(37)	-	37
2014 Share Scheme	13,301	-	(1,047)	(2,323)	9,931	1,178	-	(611)	(53)	514
2015 Share Scheme (1st grant)	-	-	-	-	-	-	2,066	(122)	(92)	1,852
2015 Share Scheme (2nd grant)	-	-	-	-	-	-	34	-	-	34
	30,717	-	(6,353)	(6,204)	18,160	3,250	2,100	(2,180)	(267)	2,903
WAEP	4.59	-	3.98	4.46	4.85					

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

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

	WAEP RM	Exercise Period
2012 Share Options	3.58	22.07.2014 - 22.07.2017
2013 Share Options (1st grant)	4.22	06.07.2015 - 06.07.2017
2013 Share Options (2nd grant)	4.25	31.01.2016 - 31.01.2017
2014 Share Options	5.36	16.08.2016 - 16.08.2017

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

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

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

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

(i) The aggregate maximum allocation of shares options/grants to Executive Directors and senior management of the Group during the financial year and since commencement of the ESS is 50% of shares available under the ESS.

(ii) The actual percentage allocation of share grants to Executive Directors and senior management is 42.8%. As for financial year 31 March 2014, the actual allocation of share options/grants to Executive Directors and senior management was 48.2%.

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

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

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

	Share Options				
	2011	2012	2013 (1st grant)	2013 (2nd grant)	2014
Fair value of the shares as at grant date,					
- 23 September 2010 (RM)	0.8980	-	-	-	-
- 22 July 2011 (RM)	-	0.8790	-	-	-
- 06 July 2012 (RM)	-	-	0.6900	-	-
- 31 January 2013 (RM)	-	-	-	0.5000	-
- 16 August 2013 (RM)	-	-	-	-	0.7200
Weighted average share price (RM)	3.1300	3.7200	4.2200	4.2500	5.3600
Weighted average exercise price (RM)	3.1480	3.5800	4.2200	4.2500	5.3600
Expected volatility (%)	0.3115	0.2977	0.2345	0.2019	0.2084
Expected life (years)	7	6	5	4	4
Risk free rate (%)	2.92 to 4.04	2.93 to 4.18	2.96 to 3.97	2.99 to 3.90	3.09 to 3.83
Expected dividend yield (%)	1.78	3.08	3.46	3.51	3.90

	Share Grants					
	2012	2013 (1st grant)	2013 (2nd grant)	2014	2015 (1st grant)	2015 (2nd grant)
Fair value of the shares as at grant date,						
- 22 July 2011 (RM)	3.4405	-	-	-	-	-
- 06 July 2012 (RM)	-	3.8000	-	-	-	-
- 31 January 2013 (RM)	-	-	3.8200	-	-	-
- 16 August 2013 (RM)	-	-	-	4.7700	-	-
- 23 June 2014 (RM)	-	-	-	-	4.3400	-
- 26 January 2015 (RM)	-	-	-	-	-	4.3500
Weighted average share price (RM)	3.7200	4.2200	4.2500	5.3600	4.7400	4.7430
Expected volatility (%)	0.2977	0.2345	0.2019	0.2084	0.2418	0.1884
Risk free rate (%)	2.93 to 4.18	2.96 to 3.97	2.99 to 3.90	3.09 to 3.83	3.17 to 4.43	3.36 to 4.39
Expected dividend yield (%)	3.08	3.46	3.51	3.90	4.36	4.31

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

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

29. INTEREST INCOME

	BANK 2015 RM'000	BANK 2014 RM'000	GROUP 2015 RM'000	GROUP 2014 RM'000
Loans, advances and financing	1,300,772	1,155,528	1,330,504	1,186,571
Money at call and deposit placements with financial institutions	27,935	13,262	25,301	9,300
Financial assets held-for-trading	428	1,539	428	1,539
Financial investments available-for-sale	294,924	281,612	315,183	302,038
Financial investments held-to-maturity	21,861	15,738	26,908	19,791
Others	10,575	5,499	10,576	5,500
	1,656,495	1,473,178	1,708,900	1,524,739
Accretion of discount less amortisation of premium	57,363	67,036	62,935	76,491
	1,713,858	1,540,214	1,771,835	1,601,230

30. INTEREST EXPENSE

	BANK 2015 RM'000	BANK 2014 RM'000	GROUP 2015 RM'000	GROUP 2014 RM'000
Deposits and placements of banks and other financial institutions	52,678	45,277	74,748	65,271
Deposits from customers	810,467	691,885	833,328	718,781
Subordinated obligations	29,470	29,444	29,470	29,444
Others	17,186	11,276	17,186	11,276
	909,801	777,882	954,732	824,772

31. NET INCOME FROM ISLAMIC BANKING BUSINESS

	GROUP 2015 RM'000	GROUP 2014 RM'000
Income derived from investment of depositors' funds and others	364,828	302,186
Income derived from investment of Islamic Banking funds	33,641	31,783
Income attributable to the depositors and financial institutions	(201,714)	(152,677)
	196,755	181,292
Add: Income due to head office eliminated at Group level	28,302	29,625
	225,057	210,917

Note:

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

32. OTHER OPERATING INCOME

	BANK		GROUP	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
(a) Fee and commission income:				
Commissions	78,212	78,274	78,212	77,723
Service charges and fees	30,789	29,636	31,752	30,446
Portfolio management fees	-	-	29	32
Corporate advisory fees	-	-	762	1,313
Underwriting commissions	-	-	526	910
Brokerage fees	-	-	39,476	32,347
Guarantee fees	12,926	11,416	13,195	11,685
Processing fees	13,377	10,174	15,588	14,039
Commitment fees	15,193	14,637	15,214	14,662
Other fee income	114,512	130,811	114,534	130,852
	265,009	274,948	309,288	314,009
(b) Fee and commission expense:				
Commissions expense	(2,275)	(1,474)	(2,275)	(1,474)
Brokerage fees expense	(7)	-	(19,328)	(16,120)
Guarantee fees expense	(737)	(626)	(737)	(626)
Other fee expense	(91,309)	(85,658)	(91,309)	(85,658)
	(94,328)	(87,758)	(113,649)	(103,878)
(c) Investment income:				
Gain/(loss) arising from sale/redemption of:				
- Financial assets held-for-trading	873	(450)	873	(450)
- Financial investments held-to-maturity	-	3,564	-	3,742
- Financial investments available-for-sale	14,637	34,363	14,977	38,986
Marked-to-market revaluation of:				
- Financial assets held-for-trading	33	(128)	33	(142)
- Derivative instruments	36,249	(15,007)	36,249	(15,007)
- Unrealised gain arising from financial liabilities designated at fair value	3,737	-	3,737	-
Realised gain on derivative instruments	28,782	71,399	28,782	71,399
Gross dividend income from:				
- Financial investments available-for-sale	1,959	4,570	2,179	5,430
- Subsidiaries	52,896	38,020	-	-
	139,166	136,331	86,830	103,958
(d) Other income:				
Foreign exchange gain	4,277	19,601	4,628	19,877
Rental income	368	395	-	-
Gain/(loss) on disposal of property, plant and equipment	2	41	2	(58)
Gain from disposal of a subsidiary	-	3,361	-	1,169
Others	27,743	23,252	28,622	24,232
	32,390	46,650	33,252	45,220
Total other operating income	342,237	370,171	315,721	359,309

33. OTHER OPERATING EXPENSES

	BANK		GROUP	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Personnel costs				
- Salaries, allowances and bonuses	221,009	214,897	297,818	291,027
- Contribution to EPF	37,811	35,806	50,161	48,350
- Share options/grants under ESS	5,630	9,572	5,868	10,291
- Others	39,031	42,013	51,582	49,505
	303,481	302,288	405,429	399,173
Establishment costs				
- Depreciation of property, plant and equipment	20,981	20,639	21,420	21,211
- Amortisation of computer software	18,067	19,379	18,325	19,621
- Rental of premises	21,342	21,673	27,948	28,017
- Water and electricity	6,634	5,476	9,104	7,362
- Repairs and maintenance	8,648	7,872	11,402	10,287
- Information technology expenses	29,321	36,131	38,790	45,304
- Others	5,518	4,541	16,616	14,009
	110,511	115,711	143,605	145,811
Marketing expenses				
- Promotion and advertisement	2,836	5,802	7,239	8,602
- Branding and publicity	17,517	9,891	18,266	10,318
- Others	4,444	4,373	7,746	5,002
	24,797	20,066	33,251	23,922
Administration and general expenses				
- Communication expenses	10,524	8,468	14,082	11,537
- Printing and stationery	3,456	3,074	4,198	3,852
- Insurance	9,799	8,597	10,488	9,235
- Professional fees	13,516	17,973	17,863	22,505
- Others	17,519	11,260	17,602	9,866
	54,814	49,372	64,233	56,995
Total other operating expenses	493,603	487,437	646,518	625,901

Included in the other operating expenses are the following:

	BANK		GROUP	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Auditors' remuneration				
- statutory audit fees	660	634	1,002	961
-under provision in prior year	170	-	170	-
- audit related fees	378	370	602	591
- tax compliance fees	47	45	89	85
- tax related services	1,166	118	1,166	118
Hire of equipment	4,906	3,800	5,042	3,942
Property, plant and equipment written-off	837	348	957	622
Computer software written-off	278	10	658	11

34. ALLOWANCE MADE FOR/(WRITE-BACK OF) LOSSES ON LOANS, ADVANCES AND FINANCING AND OTHER RECEIVABLES

	BANK		GROUP	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Allowance for/(write-back of) impaired loans and financing and other receivables:				
(a) Individual assessment allowance				
- Made during the year (net)	9,159	4,626	3,475	5,613
(b) Collective assessment allowance				
- Made during the year (net)	51,693	1,886	78,193	11,746
(c) Bad debts on loans and financing				
- Recovered	(46,662)	(45,221)	(61,849)	(59,113)
- Written-off	12,486	16,730	17,744	24,511
	26,676	(21,979)	37,563	(17,243)
Allowance for other receivables	2,279	2,967	2,041	4,272
	28,955	(19,012)	39,604	(12,971)

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

35. WRITE-BACK OF IMPAIRMENT ON SECURITIES

	BANK		GROUP	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Write-back of impairment on securities:				
- Financial investments available-for-sale	-	(8,018)	(1,759)	(12,236)
- Financial investments held-to-maturity	(600)	(2,691)	(4,969)	(2,691)
	(600)	(10,709)	(6,728)	(14,927)

36. TAXATION AND ZAKAT

	BANK		GROUP	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Income tax:				
Provision for current year	136,886	161,929	164,040	184,257
Under provision in prior years	3,748	205	3,947	304
	140,634	162,134	167,987	184,561
Deferred tax (Note 17)	473	1,485	669	722
	141,107	163,619	168,656	185,283
Zakat	-	-	57	199
	141,107	163,619	168,713	185,482

Income tax is calculated at the Malaysian statutory tax rate of 25% (2014: 25%) of the estimated assessable profit for the year.

