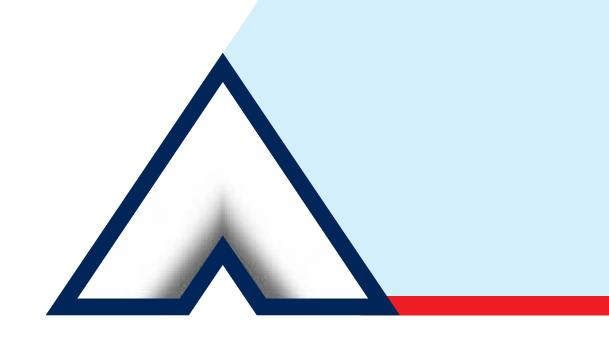
## 2016 ANNUAL REPORT



## **CORPORATE PROFILE**

Alliance Financial Group Berhad was incorporated in Malaysia on 7 April 1966 and was listed on the Main Market of Bursa Malaysia Securities Berhad on 6 July 1979. The Group is principally involved in the provision of banking and financial services through Alliance Bank Malaysia Berhad.

Alliance Bank Malaysia Berhad, together with its subsidiaries, Alliance Investment Bank Berhad and Alliance Islamic Bank Berhad, provide a wide range of financial products and services in commercial banking, financing, investment banking, investment advisory, stockbroking, Islamic banking and other related financial services.



## **CONTENTS**

### **CORPORATE SECTION**

- Corporate Profile
- 2 History of Alliance Financial Group
- 4 Corporate Information
- 5 Corporate Structure
- 6 Products and Services
- 10 Financial Highlights

#### **LEADERSHIP**

- 12 Directors
- 25 Chief Executive Officer
- 26 Key Senior Management

#### **PERSPECTIVES**

- 34 Statement by Chairman of Alliance Financial Group Berhad
- 36 Statement by Chairman of Alliance Bank Malaysia Berhad
- 40 Business and Operations Review by Chief Executive Officer of Alliance Financial Group Berhad
- 50 Awards and Recognition
- 52 Calendar of Significant Events
- 60 Media Highlights

#### **ACCOUNTABILITY**

- 64 Statement on Corporate Governance
- 72 Corporate Responsibility
- 77 Audit Committee Report
- 81 Statement on Risk Management and Internal Control
- 82 Risk Management
- 90 Additional Compliance Information

#### A FINANCIAL SECTION

- 91 Financial Statements
  - Statement of Board of Directors' Responsibilities
  - Directors' Report
  - · Statement by Directors
  - Statutory Declaration
  - Independent Auditors' Report
  - · Statements of Financial Position
  - Statements of Comprehensive Income
  - Consolidated Statements of Changes in Equity
  - · Statement of Changes in Equity
  - Consolidated Statements of Cash Flows
  - · Statement of Cash Flows
  - Notes to the Financial Statements
- 215 Basel II Pillar 3 Report Disclosure

## **ADDITIONAL INFORMATION**

- 262 List of Properties
- 265 Directory
- 271 Analysis of Shareholdings
- 273 Substantial Shareholders
- 273 Directors' Shareholdings

#### **NOTICE AND FORM**

274 Notice of Annual General Meeting Form of Proxy



#### View our report online

Our Annual Report, Accounts and other information about Alliance Financial Group Berhad can be found at **www.alliancefg.com** 

# HISTORY OF ALLIANCE FINANCIAL GROUP

#### $\wedge$

#### 1958

Banque de L'Indochine commenced operations in Malaya with its first branch in the Selangor Kwangtung Association Building, Jalan Pudu, Kuala Lumpur. This branch was subsequently relocated to Jalan Raja Chulan, Kuala Lumpur, in 1975.

#### /\ 1959

Banque de L'Indochine opened a sub-branch at Jalan Batu, Kuala Lumpur (now known as Jalan Tunku Abdul Rahman).

#### 1975

The name of the Bank was changed to Banque de L'Indochine et de Suez (Banque Indosuez). In the same year, Banque Indosuez acquired a building in Jalan Raja Chulan, Kuala Lumpur, to serve as its headquarters.

#### **1982**

Malaysian French Bank Berhad was incorporated to assume the banking business of the two local branches of Banque Indosuez. The incorporation was the result of the French government's nationalisation of Banque Indosuez and also of the subsequent restructuring of the Bank's businesses in Malaysia to comply with local banking regulations.

#### $\bigwedge$

#### 1999

Multi-Purpose Bank Berhad was selected to be one of the anchor banks in the Malaysian government's bank consolidation initiative. Multi-Purpose Bank Berhad successfully anchored the merger with International Bank Malaysia Berhad, Sabah Bank Berhad, Sabah Finance Berhad, Bolton Finance Berhad, Amanah Merchant Bank Berhad, and Bumiputra Merchant Bankers Berhad.

#### **^ 2001**

The Alliance Banking Group was established on 19 January with the successful merger of seven financial institutions. The newlymerged entity's name and logo were unveiled to the public for the first time as the Alliance Banking Group comprising Alliance Bank Malaysia Berhad (Alliance Bank), Alliance Finance Berhad, Alliance Merchant Bank Berhad and Alliance Unit Trust Management Berhad.

#### **^ 2004**

On 1 August, Alliance Finance Berhad merged with Alliance Bank. Consequently, Hire Purchase is now offered at all Alliance Bank's retail branches nationwide.

#### **^ 2005**

On 1 January, Alliance Merchant Bank Berhad acquired 100% equity interest in Kuala Lumpur City Securities (KLCS).

#### **2011**

# In January, Alliance Bank and AIA Berhad entered into a joint venture to form AIA AFG Takaful Berhad which offers a range of Takaful savings, protection and investment products.

Under the terms of agreement, Alliance Bank owns 30% equity stake in AIA AFG Takaful Berhad.

#### $\triangle$ 2013

In March, Alliance Bank completed the sale of its 30% equity stake in AIA AFG Takaful Berhad.

In April, Alliance Bank completed the sale of its 70% shareholding in AIMB to KAF-Seagroatt Campbell Berhad. AIMB ceased to be part of the Group following the completion of the sale. In June, Alliance Bank entered into a 10-year bancassurance partnership with Manulife Insurance Berhad. With this partnership, Alliance Bank is now able to provide a comprehensive bancassurance product suite to its customers.

## **\\_2014**

In May, AIBB acquired a 51% equity stake in HwangDBS Vickers Research Sdn Bhd (HDBSV). HDBSV was later re-named AllianceDBS Research Sdn Bhd.



1985



1986-95



**1998** 

The Bank established its "first" branch in Taman Maluri, Kuala Lumpur. In the same year, eight more branches were opened throughout the country.

During this time, 16 branches were established nationwide.

Malaysian French Bank Berhad changed its name to Multi-Purpose Bank Berhad.

By February 1998, the Bank had a network of 34 branches nationwide, including Sabah and Sarawak.



2006



**2008** 

In August, Alliance Merchant Bank Berhad changed its name to Alliance Investment Bank Berhad (AIBB). In December, KLCS merged with AIBB to offer a full suite of investment banking services. In April, Alliance Unit Trust
Management Berhad merged
with Alliance Capital Asset
Management Berhad to
form Alliance Investment
Management Berhad (AIMB).
Under the terms of the
agreement, Alliance Bank owns
70% equity stake in AIMB. In
June, Alliance Islamic Bank
Berhad (AIS) was incorporated
as a wholly-owned subsidiary of
Alliance Bank.

In conjunction with the change of name of its holding company from Malaysian Plantations Berhad to Alliance Financial Group Berhad on 31 August, Alliance Banking Group underwent a major rebranding exercise and was renamed Alliance Financial Group (the Group).

AIS commenced its Islamic banking business on 1 April after assuming the entire Islamic banking business portfolio of Alliance Bank.

The Alliance Financial Group, comprising Alliance Bank Malaysia Berhad, Alliance Investment Bank Berhad and Alliance Islamic Bank Berhad is a dynamic, integrated financial services group offering banking and financial services through its consumer banking, business banking, Islamic banking, investment banking and stockbroking businesses.

It provides easy access to its broad base of customers throughout the country via multi delivery channels which include retail branches, Privilege Banking Centres, Islamic Banking Centres, Business Centres, Investment Bank branches and direct marketing offices located nationwide as well as mobile and Internet banking.

With over five decades of proud history in contributing to the financial community in Malaysia with its innovative and entrepreneurial business spirit through its principal subsidiaries, the Group is committed to delivering the best customer experience and creating long-term shareholder value.



# CORPORATE INFORMATION

#### DIRECTORS

#### **Datuk Oh Chong Peng**

Chairman, Independent Non-Executive Director

#### **Stephen Geh Sim Whye**

Independent Non-Executive Director

#### **Kung Beng Hong**

Non-Independent Non-Executive Director

#### **Ou Shian Waei**

Independent Non-Executive Director

#### Lee Ah Boon

Non-Independent Non-Executive Director

#### CHIEF EXECUTIVE OFFICER

**Joel Kornreich** 

### **A GROUP COMPANY SECRETARY**

Lee Wei Yen (MAICSA 7001798)

### **REGISTERED OFFICE**

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

No. 8, Jalan Munshi Abdullah 50100 Kuala Lumpur, Malaysia

Tel : 03-2604 3333
Fax : 03-2694 6200
Website : www.alliancefg.com
Email : enquiry@alliancefg.com

#### **REGISTRAR**

#### **Shareworks Sdn Bhd**

No. 2-1, Jalan Sri Hartamas 8

Sri Hartamas

50480 Kuala Lumpur, Malaysia

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

#### $\bigwedge$ auditors

#### **PricewaterhouseCoopers**

Chartered Accountants Level 10, 1 Sentral Jalan Rakyat Kuala Lumpur Sentral 50470 Kuala Lumpur Malaysia

#### **NEW PRINCIPAL BANKER**

**Alliance Bank Malaysia Berhad** 

#### BURSA MALAYSIA STOCK NAME/CODE

AFG/2488

# INTERNATIONAL SECURITIES IDENTIFICATION NUMBER (ISIN)

MYL248800004

# CORPORATE STRUCTURE

as at 31 May 2016



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

# PRODUCTS AND SERVICES

## $\bigwedge$

### **ALLIANCE BANK MALAYSIA BERHAD**

#### **PERSONAL BANKING**

#### Wealth Management

#### **Deposits**

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

#### **Unit Trust**

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

#### **Retail Bond**

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

#### **Structured Investment**

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

#### **Share Trading & Investment Lending**

- · Alliance Share Margin Financing
  - Margin + Trading 2-in-1 Account
  - External Margin Account
  - Foreign Share Margin Financing
- Alliance Share Trading
  - Cash Trading Account
  - Collaterised Trading Account
  - T+7 Trading Account
- ESOS/IPO Placement Financing
- Portfolio Lending
- Dedicated Omni-Channels to Serve Alliance Bank Customers
  - Call N Trade through Alliance Bank's Share Trading Centre (STC) via Account Relationship Manager
  - Internet Trading via allianceonline Stockbanking
  - Mobile Trading via Alliance iStock Application

#### **Bancassurance**

- Alliance Travel Protector
- Alliance Premier Protector
- Alliance Senior Protector
- Safe Assure
- Home Assure
- Mortgage Reducing Term Assurance
- Mortgage Level Term Assurance
- · Mortgage Reducing Term Takaful
- Elite Wealth Saver Plus
- Elite Cash Saver
- Elite Smart Life
- Elite Smart Kids
- Fire/House Owner (Conventional & Takaful)
- Smart Protector
- Motor Insurance (Conventional & Takaful)
- Care Assure
- Business Reducing Term Takaful
- Elite Income Builder
- Elite Credit Shield
- Elite Global Annuity

#### **Conventional Loans**

- Alliance Conventional Home Loan
- Alliance Conventional Commercial Property Loan
- Alliance Home Complete Personal Loan
- Alliance Home Complete Plus Solar Panel Financing
- Alliance Conventional Oil Palm Plantation Financing
- Alliance CashFirst Personal Loan
- Alliance Hire Purchase

#### Cards

#### **Credit Cards**

- · Alliance Visa Infinite Credit Card
- Alliance Platinum Credit Card
- Alliance Gold and Classic Credit Cards
- Alliance You:nique Rates Credit Card
- Alliance You:nique Rewards Credit Card
- Alliance You:nique Rebates Credit Card
- Alliance Basic Credit Card
- Alliance Allianz Insurance Gold & Platinum Credit Cards
- Alliance Chinese Independent School (CIS) Credit Card
- Alliance CNI Gold Credit Card
- Alliance CPA Australia Gold Credit Card
- Alliance Business Platinum Credit Card
- Alliance Visa Infinite Business Credit Card

#### **Debit Cards**

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





#### **BUSINESS BANKING**

#### **SME**

- Credit Facilities
  - Working Capital Financing
  - Equipment Financing
  - Business Premises Financing
  - Schemes promoted by CGC/BNM/Government
  - Foreign Exchange
  - SME Express Cash
- Trade Facilities
  - Letter of Credits
  - Trust Receipts
  - Foreign Currency Trade Loan
  - Bankers Acceptances
  - Export Bills Purchased/Discounting
  - Export Credit Refinancing
  - Export LC Negotiation
  - Collection Bills
  - Shipping Guarantees
  - Export LC Advising/Confirmation
  - Bank Guarantees (BGs)
  - Promissory Notes
  - Supplier Credit Financing
- Bancassurance
  - Commercial Line General Insurance
  - Keyman Credit-Life Insurance
  - Alliance Business Shield/Biz Assure
- Business Credit Card
  - MyBusiness Platinum Credit Card
  - Business Platinum Credit Card
- Visa Infinite Business Credit Card
- Cash Management
  - Account Management
    - Business Current Account
    - Business Fixed Deposit
    - Business Foreign Currency Current Account
    - Business Foreign Currency Fixed Deposit
    - Biz-Xpress Card: Deposit cum Withdrawal function via Self-Service Terminals (ATM, CDM and CES)
  - Collection Management
    - Payee Corporation Service
    - Auto Debit Service
    - iBayar Facility
    - Bulk Cheque Collection Service
    - Cash in Transit
  - Liquidity Management
    - Auto Sweeping Service
    - Bounce Cheque Protection Service
    - Business Rewards Services
  - Payment Management
    - Prepaid Reload
    - Payroll (Salary/EPF/SOCSO/Monthly Contribution/ PCB-LHDN Payment)
    - Bulk Payment
    - Bulk Payment with Remittance Advice
    - Remittances (CO/DD/FTT/FDD/IBG/RENTAS)
    - Fund Transfer (Own account transfer/Group account transfer/Designated 3rd Party Transfer)
    - Bills Payment
  - BizSmart Online Banking

#### Corporate & Commercial

- Credit Facilities
  - Working Capital Financing
  - Term Loan
  - Bridging Loan
  - Syndicated Loan
  - Business Premises Financing
  - Supplier Financing
  - Business Platinum Card
  - Foreign Currency Loan
  - Visa Infinite Business Credit Card
- Trade Facilities
  - Letter of Credits
  - Trust Receipts
  - Foreign Currency Trade Loan
  - Bankers Acceptances
  - Export Bills Purchased/Discounting
  - Export Credit Refinancing
  - Export LC Negotiation
  - Collection Bills
  - Shipping Guarantees
  - Export LC Advising/Confirmation
  - Bank Guarantees (BGs)
  - Promissory Notes
  - Foreign Currency Trade Loan
- Foreign Exchange
- Cash Management
  - Account Management
    - Business Current Account
    - Business Fixed Deposit
    - Business Foreign Currency Current Account
    - Business Foreign Currency Fixed Deposit
    - Business Internet Banking
  - Collection Management
    - Payee Corporation Service
    - Auto Debit Service
    - Bulk Cheque Collection Service
  - Cash in Transit
  - Cash Concentration Solution
  - Biz-Xpress Card: Deposit cum Withdrawal function via Self-Service Terminals (ATM, CDM and CES)
  - Liquidity Management
    - Auto Sweeping Service
    - Business Rewards Services
  - Payment Management
    - Prepaid Reload
    - Payroll (Salary/EPF/SOCSO/Monthly Contribution/ PCB-LHDN Payment)
    - Bulk Payment
    - Bulk Payment with Remittance Advice
    - Remittances (CO/DD/FTT/FDD/IBG/RENTAS)
    - Fund Transfer (Own account transfer/Group account transfer/Designated 3rd Party Transfer)
    - Bills Payment
  - BizSmart Online Banking
  - Interest Rate Swap
  - Bancassurance

#### Products and Services (cont'd)



#### **ALLIANCE BANK MALAYSIA BERHAD**

#### **FINANCIAL MARKETS**

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



### **ALLIANCE ISLAMIC BANK BERHAD**

#### **Deposits**

- Basic Savings Account-i
- Basic Current Account-i
- Savings Account-i
- Current Account-i
- Alliance My eSaving Account-i
- Junior Smart Saver-i
- Alliance Term Deposit-i
- Junior Smart Term Deposit-i
- Alliance Hybrid Account-ieATD (via allianceonline)
- EALD (via allianceullin
- · allianceonline Banking
- Elite Account-i

#### **Consumer Financing**

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

#### **Business Financing**

- Revolving Credit Facility-i
- Cashline Facility-i
- Business Premises Term Financing-i
- Industrial Hire Purchase-i
- Term Financing-i
- Contract Financing-i
- Project Financing-i
- Leasing-i
- Schemes promoted by CGC/BNM/SME Corp/Government
- SME A-Flex Premium-i
- SME A-Flex (Plus & Premium-i)
- · Floating Rate Term Financing-i



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

#### Cards

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

#### **Unit Trust**

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

#### **Financial Markets**

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



#### ALLIANCE INVESTMENT BANK BERHAD

#### **Corporate Finance**

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

#### **Debt Capital Markets**

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

#### **Equity Capital Markets**

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

#### **Islamic Banking**

- Bal'Bithaman Ajil
- Murabahah Working Capital Financing
- Islamic Accepted Bills
- Mudharabah Investment Account Deposits
- Kafalah Bank Guarantee

#### **Stockbroking Products & Services**

- Institutional Share Trading
- Retail Share Trading
  - Cash Trading Account
  - Collaterised Trading Account
  - Alliance Flexi 7
- Share Margin Financing
- Online Share Trading Services
  - eAllianceShare
  - Mobile Share Trading
- E-Services
  - Direct Credit
  - E-Dividend
- Foreign Share Trading
- Nominees and Custodian Services



## **ALLIANCEDBS RESEARCH SDN BHD**

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



## **ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD**



## **ALLIANCEGROUP NOMINEES (ASING) SDN BHD**

Nominee Services

# FINANCIAL HIGHLIGHTS

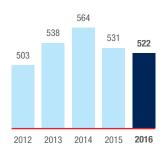
VANCIAL YEAR ENDED 31 MARCH	2016	2015	2014	2013	2012
ERATING RESULTS (RM million)					
t income	1,424	1,383	1,349	1,333	1,244
ofit before taxation	695	703	749	714	675
t profit after taxation	522	531	564	538	503
Y BALANCE SHEET DATA (RM million)					
tal assets	55,627	53,142	48,075	43,692	39,719
oss loans, advances and financing	38,748	36,923	32,199	28,225	25,012
tal liabilities	50,785	48,646	43,909	39,657	35,947
posits from customers	46,025	44,607	39,237	36,004	32,187
id-up capital	1,548	1,548	1,548	1,548	1,548
areholders' equity	4,842	4,495	4,166	4,030	3,767
mmitments and contingencies	21,832	22,746	24,146	19,079	18,741
ARE INFORMATION AND VALUATIONS					
are Information					
rnings per share (sen)	34.2	34.8	37.2	35.3	33.0
uted earnings per share (sen)	34.2	34.8	37.1	35.3	32.9
vidend per share (sen)	14.5	15.4	29.5 <sup>1</sup>	16.6	13.3
t assets per share (RM)	3.13	2.90	2.69	2.60	2.43
are price as at 31 March (RM)	4.15	4.79	4.41	4.40	3.89
arket capitalisation (RM million)	6,425	7,415	6,827	6,811	6,022
are Valuations	•	,	,	,	,
vidend yield (%)	3.49	3.22	6.69 <sup>1</sup>	3.77	3.42
vidend payout ratio (%)	43.0	45.0	79.5 <sup>1</sup>	46.9	42.3
ce to earnings multiple (times)	12.1	13.8	11.9	12.5	11.8
ce to book multiple (times)	1.3	1.6	1.6	1.7	1.6
VANCIAL RATIOS (%)					
ofitability Ratios					
t interest margin on average interest-earning assets	2.1	2.2	2.2	2.4	2.5
t return on average equity	11.2	12.3	13.8	13.8	14.0
t return on average assets	1.0	1.0	1.2	1.3	1.3
t return on average risk-weighted assets	1.5	1.6	1.9	2.0	2.1
st to income ratio	48.4	46.8	46.6	47.9	47.6
set Quality Ratios					
an loss coverage	109.1 <sup>2</sup>	102.7	92.7	82.5	87.7
oss impaired loans ratio	1.3	1.0	1.4	2.1	2.5
t impaired loans ratio	0.8	0.6	0.7	1.1	1.4
-	32.1	33.6	34.0	33.6	33.7
					77.7
•			_	_	_
		2112			
· · · · · · · · · · · · · · · · · · ·	_	_	_	_	11.88
•	_	_	_	_	15.13
	11.78	11.11	10.38	10.62	_
, , , ,					_
•					_
t impaired loans ratio quidity ratios SA ratio an to Deposit ratio an to Funds ratio pital Adequacy Ratios re capital ratio sk-weighted capital ratio mmon Equity Tier I ("CET I") capital ratio er I capital ratio	0.8 32.1 84.2 80.1 - - 11.78 11.78 17.36	0.6 33.6 82.8 81.6 ————————————————————————————————————	0.7 34.0 82.1 - 10.38 11.43 13.67	1.1 33.6 78.4 - - 10.62 11.91 <sup>2</sup> 14.63 <sup>2</sup>	

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

<sup>&</sup>lt;sup>2</sup> Including Regulatory Reserve provision.

