



**ALLIANCE FINANCIAL  
GROUP BERHAD** (6627-X)

# FINANCIAL STATEMENTS

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# Statement of Board of Directors' Responsibilities

## For preparing the Annual Audited Financial Statements

The Companies Act, 1965 requires Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Group and the Company for the financial year.

In preparing the financial statements, the Directors are responsible for the adoption of suitable accounting policies that comply with the provisions of the Companies Act, 1965, the Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Directors are also responsible to ensure their consistent use in the financial statements, supported where necessary by reasonable and prudent judgements.

The Directors hereby confirm that suitable accounting policies have been consistently applied in the preparation of the financial statements. The Directors also confirm that the Group and the Company maintains adequate accounting records and an effective system of internal control to safeguard the assets of the Group and the Company and prevent and detect fraud or any other irregularities.

# Directors' Report

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

## PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of management services to the subsidiaries.

The principal activities of the subsidiaries are commercial banking and financing, Islamic banking, investment banking including provision of stockbroking services, and the provision of related financial services.

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

## RESULTS

	Group RM'000	Company RM'000
Profit before taxation and zakat	749,351	412,961
Taxation and zakat	(185,803)	(98,126)
Net profit after taxation and zakat	563,548	314,835

## RESERVES AND PROVISIONS

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

## DIVIDENDS

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

	RM'000
(i) First interim dividend of 7.5 sen per share, tax exempt under the single tier tax system, on 1,548,105,929 ordinary shares of RM1.00 each, in respect of financial year ended 31 March 2014, was paid on 16 August 2013	114,278
(ii) Second interim dividend of 11.5 sen per share, tax exempt under the single tier tax system, on 1,548,105,929 ordinary shares of RM1.00 each, in respect of financial year ended 31 March 2014, was paid on 31 December 2013	174,755
	289,033

Dividends paid on the shares held in Trust pursuant to the Company's ESS which are classified as shares held for ESS are not accounted for in the total equity. An amount of RM1,830,000 and RM3,277,000 being dividends paid for those shares were added back to the appropriation of retained profits in respect of the first and second interim dividends respectively.

Subsequent to the financial year end, on 22 May 2014, the Directors declared a special dividend of 10.5 sen per share, tax exempt under the single tier tax system, on 1,548,105,929 ordinary shares amounting to approximately RM162,551,000 in respect of current financial year. The accompanying financial statements do not reflect these dividend. The dividend will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 March 2015. The Directors do not propose any final dividend in respect of the financial year ended 31 March 2014.

# Directors' Report

## EMPLOYEES' SHARE SCHEME

The Alliance Financial Group Berhad Employees' Share Scheme ("ESS") is governed by the Bye-Laws approved by the shareholders at an Extraordinary General Meeting held on 28 August 2007. The 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.

On 16 August 2013, the Company offered/awarded the following share options and share grants to Directors and employees of the Company and its subsidiaries who have met the criteria of eligibility for the participation in the ESS:

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

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

The salient features of the ESS are disclosed in Note 29 to the financial statements.

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

Details of share options/share grants offered/awarded to Directors are disclosed in the section on Directors' Interest in this report.

## SHARES HELD FOR EMPLOYEES' SHARE SCHEME

During the financial year ended 31 March 2014, the Trustee of the ESS had purchased 9,781,100 ordinary shares of RM1.00 each from the open market at an average price of RM4.86 per share. The total consideration for the purchase including transaction costs was RM47,499,822. The shares purchased are being held in trust by the Trustee of the ESS in accordance with the Trust Deed dated 3 December 2007.

During the financial year ended 31 March 2014, 3,604,050 shares have been vested and transferred from the Trustee to the eligible employees of the Company and its subsidiaries in accordance with the terms under the Share Grant Plan and Share Option Plan of the ESS. As at 31 March 2014, the Trustee of the ESS held 31,872,650 ordinary shares representing 2.06% of the issued and paid-up capital of the Company. Such shares are held at a carrying amount of RM112,263,000 and further relevant details are disclosed in Note 28 to the financial statements.

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

For the financial year ended ("FYE") 31 March 2014, the Group's net profit after taxation and zakat was RM563.5 million, an increase of RM25.4 million or 4.7% compared to FYE2013 due to higher net income and lower operating expenses.

Arising from the improvement in profits, the earnings per share rose to 37.2 sen (FYE2013: 35.3 sen) with a return on equity of 13.8% (FYE2013: 13.8%). The Group has declared a special dividend of 10.5 sen, thereby raising the total dividends declared in respect of financial year ended 31 March 2014 to 29.5 sen.

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

Operating expenses were contained, decreasing by 1.7% to RM628.2 million despite the one-off staff rationalisation cost of RM22.3 million.

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

Customer deposits registered a growth of 9.0% to RM39.2 billion, of which CASA deposits grew by RM1.2 billion or 10.1%. CASA ratio improved to 34.0% while the loans-to-deposits ratio has risen to 82.1% as at 31 March 2014, from 78.4% last year.

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

# Directors' Report

## BUSINESS REVIEW FOR FINANCIAL YEAR ENDED ("FYE") 31 MARCH 2014 (cont'd)

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

### *Performance by business segment*

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

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

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

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

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

## ECONOMIC OUTLOOK AND PROSPECTS FOR FYE 31 MARCH 2015

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

## BUSINESS OUTLOOK FOR FYE 31 MARCH 2015

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

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

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

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

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

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

# Directors' Report

## RATING BY EXTERNAL RATING AGENCY

The banking subsidiary, Alliance Bank Malaysia Berhad ("ABMB") is rated by Rating Agency Malaysia Berhad ("RAM"). Based on RAM's rating in September 2013, ABMB'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 Company in office since the date of the last report and at the date of this report are:

Datuk Oh Chong Peng  
Dato' Thomas Mun Lung Lee  
Stephen Geh Sim Whye  
Tan Yuen Fah  
Megat Dziauddin Bin Megat Mahmud  
Kung Beng Hong  
Ou Shian Waei  
Sng Seow Wah  
Lee Ah Boon

## DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no Director has received or become entitled to receive a 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 Company or related corporations as shown in Note 34(b) and Note 46(c) to the financial statements of the Company or financial statements of related corporations) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

## DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, the interests of Directors in office at the end of the financial year in shares, share options and share grants in the Company were as follows:

	Number of Ordinary Shares of RM1.00 Each			
	1.4.2013	Acquired	Sold	31.3.2014
<b>The Company</b>				
Megat Dziauddin Bin Megat Mahmud				
- Direct	3,000	-	-	3,000
Sng Seow Wah				
- Direct	172,650	154,050	-	326,700
Dato’ Thomas Mun Lung Lee				
- Indirect (held through spouse, Datin Teh Yew Kheng)	35,000	-	-	35,000

# Directors' Report

## DIRECTORS' INTERESTS (cont'd)

	Exercise price RM	Number of Options Over Ordinary Shares of RM1.00 Each				31.3.2014
		1.4.2013	Offered	Vested	Lapsed	
Sng Seow Wah	3.15	835,300	-	(668,200)	(167,100)	-
Sng Seow Wah	3.58	1,279,900	-	-	-	1,279,900 <sup>#</sup>
Sng Seow Wah	4.22	2,605,300	-	-	-	2,065,300 <sup>#</sup>
Sng Seow Wah	5.36	-	2,264,500 <sup>#</sup>	-	-	2,264,500

<sup>#</sup> Vesting is subject to the achievement of performance conditions.

	Exercise price RM	Number of Options (Vested) Over Ordinary Shares of RM1.00 Each			31.3.2014
		1.4.2013	Vested	Exercised	
Sng Seow Wah	3.15	-	668,200	-	668,200

	Date of grant	Number of Grants Over Ordinary Shares of RM1.00 Each			31.3.2014
		1.4.2013	Awarded	Vested	
Sng Seow Wah	23 September 2010	66,850	-	(66,850)	-
Sng Seow Wah	28 July 2011	174,400	-	(87,200)	87,200*
Sng Seow Wah	20 July 2012	200,000	-	-	200,000*
Sng Seow Wah	16 August 2013	-	229,400**	-	229,400

\* The first 50% of the share grants are to be vested at the end of the second year and the remaining 50% of the share grants are to be vested at the end of the third year from the date on which an award is made.

\*\* 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. Further details are as disclosed in Note 29 to the financial statements.

By virtue of their shareholdings in the Company, the above Directors are deemed to have beneficial interests in the shares of the subsidiary companies of the Company. None of the other Directors in office at the end of the financial year had any interest in shares, share options and share grants in the Company or its related corporations during the financial year.

## SHARE CAPITAL

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

## BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company 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 that adequate allowance had been made for doubtful debts.

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

# Directors' Report

## CURRENT ASSETS

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

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

## VALUATION METHOD

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

## CONTINGENT AND OTHER LIABILITIES

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

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

No contingent or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group or of the Company 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 financial statements of the Group and of the Company, which would render any amount stated in the financial statements misleading.

## ITEMS OF AN UNUSUAL NATURE

In the opinion of the Directors:

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

## SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 50 to the financial statements.

## SUBSEQUENT EVENTS

The significant events subsequent to the reporting date are disclosed in Note 51 to the financial statements.



# Directors' Report

## AUDITORS

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

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

**Datuk Oh Chong Peng**

Kuala Lumpur, Malaysia

**Dato' Thomas Mun Lung Lee**

# Statement by Directors

Pursuant to Section 169(15) of the Companies Act, 1965

We, Datuk Oh Chong Peng and Dato' Thomas Mun Lung Lee, being two of the Directors of **Alliance Financial Group Berhad**, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 85 to 194 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provision of the Companies Act, 1965 so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2014 and of the results and the cash flows of the Group and of the Company for the financial year then ended.

The information set out in Note 54 to the financial statements have been complied in accordance with the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants.

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

**Datuk Oh Chong Peng**

**Dato' Thomas Mun Lung Lee**

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 Financial Group Berhad**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 85 to 194 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared  
by the abovenamed Teo Wee Chee  
at Kuala Lumpur in the Federal  
Territory on 23 May 2014.

**Teo Wee Chee**

Before me,

**Sivanason a/l Marimuthu**  
Commissioner for Oaths

Kuala Lumpur, Malaysia  
23 May 2014

# Independent Auditors' Report

to the Members of Alliance Financial Group Berhad  
(Incorporated in Malaysia)

## Report On The Financial Statements

We have audited the financial statements of **Alliance Financial Group Berhad** on pages 85 to 193 which comprise the statements of financial position as at 31 March 2014 of the Group and of the Company, and the statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Note 1 to Note 53.

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

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

### *Auditors' Responsibility*

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

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

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

### *Opinion*

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

## 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 Company 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 Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (c) The audit reports on the financial statements of the subsidiaries did not contain any qualification and any adverse comment made under Section 174(3) of the Act.

# Independent Auditors' Report

to the Members of Alliance Financial Group Berhad  
(Incorporated in Malaysia)

## Other reporting responsibilities

The supplementary information set out in Note 54 on page 194 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

## Other matters

This report is made solely to the members of the Company, 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 Accountant

Kuala Lumpur, Malaysia

23 May 2014

### Ong Ching Chuan

(No. 2907/11/15 (J))

Chartered Accountants

# Statements of Financial Position

as at 31 March 2014

		Group		Company	
		2014	2013	2014	2013
	Note	RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>					
Cash and short-term funds	3	2,129,782	1,296,681	17,800	17,670
Deposits and placements with banks and other financial institutions	4	655,305	153,236	-	10,101
Balances due from clients and brokers	5	76,265	50,122	-	-
Financial assets held-for-trading	6	110,172	1,519,930	-	-
Financial investments available-for-sale	7	9,738,760	10,362,450	-	-
Financial investments held-to-maturity	8	1,320,122	596,949	-	-
Derivative financial assets	9	39,677	19,792	-	-
Loans, advances and financing	10	31,818,991	27,771,741	-	-
Other assets	11	94,969	76,007	894	695
Tax recoverable		99	476	45	474
Statutory deposits	12	1,584,244	1,330,972	-	-
Investments in subsidiaries	13	-	-	1,783,362	1,778,096
Investment property	15	-	27,748	-	-
Property, plant and equipment	16	92,633	83,217	419	468
Intangible assets	17	353,256	356,168	-	-
Deferred tax assets	18	32,671	11,361	325	302
		48,046,946	43,656,850	1,802,845	1,807,806
Non-current assets and subsidiary held for sale	52	27,748	35,179	-	-
<b>TOTAL ASSETS</b>		<b>48,074,694</b>	<b>43,692,029</b>	<b>1,802,845</b>	<b>1,807,806</b>
<b>LIABILITIES AND EQUITY</b>					
Deposits from customers	19	39,237,077	36,004,315	-	-
Deposits and placements of banks and other financial institutions	20	3,059,357	2,009,996	-	-
Balances due to clients and brokers	21	44,834	30,852	-	-
Bills and acceptances payable	22	-	73,713	-	-
Derivative financial liabilities	9	64,874	15,870	-	-
Amount due to Cagamas Berhad	23	14,014	16,290	-	-
Other liabilities	24	859,623	823,636	1,847	1,977
Subordinated obligations	25	612,718	612,193	-	-
Provision for taxation		10,814	26,274	-	-
Deferred tax liabilities	18	5,367	24,430	-	-
		43,908,678	39,637,569	1,847	1,977
Liabilities directly associated with non-current assets and subsidiary held for sale	52	-	19,291	-	-
<b>TOTAL LIABILITIES</b>		<b>43,908,678</b>	<b>39,656,860</b>	<b>1,847</b>	<b>1,977</b>

# Statements of Financial Position

as at 31 March 2014

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Share capital	26	1,548,106	1,548,106	1,548,106	1,548,106
Reserves	27	2,730,173	2,558,548	365,155	333,955
Shares held for Employees' Shares Scheme	28	(112,263)	(76,232)	(112,263)	(76,232)
<b>CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT</b>		4,166,016	4,030,422	1,800,998	1,805,829
Non-controlling interests		-	4,747	-	-
<b>TOTAL EQUITY</b>		4,166,016	4,035,169	1,800,998	1,805,829
<b>TOTAL LIABILITIES AND EQUITY</b>		48,074,694	43,692,029	1,802,845	1,807,806
<b>COMMITMENTS AND CONTINGENCIES</b>	43	24,146,075	19,079,207	-	-

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

# Statements of Comprehensive Income

for the year ended 31 March 2014

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Interest income	30	1,601,346	1,429,325	2,140	2,201
Interest expense	31	(822,711)	(698,866)	-	-
Net interest income		778,635	730,459	2,140	2,201
Net income from Islamic banking business	32	210,917	242,158	-	-
		989,552	972,617	2,140	2,201
Fee and commission income		314,012	266,928	-	-
Fee and commission expense		(103,878)	(91,950)	-	-
Investment income		103,958	116,554	411,315	347,488
Other income		45,320	68,882	2,576	2,371
Other operating income	33	359,412	360,414	413,891	349,859
Net income		1,348,964	1,333,031	416,031	352,060
Other operating expenses	34	(628,161)	(639,270)	(4,483)	(4,383)
Operating profit before allowance		720,803	693,761	411,548	347,677
Write-back of losses on loans, advances and financing and other losses	35	13,621	24,513	-	-
Write-back of/(allowance for) impairment	36	14,927	474	1,413	(431)
Operating profit after allowance		749,351	718,748	412,961	347,246
Share of results of associate	14	-	(4,728)	-	-
Profit before taxation and zakat		749,351	714,020	412,961	347,246
Taxation and zakat	37	(185,803)	(175,897)	(98,126)	(82,152)
Net profit after taxation and zakat		563,548	538,123	314,835	265,094
Other comprehensive income:					
Items that may be reclassified subsequently to profit and loss:					
Revaluation reserve on financial investments available-for-sale					
- Net loss from change in fair value		(149,414)	(23,163)	-	-
- Transfer from deferred tax		41,088	5,791	-	-
Other comprehensive expense, net of tax		(108,326)	(17,372)	-	-
Total comprehensive income for the year		455,222	520,751	314,835	265,094
Profit attributable to:					
Owners of the parent		563,548	538,044	314,835	265,094
Non-controlling interests		-	79	-	-
Net profit after taxation and zakat		563,548	538,123	314,835	265,094
Total comprehensive income attributable to:					
Owners of the parent		455,222	520,672	314,835	265,094
Non-controlling interests		-	79	-	-
Total comprehensive income for the year		455,222	520,751	314,835	265,094
Earnings per share attributable to owners of the parent:					
Basic (sen)	38(a)	37.2	35.3		
Diluted (sen)	38(b)	37.1	35.3		