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

	BANK		GROUP	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	624,336	674,787	678,513	748,685
Taxation at Malaysian statutory tax rate of 25% (2014: 25%)	156,084	168,697	169,628	187,171
Effect of income not subject to tax	(20,004)	(8,824)	(6,910)	(5,296)
Effect of expenses not deductible for tax purposes	4,203	3,304	5,088	3,625
Effect of changes in tax rate	-	(271)	-	(142)
Deferred tax recognised on unabsorbed tax losses	-	-	-	162
(Over)/under provision of deferred tax in prior years	(2,924)	508	(3,097)	(541)
Under provision of tax expense in prior years	3,748	205	3,947	304
Tax expense for the year	141,107	163,619	168,656	185,283

	BANK		GROUP	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Tax savings during the year arising from:				
- utilisation of current year tax losses	-	-	-	28

37. EARNINGS PER SHARE

(a) Basic

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

	GROUP 2015 RM'000	GROUP 2014 RM'000
Profit for the year attributable to owner of the parent	509,800	563,203

	2015 '000	2014 '000
Weighted average numbers of ordinary shares in issue	796,517	596,517

	2015 sen	2014 sen
Basic earnings per share	64	94

(b) Diluted

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

	GROUP 2015 RM'000	GROUP 2014 RM'000
Profit for the year attributable to owner of the parent	509,800	563,203

	2015 '000	2014 '000
Weighted average numbers of ordinary shares in issue	796,517	596,517
Effect of dilution:		
ICPS	-	200,000
	796,517	796,517

	2015 sen	2014 sen
Diluted earnings per share	64	71

38. DIVIDENDS

(a) Dividends on Ordinary Shares:

	Recognised during the year	
	2015	2014
	RM'000	RM'000
Final		
37.4 sen less 25% taxation on 596,517,043 ordinary shares, declared in financial year ended 31 March 2013, was paid on 9 July 2013	-	167,323
Interim		
28.2 sen less 25% taxation on 596,517,043 ordinary shares, declared in financial year ending 31 March 2014, was paid on 27 November 2013	-	126,163
Second Interim		
26.9 sen, tax exempt under the single tier tax on 596,517,043 ordinary shares, declared in financial year ended 31 March 2014, was paid on 22 May 2014	160,463	-
First Interim		
24.4 sen, tax exempt under the single tier tax on 596,517,043 ordinary shares, declared in financial year ending 31 March 2015, was paid on 26 November 2014	145,550	-
	306,013	293,486

Subsequent to the financial year end, on 27 May 2015, the Directors declared a second interim dividend of 8.46 sen, tax exempt under the single tier tax system, on 796,517,043 ordinary shares amounting to approximately RM67,386,000 in respect of current financial year. The accompanying financial statements do not reflect these dividend. The dividend will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 March 2015.

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

	Net dividends per Ordinary Share	
	2015	2014
	Sen	Sen
Declared subsequent to financial year end:		
Second interim dividend of 8.46 sen, tax exempt under single tier tax	8.46	-
Second interim dividend of 26.9 sen, tax exempt under single tier tax	-	26.90
Paid:		
First Interim dividend of 24.4, tax exempt under single tier tax	24.40	-
First Interim dividend of 28.2 sen less 25% tax	-	21.15
	32.86	48.05

38. DIVIDENDS (CONTD.)

(b) Dividends on ICPS:

	Recognised during the year		Net dividends per Preference Share	
	2015	2014	2015	2014
	RM'000	RM'000	Sen	Sen
Final				
5 sen per share, tax exempt dividend under the single tier tax on 400,000,000 preference shares, declared in financial year ended 31 March 2014, and paid on 27 November 2013	-	20,000	-	5.00
Final				
5 sen per share, tax exempt dividend under the single tier tax on 400,000,000 preference shares, declared in financial year ended 31 March 2015, and paid on 26 November 2014	20,000	-	5.00	-

39. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

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

	BANK		GROUP	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
(a) Transactions				
Interest income				
- subsidiaries	30,159	29,396	-	-
- key management personnel	104	105	111	198
Dividend income				
- subsidiaries	52,896	38,020	-	-
Management fees				
- holding company	-	348	-	348
- subsidiaries	437	5,505	-	-
Rental income				
- subsidiaries	368	395	-	-
Other operating expenses recharged				
- holding company	1,180	-	1,180	-
- subsidiaries	99,889	86,001	-	-
Commission paid				
- subsidiaries	37,005	30,242	-	-

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

	BANK		GROUP	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
(a) Transactions (contd.)				
Interest expenses				
- holding company	-	-	(2,876)	(1,445)
- subsidiaries	(392)	(141)	-	-
- related companies	(21)	-	-	-
- an associate	(38)	(38)	(38)	(38)
- joint venture	-	-	(16)	-
- key management personnel	(106)	(68)	(122)	(115)
Other operating expenses				
- holding company	(4,252)	(3,001)	(6,040)	(3,501)
- related companies	(126)	(696)	-	-
- joint venture	-	-	(27)	-
Dividend paid				
- holding company	(326,013)	(411,315)	(326,013)	(411,315)
(b) Balances				
Amount due to				
Deposits from customers				
- holding company	(15)	(16)	(69,527)	(17,776)
- subsidiaries	(63,877)	(15,920)	-	-
- related companies	(1,617)	(11)	(45,898)	(11)
- an associate	(1,183)	(1,168)	(1,183)	(1,168)
- joint venture	-	-	(2,023)	-
- key management personnel	(4,262)	(3,424)	(5,476)	(6,640)
Financial investments available-for-sale				
- subsidiaries	739,540	739,501	-	-
Loans, advances and financing				
- key management personnel	2,920	3,155	4,150	8,332
Money at call and deposit placements with financial institutions				
- subsidiaries	338,930	-	-	-
Other assets				
- subsidiaries	10,433	39,354	-	-
- related companies	43	-	43	-
- joint venture	52	-	533	-
Other liabilities				
- holding company	(591)	(180)	(665)	(329)
- subsidiaries	(6,956)	(115)	-	-

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

(b) Balances (contd.)

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

(c) Compensation of key management personnel

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

	BANK		GROUP	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Short-term employee benefits				
- Fees	639	576	1,305	1,150
- Salary and other remuneration, including meeting allowances	6,189	9,977	8,400	11,890
- Contribution to EPF	830	1,454	1,133	1,715
- Share options/grants under ESS	1,476	2,715	1,674	2,913
Benefits-in-kind	25	114	25	116
	9,159	14,836	12,537	17,784

Included in the total key management personnel are:

CEO and Directors' remuneration, excluding past CEO and Directors (Note 41)	1,996	8,971	5,375	11,919

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

(c) Compensation of key management personnel (contd.)

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

	Share Options		Share Grants	
	2015	2014	2015	2014
BANK	'000	'000	'000	'000
At beginning of year	8,391	5,599	732	594
Directors/key management personnel appointed during the year	-	544	-	-
Offered/awarded	-	3,428	292	353
Vested	(3,039)	(770)	(607)	(194)
Lapsed	(3,176)	(410)	(22)	(21)
At end of year	2,176	8,391	395	732

	Share Options		Share Grants	
	2015	2014	2015	2014
GROUP	'000	'000	'000	'000
At beginning of year	8,812	6,199	755	659
Directors/key management personnel appointed during the year	-	544	-	-
Offered/awarded	-	3,700	329	365
Vested	(3,039)	(976)	(616)	(240)
Lapsed	(3,176)	(655)	(22)	(29)
At end of year	2,597	8,812	446	755

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

40. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

	BANK	
	2015 RM'000	2014 RM'000
Outstanding credit exposures with connected parties	109,088	215,386
of which: Total credit exposure which is impaired or in default	-	-
Total credit exposures	40,521,917	37,936,456
Percentage of outstanding credit exposures to connected parties		
- as a proportion of total credit exposures	0.27%	0.57%
- 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.

41. CEOs AND DIRECTORS' REMUNERATION

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

	BANK 2015 RM'000	BANK 2014 RM'000	GROUP 2015 RM'000	GROUP 2014 RM'000
Chief Executive Officers:				
- Salary and other remuneration	516	2,521	2,004	3,995
- Bonuses	-	2,500	475	2,750
- Contribution to EPF	80	803	383	1,064
- Share options/grants under ESS	-	1,924	199	2,122
- Benefits-in-kind	-	90	-	92
	596	7,838	3,061	10,023
Non-executive Directors:				
- Fees	639	576	1,305	1,150
- Allowances	737	533	985	722
- Benefits-in-kind	24	24	24	24
	1,400	1,133	2,314	1,896
	1,996	8,971	5,375	11,919
Past Chief Executive Officers/Directors:				
- Salary and other remuneration, including meeting allowance	1,434	15	1,434	18
- Bonuses	1,250	-	1,250	-
- Fees	-	18	-	60
- Contribution to EPF	829	-	829	-
- Share options/grants under ESS	2,003	-	2,003	-
- Benefits-in-kind	27	-	27	-
	5,543	33	5,543	78
	7,539	9,004	10,918	11,997
Total Directors' remuneration excluding benefits-in-kind	7,488	8,890	10,867	11,881