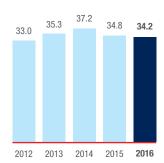
#### **Profit After Taxation**

(RM million)



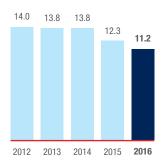
#### **Earnings Per Share**

(sen)



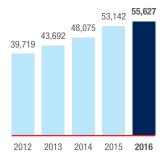
#### **Net Return on Average Equity**

(%)



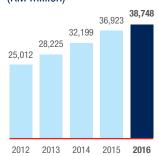
#### **Total Assets**

(RM million)



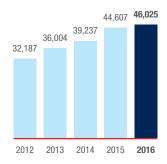
# **Gross Loans, Advances** and Financing

(RM million)



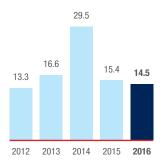
#### **Deposits from Customers**

(RM million)



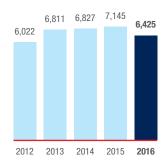
## **Dividend Per Share**

(Sen)



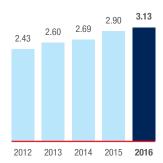
#### **Market Capitalisation**

(RM million)



#### **Net Assets Per Share**

(RM)



# **DIRECTORS**





#### From left to right

- Datuk Oh Chong Peng Stephen Geh Sim Whye
- Kung Beng Hong Ou Shian Waei
- Lee Ah Boon Joel Kornreich (Chief Executive Officer)



#### Directors (cont'd)

#### Directors of Alliance Financial Group Berhad

#### Alliance Financial Group Berhad

Datuk Oh Chong Peng

(Chairman/Independent Non-Executive Director)

**Stephen Geh Sim Whye** 

(Independent Non-Executive Director)

**Kung Beng Hong** 

(Non-Independent Non-Executive Director)

Ou Shian Waei

(Independent Non-Executive Director)

Lee Ah Boon

(Non-Independent Non-Executive Director)

#### Directors of Major Subsidiaries

#### Alliance Bank Malaysia Berhad

Dato' Thomas Mun Lung Lee

(Chairman/Independent Non-Executive Director)

Lee Ah Boon

(Non-Independent Non-Executive Director)

**Kung Beng Hong** 

(Non-Independent Non-Executive Director)

**Tan Yuen Fah** 

(Independent Non-Executive Director)

Ou Shian Waei

(Independent Non-Executive Director)

**Kuah Hun Liang** 

(Independent Non-Executive Director)

**Datuk Wan Azhar bin Wan Ahmad** 

(Independent Non-Executive Director)

Lee Boon Huat

(Independent Non-Executive Director)

**Ho Hon Cheong** 

(Non-Independent Non-Executive Director)

Thaya Sangarapillai

(Independent Non-Executive Director)

#### Alliance Investment Bank Berhad

**Kung Beng Hong** 

(Chairman/Non-Independent Non-Executive Director)

**Kuah Hun Liang** 

(Independent Non-Executive Director)

Dato' Majid bin Mohamad

(Independent Non-Executive Director)

Mazidah binti Abdul Malik

(Independent Non-Executive Director)

Dato' Yeoh Beow Tit (Independent Non-Executive Director)

#### Alliance Islamic Bank Berhad

Megat Dziauddin bin Megat Mahmud

(Chairman/Independent Non-Executive Director)

Foziakhatoon binti Amanulla Khan

(Executive Director/Chief Executive Officer)

Md Ali bin Md Sarif

(Independent Non-Executive Director)

Dato' Majid bin Mohamad

(Independent Non-Executive Director)

Datuk Wan Azhar bin Wan Ahmad

(Independent Non-Executive Director)



#### **Datuk Oh Chong Peng**

(Chairman, Independent Non-Executive Director) Member of Nomination Committee, Remuneration Committee and Employees' Share Participating Scheme Committee



Aged 71, a Malaysian, was appointed Chairman of the Board of AFG on 21 April 2006.

He had his accountancy training in London from 1964 and qualified as a Chartered Accountant in 1969. He is a Fellow of the Institute of Chartered Accountants in England and Wales as well as member of the Malaysian Institute of Certified Public Accountants (MICPA) and Malaysian Institute of Accountants.

Datuk Oh joined Coopers & Lybrand (now called PricewaterhouseCoopers) in London in 1969 and in Malaysia in 1971. He was a Partner of Coopers & Lybrand Malaysia from 1974 and retired as a Senior Partner in 1997. He was with Rashid Hussain Berhad Group of Companies between 1998 and 2003.

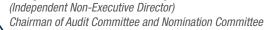
Datuk Oh is a Government-appointed member of Labuan Financial Services Authority. He is a Council Member of UTAR and a trustee of the UTAR Education Foundation.

His past appointments included stints as a Government-appointed Member of the Kuala Lumpur Stock Exchange, now called Bursa Malaysia Berhad (1990-1996), member of the Malaysian Accounting Standards Board (2004-2009) as well as a Council Member (1981-2001) and President of MICPA (1994-1996).

Datuk Oh currently sits on the Boards of British American Tobacco (Malaysia) Berhad, Kumpulan Europlus Berhad, Malayan Flour Mills Berhad, Dialog Group Berhad and several other companies.



#### Stephen Geh Sim Whye



Aged 60, a Malaysian, was appointed to the Board of AFG on 5 May 2004. He is a Chartered Accountant with the Malaysia Institute of Accountants, and a member of the Malaysian Institute of Certified Public Accountants and The Chartered Tax Institute of Malaysia.

Since 1984, Mr Geh has been a practicing accountant and consultant to several companies. He has wide experience in the financial management of companies involved in tin mining, oil palm and rubber plantations, manufacturing, property development and construction.

Mr Geh was involved in the financial management of a number of Malaysia manufacturing and trading companies with overseas investments, besides serving as their tax advisor.

Mr Geh is currently the Managing Director of GSW Consultants Sdn Bhd.

#### Directors (cont'd)

#### **Kung Beng Hong**

(Non-Independent Non-Executive Director) Member of Audit Committee, Nomination Committee, Remuneration Committee and Employees' Share Participating Scheme Committee



Aged 71, a Malaysian, was appointed to the Board of AFG on 21 April 2006. He holds a Bachelor of Arts (Honours) degree in Analytical Economics from University of Malaya. He is a Fellow of the Institute of Bankers Malaysia (now known as The Asian Institute of Chartered Bankers).

Mr Kung has 48 years working experience in the banking industry and has held numerous senior management positions, mainly in Malaysia, including Chief Executive Officer position in three banks and directorships in five banks. His experience includes positions held in Citibank N.A. in the United States and Singapore.

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

Mr Kung is also the Chairman of AIBB, and serves on the Board of ABMB. His directorships in other companies are in Asian Institute of Finance Berhad, UOA Asset Management Sdn Bhd and Quill Motorcars Sdn Bhd.



#### **Ou Shian Waei**

(Independent Non-Executive Director) Chairman of Remuneration Committee and Employees' Share Participating Scheme Committee, and Member of Audit Committee and Nomination Committee



Aged 65, a Malaysian, was appointed to the Board of AFG on 1 July 2010. He holds a Bachelor of Science degree in Chemistry from University of Malaya.

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

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

Mr Ou is also a Director of ABMB. His directorships in other companies are as Chairman of AIG Malaysia Insurance Berhad and as Public Interest Director of Private Pension Administrator Malaysia.



#### Lee Ah Boon

(Non-Independent Non-Executive Director)
Member of Nomination Committee,
Remuneration Committee and Employees' Share
Participating Scheme Committee

Aged 65, a Singaporean, was appointed to the Board of AFG on 18 April 2012. He holds a Bachelor of Accounting (Hons) degree from the former University of Singapore.

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

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

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

Mr Lee also serves on the Boards of ABMB and NIB Bank Limited.



#### **Dato' Thomas Mun Lung Lee**

Aged 78, a Malaysian, was appointed to the Board of ABMB on 21 April 2006. He is Chairman of ABMB and Director of Alliance Trustee Berhad.

Dato' Thomas Lee has been in legal practice as an advocate and solicitor for over 50 years. He is a Barrister-at-Law (England) and holds a Master of Arts (MA) and Master of Law (LLM) degrees from Cambridge University, United Kingdom. He is a member of the Appeals Committee of Bursa Malaysia Berhad and was a member of the Steering Committee of Financial Institutions Directors' Education (FIDE) Programme. He is also an arbitrator with the Court of Arbitration for Sport based in Lausanne, Switzerland.

Dato' Thomas Lee is currently a Senior Partner of Lee Hishammuddin Allen & Gledhill.

His directorships in other companies are as Chairman of AIA Berhad, AIA Public Takaful Berhad and AIA Pension and Asset Management Sdn Bhd and as Director of AIG Malaysia Insurance Berhad and AIG Shared Services (M) Sdn Bhd.

#### Directors (cont'd)



#### **Tan Yuen Fah**

Aged 71, a Singaporean, was appointed to the Board of ABMB on 18 March 2008.

Mr Tan holds a Bachelor of Accountancy degree from the former University of Singapore and a Bachelor of Laws degree from University of Wolverhampton, United Kingdom, He also holds a Post-Graduate Diploma in Business Administration from Manchester Business School, United Kingdom. He is a Fellow of the Institute of Singapore Chartered Accountants, Fellow of the Certified Practising Accountants in Australia and an Associate of the Chartered Institute of Management Accountants, United Kingdom.

Mr Tan had 11 years of experience in the commerce and industry sector prior to joining the banking and finance sector. He joined Overseas Union Bank Ltd, Singapore in 1979, holding various senior positions and retired in 2002 as Executive Vice President.

Mr Tan is also a Director of Union (2009) Limited.



#### **Kuah Hun Liang**

Aged 54, a Malaysian, was appointed to the Board of ABMB on 15 December 2011.

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

Mr Kuah has over 30 years of experience in the financial services industry having started his career in Public Bank in 1983. He joined Deutsche Bank AG in 1989 where he served as Treasurer and was then promoted as Head of Global Markets when the bank ventured into investment banking. In 2000, he was appointed as an Executive Director of Deutsche Bank (M) Berhad and promoted as the Managing Director and Chief Executive Officer in 2002 and held the position until 2006. He was a former Treasurer and Director of the Malaysian-German Chamber of Commerce and also a former Chairman of the Star Publications (Malaysia) Berhad.

Mr Kuah also serves on the Board of AIBB. His directorships in other companies are in Rexit Berhad, MPHB Capital Berhad and Malvale Sdn Bhd.



## $\wedge$

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

Aged 57, a Malaysian, was appointed to the Board of ABMB on 7 April 2015.

Datuk Wan Azhar holds a Master in Business Administration (International Business) from National University of San Diego, USA and a Bachelor in Business Administration (Finance) from the University of Pacific, Stockton, USA.

Datuk Wan Azhar was the Chief Executive Officer of Credit Guarantee Corporation Malaysia Berhad (CGC) from 1997 until his retirement on 31 December 2014. He was recruited and appointed as a Manager in CGC by Bank Negara Malaysia in 1993. In 1995, he was promoted to Assistant General Manager, Chief Executive Officer in 1997, and appointed to the Board of Directors as Managing Director in 2000. One of the key highlights of his career was the transformation of CGC from a traditional credit guarantee provider into a market-driven and financially sustainable SME-support institution. He was also instrumental in the set-up of Credit Bureau Malaysia where he was the Chairman for six years from 2008 to 2014.

Datuk Wan Azhar is currently the Chairman of the Small Debt Restructuring Committee at Bank Negara Malaysia.

Datuk Wan Azhar also serves on the Boards of Alliance Islamic Bank Berhad, Bina Darulaman Berhad, Bank Pembangunan Malaysia Berhad and Board of Trustee of NAMA Foundation. He is also Chairman of Bl Credit & Leasing Berhad, Pembangunan Leasing Corporation Sdn Bhd, PLC Credit & Factoring Sdn Bhd and SME Acceleration Growth Fund Sdn Bhd.



#### **Lee Boon Huat**

Aged 59, a Singaporean, was appointed to the Board of ABMB on 7 April 2015.

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

Mr Lee has extensive experience in the financial services industry, including the Monetary Authority of Singapore, Hong Kong and Shanghai Banking Corporation, Canadian Imperial Bank of Commerce and Chemical Bank. He served as an executive of Standard Chartered Bank from 1998 to 2012, in various capacities including as Head of Markets (South East Asia), Head of Sales (Middle East) and Chief Operating Officer (South East Asia).

Mr Lee also serves on the Boards of British and Malayan Trustees Limited, Technological and Commercial Joint-stock Bank, Vietnam, NIB Bank Limited, Pakistan and several other private corporations.

#### Directors (cont'd)



#### **Ho Hon Cheong**

Aged 61, a Malaysian, was appointed to the Board of ABMB on 26 August 2015.

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

Mr Ho began his banking career with Citibank Malaysia in 1981, Since then, he has held various senior positions in the Citibank Asia Pacific, including Country Risk Officer with Citibank Malaysia, Pan Asia Corporate Head with Citibank Singapore, and Chief Country Officer with Citibank Thailand.

In 2002, Mr Ho joined Saudi American Bank as General Manager and Group Head for Corporate and Investment Bank. Thereafter, he moved to PT Bank International Indonesia Tbk in 2004 where he served as President Director and Chief Executive Officer before joining Temasek Holdings (Private) Ltd as Managing Director in 2009. He was the Chief Executive Officer and President Director of PT Bank Danamon Indonesia from 2010 until his retirement in February 2015.

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

Mr Ho is an Independent Director of AIA Singapore Pte Ltd and a Commissioner of PT Chandra Asri Petrolchemical Tbk. He is also the Non-Executive Chairman of Rothschild for South East Asia and Frasers Logistics and Industrial Trust.



#### Thayaparan Sangarapillai

Aged 61, a Malaysian, was appointed to the Board of ABMB on 10 May 2016.

Mr Thaya had his accountancy training in London and qualified as a Chartered Accountant in 1982 and is a Fellow of the Institute of Chartered Accountants in England & Wales. Mr Thaya is also a member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants.

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

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

He is a Board member of the Malaysian Accounting Standards Board and is a Director of edotco Group Sdn Bhd and Robi Axiata Limited.



#### **Dato' Majid bin Mohamad**

Aged 62, a Malaysian, was appointed to the Board of AIS on 6 September 2013.

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

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

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

Dato' Majid's directorships in other companies are in AIBB, AIA Public Takaful Berhad and Pasdec Resources (South Africa) Ltd.



#### **Mazidah binti Abdul Malik**

Aged 57, a Malaysian, was appointed to the Board of AIBB on 18 January 2016.

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

Puan Mazidah served more than 30 years with Bank Negara Malaysia (BNM) which included stints at the Representative Office in New York and London, Labuan Offshore Financial Services Authority and the International Centre for Education in Islamic Finance. She has extensive experience in money market operations and trading and investments in the international fixed income markets having spent 16 years at the Treasury department of BNM.

Puan Mazidah also served in other departments of BNM in various capacities with exposure on issues relating to macroeconomic policy, risk management, communications and international relations.

#### Directors (cont'd)



#### **Dato' Yeoh Beow Tit**

Aged 67, a Malaysian, was appointed to the Board of AIBB on 17 May 2016.

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

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

Dato' Yeoh's other directorships in public companies include Great Eastern Life Assurance (Malaysia) Berhad, Overseas Assurance Corporation (Malaysia) Berhad, Danajamin Nasional Berhad, Cagamas SRP Berhad and Cagamas MBS Berhad.



#### Megat Dziauddin bin Megat Mahmud

Aged 70, a Malaysian, was appointed to the Board of Alliance Islamic Bank Berhad (AIS) on 28 August 2007.

Tuan Haji Megat Dziauddin holds a Bachelor of Science (Econs) (Hons) degree from the Queen's University of Belfast, Northern Ireland, United Kingdom and is a Fellow of the Institute of Chartered Accountants in Ireland as well as a Chartered Accountant with the Malaysian Institute of Accountants.

Tuan Haji Megat Dziauddin has more than 30 years of experience in senior management capacities. He had served Golden Hope Plantations Berhad as Group Director (Finance), Arab-Malaysian Merchant Bank Berhad as General Manager (Operations) and as General Manager (Investment), Bank Simpanan Nasional as Finance Manager and the Accountant-General's Department as Treasury Accountant.

Tuan Haji Megat Dziauddin is the Chairman of AlS. He also serves on the Boards of MNRB Holdings Berhad, MNRB Retakaful Berhad, Malaysian Reinsurance Berhad, Takaful Ikhlas Berhad and several private limited companies.



#### Md Ali bin Md Sarif

Aged 62, a Malaysian, was appointed to the Board of AIS on 23 March 2011.

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

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

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



## $\wedge$

#### Foziakhatoon binti Amanulla Khan

Aged 48, a Malaysian, was appointed as Chief Executive Officer (CEO) and Director of AIS on 24 September 2012. She also sits on the Board of AllianceDBS Research.

Puan Foziakhatoon holds a Bachelor of Arts (Hons) in Accounting and Finance from the University of Humberside, Hull, United Kingdom. She was recently conferred the inaugural "Chartered Banker" certification by the Asian Institute of Chartered Bankers and the Chartered Bankers, UK.

Puan Foziakhatoon has over 20 years of experience in the banking industry. She was the CEO and Executive Director of another local Islamic Bank before joining Alliance Islamic Bank. Prior to that, she led the Islamic Capital Markets Division of a local investment bank, where she was instrumental in structuring and advising on fixed income Islamic investment products.

### Directors (cont'd)

#### **Other Information of Directors of AFG**

#### (i) Family Relationship

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

#### (ii) Conflict of Interest

None of the Directors have any conflict of interest with the Company.

#### (iii) List of Convictions for Offences

None of the Directors have been convicted for any offences within the past 10 years.

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

There were nine Board Meetings held during the financial year ended 31 March 2016. Details of attendance of Directors at Board Meetings are as follows:

Name of Director	Attendance
Datuk Oh Chong Peng	9/9
Stephen Geh Sim Whye	9/9
Kung Beng Hong	9/9
Ou Shian Waei	9/9
Lee Ah Boon	9/9
Dato' Thomas Mun Lung Lee (retired on 25 September 2015)	4/4
Megat Dziauddin bin Megat Mahmud (retired on 25 September 2015)	4/4
Tan Yuen Fah (retired on 30 June 2015)	2/2

# CHIEF EXECUTIVE OFFICER





Aged 50, a Belgian, was appointed as the Group Chief Executive Officer (CEO) of Alliance Bank Malaysia Berhad on 1 January 2015 and Chief Executive Officer of Alliance Financial Group Berhad on 1 April 2015.

Mr Kornreich is an experienced banker with more than 24 years in the financial services industry. Before joining the Group, Mr Kornreich was with Citigroup for 20 years in various roles around the world. He possesses an excellent track record in managing some of Citi's retail banking businesses in various countries, built on superior service and innovative solutions.

Mr Kornreich's last position with Citi was as its Country Business Manager of Citibank Global Consumer Group, South Korea. Prior to his South Korean appointment, he managed Citi's Consumer Banking businesses in Indonesia and Russia, and served as CEO for Spain, Belgium and Greece. Before his tenure in Indonesia and Europe, Mr Kornreich was Citi's Marketing Director and Head of Mortgages and Liabilities for Asia Pacific, as well as Retail Banking Head for Singapore.

Mr Kornreich left Citi between 1998-2001 to join the Consumer Banking business of ABN AMRO Bank, as Head of Sales and Distribution for Asia, and Consumer Banking Business Manager for Indonesia and Hong Kong.

Mr Kornreich holds a Magna Cum Laude in Master of Science in Business Engineering from Solvay Business School in Brussels, Belgium.

Mr Kornreich does not have any family relationship with any other Directors and/or major shareholders of the Company. He does not have any conflict of interest with the Company, nor does he have any interest in the securities of the Company or its subsidiaries. He has not been convicted for any offences within the past 10 years.

# **KEY SENIOR MANAGEMENT**



**Kong Kim Yihe** 

Group Chief Operating Officer

Aged 52, a Malaysian, was appointed as Group Chief Operating Officer of Alliance Bank Malaysia Berhad on 23 March 2016.

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

Mr Kong has more than 28 years of experience in the information technology and the financial services industries, with stints in a global IT company, a multinational insurance company and local banking organisations that included Phileo Allied Bank and CIMB Bank. He managed the strategic technology directions of the banks, and was also involved in post-merger and acquisition integration of banks at a regional level.

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



#### **Victor Khor Eng Swee**

Chief Transformation Officer, Group Transformation & Transaction Banking

Aged 46, a Malaysian, joined Alliance Bank Malaysia Berhad in 2011 as Head of Transaction Banking. On 23 April 2012, he was appointed as Head of Transaction & Alternate Banking. Three years later, he was made Head of Group Transaction & SME Banking. Effective 11 April 2016, he was appointed as Chief Transformation Officer of Group Transformation and Transaction Banking,

Mr Khor holds a Bachelor of Commerce from the University of Newcastle, New South Wales, Australia.

He has over 25 years of extensive experience in banking and finance starting with Development & Commercial Bank (now called RHB Bank) before moving into the Information Technology sector where he worked mainly with the financial institutions as Sun Microsystem's Strategic Account Director of Financial Services Industry and Country Director of Financial Services for Malaysia and Thailand. Prior to joining Alliance Bank, he was with Hong Leong Bank Berhad where he held various senior positions.



#### **Suparman Kusuma**

Head, Group Consumer Banking

Aged 47, an Indonesian, was appointed as Head of Group Consumer Banking of Alliance Bank Malaysia Berhad on 23 July 2015.

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

He has over 24 years of extensive experience in Consumer Banking in areas of retail risk and credit, cards and loan product management, as well as wealth and branch network management, having worked in various banking institutions including Citibank, Emirates National Bank of Dubai, Tokyo Star Bank, Standard Chartered Bank in Taiwan, Hong Kong and Singapore, as well as Bank Danamon in Indonesia.

Prior to joining the Bank, Mr Suparman was the Managing Director, Consumer Banking for Bank Mega in Indonesia.



Christopher Yap Huey Wen

Head, Group SME Banking

Aged 42, a Malaysian, joined Alliance Bank Malaysia Berhad on 12 December 2013 as Head of SME, and was appointed as Head of Group SME Banking on 11 April 2016.

Mr Yap holds a Bachelor of Science degree in Business Administration from St. Cloud State University (Minnesota), USA.

He has over 19 years of experience in the banking industry including managing trade for SME and commercial banking in both regional and international banks in Malaysia and Singapore. Prior to joining Alliance Bank, Mr Yap led the national sales force for Enterprise Banking in a regional bank based in Malaysia.



**Jeff Tham Kok Kuen** 

Head, Group Corporate and Commercial Banking

Aged 46, a Malaysian, joined Alliance Bank Malaysia Berhad on 6 July 2015 as Head of Group Corporate & Commercial Banking.

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

Mr Tham has over 20 years of banking experience, mainly with HSBC Malaysia, and a short stint with United Overseas Bank. His banking experience includes operations and trade services, commercial and corporate banking, and credit underwriting.

Prior to joining the Bank, Mr Tham was HSBC's Country Head of Middle Market Enterprises, Commercial Banking with four regional directors in Malaysia reporting to him.



Tan Eng Kiang

Head, Group Financial Markets

Aged 52, a Malaysian, joined Alliance Bank Malaysia Berhad in July 2014 as Deputy Head of Financial Markets, and was appointed as Head of Group Financial Markets on 25 November 2014.

Mr Tan is an Associate member of The Chartered Institute of Management Accountants (UK).

He has over 20 years of experience in financial markets, having worked in several banks and banking groups in various capacities including sales, trading, funding and liquidity management. He also helped a foreign-owned bank set up an institutional clients sales for treasury-related activities.

#### Key Senior Management (cont'd)



#### Mahesh S/O Shri Pranlal Rupawalla

Chief Executive Officer, Alliance Investment Bank Berhad

Aged 54, a Singaporean, was appointed as Chief Executive Officer of Alliance Investment Bank Berhad (AIBB) on 21 April 2014.

Mr Rupawalla holds a Bachelor of Business Administration from the National University of Singapore and a Master of Finance from the Royal Melbourne Institute of Technology.

Mr Rupawalla has more than 25 years of experience in the financial services industry. He worked for nine years with the Monetary Authority of Singapore (MAS), and was its Assistant Director, Securities Industry Department when he left to join DBS Bank Ltd., Singapore. After more than a decade with DBS, he set out on his own to establish a firm offering consultancy services on corporate finance, acquisitions and fund raising to clients in South East Asia.

Prior to joining AIBB, Mr Rupawalla served as the Chief Executive Officer of HwangDBS Investment Bank for 3 years.