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

# Consolidated Statements of Changes in Equity

for the year ended 31 March 2014

Attributable to Owners of the Parent													
Group	Note	Employees'										Non-Controlling Interests	Total Equity
		Share Capital	Share Premium	Statutory Reserve	Capital Reserve	Revaluation Reserve	Share Scheme Reserve ("ESS")	Profits Equalisation Reserve ("PER")	Shares held for ESS	Retained Profits	Total		
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 April 2012		1,548,106	304,289	600,129	7,013	132,769	14,001	1,033	(68,194)	1,227,804	3,766,950	4,905	3,771,855
Net profit after taxation and zakat		-	-	-	-	-	-	-	-	538,044	538,044	79	538,123
Other comprehensive expense		-	-	-	-	(17,372)	-	-	-	-	(17,372)	-	(17,372)
Total comprehensive (expense)/ income		-	-	-	-	(17,372)	-	-	-	538,044	520,672	79	520,751
Transfer to statutory reserve		-	-	43,577	-	-	-	-	-	(43,577)	-	-	-
Purchase of shares pursuant to ESS	28	-	-	-	-	-	-	-	(18,174)	-	(18,174)	-	(18,174)
Share-based payment under ESS		-	-	-	-	-	8,449	-	-	-	8,449	-	8,449
Transfer to retained profits on shares lapsed:		-	-	-	-	-	(2,579)	-	-	2,579	-	-	-
- employees of subsidiaries		-	-	-	-	-	(52)	-	-	52	-	-	-
Dividends paid to shareholders	39	-	-	-	-	-	-	-	-	(252,482)	(252,482)	(237)	(252,719)
ESS shares vested to:		-	-	-	-	-	(3,822)	-	3,822	-	-	-	-
- employees of subsidiaries		-	-	-	-	-	(65)	-	65	-	-	-	-
ESS shares option exercised by:		-	-	-	-	-	(1,226)	-	1,226	-	-	-	-
- employees of subsidiaries		-	-	-	-	-	(16)	-	16	-	-	-	-
- own employees		-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from share option exercised		-	-	-	-	-	-	-	5,007	-	5,007	-	5,007
Transfer of ESS shares purchase price difference on shares vested		-	-	-	-	-	49	-	-	(49)	-	-	-
At 31 March 2013		1,548,106	304,289	643,706	7,013	115,397	14,739	1,033	(76,232)	1,472,371	4,030,422	4,747	4,035,169



# Consolidated Statements of Changes in Equity

for the year ended 31 March 2014

Group	Note	Attributable to Owners of the Parent									
		Employees' Share					Profits				
		Share Capital	Share Premium	Statutory Reserve	Capital Reserve	Revaluation Reserve	Scheme Reserve ("ESS")	Equalisation Reserve ("PER")	Shares held for ESS	Retained Profits	Non-Controlling Interests
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 April 2013		1,548,106	304,289	643,706	7,013	115,397	14,739	1,033	(76,232)	1,472,371	4,747
Net profit after taxation and zakat		-	-	-	-	-	-	-	-	563,548	-
Other comprehensive expense		-	-	-	-	(108,326)	-	-	-	-	-
Total comprehensive (expense)/ income		-	-	-	-	(108,326)	-	-	-	563,548	-
Transfer to statutory reserve		-	-	43,311	-	-	-	-	-	(43,311)	-
Transfer PER to retained profit		-	-	-	-	-	-	(1,033)	-	1,033	-
Purchase of shares pursuant to ESS	28	-	-	-	-	-	-	-	(47,500)	-	-
Share-based payment under ESS		-	-	-	-	-	10,589	-	-	-	-
Dividends paid to shareholders	39	-	-	-	-	-	-	-	-	(289,033)	-
ESS shares grant vested to:		-	-	-	-	-	-	-	-	-	-
- employees of subsidiaries		-	-	-	-	-	(4,167)	-	4,167	-	-
- own employees		-	-	-	-	-	(84)	-	84	-	-
ESS shares option exercised by:		-	-	-	-	-	-	-	-	-	-
- employees of subsidiaries		-	-	-	-	-	(822)	-	822	-	-
- own employees		-	-	-	-	-	(80)	-	80	-	-
Proceeds from share option exercised		-	-	-	-	-	-	-	6,316	-	-
Transfer of ESS shares purchase price difference on shares vested		-	-	-	-	-	(1,263)	-	-	1,263	-
Disposal of subsidiary		-	-	-	-	-	-	-	-	-	(4,747)
At 31 March 2014		1,548,106	304,289	687,017	7,013	7,071	18,912	-	(112,263)	1,705,871	-
										4,166,016	-
											4,166,016

89 The accompanying notes form an integral part of the financial statements.

# Statements of Changes in Equity

for the year ended 31 March 2014

Company	Note	Non-Distributable			< Distributable >		Total Equity RM'000
		Share Capital RM'000	Share Premium RM'000	Employees' Share Scheme ("ESS") Reserve RM'000	Shares held for ESS RM'000	Retained Profits RM'000	
At 1 April 2012		1,548,106	304,289	14,001	(68,194)	2,312	1,800,514
Net profit after taxation		-	-	-	-	265,094	265,094
Purchase of shares pursuant to ESS		-	-	-	(18,174)	-	(18,174)
Share-based payment under ESS		-	-	8,449	-	-	8,449
Transfer to retained profits on shares lapsed:							
- employees of subsidiaries		-	-	(2,579)	-	-	(2,579)
- own employees		-	-	(52)	-	52	-
Dividends paid to shareholders	39	-	-	-	-	(252,482)	(252,482)
ESS recharge amount received from subsidiaries		-	-	-	3,822	-	3,822
ESS shares vested to:							
- employees of subsidiaries		-	-	(3,822)	-	-	(3,822)
- own employees		-	-	(65)	65	-	-
ESS shares option exercised by:							
- employees of subsidiaries		-	-	(1,226)	1,226	-	-
- own employees		-	-	(16)	16	-	-
Proceeds from share option exercised		-	-	-	5,007	-	5,007
Transfer of ESS shares purchase price difference on shares vested		-	-	49	-	(49)	-
At 31 March 2013		1,548,106	304,289	14,739	(76,232)	14,927	1,805,829
At 1 April 2013		1,548,106	304,289	14,739	(76,232)	14,927	1,805,829
Net profit after taxation		-	-	-	-	314,835	314,835
Purchase of shares pursuant to ESS		-	-	-	(47,500)	-	(47,500)
Share-based payment under ESS		-	-	10,589	-	-	10,589
Dividends paid to shareholders	39	-	-	-	-	(289,033)	(289,033)
ESS recharge amount received from subsidiaries		-	-	-	4,167	-	4,167
ESS shares grant vested to:							
- employees of subsidiaries		-	-	(4,167)	-	-	(4,167)
- own employees		-	-	(84)	84	-	-
ESS shares option exercised by:							
- employees of subsidiaries		-	-	(822)	822	-	-
- own employees		-	-	(80)	80	-	-
Proceeds from share option exercised		-	-	-	6,316	-	6,316
Disposal of subsidiary		-	-	-	-	(38)	(38)
Transfer of ESS shares purchase price difference on shares vested		-	-	(1,263)	-	1,263	-
At 31 March 2014		1,548,106	304,289	18,912	(112,263)	41,954	1,800,998

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

# Consolidated Statements of Cash Flow

for the year ended 31 March 2014

	2014 RM'000	2013 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation and zakat	749,351	714,020
Adjustments for:		
Accretion of discount less amortisation of premium of financial investments	(76,491)	(125,996)
Depreciation of property, plant and equipment	21,262	26,432
Dividends from financial investments available-for-sale	(5,430)	(3,739)
Loss/(gain) on disposal of property, plant and equipment	58	(472)
Gain on disposal of non-current asset held for sale	(1,169)	(7,556)
Gain on disposal of an associate company	-	(23,176)
Net gain from redemption of financial investments held-to-maturity	(3,742)	(7,771)
Net loss/(gain) from sale of financial assets held-for-trading	450	(704)
Net gain from sale of financial investments available-for-sale	(38,986)	(61,526)
Unrealised loss/(gain) on revaluation of financial assets held-for-trading	142	(46)
Unrealised loss/(gain) on revaluation of derivative instruments	15,007	(5,407)
Interest expense on subordinated obligations	29,444	29,419
Interest income from financial investments held-to-maturity	(19,791)	(12,527)
Interest income from financial investments available-for-sale	(302,038)	(245,750)
Interest income from financial assets held-for-trading	(1,539)	(2,755)
Allowance for loans, advances and financing (net of recoveries)	17,359	27,708
Allowance for other assets	3,622	4,676
Write-back of commitments and contingencies	-	(197)
Net write-back of financial investments available-for-sale	(12,236)	(474)
Net write-back of financial investments held-to-maturity	(2,691)	-
Amortisation of computer software	19,621	20,334
Share options/grants under ESS	10,589	8,449
Property, plant and equipment written off	622	511
Computer software written off	11	1
Share of results of associate	-	4,728
Operating profit before working capital changes carried forward	403,425	338,182

# Consolidated Statements of Cash Flow

for the year ended 31 March 2014

	2014 RM'000	2013 RM'000
Operating profit before working capital changes brought forward	403,425	338,182
Changes in working capital:		
Deposits from customers	3,232,762	3,817,402
Deposits and placements of banks and other financial institutions	547,292	(213,601)
Bills and acceptances payable	(73,713)	73,535
Balances due from clients and brokers	(12,160)	21,868
Other liabilities	35,987	(27,694)
Financial assets held-for-trading	1,415,953	(2,936)
Loans, advances and financing	(4,064,609)	(3,310,617)
Other assets	(7,930)	(16,668)
Statutory deposits with Bank Negara Malaysia	(253,272)	(167,889)
Amount due to Cagamas Berhad	(2,276)	(5,754)
Cash generated from operations	1,221,459	505,828
Taxes and zakat paid	(200,075)	(163,302)
Net cash generated from operating activities	1,021,384	342,526
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividends received from financial investments available-for-sale	5,339	3,735
Interest received from financial investments held-to-maturity	19,791	12,527
Interest received from financial investments available-for-sale	302,038	245,750
Interest received from financial assets held-for-trading	1,539	2,755
Purchase of property, plant and equipment	(35,535)	(20,909)
Purchase of computer software	(17,130)	(23,776)
Purchase of shares held for ESS	(47,500)	(18,174)
Proceeds from disposal of property, plant and equipment	4,176	1,507
Proceeds from disposal of an associate company	-	45,000
Net cash outflow from disposal of a subsidiary held for sale (Note 52)	(236)	-
Proceeds from disposal of non-current assets held for sale	-	11,370
Proceeds from share option exercised by own employees	6,316	5,007
Purchase of financial investments held-to-maturity, net of proceeds for redemption and maturity	(658,217)	265,191
Proceeds from disposal of financial investments available-for-sale (net of purchase)	536,603	(1,157,776)
Net cash generated from/(used in) investing activities	117,184	(627,793)

# Consolidated Statements of Cash Flow

for the year ended 31 March 2014

	2014 RM'000	2013 RM'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid on subordinated obligations	(28,920)	(28,841)
Dividends paid to non-controlling interests	-	(237)
Dividends paid to shareholders of the Company	(289,033)	(252,482)
Net cash used in financing activities	(317,953)	(281,560)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	820,615	(566,827)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	1,309,167	1,875,994
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	2,129,782	1,309,167
<b>Cash and cash equivalents comprise the following:</b>		
Cash and short-term funds	2,129,782	1,296,681
Cash and short-term funds reclassified to non-current assets held for sale (Note 52)	-	12,486
	2,129,782	1,309,167

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

# Statements of Cash Flow

for the year ended 31 March 2014

	2014 RM'000	2013 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	412,961	347,246
Adjustments for:		
Depreciation of property, plant and equipment	51	51
Interest income from deposits and placements with banks and other financial institutions	(2,140)	(2,201)
(Write-back of)/allowance for impairment losses on amount due from subsidiaries	(1,413)	431
Share options/grants under ESS	10,589	8,449
Gross dividend income from subsidiary	(411,315)	(347,488)
Operating profit before working capital changes	8,733	6,488
Changes in working capital:		
Receivables	(47)	10
Payables	(46)	(2,393)
Deposits	10,101	9,213
Subsidiaries	(8,294)	(7,843)
Cash generated from operations	10,447	5,475
Taxes refund/(paid)	109	(293)
Net cash generated from operating activities	10,556	5,182
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received from deposits and placements with banks and other financial institutions	2,140	2,201
Purchase of shares held for ESS	(47,500)	(18,174)
Purchase of property, plant and equipment	(2)	(3)
Dividend received	313,486	265,616
ESS recharge amount received from subsidiaries	4,167	3,822
Proceeds from share option exercised by owned employees	6,316	5,007
Net cash generated from investing activities	278,607	258,469
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid	(289,033)	(252,482)
Net cash used in financing activities	(289,033)	(252,482)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	130	11,169
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	17,670	6,501
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	17,800	17,670
<b>Cash and cash equivalents comprise the following:</b>		
Cash and short-term funds	17,800	17,670

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

# Notes to the Financial Statements

31 March 2014

## 1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at 3rd Floor, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur, Malaysia.

The principal activities of the Company are investment holding and provision of management services to the subsidiaries.

The principal activities of the subsidiaries are commercial banking and financing, Islamic banking, investment banking including provision of stockbroking services, unit trusts and fund management, and the provision of related financial services.

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Preparation

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

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

The financial statements of 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 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:

- (i) Annual testing for impairment of goodwill (Note 17) - the measurement of the recoverable amount of cash-generating units are determined based on the value-in-use method, which requires the use of estimates for cash flow projections approved by management covering a 5-year period, estimated growth rates for cash flows beyond the fifth year are extrapolated in perpetuity and discount rates are applied to the cash flow projections.
- (ii) Allowance for losses on loans, advances and financing and other losses (Note 35) - 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.

# Notes to the Financial Statements

31 March 2014

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (a) Basis of Preparation (cont'd)

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

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

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

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

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

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

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

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

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

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

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



# Notes to the Financial Statements

31 March 2014

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (a) Basis of Preparation (cont'd)

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

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

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

### (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 Company 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 Company.

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.

# Notes to the Financial Statements

31 March 2014

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (b) Economic Entities in the Group (cont'd)

#### (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.

#### (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 which it does not control, generally accompanying a shareholding of between 20% and 50% of voting rights. Significant influence is the power to participate in financial and operating policy decisions of associates but not power to exercise control over those policies.

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

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

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

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates, unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to the financial statements of associates to ensure consistency of accounting policies with those of the Group. Dilution gains and losses arising in investments in associates are recognised in the income statement.

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

# Notes to the Financial Statements

31 March 2014

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (c) Investments in Subsidiaries and Associate

In the Company's separate financial statements, investments in subsidiaries and associate 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 associate, 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 three to 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.

#### (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).

# Notes to the Financial Statements

31 March 2014

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (e) Financial Assets (cont'd)

#### (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 judgment 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.

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

Financial investments held-to-maturity are financial assets with fixed or determinable payments and fixed maturity that 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 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 equity through the statement of changes in equity, until the financial asset is sold, collected, disposed of or impaired, at which time the cumulative gain or loss previously recognised in equity will be transferred to the statement of comprehensive income.

# Notes to the Financial Statements

31 March 2014

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (e) Financial Assets (cont'd)

#### (v) Reclassification of financial assets

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 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 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 Group have not made any such reclassifications of financial assets.

### (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 Group does not have any non-derivative financial liabilities designated at fair value through profit or loss. Financial liabilities measured at amortised cost include deposits from customers, deposits from banks and debt securities issued and other borrowed funds.

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

### (g) Investment Properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or both.

Such property is initially measured at cost, including transaction costs. Subsequent to initial recognition, investment property is carried at cost less any accumulated depreciation and any accumulated impairment. The policy for the recognition and measurement of impairment is in accordance with Note 2(i)(v).

Freehold land has unlimited useful life and therefore, is not depreciated.

Such property is derecognised when either it has been disposed and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal is recognised in the statement of comprehensive income in the year in which they arise.

### (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).

# Notes to the Financial Statements

31 March 2014

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (h) Property, Plant and Equipment and Depreciation (cont'd)

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

Buildings	2%
Office 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 Group are classified as impaired when they fulfill either of the following criteria:

- principal or interest or both are past due for three (3) months or more;
- where a loan is in arrears for less than three (3) months, the loan exhibits indications of credit weaknesses; or
- 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.

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

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

# Notes to the Financial Statements

31 March 2014

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (i) Impairment of Assets (cont'd)

#### (i) Loans, advances and financing (cont'd)

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 loans 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 loans 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 results 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.

#### (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.



# Notes to the Financial Statements

31 March 2014

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (i) Impairment of Assets (cont'd)

#### (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 statement of comprehensive income when the carrying amount of the CGU, including the goodwill or intangible asset, exceeds the recoverable amount of the CGU. The total impairment is allocated, first, to reduce the carrying amount of goodwill or intangible assets allocated to the CGU and then to the other assets of the CGU on a pro-rata basis.

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

#### (v) Other assets

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

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

### (j) Leases

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

#### (i) Finance Leases

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



# Notes to the Financial Statements

31 March 2014

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (j) Leases (cont'd)

#### (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.

### (k) Bills and Acceptances Payable

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

### (l) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares 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) Interest-bearing Borrowings

Interest-bearing bank borrowings are recorded at the amount of proceeds received. All the borrowing costs are recognised as expenses in the statement of comprehensive income in the period in which they are incurred.

### (o) Other Assets

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

### (p) 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.

# Notes to the Financial Statements

31 March 2014

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (p) Provisions (cont'd)

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

### (q) 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:

Types	Criteria for classification as impaired	
	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.

### (r) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably.

#### (i) Recognition of Dividend Income

Dividend income from financial investments held-to-maturity, financial investments available-for-sale and investment in subsidiaries and associates are recognised when the right to receive payment is established.

#### (ii) 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.

# Notes to the Financial Statements

31 March 2014

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (r) Revenue Recognition (cont'd)

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

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

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

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

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

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

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

### (t) Derivative 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.

#### (a) 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.

#### (b) 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.

# Notes to the Financial Statements

31 March 2014

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (t) Derivative Financial Instruments and Hedging Activities (cont'd)

#### (c) 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.

#### (d) 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 Group's and the Company's primary functional currency.

### (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 reporting date.

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

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

### (w) Foreclosed Properties

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

### (x) Cash and Cash Equivalents

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

# Notes to the Financial Statements

31 March 2014

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (y) Zakat

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

### (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 ESS comprise the Share Option Plan, the Share Grant Plan and the Share Save Plan. The ESS are an equity-settled, share-based compensation plans, in which the Group's Directors and employees are granted or are allowed to acquire ordinary shares of the Company.