41. CEOs AND DIRECTORS' REMUNERATION (CONTD.)

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

BANK 2015	Salary and other remuneration RM'000	Bonuses RM'000	Contribution to EPF RM'000	Fees RM'000	Allowances RM'000	Share options/grants under ESS RM'000	Benefits-in-kind RM'000	Total RM'000
Chief Executive Officer:								
Joel Kornreich	516	-	80	-	-	-	-	596
	516	-	80	-	-	-	-	596
Non-executive Directors:								
Dato' Thomas Mun Lung Lee	-	-	-	159	78	-	24	261
Tan Yuen Fah	-	-	-	80	63	-	-	143
Megat Dziauddin Bin Megat Mahmud	-	-	-	80	107	-	-	187
Lee Ah Boon	-	-	-	80	95	-	-	175
Ou Shian Waei	-	-	-	80	159	-	-	239
Kung Beng Hong	-	-	-	80	181	-	-	261
Kuah Hun Liang	-	-	-	80	54	-	-	134
	-	-	-	639	737	-	24	1,400
Past Chief Executive Officer/ Executive Directors:								
Sng Seow Wah	1,434	1,250	829	-	-	2,003	27	5,543
	1,434	1,250	829	-	-	2,003	27	5,543
Total Directors' remuneration	1,950	1,250	909	639	737	2,003	51	7,539

41. CEOs AND DIRECTORS' REMUNERATION (CONTD.)

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

BANK 2014	Salary and other remuneration RM'000	Bonuses RM'000	Contribution to EPF RM'000	Fees RM'000	Allowances RM'000	Share options/grants under ESS RM'000	Benefits-in-kind RM'000	Total RM'000
Chief Executive Officer:								
Sng Seow Wah	2,521	2,500	803	-	-	1,924	90	7,838
	2,521	2,500	803	-	-	1,924	90	7,838
Non-executive Directors:								
Dato' Thomas Mun Lung Lee	-	-	-	144	55	-	24	223
Tan Yuen Fah	-	-	-	72	43	-	-	115
Megat Dziauddin Bin Megat Mahmud	-	-	-	72	79	-	-	151
Lee Ah Boon	-	-	-	72	66	-	-	138
Ou Shian Waei	-	-	-	72	116	-	-	188
Kung Beng Hong	-	-	-	72	142	-	-	214
Kuah Hun Liang	-	-	-	72	32	-	-	104
	-	-	-	576	533	-	24	1,133
Past Director:								
Zakaria bin Abd Hamid	-	-	-	18	15	-	-	33
	-	-	-	18	15	-	-	33
Total Directors' remuneration	2,521	2,500	803	594	548	1,924	114	9,004

41. CEOs AND DIRECTORS' REMUNERATION (CONTD.)

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

GROUP 2015	Salary and other remuneration RM'000	Bonuses RM'000	Contribution to EPF RM'000	Fees RM'000	Allowances RM'000	Share options/grants under ESS RM'000	Benefits-in-kind RM'000	Total RM'000
Chief Executive Officers:								
Joel Kornreich	516	-	80	-	-	-	-	596
Mahesh s/o Shri Pranlal Rupawalla	907	250	185	-	-	-	-	1,342
Foziakhatoon Binti Amanulla Khan	581	225	118	-	-	199	-	1,123
	2,004	475	383	-	-	199	-	3,061
Non-executive Directors:								
Dato' Thomas Mun Lung Lee	-	-	-	291	91	-	24	406
Tan Yuen Fah	-	-	-	80	63	-	-	143
Megat Dziauddin Bin Megat Mahmud	-	-	-	278	130	-	-	408
Lee Ah Boon	-	-	-	80	95	-	-	175
Ou Shian Waei	-	-	-	80	159	-	-	239
Kung Beng Hong	-	-	-	146	230	-	-	376
Kuah Hun Liang	-	-	-	146	92	-	-	238
Dr. Abdul Rahman bin Awang	-	-	-	66	57	-	-	123
Md. Ali bin Md. Sarif	-	-	-	66	55	-	-	121
Dato' Majid Bin Mohamad	-	-	-	72	13	-	-	85
	-	-	-	1,305	985	-	24	2,314
Past Chief Executive Officer:								
Sng Seow Wah	1,434	1,250	829	-	-	2,003	27	5,543
	1,434	1,250	829	-	-	2,003	27	5,543
Total Directors' remuneration	3,438	1,725	1,212	1,305	985	2,202	51	10,918

41. CEOs AND DIRECTORS' REMUNERATION (CONTD.)

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

GROUP 2014	Salary and other remuneration RM'000	Bonuses RM'000	Contribution to EPF RM'000	Fees RM'000	Allowances RM'000	Share options/grants under ESS RM'000	Benefits-in-kind RM'000	Total RM'000
Chief Executive Officers:								
Sng Seow Wah	2,521	2,500	803	-	-	1,924	90	7,838
Mohammed Rafidz Bin Ahmed Rasiddi	933	-	146	-	-	108	2	1,189
Foziakhatoon Binti Amanulla Khan	541	250	115	-	-	90	-	996
	3,995	2,750	1,064	-	-	2,122	92	10,023
Non-executive Directors:								
Dato' Thomas Mun Lung Lee	-	-	-	264	63	-	24	351
Tan Yuen Fah	-	-	-	72	43	-	-	115
Megat Dziauddin Bin Megat Mahmud	-	-	-	252	95	-	-	347
Lee Ah Boon	-	-	-	72	66	-	-	138
Ou Shian Waei	-	-	-	72	116	-	-	188
Kung Beng Hong	-	-	-	132	182	-	-	314
Kuah Hun Liang	-	-	-	132	61	-	-	193
Dr. Abdul Rahman bin Awang	-	-	-	60	46	-	-	106
Md. Ali bin Md. Sarif	-	-	-	60	45	-	-	105
Dato' Majid Bin Mohamad	-	-	-	34	5	-	-	39
	-	-	-	1,150	722	-	24	1,896
Past Directors:								
Zakaria bin Abd Hamid	-	-	-	60	18	-	-	78
	-	-	-	60	18	-	-	78
Total Directors' remuneration	3,995	2,750	1,064	1,210	740	2,122	116	11,997

42. FINANCIAL RISK MANAGEMENT POLICIES

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

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

(a) Credit Risk

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

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

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

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

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

42. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(i) Maximum exposure to credit risk

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

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

	BANK		GROUP	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Credit risk exposure of on-balance sheet:				
Cash and short-term funds (exclude cash in hand)	2,135,629	1,540,445	2,382,645	1,827,207
Deposits and placements with banks and other financial institutions	298,167	655,305	298,167	655,305
Balances due from clients and brokers	-	-	102,743	76,265
Financial assets held-for-trading	10,037	110,172	10,037	110,172
Financial investments available-for-sale (exclude equity securities)	7,787,813	7,438,485	9,613,634	9,597,649
Financial investments held-to-maturity	714,915	710,730	1,319,035	1,320,122
Derivative financial assets	132,460	39,677	132,460	39,677
Loans, advances and financing	29,814,140	26,537,328	36,532,105	31,788,941
	40,893,161	37,032,142	50,390,826	45,415,338
Credit risk exposure of off-balance sheet:				
Financial guarantees	536,139	533,277	634,879	610,849
Credit related commitments and contingencies	11,298,182	11,648,791	13,253,528	13,370,667
	11,834,321	12,182,068	13,888,407	13,981,516
Total maximum exposure	52,727,482	49,214,210	64,279,233	59,396,854

42. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(ii) Credit risk concentrations

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

BANK 2015	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	Residential Mortgage RM'000	Motor Vehicle Financing RM'000	Other Consumer Loans RM'000	Total RM'000
Cash and short-term funds	694,538	1,441,091	-	-	-	-	-	-	2,135,629
Deposits and placements with banks and other financial institutions	-	298,167	-	-	-	-	-	-	298,167
Financial assets held-for-trading	-	-	5,007	-	5,030	-	-	-	10,037
Financial investments available-for-sale	4,160,080	2,876,820	253,331	305,182	121,143	-	-	71,257	7,787,813
Financial investments held-to-maturity	714,578	337	-	-	-	-	-	-	714,915
Derivative financial assets	-	61,004	-	-	-	-	-	71,456	132,460
Loans, advances and financing	-	3,973,410	188,195	7,374,679	456,952	12,523,527	433,486	4,863,891	29,814,140
	5,569,196	8,650,829	446,533	7,679,861	583,125	12,523,527	433,486	5,006,604	40,893,161
Financial guarantees	-	116,003	24,423	335,941	20,385	-	-	39,387	536,139
Credit related commitments and contingencies	-	1,214,737	76,195	2,936,046	1,259,578	2,890,881	449	2,920,296	11,298,182
	-	1,330,740	100,618	3,271,987	1,279,963	2,890,881	449	2,959,683	11,834,321
Total credit risk	5,569,196	9,981,569	547,151	10,951,848	1,863,088	15,414,408	433,935	7,966,287	52,727,482

42. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(ii) Credit risk concentrations (contd.)

GROUP 2015	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	Residential Mortgage RM'000	Motor Vehicle Financing RM'000	Other Consumer Loans RM'000	Total RM'000
Cash and short-term funds	978,808	1,403,837	-	-	-	-	-	-	2,382,645
Deposits and placements with banks and other financial institutions	-	298,167	-	-	-	-	-	-	298,167
Balances due from clients and brokers	-	-	-	-	-	-	-	102,743	102,743
Financial assets held-for-trading	-	-	5,007	-	5,030	-	-	-	10,037
Financial investments available-for-sale	5,431,621	3,195,943	370,689	362,298	166,556	-	-	86,527	9,613,634
Financial investments held-to-maturity	1,309,191	4,745	5,099	-	-	-	-	-	1,319,035
Derivative financial assets	-	61,004	-	-	-	-	-	71,456	132,460
Loans, advances and financing	-	4,612,209	224,525	9,109,575	570,940	15,044,110	1,066,851	5,903,895	36,532,105
	7,719,620	9,575,905	605,320	9,471,873	742,526	15,044,110	1,066,851	6,164,621	50,390,826
Financial guarantees	-	118,636	24,434	409,048	42,940	-	-	39,821	634,879
Credit related commitments and contingencies	-	1,611,298	83,091	3,685,935	1,423,028	3,138,597	892	3,310,687	13,253,528
	-	1,729,934	107,525	4,094,983	1,465,968	3,138,597	892	3,350,508	13,888,407
Total credit risk	7,719,620	11,305,839	712,845	13,566,856	2,208,494	18,182,707	1,067,743	9,515,129	64,279,233

42. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(ii) Credit risk concentrations (contd.)

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

42. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(ii) Credit risk concentrations (contd.)