#### Foziakhatoon binti Amanulla Khan

Chief Executive Officer, Alliance Islamic Bank Berhad

Aged 48, a Malaysian, was appointed as Chief Executive Officer and Director of Alliance Islamic Bank Berhad on 24 September 2012.

Puan Fozia holds a Bachelor of Arts (Hons) in Accounting and Finance from the University of Humberside, Hull, UK. In 2015, Puan Fozia was conferred the title of "Chartered Banker" by the Asian Institute of Chartered Bankers and the Chartered Banker Institute (UK).

Puan Fozia has over 22 years of experience in the banking industry. She was formerly the CEO and Executive Director of a local Islamic Bank, She had led the Islamic Capital Markets Division of one of the largest banks in Malaysia, where she was instrumental in structuring and advising on fixed income Islamic investment banking products. She also headed the team that concluded the first mortgaged back and Islamic sub debt transactions.



#### **Raymond Wong Lai Loong**

Group Chief Financial Officer

Aged 54, a Malaysian, was appointed as Group Chief Financial Officer of Alliance Bank Malaysia Berhad on 1 December 2015. He is a fellow member of the Chartered Institute of Management Accountants & Chartered Global Management Accountants.

Mr Wong brings with him more than 30 years of experience in the banking industry, having served two leading global and regional banks in Malaysia as Chief Financial Officer and Financial Controller for the past 13 years.

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



**Aaron Sum Wei Wern** 

Head, Group Strategy & Performance Management

Aged 37, a Malaysian, joined Alliance Bank Malaysia Berhad on 6 December 2010 as Senior Vice President, SME Banking Strategy. He was appointed as Head of Group Franchise Management (now named Group Strategy and Performance Management) on 1 April 2015.

Dr Sum holds a PhD in Engineering from the University of Nottingham and a Bachelor of Engineering from the University of Manchester, UK. He has more than 16 years of combined management consulting, research and industry experience. He previously held consulting positions with Accenture Strategy Consulting and A.T. Kearney, and worked with banks across the ASEAN region, particularly in Malaysia and Indonesia. Dr Sum's key expertise is in business strategy, operating model design, customer experience transformation and process optimisation.



**Peter Fong Seow Loong** 

Group Chief Credit Officer

Aged 48, a Malaysian, was appointed as Group Chief Credit Officer of Alliance Bank Malaysia Berhad on 10 February 2014.

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

Mr Fong has over 23 years of experience in the banking industry in both local and regional settings. He began his career with HSBC Bank and was involved in various banking functions in the organisation including corporate risk, recovery, credit assessment, corporate policy and portfolio management, including two years at HSBC Hong Kong as its Senior Manager, Asia Pacific Risk.

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



**Pang Choon Han** 

Group Chief Risk Officer

Aged 50, a Malaysian, joined Alliance Bank Malaysia Berhad in 2006 as Head of Group Market Risk. He was appointed Group Chief Risk Officer in August 2010.

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

Mr Pang has more than 25 years of experience in the banking industry. He began his career in Resorts World Berhad (Genting Group), before joining Maybank in 1990. He started off in Internal Audit, before switching career path to Risk Management in 2001. His previous responsibilities include reviewing controls across Head Office business and support functions, overseas branches and banking subsidiaries; establishing risk frameworks, policies and limits; supplementing supervisory controls; and monitoring risk exposures.

#### Key Senior Management (cont'd)



**Chew Siew Suan** Head, Group Human Resource

Aged 58, a Malaysian, was appointed as Head of Group Human Resource on 3 October 2011. She has more than 30 years of experience in Human Resource Management and Development.

Ms Chew, who holds a Bachelor of Economics degree from University Malaya, began her career in Training and Development and subsequently moved into HR Management with a manufacturing company with outfits in Malaysia and overseas. She later joined Hong Leong Bank Berhad as Head of Human Resource where she oversee the HR functions for the banking and finance entities.

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



**Manuel Bulens** Group Chief Administrative Officer

Aged 38, a Belgian, was appointed as Group Chief Administrative Officer of Alliance Bank Malaysia Berhad on 1 December 2015.

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

He has more than 15 years of experience in the financial services industry, including financial consulting and banking.

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



**Leong Sow Yoke** Group Chief Internal Auditor

Aged 55, a Malaysian, joined Alliance Bank Malaysia Berhad on 8 December 2010 as Group Chief Internal Auditor.

Ms Leong is a Fellow of The Association of Chartered Certified Accountants (FCCA), a Chartered Accountant with the Malaysian Institute of Accountants, a Certified Information Systems Auditor (CISA) and Certified in Risk and Information Systems Control (CRISC). Ms Leong was conferred the title of "Chartered Banker" by the Asian Institute of Chartered Banker and the Chartered Banker Institute (UK).

Ms Leong has more than 30 years of external and internal audit experience that includes general and information systems audits. She was an auditor with an auditing firm and a large conglomerate before joining the banking sector. Ms Leong was previously Head of Internal Audit for Overseas Union Bank (Malaysia) Berhad and United Overseas Bank (Malaysia) Berhad.

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



**Ang Lek Hui** *Head, Group Compliance* 

Aged 51, a Malaysian, joined Alliance Bank Malaysia Berhad in October 2014 as Head of Operational Risk Management before his appointment as Head of Group Compliance on 13 August 2015.

He is a fellow member of the Association of Chartered Certified Accountants and Association of Accounting Technicians of the United Kingdom.

Mr Ang brings more than 21 years of working experience in audit and banking. He started his career in the United Kingdom as an external auditor and later joined KPMG Malaysia. His banking experience was mainly with Citibank, first as its Chief Internal Auditor, Chief Country Compliance Officer, and finally as the Regional Product Risk Manager, overseeing the risk management of products within Treasury & Trade Solutions and Security & Fund Service for the Asia Pacific region. He was also the coordinator for the Asia Pacific Fiduciary Oversight Committee.



**Lee Wei Yen** Group Company Secretary

Aged 51, a Malaysian, joined Alliance Financial Group Berhad on 1 April 2004.

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

He has a strong background in corporate actions of public listed companies, with wide exposure to the management and financial services industry.

Prior to joining Alliance Financial Group, Mr Lee was the Assistant General Manager of a management company providing corporate secretarial and share registration services.

#### Other information of Key Senior Management:

#### i. Family Relationship

None of the Key Senior Management have any family relationship with any director and/or major shareholders of the Company.

#### ii. Conflict of Interests

None of the Key Senior Management have any conflict of interest with the Company.

#### iii. List of Convictions for Offences

None of the Key Senior Management have been convicted for any offences within the past 5 years.





# STATEMENT BY CHAIRMAN OF ALLIANCE FINANCIAL GROUP BERHAD



Dear Shareholders,

I am pleased to report that Alliance Financial Group Berhad has shown satisfactory results in FY2016 despite multiple global and domestic headwinds. The Group maintained stable financial health and risk-bearing capacity under intense competition for earnings.

**Datuk Oh Chong Peng** Chairman, Alliance Financial Group Berhad

The banking landscape has become more complex, driven by customer behaviour, digital technology and introduction of new regulations. Over the past year, we focused on optimising our business while devoting resources to research and analytics to help redefine our brand, identify opportunities and roll-out strategies to improve performance. The foundation is laid for more sustainable profit growth and greater balance sheet efficiency.

#### Challenging Operating Environment

The sluggish recovery of the global economy, fraught with uncertainties and a slump in commodity prices, created a challenging operating environment and downside risks to growth. While the United States Federal Reserve raised interest rates for the first time in a decade, concerns persisted over slowing world trade, moderating growth in emerging markets, in particular, China, and the fragility of recovery in advanced economies.

# Maintaining Shareholder Value And Financial Resilience

Despite such challenging circumstances for the banking industry, the Group returned a steady financial performance. The Group's profit after tax was RM522 million, a 1.6% decrease from a year ago, primarily due to lower bad debt recoveries. Earnings per share was marginally lower at 34.2 sen as compared to 34.8 sen in the previous year. Return on equity (ROE) was 11.2%.

Our net interest income grew by 3.3% to RM847.8 million, driven mainly by a 4.9% increase in loans and proactive management of funding costs. Other operating income decreased by 1.5% to RM332.2 million due to lower trading gains from the sale of securities and revaluation of financial assets.

Having surpassed the RM50 billion mark in the last financial year, the Group's total assets continue to rise 4.7% to RM55.6 billion from RM53.1 billion previously.

We further strengthened our capital position. As at 31 March 2016, the Group's Total Capital Ratio rose to 17.4%, positioning the Group as among the highest in the industry. Common Equity Tier 1 ratio remains healthy at 11.8%.

The Board has proposed a second single tier interim dividend of 6.5 sen per share. Together with the first interim dividend of 8.0 sen per share paid out on 18 December 2015, the FY2016 total dividend amounts to 14.5 sen per share. This represents a total payment of RM224.5 million or 43% from the year's net profit after tax. This underlines our progress in creating sustainable value for shareholders.

The sound financial health of the Group was reaffirmed by RAM Rating Services Berhad; the ratings agency gave Alliance Bank the long and short-term financial institutional rating of A1 and P1 respectively in September 2015.

# **Driving An Innovative Work Place**

As at 31 March 2016, the Alliance family has over 3,700 employees working in various capacities throughout Malaysia. We continue to engage and motivate employees to maximise their potential, as well as attract and retain the best talent to ensure they are able to respond effectively to customers and improve financial performance.

# Making A Difference In Communities

Corporate responsibility remains an integral part of the Group's strategy. What we do is closely aligned to our business and the Alliance brand such as our initiatives to inculcate smart money habits in children and empowering young people in businesses. Our initiatives have drawn good response and we will continue with our efforts to support local communities in financial education and employee volunteerism.



Local Leaders' Talkshop with Jonathan Yabut, Season 1 Winner of The Apprentice Asia.

#### **Prospects Ahead**

Economic conditions are likely to remain volatile with the persisting uncertainties over global growth. The economic rebalancing in China, monetary policy normalisation in the United States and uncertain outlook in oil price and other commodities are likely to continue to weigh heavily on growth and financial stability.

In Malaysia, growth is expected to be moderate. Bank Negara Malaysia has forecasted a lower gross domestic product (GDP) growth of 4% to 4.5% for 2016 with domestic demand remaining the principal driver of growth.

The key challenge is how to better adapt to the new realities before us and tap the opportunities to strengthen our relationships with customers by helping them navigate through the shifting landscape.

We will do so by leveraging on our franchise strengths, especially in the consumer and SME banking segments, to deliver good value to our customers. We will also continue to explore innovative ways to add value and help build a profitable future for our customers, one that will enable them to fulfill their life's aspirations.

We expect that with these actions, the Group will be able to keep to its priority of sustainable profitability and produce satisfactory performance in the year ahead.



Happy school children at the AEIOU Financial Comic Strip Challenge Prize Giving Ceremony.

Underscoring our commitment to creating shareholder value, our return on equity target of 15% and longer-term ambition of making dividend payments up to 60% of net profit remain unchanged despite the tougher environment.

#### **Acknowledgment**

On behalf of the Group, I would like to thank our shareholders and customers for their support and belief in us. I would also like to express my deepest appreciation to our employees, the Bank board, investors and business partners for their continuing trust and loyalty to the Group.

We also take this opportunity to thank Bank Negara Malaysia, the Securities Commission Malaysia, Bursa Malaysia Securities Berhad and other regulatory authorities for their continued support and guidance.

I would like to also thank my fellow directors for their invaluable contribution and commitment to their board responsibilities, especially Dato' Thomas Mun Lung Lee, Tuan Haji Megat Dziauddin bin Megat Mahmud and Mr Philip Tan Yuen Fah who have retired during the year.

#### **DATUK OH CHONG PENG**

Chairman, Alliance Financial Group Berhad

# STATEMENT BY CHAIRMAN OF **ALLIANCE BANK MALAYSIA BERHAD**



I am pleased to report that Alliance Bank Berhad delivered Malaysia sustainable growth in earnings for FY2016 despite the tough and competitive economic environment at home and around the globe.

**Dato' Thomas Mun Lung Lee** Chairman, Alliance Bank Malaysia Berhad

The Bank's position as the leading banking partner for small and medium enterprises (SMEs) was reaffirmed three times during the year. We are proud that Alliance Bank Malaysia Berhad was honoured with two more regional awards and the domestic "Sahabat Negara SME" for the sixth consecutive year. We continued with our efforts to contribute meaningfully to the success of business owners, the prosperity of the local economy, and to the benefit of all our shareholders.

Our commitment and the priority we give to help build the financial success of our customers have contributed, to a large extent, to the Bank's sustained performance for the financial year ended 31 March 2016.

#### **Operating Environment**

During the past year, anxieties over the state of the global economy and the retreat in commodity prices created huge uncertainties and downside risks to growth. Despite the challenges, Malaysia's Gross Domestic Product (GDP) was 5% due to the diversified structure of its economy and a stable export sector. Bank Negara Malaysia (BNM) kept monetary policy steady and remained accommodative in support of economic activity. In February 2016, BNM reduced Statutory Reserve Requirement (SRR) for banks from 4% to 3.5% to ensure sufficient liquidity in the domestic financial markets.

#### **Financial Performance**

Against this economic backdrop and more pronounced competition in the banking sector, the Bank and its subsidiaries delivered a net profit after tax of RM520 million, on the back of RM1.4 billion in revenue. The higher revenue was driven mainly by growth in interest income from better Risk Adjusted Return loans, better pricing discipline as well as higher noninterest income.

Loans growth in the SME sector remained strong at 19.7% year-on-year, while gross impaired loans ratio was at 1.3% compared to the industry average of 1.6%.

Total deposits increased 3.1% to RM46.1 billion, of which RM14.8 billion were current and savings accounts (CASA), resulting in a CASA ratio of 32.1%, the highest in the industry.

#### **Strong Capital Structure**

During the year, the Bank finalised a RM4 billion funding programme to enhance its capital and funding structure to support its growth over the medium and longterm. It comprised of a RM1.5 billion in Senior Medium Term Notes (Senior MTN). RM2 billion in Subordinated Medium Term Notes (Sub-MTN) and RM500 million in Commercial Papers in the course of the next seven years.



As at 31 March 2016, RM1.2 billion of Sub-MTNs have been issued. After the completion of this issuance, the Bank's Total Capital Ratio improved to 17.4%, making it one of the strongest in the industry.

To support future business expansion, a capital injection of RM100 million was made into our subsidiary, Alliance Islamic Bank (AIS) to strengthen its capital structure and support its growth.

We foresee AIS making a strong bid for a bigger share of the Islamic banking sector and increasing its contribution to Group earnings. As at 31 March 2016, AIS has already increased its contribution to overall revenue to 15.1% (FY2015: 14.2%).



Alliance Bank staff children at AEIOU Challenge: Staff Member Edition.

# The Difference Lies In Our People

Our on-going efforts to encourage a people-focused workplace have also resulted in three regional and two local awards. Most notably, for the second consecutive year, the Bank won the regional Retail Banker International Asia Trailblazer Awards for "Best Graduate Employment Scheme — Retail Bank". We were also recognised as one of Malaysia's 100 Leading Graduate Employers for the fourth consecutive year from a survey of 20,000 university students across Malaysia.

The market recognition of our human resources and talent development programmes speaks well of our efforts in fostering an effective delivery culture. I'm proud of how our employees are responding to efforts to develop and help them maximise their potential.

We value the support of our employees and want to continue being an employer of choice. To achieve this objective, we have put in place various development programmes for all levels of management and staff to ensure that we remain competitive and excel in delivering our products and services to our customers.

#### **Corporate Responsibility**

We continue to receive overwhelming positive response to our efforts to educate, mentor and fund SMEs through the

Alliance BizSmart Academy, i.e. Young Entrepreneurs' Conference series, SME Innovation Challenge, CEO Chatroom and BizSmart Community events. These initiatives deepen the Alliance brand as the bank for the next generation of businesses.

We are also extremely pleased that over 14,000 pupils from 50 schools around the nation learned smart money habits through our latest financial literacy programme for children, the Alliance Bank AEIOU Financial Comic Strip Challenge 2015. This programme was in support of BNM and the Ministry of Education's focus on financial education.

Our other corporate responsibility efforts include supporting communities through fund raising and employee volunteerism.

#### **Prospects**

The uncertainties of the global economy will continue to affect heavily on Malaysia's macro fundamentals and business sentiment.

For the Bank, we have already set our priorities for the immediate term and are now focusing on building the future, even as we reshape our model to help business owners grow their businesses.

We have taken robust steps in strengthening our security infrastructure across our operations to protect our customers from fraud risks and cyber security threats. I believe our proven business model and strong balance sheet have laid the foundation for the Bank's sustainable financial performance despite the difficult economic landscape. We look to the new financial year with optimism.

#### **Acknowledgment**

After slightly more than a decade with the Bank, I shall be finishing my term as Chairman and director of the Bank. I would like to thank my fellow Board members, management and employees for their counsel, support, hard work and contribution to help the Bank throughout my tenure at the Bank. It has been a rewarding and enjoyable time for me thanks to all their support. Although I am sad, I am happy to leave the Bank in good hands.

I would also like to thank our shareholders, customers, stakeholders and business partners for their continued support and confidence in the Bank.

To Datuk Oh Chong Peng and the Board of Directors of our holding company, Alliance Financial Group Berhad, I extend my appreciation for their insights, advice and encouragement.

Two senior directors will be retiring soon. Mr Philip Tan Yuen Fah who has served for many years as Chairman of the Risk and Audit Committees, and Tuan Haji Megat Dziauddin bin Megat Mahmud who has served many years as Chairman of the Audit Committee and Chairman of our Islamic Bank. I wish to thank them very much and wish them all the best for the future. I warmly welcome Mr Henry Ho Hon Cheong and Mr Thaya Sangarapillai to the Bank's board who bring with them valuable experience and expertise.

I would also like to express my sincere thanks and gratitude to Bank Negara Malaysia, the Securities Commission Malaysia, Bursa Malaysia Securities Berhad and other government agencies and regulatory authorities for their continued support, guidance and assistance to the Bank.

#### DATO' THOMAS MUN LUNG LEE

Chairman, Alliance Bank Malaysia Berhad





# **BUSINESS AND OPERATIONS REVIEW** BY CHIEF EXECUTIVE OFFICER OF **ALLIANCE FINANCIAL GROUP BERHAD**



I am pleased to report that the Group continued to perform well for the financial year ended 31 March 2016 (FY2016) despite headwinds that moderated Malaysia's gross domestic product (GDP) growth to 5% in 2015. In our report this year, we will share with you our financial performance, franchise building initiatives and opportunities for growth in the coming year.

**Joel Kornreich Chief Executive Officer** 

For the Malaysian banking sector, tightening liquidity and the associated increase in funding costs continued to put pressure on net interest margins, adding to these headwinds. A moderate uptick in credit costs further dampened industry profitability.

We were able to deal with these issues by focusing on optimising our business, while also building the foundations for a strong future.

To optimise our business, the Group pursued three lines of action:

- strengthening the balance sheet;
- improving efficiency in asset generation; and
- keeping the Group safe by reinforcing controls and risk management.

#### **Financial Performance**

Our disciplined execution of these priorities enabled the Group to deliver a net profit after tax of RM522 million and a return on equity (ROE) of 11.2%.

This net profit after tax was marginally lower (1.6%) than prior year mainly due to fewer write backs of loan loss provisions. Pre-provision operating profit declined slightly by 0.1% year-on-year (YOY) to RM735.2 million.

Growth in our Consumer Banking and Business Banking Divisions drove total income for FY2016 to RM1,424 million, an increase of RM41.2 million (3%) over prior year.

In particular, net interest income grew 3.3% YOY thanks to higher risk adjusted return (RAR) loans and better pricing discipline. Excluding last year's one-off non-recurring gains, non-interest income improved by 8.7% YOY.

Non client-based fee income grew 14.4% YOY as a result of gains from financial instruments, derivatives and foreign exchange. Excluding exceptional items, client-based fee income was affected by the weaker operating environment and declined by 1.3% YOY.

Operating costs increased by 6.5% YOY, primarily due to franchise research, Goods and Services Tax (GST) cost, personnel cost and deposit insurance premium.

The cost-to-income ratio stayed healthy at 48.4% for the year, which is significantly below industry average.

We expect the cost-to-income ratio to remain below 50% due to cost control and productivity improvements, while continued revenue growth will allow us to fund targeted franchise investments.

#### **Continuing To Deliver Shareholder Value**

With an ROE for the year of 11.2%, and net assets per share improving to RM3.13 from RM2.90 a year ago, the Group proposed a second interim dividend of 6.5 sen, bringing the total dividends declared to 14.5 sen per share for the year, representing 43% of the net profit after tax.



	FY2016	FY2015	Growth	Growth
Summarised Income Statement	RM million	RM million	RM million	%
Net Interest & Islamic Banking Income	1,092.0	1,045.7	46.3	4.4
Non-Interest Income	332.2	337.3	(5.1)	(1.5)
Net Income	1,424.2	1,383.0	41.2	3.0
Operating Expenses	(689.0)	(647.0)	(42.0)	(6.5)
(Allowance for)/Write-back of loans and impairment provisions	(40.6)	(32.9)	(7.7)	(23.4)
Profit Before Taxation and Zakat	694.6	703.1	(8.5)	(1.2)
Net Profit After Taxation	522.0	530.8	(8.8)	(1.6)
Summarised Balance Sheet	RM million	RM million	RM million	%
Net Loans, Advances and Financing	38,410.7	36,566.0	1,844.7	5.0
Investment and Dealing Securities	10,156.7	11,513.6	(1,356.9)	(11.8)
Total Assets	55,627.0	53,141.5	2,485.5	4.7
Deposits from Customers	46,024.9	44,606.8	1,418.1	3.2
CASA Deposits	14,771.6	14,990.0	(218.4)	(1.5)
Shareholders' Funds	4,842.0	4,495.1	346.9	7.7

# Strengthening The Balance Sheet

#### **Healthy Funding and Deposit Growth**

In a very competitive market, we grew our customer deposits by 3.2%, to RM46 billion. This compares to an industry-wide contraction of 1%.

We maintained a current and savings accounts (CASA) ratio of 32.1% as at March 2016, far above the industry average of 25%.

In the same period, we improved our loan to deposit and loan to fund ratios to 84.2% and 80.1% respectively.

#### **Strong Capital Ratios**

To further strengthen our capital position, we issued a total of RM1.2 billion of Tier-2 Subordinated Medium Term Notes.

As a result, in addition to a healthy Common Equity Tier 1 Capital Ratio of 11.8%, the total Capital Ratio of the Group improved to 17.4% vs. 13% a year ago. This is among the strongest in the industry.

#### Improving Asset Generation Efficiency

We developed and implemented an asset efficiency strategy, using portfolio analytics and risk based pricing to optimise the RAR of our loans portfolios and to ensure adequate stress loss absorption.

This was executed through better pricing discipline at origination, the re-pricing of segments of the loans portfolio that did not meet our stress loss coverage, and a change in the origination mix toward higher RAR loans.

At the same time, we improved the profile mix, particularly in unsecured consumer lending, to lower risk and higher income segments.

In this context, we continued to grow our assets by focusing on better RAR loans, namely small and medium enterprise (SME), commercial and consumer unsecured loans, which grew five times as fast in percentage terms as lower RAR loans.