The total fair value of the share options/share grants offered/awarded to the eligible Directors and employees are recognised as an employee cost with a corresponding increase in the share scheme reserve within equity over the vesting period and taking into account the probability that the scheme will vest. The fair value of the shares options/share grants are measured at grant date, taking into account, if any, the market vesting conditions upon which the share options/share 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 Group revises its estimates of the number of share options/share grants that are expected to become exercisable/to vest. It recognises the impact of the revision of original estimates, if any, in the statement of comprehensive income, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share scheme reserve until the share options/share grants are exercised/vested.

The proceeds received net of any directly attributable transaction costs are credited to equity when the options are exercised.

### (aa) Contingent Liabilities and Contingent Assets

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or 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 Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

# Notes to the Financial Statements

31 March 2014

## 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (ab) Financial Guarantee Contracts

Financial guarantee contracts are contracts that require the Company 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 Held for Sale

Non-current assets 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

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	625,120	503,023	40	10
Money at call and deposit placements maturing within one month	1,504,662	793,658	17,760	17,660
	2,129,782	1,296,681	17,800	17,670

Note:

The Company's cash and short term funds as of 31 March 2014 comprises amounts maintained with:

- (i) its banking subsidiary amounting to RM17,760,000 (2013: RM8,716,000).
- (ii) other licensed bank amounting to RM NIL (2013: RM8,944,000), pursuant to the Company's ESS.

# Notes to the Financial Statements

31 March 2014

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

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Licensed banks	655,305	153,236	-	-
Licensed investment banks	-	-	-	10,101
	655,305	153,236	-	10,101

Note:

The Company's deposits and placements comprises amounts with maturity of more than 1 month maintained with its banking subsidiary amounting to RM NIL (2013: RM10,101,000).

## 5. BALANCES DUE FROM CLIENTS AND BROKERS

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

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

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

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

	Group	
	2014	2013
	RM'000	RM'000
Classified as doubtful	102	58
Classified as bad	1,294	1,290
	1,396	1,348

# Notes to the Financial Statements

31 March 2014

## 5. BALANCES DUE FROM CLIENTS AND BROKERS (cont'd)

The movements in allowance for other losses are as follows:

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

## 6. FINANCIAL ASSETS HELD-FOR-TRADING

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

## 7. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Group	
	2014	2013
	RM'000	RM'000
<b>At fair value</b>		
<u>Money market instruments:</u>		
Malaysian Government securities	2,897,516	1,265,606
Malaysian Government investment certificates	2,575,869	2,336,784
Negotiable instruments of deposits	861,808	1,676,828
Bankers' acceptances	361,979	2,113,749
Khazanah bonds	186,734	-
<u>Quoted securities in Malaysia:</u>		
Shares	22	20
<u>Unquoted securities:</u>		
Shares	145,505	141,788
Debt securities and medium term notes	2,951,962	3,082,546
	9,981,395	10,617,321
Accumulated impairment	(242,635)	(254,871)
	9,738,760	10,362,450



# Notes to the Financial Statements

31 March 2014

## 7. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE (cont'd)

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

	Group	
	2014	2013
	RM'000	RM'000
At beginning of year	254,871	262,470
Write-back during the year	(12,236)	(7,599)
At end of year	242,635	254,871

## 8. FINANCIAL INVESTMENTS HELD-TO-MATURITY

	Group	
	2014	2013
	RM'000	RM'000
<b>At amortised cost</b>		
<u>Money market instruments:</u>		
Malaysian Government securities	702,507	152,497
Malaysian Government investment certificates	434,574	438,766
Khazanah bonds	177,514	-
<u>Unquoted securities:</u>		
Debt securities	39,730	46,217
	1,354,325	637,480
Accumulated impairment	(34,203)	(40,531)
	1,320,122	596,949

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

	Group	
	2014	2013
	RM'000	RM'000
At beginning of year	40,531	47,129
Write-back during the year	(6,328)	(6,598)
At end of year	34,203	40,531

# Notes to the Financial Statements

31 March 2014

## 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 Group and the banking customers to transfer, modify or reduce their foreign exchange and interest rate risk 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 41.

The table below shows 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 the financial year are analysed below.

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

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

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

# Notes to the Financial Statements

31 March 2014

## 10. LOANS, ADVANCES AND FINANCING

	Group	
	2014	2013
	RM'000	RM'000
Overdrafts	1,960,984	1,902,717
Term loans/financing		
- Housing loans/financing	12,576,157	10,980,836
- Syndicated term loans/financing	472,331	454,866
- Hire purchase receivables	1,219,366	820,934
- Other term loans/financing	9,721,105	8,511,897
Bills receivables	208,765	263,450
Trust receipts	153,840	176,776
Claims on customers under acceptance credits	2,513,103	2,262,586
Staff loans [include loans to Directors of a banking subsidiary of RM187,000 (2013: RM219,000)]	41,194	50,120
Credit/charge card receivables	601,297	581,335
Revolving credits	1,169,632	1,197,953
Share margin financing	1,561,622	1,022,010
Gross loans, advances and financing	32,199,396	28,225,480
Add: Sales commissions and handling fees	30,050	23,935
Less: Allowance for impaired loans, advances and financing		
- Individual assessment allowance	(97,159)	(128,471)
- Collective assessment allowance	(313,296)	(349,203)
Total net loans, advances and financing	31,818,991	27,771,741
(i) <u>By maturity structure:</u>		
Within one year	8,691,796	7,839,679
One year to three years	764,219	776,896
Three years to five years	1,685,425	1,318,636
Over five years	21,057,956	18,290,269
Gross loans, advances and financing	32,199,396	28,225,480
(ii) <u>By type of customer:</u>		
Domestic non-bank financial institutions	530,796	473,745
Domestic business enterprises		
- Small and medium enterprises	5,899,643	5,040,629
- Others	6,283,048	5,977,591
Government and statutory bodies	9,653	10,905
Individuals	18,426,080	15,714,244
Other domestic entities	231,066	248,380
Foreign entities	819,110	759,986
Gross loans, advances and financing	32,199,396	28,225,480

# Notes to the Financial Statements

31 March 2014

## 10. LOANS, ADVANCES AND FINANCING (cont'd)

	Group	
	2014	2013
	RM'000	RM'000
(iii) <u>By interest/profit rate sensitivity:</u>		
Fixed rate		
- Housing loans/financing	70,535	83,318
- Hire purchase receivables	1,219,366	820,934
- Other fixed rate loans/financing	2,038,485	1,843,089
Variable rate		
- Base lending rate plus	22,831,752	19,556,732
- Cost plus	5,850,762	5,668,573
- Other variable rate loans/financing	188,496	252,834
Gross loans, advances and financing	32,199,396	28,225,480
(iv) <u>By economic purposes:</u>		
Purchase of securities	1,607,281	1,076,433
Purchase of transport vehicles	1,117,797	737,908
Purchase of landed property	18,098,160	15,335,694
of which: - Residential	13,337,595	11,609,873
- Non-residential	4,760,565	3,725,821
Purchase of fixed assets excluding land and buildings	155,410	130,994
Personal use	2,047,339	1,952,851
Credit card	601,297	581,335
Construction	436,317	296,431
Merger and acquisition	369,151	369,164
Working capital	6,379,804	6,266,473
Others	1,386,840	1,478,197
Gross loans, advances and financing	32,199,396	28,225,480
(v) <u>By geographical distribution:</u>		
Northern region	2,036,287	1,884,397
Central region	24,315,069	21,463,279
Southern region	3,217,794	2,492,437
Sabah region	2,175,692	2,011,188
Sarawak region	454,554	374,179
Gross loans, advances and financing	32,199,396	28,225,480

# Notes to the Financial Statements

31 March 2014

## 10. LOANS, ADVANCES AND FINANCING (cont'd)

	Group	
	2014	2013
	RM'000	RM'000
(vi) <u>Movements in impaired loans, advances and financing ("impaired loans") are as follows:</u>		
At beginning of year	579,233	629,236
Impaired during the year	555,392	524,030
Reclassified as unimpaired during the year	(381,732)	(315,366)
Recoveries	(225,534)	(156,795)
Amount written off	(84,578)	(101,872)
Gross impaired loans, advances and financing	442,781	579,233
Individual allowance for impairment	(97,159)	(128,471)
Collective allowance for impairment (impaired portion)	(109,070)	(128,050)
Net impaired loans, advances and financing	236,552	322,712
Gross impaired loans as % of gross loans, advances and financing	1.4%	2.1%
(vii) <u>Movements in the allowance for impairment on loans, advances, and financing are as follows:</u>		
<b>Individual assessment allowance</b>		
At beginning of year	128,471	157,966
Allowance made during the year (net)	5,613	19,674
Amount written off	(30,655)	(47,649)
Transfer to collective assessment allowance	(6,270)	(1,520)
At end of year	97,159	128,471
<b>Collective assessment allowance</b>		
At beginning of year	349,203	393,872
Allowance made during the year (net)	11,746	8,034
Amount written off	(53,923)	(54,223)
Transfers from individual assessment allowance	6,270	1,520
At end of year	313,296	349,203

# Notes to the Financial Statements

31 March 2014

## 10. LOANS, ADVANCES AND FINANCING (cont'd)

	Group	
	2014	2013
	RM'000	RM'000
(viii) <u>Impaired loans by economic purposes:</u>		
Purchase of securities	5,207	5,092
Purchase of transport vehicles	9,765	5,611
Purchase of landed property	254,194	282,371
of which: - Residential	222,781	213,718
- Non-residential	31,413	68,653
Purchase of fixed assets excluding land and buildings	96	204
Personal use	30,263	32,089
Credit card	7,847	9,107
Construction	7,225	11,330
Working capital	92,830	197,330
Others	35,354	36,099
Gross impaired loans	442,781	579,233
(ix) <u>Impaired loans by geographical distribution:</u>		
Northern region	69,548	112,029
Central region	304,328	379,755
Southern region	34,124	40,911
Sabah region	31,703	43,154
Sarawak region	3,078	3,384
Gross impaired loans	442,781	579,233

## 11. OTHER ASSETS

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Other receivables, deposits and prepayments (Note (a))	123,666	103,601	249	241
Trade receivables	46	46	-	-
Amount due from subsidiaries (Note (b))	-	-	1,972	3,194
	123,712	103,647	2,221	3,435
Less: Allowance for other losses (Note (c))	(28,743)	(27,640)	(1,327)	(2,740)
	94,969	76,007	894	695

# Notes to the Financial Statements

31 March 2014

## 11. OTHER ASSETS (cont'd)

Note:

- (a) Other receivables, deposits and prepayments

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

- (b) Amounts due from subsidiaries

	<b>Company</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Non-interest bearing	1,972	3,194
Less: Allowance for impairment losses	(1,327)	(2,740)
	645	454

The amounts due from subsidiaries of RM1,972,000 (2013: RM3,194,000) are unsecured, interest-free and repayable upon demand.

- (c) Movements in allowance for other losses of the Group and the Company:

	<b>Group</b>		<b>Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At beginning of year	27,640	24,416	2,740	2,308
Allowance net of write-back	1,103	4,676	(1,413)	432
Amount written off	-	(1,452)	-	-
At end of year	28,743	27,640	1,327	2,740

## 12. STATUTORY DEPOSITS

Statutory deposits comprise the following:

- (a) Non-interest bearing statutory deposits of RM1,584,144,000 (2013: RM1,330,872,000) relating to the banking subsidiaries, maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009, the amounts of which are determined as a set percentage of total eligible liabilities.
- (b) Interest bearing statutory deposits of RM100,000 (2013: RM100,000) relating to a subsidiary, Alliance Trustee Berhad which is maintained with the Accountant-General in compliance with Section 3(f) of the Trust Companies Act, 1949.

# Notes to the Financial Statements

31 March 2014

## 13. INVESTMENTS IN SUBSIDIARIES

	Company	
	2014	2013
	RM'000	RM'000
Unquoted shares, at cost		
At beginning of year	1,810,438	1,810,438
Employees' Share Scheme [Note (a)]	20,217	14,951
	1,830,655	1,825,389
Less: Accumulated impairment	(47,293)	(47,293)
At end of year	1,783,362	1,778,096

Note:

- (a) This amount is in respect of the services rendered by the employees of the Company's subsidiaries, pursuant to the Employees' Share Scheme.

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

Name	Principal activities	Effective equity interest	
		2014	2013
		%	%
<i>Subsidiaries of the Company</i>			
Alliance Bank Malaysia Berhad	Banking and finance business and the provision of related financial services	100	100
Hijauan Setiu Sdn. Bhd.	Investment holding	100	100
Setiu Integrated Resort Sdn. Bhd.	Investment holding	100	100
Pridunia Sdn. Bhd.	Dormant	100	100
Alliance Trustee Berhad	Trustee services	100	100
Kota Indrapura Development Corporation Berhad	Property holding	100	100
<i>Subsidiaries of Alliance Bank Malaysia Berhad</i>			
Alliance Investment Bank Berhad	Investment banking business including Islamic banking, provision of stockbroking services and related financial services	100	100
Alliance Islamic Bank Berhad	Islamic banking and the provision of related financial services	100	100
Alliance 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 Management Berhad (ceased as subsidiary w.e.f. 15 April 2013)	Management of unit trusts funds, provision of fund management and investment advisory services	-	70



# Notes to the Financial Statements

31 March 2014

## 13. INVESTMENTS IN SUBSIDIARIES (cont'd)

Name	Principal activities	Effective equity interest	
		2014	2013
		%	%
<i>Subsidiaries of Alliance Investment Bank Berhad</i>			
Alliance Research Sdn. Bhd.	Investment advisory	100	100
AIBB Nominees (Tempatan) Sdn. Bhd.	Nominee services	100	100
AIBB Nominees (Asing) Sdn. Bhd.	Nominee services	100	100
KLCS Sdn. Bhd.	Dormant	100	100
Alliance Investment Futures Sdn. Bhd.	Dormant	100	100
Rothputra Nominees (Tempatan) Sdn. Bhd. (under members' voluntary winding up)	Dormant	100	100
Unincorporated trust for ESS *	Special purpose vehicle for ESS	-	-

\* Deemed subsidiary pursuant to IC 112 - Consolidation: Special Purpose Entities

## 14. INVESTMENT IN ASSOCIATE

	Group	
	2014 RM'000	2013 RM'000
Unquoted shares		
At beginning of year	-	26,552
Disposal	-	(21,824)
Share of post acquisition losses	-	(4,728)
At end of year	-	-
Represented by:		
Share of net tangible assets	-	-

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

Name	Principal activities	Effective equity interest	
		2014 %	2013 %
AIA AFG Takaful Berhad	Offering and providing of Takaful products and services	-	-

# Notes to the Financial Statements

31 March 2014

## 14. INVESTMENT IN ASSOCIATE (cont'd)

The summarised financial information of the associate is as follows:

	2014 RM'000	2013 RM'000
<b>Assets and Liabilities</b>		
Current assets	-	-
Non-current assets	-	-
	-	-
Current liabilities	-	-
	-	-
The summarised statement of comprehensive income are as follows:		
<b>Results</b>		
Revenue	-	15,779
Loss for the year	-	(15,758)

In the last financial year, an announcement was made to Bursa Malaysia on Share Sale Agreement with American International Assurance Berhad ("AIA") for the disposal of its 30% equity interest in AIA AFG Takaful Berhad comprising 30,000,000 ordinary shares of RM1.00 each fully paid for a total cash consideration of RM45 million ("The Disposal"). Gain from the disposal is amounting to RM15 million for Alliance Bank Malaysia Berhad and RM23.2 million for the Group.