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

42. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(iii) Collaterals

The main types of collateral obtained by the Group are as follows:
- For personal housing loans/financing, mortgages over residential properties;
- For commercial property loans/financing, charges over the properties being financed;
- For hire purchase, charges over the vehicles or plant and machineries financed; and
- For other loans/financing, charges over business assets such as premises, inventories, trade receivables or deposits.

(iv) Credit quality - Loans, advances and financing

All loans, advances and financing are categorised as either:
- Neither past due nor impaired;
- Past due but not impaired; or
- Impaired.

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

Distribution of loans, advances and financing by credit quality

	BANK		GROUP	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Neither past due nor impaired	28,906,361	25,613,496	35,337,986	30,571,621
Past due but not impaired	911,072	904,140	1,204,414	1,184,994
Impaired	321,497	353,880	380,712	442,781
Gross loans, advances and financing	30,138,930	26,871,516	36,923,112	32,199,396
Sales commissions and handling fees	39,713	45,452	33,927	30,050
Less: Allowance for impairment				
- Individual assessment	(46,191)	(67,281)	(56,303)	(97,159)
- Collective assessment	(278,599)	(266,907)	(334,704)	(313,296)
Net loans, advances and financing	29,853,853	26,582,780	36,566,032	31,818,991
Financial effect of collateral held for loans, advances and financing	75.6%	72.2%	75.2%	71.9%

42. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(iv) Credit quality - Loans, advances and financing (contd.)

Credit quality of loans, advances and financing neither past due nor impaired

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

	BANK		GROUP	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Grading classification				
- Good	27,008,047	24,221,829	32,992,238	28,913,200
- Fair	1,898,314	1,391,667	2,345,748	1,658,421
	28,906,361	25,613,496	35,337,986	30,571,621

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

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

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

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

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

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

	BANK		GROUP	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Past due up to 1 month	711,650	730,271	935,615	947,287
Past due > 1 - 2 months	183,659	157,024	242,781	211,398
Past due > 2 - 3 months	15,763	16,845	26,018	26,309
	911,072	904,140	1,204,414	1,184,994

42. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(iv) Credit quality - Loans, advances and financing (contd.)

Loans, advances and financing assessed as impaired

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

	BANK		GROUP	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Gross impaired loans	321,497	353,880	380,712	442,781
Gross individually assessed impaired loans [Note]	82,135	107,763	93,100	156,525
Less: Allowance for impairment - Individual assessment	(46,191)	(67,281)	(56,303)	(97,159)
Net individually assessed impaired loans	35,944	40,482	36,797	59,366

Note:

Exclude individually assessed impaired loans which were fully collateralised and subsequently assessed under collective allowance for the Bank (2015: RM21,307,000; 2014: RM27,019,000) and the Group (2015: RM29,512,000; 2014: RM31,960,000).

(v) Credit quality - financial instruments and financial assets

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

Distribution of financial instruments by credit quality are summariesed as below:

BANK 2015	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Impaired RM'000	Allowance for impairment RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)	2,135,629	-	-	-	2,135,629
Deposits and placements with banks and other financial institutions	298,167	-	-	-	298,167
Financial assets held-for-trading	10,037	-	-	-	10,037
Financial investments available-for-sale (exclude equity securities)	7,787,802	-	135,680	(135,669)	7,787,813
Financial investments held-to-maturity	714,915	-	2,992	(2,992)	714,915
Derivative financial assets	132,460	-	-	-	132,460
	11,079,010	-	138,672	(138,661)	11,079,021

42. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(v) Credit quality - financial instruments and financial assets (contd.)

GROUP 2015	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Impaired RM'000	Allowance for impairment RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)	2,382,645	-	-	-	2,382,645
Deposits and placements with banks and other financial institutions	298,167	-	-	-	298,167
Balances due from clients and brokers	102,528	-	1,055	(840)	102,743
Financial assets held-for-trading	10,037	-	-	-	10,037
Financial investments available-for-sale (exclude equity securities)	9,613,623	-	237,961	(237,950)	9,613,634
Financial investments held-to-maturity	1,314,663	-	32,197	(27,825)	1,319,035
Derivative financial assets	132,460	-	-	-	132,460
	13,854,123	-	271,213	(266,615)	13,858,721

BANK 2014	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Impaired RM'000	Allowance for impairment RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)	1,540,445	-	-	-	1,540,445
Deposits and placements with banks and other financial institutions	655,305	-	-	-	655,305
Financial assets held-for-trading	110,172	-	-	-	110,172
Financial investments available-for-sale (exclude equity securities)	7,438,474	-	135,680	(135,669)	7,438,485
Financial investments held-to-maturity	710,730	-	5,001	(5,001)	710,730
Derivative financial assets	39,677	-	-	-	39,677
	10,494,803	-	140,681	(140,670)	10,494,814

GROUP 2014	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Impaired RM'000	Allowance for impairment RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)	1,827,207	-	-	-	1,827,207
Deposits and placements with banks and other financial institutions	655,305	-	-	-	655,305
Balances due from clients and brokers	76,063	-	1,396	(1,194)	76,265
Financial assets held-for-trading	110,172	-	-	-	110,172
Financial investments available-for-sale (exclude equity securities)	9,597,638	-	238,219	(238,208)	9,597,649
Financial investments held-to-maturity	1,320,106	-	34,219	(34,203)	1,320,122
Derivative financial assets	39,677	-	-	-	39,677
	13,626,168	-	273,834	(273,605)	13,626,397

42. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(v) Credit quality - financial instruments and financial assets (contd.)

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

	Cash and short-term funds RM'000	Deposits and placement with financial institutions RM'000	Financial assets held-for-trading RM'000	Financial investments available-for sale RM'000	Financial investments held-to-maturity RM'000	Derivative financial assets RM'000	Total RM'000
BANK							
2015							
By rating agencies							
RAM							
AAA	100,009	54,738	-	430,672	-	2,278	587,697
AA1	-	-	-	166,900	-	16,385	183,285
AA2	250,422	74,101	-	20,286	-	5,616	350,425
AA3	-	-	5,030	35,776	-	10,597	51,403
A1	80,007	-	-	-	-	12,674	92,681
A2	-	-	-	-	-	4,336	4,336
A3	80,014	-	-	-	-	4	80,018
MARC							
AAA	-	-	-	449,889	-	4,799	454,688
AA-	205,012	-	-	151,027	-	252	356,291
FITCH							
A+	9,285	-	-	-	-	-	9,285
A-	149	-	-	-	-	-	149
A	682	-	-	-	-	-	682
Moody's							
AA1	5,136	-	-	-	-	-	5,136
AA2	-	-	-	-	-	116	116
A1	74,523	-	-	-	-	-	74,523
A2	-	-	-	-	-	3,085	3,085
BAA1	200	-	-	-	-	-	200
BAA3	163,074	-	-	-	-	-	163,074
S&P							
A+	10,693	-	-	-	-	-	10,693
A	610	169,328	-	-	-	-	169,938
AA-	1,146	-	-	-	-	-	1,146
BBB+	40	-	-	-	-	-	40
Government backed	694,538	-	5,007	5,139,462	714,578	-	6,553,585
Unrated [Note]	460,089	-	-	1,393,801	337	72,318	1,926,545
	2,135,629	298,167	10,037	7,787,813	714,915	132,460	11,079,021

42. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(v) Credit quality - financial instruments and financial assets (contd.)

	Cash and short-term funds RM'000	Deposits and placement with financial institutions RM'000	Financial assets held-for-trading RM'000	Financial investments available-for sale RM'000	Financial investments held-to-maturity RM'000	Derivative financial assets RM'000	Total RM'000
GROUP							
2015							
By rating agencies							
RAM							
AAA	120,947	54,738	-	506,998	-	2,278	684,961
AA1	30,003	-	-	202,612	-	16,385	249,000
AA2	250,429	74,101	-	20,286	-	5,616	350,432
AA3	250,022	-	5,030	61,127	-	10,597	326,776
A1	112,151	-	-	-	-	12,674	124,825
A2	-	-	-	-	-	4,336	4,336
A3	80,014	-	-	-	-	4	80,018
MARC							
AAA	-	-	-	592,948	-	4,799	597,747
AA-	205,012	-	-	196,343	-	252	401,607
FITCH							
A+	9,285	-	-	-	-	-	9,285
A-	149	-	-	-	-	-	149
A	682	-	-	-	-	-	682
Moody's							
AA1	5,136	-	-	-	-	-	5,136
AA2	-	-	-	-	-	116	116
A1	74,523	-	-	-	-	-	74,523
A2	-	-	-	-	-	3,085	3,085
BAA1	200	-	-	-	-	-	200
BAA3	163,074	-	-	-	-	-	163,074
S&P							
A+	10,693	-	-	-	-	-	10,693
A	610	169,328	-	-	-	-	169,938
AA-	1,146	-	-	-	-	-	1,146
BBB+	40	-	-	-	-	-	40
Government backed	978,808	-	5,007	6,686,255	1,314,290	-	8,984,360
Unrated [Note]	89,721	-	-	1,347,065	4,745	72,318	1,513,849
	2,382,645	298,167	10,037	9,613,634	1,319,035	132,460	13,755,978

42. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(v) Credit quality - financial instruments and financial assets (contd.)

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

42. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(v) Credit quality - financial instruments and financial assets (contd.)