Net loans and advances grew 5% YOY to RM38.4 billion overall. Our SME segment grew 19.7% YOY, maintaining excellent asset quality with a gross impaired loans ratio of 1.1%.

This has helped us to maintain our margins despite rising funding costs, while at the same time containing our credit costs, currently placing us near the top of the industry in net interest margins and ROE.

Our overall gross impaired loans ratio is at 1.3%, compared to an industry-wide 1.6%, and our loan loss coverage improved to 109.1% from 102.7% a year ago.

# Reinforcing Controls And Risk Management

Our policies, limits and operational controls are subject to regular reviews to ensure that they are working as intended and support our business activities, and we conduct regular simulations and stress tests to ensure we have ample resources to weather the impact of numerous severe scenarios.

# Business and Operations Review by Chief Executive Officer of Alliance Financial Group Berhad (cont'd)

In order to protect the franchise and our customers from emerging threats we have strengthened our cyber and fraud risk management, for example in implementing malware and fraud detection software to protect our allianceonline users. Furthermore, we launched EPF kiosks in the branches to prevent application frauds.

All issues are now being tracked centrally by Group Operational Controls and reviewed frequently in our Senior Management meetings. This has improved group-wide awareness and accountability and ensures focus on timely resolution.

We have also developed a Sales Surveillance framework to ensure that our sales are being conducted with strict adherence to our internal standards and in compliance with regulatory requirements.

In addition, we have formed a centralised complaints management department to speed up and improve our response to customer complaints.

The Senior Management team meets in our monthly Service Council to discuss this feedback so we can improve our processes and practices for higher client satisfaction.

# **Building Foundations For The Future**

In the past year, we centralised our Decision Management resources under our Group Strategy Division, and have created dedicated Research and Performance Management Departments, also under Group Strategy, in order to validate, plan and execute new customer value propositions and strategies for the Group.

Central to this is Forward Positioning Research (FPR) which is leading us to develop a much sharper brand positioning, supported by well researched value propositions for consumers, businesses and business owners.

These new value propositions were generated with the help of many of our employees and clients, and are undergoing final validation. Work has started on execution and we expect to roll out some of these new offerings in 2016.

In the past year, we have implemented more robust measurements of customer experience (such as the Net Promoter Score and Brand Usage & Attitude studies), to determine the key drivers to satisfaction and how we compare against our competition.

The conclusions from these studies have helped us prioritise business and process transformation initiatives to raise the bar on client excellence.

They have also confirmed our belief that the Bank's relationship with business owners is our central strength and competitive advantage.

Knowing that our core mission is to serve the needs of business owners, for their business as well as for their family, their employees and their clients, we have intensified our focus on a close collaboration between our Lines of Business.

Be it Consumer, SME, Commercial and Corporate, Islamic, and Investment Banking, we aim to present a fully coordinated service to business owners so we can support their success in funding their business, running their business, and getting more business.

In addition to this, we have introduced more rigorous Performance Management processes and disciplined tracking of our business productivity by focusing on key leading indicators, enabling us to drive greater predictability of financial performance against our goals.

#### **Highlights Of Our Businesses**

#### **Consumer Banking**

During the year, Consumer Banking's net interest income grew 6%, reflecting our focus on higher RAR loans, and its total revenue increased 4.5%.

Sound risk management resulted in lower credit costs of 17.1 bps vs. 21.4 bps in FY2015.

Credit card acquisition increased 36% YOY, and new spend recorded a 5% YOY growth, while the industry grew at 3%.



Alliance Bankers with business partner, iPay88.

In January 2016, we launched the Visa Infinite Business Credit Card, the first in Southeast Asia, to support businesses with savings and enhanced rewards.

New personal loans disbursement grew 101% YOY, thanks to campaigns centred on speed and convenience, while at the same time we focused on lower risk and higher income segments. As a result, credit costs stayed low, while our portfolio balance grew 30% to RM1.09 billion.

In 2015, we expanded our wealth management product offering for our customers. We also entered into a partnership with Amanah Saham Nasional Berhad enabling us to offer an additional range of dividend funds.



With our partner, RinggitPlus.com.

Our Bancassurance business continued its successful development, and achieved 83% growth in Annualised Premium Estimate (APE), from RM33.8 million to RM61.9 million.

In May 2015, we launched the Elite Global Annuity (EGA), the first single premium annuity product that generates a recurring annuity income stream to the policyholder.

The EGA won a 'Highly Commended' citation in the "Best Bancassurance Product" category at the 7th Retail Banker International (RBI) Asia Trailblazer Awards 2016 in Singapore.

To tackle the volatility and uncertainty of the Malaysian equity market in 2015, our Share Trading & Investment Lending (STIL) unit worked closely with the Investment Banking unit to offer customers specialised services in direct equities and share margin financing solutions.

Prudent risk management ensured that our Share Margin Financing business registered no credit losses in FY2016.



With Alliance Bank's bancassurance partner, Manulife Holdings Berhad.

# Group Transaction & SME Banking

The Bank continues to employ technology and channel investments to accelerate deposit growth and promote the use of e-channel and e-Payments by businesses, consumers and government or statutory bodies.

Consequently, we saw a 21% increase of SME, Corporate and Commercial Banking customers who now use Alliance BizSmart Online Banking services; Consumer Banking customers who use the services of allianceonline personal increased 17%.



The Bank continues to strengthen its position as the bank of choice for SMEs through Bank-wide concerted efforts to support their success.

This resulted in a segment loans growth of 19.7% YOY to RM8.96 billion. At the end of March 2016, SME loans represent 23.1% of the Bank's portfolio, with gross impaired loans ratio of 1%.



Alliance Bankers with the senior management team of Press Metal Berhad.

During the year, continuous improvements were made to our product offering and services. For example, we expanded our Equipment Financing programme to a wider range of industries to help more SMEs improve production efficiency.

We continue to receive recognition from our peers in the industry for our efforts in helping SME companies grow. These include the "Sahabat SME Negara" by the SMI Association of Malaysia, for the sixth consecutive year.



Finalists of the SME Innovation Challenge 2015 during the CEO Chatroom session.

#### **Business and Operations Review** by Chief Executive Officer of Alliance Financial Group Berhad (cont'd)



Alliance Bankers with the senior management of Gemilite Sdn Bhd.

Alliance Bank was named "SME Bank of the Year" at the Asian Banking & Finance Retail Banking Awards 2015 in Singapore and also highly commended for its "Excellence in SME Banking" at the RBI Asia Trailblazer Awards 2016.

Our efforts extend beyond supporting the success of SMEs with good products and proactive service: for the third consecutive year, we organised the Alliance Bank BizSmart Academy SME Innovation Challenge. This programme includes training, mentoring and funding to assist young start-ups to succeed. The six winning businesses received a total of RM1 million's worth of prize money and media package.

As a prelude to the Challenge, we extended the Young Entrepreneurs' Conference this year to five major cities across the country to provide potential entrepreneurs the opportunity to learn from each other. Altogether, the Conference attracted more than 2,000 participants.

As ensuring the financial success of business owners is central to our mission, we organised structured training programmes for them to share insights on the National Budget, Trade and Foreign Exchange, and GST.

#### **Corporate And Commercial Banking**

The Corporate and Commercial business, which serves mid-to-large businesses, continues to be one of the main contributors to the Group's bottom line. It accounts for 25% of the Bank's total loan assets and

29.4% of the total pre-tax profit. Loans net interest income rose 9.6% and the Division recorded 4.4% loans growth.

We stay connected with our customers through our client annual engagement events, including Durian Fiesta, Alliance Bank Golf Tournament and festive engagements.

#### **Financial Markets**

Global financial and capital market volatility affected Malaysia, particularly in the second half of 2015, when weakening crude oil prices and commodity prices caused a sharp depreciation of the Ringgit.

Despite the challenges and unfavourable environment, the Financial Markets division contributed 30.9% to Group pre-tax profit in FY2016.

With markets expected to remain volatile, there is a greater need for comprehensive treasury and capital market risk solutions to help our customers manage interest rates and foreign exchange risks, and find yield enhancing opportunities. This led us to set up a Structured Solutions desk.

We are also diversifying the underlying assets classes of our structured investment products to offer a broader range of risk management and yield enhancement tools to our clients, both retail and institutional. These asset classes will include equity, commodities and credit, in addition to interest rates.



Helping to build Malaysia together with Pertama Crane & Engineering Sdn Bhd.

#### **Islamic Banking**

This year, our Islamic Banking subsidiary, Alliance Islamic Bank Berhad (AIS), enjoyed better balance sheet efficiencies, resulting in revenue growth of 10.7% while growing assets only 7%.

AlS also grew customer deposits by 23.5% and contributed 15.1% to the Group's overall revenue.

During the year, AlS introduced Alliance Elite Account-i, a new high-return current account product for our Alliance Personal and Alliance Privilege Banking customers. We also launched a new *Tawarruq*-based Islamic money market deposit product. These products add on to the already extensive suite of deposit products.

Most notably, in close collaboration with the Group's other divisions, AIS took an overall strategic business development role focussing on key relationships with private businesses, public institutions and Governmental organisations to deliver value to the clients' entire franchise, including the client's own customers, partners, suppliers and employees.

AIS also implemented a diversified high RAR growth strategy, while focussing on improving its funding ratios and achieving better-than-industry asset quality, and received a capital injection of RM100 million from Alliance Bank in December 2015 to support its growth plans.

This had improved AIS' CET1 and Total Capital Ratios to 13% and 14.1% respectively.



At the Launch Ceremony of e-Insolvensi by the Malaysia Department of Insolvency.

#### **Investment Banking**

The Group's investment banking arm, Alliance Investment Bank Berhad (AIBB) provides a wide range of services, including stockbroking, corporate advisory, underwriting and placement of equity securities, private debt securities, loan syndication, and corporate banking and treasury services.

In the past year, investment banking activities across the industry were dampened by weak sentiment and lower corporate earnings. Nonetheless, AIBB achieved a net profit after tax of RM15.7 million.

Our research partnership with DBS Vickers Securities Pte Ltd., through 51%-owned AllianceDBS Research Sdn Bhd, provides us with new avenues to broaden our scope of offerings to clients. The collaboration with DBS' team of analysts across various South East Asian countries enables us to tap into expertise in different regional markets.

Our Institutional Sales team's performance continues to improve as it expands its clientele base, resulting in 12% growth of gross brokerage revenues over prior year.

We are currently upgrading our front office trading system to facilitate Direct Market Access (DMA) and multi market trading. In the medium term, we will continue to focus on building and reinforcing our relationships with clients to grow franchise value.

This year, AIBB hosted its 3rd AIBB Corporate Day in Kuala Lumpur, which was attended by 150 fund managers and representatives from government-linked investment companies and private companies. The event was very well-received, thanks to insights into growth opportunities and discussions on the equity market. Minister in the Prime Minister's Department, YB Senator Dato' Seri Abdul Wahid Omar delivered the keynote address centred on the 11th Malaysian Plan and the final stretch to Vision 2020.

As a result of these efforts AIBB was ranked 8th for both "Best Execution" and "Best Sales Team" category in the Asiamoney Brokers Poll 2015, an improvement from the previous position of 14th and 12th respectively.

During the year, we helped raise RM86 million via equity offerings on Bursa Malaysia and completed the establishment of three new debt programmes with a total nominal value of RM4 billion.

This enabled AIBB to reach 4th place on the RAM Lead Manager's League Table for Private Debt Securities and Sukuk Issues for the year ended 31 December 2015.



Senior executives from Alliance Investment Bank and DBS Vickers Securities during the "Pulse of Asia" Corporate Day 2015.

# Business and Operations Review by Chief Executive Officer of Alliance Financial Group Berhad (cont'd)

AIBB was also a joint lead manager for Cagamas Berhad's RM800 million conventional medium term notes issued in March 2016.

In line with the Group's focus on the financial success of business owners, AIBB stepped up its collaboration efforts with the Group's Corporate and Commercial division.

Together, we provided a broader palette of options to help business owners and their companies gain access to a greater range of funding solutions, including equity and debt capital markets.

#### **Group Technology**

The Technology Division implemented numerous initiatives to ensure the Bank's systems and technology infrastructure continue to efficiently support strategic business needs, mitigate cyber security risks, meet compliance requirements, as well as address capacity and performance.

#### They include:

- Upgrading our Service Oriented Architecture infrastructure to enhance integration resiliency for business-to-business and businessto-customer initiatives. This enables new products and cross application services to be made available to various banking channels quickly and efficiently;
- New customer touch point for Contact Centre via Web chat. This provides a secure chat channel between our customers and us via our Internet banking website; and
- The enhancement of cyber-security measures through the upgrade of security infrastructure devices to strengthen protection and improve performance.

For its implementation of the Core Banking System Technology Refresh project which supports core banking and credit card systems, the Bank was highly commended for its "Best Technology Implementation — Back Office" at the Customer Experience in Financial Services Asia Awards 2015.

# Optimising Operational Excellence

To support the Group's franchise building and management, the Group has enhanced the processing tools to deliver excellent customer experience at a healthy cost-to-income ratio. These include:

- Digitising loan security documents to ease loan processing;
- Obtaining ISO 9001:2008 certification for Trading and Central Depository System (CDS) account opening and re-certification:
  - Branch counter and transaction processing for cash and cheques for current, savings and fixed deposit accounts;
  - Trade finance transactions processing of Trust Receipt and Bankers' Acceptance; and
  - Treasury services processing.

To reaffirm our commitment to Operational Excellence, we will continue to certify other operational processes under ISO 9001:2008.

We were able to improve our service delivery at the branch; today, 86% of our customers are served within 6 minutes (FY2015: 82%). We have also enhanced our Customer Relationship Management System, integrating data from various systems and simplifying processes. All our e-Lobbies are now upgraded and equipped with the full suite of e-Banking Self-Service Terminals.

#### **Developing Our People**

Our employee value proposition begins with recruiting and retaining the right people. It employs a mix of performance management, people development and deployment, and we make sure to reward and recognise our employees appropriately for their contributions.

Our approach has helped us foster an enterprising talent pool with high-performance culture among our people.

This has attracted recognition for being an employer of choice including:

- Best Graduate Employment Scheme
   Retail Banking in Asia Pacific at the RBI Asia Trailblazer Awards 2016
- Best Graduate Recruitment Programme (Bronze) at the Human Resources Asia Recruitment Awards 2016
- Best Internship Experience (Winner) and Best Management Trainee/ Graduate Programme (Finalist) at the Grad Malaysia Recruitment Awards 2015

We will continue to invest in our people and enhance our talent development programmes, career progression opportunities and performance management initiatives.



At the 7th Retail Banker International Asia Trailblazer Summit & Awards 2016.



Winning the "Best Graduate Recruitment Programme" (Bronze) at the Human Resources Asia Recruitment Awards 2016.

#### **Outlook For FY2017**

Malaysia is expected to meet its GDP growth target of 4% to 4.5% this year even though risks to global growth persist along with greater volatility in capital flows. Bank Negara Malaysia has indicated that until there is more clarity to the growth and inflation outlook, the current monetary stance will remain accommodative and supportive of domestic demand.

Furthermore, the Government's commitment to proceed with major infrastructure and development projects and its active management of the economy through sound fiscal and monetary measures should provide opportunities for the banking sector.

Even though the operating environment will remain difficult, the transformational strategies we pursued in the past year have

strengthened the Group's resilience and set the foundations for sustainable growth. Our capital ratios have improved and the medium term funding programme that is in place will support our plans to grow our assets efficiently.

We have also refined our strategy to be most important relationship for the financial success of business owners.

This means that we will work closely with business owners to help them unlock more value from their business with well researched, market leading value propositions, and in turn, we will help them improve the lives of their valued stakeholders: their families, employees, clients and business partners.

In short, we see our central mission as building alliances to improve lives.

#### **Appreciation**

I would like to take this opportunity to thank all our customers and business partners sincerely for their continuous support and patronage, and for choosing the Group as their partner in growth.

I would also like to thank the management team and all our employees for working together as a team to deliver a good set of earnings in a really challenging year.

I extend our sincerest appreciation to our regulators, especially Bank Negara Malaysia, the Securities Commission Malaysia and Bursa Malaysia Securities Berhad for providing guidance in our operations.

Last but not least, I would like to thank the members of the Board of Directors for their invaluable guidance and open working style, and I look forward to their support in the coming year.

Thank you.

JOEL KORNREICH
Chief Executive Officer





# **AWARDS & RECOGNITION**

#### 1. SME Bank of the Year - Malaysia

Asian Banking & Finance Retail Banking Awards 2015

#### 2. Best Graduate Employment Scheme - Retail Banking

Retail Banker International Asia Trailblazer Awards 2016

#### **Best Internship Experience** 3.

gradmalaysia Graduate Recruitment Awards 2015

#### 4. Best Management Trainee/Graduate Programme (Finalist)

gradmalaysia Graduate Recruitment Awards 2015

#### Sahabat Negara SME

SME Recognition Award 2015

#### **Excellence in SME Banking (Highly Commended)**

Retail Banker International Asia Trailblazer Awards 2016

#### **Best Bancassurance Product (Highly Commended)**

Retail Banker International Asia Trailblazer Awards 2016

#### 8. Best Technology Implementation - Back Office (Highly Commended)

Customer Service Experience in Financial Services Asia Awards 2015

#### 9. Best Graduate Recruitment Programme (Bronze)

Human Resources Asia Recruitment Awards 2016

#### 10. Excellence in Graduate Development (Silver)

Human Resources Excellence Awards 2015













# CALENDAR OF SIGNIFICANT EVENTS

#### **FINANCIAL CALENDAR**

for financial year ended 31 March 2016

#### **ACTIVITIES**

#### **ANNOUNCEMENT OF RESULTS**

First Financial Quarter ended 30 June 2015

A Second Financial Quarter ended 30 September 2015

A Third Financial Quarter ended 31 December 2015

Fourth Financial Quarter ended 31 March 2016

#### **DIVIDEND**

First Interim single tier Dividend of 8.0 sen per share

Payment

A Second Interim single tier Dividend of 6.5 sen per share

Payment

ISSUE OF 2016 ANNUAL REPORT

**50TH ANNUAL GENERAL MEETING** 

DATE

18 August 2015

**27 November 2015** 

**22 February 2016** 

26 May 2016

**30 December 2015** 

30 June 2016

24 June 2016

19 July 2016

#### **CORPORATE CALENDAR**

for financial year ended 31 March 2016



#### 31 March to 18 June 2015

#### **Financial Literacy Roadshow for Students**

In support of Bank Negara Malaysia and the Ministry of Education Malaysia's focus on financial education, and as part of the Group's corporate social responsibility, the Bank ran a two-and-a-half month roadshow with workshops to educate over 14,000 students in 50 of its adopted schools throughout Malaysia about smart money habits.



#### 7 May 2015

#### Alliance Bank Launches AEIOU Financial Comic Strip Challenge

The Bank further expanded its Kids Financial Literacy Programme by launching the Alliance Bank AEIOU Financial Comic Strip Challenge (AEIOU Challenge) based on the theme "Smart Financial Habits". The competition was officially launched by Yang Berhormat Datuk Mary Yap, Deputy Minister of Education I. Students were required to submit their entries by 24 June 2015.





#### 12 May 2015

#### Alliance Bank Wins "Best Graduate Recruitment Programme" at Human Resources Asia Recruitment Awards 2015

Alliance Bank was awarded the Bronze for "Best Graduate Recruitment Programme" at the Human Resources Asia Recruitment Awards 2015 held in Singapore. The Award programme focuses on excellence in recruitment and talent acquisition across industries.



#### 26 May 2015

### Alliance Bank Awarded ISO 9001:2008 for Treasury Operations

Alliance Bank was awarded the ISO 9001:2008 certification for Treasury Operations – Money Market Deposits and Foreign Exchange Trading Operations Processes. The main responsibility of Treasury Operations, also known as Treasury Back Office, is to process all Treasury deals transacted by Financial Market (Dealer) in a correct manner and resolved in line with the rules and regulations.



#### 30 May 2015

### Financial Literacy Workshop at Royal Floria Putrajaya 2015

Alliance Bank organised a Kids Financial Literacy Workshop at the Royal Floria Putrajaya 2015 international flower and garden festival. The one-and-a-half-hour session focused on teaching children the importance of saving, prudent spending and making smart financial decisions.





#### 30 May 2015 to 16 January 2016

#### **Alliance Bank Branch Open House**

Alliance Bank continued with its nation-wide branch Open House as part of its initiatives to engage local communities. Held almost every other Saturday throughout the year, the Bank organised interactive hour-long Kids Financial Literacy Workshop for children aged between seven and 12 to instill saving and budgeting habits, while the adults learnt about the variety of financial products such as deposits, credit cards, share trading, share margin financing and wealth management to help them with their financial management.

#### Corporate Calendar (cont'd)



#### 7 June 2015

### Supporting MyKasih Foundation to Teach Business Skills to Low Income Communities

Alliance Bank supported MyKasih's four-month *Mengecapi Aspirasi Diri* initiative to help 14 Orang Asli from low-income families to develop business skills. During their graduation at Dewan Desa Sri Temuan, Bukit Lanjan in Damansara Perdana, participants shared touching stories about their life's journey and how their newly-acquired skills will improve their future.





#### 22 June 2015

### Alliance Bank BizSmart Community Event for F&B Entrepreneurs

The Alliance Bank BizSmart Academy held its first Community Event with a special focus on food and beverage (F&B) industry. Experienced and new entrepreneurs learned from each other shared their experiences on how to thrive in the F&B industry.





#### 25 June 2015

# Alliance Bank Highly Commended for "Best Technology Implementation – Back Office" at Customer Service Experience in Financial Services Asia Awards 2015

Alliance Bank was 'Highly Commended' for having the "Best Technology Implementation — Back Office" at the Customer Experience in Financial Services Asia (#CXFSAsia) Awards 2015 held in Singapore. The #CXFSAsia Awards focus on initiatives in customer experience within Asia's competitive financial services sector and recognises financial service providers who stood out as trailblazers in their respective markets.





#### 2 July 2015

#### Alliance Islamic Bank Brings Raya Cheer to Poor Children

Alliance Islamic Bank teamed up with National Welfare Foundation (YKN) and well-known textile retailer Jakel Trade Sdn Bhd to host 206 poor children from four schools and homes in the Klang Valley for Raya shopping, distribution of pocket money and a *buka puasa* feast for them. The event was attended by Dato' Seri Shahrizat Abdul Jalil, Special Advisor to the Prime Minister on Women Entrepreneurs and Professional Development and also YKN Board of Trustee Chairman.



8 July 2015

### Alliance Bank Wins "SME Bank of the Year – Malaysia" at Asian Banking & Finance Retail Banking Awards 2015

The Bank was recognised as "SME Bank of the Year – Malaysia" at the annual Asian Banking & Finance Retail Banking Awards 2015 ceremony held in Singapore, which was attended by 200 bankers from 30 countries.





9 July 2015

### Launch of the Alliance Bank SME Innovation Challenge 2015

The SME Innovation Challenge, the Alliance Bank BizSmart Academy initiative to help young entrepreneurs achieve their aspirations, returned for the third year with increased total cash prize of RM1 million. At stake were the grand prize, Tan Sri Liew Kee Sin Entrepreneurship Award, and three new categories, i.e. Visa Retail Award, Manulife Sustainability Award and HyppTV Viewer's Choice Award.