## 15. INVESTMENT PROPERTY

	Group 2014 RM'000	2013 RM'000
Freehold land, at cost	23,114	23,114
Development costs	8,943	8,943
Reclassified to non-current assets held for sale (Note 52)	(32,057)	-
	-	32,057
Accumulated impairment:		
At beginning	(4,309)	(4,309)
Reclassified to non-current assets held for sale (Note 52)	4,309	-
At end of year	-	(4,309)
	-	27,748

# Notes to the Financial Statements

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## 16. PROPERTY, PLANT AND EQUIPMENT

← Leasehold land →

Group	Freehold land RM'000	50 years or more RM'000	Less than 50 years RM'000	Buildings RM'000	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
<b>2014</b>									
<b>Cost</b>									
At beginning of year	1,953	11,673	1,850	43,089	125,118	69,968	132,960	1,789	388,400
Additions	-	-	-	-	14,986	7,392	13,157	-	35,535
Disposals	-	-	-	(12,674)	(626)	(767)	(7)	(8)	(14,082)
Written off	-	-	-	-	(27,057)	(32,255)	(50,117)	(50)	(109,479)
At end of year	1,953	11,673	1,850	30,415	112,421	44,338	95,993	1,731	300,374
<b>Accumulated Depreciation</b>									
At beginning of year	-	2,580	878	12,786	101,919	57,506	123,871	375	299,915
Charge for the year	-	70	53	652	10,013	4,810	5,516	148	21,262
Disposals	-	-	-	(3,421)	(408)	(738)	(5)	(8)	(4,580)
Written off	-	-	-	-	(26,742)	(32,026)	(50,038)	(50)	(108,856)
At end of year	-	2,650	931	10,017	84,782	29,552	79,344	465	207,741
<b>Accumulated Impairment</b>									
At beginning of year	-	-	-	5,268	-	-	-	-	5,268
Disposals	-	-	-	(5,268)	-	-	-	-	(5,268)
At end of year	-	-	-	-	-	-	-	-	-
<b>Net Carrying Amount</b>	1,953	9,023	919	20,398	27,639	14,786	16,649	1,266	92,633

# Notes to the Financial Statements

31 March 2014

## 16. PROPERTY, PLANT AND EQUIPMENT (cont'd)

← Leasehold land →

Group	Freehold land RM'000	50 years or more RM'000	Less than 50 years RM'000	Buildings RM'000	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
<b>2013</b>									
<b>Cost</b>									
At beginning of year	1,953	12,037	1,850	43,200	116,013	69,159	128,624	2,781	375,617
Additions	-	-	-	-	12,073	2,562	6,274	-	20,909
Disposals	-	(364)	-	(111)	(531)	(542)	(326)	(991)	(2,865)
Written off	-	-	-	-	(2,067)	(590)	(960)	(1)	(3,618)
Reclassified to non-current assets held for sale [Note 52]	-	-	-	-	(370)	(621)	(652)	-	(1,643)
At end of year	1,953	11,673	1,850	43,089	125,118	69,968	132,960	1,789	388,400
<b>Accumulated Depreciation</b>									
At beginning of year	-	2,560	834	12,096	91,071	52,855	119,922	718	280,056
Charge for the year	-	70	44	729	13,304	6,308	5,851	126	26,432
Disposals	-	(50)	-	(39)	(505)	(476)	(292)	(468)	(1,830)
Written off	-	-	-	-	(1,581)	(566)	(960)	(1)	(3,108)
Reclassified to non-current assets held for sale [Note 52]	-	-	-	-	(370)	(615)	(650)	-	(1,635)
At end of year	-	2,580	878	12,786	101,919	57,506	123,871	375	299,915
<b>Accumulated Impairment</b>									
At beginning/end of year	-	-	-	5,268	-	-	-	-	5,268
<b>Net Carrying Amount</b>	1,953	9,093	972	25,035	23,199	12,462	9,089	1,414	83,217

# Notes to the Financial Statements

31 March 2014

## 16. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Company	Computer equipment RM'000	Office equipment and furniture RM'000	Motor vehicles RM'000	Renovations RM'000	Total RM'000
<b>2014</b>					
<b>Cost</b>					
At beginning of year	276	555	500	635	1,966
Additions	-	2	-	-	2
Written off	(25)	(135)	-	(14)	(174)
At end of year	251	422	500	621	1,794
<b>Accumulated Depreciation</b>					
At beginning of year	276	530	59	633	1,498
Charge for the year	-	9	42	-	51
Written off	(25)	(135)	-	(14)	(174)
At end of year	251	404	101	619	1,375
<b>Net Carrying Amount</b>	-	18	399	2	419
<b>2013</b>					
<b>Cost</b>					
At beginning of year	276	554	500	635	1,965
Additions	-	3	-	-	3
Disposal	-	(2)	-	-	(2)
At end of year	276	555	500	635	1,966
<b>Accumulated Depreciation</b>					
At beginning of year	276	524	17	632	1,449
Charge for the year	-	8	42	1	51
Disposal	-	(2)	-	-	(2)
At end of year	276	530	59	633	1,498
<b>Net Carrying Amount</b>	-	25	441	2	468

# Notes to the Financial Statements

31 March 2014

## 17. INTANGIBLE ASSETS

	Group	
	2014	2013
	RM'000	RM'000
<u>Goodwill</u>		
<b>Cost</b>		
At beginning of year	302,042	304,149
Write-off arising from disposal of a subsidiary	(45)	-
Reclassified to non-current assets held for sale (Note 52)	-	(2,107)
At end of year	301,997	302,042
<b>Accumulated impairment:</b>		
At beginning/end of year	(2,084)	(2,084)
<b>Net carrying amount</b>	<b>299,913</b>	<b>299,958</b>
<u>Computer software</u>		
<b>Cost</b>		
At beginning of year	220,634	198,079
Additions	17,130	23,776
Disposal	-	(100)
Written off/adjustment	(73,436)	(138)
Reclassified to non-current assets held for sale (Note 52)	-	(983)
At end of year	164,328	220,634
<b>Accumulated amortisation</b>		
At beginning of year	(164,424)	(145,242)
Charge for the year	(19,621)	(20,334)
Disposal	-	100
Written off/adjustment	73,060	137
Reclassified to non-current assets held for sale (Note 52)	-	915
At end of year	(110,985)	(164,424)
<b>Net carrying amount</b>	<b>53,343</b>	<b>56,210</b>
<b>Total carrying amount of goodwill and computer software</b>	<b>353,256</b>	<b>356,168</b>

# Notes to the Financial Statements

31 March 2014

## 17. INTANGIBLE ASSETS (cont'd)

### (a) Impairment test on goodwill

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

	Group	
	2014	2013
	RM'000	RM'000
Corporate banking	44,742	44,758
Commercial banking	13,459	13,459
Small and medium enterprise banking	42,621	42,621
Consumer banking	101,565	101,565
Financial markets	83,261	83,284
Corporate finance and equity capital market	1,838	1,838
Stock-broking business	12,427	12,433
	299,913	299,958

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

#### (i) Discount rate

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

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

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

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

### (b) Sensitivity to changes in assumptions

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

# Notes to the Financial Statements

31 March 2014

## 18. 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 on the statement of financial position after appropriate offsetting are as follows:

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets, net	32,671	11,361	325	302
Deferred tax liabilities, net	(5,367)	(24,430)	-	-
	27,304	(13,069)	325	302

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
At beginning of year	(13,069)	(7,671)	302	300
Recognised in statement of comprehensive income	(715)	(10,888)	23	2
Recognised in other comprehensive income	41,088	5,791	-	-
Reclassified to non-current assets held for sale (Note 52)	-	(301)	-	-
At end of year	27,304	(13,069)	325	302

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets				
- to be recovered more than 12 months	(14,647)	13,049	(4)	68
- to be recovered within 12 months	47,318	(1,688)	329	234
	32,671	11,361	325	302
Deferred tax liabilities				
- to be recovered more than 12 months	(9,683)	(2,952)	-	-
- to be recovered within 12 months	4,316	(21,478)	-	-
	(5,367)	(24,430)	-	-

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

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	39,683	42,033	330	307
Deferred tax liabilities	(12,379)	(55,102)	(5)	(5)
	27,304	(13,069)	325	302



# Notes to the Financial Statements

31 March 2014

## 18. DEFERRED TAX (cont'd)

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

Group	Allowance for losses on loans, advances and financing RM'000	Unabsorbed tax losses and capital allowances RM'000	Other temporary differences RM'000	Total RM'000
<b>Deferred tax assets:</b>				
At 31 March 2012	12,326	3,188	35,562	51,076
Recognised in statement of comprehensive income	(12,326)	(1,247)	4,849	(8,724)
Reclassified to non-current assets held for sale (Note 52)	-	-	(319)	(319)
At 31 March 2013	-	1,941	40,092	42,033
Recognised in statement of comprehensive income	-	2,358	(4,708)	(2,350)
At 31 March 2014	-	4,299	35,384	39,683
<b>Deferred tax liabilities:</b>				
At 31 March 2012		44,256	14,491	58,747
Recognised in statement of comprehensive income		-	2,164	2,164
Recognised in other comprehensive income		(5,791)	-	(5,791)
Reclassified to non-current assets held for sale (Note 52)		-	(18)	(18)
At 31 March 2013		38,465	16,637	55,102
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)	15,002	12,379

# Notes to the Financial Statements

31 March 2014

## 18. DEFERRED TAX (cont'd)

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

Company	Other temporary differences RM'000	Total RM'000
<b>Deferred tax assets:</b>		
At 31 March 2012	302	302
Recognised in statement of comprehensive income	5	5
At 31 March 2013	307	307
Recognised in statement of comprehensive income	23	23
At 31 March 2014	330	330
	Property, plant and equipment RM'000	Total RM'000
<b>Deferred tax liabilities:</b>		
At 31 March 2012	2	2
Recognised in statement of comprehensive income	3	3
At 31 March 2013/ 31 March 2014	5	5
	Group	
	31 March 2014 RM'000	31 March 2013 RM'000
Deferred tax assets of the Group have not been recognised in respect of:		
Unabsorbed tax losses	649	-

# Notes to the Financial Statements

31 March 2014

## 19. DEPOSITS FROM CUSTOMERS

	Group	
	2014	2013
	RM'000	RM'000
Demand deposits	11,559,004	10,386,420
Savings deposits	1,763,153	1,712,779
Fixed/investment deposits	18,637,176	17,111,582
Money market deposits	3,211,369	4,675,375
Negotiable instruments of deposits	3,737,784	1,973,601
Structured deposits (Note)	328,591	144,558
	39,237,077	36,004,315
(i) The maturity structure of fixed/investment deposits, money market deposits and negotiable instruments of deposits are as follows:		
Due within six months	20,059,225	19,162,880
Six months to one year	5,458,515	4,468,776
One year to three years	59,470	112,328
Three years to five years	9,119	16,574
	25,586,329	23,760,558
(ii) The deposits are sourced from the following types of customers:		
Domestic financial institutions	3,868,358	2,402,307
Government and statutory bodies	3,002,636	1,474,286
Business enterprises	12,207,731	12,914,181
Individuals	17,564,502	16,205,037
Others	2,593,850	3,008,504
	39,237,077	36,004,315

Note:

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

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

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

# Notes to the Financial Statements

31 March 2014

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

	Group	
	2014	2013
	RM'000	RM'000
Licensed banks	1,998,196	790,228
Licensed investment banks	351,649	425,940
Licensed Islamic banks	145,017	150,342
Bank Negara Malaysia	464,487	643,486
Other financial institutions	100,008	-
	3,059,357	2,009,996

## 21. BALANCES DUE TO CLIENTS AND BROKERS

	Group	
	2014	2013
	RM'000	RM'000
Due to clients	22,623	30,852
Due to brokers	22,211	-
	44,834	30,852

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

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

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

## 22. BILLS AND ACCEPTANCES PAYABLE

Bills and acceptances payable represents the Group'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 Group. Under the agreement, the Group 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.

# Notes to the Financial Statements

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## 24. OTHER LIABILITIES

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Other payable and accruals	827,023	802,985	1,557	1,603
Remiser's accounts	20,950	20,651	-	-
Amount due to subsidiaries [Note (a)]	-	-	290	374
Finance lease liabilities [Note (b)]	11,650	-	-	-
	859,623	823,636	1,847	1,977

Note:

- (a) The amount due to subsidiaries are unsecured, interest-free and repayable upon demand.
- (b) Finance lease liabilities of the Group are payable as follows:

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

ABMB leases computer equipment under finance lease. At the end of the lease term, ABMB 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

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

# Notes to the Financial Statements

31 March 2014

## 25. SUBORDINATED OBLIGATIONS (cont'd)

On 8 April 2011, ABMB completed the issuance of 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 earlier 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 ABMB 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 have been used to redeem the RM600 million Subordinated Bonds of ABMB on 26 May 2011.

The main features of the Subordinated Notes are as follows:

- (i) Issue date : 8 April 2011
- (ii) Tenure 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 date on or after five (5) years from the issue date
- (vi) The Subordinated Notes will constitute direct and unsecured obligations of the issuer, subordinated in right and priority of payment, to the extent and in the manner provided in the Subordinated Notes, ranking pari passu among themselves.
- (vii) In the event of winding up or liquidation of the issuer, be subordinated in right of payment to all deposit liabilities and other liabilities of the issuer, except in each case to those liabilities which by their terms rank equally in right of payment or which are subordinated to the Subordinated Notes.

## 26. SHARE CAPITAL

	Group/Company	
	2014	2013
	RM'000	RM'000
<b>Authorised</b>		
2,000,000,000 ordinary shares of RM1 each	2,000,000	2,000,000
<b>Issued and fully paid</b>		
Ordinary shares:		
At 1 April/31 March		
1,548,106,000 ordinary shares of RM1 each	1,548,106	1,548,106

# Notes to the Financial Statements

31 March 2014

## 27. RESERVES

	Note	Group	
		2014 RM'000	2013 RM'000
Non-distributable:			
Statutory reserve	(a)	687,017	643,706
Capital reserve	(b)	7,013	7,013
Revaluation reserve	(c)	7,071	115,397
Employees' share scheme reserve	(d)	18,912	14,739
Share premium		304,289	304,289
Profit equalisation reserve	(e)	-	1,033
		1,024,302	1,086,177
Distributable:			
Retained profits	(f)	1,705,871	1,472,371
		2,730,173	2,558,548

	Company	
	2014 RM'000	2013 RM'000
Employees' share scheme reserve	18,912	14,739
Share premium	304,289	304,289
	323,201	319,028
Distributable:		
Retained profits	41,954	14,927
	365,155	333,955

### Note:

- (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) The capital reserve is in respect of retained profit capitalised for a bonus issue by a subsidiary company.
- (c) The revaluation reserve is in respect of unrealised fair value gains and losses on financial investments available-for-sale.
- (d) The employees' share scheme reserve relates to the equity-settled share options/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) Profit equalisation reserve was previously maintained in accordance with the "Framework of Rate of Return" (BNM/GP2-i). During the current financial year, the ABMB had fully transferred its profit equalisation reserve to retained profit.
- (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 using their Section 108 balance 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.

The Company has elected to distribute dividends out of its entire retained earnings under the single tier tax system.

# Notes to the Financial Statements

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## 28. SHARES HELD FOR EMPLOYEES' SHARE SCHEME

A trust has been established for the ESS and is administrated by an appointed trustee. The Trustee will be entitled from time to time to accept financial assistance from the Company upon such terms and conditions as stipulated in the Trust Deed dated 3 December 2007 and the Trustee may purchase the Company's shares from the open market for the purpose of the ESS. The Trustee shall refrain from exercising any voting rights attached to these shares. In accordance with MFRS 132 Financial Instruments: Presentation, the share purchased for the benefit of the ESS are recorded as "Share Held for ESS" in the equity on the statement of financial position.

During the financial year, the Trustee of the ESS had purchased 9,781,100 ordinary shares of RM1.00 each from the open market at an average price of RM4.86 per share. The total consideration for the purchase including transaction costs was RM47,499,822. The shares purchased are being held in trust by the Trustee of the ESS in accordance with the Trust Deed dated 3 December 2007.

During the financial year ended 31 March 2014, 3,604,050 shares have been vested and transferred from the Trustee to the eligible employees of the Company and its subsidiaries in accordance with the terms under the Share Grant Plan of the ESS. As at 31 March 2014, the Trustee of the ESS held 31,872,650 ordinary shares representing 2.06% of the issued and paid-up capital of the Company.

## 29. EMPLOYEES' SHARE SCHEME ("ESS")

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

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

The salient features of the 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 ESS shall not exceed in aggregate 10% of the total issued and paid-up share capital of the Company at any one time during the existence of the ESS and out of which not more than 50% of the shares available under the ESS shall be allocated, in aggregate, to Directors and senior management. In addition, not more than 10% of the shares available under the 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 the Company.
- (iii) The subscription price for each share under the Share Option Plan, Share Grant Plan and Share Save Plan may be at a discount (as determined by the ESPS Committee or such other pricing mechanism as may from time to time be permitted by Bursa Malaysia Securities Berhad or such other relevant regulatory authorities), provided that the discount shall not be more than 10% from the 5-day weighted average market price of the shares of the Company 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 ESS if the Director or employee:
  - (a) has attained the age of 18 years;
  - (b) in the case of a Director, is on the board of directors of a corporation in the Group;
  - (c) in the case of an employee, is employed by a corporation in the Group; and
  - (d) is not a participant of any other employee share option scheme implemented by any other corporation within the Group which is in force for the time being

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

- (v) Under the Share Option Plan and Share Grant Plan, the ESPS Committee may stipulate the performance targets, performance period, value and/or other conditions deemed appropriate.
- (vi) Under the Share Save Plan, the ESPS Committee may at its discretion offer Share Save Option(s) to any employees of the Group to subscribe for the shares of the Company and the employee shall authorise deductions to be made from his/her salary.
- (vii) The Company may decide to satisfy the exercise of options/awards of shares under the ESS through the issue of new shares, transfer of existing shares or a combination of both new and existing shares of the Company.
- (viii) The Company may appoint or authorise the Trustee of the ESS to acquire the Company's shares from the open market to give effect to the ESS.