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

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

42. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk

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

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

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

(i) Interest/profit rate risk

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

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

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

42. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

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

BANK 2015	Non-trading book 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 sensitive RM'000	Trading book RM'000	Total RM'000
Assets									
Cash and short-term funds	1,751,838	-	-	-	-	-	691,499	-	2,443,337
Deposits and placements with banks and other financial institutions	-	74,050	223,534	-	-	-	583	-	298,167
Financial assets held-for-trading	-	-	-	-	-	-	-	10,037	10,037
Financial investments available-for-sale	470,070	200,079	195,387	185,169	4,762,251	1,907,759	161,484	-	7,882,199
Financial investments held-to-maturity	-	-	-	-	711,098	-	3,817	-	714,915
Derivative financial assets									
- Trading derivatives	-	-	-	-	-	-	-	132,460	132,460
Loans, advances and financing	24,936,782	921,155	375,085	809,340	1,748,769	1,066,015	(3,293) *	-	29,853,853
Other non-interest sensitive balances	-	-	-	-	-	-	2,593,055	-	2,593,055
Total assets	27,158,690	1,195,284	794,006	994,509	7,222,118	2,973,774	3,447,145	142,497	43,928,023
Liabilities									
Deposits from customers	16,707,276	4,753,565	4,753,465	4,280,233	298,713	70,171	5,992,744	-	36,856,167
Deposits and placements of banks and other financial institutions	439,072	203,895	45,048	39,046	196,457	-	4,977	-	928,495
Bills and acceptances payable	401,298	365,945	34,335	-	-	-	-	-	801,578
Derivative financial liabilities									
- Trading derivatives	-	-	-	-	-		-	106,522	106,522
- Hedging derivatives	-	-	-	-	8,168	534	-		8,702
Amount due to Cagamas Berhad	-	-	-	7,003	-	-	-	-	7,003
Subordinated obligations	-	-	-	-	599,402	-	13,865	-	613,267
Other non-interest sensitive balances	-	-	-	-	-	-	750,131	-	750,131
Total liabilities	17,547,646	5,323,405	4,832,848	4,326,282	1,102,740	70,705	6,761,717	106,522	40,071,865
Equity	-	-	-	-	-	-	3,856,158	-	3,856,158
Total liabilities and equity	17,547,646	5,323,405	4,832,848	4,326,282	1,102,740	70,705	10,617,875	106,522	43,928,023
On-balance sheet interest sensitivity gap	9,611,044	(4,128,121)	(4,038,842)	(3,331,773)	6,119,378	2,903,069	(7,170,730)	35,975	-

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

42. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

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

	Non-trading book								
GROUP	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 years	Over 5 years	Non-interest/ profit sensitive	Trading book	Total
2015	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets									
Cash and short-term funds	1,881,842	-	-	-	-	-	808,511	-	2,690,353
Deposits and placements with banks and other financial institutions	-	74,050	223,534	-	-	-	583	-	298,167
Balances due from clients and brokers	2,736	-	-	-	-	-	100,007	-	102,743
Financial assets held-for-trading	-	-	-	-	-	-	-	10,037	10,037
Financial investments available-for-sale	733,200	680,273	224,935	266,212	5,124,068	2,506,232	218,936	-	9,753,856
Financial investments held-to-maturity	-	-	189,922	5,034	1,111,814	-	12,265	-	1,319,035
Derivative financial assets									
- Trading derivatives	-	-	-	-	-	-	-	132,460	132,460
Loans, advances and financing	29,497,781	1,207,152	479,089	823,136	2,366,784	2,202,385	(10,295)*	-	36,566,032
Other non-interest/profit sensitive balances	-	-	-	-	-	-	2,262,154	-	2,262,154
Total assets	32,115,559	1,961,475	1,117,480	1,094,382	8,602,666	4,708,617	3,392,161	142,497	53,134,837
Liabilities									
Deposits from customers	21,825,944	5,833,877	5,459,922	5,151,143	299,455	70,171	6,082,917	-	44,723,429
Deposits and placements of banks and other financial institutions	690,227	408,434	54,477	55,502	275,557	-	5,578	-	1,489,775
Balances due to clients and brokers	-	-	-	-	-	-	62,833	-	62,833
Bills and acceptances payable	401,298	365,945	34,335	-	-	-	-	-	801,578
Derivative financial liabilities									
- Trading derivatives	-	-	-	-	-		-	106,522	106,522
- Hedging derivatives	-	-	-	-	8,168	534	-		8,702
Amount due to Cagamas Berhad	-	-	-	7,003	-	-	-	-	7,003
Subordinated obligations	-	-	-	-	599,402	-	13,865	-	613,267
Other non-interest/profit sensitive balances	-	-	-	-	-	-	948,559	-	948,559
Total liabilities	22,917,469	6,608,256	5,548,734	5,213,648	1,182,582	70,705	7,113,752	106,522	48,761,668
Equity	-	-	-	-	-	-	4,373,169	-	4,373,169
Total liabilities and equity	22,917,469	6,608,256	5,548,734	5,213,648	1,182,582	70,705	11,486,921	106,522	53,134,837
On-balance sheet interest sensitivity gap	9,198,090	(4,646,781)	(4,431,254)	(4,119,266)	7,420,084	4,637,912	(8,094,760)	35,975	-

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

42. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

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

BANK 2014	Non-trading book 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 sensitive RM'000	Trading book RM'000	Total RM'000
Assets									
Cash and short-term funds	1,165,537	-	-	-	-	-	677,459	-	1,842,996
Deposits and placements with banks and other financial institutions	-	555,223	97,965	-	-	-	2,117	-	655,305
Financial assets held-for-trading	-	-	-	-	-	-	-	110,172	110,172
Financial investments available-for-sale	81,651	135,113	-	85,197	3,711,440	3,361,031	164,175	-	7,538,607
Financial investments held-to-maturity	-	-	-	-	607,958	98,954	3,818	-	710,730
Derivative financial assets									
- Trading derivatives	-	-	-	-	-	-	-	39,677	39,677
Loans, advances and financing	21,405,308	983,644	426,551	870,066	1,642,198	1,235,321	19,692 *	-	26,582,780
Other non-interest sensitive balances	-	-	-	-	-	-	2,570,562	-	2,570,562
Total assets	22,652,496	1,673,980	524,516	955,263	5,961,596	4,695,306	3,437,823	149,849	40,050,829
Liabilities									
Deposits from customers	13,983,234	4,250,678	3,939,464	4,893,994	166,398	152,813	5,522,397	-	32,908,978
Deposits and placements of banks and other financial institutions	871,751	822,741	29,472	71,414	269,854	-	4,814	-	2,070,046
Derivative financial liabilities									
- Trading derivatives	-	-	-	-	-	-	-	49,688	49,688
- Hedging derivatives	-	-	-	-	3,945	11,241	-		15,186
Amount due to Cagamas Berhad	-	-	-	14,014	-	-	-	-	14,014
Subordinated obligations	-	-	-	-	598,853	-	13,865	-	612,718
Other non-interest sensitive balances	-	-	-	-	-	-	730,389	-	730,389
Total liabilities	14,854,985	5,073,419	3,968,936	4,979,422	1,039,050	164,054	6,271,465	49,688	36,401,019
Equity	-	-	-	-	-	-	3,649,810	-	3,649,810
Total liabilities and equity	14,854,985	5,073,419	3,968,936	4,979,422	1,039,050	164,054	9,921,275	49,688	40,050,829
On-balance sheet interest sensitivity gap	7,797,511	(3,399,439)	(3,444,420)	(4,024,159)	4,922,546	4,531,252	(6,483,452)	100,161	-

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

42. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

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

GROUP	← Non-trading book						→		
	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 years	Over 5 years	Non-interest/ profit sensitive	Trading book	Total
2014	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets									
Cash and short-term funds	1,364,374	-	-	-	-	-	765,385	-	2,129,759
Deposits and placements with banks and other financial institutions	-	555,223	97,965	-	-	-	2,117	-	655,305
Balances due from clients and brokers	1,151	-	-	-	-	-	75,114	-	76,265
Financial assets held-for-trading	-	-	-	-	-	-	-	110,172	110,172
Financial investments available-for-sale	434,485	790,224	99,156	113,250	3,832,256	4,252,757	216,632	-	9,738,760
Financial investments held-to-maturity	-	-	-	10,037	1,182,746	119,330	8,009	-	1,320,122
Derivative financial assets									
- Trading derivatives	-	-	-	-	-	-	-	39,677	39,677
Loans, advances and financing	25,006,054	1,289,287	503,515	891,138	2,057,231	2,039,440	32,326 *	-	31,818,991
Other non-interest/profit sensitive balances	-	-	-	-	-	-	2,156,847	-	2,156,847
Total assets	26,806,064	2,634,734	700,636	1,014,425	7,072,233	6,411,527	3,256,430	149,849	48,045,898
Liabilities									
Deposits from customers	18,501,596	4,986,395	4,415,194	5,436,884	169,756	152,813	5,593,395	-	39,256,033
Deposits and placements of banks and other financial institutions	1,688,105	923,466	30,687	79,934	331,793	-	5,372	-	3,059,357
Balances due to clients and brokers	-	-	-	-	-	-	44,834	-	44,834
Derivative financial liabilities									
- Trading derivatives	-	-	-	-	-	-	-	49,688	49,688
- Hedging derivatives	-	-	-	-	3,945	11,241	-		15,186
Amount due to Cagamas Berhad	-	-	-	14,014	-	-	-	-	14,014
Subordinated obligations	-	-	-	-	598,853	-	13,865	-	612,718
Other non-interest/profit sensitive balances	-	-	-	-	-	-	873,526	-	873,526
Total liabilities	20,189,701	5,909,861	4,445,881	5,530,832	1,104,347	164,054	6,530,992	49,688	43,925,356
Equity	-	-	-	-	-	-	4,120,542	-	4,120,542
Total liabilities and equity	20,189,701	5,909,861	4,445,881	5,530,832	1,104,347	164,054	10,651,534	49,688	48,045,898
On-balance sheet interest sensitivity gap	6,616,363	(3,275,127)	(3,745,245)	(4,516,407)	5,967,886	6,247,473	(7,395,104)	100,161	-

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

42. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

(ii) Foreign currency exchange risk

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

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

BANK/GROUP	US Dollars	Pound Sterling	Euro Dollars	Australian Dollars	Others	Total
2015	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets						
Cash and short-term funds	255,461	681	2,091	-	12,640	270,873
Deposits and placements with banks and other financial institutions	74,101	54,738	-	169,328	-	298,167
Loans, advances and financing	364,380	11,779	25,653	-	2,441	404,253
Other financial assets	5,173	43	-	195	-	5,411
Total financial assets	699,115	67,241	27,744	169,523	15,081	978,704
Liabilities						
Deposits from customers	340,641	57,421	36,000	166,727	41,325	642,114
Deposits and placements of banks and other financial institutions	333,456	-	-	616	2,162	336,234
Other financial liabilities	38	4	5	2	10	59
Total financial liabilities	674,135	57,425	36,005	167,345	43,497	978,407
On-balance sheet open position	24,980	9,816	(8,261)	2,178	(28,416)	297
Off-balance sheet open position	62,462	(6,284)	20,535	5,142	38,321	120,176
Net open position	87,442	3,532	12,274	7,320	9,905	120,473

42. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

(ii) Foreign currency exchange risk (contd.)