24 July 2015

### **AEIOU Financial Comic Strip Challenge Shortlists 40 for Preliminary Round**

The AEIOU Financial Comic Strip Challenge attracted over 5,000 entries from 50 schools throughout Malaysia. KBU International College School of Design lecturers helped select 40 entries for the preliminary round. The entries from children aged between nine and 12 showcased amazing drawing skills and demonstrated their understanding of smart money habits from lessons during the branch open house roadshows.



28 July 2015

### Alliance Bank Announces Winners of AEIOU Financial Comic Strip Challenge

The AEIOU Financial Comic Strip Challenge ended on a successful note with nine finalists chosen from over 5,000 entries to compete in the Final Challenge at SJK (C) Sentul in Kuala Lumpur, where they were quizzed on their knowledge of financial management.

The grand prize was RM3,000 cash, three return air flight tickets to Singapore with one night's stay, three tickets to Universal Studio Singapore, a stationery hamper sponsored by Faber-Castell, a trophy and certificate. The first and second runner-up prizes were RM2,000 and RM1,000 cash prize respectively, three tickets each to Legoland, a Faber-Castell stationery hamper, a trophy and certificate. The remaining finalists each received consolation prizes of RM200 and a certificate.





31 July to 27 September 2015

### Alliance Bank BizSmart Academy's Young Entrepreneurs' Conference

The Alliance Bank BizSmart Academy's Young Entrepreneurs' Conference returned for the third year with more excitement, success stories and networking opportunities for budding entrepreneurs. The much-anticipated event was expanded from Kuala Lumpur and Penang to Kuching, Kota Kinabalu and Johor Bahru. Successful entrepreneurs were invited to share their knowledge and experience. Nearly 2,000 young entrepreneurs attended the five conferences.



#### Corporate Calendar (cont'd)



#### 3 August 2015

#### Alliance Bank Hosts Aidilfitri Appreciation Dinner in Putrajaya International Convention Centre

An Aidilfitri appreciation dinner was held in Putrajaya International Convention Centre and attended by 160 representatives from the public and private sector. Alliance Islamic Bank presented zakat of RM55,000 to the Federal Territory Islamic Religious Council Zakat Collection Centre and RM7,000 each to the Armed Forces Veterans Foundation Zakat Fund and Armed Forces Veterans Association.



#### 3 August 2015

### Alliance Bank Launches e-Alliance Fixed Deposit Gold (e-FDG)

Alliance Bank launched the e-Alliance Fixed Deposit Gold (e-FDG) product on allianceonline which offers attractive interest rates to individuals aged 40 years and above with a minimum placement amount of RM30.000.





#### 5 August 2015

#### **Alliance Bank Goes Green with e-Documents**

In line with our "Go Green" initiative towards a paperless banking model, Alliance Bank introduced e-Contract Notes, e-Contract Statement and e-Monthly Statement for retail stock banking/stockbroking clients. The move increases the efficiency of the distribution process, avoids returned and undelivered mail, saves cost and improves turnaround time for clients receiving their statements. In addition, clients are able to retrieve, view and print the documents online as and when required.



#### 6 August 2015

### Investment and Lifestyle Talk: Evening with Bursa: Enrich Fashion Cents

Alliance Bank and Bursa Malaysia co-hosted an investment and lifestyle talk "Evening with Bursa: Enrich Fashion Cents" in Kuala Lumpur. The event attracted over 130 investment and fashion enthusiasts. The evening was livened up by the witty exchanges between the emcee, speakers and participants, as well as a fashion show.



#### 7 August 2015

#### **Alliance Bank Hosts Aidilfitri Appreciation Dinner in Sabah**

Alliance Bank organised an Aidilfitri appreciation dinner for customers in Sabah at the Magellan Sutera Resort in Kota Kinabalu. Among the 220 guests were government officials, private sector executives, SME business owners and media representatives. Sabah's Minister of Tourism, Culture and Environment, Datuk Seri Panglima Masidi Manjun also attended the event.





#### 22 to 23 August 2015

#### **Alliance Bank Treasure Hunt 2015**

The annual fun-filled Treasure Hunt from Kuala Lumpur to the Swiss-Garden Beach Resort Damai Laut in Lumut, over bumpy roads and mind-boggling puzzles provided a thrilling day for Alliance bankers. Participants also stopped at Bethany Home for disabled children in Hutan Melintang to drop off groceries which were the "treasures" collected and played games with the children.





#### 4 September 2015

#### **Northern Region Customer Appreciation Dinner**

Alliance Bank organised an appreciation dinner for its Northern Region customers at G-Hotel in Penang. The event, attended by over 150 guests, aimed at strengthening relationship with customers. Bernard Ching, Head of Research, AllianceDBS Research, shared insights on the current economic conditions.



#### 17 September 2015

### Alliance Bank Wins Silver for "Excellence in Graduate Development" at Human Resource Excellence Awards 2015

Alliance Bank was awarded the Silver for "Excellence in Graduate Development" at the Human Resources Excellence Awards 2015, one of Asia's most respected awards which recognises excellence in outstanding human capital strategy and execution.





#### 8 October 2015

#### Alliance Investment Bank and DBS Vickers hosts "Pulse of Asia" Corporate Day

Alliance Investment Bank Berhad (AIBB) and DBS Vickers Securities (DBS) Limited, Singapore, jointly hosted "Pulse of Asia" Corporate Day at Ritz-Carlton in Kuala Lumpur for the second year. It was also an opportunity for AIBB and DBS to showcase 10 interesting companies from Singapore, Indonesia and Philippines across various industries to 70 institutional investors.



### $\triangle$

#### 20 October 2015

### CEO Chatroom with Dato' Chang Khim Wah, President & CEO, EcoWorld Development Group Berhad

Alliance Bank BizSmart Academy hosted its first CEO Chatroom session in conjunction with SME Innovation Challenge 2015 at the EcoWorld International Centre in The Gardens, Mid Valley, Kuala Lumpur. The inaugural speaker was Dato' Chang Khim Wah, President and CEO of EcoWorld Development Group Berhad with his presentation titled "Delivering Promises – The Key to Winning Customer Confidence" to 20 finalists of the SME Innovation Challenge 2015. The CEO Chatroom Series is a platform for young entrepreneurs to meet, network and learn from Malaysia's business leaders who are well-known for their entrepreneurial acumen.





#### 29 October 2015

### Alliance Bank Hosts BizSmart Community Event for E-Commerce Entrepreneurs

A second BizSmart Community Event was organised, this time for e-commerce entrepreneurs to learn from, and get to know, experienced entrepreneur personalities.



#### **12 November 2015**

# Second CEO Chatroom with Malek Ali, Founder of BFM89.9 Business Station and Tan Thiam Hock, Founder of SILKYGIRL

The second CEO Chatroom session featured Malek Ali, founder of BFM89.9 and Tan Thiam Hock, founder of SILKYGIRL. Both businessmen shared key learnings from their entrepreneurial journeys and secrets to success with finalists of SME Innovation Challenge 2015.

#### Corporate Calendar (cont'd)



#### 13 November 2015

#### Alliance Bank Wins "Best Internship Experience" at gradmalaysia Graduate Recruitment Awards 2015

Alliance Bank won the "Best Internship Experience" award by gradmalaysia at the Graduate Recruitment Awards 2015 held in association with Malaysia's 100 Leading Graduate Employers.





#### 20 November 2015

#### **Alliance Bank Golf Tournament**

Over 100 golfers teed off at the Alliance Bank Golf Tournament at Palm Garden Golf Club, IOI Resort City in Putrajaya. Bank directors and management team joined their corporate and commercial clients at the half-day event.





#### 20-22 November 2015

#### Alliance Bank Participates in Upin & Ipin Carnival in **Putrajaya**

Alliance Bank participated in the Upin & Ipin Carnival, the largest animation event in Malaysia. The Bank had its own booth and held an interactive Kids' Financial Literacy session for children between the ages of seven and 12. Prizes were offered for mini challenges and tokens earned entitled the children to take part in a lucky draw.



#### 4 December 2015

#### Alliance Bank Honoured as "Sahabat Negara SME" at **SME Recognition Award 2015**

For the sixth consecutive year, Alliance Bank was honoured with the "Sahabat Negara SME" Award by the SME Association of Malaysia for its innovative partnership with SMEs.



#### 6 December 2015

#### **Alliance Bank Spreads Holiday Cheer**

20 Alliance Bank staff volunteers spent their Sunday at Shelter Home in Petaling Jaya. They collected over RM10,000 worth of groceries for the Home and organised a football match and colouring activities with teenagers and children of the home.



#### 11 December 2015

#### **SME Innovation Challenge 2015 Names Winner**

Online fashion company, Twenty3, was named winner of the grand prize Tan Sri Liew Kee Sin Entrepreneurship Award in the SME Innovation Challenge 2015 and took home the RM250,000 cash prize. Hand-crafted cake producer Humble Beginnings was the first runner-up and won RM200,000 cash and online grocer Freshcart Grocer, placed third, took home RM150,000 cash prize. CarBengkel, a mobile app solutions provider that puts car repairs and maintenance providers within easy reach, captured the Visa Retail Award and received RM100,000, and Ash Be Nimble, fitness and fashion outfitters, took the Manulife Sustainability Award worth RM100,000 cash. The Alphabet Press was HyppTV Viewer's Choice; they won a media package worth RM200,000.





#### 12 January 2016

#### **Alliance Investment Bank Corporate Day 2016**

Alliance Investment Bank Berhad (AIBB) and AllianceDBS Research Sdn Bhd hosted AIBB Corporate Day 2016 at The Doubletree by Hilton in Kuala Lumpur. Several public listed companies were showcased during the one-day event, which was attended by over 150 fund managers, corporate and AIBB senior management.



#### 21 January 2016

#### Alliance Bank Launches Visa Infinite Business Credit Card

The Alliance Bank Visa Infinite Business Credit Card, the first prestigious enterprise Visa Infinite business card in Southeast Asia, was launched to support businesses with savings and enhanced rewards. The prestigious card is designed to reflect the financial success of business owners and to meet their business lifestyle.





#### 18 February 2016

#### **Alliance Bank Hosts Chinese New Year Open House**

Alliance Bank welcomed the Year of the Monkey with a Chinese New Year Open House at Connexion@Nexus, Bangsar South in Kuala Lumpur with the theme "Pink Blossom Night". Attended by more than 700 guests, the event was held to thank customers, media and business partners for their support of the Bank.





#### 26 February 2016

#### Alliance Islamic Bank and Malaysia Department of Insolvency Signing Ceremony

Alliance Islamic Bank (AIS) was appointed as one of the acquiring banks for the Malaysian Department of Insolvency (Mdl) at a signing ceremony held in Putrajaya. The Bank had collaborated with Mdl and Legal Affairs Division to develop an enhanced version of the e-payment system comprising interbank Giro (IBG), financial process exchange (FPX) and JomPAY to provide a quick, convenient and secure online channel for the public to search for their bankruptcy and company wind up status.



#### 4 March 2016

#### Alliance Islamic Bank Launches Alliance Elite Account-i

Alliance Islamic Bank launched Alliance Elite Account-i, an Islamic current account that enables customers to enjoy higher *hibah*, a variation of the existing Alliance Hybrid Account-i.



#### 17 March 2016

### Alliance Bank Sweeps Three Honours at Retail Banker International Asia Trailblazer Awards 2016

Alliance Bank won three awards at the Retail Banker International Asia Trailblazer Awards 2016 in Singapore. It was named winner of the "Best Graduate Employment Scheme – Retail Banking", and Highly Commended for "Service Excellence in SME Banking" and "Best Bancassurance Product".



# **MEDIA HIGHLIGHTS**

#### Risks create opportunities

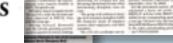
Alliance reports 7.3% profit growth in 3Q

## Got to be BizSmart

Participants of the Alliance Bank BizSmart Academy's SME Innovation Challenge say the experience has benefited them in many way, whether in terms of exposure, strategy or networking, Writes 10Y LEE.

Alliance remains positive on SME growth





AFG earnings meets estimates



#### Twenty3 takes home quarter million at SME Innovation Challenge 2015



### Alliance completes first RM900m note issuance

worth RM900 million in nominal

MTNs programme of RM2 billion in nominal value, said Alliance Bank, a wholly-owned subsidiary of Alliance Financial Group Bhd.

The Sub-MTNs, which carry a

coupon rate of 5.75 per cent per year, has a 10-year tenure and is callable on any coupon payment date beginning from its first call date on October 27 2020.

the sub-MTN Programme is rated "A2" by RAM Rating Ser-vices libd. The approval from Bank Negara was obtained on August 28 this year, subject to its terms and conditions, it added.



#### Children rewarded for Sense

No biz like chow biz



mbaga Pemegang Amanah Yayasa at Abdul Jalil bersama Pengarah Bhd, Datuk Mohamed Nizarn Moham lianceIslamic Bank Berhod, Fozia Ar Dium Al-Furgani Cawangan Puchor lah Kebangsaan Bandar Baru Sent pada Program Membeli-Beloh pers negara, semalam.

60

#### AFG upbeat about improving financial performance



growing faster than we did last year'

'We have a good chance of

ALLIANCE BANK



SME Innovation Challenge finalists learn vital lessons in business

DESCRIPTION AND DESCRIPTION OF STATE

#### Alliance Bank sasar 10,000 firma daftar kad kredit baharu



### 20 finalis dipilih untuk Cabaran Inovasi PKS 2015

300 usahawan sertai sidang YEC

Firing up Alliance

#### rid menabung Galak mu









2 (Frem left) Alliance Bork Malay-sia libd executive vice-president (VP), head of group consumer hanking Suparman Kasuma, ex-ecutive VP, head of group trans-action and small and medium emerprise banking Victor Khor, Vice and Consultation (Victor Khor, Vice and Consultation)

Visa group country manager of regional Southeast Asia Tolan Steele, and country manager of Malaysia Ng Kong Boon at the launch of the Alliance Bank Visa Infinite Business Credit Card in

ula Lumpur on Jan 21.



Alliance Bank to sign up

10,000 firms for new card

KUALA LUMPUR: Alliance Bank Malaysia Bhd aims to sign up 10,000 local companies for its newly-insurched Visa Indianie Bosiness Credit Card by years end. Executive vice-president/head of group-trensaction and SME banking Victor Khore said the bank will Initially target its existing small and medium enterprise (SME) custom-er base.

Kebajikan Negara, Datuk Eksekutif Kumpulan Jakel ed Jokel dan Ketua Pegawai nanulla bersama penghuni ig, Pusat Jagaan Lambaian ul dan Madrasatul Quron iapan Aidilfitri Golongan O NUBEL SHAFINA JEMENON-BIE

# **ALLIANCE BANK**

皮联投行签包销 L国际上市发1.13亿新股

VISA





### STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors of Alliance Financial Group Berhad is committed to adopting high standards of corporate governance in all areas of its activities with the objective of achieving business prosperity and corporate accountability. The ultimate objective is to safeguard the interests of all stakeholders and to enhance shareholders' value. The Board is committed to ensuring that the Company is in compliance with the principles and recommendations of the Malaysian Code on Corporate Governance 2012 ("MCCG 2012") and Bank Negara Malaysia ("BNM") Guidelines on Corporate Governance for Licensed Institutions ("BNM CG Guidelines").

In accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, this statement describes the way in which the Company has applied the principles and recommendations set out in the MCCG 2012.

#### 1. The Board of Directors

#### 1.1 Duties and Responsibilities

The Board is led by the Chairman, Datuk Oh Chong Peng, who is an Independent Non-Executive Director.

The Chairman receives strong and positive support from the Group Company Secretary in discharging his duties and responsibilities to ensure the effective functioning of the Board.

There are matters specifically reserved for the Board's decision to ensure that the direction and control of the Group are firmly in hand. The day-to-day conduct of the Group's business is delegated to the Management subject to the authority limits given. The Board is ultimately responsible for the overall performance of the Company and of the Group.

The principal duties and responsibilities of the Board are:

- reviewing and approving strategies, business plans and significant policies;
- reviewing, adopting and approving the Group's annual budgets, key operational initiatives, major investments and funding decisions;
- overseeing the business conduct of the Group;
- reviewing the risk management processes within the Group;
- assuming responsibility in succession planning within the Group; and
- reviewing the adequacy and integrity of internal control systems and management information systems to ensure compliance with relevant laws, rules, regulations, directives and guidelines.

The Board also assumes various functions and responsibilities that are required of them by regulatory authorities, as specified in guidelines and directives issued from time to time.

#### 1.2 Board Charter

The Board has adopted a charter which was designed to provide Directors and Officers with greater clarity regarding the role of the Board, the requirements of Directors in carrying out their role and discharging their duties to the Company, and the Board's operating practices. The charter will be reviewed from time to time and updated in accordance with the needs of the Company, and any changes in regulations to ensure its relevance to the Board.

#### 1.3 Directors' Code of Conduct and Ethics

The Group has a Code of Conduct that sets out the standards required to be observed by the Directors and the employees in order to promote and maintain the highest ethical standards at all times. The Directors in the Group adhere to the Code of Ethics as set out in the BNM's BNM/GP7 - Part 1 Code of Ethics: Guidelines on the Code of Conduct for Directors, Officers and Employees in the Banking Industry and the Code of Ethics for Company Directors established by the Companies Commission of Malaysia.

#### 1.4 Board Composition and Independence of Directors

The Board comprises five members, who are all Non-Executive Directors, three of whom are Independent Directors. The Board is constituted of individuals of high calibre and diverse experience and collectively has the necessary skills and qualifications to effectively manage the Company and to discharge the responsibilities of the Board. The current Board members are all very experienced in the management of businesses and in terms of their academic backgrounds have skills in the areas of banking, finance, accounting, economic, business management and information technology. The diversity in the composition of the Board ensures good use of their different and wide ranging skills, regional and industry experience, background and other attributes of the Directors.

The Board has also taken note of the recommendation of the MCCG 2012 to establish a policy formalising its approach to gender diversity (including diversity in ethnicity and age). The Nomination Committee, in evaluating the appointment of directors, looks for diversity of skills and experience in its directors.

The presence of a majority of Independent Non-Executive Directors also provides the necessary checks and balances to ensure that the interests of all shareholders and the general public are given due consideration in the decision-making process.

The Board through the Nomination Committee assesses Directors' independence annually against the independence criteria under Paragraph 1.01 of the Main Market Listing Requirements and Part 2.26 of BNM CG Guidelines. In the annual assessment of the Independent Directors of the Company in respect of the financial year ended 31 March 2016 (FY2016), the Board was satisfied that each of the Independent Directors of the Company continue to be independent and free from any business or other relationship, which could interfere with the exercise of independent judgement or the ability to act in the best interest of the Company.

#### 1.5 Annual Assessment of Performance of the Board, Board Committees and Individual Directors

The Nomination Committee annually assesses the effectiveness of the Board as a whole, Board Committees and the contribution of each individual Director by way of a set of customised self-assessment questionnaires. In addition to the self-assessment by Directors, each individual Director's performance is assessed by the Board Chairman. The results of the annual assessment are tabled to the Nomination Committee and Board for deliberation.

In the annual assessment of the Board for FY2016, the Board was satisfied with its current size and composition as well as its mix of skills which is made up of individuals of high calibre, credibility and with the necessary skills and qualifications to enable the Board to discharge its responsibility effectively.

The Board, through the Nomination Committee has also assessed the fitness and propriety of the Directors annually in accordance with the Group's Policy on Fit and Proper and was satisfied with the fitness and propriety of the Directors.

A brief profile of each Director is presented on pages 15 to 23 of this Annual Report.

#### 1.6 Appointment and Re-election of Directors

Pursuant to the guidelines issued by BNM, the appointment of new Directors and re-appointment of existing Directors upon the expiry of their respective term of office as approved by BNM, are subject to prior approval by BNM.

Any proposed appointment of new Board members or proposed re-appointment of Directors will be assessed by the Nomination Committee. In evaluating the appointment of new Directors, the Nomination Committee looks for diversity of skills and experience of the candidates. To ensure the candidate has the

character, experience, integrity, competency and time to effectively discharge his role as a Director, the Nomination Committee will assess the fitness and propriety of the candidates in accordance with the Group's Policy on Fit and Proper. The following criteria are considered by the Nomination Committee:

- Probity, personal integrity and reputation
- Competence and capability
- Financial integrity

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

Upon appointment, new Directors are advised of their legal and statutory responsibilities. All Directors are also regularly updated on new requirements affecting their responsibility and are constantly reminded of their obligations.

In accordance with the Articles of Association of the Company, newly appointed Directors shall hold office only until the next Annual General Meeting (AGM), and shall then be eligible for re-election. Additionally, one-third (1/3) of the remaining existing Directors shall retire from office at each AGM and be eligible to offer themselves for re-election provided always, that all Directors shall retire from office at least once every three years.

Two Directors of the Company who are over the age of 70 years will retire at the AGM and may be re-appointed pursuant to Section 129 of the Companies Act, 1965.

As the capacity, energy and enthusiasm of a Director is not necessarily linked to age, the Board deems it not appropriate to prescribe age limits for the retirement of Directors. The Board believes in having a healthy mix of age and experience and therefore does not prescribe a minimum or maximum age limit for its Board members apart from what is laid down under Section 129 of the Companies Act, 1965.

In line with Recommendation 3.2 of the MCCG 2012, the Company has newly adopted a policy that limits its Independent Directors' tenure to a maximum of 9 years. However, as a transitional process, the Board has proposed that existing Independent Directors who have served the Company for more than 9 years, be retained as Independent Directors for a gradual transition to ensure continued effective functioning of the Board.

#### Statement on Corporate Governance (cont'd)

#### 1.7 Board Meetings

The Board meets on a regular basis to review business performance, strategies, business plans and significant policies as well as to consider business and other proposals which require the Board's approval. Ad-hoc Board meetings, where necessary, are held to deliberate on corporate proposals or urgent issues which require the Board's consideration between scheduled meetings.

The Board met nine times during FY2016. Details of each Director's attendance during the financial year are as follows:

Name of Director	Attendance
Datuk Oh Chong Peng (Chairman)	9/9
Stephen Geh Sim Whye	9/9
Kung Beng Hong	9/9
Ou Shian Waei	9/9
Lee Ah Boon	9/9
Tan Yuen Fah (retired on 30 June 2015)	2/2
Dato' Thomas Mun Lung Lee (retired on 25 September 2015)	4/4
Megat Dziauddin bin Megat Mahmud (retired on 25 September 2015)	4/4

#### 1.8 Access to Information

Board members are provided with relevant proposal papers and supporting documents at least three clear days before the relevant Board and Board Committee meetings to provide sufficient time for the Directors to review, consider and obtain further information, where required, for deliberation at the meetings. Urgent proposals can be presented less than three clear days subject to approval of the Chairman. Senior management and advisors are invited to attend Board meetings, where necessary, to provide additional information and insights on the relevant agenda items tabled at Board meetings. The Board may also at anytime interact directly with, or request further explanation, information or updates on any aspect of the Group's operations or business concerns from the Management.

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

Every Director has the right to resources, whenever necessary and reasonable, for the performance of his duties at the cost of the Company. Directors may seek external independent professional advice at the expense of the Company, to assist them in making well-informed decisions whether as a full Board or in their individual capacity.

#### 1.9 Time Commitment

The Board is satisfied with the level of time commitment given by the Non-Executive Directors towards fulfilling their roles and responsibilities as Directors of the Company. This is evidenced by their attendances at the Board and various Board Committees meetings held during the financial year.