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



# Notes to the Financial Statements

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## 29. EMPLOYEES' SHARE SCHEME ("ESS") (cont'd)

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

Group 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 '000	Lapsed '000	At end of year '000
2011 Share Scheme	4,017	-	(3,820)	(197)	-	544	-	(517)	(27)	-
2012 Share Scheme	7,514	-	(384)	(879)	6,251	1,589	-	(814)	(103)	672
2013 Share Scheme (1st grant)	12,262	-	(207)	(1,428)	10,627	1,580	-	(36)	(169)	1,375
2013 Share Scheme (2nd grant)	1,050	-	-	-	1,050	74	-	-	-	74
2014 Share Scheme	-	14,885	(73)	(1,112)	13,700	-	1,286	(13)	(65)	1,208
	24,843	14,885	(4,484)	(3,616)	31,628	3,787	1,286	(1,380)	(364)	3,329
WAEP	3.85	5.36	3.27	4.36	4.59					

  

2013	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 '000	Lapsed '000	At end of year '000
2009 Share Scheme	4,011	-	-	(4,011)	-	-	-	-	-	-
2010 Share Scheme	4,480	-	(3,519)	(961)	-	680	-	(628)	(52)	-
2011 Share Scheme	5,166	-	(37)	(1,112)	4,017	1,390	-	(644)	(202)	544
2012 Share Scheme	8,990	-	(29)	(1,447)	7,514	1,933	-	(24)	(320)	1,589
2013 Share Scheme (1st grant)	-	13,021	(8)	(751)	12,262	-	1,705	(14)	(111)	1,580
2013 Share Scheme (2nd grant)	-	1,050	-	-	1,050	-	74	-	-	74
	22,647	14,071	(3,593)	(8,282)	24,843	4,003	1,779	(1,310)	(685)	3,787
WAEP	3.09	4.22	2.40	3.01	3.85					

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## 29. EMPLOYEES' SHARE SCHEME ("ESS") (cont'd)

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

Company 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 beginning of year '000	Offered/ awarded '000	Vested '000	At end of year '000
2011 Share Scheme	85	-	(85)	-	10	-	(10)	-
2012 Share Scheme	211	-	-	-	35	-	(18)	17
2013 Share Scheme (1st grant)	301	-	-	-	33	-	-	33
2014 Share Scheme	-	399	-	-	-	30	-	30
	597	399	(85)	-	78	30	(28)	80
WAEP	3.84	5.36	3.15	-				

  

2013	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 beginning of year '000	Offered/ awarded '000	Vested '000	At end of year '000
2009 Share Scheme	92	-	-	(92)	-	-	-	-
2010 Share Scheme	111	-	(98)	(13)	12	-	(12)	-
2011 Share Scheme	85	-	-	-	20	-	(10)	10
2012 Share Scheme	211	-	-	-	35	-	-	35
2013 Share Scheme (1st grant)	-	301	-	-	-	33	-	33
	499	301	(98)	(105)	67	33	(22)	78
WAEP	3.08	4.22	2.38	2.66				

# Notes to the Financial Statements

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## 29. EMPLOYEES' SHARE SCHEME ("ESS") (cont'd)

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

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

  

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

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

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

# Notes to the Financial Statements

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## 29. EMPLOYEES' SHARE SCHEME ("ESS") (cont'd)

### (c) Fair value of share options/share 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 thus it is within level 2 of the fair value hierarchy. The fair value of share options and share grants measured at offer/award date and the assumptions are as follows:

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

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

The expected life of the share options is based on the exercisable period of the share options 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 options/share grants 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-years MGS.

# Notes to the Financial Statements

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## 30. INTEREST INCOME

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing	1,186,571	1,033,185	-	-
Money at call and deposit placements with financial institutions	9,416	7,682	2,140	2,201
Financial assets held-for-trading	1,539	2,755	-	-
Financial investments available-for-sale	302,038	245,750	-	-
Financial investments held-to-maturity	19,791	12,527	-	-
Others	5,500	1,430	-	-
	1,524,855	1,303,329	2,140	2,201
Accretion of discount less amortisation of premium	76,491	125,996	-	-
	1,601,346	1,429,325	2,140	2,201

## 31. INTEREST EXPENSE

	Group	
	2014	2013
	RM'000	RM'000
Deposits and placements of banks and other financial institutions	65,271	54,668
Deposits from customers	716,720	610,948
Subordinated obligations	29,444	29,419
Others	11,276	3,831
	822,711	698,866

## 32. NET INCOME FROM ISLAMIC BANKING BUSINESS

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

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 Alliance Bank Malaysia Berhad, which in turn is a wholly owned subsidiary of the Company.

# Notes to the Financial Statements

31 March 2014

## 33. OTHER OPERATING INCOME

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
(a) <u>Fee and commission income:</u>				
Commissions	77,723	77,148	-	-
Service charges and fees	30,446	30,561	-	-
Portfolio management fees	32	6,557	-	-
Corporate advisory fees	1,313	4,378	-	-
Underwriting commissions	910	705	-	-
Brokerage fees	32,347	19,815	-	-
Guarantee fees	11,685	10,344	-	-
Processing fees	14,039	6,850	-	-
Commitment fees	14,662	14,731	-	-
Other fee income	130,855	95,839	-	-
	314,012	266,928	-	-
(b) <u>Fee and commission expense:</u>				
Commissions expense	(1,474)	(1,408)	-	-
Brokerage fees expense	(16,120)	(9,796)	-	-
Guarantee fees expense	(626)	(1,135)	-	-
Other fee expense	(85,658)	(79,611)	-	-
	(103,878)	(91,950)	-	-
(c) <u>Investment income:</u>				
(Loss)/gain arising from sale/redemption of:				
- Financial assets held-for-trading	(450)	704	-	-
- Financial investments available-for-sale	38,986	61,526	-	-
- Financial investments held-to-maturity	3,742	7,771	-	-
Unrealised (loss)/gain from revaluation of:				
- Financial assets held-for-trading	(142)	46	-	-
- Derivative financial instruments	(15,007)	5,407	-	-
Realised gain on derivative financial instruments	71,399	37,361	-	-
Gross dividend income from:				
- Financial investments available-for-sale	5,430	3,739	-	-
- Subsidiary	-	-	411,315	347,488
	103,958	116,554	411,315	347,488

# Notes to the Financial Statements

31 March 2014

## 33. OTHER OPERATING INCOME (cont'd)

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
(d) <u>Other income:</u>				
Foreign exchange gain	19,877	18,871	-	-
(Loss)/gain on disposal of property, plant and equipment	(58)	472	-	-
Gain on disposal of non-current assets/subsidiary held for sale	1,169	7,556	-	-
Gain from disposal of an associate	-	23,176	-	-
Others	24,332	18,807	2,576	2,371
	45,320	68,882	2,576	2,371
Total other operating income	359,412	360,414	413,891	349,859

# Notes to the Financial Statements

31 March 2014

## 34. OTHER OPERATING EXPENSES

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	292,626	318,657	1,599	1,756
- Contribution to EPF	48,672	51,713	322	342
- Share options/grants under ESS	10,589	8,449	298	227
- Others	47,201	38,772	272	177
	399,088	417,591	2,491	2,502
<u>Establishment costs</u>				
- Depreciation of property, plant and equipment	21,262	26,432	51	51
- Amortisation of computer software	19,621	20,334	-	-
- Rental of premises	28,089	28,654	72	70
- Water and electricity	7,371	7,279	9	5
- Repairs and maintenance	10,374	10,990	87	75
- Information technology expenses	45,307	41,296	3	3
- Others	14,255	11,898	7	3
	146,279	146,883	229	207
<u>Marketing expenses</u>				
- Promotion and advertisement	8,602	12,039	-	-
- Branding and publicity	10,318	5,382	-	-
- Others	5,002	5,112	-	-
	23,922	22,533	-	-
<u>Administration and general expenses</u>				
- Communication expenses	11,540	12,858	3	5
- Printing and stationery	3,859	3,661	7	6
- Insurance	9,235	8,219	-	-
- Professional fees	22,739	16,046	127	133
- Others	11,499	11,479	1,626	1,530
	58,872	52,263	1,763	1,674
<b>Total other operating expenses</b>	<b>628,161</b>	<b>639,270</b>	<b>4,483</b>	<b>4,383</b>
Included in the other operating expenses are the following:				
Auditors' remuneration [Note (a)]	1,871	2,054	106	111
Hire of equipment	3,942	3,954	-	-
Property, plant and equipment written off	622	511	-	-
Computer software written off	11	1	-	-



# Notes to the Financial Statements

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## 34. OTHER OPERATING EXPENSES (cont'd)

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<b>(a) Auditors' remuneration</b>				
Statutory audit fee	1,030	1,026	55	59
Audit related services	627	882	36	37
Tax compliance work	91	123	10	10
Tax related services	118	18	-	-
Other services	5	5	5	5
<b>Total</b>	<b>1,871</b>	<b>2,054</b>	<b>106</b>	<b>111</b>
<b>(b) Directors' remuneration</b>				
<u>Directors of the Company:</u>				
Non-Executive Directors				
- Allowances	897	904	332	336
- Fees	1,470	1,434	600	537
- Benefits-in-kind	62	62	38	38
	2,429	2,400	970	911
<u>CEOs and Directors of Subsidiaries:</u>				
Chief Executive Officers				
- Salaries and allowances	3,995	3,555	-	-
- Bonuses	2,750	2,800	-	-
- Contribution to EPF	1,064	1,001	-	-
- Share options/grants under ESS	2,122	1,495	-	-
- Benefits-in-kind	92	53	-	-
	10,023	8,904	-	-
Non-Executive Directors				
- Allowances	157	290	-	-
- Fees	286	554	-	-
	443	844	-	-
	12,895	12,148	970	911
Past Directors				
- Salaries and allowances including meeting allowance	18	864	-	1
- Fees	60	24	-	3
- Contribution to EPF	-	35	-	-
- Share options/grants under ESS	-	15	-	-
- Benefits-in-kind	-	1	-	-
	78	939	-	4
<b>Total</b>	<b>12,973</b>	<b>13,087</b>	<b>970</b>	<b>915</b>
<b>Total Directors' remuneration excluding benefits-in-kind</b>	<b>12,819</b>	<b>12,971</b>	<b>932</b>	<b>877</b>

# Notes to the Financial Statements

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## 34. OTHER OPERATING EXPENSES (cont'd)

	2014		2013	
	Executive Directors/CEOs	Non-Executive Directors	Executive Directors/CEOs	Non-Executive Directors
<b>(b) Directors' remuneration (cont'd)</b>				
<u>Directors of the Company:</u>				
Below RM50,000	-	-	-	-
RM50,001 - RM100,000	-	3	-	4
RM100,001 - RM150,000	-	4	-	3
RM150,001 - RM200,000	-	-	-	1
RM200,001 - RM250,000	-	1	-	-
RM250,001 - RM300,000	-	-	-	-
RM300,001 - RM350,000	-	-	-	-
RM350,001 - RM400,000	-	-	-	-
RM400,001 - RM450,000	-	-	-	-
Above RM450,000	-	-	-	-
<u>Directors of the Group:</u>				
Below RM50,000	-	1	-	1
RM50,001 - RM100,000	-	1	-	-
RM100,001 - RM150,000	-	3	-	4
RM150,001 - RM200,000	-	1	-	1
RM200,001 - RM250,000	-	3	-	4
RM250,001 - RM300,000	-	1	-	1
RM300,001 - RM350,000	-	-	-	-
RM350,001 - RM400,000	-	-	1	-
RM400,001 - RM450,000	-	1	-	1
Above RM450,000	3	2	4	2

# Notes to the Financial Statements

31 March 2014

## 35. WRITE-BACK OF LOSSES ON LOANS, ADVANCES AND FINANCING AND OTHER LOSSES

	Group	
	2014	2013
	RM'000	RM'000
Allowance for/(write-back of) losses on loans, advances and financing:		
(a) Individual assessment allowance		
- Made during the year (net)	5,613	19,674
(b) Collective assessment allowance		
- Made during the year (net)	11,746	8,034
(c) Bad debts on loans and financing		
- Recovered	(59,113)	(78,360)
- Written off	24,511	21,660
	(17,243)	(28,992)
Write-back of commitments and contingencies	-	(197)
Allowance for other assets	3,622	4,676
	(13,621)	(24,513)

During the current financial year, 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 amounting to RM10,633,000 in the current financial year.

## 36. (WRITE-BACK OF)/ALLOWANCE FOR IMPAIRMENT

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Write-back of impairment on securities:				
- Financial investments available-for-sale	(12,236)	(474)	-	-
- Financial investments held-to-maturity	(2,691)	-	-	-
(Write-back)/allowance for impairment on debts due from subsidiaries	-	-	(1,413)	431
	(14,927)	(474)	(1,413)	431

# Notes to the Financial Statements

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## 37. TAXATION AND ZAKAT

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Taxation:				
- Income tax provision for current year	184,566	177,444	98,130	82,154
- Under/(over) provision in prior years	323	(12,609)	19	-
	184,889	164,835	98,149	82,154
Deferred tax	715	10,888	(23)	(2)
	185,604	175,723	98,126	82,152
Zakat	199	174	-	-
	185,803	175,897	98,126	82,152

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

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

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Profit before taxation and zakat	749,351	714,020	412,961	347,246
Taxation at Malaysian statutory tax rate of 25% (2013: 25%)	187,338	178,505	103,240	86,812
Effect of changes in tax rates	(140)	-	2	-
Reversal of unabsorbed tax losses recognised in prior years	18	-	-	-
Effect of expenses not deductible for tax purposes	3,736	3,053	(143)	340
Effect of income not subject to tax	(5,296)	(6,731)	(5,000)	(5,000)
(Over)/under provision of deferred tax in prior years	(537)	13,505	8	-
Under/(over) provision of tax expense in prior years	323	(12,609)	19	-
Unabsorbed tax losses which deferred tax recognised during the year	162	-	-	-
Tax expense for the year	185,604	175,723	98,126	82,152
Tax savings during the year arising from:				
- utilisation of current year tax losses	28	-	-	-
- utilisation of tax losses brought forward from previous year	-	1,232	-	-

# Notes to the Financial Statements

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## 38. EARNINGS PER SHARE

### (a) Basic

The calculation of the basic earnings per share is based on net profit attributable to owners of the parent for the financial year divided by the weighted average number of ordinary shares of RM1.00 each in issue during the financial year excluding the weighted average shares held for ESS.

	Group	
	2014	2013
Net profit attributable to owners of the parent (RM'000)	563,548	538,044
Weighted average number of ordinary shares in issue ('000)	1,548,106	1,548,106
Effect of shares bought back for ESS ('000)	(31,872)	(25,739)
	1,516,234	1,522,367
Basic earnings per share (sen)	37.2	35.3

### (b) Diluted

The calculation of the diluted earnings per share is based on the net profit attributable to owners of the parent for the financial year divided by the weighted average number of ordinary shares of RM1.00 each in issue during the financial year, excluding the weighted average shares held for ESS and taken into account the assumed Share Grants to employees under ESS were vested to the employees as at 31 March 2014.

	Group	
	2014	2013
Net profit attributable to owners of the parent (RM'000)	563,548	538,044
Weighted average number of ordinary shares in issue ('000)	1,548,106	1,548,106
Effect of shares bought back for ESS ('000)	(31,872)	(25,739)
Effect of Share Grants under ESS ('000)	3,329	3,787
	1,519,563	1,526,154
Diluted earnings per share (sen)	37.1	35.3

# Notes to the Financial Statements

31 March 2014

## 39. DIVIDENDS

	Dividend in respect of financial year		Net Dividends per Ordinary Share	
	2014 RM'000	2013 RM'000	2014 Sen	2013 Sen
<u>Recognised during the financial year:</u>				
<u>First interim dividend</u>				
7.5 sen per share, tax exempt under the single tier tax system, on 1,548,105,929 ordinary shares of RM1.00 each, declared in the financial year ended 31 March 2014, was paid on 16 August 2013	114,278	-	7.38	-
6.6 sen per share, tax exempt under the single tier tax system, on 1,548,105,929 ordinary shares of RM1.00 each, declared in the financial year ended 31 March 2013, was paid on 28 August 2012	-	100,254	-	6.48
<u>Second interim dividend</u>				
11.5 sen per share, tax exempt under the single tier tax system, on 1,548,105,929 ordinary shares of RM1.00 each, declared in the financial year ended 31 March 2014, was paid on 31 December 2013	174,755	-	11.30	-
10.0 sen per share, tax exempt under the single tier tax system, on 1,548,105,929 ordinary shares of RM1.00 each, declared in the financial year ended 31 March 2013, was paid on 28 February 2013	-	152,228	-	9.83
	289,033	252,482	18.68	16.31

Dividends paid on the shares held in Trust pursuant to the Company's ESS which are classified as shares held for ESS are not accounted for in the equity. An amount of RM5,107,000 (2013: RM4,504,000) being dividends paid for those shares were added back to the appropriation of retained profits in respect of the dividends.

Subsequent to the financial year end, on 22 May 2014, the Directors declared a special dividend of 10.5 sen per share, tax exempt under the single tier tax system, on 1,548,105,929 ordinary shares amounting to approximately RM162,551,000 in respect of current financial year. The accompanying financial statements do not reflect these dividend. The dividend will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 March 2015. The Directors do not propose any final dividend in respect of the financial year ended 31 March 2014.

# Notes to the Financial Statements

31 March 2014

## 40. CAPITAL COMMITMENTS

	Group	
	2014	2013
	RM'000	RM'000
Capital expenditure:		
Authorised and contracted for	14,655	37,960
Authorised but not contracted for	40,098	-
	54,753	37,960

## 41. 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 process.

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

### (a) Credit Risk

Credit risk is the risk of financial loss resulting from the failure of the Group's borrowers or counterparties to fulfil their contractual obligations to repay their loans or settle 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 statement of financial position. The lending 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 43 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.

### (i) Maximum exposure to credit risk

The following table presents 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.