BANK/GROUP	US Dollars	Pound Sterling	Euro Dollars	Australian Dollars	Others	Total
2014	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets						
Cash and short-term funds	660,922	56,680	2,565	123,816	9,551	853,534
Deposits and placements with banks and other financial institutions	445,696	-	-	181,311	28,298	655,305
Loans, advances and financing	200,080	9,432	41,195	-	2,852	253,559
Other financial assets	2,841	-	-	-	-	2,841
Total financial assets	1,309,539	66,112	43,760	305,127	40,701	1,765,239
Liabilities						
Deposits from customers	212,781	21,733	12,033	153,481	41,446	441,474
Deposits and placements of banks and other financial institutions	1,005,611	54,332	-	-	-	1,059,943
Other financial liabilities	167	17	-	7	19	210
Total financial liabilities	1,218,559	76,082	12,033	153,488	41,465	1,501,627
On-balance sheet open position	90,980	(9,970)	31,727	151,639	(764)	263,612
Off-balance sheet open position	55,151	10,192	(25,604)	(147,884)	18,499	(89,646)
Net open position	146,131	222	6,123	3,755	17,735	173,966

42. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (Contd.)

(iii) Value at risk ("VaR")

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

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

BANK	Balance	Average for the year	Minimum	Maximum
2015	RM'000	RM'000	RM'000	RM'000
Instruments:				
FX related derivatives	(190)	(2,100)	(101)	(88,073)
Government securities	(15,755)	(19,600)	(13)	(58,664)
Private debt securities	(4,485)	(5,126)	(5)	(10,506)
GROUP				
2015				
FX related derivatives	(190)	(2,100)	(101)	(88,073)
Government securities	(20,258)	(25,469)	(18)	(66,989)
Private debt securities	(6,368)	(6,581)	(6)	(13,181)
BANK				
2014				
Instruments:				
FX related derivatives	(979)	(2,729)	(120)	(105,452)
Government securities	(41,802)	(35,727)	(8,182)	(58,132)
Private debt securities	(10,515)	(9,095)	(2,132)	(12,650)
GROUP				
2014				
FX related derivatives	(979)	(2,729)	(120)	(105,452)
Government securities	(54,322)	(46,330)	(11,294)	(69,122)
Private debt securities	(13,193)	(11,212)	(2,778)	(15,648)

42. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

(iv) Interest rate risk/rate of return risk in the banking book

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

	2015 BANK		2015 GROUP	
	- 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	(34,453)	34,453	(36,905)	36,905
Impact on equity	193,834	(183,954)	239,248	(226,798)

	2014 BANK		2014 GROUP	
	- 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	(23,147)	23,147	(22,825)	22,825
Impact on equity	239,248	(226,798)	285,500	(269,495)

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

42. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

<u>Other risk measures</u>

(v) Stress test

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

(vi) Sensitivity analysis

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

(vii) Displaced Commercial Risk

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

(c) Liquidity Risk

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

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

42. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(c) Liquidity risk (contd.)

(i) Liquidity risk for assets and liabilities based on remaining contractual maturities

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

BANK 2015	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	2,443,337	-	-	-	-	2,443,337
Deposits and placements with banks and other financial institutions	-	74,101	224,066	-	-	298,167
Financial investments	493,427	232,399	210,486	185,170	7,485,669	8,607,151
Loans, advances and financing	4,665,869	1,087,894	647,632	88,284	23,364,174	29,853,853
Other asset balances	72,131	48,312	58,425	23,673	2,522,974	2,725,515
Total assets	7,674,764	1,442,706	1,140,609	297,127	33,372,817	43,928,023
Liabilities						
Deposits from customers	22,659,157	4,796,859	4,789,945	4,297,809	312,397	36,856,167
Deposits and placements of banks and other financial institutions	442,217	205,543	45,048	39,046	196,641	928,495
Bills and acceptances payable	401,298	365,945	34,335	-	-	801,578
Amount due to Cagamas Berhad	-	-	-	7,003	-	7,003
Subordinated obligations	13,865	-	-	-	599,402	613,267
Other liability balances	490,859	34,366	88,256	44,433	207,441	865,355
Total liabilities	24,007,396	5,402,713	4,957,584	4,388,291	1,315,881	40,071,865
Equity	-	-	-	-	3,856,158	3,856,158
Total liabilities and equity	24,007,396	5,402,713	4,957,584	4,388,291	5,172,039	43,928,023
Net maturity mismatch	(16,332,632)	(3,960,007)	(3,816,975)	(4,091,164)	28,200,778	-

42. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(c) Liquidity risk (contd.)

(i) Liquidity risk for assets and liabilities based on remaining contractual maturities (contd.)

GROUP 2015	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	2,690,353	-	-	-	-	2,690,353
Deposits and placements with banks and other financial institutions	-	74,101	224,066	-	-	298,167
Balances due from clients and brokers	87,182	-	-	-	15,561	102,743
Financial investments	763,802	749,459	432,250	343,373	8,794,044	11,082,928
Loans, advances and financing	5,885,695	1,380,795	910,036	281,555	28,107,951	36,566,032
Other asset balances	59,733	48,392	58,544	23,913	2,204,032	2,394,614
Total assets	9,486,765	2,252,747	1,624,896	648,841	39,121,588	53,134,837
Liabilities						
Deposits from customers	27,847,603	5,883,504	5,504,818	5,174,364	313,140	44,723,429
Deposits and placements of banks and other financial institutions	693,445	410,610	54,477	55,502	275,741	1,489,775
Balances due to clients and brokers	62,833	-	-	-	-	62,833
Bills and acceptances payable	401,298	365,945	34,335	-	-	801,578
Amount due to Cagamas Berhad	-	-	-	7,003	-	7,003
Subordinated obligations	13,865	-	-	-	599,402	613,267
Other liability balances	603,736	34,544	88,523	44,965	292,015	1,063,783
Total liabilities	29,622,780	6,694,603	5,682,153	5,281,834	1,480,298	48,761,668
Equity	-	-	-	-	4,373,169	4,373,169
Total liabilities and equity	29,622,780	6,694,603	5,682,153	5,281,834	5,853,467	53,134,837
Net maturity mismatch	(20,136,015)	(4,441,856)	(4,057,257)	(4,632,993)	33,268,121	-

42. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(c) Liquidity risk (contd.)

(i) Liquidity risk for assets and liabilities based on remaining contractual maturities (contd.)

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

42. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(c) Liquidity risk (contd.)

(i) Liquidity risk for assets and liabilities based on remaining contractual maturities (contd.)

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

42. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(c) Liquidity risk (contd.)

(ii) Contractual maturity of financial liabilities on an undiscounted basis

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

BANK	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 years	Over 5 years	Total
2015	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non derivative financial liabilities							
Deposits from customers	22,617,795	4,842,732	4,869,593	4,383,611	337,712	75,688	37,127,131
Deposits and placements of banks and other financial institutions	442,252	207,327	45,048	40,813	203,225	-	938,665
Bills and acceptances payable	401,298	365,945	34,335	-	-	-	801,578
Amount due to Cagamas Berhad	334	-	335	6,629	-	-	7,298
Subordinated obligations	14,460	-	-	14,460	614,460	-	643,380
Other financial liabilities	490,859	34,530	88,413	44,718	208,351	-	866,871
	23,966,998	5,450,534	5,037,724	4,490,231	1,363,748	75,688	40,384,923
Items not recognised in the statements of financial position							
Financial guarantees	61,919	95,017	138,775	147,489	92,939	-	536,139
Credit related commitments and contingencies	6,830,490	39,981	82,431	189,417	562,957	3,592,906	11,298,182
	6,892,409	134,998	221,206	336,906	655,896	3,592,906	11,834,321
Derivatives financial liabilities							
Derivatives settled on a net basis							
Interest rate derivatives and equity option	7	91	(19)	(636)	(13,624)	-	(14,181)
Hedging derivatives	(197)	(453)	(614)	(1,229)	(7,078)	(1,666)	(11,237)
Net inflow/(outflow)	(190)	(362)	(633)	(1,865)	(20,702)	(1,666)	(25,418)
Derivatives settled on a gross basis							
Outflow	(1,283,877)	(188,611)	(769,969)	(152,067)	-	-	(2,394,524)
Inflow	1,279,340	185,312	699,946	145,999	-	-	2,310,597
	(4,537)	(3,299)	(70,023)	(6,068)	-	-	(83,927)

42. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(c) Liquidity risk (contd.)

(ii) Contractual maturity of financial liabilities on an undiscounted basis (contd.)

GROUP 2015	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
Non derivative financial liabilities							
Deposits from customers	27,810,286	5,937,887	5,592,910	5,284,367	338,495	75,688	45,039,633
Deposits and placements of banks and other financial institutions	693,504	413,544	54,477	57,985	285,583	-	1,505,093
Balances due to clients and brokers	62,833	-	-	-	-	-	62,833
Bills and acceptances payable	401,298	365,945	34,335	-	-	-	801,578
Amount due to Cagamas Berhad	334	-	335	6,629	-	-	7,298
Subordinated obligations	14,460	-	-	14,460	614,460	-	643,380
Other financial liabilities	603,736	34,708	88,680	45,250	292,925	-	1,065,299
	29,586,451	6,752,084	5,770,737	5,408,691	1,531,463	75,688	49,125,114
Items not recognised in the statements of financial position							
Financial guarantees	79,534	109,188	147,240	179,563	119,332	22	634,879
Credit related commitments and contingencies	8,143,473	43,690	85,211	194,970	593,788	4,192,396	13,253,528
	8,223,007	152,878	232,451	374,533	713,120	4,192,418	13,888,407
Derivatives financial liabilities							
Derivatives settled on a net basis							
Interest rate derivatives and equity option	7	91	(19)	(636)	(13,624)	-	(14,181)
Hedging derivatives	(197)	(453)	(614)	(1,229)	(7,078)	(1,666)	(11,237)
Net inflow/(outflow)	(190)	(362)	(633)	(1,865)	(20,702)	(1,666)	(25,418)
Derivatives settled on a gross basis							
Outflow	(1,283,877)	(188,611)	(769,969)	(152,067)	-	-	(2,394,524)
Inflow	1,279,340	185,312	699,946	145,999	-	-	2,310,597
	(4,537)	(3,299)	(70,023)	(6,068)	-	-	(83,927)

42. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(c) Liquidity risk (contd.)