To ensure that the Directors have the time to focus and fulfill their roles and responsibilities effectively, they must not hold directorships in more than five public listed companies.

Non-Executive Directors are required to notify the Chairman before accepting any additional external appointments. The notification shall include an indication of time that will be spent on the new appointment. The Chairman shall notify the Board if he has any additional external appointments or significant commitments outside the Company.

#### 1.10 Directors' Training

The Board places the responsibility for training of directors on the Nomination Committee which on a continuous basis, evaluates and determines the training needs of Directors.

The Company has put in place a Directors' Orientation Programme for newly appointed Directors to familiarise themselves with the Group's business operations. The Directors are provided with the opportunity to participate in relevant training programmes on an on-going basis in areas relating to the banking and financial industry to keep themselves abreast with the latest developments in the marketplace. This includes the seven-day Financial Institutions Directors' Education (FIDE) Programme which promotes high-impact Boards by strengthening Board competencies in dealing with corporate governance, risk management and strategic issues faced by the financial services industry.

All the Directors have completed the Mandatory Accreditation Programme and pursuant to the requirement of Bursa Malaysia Securities Berhad, they have attended various training programmes during the financial year under review.

During the financial year under review, all the Directors have attended seminars, conferences and courses on various topics covering accounting, tax, corporate governance, finance, strategic management and risk management. The seminars, conferences and courses attended by Directors included:

- Corporate Governance: Balancing Rules & Practices
- FIDE Forum: Invitation to Industry Consultation
- Corporate Governance: Balancing Rules & Practices Forum
- FIDE Forum: Board's Strategic Leadership: Innovation & Growth in uncertain times
- FIDE Forum: Board Leading Change: Organisational Transformation Strategy as Key to Sustainable Growth in Challenging Times
- Board Briefing by PwC:
  - (1) Understanding AML/CFT Risks
  - (2) Social Media Governance
  - (3) South East Asian Banking: Perfect Storm, A Case for Change
  - (4) MFRS 9 Financial Instruments
- FIDE Forum: Board's Strategic Leadership: Innovation & Growth in Uncertain Times
- FIDE Forum: Impact of the New Accounting Standard on Banks - What Directors should be aware of
- Bursa Risk Management & Internal Control Workshop - Post Discussion Dialogue
- FIDE Forum: Briefing on Implementation of Director's Remuneration Report 2015
- FIDE Forum: Invitation Focus Group Discussion in Preparation for Dialogue with BNM's Senior Management
- FIDE Forum: Cyber-Risk Oversight

The Nomination Committee has undertaken an assessment of the training attended by the Directors during the financial year and was satisfied that each of the Directors had attended continuous training to keep abreast with the latest developments in the industry and to further enhance their skills and knowledge to better discharge their responsibilities as Directors of the Company.

#### 1.11 Board Committees

The Board has established various Board Committees to assist and complement the Board in the execution of its responsibilities. Each Board Committee operates within its terms of reference, which clearly define its functions and authority. The Board Committees of the Company are as follows:

#### a) Audit Committee

The Terms of Reference and the composition of the Audit Committee as well as the summary of activities of the Audit Committee during the financial year are set out in the Audit Committee Report on pages 77 to 80 of this Annual Report.

#### b) Nomination Committee

The salient Terms of Reference of the Nomination Committee are as follows:

- to establish minimum requirements for the Board i.e. required mix of skills, experience, qualification and other core competencies required of a director. The Committee is also responsible for establishing minimum requirements for the Chief Executive Officer (CEO). The requirements and criteria should be approved by the full Board;
- to recommend and assess the nominees for directorship, Board committee members as well as nominees for the CEO. This includes assessing Directors for re-appointment, before an application for approval is submitted to BNM. The actual decision as to who shall be nominated should be the responsibility of the full Board;
- to oversee the overall composition of the Board, in terms of the appropriate size and skills, and the balance between Executive Directors, Non-Executive Directors and Independent Directors through annual review;
- to recommend to the Board the removal of a Director/CEO from the Board/ Management if the Director/CEO is ineffective, errant and negligent in discharging his responsibilities;
- to establish a mechanism for the formal assessment on the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board, the contribution of the Board's various committees and the performance of the CEO and other key senior management officers. Annual assessment is conducted based on an objective performance criterion. Such performance criteria are approved by the full Board;
- to ensure that all Directors continue to receive appropriate training in order to keep abreast with the latest development in the industry;
- to oversee the appointment, management succession planning and performance evaluation of key senior management officers:
- to recommend to the Board the removal of key senior management officers if they are ineffective, errant and negligent in discharging their responsibilities; and
- to assess, on an annual basis, to ensure that the Directors and key senior management officers are not disqualified under Section 59 of the Financial Services Act 2013.

#### Statement on Corporate Governance (cont'd)

Summary of the main activities of the Nomination Committee during the financial year under review are as follows:

- assessed the performance of individual Directors and the Board as a whole as part of the Annual Assessment, which covered performance of the Board, Board Committees and Individual Directors;
- assessed the fitness and propriety of Directors, CEO, Company Secretary and the independence of Independent Directors;
- determined those directors who would retire at the forthcoming AGM and had made the necessary recommendations to the Board for their re-election and re-appointment;
- assessed and determined the fitness and propriety of Directors with regard to their re-appointment on the Board;
- evaluated and recommended suitable candidates as CEO of the Company; and
- assessed the training needs of the Directors.

The Nomination Committee comprises entirely of Non-Executive Directors with the majority being Independent Directors. In FY2016, a total of five Nomination Committee meetings were held. The members of the Nomination Committee and the details of their attendance are as follows:

Committee Members	Attendance
Stephen Geh Sim Whye	5/5
(Chairman)	
Datuk Oh Chong Peng	5/5
Kung Beng Hong	5/5
Lee Ah Boon	5/5
Ou Shian Waei	2/2
(appointed on 26 September 2015)	
Dato' Thomas Mun Lung Lee	3/3
(retired on 25 September 2015)	
Megat Dziauddin bin	3/3
Megat Mahmud	
(retired on 25 September 2015)	

#### c) Remuneration Committee

The salient Terms of Reference of the Remuneration Committee are as follows:

- to recommend a framework of remuneration for Directors, CEO and key senior management officers of the Company for the full Board's approval. The remuneration framework should support the Company's culture, objectives and strategy and should reflect the responsibility and commitment, which goes with the Board membership and responsibilities of the CEO and senior management officers. There should be a balance in determining the remuneration package, which should be sufficient to attract and retain the employees and/or directors of calibre, and yet not excessive to the extent of the Company's funds are used to subsidise the excessive remuneration. This framework should cover all aspects of remuneration including director's fees, salaries, allowances, bonuses, options and benefits-in-kind;
- to provide oversight on remuneration matters of operating subsidiaries and to recommend specific remuneration packages for Executive Director(s) and CEO. The remuneration package should be structured such that it is competitive and consistent with the Company's culture, objectives and strategy. Salary scales drawn up should be within the scope of the general business policy and not be dependent on short-term performance to avoid incentives for excessive risktaking. As for Non-Executive Directors and Independent Directors, the level of remuneration should be linked to their level of responsibilities undertaken and contribution to the effective functioning of the board. In addition, the remuneration of each Board member may differ based on their level of expertise, knowledge and experience;
- to review annually the Group Policy on remuneration of Non-Executive Directors of the Group and to recommend the remuneration of the Non-Executive Directors for the Board's approval;
- to approve new key senior management appointments and remuneration package, transfers and promotions of senior management officers and assessing the performance of key senior management officers of the Company; and
- to review and approve annual salary increment and performance bonus for employees of the Company.

The Remuneration Committee comprises entirely of Non-Executive Directors with the majority being independent. In FY2016, one meeting was held by the Remuneration Committee. The members of the Remuneration Committee and the details of their attendance are as follows:

<b>Committee Members</b>	Attendance
Ou Shian Waei (Chairman)	1/1
Datuk Oh Chong Peng	1/1
Kung Beng Hong	1/1
Lee Ah Boon	1/1
Dato' Thomas Mun Lung Lee (retired on 25 September 2015)	1/1
Megat Dziauddin bin Megat Mahmud (retired on 25 September 2015)	1/1

### d) Employees' Share Participating Scheme Committee

The Employees' Share Participating Scheme Committee (ESPS Committee) is a sub-committee of the Remuneration Committee established to implement and administer the AFG Employees' Share Scheme (ESS) in accordance with the Bye-Laws approved by the shareholders of the Company on 28 August 2007.

The members of the ESPS Committee and the details of their attendance during the financial year are as follows:

Committee Members	Attendance
Ou Shian Waei (Chairman)	1/1
Datuk Oh Chong Peng	1/1
Kung Beng Hong	1/1
Lee Ah Boon	1/1
Dato' Thomas Mun Lung Lee (retired on 25 September 2015)	1/1
Megat Dziauddin bin Megat Mahmud (retired on 25 September 2015)	1/1

The minutes of all Board Committees are circulated to the Board for notation.

#### 1.12 Directors' Remuneration

The objective of the Company's policy on Directors' remuneration is to attract and retain Directors needed to steer the Company towards achieving its goals effectively. The determination of the Non-Executive Directors' remuneration is a matter for the Board as a whole.

The level of remuneration of Non-Executive Directors is linked to their level of responsibilities.

Non-Executive Directors are paid annual Directors' fees and sitting allowances for attending Board/Board Committee meetings. The members of Board Committees are also paid allowances for additional responsibilities undertaken.

Details of the Company's Directors' Remuneration (including benefits-in-kind) for each Director in the Company and the Group for FY2016 are set out below:

	COMPANY		SUBSIDIARIES			
	Fees RM'000	Sitting Allowance and Benefits-in-kind RM'000	Company Total RM'000	Fees RM'000	Sitting Allowance and Benefits-in-kind RM'000	Group Total RM'000
<b>Executive Directors</b>	-	-	-	-	-	-
Non-Executive Directors						
Datuk Oh Chong Peng (Chairman)	176	77	253	-	-	253
Stephen Geh Sim Whye	88	63	151	-	-	151
Kung Beng Hong	66	54	120	173	183	476
Lee Ah Boon	66	36	102	80	100	282
Ou Shian Waei	66	42	108	80	100	288
Dato' Thomas Mun Lung Lee (retired on 25 September 2015)	32	28	60	238	102	400
Megat Dziauddin bin Megat Mahmud (retired on 25 September 2015)	32	43	75	145	61	281
Tan Yuen Fah (retired on 30 June 2015)	17	14	31	79	54	164
Total	543	357	900	795	600	2,295

#### Statement on Corporate Governance (cont'd)

#### 2. Accountability and Audit

#### 2.1 Financial Reporting

The annual financial statements and quarterly results are reviewed by the Audit Committee and approved by the Board of Directors for BNM's clearance prior to public release. A statement by the Directors explaining the Board's responsibility for preparing the annual financial statements is set out on page 92 of this Annual Report.

#### 2.2 Risk Management Framework

A Risk Management report, which provides an overview of the risk management framework within the Group, is disclosed on pages 82 to 89 of this Annual Report.

#### 2.3 Internal Control

A Statement on Risk Management and Internal Control, which provides an overview of the state of internal control within the Group, is disclosed on page 81 of this Annual Report.

#### 2.4 Policy against Fraud

All employees are entrusted with the responsibility to stay alert to risk of fraud and to assist in combating fraud. The Group has put in place reporting procedures with regard to fraud and robbery/burglary including a breach of the Code of Ethics.

The Group also has put in place a Whistleblower Policy which is designed to provide an avenue for staff to report any possible financial improprieties such as manipulation of financial results, misappropriation of assets, intentional circumvention of internal controls, inappropriate influence on related party transactions by related parties, or other improprieties. The Whistleblower Policy is also an avenue for employees to raise concerns in relation to the specific issues which are in the interest of integrity and justice, and which fall outside the scope of other Group policies and procedures.

#### 2.5 Anti-Money Laundering and Counter-Financing of Terrorism

The Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 provides the legal framework to counter money laundering and terrorism financing in reporting institutions. In order to reduce the likelihood of any of the entities within the Group becoming vehicles for money laundering and terrorism financing activities, the Group has a policy on anti-money laundering and counter-financing of terrorism setting out the minimum standards that are to be adopted and implemented by the entities within the Group.

The key features of the policy are as follows:

- clear enunciation of the roles and responsibilities of various persons within the Group, including the Board of Directors and Senior Management;
- a customer acceptance policy which requires, amongst others, establishment of a business relationship only after satisfactory verification and due diligence of a new customer or persons acting on their behalf;
- on-going monitoring of transactions to detect unusual and suspicious patterns of activity and intensified monitoring for higher risk customers;
- mandatory reporting of suspicious transactions and prohibition against disclosure any reporting activities to the relevant regulatory and law enforcement authorities;
- co-operation with the Financial Intelligence & Enforcement Department, BNM and other regulatory authorities; and
- proper retention of records for the prescribed retention period.

The standards expected by the Group are upheld and reinforced by periodic training programmes on anti-money laundering and counter-financing of terrorism.

#### 2.6 Relationship with the Auditors

Through the Audit Committee, the Company has established a formal and transparent relationship with the auditors, both internal and external. The External Auditors are invited to discuss the annual financial statements, their audit plan, audit findings and other special matters that require the Board's attention. The Audit Committee meets with the External Auditors and Internal Auditors twice a year, without the presence of the Management.

The Company has established a policy to assess and monitor the suitability and independence of External Auditors and governs the circumstances under which engagement for the provision of non audit-related services can be entered into.

The Audit Committee undertakes assessment of the performance, suitability and independence of the External Auditors and recommends to the Board for their re-appointment on an annual basis.

#### 3. Company Secretary

The Directors have full access to the services of the Company Secretary, whose role includes ensuring that Board procedures, applicable rules and regulations, and relevant laws are complied with. The Company Secretary provides effective support to the Chairman of the Board/Board Committees and facilitates the communication of decisions and policies made by the Board/Board Committees to the Management.

The Board assesses the fitness and propriety of the Company Secretary annually in accordance with the Group's Policy on Fit and Proper and it is satisfied with the performance and support rendered by the Company Secretary.

#### 4. Corporate Responsibility

In terms of Corporate Responsibility, the Board has adopted best practices in accordance with corporate governance in all its activities to ensure that the Company achieves business prosperity for the benefit of all stakeholders. Whilst the Company is committed to achieving its business and financial goals in an ethical, responsible and sustainable manner, it is also mindful of the need to fulfil its responsibilities to the marketplace, workplace, community and the environment in which it operates.

#### 5. Investor Relations and Shareholders Communication

The Company acknowledges the importance of regular communication with shareholders and investors. The Company endeavours to maintain constant and effective communication with shareholders through timely and comprehensive announcements. The Board regards the AGM as an opportunity to communicate directly with shareholders and encourages attendance and participation. The notice of AGM is despatched to shareholders, together with explanatory notes or circulars on items of special business, at least 21 days prior to the meeting date. At the forthcoming 50th AGM to be held on 19 July 2016, no substantive resolutions or resolutions on related party transactions will be put forth for shareholders' approval.

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

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

Shareholders, potential investors and members of the public can access the Company's website at www.alliancefg.com for information of the Group. There is a dedicated section for corporate governance on the Company's website where information such as the Code of Conduct, Board Charter and Annual Reports are made available to the public. Under the Investor Relations section, all announcements made by the Company to Bursa Malaysia Securities Berhad including quarterly results, dividend information and presentation slides for analyst briefings are also available on the website for the benefit of the investing public. They can also convey their concerns and gueries to the Independent Non-Executive Chairman, Datuk Oh Chong Peng. The Chairman serves as the designated contact for any shareholders' concerns or queries that may be raised, as an alternative to the formal channel of communication with shareholders.

All correspondence to the Independent Non-Executive Chairman can be faxed to 03-2694 6200 or sent via email to chairman@alliancefg.com, or by mail to the registered office of the Company at 3rd Floor, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur, Malaysia.

#### 6. Corporate Disclosure

The Company has put in place Corporate Disclosure Policies and Procedures for the Group (CDPP) which provides timely, consistent and fair disclosure of corporate information to enable informed decision making by investors.

The objectives of the CDPP are:

- raising awareness of Directors, Management and employees on disclosure requirements and practices;
- providing guidance in disseminating corporate information to, and in dealing with investors, analysts, media representatives and the public; and
- ensuring compliance with the disclosure obligations under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and other applicable laws.

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

Certain designated senior management staff of the Group are authorised to communicate Group information to the investing public. The authorised spokespersons are regularly reminded of their responsibility to exercise due diligence in making sure that the information to be disseminated to the investing public is accurate, clear, timely and complete, and that due care is observed when responding to analysts, the media and the investing public.

#### 7. Dealings in Securities

The Group has put in place an internal procedure governing dealings in securities by the Directors and employees to prevent contravention of applicable rules and requirements, including the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and insider trading laws.

A "Restricted List" is circulated regularly to Directors of Alliance Investment Bank Berhad and relevant employees reminding them to refrain from dealing with relevant securities. Directors and principal officers of the Group are also reminded on a quarterly basis in relation to restriction in dealings in securities of the Company during Closed Periods.

This Statement on Corporate Governance is dated 30 May 2016.

#### **CORPORATE RESPONSIBILITY**



For over five decades, Alliance Financial Group Berhad has held true to its commitment to build a responsible and sustainable bank to serve our customers, shareholders, employees, communities and the environment.



Winners of Alliance Bank AEIOU Financial Comic Strip Challenge during the Prize Giving Ceremony.

Our approach to corporate responsibility revolves around our strategy "To be the Most Important Relationship for the Financial Success of Business Owners". By taking the time to listen to our clients and understand their demands, we are able to stay relevant and responsive to their priorities.

We also take our responsibilities towards all employees seriously because we believe our people are key to unlocking the success of our business and competitiveness. Having a vibrant atmosphere at work keeps our employees motivated to deliver excellent service to customers and differentiates us as an employer of choice to attract and retain talent.

In this context, we are proud of the AFG Recreational & Sports Club in helping the Group foster greater team spirit and a sense of belonging through a wide range of sports and social activities.

Beyond our franchise, the Group continues to show the same care and commitment

to support community charities and social causes, and encourage employee volunteerism to reach out to communities in need. In this, our Corporate Responsibility team has been proactive in organising various community outreach initiatives, especially where it relates to financial literacy.

Our initiatives are guided by the principles of accountability, honesty, transparency, and sustainability, and Bursa Malaysia's corporate social responsibility framework for public listed companies.

#### Helping To Build Better Communities

We are always looking for ways to create a positive difference in the communities around us. From financial literacy for young children, mentoring young entrepreneurs and supporting under-privileged groups, the Group leverages on its core skills and the voluntary spirit of our employees to help people live better lives.

Alliance Bank has consistently educated the young generation on smart financial habits through our very own financial literacy workshops conducted at our branches, external party events, universities and also via sessions catering specifically for our staff kids. One of the key highlights in 2015 was the Alliance Bank AEIOU Financial Comic Strip Challenge (AEIOU Challenge), the first to be organised in Malaysia, to help children develop better knowledge of money and smart spending habits using



At the AEIOU Challenge: Staff Member Edition.



Alliance Bank Financial Literacy Workshop during the Royal Floria Putrajaya 2015.

comics. The AEIOU Challenge was officiated by Yang Berhormat Datuk Mary Yap, Deputy Minister of Education I and rolled out to over 14,000 children in 50 schools nationwide, in a roadshow over a period of two and a half months.

The popularity of the initiative was reflected by the over 5,000 entries received after which 40 students were selected for the final challenge. The top nine drawings were evaluated by a panel of judges and also put to a vote to determine the winners. The first prize was RM3,000 cash, three return air tickets to Singapore with one night stay and entrance tickets to Universal Studio, a stationery hamper sponsored by Faber-Castell, a trophy and a certificate.

The second and third prizes were cash prizes of RM2,000 and RM1,000 respectively, three entrance tickets to Legoland Malaysia, a stationery hamper sponsored by Faber-Castell, a trophy and a certificate each.

Smart money lessons by the Group brought extra excitement to children at the Royal Floria Putrajaya 2015 and at the Upin & Ipin Carnival 2015 held at the Malaysia Agro Exposition Park Serdang (MAEPS) in Seri Kembangan, Selangor.

Young adults also had the opportunity to learn the fundamentals of the real financial world from Alliance's senior executives. Tan Eng Kiang, Head of Group Financial Markets,

conducted a session on Forex Market at the invitation of Sunway University for over 130 students and lecturers of its business school.

Alliance bankers were at InvestSmart Fest 2015 to meet novice investors who were keen to learn about investment products and services, as well as insights on capital markets.

Building business acumen and financial education continue to mark our support of empowering charities and philanthropy. During the year, the Group assisted the MyKasih Foundation to help low-income *Orang Asli* to pick up basics of financial management and entrepreneurial skills.

The Group also participated in the annual MyKasih Charity Golf Tournament which raises funds for its "Love My Neighbourhood" programme that provides food, education and training programmes for underprivileged groups.

The holy month of Ramadhan has always been a month of giving. Our Islamic Banking unit, Alliance Islamic Bank (AIS), teamed up with the National Welfare Foundation and textile retailer, Jakel Trading Sdn Bhd, to distribute new clothes and *duit Raya*, and hosted a buka puasa treat for 206 poor students from four schools and homes in the Klang Valley. AIS also presented *zakat* of RM55,000 to the Federal Territory Islamic Religious Council Zakat Collection Centre, and RM7,000 each to the Armed Forces Veterans Foundation Zakat Fund and Armed Forces Veterans Association respectively.

Once again, the annual Alliance Treasure Hunt was the opportunity for Alliance bankers to have fun and do good deeds at the same time. Enroute from Kuala Lumpur to Lumut, participants dropped off food provisions that were collected as "treasures" at the Bethany Home for disabled children in Hutan Melintang and spent time chatting and playing with them.

In December 2015, the Shelter Home in Petaling Jaya welcomed a group of volunteers from Alliance Bank who had collected over RM10,000 worth of groceries for the home and spent time playing a game of football with teenagers and colouring activities with the younger residents.



Presenting the "treasures" to Bethany Home during the Alliance Bank Treasure Hunt.

#### **Advancing The Financial Success Of Customers**

The Group's niche as an innovative partner for businesses, especially small and medium enterprises (SMEs), continues to stand out in the industry in financial year 2016. We proactively reach out to SMEs and a wide-variety of stakeholders, including potential clients of the future, with regular and customised events.

Significant shared value creation was generated at the 3rd AIBB Corporate Day held in Kuala Lumpur. Based on the theme of "Pulse of Asia" and jointly hosted by Alliance Investment Bank Berhad (AIBB) and DBS Vickers Securities (Singapore) Pte Ltd, the Corporate Day gave institutional investors a closer look at 10 interesting companies from Singapore, Indonesia and Philippines. The event was well-received by 150 fund managers and representatives from government-linked investment companies and private companies because of the valuable insights, growth opportunities and frank discussions on the equity market. Minister in the Prime Minister's Department, Yang Berhomat Senator Dato' Seri Abdul Wahid Omar delivered the keynote addressed centred on the 11th Malaysian Plan and the final stretch to Vision 2020.

The Bank also partnered with Bursa Malaysia in Kuala Lumpur to jointly organise a light evening of lifestyle and investment with the theme of "Evening with Bursa: Enrich Fashion Cents". The full-house affair was attended by over 130 investment and fashion enthusiasts.