# Notes to the Financial Statements

31 March 2014

## 41. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

### (a) Credit Risk (cont'd)

#### (i) Maximum exposure to credit risk (cont'd)

	Group	
	2014	2013
	RM'000	RM'000
<b>Credit risk exposure of on-balance sheet:</b>		
Cash and short-term funds (exclude cash in hand)	1,827,230	1,053,165
Deposits and placements with banks and other financial institutions	655,305	153,236
Balances due from clients and brokers	76,265	50,122
Financial assets held-for-trading	110,172	1,519,930
Financial investments available-for-sale (exclude equity securities)	9,597,649	10,225,058
Financial investments held-to-maturity	1,320,122	596,949
Derivative financial assets	39,677	19,792
Loans, advances and financing	31,788,941	27,747,806
Total on-balance sheet	45,415,361	41,366,058
<b>Credit risk exposure of off-balance sheet:</b>		
Financial guarantees	610,849	500,258
Credit related commitments and contingencies	13,370,667	12,330,197
Total off-balance sheet	13,981,516	12,830,455
Total maximum exposure	59,396,877	54,196,513

  

	Company	
	2014	2013
	RM'000	RM'000
<b>Credit risk exposure of on-balance sheet:</b>		
Cash and short-term funds (exclude cash in hand)	17,799	17,669
Deposits and placements with banks and other financial institutions	-	10,101
Total on-balance sheet/maximum exposure	17,799	27,770



# Notes to the Financial Statements

31 March 2014

## 41. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

### (a) Credit Risk (cont'd)

#### (ii) Credit risk concentrations

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

Group	Government and Central Bank	Financial, Insurance, Business Services, and Real Estate	Transport, Storage and Communication Services	Agriculture, Manufacturing, Wholesale & Retail Trade	Construction	Residential Mortgage	Motor Vehicle Financing	Other Consumer Loans	Total
2014	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	725,104	1,102,126	-	-	-	-	-	-	1,827,230
Deposits and placements with banks and other financial institutions	-	655,305	-	-	-	-	-	-	655,305
Balances due from clients and brokers	-	-	-	-	-	-	-	76,265	76,265
Financial assets held-for-trading	110,172	-	-	-	-	-	-	-	110,172
Financial investments available-for-sale	5,719,636	2,930,976	314,859	400,574	145,207	-	-	86,397	9,597,649
Financial investments held-to-maturity	1,314,596	389	5,137	-	-	-	-	-	1,320,122
Derivative financial assets	-	39,533	-	-	-	-	-	144	39,677
Loans, advances and financing	-	3,541,246	144,508	8,216,445	411,478	13,094,472	850,571	5,530,221	31,788,941
<b>Total on-balance sheet</b>	<b>7,869,508</b>	<b>8,269,575</b>	<b>464,504</b>	<b>8,617,019</b>	<b>556,685</b>	<b>13,094,472</b>	<b>850,571</b>	<b>5,693,027</b>	<b>45,415,361</b>
Financial guarantees	-	117,711	23,258	406,556	24,873	-	-	38,451	610,849
Credit related commitments and contingencies	-	1,364,871	65,231	3,302,864	1,152,402	4,173,541	1,193	3,310,565	13,370,667
<b>Total off-balance sheet</b>	<b>-</b>	<b>1,482,582</b>	<b>88,489</b>	<b>3,709,420</b>	<b>1,177,275</b>	<b>4,173,541</b>	<b>1,193</b>	<b>3,349,016</b>	<b>13,981,516</b>
<b>Total credit risk</b>	<b>7,869,508</b>	<b>9,752,157</b>	<b>552,993</b>	<b>12,326,439</b>	<b>1,733,960</b>	<b>17,268,013</b>	<b>851,764</b>	<b>9,042,043</b>	<b>59,396,877</b>

# Notes to the Financial Statements

31 March 2014

## 41. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

### (a) Credit Risk (cont'd)

#### (ii) Credit risk concentrations (cont'd)

Group	Government and Central Bank	Financial, Insurance, Business Services, and Real Estate	Transport, Storage and Communication Services	Agriculture, Manufacturing, Wholesale & Retail Trade	Construction	Residential Mortgage	Motor Vehicle Financing	Other Consumer Loans	Total
2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	738,087	315,078	-	-	-	-	-	-	1,053,165
Deposits and placements with banks and other financial institutions	-	153,236	-	-	-	-	-	-	153,236
Balances due from clients and brokers	-	-	-	-	-	-	-	50,122	50,122
Financial assets held-for-trading	1,519,930	-	-	-	-	-	-	-	1,519,930
Financial investments available-for-sale	3,653,718	5,828,940	158,284	418,331	78,449	-	-	87,336	10,225,058
Financial investments held-to-maturity	591,264	513	5,172	-	-	-	-	-	596,949
Derivative financial assets	-	19,629	-	-	-	-	-	163	19,792
Loans, advances and financing	-	2,895,855	111,178	7,626,069	438,726	11,362,649	575,222	4,738,107	27,747,806
<b>Total on-balance sheet</b>	<b>6,502,999</b>	<b>9,213,251</b>	<b>274,634</b>	<b>8,044,400</b>	<b>517,175</b>	<b>11,362,649</b>	<b>575,222</b>	<b>4,875,728</b>	<b>41,366,058</b>
Financial guarantees	-	32,582	20,468	369,636	38,080	-	-	39,492	500,258
Credit related commitments and contingencies	-	1,091,666	55,548	2,988,350	847,321	600,903	218	6,746,191	12,330,197
<b>Total off-balance sheet</b>	<b>-</b>	<b>1,124,248</b>	<b>76,016</b>	<b>3,357,986</b>	<b>885,401</b>	<b>600,903</b>	<b>218</b>	<b>6,785,683</b>	<b>12,830,455</b>
<b>Total credit risk</b>	<b>6,502,999</b>	<b>10,337,499</b>	<b>350,650</b>	<b>11,402,386</b>	<b>1,402,576</b>	<b>11,963,552</b>	<b>575,440</b>	<b>11,661,411</b>	<b>54,196,513</b>

# Notes to the Financial Statements

31 March 2014

## 41. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

### (a) Credit Risk (cont'd)

#### (ii) Credit risk concentrations (cont'd)

Company	Financial, Insurance, Business Services, and Real Estate RM'000	Total RM'000
<b>2014</b>		
Cash and short-term funds	17,799	17,799
<b>Total credit risk</b>	<b>17,799</b>	<b>17,799</b>
<b>2013</b>		
Cash and short-term funds	17,669	17,669
Deposits and placements with banks and other financial institutions	10,101	10,101
<b>Total credit risk</b>	<b>27,770</b>	<b>27,770</b>

#### (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, 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 judgmentally triggered as impaired.

# Notes to the Financial Statements

31 March 2014

## 41. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

### (a) Credit Risk (cont'd)

#### (iv) Credit quality - Loans, advances and financing (cont'd)

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

	Group	
	2014	2013
	RM'000	RM'000
Neither past due nor impaired	30,571,621	26,514,509
Past due but not impaired	1,184,994	1,131,738
Impaired	442,781	579,233
Gross loans, advances and financing	32,199,396	28,225,480
Sales commissions and handling fees	30,050	23,935
Less: Allowance for impairment		
- Individual assessment	(97,159)	(128,471)
- Collective assessment	(313,296)	(349,203)
Net loans, advances and financing	31,818,991	27,771,741
Financial effect of collateral held for loans, advances and financing	71.9%	72.3%

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

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

	Group	
	2014	2013
	RM'000	RM'000
Grading classification		
- Good	28,913,200	25,049,436
- Fair	1,658,421	1,465,073
	30,571,621	26,514,509

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.

# Notes to the Financial Statements

31 March 2014

## 41. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

### (a) Credit Risk (cont'd)

#### (iv) Credit quality - Loans, advances and financing (cont'd)

##### 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.

	Group	
	2014	2013
	RM'000	RM'000
Past due up to 1 month	947,287	925,366
Past due > 1 - 2 months	211,398	188,773
Past due > 2 - 3 months	26,309	17,599
	1,184,994	1,131,738

##### Loans, advances and financing assessed as impaired

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

	Group	
	2014	2013
	RM'000	RM'000
Gross impaired loans/financing	442,781	579,233
Gross individually assessed impaired loans/financing	156,525	260,255
Less: Allowance for impairment		
- Individual impaired	(97,159)	(128,471)
Net individually assessed impaired loans	59,366	131,784

#### (v) Credit quality - Financial instruments

The table below presents an analysis of the credit quality of cash and short term funds, deposits and placements with other financial institutions, debt securities and derivative financial assets. Cash and short term funds herein excludes the 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.

# Notes to the Financial Statements

31 March 2014

## 41. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

### (a) Credit Risk (cont'd)

#### (v) Credit quality - Financial instruments (cont'd)

Most listed and some unlisted securities are rated by external rating agencies. 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 placements with financial institutions RM'000	Financial assets held-for- trading RM'000	Financial investments available- for-sale RM'000	Financial investments held-to- maturity RM'000	Derivative financial assets RM'000	Total RM'000
<b>Group 2014</b>							
<i>By rating agencies</i>							
<b><u>RAM</u></b>							
AAA	54,110	94,190	-	948,914	-	7,858	1,105,072
AA1	-	-	-	156,404	-	9,894	166,298
AA2	23	-	-	86,397	-	4,888	91,308
AA3	-	-	-	49,601	-	-	49,601
A1	51,725	-	-	-	-	217	51,942
A2	-	-	-	-	-	359	359
<b><u>MARC</u></b>							
AAA	-	-	-	689,428	-	5,249	694,677
AA+	-	-	-	10,026	-	-	10,026
AA	-	-	-	-	-	-	-
AA-	235,019	-	-	178,845	-	-	413,864
<b><u>FITCH</u></b>							
AA-	1,789	-	-	-	-	-	1,789
A+	17,266	-	-	-	-	-	17,266
A-	16,328	-	-	-	-	-	16,328
A	272,832	205,031	-	-	-	-	477,863
<b><u>MOODY'S</u></b>							
AA1	1,482	-	-	-	-	4	1,486
AA2	2,338	-	-	-	-	-	2,338
AA3	-	-	-	-	-	5	5
A1	66,706	199,867	-	-	-	-	266,573
A2	-	-	-	-	-	740	740
BAA1	31	-	-	-	-	-	31
<b><u>S&amp;P</u></b>							
AA-	2,117	-	-	-	-	242	2,359
A3	54,438	-	-	-	-	-	54,438
A	5,380	-	-	-	-	3	5,383
Government backed	596,483	-	110,172	6,254,247	1,319,732	5,145	8,285,779
Unrated [Note]	449,163	156,217	-	1,223,787	390	5,073	1,834,630
	1,827,230	655,305	110,172	9,597,649	1,320,122	39,677	13,550,155

# Notes to the Financial Statements

31 March 2014

## 41. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

### (a) Credit Risk (cont'd)

#### (v) Credit quality - Financial instruments (cont'd)

	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Financial assets held-for- trading RM'000	Financial investments available- for-sale RM'000	Financial investments held-to- maturity RM'000	Derivative financial assets RM'000	Total RM'000
<b>Group</b>							
<b>2013</b>							
<i>By rating agencies</i>							
<b>RAM</b>							
AAA	220,377	32,241	-	1,085,150	-	11,227	1,348,995
AA1	32,203	92,705	-	173,450	-	2,418	300,776
AA2	59	-	-	87,336	-	654	88,049
AA3	-	-	-	53,721	-	1,034	54,755
A1	-	-	-	-	-	1	1
A2	-	-	-	-	-	5	5
<b>MARC</b>							
AAA	-	-	-	781,704	-	-	781,704
AA+	-	-	-	10,211	-	-	10,211
AA-	-	-	-	46,495	-	-	46,495
<b>FITCH</b>							
AA+	1,492	-	-	-	-	-	1,492
A	-	-	-	-	-	184	184
A1	1,654	-	-	-	-	-	1,654
<b>MOODY'S</b>							
AA1	627	-	-	-	-	15	642
AA+	1,593	-	-	-	-	-	1,593
AA3	1,646	-	-	-	-	-	1,646
A+	-	-	-	-	-	57	57
A	359	-	-	-	-	-	359
A1	1,225	-	-	-	-	-	1,225
A2	14,060	-	-	-	-	5	14,065
A3	173	-	-	-	-	-	173
BAA1	3,258	-	-	-	-	-	3,258
<b>S&amp;P</b>							
AA-	3,062	-	-	-	-	31	3,093
A	7,253	-	-	-	-	112	7,365
BB-	17	-	-	-	-	-	17
Government backed	738,087	-	1,519,930	4,196,414	596,436	-	7,050,867
Unrated [Note]	26,020	28,290	-	3,790,577	513	4,049	3,849,449
	1,053,165	153,236	1,519,930	10,225,058	596,949	19,792	13,568,130

Note:

Unrated financial instruments comprises placements with financial institutions where credit rating is not available and also investment in bankers' acceptances, negotiable instruments of deposits and debt securities that are no longer rated or are exempted from credit rating.

# Notes to the Financial Statements

31 March 2014

## 41. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

### (a) Credit Risk (cont'd)

#### (v) Credit quality - Financial instruments (cont'd)

Company	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Total RM'000
<b>2014</b>			
<i>By rating agency</i>			
<b>RAM</b>			
AAA	23	-	23
A1	17,776	-	17,776
	17,799	-	17,799
<b>2013</b>			
<i>By rating agency</i>			
<b>RAM</b>			
AAA	8,944	-	8,944
A1	8,725	10,101	18,826
	17,669	10,101	27,770

### (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.



# Notes to the Financial Statements

31 March 2014

## 41. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

### (b) Market Risk (cont'd)

#### (i) Interest/profit rate risk (cont'd)

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

The Group are exposed to various risks associated with the effects of fluctuations in the prevailing levels of interest/profit rates on its financial position and cash flows. The effects of changes in the levels of interest rates 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 rates at the end of reporting period and the periods in which the financial instruments will re-price or mature, whichever is the earlier.

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	Effective interest/ profit rate
							RM'000	RM'000	RM'000			
2014	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
<b>Assets</b>												
Cash and short-term funds	1,364,374	-	-	-	-	-	-	765,408	-	-	2,129,782	2.24
Deposits and placements with banks and other financial institutions	-	555,223	97,965	-	-	-	-	2,117	-	-	655,305	2.40
Balances due from clients and brokers	1,151	-	-	-	-	-	-	75,114	-	-	76,265	12.00
Financial assets held-for-trading	-	-	-	-	-	-	-	-	110,172	110,172	110,172	3.39
Financial investments available-for-sale	434,485	790,224	99,156	113,250	3,832,256	4,252,757	216,632	-	-	-	9,738,760	3.83
Financial investments held-to-maturity	-	-	-	10,037	1,182,746	119,330	8,009	-	-	-	1,320,122	3.68
Derivative financial assets												
- Trading derivatives	-	-	-	-	-	-	-	-	39,677	39,677	-	-
Loans, advances and financing	25,121,353	1,173,988	503,515	891,138	2,057,231	2,039,440	32,326*	-	-	-	31,818,991	5.14
Other non-interest/ profit sensitive balances	-	-	-	-	-	-	-	2,185,620	-	-	2,185,620	-
<b>Total assets</b>	<b>26,921,363</b>	<b>2,519,435</b>	<b>700,636</b>	<b>1,014,425</b>	<b>7,072,233</b>	<b>6,411,527</b>	<b>3,285,226</b>	<b>149,849</b>	<b>48,074,694</b>			

# Notes to the Financial Statements

31 March 2014

## 41. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

### (b) Market Risk (cont'd)

#### (i) Interest/profit rate risk (cont'd)

Group	2014	Non-trading book						Effective interest/profit rate %
		Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 years	Over 5 years	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>Liabilities</b>								
Deposits from customers	18,483,759	4,985,983	4,414,543	5,436,884	152,813	5,593,339	-	2.36
Deposits and placements of banks and other financial institutions	1,688,105	923,466	30,687	79,934	-	5,372	-	2.01
Balances due to clients and brokers	-	-	-	-	-	44,834	-	-
Derivative financial liabilities								
- Trading derivatives	-	-	-	-	-	-	49,688	-
- Hedging derivatives	-	-	-	-	-	3,945	-	n/a
Amount due to Cagamas Berhad	-	-	-	14,014	-	-	-	4.61
Subordinated obligations	-	-	-	-	-	598,852	-	4.92
Other non-interest/profit sensitive balances	-	-	-	-	-	-	875,804	-
<b>Total liabilities</b>	20,171,864	5,909,449	4,445,230	5,530,832	1,104,346	6,533,215	49,688	
Equity	-	-	-	-	-	-	-	-
<b>Total liabilities and equity</b>	20,171,864	5,909,449	4,445,230	5,530,832	1,104,346	10,699,231	49,688	
On-balance sheet interest sensitivity gap	6,749,499	(3,390,014)	(3,744,594)	(4,516,407)	5,967,887	(7,414,005)	100,161	-

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

# Notes to the Financial Statements

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## 41. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

### (b) Market Risk (cont'd)

#### (i) Interest/profit rate risk (cont'd)

Group	Non-trading book							Effective interest/profit rate
	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 years	Over 5 years	Non-interest/profit sensitive	
2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
<b>Assets</b>								
Cash and short-term funds	756,832	-	-	-	-	-	539,849	2.55
Deposits and placements with banks and other financial institutions	-	117,877	-	35,342	-	-	17	1.47
Balances due from clients and brokers	98	-	-	-	-	-	50,024	12.00
Financial assets held-for-trading	-	-	-	-	-	-	-	3.02
Financial investments available-for-sale	1,323,802	2,451,115	439,336	33,595	3,047,692	2,851,581	215,329	3.73
Financial investments held-to-maturity	-	-	-	-	589,156	-	7,793	3.72
Derivative financial assets								
- Trading derivatives	-	-	-	-	-	-	-	-
Loans, advances and financing	21,726,659	1,132,788	315,932	885,032	1,436,362	2,173,409	101,559*	5.12
Other non-interest/profit sensitive balances	-	-	-	-	-	-	1,921,128	-
<b>Total assets</b>	<b>23,807,391</b>	<b>3,701,780</b>	<b>755,268</b>	<b>953,969</b>	<b>5,073,210</b>	<b>5,024,990</b>	<b>2,835,699</b>	<b>43,692,029</b>