(ii) Contractual maturity of financial liabilities on an undiscounted basis

BANK 2014	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
Non derivative financial liabilities							
Deposits from customers	19,427,110	4,322,376	4,024,745	5,017,499	194,265	194,818	33,180,813
Deposits and placements of banks and other financial institutions	873,817	828,579	29,472	73,973	275,582	-	2,081,423
Amount due to Cagamas Berhad	438	311	750	13,064	-	-	14,563
Subordinated obligations	14,460	-	-	14,460	643,380	-	672,300
Other financial liabilities	523,167	46,743	26,154	45,224	155,530	694	797,512
	20,838,992	5,198,009	4,081,121	5,164,220	1,268,757	195,512	36,746,611
Items not recognised in the statements of financial position							
Financial guarantees	81,260	78,761	93,932	111,887	167,437	-	533,277
Credit related commitments and contingencies	6,591,575	51,843	46,046	136,511	315,917	4,506,899	11,648,791
	6,672,835	130,604	139,978	248,398	483,354	4,506,899	12,182,068
Derivatives financial liabilities							
Derivatives settled on a net basis							
Interest rate derivatives and equity option	(136)	(329)	(453)	(2,038)	(4,420)	-	(7,376)
Hedging derivatives	(243)	(761)	(1,004)	(2,008)	(8,969)	(7,177)	(20,162)
Net (outflow)/inflow	(379)	(1,090)	(1,457)	(4,046)	(13,389)	(7,177)	(27,538)
Derivatives settled on a gross basis							
Outflow	(1,888,147)	(1,011,062)	(372,761)	(226,169)	-	-	(3,498,139)
Inflow	1,865,803	995,529	368,259	222,765	-	-	3,452,356
	(22,344)	(15,533)	(4,502)	(3,404)	-	-	(45,783)

42. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(c) Liquidity risk (contd.)

(ii) Contractual maturity of financial liabilities on an undiscounted basis (contd.)

GROUP 2014	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
Non derivative financial liabilities							
Deposits from customers	23,999,606	5,070,680	4,513,623	5,576,157	197,670	194,818	39,552,554
Deposits and placements of banks and other financial institutions	1,690,521	930,398	30,687	83,022	338,767	-	3,073,395
Balances due to clients and brokers	44,834	-	-	-	-	-	44,834
Amount due to Cagamas Berhad	438	311	750	13,064	-	-	14,563
Subordinated obligations	14,460	-	-	14,460	643,380	-	672,300
Other financial liabilities	609,280	46,939	26,436	45,787	211,513	694	940,649
	26,359,139	6,048,328	4,571,496	5,732,490	1,391,330	195,512	44,298,295
Items not recognised in the statements of financial position							
Financial guarantees	105,189	89,189	100,485	141,430	174,556	-	610,849
Credit related commitments and contingencies	7,717,798	52,751	50,296	143,003	329,831	5,076,988	13,370,667
	7,822,987	141,940	150,781	284,433	504,387	5,076,988	13,981,516
Derivatives financial liabilities							
Derivatives settled on a net basis							
Interest rate derivatives and equity option	(136)	(329)	(453)	(2,038)	(4,420)	-	(7,376)
Hedging derivatives	(243)	(761)	(1,004)	(2,008)	(8,969)	(7,177)	(20,162)
Net (outflow)/inflow	(379)	(1,090)	(1,457)	(4,046)	(13,389)	(7,177)	(27,538)
Derivatives settled on a gross basis							
Outflow	(1,888,147)	(1,011,062)	(372,761)	(226,169)	-	-	(3,498,139)
Inflow	1,865,803	995,529	368,259	222,765	-	-	3,452,356
	(22,344)	(15,533)	(4,502)	(3,404)	-	-	(45,783)

42. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(d) Operational and Shariah Compliance Risk

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

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

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

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

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

43. CAPITAL COMMITMENTS

	BANK		GROUP	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Capital expenditure:				
Authorised and contracted for	22,594	14,288	22,594	14,655
Authorised but not contracted for	47,836	40,098	47,836	40,098
	70,430	54,386	70,430	54,753

44. LEASE COMMITMENTS

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

	BANK		GROUP	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Within one year	25,125	27,007	25,235	27,140
Between one five years	28,305	50,605	28,466	50,631
	53,430	77,612	53,701	77,771

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

45. HOLDING AND RELATED COMPANIES

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

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

46. COMMITMENTS AND CONTINGENCIES

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

The off-balance sheet exposures of the Bank and the Group are as follows:

	BANK		GROUP	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Credit-related exposures				
Direct credit substitutes	714,754	425,631	789,038	471,930
Transaction-related contingent items	596,203	553,277	653,199	590,667
Short-term self-liquidating trade-related contingencies	140,377	138,220	164,832	169,493
Irrevocable commitments to extend credit:				
- maturity exceeding one year	3,589,874	4,502,888	4,189,365	5,108,092
- maturity not exceeding one year	5,335,806	5,146,454	6,634,666	6,225,736
Unutilised credit card lines	1,457,307	1,415,598	1,457,307	1,415,598
	11,834,321	12,182,068	13,888,407	13,981,516
Derivative financial instruments				
Foreign exchange related contracts:				
- one year or less	4,794,524	6,859,251	4,794,524	6,859,251
- over one year to three years	69,675	32,835	69,675	32,835
- over three years	31,515	31,515	31,515	31,515
Interest rate related contracts:				
- one year or less	2,085,000	250,000	2,085,000	250,000
- over one year to three years	828,153	2,135,000	828,153	2,135,000
- over three years	1,012,269	798,376	1,012,269	798,376
Equity related contracts:				
- one year or less	23,460	57,582	23,460	57,582
- over one year to three years	12,780	-	12,780	-
	8,857,376	10,164,559	8,857,376	10,164,559
	20,691,697	22,346,627	22,745,783	24,146,075

47. CAPITAL ADEQUACY

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

	BANK		GROUP	
	2015	2014	2015	2014
Before deducting proposed dividends				
CET 1 capital ratio	11.291%	10.987%	11.301%	10.908%
Tier 1 capital ratio	11.291%	12.235%	11.301%	11.961%
Total capital ratio	11.751%	12.295%	13.160%	14.201%
After deducting proposed dividends				
CET 1 capital ratio	11.058%	10.361%	11.108%	10.379%
Tier 1 capital ratio	11.058%	11.609%	11.108%	11.433%
Total capital ratio	11.518%	11.670%	12.967%	13.673%

47. CAPITAL ADEQUACY (CONTD.)

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

	BANK		GROUP	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
CET I Capital				
Paid-up share capital	796,517	596,517	796,517	596,517
Share premium	401,517	201,517	401,517	201,517
Retained profits	1,881,187	1,840,384	2,005,815	1,957,952
Statutory reserve	722,368	601,561	1,069,665	929,055
Revaluation reserves	43,838	(7,546)	78,232	7,071
Other reserves	-	-	10,018	10,018
	3,845,427	3,232,433	4,361,764	3,702,130
Less: Regulatory adjustment				
- Goodwill and other intangibles	(244,522)	(238,665)	(359,935)	(353,256)
- Deferred tax assets	-	(18,036)	(12,020)	(32,343)
- 55% of revaluation reserve	(24,111)	-	(43,028)	(3,889)
- Investment in subsidiaries, associates and joint venture	(317,220)	(158,610)	(1,816)	(824)
Total CET I Capital	3,259,574	2,817,122	3,944,965	3,311,818
Tier I Capital				
ICPS	-	3,200	-	3,200
Share premium	-	316,800	-	316,800
Total additional Tier I Capital	-	320,000	-	320,000
Total Tier I Capital	3,259,574	3,137,122	3,944,965	3,631,818
Tier II Capital				
Subordinated obligations	419,581	479,082	419,581	479,082
Collective assessment allowance	189,112	170,942	232,171	204,226
Less: Regulatory adjustment				
- Investment in subsidiaries and associates	(475,830)	(634,440)	(2,725)	(3,297)
Total Tier II Capital	132,863	15,584	649,027	680,011
Total Capital	3,392,437	3,152,706	4,593,992	4,311,829

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

	BANK		GROUP	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Credit risk	26,471,112	23,283,157	32,011,298	27,484,255
Market risk	125,778	201,614	125,778	201,614
Operational risk	2,271,723	2,156,708	2,770,484	2,676,791
Total RWA and capital requirements	28,868,613	25,641,479	34,907,560	30,362,660

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

47. CAPITAL ADEQUACY (CONTD.)

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

	Alliance Islamic Bank Berhad	Alliance Investment Bank Berhad
2015		
Before deducting proposed dividends		
CET I capital ratio	11.013%	94.504%
Tier I capital ratio	11.013%	94.504%
Total capital ratio	11.731%	94.504%
After deducting proposed dividends		
CET I capital ratio	11.013%	93.448%
Tier I capital ratio	11.013%	93.448%
Total capital ratio	11.731%	93.448%
2014		
Before deducting proposed dividends		
CET I capital ratio	13.426%	93.737%
Tier I capital ratio	13.426%	93.737%
Total capital ratio	14.134%	93.767%
After deducting proposed dividends		
CET I capital ratio	13.113%	92.148%
Tier I capital ratio	13.113%	92.148%
Total capital ratio	13.821%	92.178%

48. CAPITAL

In managing its capital, the Group's objectives are:

- to maintain sufficient capital resources to meet the regulatory capital requirements as set forth by Bank Negara Malaysia,

- to maintain sufficient capital resources to support the Group's risk appetite and to enable future business growth, and

- to meet the expectations of key stakeholders, including shareholders, investors, regulators and rating agencies.

In line with this, the Group aims to maintain capital adequacy ratios that are comfortably above the regulatory requirement, while balancing shareholders' desire for sustainable returns and high standards of prudence.

The Group carries out stress testing to estimate the potential impact of extreme, but plausible, events on the Group's earnings, balance sheet and capital. The results of the stress test are to facilitate the formation of action plan(s) in advance if the stress test reveals that the Group's capital will be adversely affected. The results of the stress test are tabled to the Group Risk Management Committee for deliberation.