Alliance Bank continued with its nationwide Branch Open House Roadshow during the weekends. At these Branch Open House events, personal financial consultants meet with customers to explore ways to use financial products to fulfill their life's aspirations.

Embracing our leadership and engagement with the next generation in business. Alliance Bank BizSmart Academy held its much anticipated annual Young Entrepreneurs' Conference series and SME Innovation Challenge, extending the success of the two initiatives started in 2013 to broaden young businesses' access to education, mentoring and funding.

Previously held in Kuala Lumpur and the Young Entrepreneurs Conference 2015 series was expanded to Johor Bahru, Kuching and Kota Kinabalu. All five sessions met with overwhelmingly response from over 2,000 participants who gained insights and the chance to get up close with prominent business personalities.

The SME Innovation Challenge 2015 returned for the third year with a total of RM1 million worth of cash and media package prizes.

Online fashion company, Twenty3, won the grand prize Tan Sri Liew Kee Sin Entrepreneurship Award with RM250,000 cash prize, hand-crafted cake producer Humble Beginnings won the RM200,000 second prize and online grocer Freshcart Grocer took the RM150,000 third prize.

In the other categories, mobile app solutions provider CarBengkel and fitness and fashion outfitter Ash Be Nimble each received RM100,000 for winning the Visa Retail Award and Manulife Sustainability Award respectively. The Alphabet Press, a bespoke stationery company, won The HyppTV Viewer's Choice Award which comes with a media package worth RM200,000 because it received the most HyppTV interactive votes.

To deepen our engagement with the startup community, we have also expanded our BizSmart Academy offerings by introducing smaller and more focused Community Events. Two of such gatherings for young entrepreneurs were the e-commerce and F&B sectors respectively. Entrepreneurs from these sectors were invited to listen, learn and exchange information with those more experienced.



SME Innovation Challenge 2015 Top 20 Finalists.

#### Vibrant And Innovative Workplace

The core principles of our human resources are building people, embracing diversity and innovation to sustain business success for the Group. With a people-focused strategy and an environment of learning and innovation, we help our employees realise their potential for long term career success and reward their achievements.

The Group has over 3,700 employees throughout the nation, serving its customers to the best of their abilities. We continue to strengthen our employee bench strength by broadening our diversity inclusivity agenda to include gender, ethnicity and age. As at 31 March 2016, 60.9% of our workforce are women; female employees made up 52.4% of the Group's mid and senior management.

Alliance Bank's award-winning Management Trainee Programme launched in 2012 continues to be a pipeline to recruit high potential young executives and groom them into successful bankers. This is in tandem with several initiatives for existing staff that include Alliance Managers Programme (AMP), a 10-month programme to develop potential future leaders; Alliance Impactful Managers (AIM) for managers to learn concepts and strategies to drive positive change and excellent performance at work; Accelerated Strengths Coaches to build a certified pool of managers and supervisors who are able to maximise their potential and develop others to become better managers; mentoring programme to develop line managers as mentors for leadership growth; Train-The-Trainer Programmes to grow line



CEO Chatroom Session with Dato' Chang Khim Wah, President & CEO of EcoWorld Development Group Bhd.



Winning the "Best Internship Experience" at the gradmalaysia Graduate Recruitment Awards 2015.

managers as teachers to enable them to impact their knowledge and expertise to develope young managers; and G.R.E.A.T @ Alliance Bank, a customer-centric intervention designed specifically to support the Bank's strategy to be the most important relationship for the financial success of business owners.

The Group's success in delivering good customer service also depends largely on the close rapport of our employees working across lines of business. This year, team bonding had extra help from the King of Fruits and James Bond. Hundreds turned up for our annual durian fiesta and the Group's first-ever movie outing to catch the premiere of the movie Spectre at Quill City Mall near the Group's headquarters.



Alliance Bank staff during the Durian Fiesta 2015.

#### Creating A Greener Work Place

We are reducing our environment footprint in a number of ways throughout our operations through initiatives such as reducing energy consumption, as well as minimising printing and paper usage. Over the years, we continue to build on these measures which have laid the groundwork for a low impact environment without compromising our services and delivery to customers.

#### Corporate Responsibility (cont'd)



The participants of the Structured Internship Programme.

Among our latest initiative is a paperrecycling programme which began in November 2015 at the Head Office. In the five short months since the programme began, we have recycled 2,518kg of waste paper, equivalent of 66.6 trees.

Under our "Go Green" initiative towards a paperless banking mode, e-documents including contract notes, contra statement and monthly statement were introduced for retail stockbanking/stockbroking clients using the www.eallianceshare.com.my and www.allianceonline.com.my platforms.

We continue with our practice of sending festive e-greetings to our customers, business partners, families and friends during Chinese New Year, Hari Raya, Deepavali, Christmas and New Year. Similarly, payslips and employees' EA forms can now be downloaded online.

We have also further reduced total energy consumption by around 8.6% for 2015 when compared to the year before. As most of the initiatives are related to air-conditioning usage, this has significantly reduced our carbon footprint.

The Group joined the global initiative Earth Hour 2016 observed by 178 countries on

19 March to switch off lights for one hour and encouraged all staff to do the same.



#### **AUDIT COMMITTEE REPORT**

#### **Audit Committee**

The Audit Committee comprises the following Directors:

#### Stephen Geh Sim Whye

Chairman, Independent Non-Executive Director

#### **Kung Beng Hong**

Non-Independent Non-Executive Director

#### Ou Shian Waei

Independent Non-Executive Director

#### **Terms of Reference**

#### 1. Policy

It is the policy of the Company to establish an Audit Committee to ensure that the internal and external audit functions are properly conducted and that audit recommendations are being carried out effectively.

#### 2. Objectives

The objectives of this policy are:

- to comply with the relevant regulatory and statutory requirements on Audit Committee; and
- to provide independent oversight of the Company and subsidiaries' financial reporting and internal control system and ensuring checks and balances within the Company and subsidiaries.

#### 3. Composition of the Audit Committee

The Audit Committee shall be appointed by the Directors which shall fulfil the following requirements:

- the Audit Committee must be composed of no fewer than three members:
- all the Audit Committee members must be Non-Executive Directors, with a majority of them being Independent Directors;
- the members of the Audit Committee shall elect a Chairman from among themselves who shall be an Independent Director; and
- d) at least one member of the Audit Committee:
  - must be a member of the Malaysian Institute of Accountants; or
  - ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three years' working experience; and
    - he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or

- bb) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
- iii) fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

No alternate Director shall be appointed as a member of the Audit Committee.

#### 4. Secretary to the Audit Committee

The Company Secretary shall be the Secretary to the Audit Committee.

#### 5. Quorum

Two members of the Audit Committee shall constitute a quorum at any meeting and majority of members present must be Independent Directors to form a quorum.

#### 6. Attendance at Meetings

The Group Chief Internal Auditor is invited to attend all meetings of the Audit Committee.

The Group Chief Financial Officer and the External Auditors are normally invited to attend meetings as and when necessary.

Other Board members and employees may attend meetings upon the invitation of the Audit Committee.

The Secretary of the Audit Committee shall provide the necessary administrative and secretarial services for the effective functioning of the Audit Committee. The minutes of meetings are circulated to the Audit Committee Members and to all other members of the Board.

#### 7. Frequency of Meetings

The Audit Committee shall meet at least four times a year. However, the frequency of meetings would increase depending on the scope of the audit activities and the number of audit reports produced.

#### 8. Functions of the Audit Committee

The functions of the Audit Committee are as follows:

- To consider the appointment of the External Auditors, the audit fee and any questions of resignation or dismissal and whether there is reason (supported by grounds) to believe that the External Auditors are not suitable for re-appointment;
- To discuss with the External Auditors before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;

#### Audit Committee Report (cont'd)

- To recommend the nomination of a person or persons as the External Auditors;
- To approve the provision of non-audit service by the External Auditors;
- To ensure that there are proper checks and balances in place so that the provision of non-audit services does not interfere with the exercise of independent judgement of the External Auditors;
- To assess objectivity, performance and independence of the External Auditors (for example by reviewing and assessing the various relationships between the External Auditors and the Company or any other entity):
- g) To review:
  - with the External Auditors, their audit plan;
  - with the External Auditors, their evaluation of the system of internal controls;
  - with the External Auditors, their audit report;
  - the assistance given by the Company's officers to the External Auditors;
  - the consolidated financial statements of the Company; and
  - any related party transactions and conflict of interest situation that may arise within the Group including any transaction, procedures or course of conduct that raises questions of management integrity:
- h) To review the quarterly, half-yearly and year-end financial statements of the Company, prior to the approval of the Board of Directors, focusing particularly on:
  - any changes in accounting policies and practices;
  - significant adjustments arising from the audit;
  - any other significant and unusual events;
  - the going concern assumption; and
  - compliance with accounting standards and other legal requirements;
- To discuss problems and reservations arising from the interim and final audits, and any matter the External Auditors may wish to discuss (in the absence of Management where necessary);
- j) To review the External Auditors' management letter and Management's response;
- To meet with the External Auditors without the presence of Management at least twice a year;
- To propose best practices on disclosure in financial results and annual reports of the Company in line with the principles set out in the Malaysian Code on Corporate Governance, other applicable laws, rules, directives and guidelines;
- m) To review the effectiveness of internal controls and risk management processes;

- n) To do the following:
  - review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
  - review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and ensure that appropriate actions are taken on the recommendations of the internal audit function in a timely manner;
  - review any appraisal or assessment of the performance of members of the internal audit function:
  - approve any appointment or termination of senior staff members of the internal audit function;
  - take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning;
  - consider the major findings of internal investigations and Management's responses;
  - establish an appropriate mechanism to address and manage situations where there is a threat to the objectivity of the internal audit; and
  - establish a mechanism to assess performance and effectiveness of the internal audit function;
- Where the internal audit function lacks the expertise needed to perform the audit of specialised areas, external experts may be engaged. However, the Audit Committee remains responsible for ensuring that audit of specialised areas is adequate;
- p) In situations that external experts are engaged to carry out review of specialised areas where internal audit is not or not sufficiently proficient, the Audit Committee should ensure that:
  - terms and scope of the engagement, the working arrangement with the internal auditors and reporting requirements are clearly established; and
  - if the External Auditors are engaged, the Audit Committee is responsible for ensuring that such engagement does not compromise the independence of the External Auditors in their roles as statutory auditors of the Company;
- q) To verify the allocation of share options/share grants/ share save (where applicable) pursuant to the Company's Employees' Share Scheme at the end of each financial year as being in compliance with the criteria of allocation pursuant to the Employees' Share Scheme and to issue a statement verifying such allocation to be included in the annual report; and
- To consider and examine any other matters as defined by the Board.

#### 9. Authority of the Audit Committee

The Audit Committee is authorised by the Board to:

- investigate any matter within the scope of the Audit Committee's duties;
- have full and unrestricted access to any information in the Company;
- obtain independent professional advice or other advice, whenever deemed necessary;
- make recommendations for improvements of operating performance and management control arising from internal and external audit recommendations;
- have the resources which are required to perform its duties:
- f) have direct communication channels with the External Auditors and person(s) carrying out the internal audit function or activity, if any; and
- be able to convene meetings with the External Auditors, the Internal Auditors or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary.

The Chairman and/or members of the Audit Committee are authorised by the Board to engage on a continuous basis with senior management, the Chairman, the Group Chief Executive Officer, the Group Chief Financial Officer, the Group Chief Internal Auditor and the External Auditors in order to be kept informed of matters affecting the Company.

#### 10. Reporting of Breaches to Bursa Malaysia Securities Berhad

Where the Audit Committee is of the view that a matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of Bursa Malaysia Securities Berhad's Listing Requirements, the Audit Committee must promptly report such matter to the Bursa Malaysia Securities Berhad.

#### Audit Committee Meetings held in the Financial Year Ended 31 March 2016 (FY2016)

During the FY2016, a total of five Audit Committee meetings were held. The details of attendance of the Committee members are as follows:

Name of Committee Member	Attendance
Stephen Geh Sim Whye	5/5
Kung Beng Hong	5/5
Ou Shian Waei	5/5
Megat Dziauddin bin Megat Mahmud (retired on 25 September 2015)	3/3
Tan Yuen Fah (retired on 30 June 2015)	2/2

#### **Summary of Activities**

The Audit Committee has during the FY2016 carried out the following duties:

- Reviewed the quarterly results and made recommendations to the Board for approval;
- Reviewed with the External Auditors, the draft Audited Financial Statements of the Company and the Group for the financial year ended 31 March 2015 (FY2015);
- Reviewed with the External Auditors, their report on the Limited Review of Half Year Financial Statements for the six months period ended 30 September 2015;
- Reviewed with the External Auditors, their management letter together with Management's responses to the audit findings for the FY2015;
- Reviewed with the External Auditors, their audit plan for the FY2016;
- Reviewed the non-audit services rendered by the External Auditors;
- Considered the re-appointment of the External Auditors and their audit fees for the FY2016:
- Reviewed the Audit Committee Report, Statement on Risk Management and Internal Control and Risk Management Report for inclusion in the 2015 Annual Report;
- i) Reviewed the internal audit reports with Internal Auditors;
- Reviewed with the Internal Auditors, the internal audit plan for the FY2016;
- Reviewed recurrent related party transactions entered into by the Company and its subsidiaries;
- Reviewed the External Auditors Suitability & Independence Assessment Policy;
- m) Performed annual re-assessment of the Group Chief Internal Auditor as a Key Responsible Person;
- n) Met with the External Auditors without the presence of Management twice during the year; and
- Met with the Internal Auditors without the presence of Management twice during the year.

Subsequent to FY2016, the Audit Committee carried out the following duties:

- Reviewed with the External Auditors, the draft Audited Financial Statements of the Company and the Group for the FY2016;
- Reviewed with the External Auditors, their management letter together with Management's responses to the audit findings for the FY2016;
- Reviewed the non-audit services rendered by the External Auditors;

#### Audit Committee Report (cont'd)

- d) Considered the re-appointment of the External Auditors and their audit fees for the financial year ending 31 March 2017 (FY2017);
- Reviewed recurrent related party transactions entered into by the Company and its subsidiaries;
- Reviewed with the Internal Auditors, the internal audit plan for the FY2017;
- g) Reviewed the internal audit reports with Internal Auditors;
- Reviewed the Audit Committee Report, Statement on Risk Management and Internal Control and Risk Management Report for inclusion in the 2016 Annual Report;
- Met with the External Auditors without the presence of Management; and
- Met with the Internal Auditors without the presence of Management.

#### **Group Internal Audit Function**

The Group Internal Audit's primary role is to assist the Audit Committee to discharge its duties and responsibilities by independently reviewing and reporting on the adequacy and effectiveness of the system of internal controls that mitigate critical risks.

The authority of Group Internal Audit is provided in the Internal Audit Charter, which formally documents the roles, duties and responsibilities of the Internal Auditors. The Group Chief Internal Auditor reports directly to the Group Audit Committee of the Alliance Bank Group and the Audit Committee of the Company.

To assist the Group in adopting high standards of corporate governance, the internal audits carried out provide reasonable assurance that the system of internal controls continue to operate satisfactorily and effectively. These audits cover the review of the adequacy of risk management, operational controls, compliance with established procedures, guidelines and statutory requirements, quality of assets, application systems and management efficiency, amongst others.

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

The audit approach includes the application of Computer Assisted Audit Techniques (CAATs) that enables interrogation of data in order for audits to be carried out in a more effective and efficient manner. The area of information systems audits of various application systems are carried out to assess whether the application systems' controls are in place, and operating securely and with integrity.

Prior to implementation of key new business products, Group Internal Audit assists Management in reviewing the control risks involved to evaluate whether such risks are properly mitigated.

Group Internal Audit worked collaboratively with Group Risk Management to monitor the risk governance framework and the risk management processes that were applied to ensure an acceptable level of risk exposure which was consistent with the risk management policy of the Group. The Internal Auditors also worked closely with the External Auditors to resolve any control issues raised by them to ensure that significant issues were duly acted upon by Management.

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

Group Internal Audit continued to host the Guest Auditor Programme, where selected line managers and candidates under the Branch Manager Development and Management Trainee Programmes were invited to join as guest auditors for audit assignments. During these short attachments to Group Internal Audit, guest auditors gained useful insights into the internal audit process and a deeper appreciation of the risks and controls while Group Internal Audit benefited from their functional or business unit knowledge. This pooling of talents and experiences allowed the sharing of best practices across the Group.

During the FY2016, the Group's internal audit function incurred costs amounting to RM7.8 million.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

#### Responsibility

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

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

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

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

#### **Risk Management Framework**

The Board, through its Group Risk Management Committee ("GRMC") provides oversight on risk management strategies, methodologies, policies and guidelines, risk tolerance and other risk related matters of the Group. Approval of risk policies by the Board is obtained where necessitated by regulatory requirements. In addition, the GRMC also oversees the functions of management committees such as the Group Assets and Liabilities Management Committee and Group Operational Risk Management Committee, which assume the responsibility of monitoring specific areas of risks pertaining to the Group's business activities and implement various risk management policies and procedures. For further information on the Group's risk management framework, please refer to the Risk Management report on pages 82 to 89 of this Annual Report.

Major risks arising from the Group's day-to-day activities in the financial services industry comprise credit risk, liquidity risk, market risk and operational risk. For more information on the risks and relevant guidelines and policies, please refer to Note 40 under the Financial Statements.

#### **System of Internal Controls**

To ensure that a sound system of controls is in place, the Board has established primary processes in reviewing the adequacy and integrity of the system of internal controls. The primary processes include:

- Regular and comprehensive management reports are made available to the Board on a monthly basis, covering financial performance and key business indicators, which allow for effective monitoring of significant variances between actual performance against budgets and plans;
- Clearly defined delegation of responsibilities to committees of the Board and to Management including organisation structures and appropriate authority levels;
- An operational risk management framework, business continuity management framework, code of conduct, human resource policies and performance reward system to support business objectives, risk management and the system of internal control;
- Properly defined policies and procedures to control applications and the environment of computer information systems;
- Regular updates of internal policies and procedures, to adapt to changing risk profiles and address operational deficiencies;
- Regular reviews of the business processes by the Group Internal Audit, to assess the effectiveness of the control environment and to highlight significant control gaps impacting the Group;
- Documentation and periodic assessment of controls and processes by all business and support units for managing key risks; and
- Regular senior management meetings to review, identify, discuss and resolve strategic, operational, financial and key management issues.

#### Assessment of Risk Management and Internal Control System

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

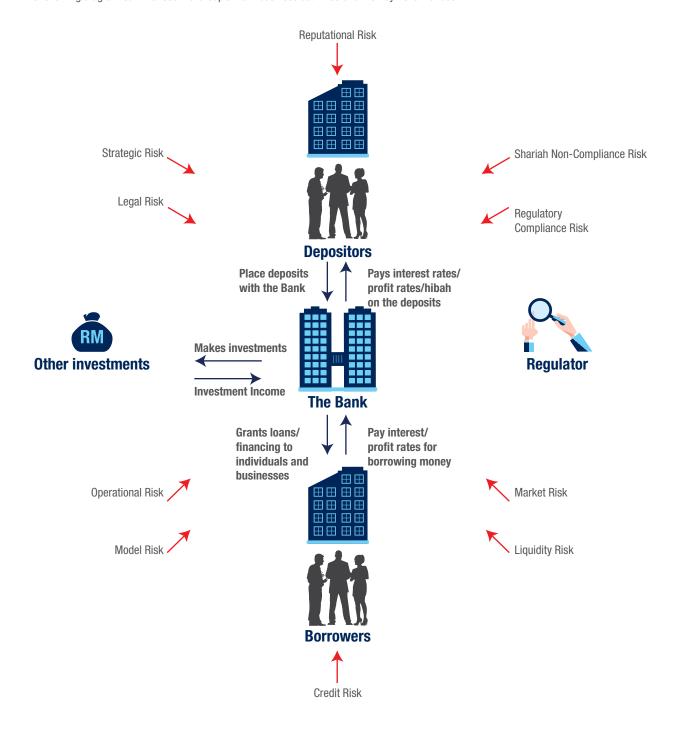
#### **Review of the Statement by External Auditors**

As required by paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the external auditors have reviewed this Statement on Risk Management Internal Control for the financial year ended 31 March 2016 and have reported the results of the review thereof to the Board.

#### RISK MANAGEMENT

In the course of our daily operations, the Group/Bank takes on a wide variety of risks. These risks arise from the products/services we offer and the business activities that the Bank is engaged in. The Bank faces additional challenges arising from external factors such as changes that impact our economic situation and the economic well being of our customers. Furthermore, the Bank must keep up with changes in the banking environment, industry regulations and compliance requirements. The role of risk management is to assist the Bank to stay safe and achieve sustainable growth, while managing these risks.

The following diagram summarises the Group's main business activities and the key risks we face.