# Notes to the Financial Statements

31 March 2014

## 41. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

### (b) Market Risk (cont'd)

#### (i) Interest/profit rate risk (cont'd)

Group	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 years	Over 5 years	Non-trading book			Effective interest/ profit rate
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	Non- interest/ profit sensitive	Trading book	Total	%
2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
<b>Liabilities</b>										
Deposits from customers	18,696,013	4,797,267	2,747,137	4,452,208	165,393	74,297	5,072,000	-	36,004,315	2.30
Deposits and placements of banks and other financial institutions	1,320,268	87,761	54,700	95,383	442,970	-	8,914	-	2,009,996	2.06
Balances due to clients and brokers	-	-	-	-	-	-	30,852	-	30,852	-
Bills and acceptances payable	4,927	68,729	57	-	-	-	-	-	73,713	3.23
Derivative financial liabilities										
- Trading derivatives	-	-	-	-	-	-	-	14,122	14,122	-
- Hedging derivatives	-	-	-	-	174	1,574	-	-	1,748	n/a
Amount due to Cagamas Berhad	-	-	-	-	16,290	-	-	-	16,290	4.61
Subordinated obligations	-	-	-	-	598,328	-	13,865	-	612,193	4.92
Other non-interest/profit sensitive balances	-	-	-	-	-	-	893,631	-	893,631	-
<b>Total liabilities</b>	20,021,208	4,953,757	2,801,894	4,547,591	1,223,155	75,871	6,019,262	14,122	39,656,860	
Equity	-	-	-	-	-	-	4,030,422	-	4,030,422	-
Non-controlling interests	-	-	-	-	-	-	4,747	-	4,747	-
<b>Total liabilities and equity</b>	20,021,208	4,953,757	2,801,894	4,547,591	1,223,155	75,871	10,054,431	14,122	43,692,029	
On-balance sheet interest sensitivity gap	3,786,183	(1,251,977)	(2,046,626)	(3,593,622)	3,850,055	4,949,119	(7,218,732)	1,525,600	-	

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

# Notes to the Financial Statements

31 March 2014

## 41. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

### (b) Market Risk (cont'd)

#### (i) Interest/profit rate risk (cont'd)

Company	Non-trading book							Effective interest rate %
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Total RM'000
<b>Assets</b>								
Cash and short-term funds	17,750	-	-	-	-	-	50	17,800
Other non-interest sensitive balances	-	-	-	-	-	-	1,785,045	1,785,045
<b>Total assets</b>	<b>17,750</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,785,095</b>	<b>1,802,845</b>
<b>Liabilities</b>								
Other non-interest sensitive balances	-	-	-	-	-	-	1,847	1,847
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,847</b>	<b>1,847</b>
Equity	-	-	-	-	-	-	1,800,998	1,800,998
<b>Total liabilities and equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,802,845</b>	<b>1,802,845</b>
<b>Company 2013</b>								
<b>Assets</b>								
Cash and short-term funds	17,643	-	-	-	-	-	27	17,670
Deposits and placements with banks and other financial institutions	10,092	-	-	-	-	-	9	10,101
Other non-interest sensitive balances	-	-	-	-	-	-	1,780,035	1,780,035
<b>Total assets</b>	<b>27,735</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,780,071</b>	<b>1,807,806</b>
<b>Liabilities</b>								
Other non-interest sensitive balances	-	-	-	-	-	-	1,977	1,977
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,977</b>	<b>1,977</b>
Equity	-	-	-	-	-	-	1,805,829	1,805,829
<b>Total liabilities and equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,807,806</b>	<b>1,807,806</b>

# Notes to the Financial Statements

31 March 2014

## 41. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

### (b) Market Risk (cont'd)

#### (ii) Foreign currency exchange risk

Foreign currency exchange risk refers to the risk that fair value of future cash flows of a financial instrument will fluctuate because of the movements in the exchange rates for foreign currency 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 Company is not exposed to any foreign currency exchange risk.

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

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

# Notes to the Financial Statements

31 March 2014

## 41. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

### (b) Market Risk (cont'd)

#### (ii) Foreign currency exchange risk (cont'd)

	US Dollars RM'000	Singapore Dollars RM'000	Euro Dollars RM'000	Australian Dollars RM'000	Others RM'000	Total RM'000
<b>Group</b>						
<b>2013</b>						
<b>Assets</b>						
Cash and short-term funds	141,281	1,492	4,115	50,431	11,061	208,380
Deposits and placements with banks and other financial institutions	92,705	-	-	32,241	-	124,946
Derivative financial assets	90	-	-	-	-	90
Loans, advances and financing	233,205	-	834	-	3,174	237,213
Other financial assets	1	-	-	4	5	10
<b>Total financial assets</b>	<b>467,282</b>	<b>1,492</b>	<b>4,949</b>	<b>82,676</b>	<b>14,240</b>	<b>570,639</b>
<b>Liabilities</b>						
Deposits from customers	172,743	18,656	9,757	71,454	48,046	320,656
Deposits and placements of banks and other financial institutions	383,440	2,332	1,846	-	-	387,618
Bill and acceptance payables	102	3	-	-	6	111
<b>Total financial liabilities</b>	<b>556,285</b>	<b>20,991</b>	<b>11,603</b>	<b>71,454</b>	<b>48,052</b>	<b>708,385</b>
On-balance sheet open position	(89,003)	(19,499)	(6,654)	11,222	(33,812)	(137,746)
Off-balance sheet open position	134,746	21,961	13,506	(13,818)	42,453	198,848
<b>Net open position</b>	<b>45,743</b>	<b>2,462</b>	<b>6,852</b>	<b>(2,596)</b>	<b>8,641</b>	<b>61,102</b>

# Notes to the Financial Statements

31 March 2014

## 41. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

### (b) Market Risk (cont'd)

#### (iii) Value at risk ('VaR')

Value-at-risk (VaR) reflects the maximum potential loss of value of a portfolio resulting from market movements within a specified probability of occurrence (level of confidence); for a specific period of time (holding period). For the Group, 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 Group's VaR profile by financial instrument types for the Trading Portfolio:

Group	Balance	Average for the year	Minimum	Maximum
2014	RM'000	RM'000	RM'000	RM'000
Instruments:				
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)
2013				
Instruments:				
FX related derivatives	(259)	(6,722)	(134)	(116,210)
Government securities	(14,380)	(15,644)	(8,717)	(25,567)
Private debt securities	(2,785)	(1,534)	(452)	(2,965)

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

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

	Group - 100 bps      + 100 bps Increase/(Decrease)	
2014	RM'000	RM'000
Impact on net interest income		
Ringgit Malaysia	(30,433)	30,433
As percentage of net interest income	(3.1%)	3.1%
2013		
Impact on net interest income		
Ringgit Malaysia	(56,563)	56,563
As percentage of net interest income	(5.8%)	5.8%

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



# Notes to the Financial Statements

31 March 2014

## 41. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

### (b) Market Risk (cont'd)

#### Other risk measures

#### (v) Stress test

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

#### (vi) Sensitivity analysis

Sensitivity analysis is used to measure the impact of changes in individual stress factors such as interest/profit rates or foreign exchange rates. It is normally designed to isolate and quantify exposure to the underlying risk. The Group performs sensitivity analysis such as parallel shifts of interest/profit rates (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 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 commitment when due.

The Group'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.

# Notes to the Financial Statements

31 March 2014

## 41. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

### (c) Liquidity Risk (cont'd)

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

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

Group	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1 year	Total
2014	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Assets</b>						
Cash and short-term funds	2,129,782	-	-	-	-	2,129,782
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	28,064	9,950	10,270	2,136,978	2,225,297
<b>Total assets</b>	<b>8,963,406</b>	<b>3,197,076</b>	<b>1,355,982</b>	<b>999,357</b>	<b>33,558,873</b>	<b>48,074,694</b>
<b>Liabilities</b>						
Deposits from customers	23,965,556	5,028,293	4,455,335	5,465,287	322,606	39,237,077
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 financial liabilities	609,280	46,939	26,055	45,434	212,970	940,678
<b>Total financial liabilities</b>	<b>26,323,897</b>	<b>6,001,813</b>	<b>4,512,077</b>	<b>5,604,669</b>	<b>1,466,222</b>	<b>43,908,678</b>
Equity	-	-	-	-	4,166,016	4,166,016
<b>Total liabilities and equity</b>	<b>26,323,897</b>	<b>6,001,813</b>	<b>4,512,077</b>	<b>5,604,669</b>	<b>5,632,238</b>	<b>48,074,694</b>
<b>Net maturity mismatch</b>	<b>(17,360,491)</b>	<b>(2,804,737)</b>	<b>(3,156,095)</b>	<b>(4,605,312)</b>	<b>27,926,635</b>	<b>-</b>

# Notes to the Financial Statements

31 March 2014

## 41. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

### (c) Liquidity Risk (cont'd)

#### (i) Liquidity risk for assets and liabilities based on remaining contractual maturities (cont'd)

Group 2013	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1 year RM'000	Total RM'000
<b>Assets</b>						
Cash and short-term funds	1,296,670	11	-	-	-	1,296,681
Deposits and placements with banks and other financial institutions	-	153,062	174	-	-	153,236
Balances due from clients and brokers	35,060	-	-	-	15,062	50,122
Financial investments	2,438,861	2,966,195	442,597	112,258	6,519,418	12,479,329
Loans, advances and financing	5,653,977	1,647,590	1,012,443	652,699	18,805,032	27,771,741
Other asset balances	69,959	13,439	10,388	6,123	1,841,011	1,940,920
<b>Total assets</b>	<b>9,494,527</b>	<b>4,780,297</b>	<b>1,465,602</b>	<b>771,080</b>	<b>27,180,523</b>	<b>43,692,029</b>
<b>Liabilities</b>						
Deposits from customers	24,212,928	4,285,514	2,854,150	4,404,196	247,527	36,004,315
Deposits and placements of banks and other financial institutions	1,176,805	88,846	205,992	95,383	442,970	2,009,996
Balances due to clients and brokers	30,852	-	-	-	-	30,852
Bills and acceptances payable	4,927	68,729	57	-	-	73,713
Amount due to Cagamas Berhad	-	-	-	-	16,290	16,290
Subordinated obligations	13,865	-	-	-	598,328	612,193
Other financial liabilities	500,509	31,875	30,526	55,642	290,949	909,501
<b>Total financial liabilities</b>	<b>25,939,886</b>	<b>4,474,964</b>	<b>3,090,725</b>	<b>4,555,221</b>	<b>1,596,064</b>	<b>39,656,860</b>
Equity	-	-	-	-	4,030,422	4,030,422
Non-controlling interests	-	-	-	-	4,747	4,747
<b>Total liabilities and equity</b>	<b>25,939,886</b>	<b>4,474,964</b>	<b>3,090,725</b>	<b>4,555,221</b>	<b>5,631,233</b>	<b>43,692,029</b>
<b>Net maturity mismatch</b>	<b>(16,445,359)</b>	<b>305,333</b>	<b>(1,625,123)</b>	<b>(3,784,141)</b>	<b>21,549,290</b>	<b>-</b>

# Notes to the Financial Statements

31 March 2014

## 41. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

### (c) Liquidity Risk (cont'd)

#### (i) Liquidity risk for assets and liabilities based on remaining contractual maturities (cont'd)

Company 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
<b>Assets</b>						
Cash and short-term funds	17,800	-	-	-	-	17,800
Other asset balances	619	-	-	116	1,784,310	1,785,045
<b>Total assets</b>	18,419	-	-	116	1,784,310	1,802,845
<b>Liabilities</b>						
Other financial liabilities	290	-	-	-	1,557	1,847
<b>Total financial liabilities</b>	290	-	-	-	1,557	1,847
Equity	-	-	-	-	1,800,998	1,800,998
<b>Total liabilities and equity</b>	290	-	-	-	1,802,555	1,802,845
<b>Net maturity mismatch</b>	18,129	-	-	116	(18,245)	-
<b>2013</b>						
<b>Assets</b>						
Cash and short-term funds	17,670	-	-	-	-	17,670
Deposits and placements with banks and other financial institutions	-	10,101	-	-	-	10,101
Other asset balances	434	-	-	-	1,779,601	1,780,035
<b>Total assets</b>	18,104	10,101	-	-	1,779,601	1,807,806
<b>Liabilities</b>						
Other financial liabilities	374	-	-	-	1,603	1,977
<b>Total financial liabilities</b>	374	-	-	-	1,603	1,977
Equity	-	-	-	-	1,805,829	1,805,829
<b>Total liabilities and equity</b>	374	-	-	-	1,807,432	1,807,806
<b>Net maturity mismatch</b>	17,730	10,101	-	-	(27,831)	-

# Notes to the Financial Statements

31 March 2014

## 41. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

### (c) Liquidity Risk (cont'd)

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

The table below presents the cash flows payable by the Group 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 Group manages the inherent liquidity risk based on discounted expected cash inflows.

Group	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 years	Over 5 years	Total
2014	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Non derivative financial liabilities</b>							
Deposits from customers	23,981,718	5,070,264	4,512,971	5,576,157	197,670	194,818	39,533,598
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	213,791	694	942,927
	26,341,251	6,047,912	4,570,844	5,732,490	1,393,608	195,512	44,281,617
<b>Items not recognised in the statement of financial position</b>							
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
<b>Derivatives financial liabilities</b>							
<u>Derivatives settled on a net basis</u>							
Interest rate derivatives	(125)	(402)	(526)	(1,220)	(4,420)	-	(6,693)
Hedging derivatives	(254)	(688)	(931)	(2,826)	(8,969)	(7,177)	(20,845)
Net inflow/(outflow)	(379)	(1,090)	(1,457)	(4,046)	(13,389)	(7,177)	(27,538)
<u>Derivatives settled on a gross basis</u>							
Outflow	(1,888,147)	(1,011,062)	(372,761)	(226,169)	-	-	(3,498,139)
Inflow	1,865,803	995,529	368,259	222,765	-	-	3,452,356
	(22,344)	(15,533)	(4,502)	(3,404)	-	-	(45,783)

# Notes to the Financial Statements

31 March 2014

## 41. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

### (c) Liquidity Risk (cont'd)

#### (ii) Contractual maturity of financial liabilities on an undiscounted basis (cont'd)

Group	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 years	Over 5 years	Total
2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Non derivative financial liabilities</b>							
Deposits from customers	24,323,712	4,562,305	3,073,556	4,578,618	105,672	75,980	36,719,843
Deposits and placements of banks and other financial institutions	1,176,945	91,599	207,125	99,403	450,791	-	2,025,863
Balances due to clients and brokers	31,965	-	-	-	-	-	31,965
Bills and acceptances payable	4,927	68,729	57	-	-	-	73,713
Amount due to Cagamas Berhad	436	310	747	1,496	14,551	-	17,540
Subordinated obligations	14,460	-	-	14,460	701,220	-	730,140
Other financial liabilities	500,509	31,875	30,526	55,642	290,949	-	909,501
	26,052,954	4,754,818	3,312,011	4,749,619	1,563,183	75,980	40,508,565
<b>Items not recognised in the statement of financial position</b>							
Financial guarantees	68,162	89,551	115,148	179,987	42,998	4,412	500,258
Credit related commitments and contingencies	6,733,398	66,251	31,293	157,473	302,404	5,039,378	12,330,197
	6,801,560	155,802	146,441	337,460	345,402	5,043,790	12,830,455
<b>Derivatives financial liabilities</b>							
<b>Derivatives settled on a net basis</b>							
Interest rate derivatives	(53)	(593)	(522)	(675)	(1,843)	(306)	(3,992)
Hedging derivatives	110	194	399	793	5,478	58	7,032
Net (outflow)/inflow	57	(399)	(123)	118	3,635	(248)	3,040
<b>Derivatives settled on a gross basis</b>							
Outflow	(1,088,067)	(250,850)	(230,221)	(148,133)	-	-	(1,717,271)
Inflow	1,083,369	249,198	226,951	147,006	-	-	1,706,524
	(4,698)	(1,652)	(3,270)	(1,127)	-	-	(10,747)

# Notes to the Financial Statements

31 March 2014

## 41. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

### (c) Liquidity Risk (cont'd)

#### (ii) Contractual maturity of financial liabilities on an undiscounted basis (cont'd)

Company	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 years	Over 5 years	Total
2014	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Liabilities</b>							
Other financial liabilities	290	-	-	-	1,557	-	1,847
Total financial liabilities	290	-	-	-	1,557	-	1,847
<b>2013</b>							
Other financial liabilities	374	-	-	-	1,603	-	1,977
Total financial liabilities	374	-	-	-	1,603	-	1,977

### (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 risk of failure to comply with the Shariah rules and principles as determined by Shariah advisory councils. To manage the risks, the Group has adopted the following guiding principles.

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.

## 42. CAPITAL ADEQUACY

The capital adequacy ratios of the Banking 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.

# Notes to the Financial Statements

31 March 2014

## 42. CAPITAL ADEQUACY (cont'd)

The capital adequacy ratios of the banking group are as follows:

	Group	
	2014	2013
<u>Before deducting proposed dividends</u>		
CET I capital ratio	10.908%	11.221%
Tier I capital ratio	11.961%	12.513%
Total capital ratio	14.201%	15.226%
<u>After deducting proposed dividends</u>		
CET I capital ratio	10.379%	10.620%
Tier I capital ratio	11.433%	11.913%
Total capital ratio	13.673%	14.625%

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

	2014	2013
	RM'000	RM'000
<b>CET I Capital</b>		
Paid-up share capital	596,517	596,517
Share premium	201,517	201,517
Retained profits	1,957,952	1,749,256
Statutory reserves	929,055	885,744
Revaluation reserves	7,071	115,397
Other reserves	10,018	10,018
	3,702,130	3,558,449
Less: Regulatory adjustment		
- Goodwill and other intangibles	(353,256)	(358,275)
- Deferred tax assets	(32,343)	(11,040)
- 55% of revaluation reserve	(3,889)	(63,468)
- Investment in subsidiaries and associates	(824)	-
Total CET I Capital	3,311,818	3,125,666
<b>Tier I Capital</b>		
ICPS	3,200	3,600
Share premium	316,800	356,400
Total additional Tier I Capital	320,000	360,000
Total Tier I Capital	3,631,818	3,485,666
<b>Tier II Capital</b>		
Subordinated obligations	479,082	538,495
Collective assessment allowance	204,226	221,153
Less: Regulatory adjustment		
- Investment in subsidiaries and associates	(3,297)	(4,117)
Total Tier II Capital	680,011	755,531
<b>Total Capital</b>	<b>4,311,829</b>	<b>4,241,197</b>



# Notes to the Financial Statements

31 March 2014

## 42. CAPITAL ADEQUACY (cont'd)

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

	2014 RM'000	2013 RM'000
Credit risk	27,484,255	25,175,746
Market risk	201,614	76,045
Operational risk	2,676,791	2,603,941
Total RWA and capital requirements	30,362,660	27,855,732

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.