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

49. FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

(i) Financial instruments in Level 1

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

(ii) Financial instruments in Level 2

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

(iii) Financial instruments in Level 3

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

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

49. FAIR VALUE MEASUREMENTS

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

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

BANK 2015	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
Financial assets held-for-trading	-	10,037	-	10,037
Financial investments available-for-sale				
- Money market instruments	-	5,667,576	-	5,667,576
- Quoted securities in Malaysia	-	-	11	11
- Unquoted securities	-	2,120,236	94,376	2,214,612
Derivative financial assets	-	132,460	-	132,460
Liabilities				
Derivative financial liabilities	-	115,224	-	115,224

GROUP 2015	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
Financial assets held-for-trading	-	10,037	-	10,037
Financial investments available-for-sale				
- Money market instruments	-	6,872,324	-	6,872,324
- Quoted securities in Malaysia	-	-	11	11
- Unquoted securities	-	2,741,310	140,211	2,881,521
Derivative financial assets	-	132,460	-	132,460
Liabilities				
Derivative financial liabilities	-	115,224	-	115,224

49. FAIR VALUE MEASUREMENTS (CONTD.)

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

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

BANK 2014	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
Financial assets held-for-trading	-	110,172	-	110,172
Financial investments available-for-sale				
- Money market instruments	-	5,311,016	-	5,311,016
- Quoted securities in Malaysia	-	-	11	11
- Unquoted securities	-	2,127,469	100,111	2,227,580
Derivative financial assets	-	39,677	-	39,677
Liabilities				
Derivative financial liabilities	-	64,874	-	64,874

GROUP 2014				
Assets				
Financial assets held-for-trading	-	110,172	-	110,172
Financial investments available-for-sale				
- Money market instruments	-	6,883,906	-	6,883,906
- Quoted securities in Malaysia	-	-	11	11
- Unquoted securities	-	2,713,743	141,100	2,854,843
Derivative financial assets	-	39,677	-	39,677
Liabilities				
Derivative financial liabilities	-	64,874	-	64,874

There were no transfers between levels 1 and 2 of the fair value hierarchy for the Bank and the Group during the financial year ended 31 March 2015 and 31 March 2014.

49. FAIR VALUE MEASUREMENTS

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

Reconciliation of movements in level 3 financial instruments:

	BANK 2015 RM'000	BANK 2014 RM'000	GROUP 2015 RM'000	GROUP 2014 RM'000
At beginning of year	100,122	99,472	141,111	137,392
Total gains/(losses) recognised in:				
- Statement of comprehensive income				
(i) Gain arising from sales financial investments available-for-sales	11,224	12,509	11,224	12,509
- Other comprehensive income				
(i) Revaluation reserves	(2,870)	3,853	1,976	6,922
Disposal	(14,089)	(15,712)	(14,089)	(15,712)
At end of year	94,387	100,122	140,222	141,111

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

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

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

	Fair value				Carrying
BANK	Level 1	Level 2	Level 3	Total	amount
2015	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets					
Financial investments held-to-maturity	-	722,841	-	722,841	714,915
Loans, advances and financing	-	-	30,193,176	30,193,176	29,853,853
Financial liabilities					
Deposits from customers	-	36,856,323	-	36,856,323	36,856,167
Deposits and placements of banks and other financial institutions	-	916,254	-	916,254	928,495
Amount due to Cagamas Berhad	-	6,717	-	6,717	7,003
Subordinated obligations	-	605,088	-	605,088	613,267

49. FAIR VALUE MEASUREMENTS

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

GROUP 2015	Fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000
Financial assets					
Financial investments held-to-maturity	-	1,327,672	-	1,327,672	1,319,035
Loans, advances and financing	-	-	36,904,492	36,904,492	36,566,032
Financial liabilities					
Deposits from customers	-	44,723,650	-	44,723,650	44,723,429
Deposits and placements of banks and other financial institutions	-	1,473,294	-	1,473,294	1,489,775
Amount due to Cagamas Berhad	-	6,717	-	6,717	7,003
Subordinated obligations	-	605,088	-	605,088	613,267

BANK 2014	Fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000
Financial assets					
Financial investments held-to-maturity	-	707,711	-	707,711	710,730
Loans, advances and financing	-	-	26,748,805	26,748,805	26,582,780
Financial liabilities					
Deposits from customers	-	32,908,978	-	32,908,978	32,908,978
Deposits and placements of banks and other financial institutions	-	2,054,526	-	2,054,526	2,070,046
Amount due to Cagamas Berhad	-	13,480	-	13,480	14,014
Subordinated obligations	-	608,640	-	608,640	612,718

GROUP 2014	Fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000
Financial assets					
Financial investments held-to-maturity	-	1,315,585	-	1,315,585	1,320,122
Loans, advances and financing	-	-	32,016,649	32,016,649	31,818,991
Financial liabilities					
Deposits from customers	-	39,256,033	-	39,256,033	39,256,033
Deposits and placements of banks and other financial institutions	-	3,041,048	-	3,041,048	3,059,357
Amount due to Cagamas Berhad	-	13,480	-	13,480	14,014
Subordinated obligations	-	608,640	-	608,640	612,718

49. FAIR VALUE MEASUREMENTS

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

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

(i) Financial investments held-to-maturity

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

(ii) Loans, advances and financing

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

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

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

(iv) Amount due to Cagamas Berhad

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

(v) Subordinated obligations

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

50. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

(i) all financial assets and liabilities that are reported net on the balance sheet; and

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

(a) Financial assets

	Gross amounts of recognised financial assets RM'000	Gross amounts of recognised financial liabilities set off in the balance sheet RM'000	Net amounts of financial assets presented in the balance sheet RM'000	Related amounts not set off in the balance sheet: Financial Instruments RM'000	Related amounts not set off in the balance sheet: Cash collateral received RM'000	Net Amount RM'000
BANK						
2015						
Derivative financial assets	132,460	-	132,460	(25,019)	-	107,441
GROUP						
2015						
Derivative financial assets	132,460	-	132,460	(25,019)	-	107,441
Balances due from clients and brokers	149,558	(46,815)	102,743	-	-	102,743
Total	282,018	(46,815)	235,203	(25,019)	-	210,184
BANK						
2014						
Derivative financial assets	39,677	-	39,677	(11,262)	-	28,415
GROUP						
2014						
Derivative financial assets	39,677	-	39,677	(11,262)	-	28,415
Balances due from clients and brokers	120,815	(44,550)	76,265	-	-	76,265
Total	160,492	(44,550)	115,942	(11,262)	-	104,680

50. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTD.)

(b) Financial liabilities

	Gross amounts of recognised financial liabilities RM'000	Gross amounts of recognised financial assets set off in the balance sheet RM'000	Net amounts of financial liabilities presented in the balance sheet RM'000	Related amounts not set off in the balance sheet: Financial Instruments RM'000	Related amounts not set off in the balance sheet: Cash collateral received RM'000	Net Amount RM'000
BANK						
2015						
Derivative financial liabilities	115,224	-	115,224	(25,019)	(5,184)	85,021
GROUP						
2015						
Derivative financial liabilities	115,224	-	115,224	(25,019)	(5,184)	85,021
Balances due to clients and brokers	109,648	(46,815)	62,833	-	-	62,833
Total	224,872	(46,815)	178,057	(25,019)	(5,184)	147,854
BANK						
2014						
Derivative financial liabilities	64,874	-	64,874	(11,262)	(2,841)	50,771
GROUP						
2014						
Derivative financial liabilities	64,874	-	64,874	(11,262)	(2,841)	50,771
Balances due to clients and brokers	89,384	(44,550)	44,834	-	-	44,834
Total	154,258	(44,550)	109,708	(11,262)	(2,841)	95,605

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

51. SEGMENT INFORMATION

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

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

The Group is organised into the following key operating segments:

(i) Consumer Banking

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

(ii) Business Banking

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

(iii) Financial Markets

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

(iv) Investment Banking

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

(v) Others

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

51. Segment information (contd.)

Group **As at 31 March 2015**	Consumer Banking RM'000	Business Banking RM'000	Financial Markets RM'000	Investment Banking RM'000	Others RM'000	Total Operations RM'000	Inter-segment Elimination RM'000	Total RM'000
Net interest income								
- External income	381,726	304,902	136,548	6,733	51	829,960	(12,857)	817,103
- inter-segment	(79,848)	41,971	42,814	(4,937)	-	-	-	-
	301,878	346,873	179,362	1,796	51	829,960	(12,857)	817,103
Net income from Islamic banking business	84,601	68,240	43,914	-	-	196,755	28,302	225,057
Other operating income	107,491	154,316	29,864	25,290	26,648	343,609	(27,888)	315,721
Net income	493,970	569,429	253,140	27,086	26,699	1,370,324	(12,443)	1,357,881
Other operating expenses	(267,350)	(219,669)	(52,549)	(41,344)	(34,396)	(615,308)	8,535	(606,773)
Depreciation and amortisation	(22,022)	(13,385)	(3,786)	(552)	-	(39,745)	-	(39,745)
Operating profit	204,598	336,375	196,805	(14,810)	(7,697)	715,271	(3,908)	711,363
(Allowance for)/write-back of impairment on loans, advances and financing and other receivables	(42,719)	2,136	80	899	-	(39,604)	-	(39,604)
Write-back of impairment	-	4,395	833	-	1,500	6,728	-	6,728
Segment result	161,879	342,906	197,718	(13,911)	(6,197)	682,395	(3,908)	678,487
Share of results in an associate								10
Share of profit of joint venture accounted for using the equity method								16
Taxation and zakat								(168,713)
Net profit after taxation and zakat								509,800
Segment assets	21,836,416	14,592,555	18,280,083	63,524	18,956	54,791,534	(2,153,933)	52,637,601
Reconciliation of segment assets to consolidated assets:								
Investments in associates								511
Investments in joint ventures								410
Property, plant and equipment								97,343
Unallocated assets								39,037
Intangible assets								359,935
Total assets								53,134,837
Segment Liabilities	19,239,768	18,905,387	11,826,134	89,021	14,834	50,075,144	(1,328,463)	48,746,681
Unallocated liabilities								14,987
Total liabilities								48,761,668

51. Segment information (contd.)

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

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

52. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

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

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

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

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

53. SUBSEQUENT EVENTS

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