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

	Alliance Bank Malaysia Berhad	Alliance Islamic Bank Berhad	Alliance Investment Bank Berhad
<b>2014</b>			
<u>Before deducting proposed dividends</u>			
CET I capital ratio	10.987%	13.426%	93.737%
Tier I capital ratio	12.235%	13.426%	93.737%
Total capital ratio	12.295%	14.134%	93.767%
<u>After deducting proposed dividends</u>			
CET I capital ratio	10.361%	13.113%	92.148%
Tier I capital ratio	11.609%	13.113%	92.148%
Total capital ratio	11.670%	13.821%	92.178%
<b>2013</b>			
<u>Before deducting proposed dividends</u>			
CET I capital ratio	12.235%	12.927%	96.235%
Tier I capital ratio	13.445%	12.927%	96.235%
Total capital ratio	13.445%	13.718%	96.398%
<u>After deducting proposed dividends</u>			
CET I capital ratio	11.514%	12.927%	94.956%
Tier I capital ratio	12.723%	12.927%	94.956%
Total capital ratio	12.723%	13.718%	95.119%

# Notes to the Financial Statements

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## 43. COMMITMENTS AND CONTINGENCIES

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

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

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
<b>Group</b>				
<b>2014</b>				
<u>Credit-related exposures</u>				
Direct credit substitutes	471,930	-	471,930	471,930
Transaction-related contingent items	590,667	-	295,334	295,334
Short-term self-liquidating trade-related contingencies	169,493	-	33,899	33,442
Irrevocable commitments to extend credit:				
- maturity exceeding one year	5,108,092	-	2,554,046	2,023,308
- maturity not exceeding one year	6,225,736	-	1,245,147	1,065,474
Unutilised credit card lines	1,415,598	-	283,120	223,570
	13,981,516	-	4,883,476	4,113,058
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
- one year or less	6,859,251	31,700	103,465	34,619
- over one year to three years	32,835	293	2,955	591
- over three years	31,515	-	4,097	819
Interest rate related contracts:				
- one year or less	250,000	161	485	97
- over one year to three years	2,135,000	5,178	27,028	5,406
- over three years	798,376	1,475	34,497	18,167
Equity related contracts:				
- one year or less	57,582	870	4,510	3,045
	10,164,559	39,677	177,037	62,744
	24,146,075	39,677	5,060,513	4,175,802

# Notes to the Financial Statements

31 March 2014

## 43. COMMITMENTS AND CONTINGENCIES (cont'd)

The off-balance sheet exposures and their related counterparty credit risk of the Group are as follows (cont'd):

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

# Notes to the Financial Statements

31 March 2014

## 44. CAPITAL

The Group's capital management 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 deliberations.

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

## 45. LEASE COMMITMENTS

The Group and the Company 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 long term commitments is as follows:

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Within one year	27,140	28,127	339	317
Between one and five years	50,631	18,464	889	155
	77,771	46,591	1,228	472

The operating leases for the Group and the Company's other premises typically cover for an initial period of three years with options for renewal. These leases are cancellable but are usually renewed upon expiry or replaced by leases on other properties. Future minimum lease commitments are anticipated to be not less than the rental expense for 2015.

# Notes to the Financial Statements

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## 46. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<b>(a) Transactions</b>				
Interest income				
- subsidiaries	-	-	(2,061)	(2,026)
- key management personnel	(198)	(202)	-	-
Dividend income				
- subsidiary	-	-	(411,315)	(347,488)
Overhead expenses recharged				
- subsidiaries	-	-	(2,576)	(2,803)
Interest expenses				
- key management personnel	115	145	-	-
Management fees				
- related companies	-	853	-	-
<b>(b) Balances</b>				
Amount due to deposits from customers				
- key management personnel	(6,640)	(8,088)	-	-
Overdraft				
- key management personnel	-	80	-	-
Money at call and deposit placements with financial institutions				
- subsidiaries	-	-	17,760	18,806
Loans, advances and financing				
- key management personnel	8,332	7,808	-	-
Other assets				
- subsidiaries	-	-	645	472
Other liabilities				
- subsidiaries	-	-	(290)	(374)

(i) Related companies refer to member companies of Alliance Financial Group Berhad.

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

# Notes to the Financial Statements

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## 46. SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

### (c) Compensation of key management personnel

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Short-term employee benefits				
Fees	1,756	1,988	600	537
Salary and other remuneration, including meeting allowances	12,906	12,605	1,016	994
Contribution to EPF	1,809	1,532	94	90
Share options/grants under ESS	3,153	2,054	240	163
Benefits-in-kind	154	119	38	38
	19,778	18,298	1,988	1,822
Included in the total key management personnel are:				
Directors' remuneration (Note 34(b))	12,895	12,148	970	911
	Share Options		Share Grants	
	2014	2013	2014	2013
	'000	'000	'000	'000
Group				
At beginning of year	6,696	4,168	712	543
Directors/key management personnel appointed during the year	544	560	-	49
Offered/awarded	4,062	3,141	388	278
Vested	(1,019)	(259)	(256)	(99)
Lapsed	(665)	(914)	(29)	(59)
At end of year	9,618	6,696	815	712
Company				
At beginning of year	497	379	53	39
Offered/awarded	362	272	23	26
Vested	(44)	(77)	(16)	(12)
Lapsed	(11)	(77)	-	-
At end of year	804	497	60	53

The above share options/share grants were offered/awarded on the same terms and conditions as those offered to other employees of the Group (Note 29).

# Notes to the Financial Statements

31 March 2014

## 47. FAIR VALUE MEASUREMENTS

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

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

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

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

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

The Group 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.

# Notes to the Financial Statements

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## 47. FAIR VALUE MEASUREMENTS (cont'd)

### (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 analysed by the various levels within the fair value hierarchy:

Group	Level 1	Level 2	Level 3	Total
2014	RM'000	RM'000	RM'000	RM'000
<b>Assets</b>				
Financial assets held-for-trading	-	110,172	-	110,172
Financial investments available-for-sale	-	9,597,649	141,111	9,738,760
Derivative financial assets	-	39,677	-	39,677
<b>Liabilities</b>				
Derivative financial liabilities	-	64,874	-	64,874

### 2013

<b>Assets</b>				
Financial assets held-for-trading	-	1,519,930	-	1,519,930
Financial investments available-for-sale	-	10,225,058	137,392	10,362,450
Derivative financial assets	-	19,972	-	19,972
<b>Liabilities</b>				
Derivative financial liabilities	-	15,870	-	15,870

There were no transfers between levels 1 and 2 of the fair value hierarchy for the Group during the financial year ended 31 March 2014 and 31 March 2013.

Reconciliation of movements in level 3 financial instruments:

Group	2014	2013
	RM'000	RM'000
At beginning of year	137,392	140,669
Total gains/(losses) recognised in:		
- Statement of comprehensive income		
Gain arising from sales financial investments available-for-sale	12,509	-
- Other comprehensive income		
Revaluation reserves	6,922	1,491
Disposal/redemption	(15,712)	(4,768)
At end of year	141,111	137,392

The Group's exposure to financial instruments measured using unobservable inputs (level 3) constitutes a small component of 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.



# Notes to the Financial Statements

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## 47. FAIR VALUE MEASUREMENTS (cont'd)

### (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 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.

Group 2014	Fair value				Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	
<b>Financial assets</b>					
Financial investments held-to-maturity	-	1,315,585	-	1,315,585	1,320,122
Loans, advances and financing	-	-	32,016,649	32,016,649	31,818,991
<b>Financial liabilities</b>					
Deposits from customers	-	39,256,033	-	39,256,033	39,237,077
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
2013	Fair value				Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	
<b>Financial assets</b>					
Financial investments held-to-maturity	-	600,279	-	600,279	596,949
Loans, advances and financing	-	-	28,000,945	28,000,945	27,771,741
<b>Financial liabilities</b>					
Deposits from customers	-	36,004,315	-	36,004,315	36,004,315
Deposits and placements of banks and other financial institutions	-	1,986,668	-	1,986,668	2,009,996
Amount due to Cagamas Berhad	-	15,080	-	15,080	16,290
Subordinated obligations	-	616,980	-	616,980	612,193

Note:

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

# Notes to the Financial Statements

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## 47. FAIR VALUE MEASUREMENTS (cont'd)

### (c) Fair values of financial instruments not carried at fair value (cont'd)

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

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

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

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

The fair values of fixed rate loans with remaining maturity of less than one year and variable rate loans are estimated to approximate their carrying values. For fixed rate loans and Islamic financing with remaining maturity of more than one year, the fair values are estimated based on expected future cash flows of contractual instalment payments and discounted at applicable prevailing rates at the 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) Investment properties

The fair value of the freehold land is based on an independent professional valuation carried out on 6 November 2013 using the open market value on a direct comparison basis.

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

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.

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

The fair values of amount due to Cagamas Berhad 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.

#### (vi) Subordinated obligations

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

## 48. 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.

# Notes to the Financial Statements

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## 48. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (cont'd)

### (a) Financial assets

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

### (b) Financial liabilities

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

# Notes to the Financial Statements

31 March 2014

## 48. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (cont'd)

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.

## 49. 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 customer 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, wealth management 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 holding company operations.

# Notes to the Financial Statements

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## 49. SEGMENT INFORMATION (cont'd)

GROUP 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/(expense)								
- external income/(expense)	318,220	306,112	159,877	6,646	2,306	793,161	(14,526)	778,635
- inter-segment	(9,652)	24,296	(10,521)	(4,123)	-	-	-	-
Net income from Islamic banking business	308,568	330,408	149,356	2,523	2,306	793,161	(14,526)	778,635
Other operating income	85,986	61,464	33,842	-	-	181,292	29,625	210,917
Net income	134,102	139,373	65,013	23,467	433,084	795,039	(435,627)	359,412
Other operating expenses	528,656	531,245	248,211	25,990	435,390	1,769,492	(420,528)	1,348,964
Depreciation and amortisation	(264,005)	(209,923)	(45,896)	(26,361)	(53,297)*	(599,482)	12,204	(587,278)
Operating profit	(21,103)	(13,984)	(5,144)	(601)	(51)	(40,883)	-	(40,883)
(Write-back of) allowance for impairment on loans, advances and financing and other losses	243,548	307,338	197,171	(972)	382,042	1,129,127	(408,324)	720,803
Write-back of impairment	(19,179)	32,545	(630)	235	650	13,621	-	13,621
Segment result	-	11,647	3,280	-	1,413	16,340	(1,413)	14,927
Taxation and zakat	224,369	351,530	199,821	(737)	384,105	1,159,088	(409,737)	749,351
Net profit after taxation and zakat								(185,803)
Segment assets	19,197,500	12,367,653	17,684,359	156,808	59,044	49,465,364	(1,869,329)	47,596,035
Reconciliation of segment assets to consolidated assets:								
Property, plant and equipment								92,633
Unallocated assets								32,770
Intangible assets								353,256
Total assets								48,074,694
Segment liabilities	18,727,368	15,076,238	11,049,774	73,003	49,141	44,975,524	(1,083,027)	43,892,497
Unallocated liabilities								16,181
Total liabilities								43,908,678

\* Includes one-off rationalisation cost of RM22,328,000.

# Notes to the Financial Statements

31 March 2014

## 49. SEGMENT INFORMATION (cont'd)

GROUP	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
2013								
Net interest income/(expense)								
- external income/(expense)	203,811	317,738	209,698	7,395	2,953	741,595	(11,136)	730,459
- inter-segment	73,662	1,770	(69,859)	(5,573)	-	-	-	-
Net income from Islamic banking business	277,473	319,508	139,839	1,822	2,953	741,595	(11,136)	730,459
Other operating income	108,501	62,009	41,712	-	-	212,222	29,936	242,158
Net income	112,997	143,094	71,050	17,106	381,451	725,698	(365,284)	360,414
Other operating expenses	498,971	524,611	252,601	18,928	384,404	1,679,515	(346,484)	1,333,031
Depreciation and amortisation	(272,383)	(217,029)	(46,020)	(35,381)	(31,425)	(602,238)	9,734	(592,504)
Operating profit	(22,237)	(16,805)	(6,809)	(820)	(95)	(46,766)	-	(46,766)
(Write-back of)/allowance for impairment on loans, advances and financing and other losses	204,351	290,777	199,772	(17,273)	352,884	1,030,511	(336,750)	693,761
Write-back of impairment	(52,796)	76,908	126	529	(254)	24,513	-	24,513
Segment result	-	-	474	-	-	474	-	474
Share of results in an associate	151,555	367,685	200,372	(16,744)	352,630	1,055,498	(336,750)	718,748
Taxation and zakat								(4,728)
Net profit after taxation and zakat								(175,897)
Segment assets	16,318,157	11,248,853	17,392,781	115,924	1,912,006	46,987,721	(3,746,914)	43,240,807
Reconciliation of segment assets to consolidated assets:								
Property, plant and equipment								83,217
Unallocated assets								11,837
Intangible assets								356,168
Total assets								43,692,029
Segment liabilities	16,844,796	13,567,665	10,280,216	(13,478)	90,181	40,769,380	(1,163,224)	39,606,156
Unallocated liabilities								50,704
Total liabilities								39,656,860

# Notes to the Financial Statements

31 March 2014

## 50. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

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

The disposal of the 70% equity interest in AIMB by the Alliance Bank Malaysia Berhad ("ABMB"), a wholly-owned subsidiary of the Company had been completed. AIMB ceased to be a subsidiary of the ABMB with effect from 15 April 2013.

## 51. SUBSEQUENT EVENTS

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

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

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

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

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

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

## 52. NON-CURRENT ASSETS AND SUBSIDIARY HELD FOR SALE

### (a) Investment Property

	Group	
	2014	2013
	RM'000	RM'000
Freehold land	27,748	-

Investment property where deposits have been received from buyer of the property and where a definitive buyer have been identified will be classified as non-current assets held for sale. The disposal is expected to be completed in next financial year end.

The fair value of the freehold land was RM45,000,000 (2013: RM34,758,000) is derived based on an independent professional valuation using the open market value on a direct comparison basis.

The investment property incurred direct expenses amounting to RM332,557 (2013: RM278,870) for the current financial year.

# Notes to the Financial Statements

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## 52. NON-CURRENT ASSETS AND SUBSIDIARY HELD FOR SALE (cont'd)

### (b) Subsidiary held for sale

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

The assets and liabilities of the above subsidiary held for sale is related to Alliance Investment Management Berhad ("AIMB"), a 70% owned subsidiary of ABMB. On 25 September 2012, an announcement was made to Bursa Malaysia on the proposed disposal by the ABMB, its 70% equity interest in AIMB for a total consideration of RM12,250,000. The proposed disposal had been completed and AIMB ceased to be subsidiary of ABMB with effect from 15 April 2013.

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

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



# Notes to the Financial Statements

31 March 2014

## 53. COMPARATIVES

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

(i) Statements of Comprehensive Income for the financial year ended 31 March 2013

	As previously stated	Group Restatement	As restated
	RM'000	RM'000	RM'000
Fee and commission income	-	266,928	266,928
Fee and commission expense	-	(91,950)	(91,950)
Investment income	-	116,554	116,554
Other income	-	68,882	68,882
Other operating income	360,414	(360,414)	-
Other operating income (restated)	360,414	-	360,414

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

(ii) Capital Adequacy for the financial year ended 31 March 2013

	Group As previously stated	As restated
<u>Before deducting proposed dividends</u>		
Tier I capital ratio	12.657%	12.513%
Total capital ratio	15.369%	15.226%
<u>After deducting proposed dividends</u>		
Tier I capital ratio	12.056%	11.913%
Total capital ratio	14.769%	14.625%
	As previously stated	As restated
	RM'000	RM'000
Total Tier I Capital	3,525,666	3,485,666
Total Capital	4,281,197	4,241,197

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

# Notes to the Financial Statements

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## 54. REALISED AND UNREALISED PROFITS

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and the format required.

The breakdown of retained profits of the Group and the Company as at the reporting date, into realised and unrealised profits, pursuant to the directive, is as follows:

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Total retained profits				
- Realised	1,934,970	1,724,099	41,629	14,625
- Unrealised	54,440	28,843	325	302
	1,989,410	1,752,942	41,954	14,927
Less: Consolidation adjustments	(283,539)	(280,571)	-	-
Total retained profits as per accounts	1,705,871	1,472,371	41,954	14,927

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

Accordingly, the unrealised retained profits of the Group and the Company as disclosed above excludes translation gains and losses on monetary items denominated in a currency other than the functional currency and foreign exchange contracts, as these gains and losses are incurred in the ordinary course of business of the Group and the Company, and are hence deemed as realised.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.