#### **Integrated Risk Management Framework**

The Group adopts an Integrated Risk Management Framework ("IRMF") to manage business and financial risks on a group-wide basis. The IRMF approach enables the Group to have a consolidated view/assessment of all risks and to manage these risks in a holistic manner, alongside business and compliance requirements. The IRMF defines the Group's key risk activities according to risk categories and identifies the methodologies and tools to manage them, as follows:

Risk Universe	Frameworks and Policies	Methodologies, Tools Used
Credit Risk The risk of loss due to failure by customers/ counterparties to fulfil their contractual obligations to repay their loans/financing or to settle their commitments.	<ul> <li>Credit Risk Management Framework</li> <li>Credit Programmes/Product         Programmes     </li> <li>Risk Acceptance Criteria</li> </ul>	<ul> <li>Key Risk Indicators</li> <li>Tripwires, limits and thresholds</li> <li>Credit ratings/scorecards</li> <li>Stress testing</li> </ul>
Market Risk The risk of loss arising from adverse changes in market variables such as interest/profit rates, foreign exchange rates, equity prices, commodity prices and/or due to volatile market conditions.	<ul> <li>Market Risk Management Framework</li> <li>Trading Book Policy Statement</li> <li>Valuation Policy</li> <li>Hedging Policy</li> <li>Value-at-Risk and Back testing</li> <li>Treasury Product Programmes</li> </ul>	<ul> <li>Limits and thresholds</li> <li>Revaluation, marking-to-market and marking-to-model</li> <li>Stress testing and back testing</li> <li>Hedging</li> </ul>
Liquidity Risk The risk related to the Bank's: Inability to fund financial commitments when due; Incurring losses when attempting to liquidate assets due to market disruptions and/or illiquid market situations.	<ul> <li>Liquidity Risk Management Framework</li> <li>Contingency Funding Plan</li> </ul>	<ul> <li>Liquidity gap analysis</li> <li>Liquidity stress testing</li> <li>Diversification of funding by source, type of depositor, and instrument</li> <li>Deposit concentration</li> <li>Liquidity ratios, triggers and thresholds</li> </ul>
Operational Risk The risk of loss resulting from failures of processes, people and systems; or from external events which are neither market-related nor credit-related.  Legal and Regulatory Risk The risk of loss or imposition of penalties, fines, or other liabilities arising from breaches of applicable laws, regulations, or contractual obligations.	<ul> <li>Operational Risk Management         Framework</li> <li>IT Risk Management Framework</li> <li>Business Continuity Plan</li> <li>Compliance Framework</li> <li>Legal Manual</li> <li>Anti-Money Laundering and Counter         Financing of Terrorism Policy</li> </ul>	<ul> <li>Risk and Control Self-Assessment</li> <li>Control Self-Assessment</li> <li>Key Risk Indicators</li> <li>Loss Event Data Collection</li> <li>Heat maps</li> <li>Operational risk and compliance reviews</li> <li>New product assessment</li> <li>Compliance and risk awareness programmes</li> </ul>
Shariah Non-Compliance Risk The risk of loss arising from failure to comply with Shariah rules and principles. Shariah-compliant investments may be disposed at a loss.	Shariah Governance Framework	<ul> <li>Shariah reviews and rating</li> <li>Shariah non-compliance monitoring and reporting</li> </ul>
Strategic Risk The risk of loss arising from the Group adopting the wrong business strategy, failure to properly execute business strategy, or respond to industry/economy or technological changes.	Strategic Risk Management Framework	<ul> <li>Integrated business strategy, risk appetite and capital planning process</li> <li>Tracking of strategic initiatives and deliverables</li> <li>Regular reviews by Management and Board</li> </ul>

#### Risk Management (cont'd)

Risk Universe	Frameworks & Policies	Methodologies, Tools Used
Reputational Risk The risk of loss arising from negative perception by customers, counter-parties, shareholders, investors, debt-holders, market analysts, other relevant key stakeholders or regulators that can adversely affect the Group's existing, or new business relationships and access to sources of funding.	<ul> <li>Reputational Risk Management         Framework</li> <li>Code of Conduct</li> </ul>	<ul> <li>Stakeholder and media analysis</li> <li>Monitoring of corporate risk rating</li> <li>Regular industry and market benchmarking</li> <li>Investor relations</li> <li>Transparent disclosures and communications</li> </ul>
Model Risk The risk of loss arising from the failure or inappropriate adoption of risk models.	Independent Risk Rating Model     Validation Framework	<ul> <li>Discriminatory power</li> <li>Stability</li> <li>Characteristic Analysis</li> <li>Migration Analysis</li> <li>Review of model design, data quality, modelling methodology and use of scorecard</li> </ul>

We use a combination of the following components, techniques and tools to monitor and manage risks:

#### **Risk Frameworks, Policies and Limits**

- We establish risk frameworks to cover each key risk area.
- We set supplementary policies to govern individual products, business segments and entities.
- We factor in regulatory requirements as well as best practices.
- We set risk parameters and limits, guided by the Group's risk appetite, and add on operational controls.
- We use a combination of limits and controls, to suit different products and businesses.
- We use a combination of quantitative measures and qualitative/ judgmental assessments to govern our risk-taking activities.
- We engage the relevant Business and Control functions, to seek input on the proposed policies, limits and controls.
- We review/revise these risk frameworks and policies periodically to adjust to changing market conditions and new regulations.

#### **Risk Methodologies & Tools**

- We strive to use statistical tools to quantify and aggregate risks across products, business segments and business entities.
- These quantitative techniques/tools include credit scorecards, risk-rating templates, expected loss models, stress testing and scenario analyses.

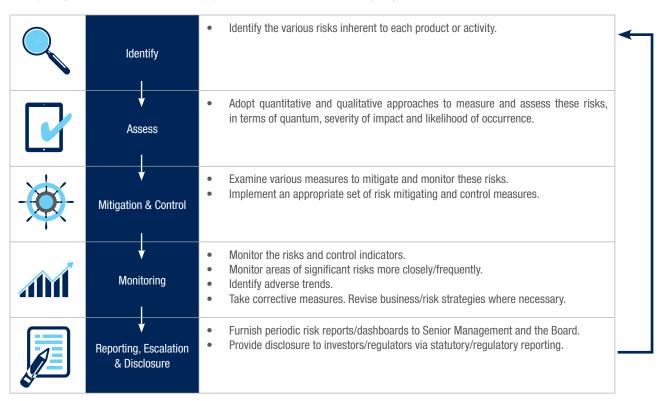
- Measurement of risks enables us to gauge the risk levels against risk limits. These are reported to the Senior Management/Board Committees.
- To ensure that these tools continue to function as intended, we employ other techniques to back test and independently validate their reliability.
- Where warranted, our risk models are recalibrated and fine-tuned.
- We avoid over-reliance on statistical models by combining the use of these tools alongside sound judgmental controls.

#### **Risk Communication and Disclosures**

- We promote active communication of risks by:
  - Documenting our policies, limits and procedures, and disseminating such information to relevant staff;
  - Training our employees;
  - Tracking and reporting our progress, performance and activities;
  - Highlighting exceptions and key developments to Senior Management and the Board; and
  - Communicating to employees, customers, regulators and other stakeholders.

#### **Risk Management Process**

The Group's risk management process starts with risk identification, risk assessment, followed by risk mitigation and control, risk monitoring, risk reporting, escalation, and disclosure. The process is illustrated in the following diagram:



#### **Risk Appetite and Risk Strategy**

The Group seeks to achieve sustainable business growth by:

- Balancing business growth and risk-taking;
- Balancing the expectations of the Group's various stakeholders;
   and
- Managing the Group's Business Risks and Strategic Risks.

The Risk Appetite Framework defines how much risk is taken by the Group. The Group's Risk Appetite Statement, which has been approved by the Board, includes several key metrics:

- Maintaining sufficient capital buffer under business-as-usual operations and projected stress scenarios;
- Maintaining sufficient liquidity buffer to fund daily operations and contingencies;
- Generating equitable level of returns while controlling/managing business activities; and
- Maintaining good quality assets in the Group's loan/financing books through active management of loans/financing, investments and trading activities.

These are monitored regularly to ensure that the Group stays within appropriate risk boundaries.

#### **Risk Culture**

Risk management is not merely confined to policies, procedures, limits, and models. Effective risk management also requires a strong risk culture. Risk culture is the system of values and behaviours within the Group that shapes our day-to-day functions.

The Group's Core Values are:

- Respect
- Integrity
- Teamwork
- Excellence
- Ownership

Across the Bank, managing risk is everyone's responsibility, from the top to the front-line staff. The Bank has used various communication channels, ranging from staff communication bulletins, town halls, to staff training/induction courses to cascade and reinforce key messages.

#### Risk Management (cont'd)

#### **Risk Governance**

The Group adopts three lines of defence in managing risks, and each line of defence has clear areas of responsibility.

#### **Business Units**

Business Strategy/Performance and Risk

1st Line of Defence

Business Units and Business Risk functions own the risk associated with business. They form the first line of defence against risk by managing the risk-reward trade-off within the scope of the Group's risk tolerance and policies. Business Risk Units and Credit Underwriting Units under the Group Chief Credit Officer's Office are responsible for monitoring business activities and ensuring that they are carried out within the approved policies/product programmes, and business models.

Loan/Financing portfolio management, early warning and recovery issues are deliberated at the monthly Portfolio Review Committee ("PRC") meetings, chaired by the respective Business Heads. Members of the PRCs comprise Group Credit and Group Risk personnel to ensure a balance of risk taking and risk control activities across the respective lines of business.

#### **Oversight Function**

Governance and Risk Oversight

2nd Line of Defence

Group Risk Management, Group Compliance and Shariah Review Team form the second line of defence, known as Independent Risk Control Units. The responsibilities of these departments include:

- · Formulate and enhance risk management, compliance and Shariah frameworks;
- Recommend risk management/compliance/Shariah policies, methodologies, limits and parameters;
- · Review adequacy of control measures; and
- Independent risk review, monitoring and reporting to the Group Risk Management Committee ("GRMC") and Board.

**3rd Line of Defence** 

#### **Internal Audit**

Independent Assurance

As the third line of defence, Group Internal Audit provides independent assessment and assurance to the Audit Committee on the robustness, adequacy and effectiveness of our internal controls related to processes, risks and governance functions.

#### **Governance Structure**

The chart below illustrates the governance structure and committees that are mainly responsible for key governance and risk-related functions.

#### **Board of Directors**

- Provides oversight on business strategies and significant policies.
- Sets the Bank's risk appetite.

Board Level

Ma	oup Risk nagement Committee GRMC")	Exe	cutive Committee	Group Audit Committee	Shariah Committee
•	Reviews risk management strategies, policies and risk tolerance limits.	•	Provides oversight on business issues. Reviews large credit exposures.	Oversees the adequacy and effectiveness of the Group's internal controls.	Oversees Shariah governance/compliance matters.
•	Reviews compliance reports/issues.				
•	Ensures infrastructure and resources are in place to manage risk.				

#### **Group Assets and Liabilities Management Committee ("GALCO")**

#### Governs

- Balance sheet and capital management
- Liquidity risk management
- Interest/profit rate risk management

#### **Group Management Credit Committee**

Evaluates/approves credit proposals and limits.

#### U

Management

Level

#### **Credit Portfolio Review Committees**

- Consumer Banking
- SME Banking
- Corporate and Commercial Banking

Monitors the credit quality of the credit portfolios of the respective business segments. Chaired by the Business Segment Heads. Check-and-balance maintained with participation from Group Credit and Group Risk Management.

#### **Group Operational Risk Management Committee**

Reviews the Group's operational risk issues/profile.

#### **Product Review Group**

Governs the introduction of new products, covering in-house developed products and third party (bancassurance and wealth management) products.

#### **Roles and Responsibilities of the Board**

- The Board is ultimately responsible for risk oversight within the Group, aided by the GRMC;
- The Board ensures that the Group establishes comprehensive risk management policies, processes and infrastructure to manage the various types of risk;
- The Board is collectively responsible and accountable for the accuracy of disclosures and management of risk;
- For this purpose, the Board has established specialised board committees to oversee critical or major functional areas and to address matters which require detailed review or in-depth consideration. Although the Board may delegate certain duties to the Board Committees, it remains responsible for the policies/decisions approved by these committees.

#### Risk Management (cont'd)

#### **Roles and Responsibilities of GRMC**

The GRMC is a Board-level committee that is responsible for assisting the Board to exercise its risk oversight responsibilities. These include:

- Overseeing Senior Management's activities in managing risks across the Group;
- Endorsing/approving risk frameworks and policies; risk management strategies, risk exposures, risk tolerance limits and thresholds;
- Reviewing and assessing adequacy of risk management policies and frameworks in identifying, measuring, monitoring and controlling risks; and the extent to which these are operating effectively;
- Ensuring that infrastructure, resources and systems are in place for managing risks; i.e. ensuring that the staff responsible for implementing risk management systems perform their duties independently of the Group's risk-taking activities;
- Reviewing management reports on risk exposures, compositions/concentrations and trends;
- Ensuring that the risk management process is functioning as intended.

The GRMC held thirteen (13) meetings during the financial year ended 31 March 2016. The attendance of the GRMC members are as follows:

Committee Members	Attendance
Kuah Hun Liang (Chairman)	13/13
Dato' Majid bin Mohamad (appointed on 1 July 2015)	9/9
Lee Boon Huat (appointed on 1 July 2015)	9/9
Premod Paul Thomas <sup>1</sup> (appointed on 1 July 2015)	8/9
Ho Hon Cheong (appointed on 26 August 2015)	7/7
Tan Yuen Fah²	4/4
Kung Beng Hong <sup>3</sup>	4/4

- <sup>1</sup> Resigned on 13 April 2016
- <sup>2</sup> Chairman of GRMC up to 30 June 2015
- <sup>3</sup> A Member of GRMC up to 30 June 2015

#### **Capital Management**

The Group and its entities strive to maintain a healthy capital position as a risk buffer. Towards this end, we have implemented an Internal Capital Adequacy Assessment Process ("ICAAP") and capital management framework. ICAAP aims to identify and quantify all material risks to assess the Group's capital adequacy buffer. The capital management framework outlines the broad policies and guidelines on capital management.

Bank Negara Malaysia requires banking institutions to have a minimum total capital ratio plus conservation buffer of 8.625% by 2016, with annual stepped increases, to reach 10.5% by 2019. To ensure that the Group has sufficient capital to meet regulatory requirements, the Bank issued RM1.2 billion subordinated debt in December 2015. This raised the Group's Total Capital Ratio to 17.1%, which was the highest in the industry for December 2015.

The Group will continuously monitor its capital levels via the ICAAP process to safeguard and maintain a strong capital base. The strong capital base will enable future business developments that could potentially enhance shareholders' value.

#### **Stress Testing and Contingency Planning**

The Group regularly performs stress testing to estimate the potential impact of extreme events on the Group's earnings, balance sheet and capital. These stress tests also provide a gauge of our sensitivity/ vulnerability to inherent and emerging risks to various business sectors, product segments or customer segments.

We identify possible events that could adversely impact the Group. For example, we conduct stress tests to gauge the potential impact of an economic downturn. These 'what-if' simulations enable the Group to assess potential worst-case scenarios, for us to prepare contingency plans to manage the risks and conserve capital.

These stress test parameters are formulated in consultation with various stakeholders, taking into account the current economic climate and plausible scenarios. The results are analysed and reported to the Stress Test Working Group, GALCO, GRMC and the respective Boards. Proactive actions are taken to address areas of potential vulnerability, where warranted.

In addition to conducting stress testing for regulatory reporting purposes, the Senior Management also conducts mini stress tests/scenario analyses/simulations, to:

- Ensure that we have sufficient cash and liquid assets to face a liquidity crunch;
- Ensure that we have sufficient capital to fund business growth for the current financial year as well as the next few years;
- Assess the impact of worsening market conditions affecting the equities, bonds and foreign exchange markets; and
- Assess the impact of operational loss events.

The Group's ICAAP process includes incorporating the results of our stress tests for longer term capital planning projections.

Early warning risk triggers have been established to monitor leading indicators of stress. Our contingency plans are not confined to desktop exercises. We carry out periodic exercises including physical simulations of systems failures; business resumption plans, activation of 'buddy branches' and alternate work-sites; plus fire-drill/evacuation procedures.

#### **Emerging Risks**

The Group has identified several emerging risks, as listed below in alphabetical order:

#### **Credit Risk**

The global and domestic economic slowdown has led to a tougher operating environment for the banking industry. Risk concerns include high levels of household debts in Malaysia, a squeeze in disposable incomes, increased job cuts across business sectors, a weaker currency and lower commodity prices. The Group uses various approaches to mitigate these risk concerns, including customer vetting/selection, account monitoring and proactive collection and remedial processes.

Commodity prices especially oil & gas and steel have been declining since 2014. We conducted thematic reviews of credit portfolios related to these commodities, coupled with close monitoring of these portfolios. Credit concentrations are also monitored. For example, the Group's exposure to the oil & gas sector constitutes less than 1% of the Group's total portfolio.

#### **Cyber Risk**

Cyber attacks can have severe reputational consequences because banking relies heavily on information technology and communication channels. Cyber risk covers a wide spectrum of threats, ranging from malicious software, denial-of-service attacks, hacking to other criminal acts. Attacks that materialise may result in financial losses, data loss/theft; and loss of public confidence in the banking institution.

The Group uses an array of physical and system controls to protect our customers and our data. We strive to continuously upgrade and improve our security controls and surveillance tools, including engaging external experts to assist us.

As part of our fraud prevention measures, we had posted security reminders on our allianceonline sign-on page and corporate websites to educate customer on internet banking security as follows:

#### Security Reminder:

- Always ensure your SECURE PHRASE is correct before login
- Always type the allianceonline URL (www.allianceonline.com.my)
- Never click on links in emails/SMS

#### **Liquidity Risk**

Liquidity risk is managed on both the Group and entity basis. The primary objective of liquidity risk management is to ensure that the Bank has sufficient access to funding, to support business-as-usual activities and to meet contingencies. The Group uses several liquidity risk indicators/ratios for monitoring purposes. We review our liquidity ratios and deposit gathering activities regularly and maintain a good level of High Quality Liquid Assets, to provide sufficient liquidity buffer. Furthermore, we are exploring alternative funding sources which would provide us with additional avenues to manage costs, volumes and maturities.

#### **Market Risk**

The Group adopts various approaches and controls to mitigate market risks, as follows:

- Risk policies and risk limits are set for the various products and portfolios. These policies and limits are periodically reviewed and revised.
- We use a combination of risk limits for different products and portfolios. These include position limits, loss tolerance limits, risk sensitivity thresholds, Value at Risk ("VaR") limits, etc.
- Positions/portfolios are tracked closely and are revalued/ marked-to-market positions for comparison against approved limits
- We conduct periodic stress testing to gauge the potential risk impact of a market downturn.

In the event that a risk limit is triggered, there is an escalation process in place to notify Senior Management/Board members and action plans are made to address the issue.

#### **Regulatory Compliance**

The regulatory landscape for the banking sector continues to evolve, with greater emphasis on governance, good market conduct, capital management, liquidity management, anti-money laundering, anti-financing of terrorism and Shariah compliance. In addition, the Group is also focusing efforts to incorporate new accounting and disclosure standards.

The Group strives to incorporate new/revised guidelines into our activities and processes in a manner that complies with the regulatory requirements and is conducive for business.

# ADDITIONAL COMPLIANCE INFORMATION

The following additional compliance information is provided in accordance with Paragraph 9.25 of the Main Market Listing Requirements of Bursa Securities:

#### 1. Utilisation of Proceeds

There were no proceeds raised from any corporate proposal during the financial year ended 31 March 2016.

#### 2. Non-Audit Fees

Non-audit fees paid/payable to the external auditors, Messrs PricewaterhouseCoopers by the Group for the financial year ended 31 March 2016 amounted to RM165,000.

#### 3. Variations in Results

There were no variances of 10% or more between the audited results for the financial year ended 31 March 2016 and the unaudited results previously announced.

#### 4. Material Contracts

There were no material contracts (not being contracts entered into in the ordinary course of business) entered into by the Group involving Directors' and major shareholders' interests, either still subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year.

#### 5. Profit Guarantee

There was no profit guarantee given by the Company in respect of the financial year ended 31 March 2016.

#### 6. Options, Warrants or Convertible Securities

There were no options, warrants or convertible securities issued by the Company which were exercised during the financial year ended 31 March 2016.

#### 7. Share Buy-Back

The Company did not buy back any of its shares during the financial year ended 31 March 2016.

#### 8. American Depository Receipt (ADR) or Global Depository Receipt (GDR)

The Company did not sponsor any ADR or GDR programmes during the financial year ended 31 March 2016.



# FINANCIAL STATEMENTS

92 Statement of Board of Directors' Responsibilities	92	Statement of	f Board (	of Directors'	Responsibilitie
--	----	--------------	-----------	---------------	-----------------

- 93 Directors' Report
- 99 Statement by Directors
- 99 Statutory Declaration
- 100 Independent Auditors' Report
- 102 Statements of Financial Position
- 103 Statements of Comprehensive Income
- 104 Consolidated Statements of Changes in Equity
- 106 Statement of Changes in Equity
- 107 Consolidated Statements of Cash Flows
- 109 Statement of Cash Flows
- 110 Notes to The Financial Statements



# 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.

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 2016.

#### **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 stockbroking services, nominees services, investment advisory services and related financial services.

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

#### **FINANCIAL RESULTS**

	Group RM'000	Company RM'000
Profit before taxation Taxation	694,781 (172,743)	194,295 (1,012)
Net profit for the financial year	522,038	193,283

#### **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 2015 were as follows:

		RM'000
(i)	Second interim single tier dividend of 6.4 sen per share, on 1,548,105,929 ordinary shares of RM1.00 each, in respect of the financial year ended 31 March 2015, was paid on 30 June 2015.	97,503
(ii)	First interim single tier dividend of 8.0 sen per share, on 1,548,105,929 ordinary shares of RM1.00 each, in respect of the financial year ended 31 March 2016, was paid on 30 December 2015.	121,994
		219,497

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 RM1,576,000 and RM1,854,000 being dividends paid for those shares were added back to the appropriation of retained profits in respect of the second and first interim single tier dividends respectively.

Subsequent to the financial year end, on 26 May 2016, the Directors declared a second single tier interim dividend of 6.5 sen per share, on 1,548,105,929 ordinary shares amounting to approximately RM100,627,000 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 2017.

The Directors do not propose any final dividend in respect of the financial year ended 31 March 2016.

#### **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 22 June 2015, the Company awarded 1,844,700 share grants to employees of the Company and its subsidiaries who have met the criteria of eligibility for the participation in the ESS under the Share Grant Plan. The first 33.0% of the share grants are to be vested at the end of the first year and the remaining 67.0% of the share grants are to be vested at the end of the second year from the date on which the award was made.

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

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

#### SHARES HELD FOR EMPLOYEES' SHARE SCHEME

During the financial year ended 31 March 2016, the Trustee of the ESS had not purchased any shares in the Company from the open market.

During the financial year ended 31 March 2016, 1,951,400 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 2016, the Trustee of the ESS held 22,926,500 ordinary shares representing 1.48% of the issued and paid-up capital of the Company. Such shares are held at a carrying amount of RM79,912,000 and further relevant details are disclosed in Note 28 to the financial statements.

#### **BUSINESS REVIEW FOR FINANCIAL YEAR ENDED 31 MARCH 2016**

For the Financial Year Ended ("FYE") 31 March 2016, the Group's net profit after taxation was RM522.0 million, a decrease of RM8.7 million or 1.6% compared to FYE 31 March 2015.

Revenue grew by RM41.1 million or 3.0%, primarily from higher net interest income, including Islamic Banking income, which grew by RM46.3 million due to expansion of total gross loans to RM38.7 billion. Net Interest Margin remained at 215bps despite rising cost of funds of 26bps.

Other operating income declined by RM5.1 million or 1.5%.

Gross impaired loans increased moderately to 1.3%.

The loan loss coverage increased from 102.7% to 109.1%, reflecting a healthy book.

Operating expenses increased by RM42.0 million or 6.5% on higher personnel costs.

Customer deposits registered a healthy growth rate of 3.2% to RM46.0 billion.

The Current Account Savings Account ("CASA") ratio stood at 32.1%, while the loans-to-deposits ratio rose to 84.2% as at 31 March 2016, from 82.8% last year.

The Group's total capital ratio stood healthy at 17.4%, with a Common Equity Tier 1 Capital ratio of 11.8% as at 31 March 2016.

The Group declared a second single tier interim dividend of RM100.6 million, bringing the total dividend declared for the FYE 31 March 2016 to RM224.5 million (FYE 31 March 2015: RM238.6 million).

#### **BUSINESS REVIEW FOR FINANCIAL YEAR ENDED 31 MARCH 2016 (cont'd)**

Performance by business segment

The Group's businesses are presented in the following business segments: Consumer Banking, Business Banking, Financial Markets and Investment Banking. Please refer to Note 49 on Segment Information for the composition of each business segment.

Consumer Banking profit before tax was lower by RM12.0 million or 7.4% compared to the last financial year. The revenue was RM22.3 million or 4.5% higher compared to last financial year. Operating profit was lower by 8.1% mainly due to higher operating expenses. Impairment on loans, advances and financing was lower by 10.6%. Segment asset growth was RM0.3 billion or 1.5% higher, while liabilities registered growth of RM2.8 billion or 14.8% higher.

Business Banking profit before tax was lower by RM9.4 million or 2.7% compared to the last financial year, mainly due to increase in operating expenses of RM34.6 million and increase of RM16.6 million in allowance for impairment on loans, advances and financing. Revenue was RM41.8 million or 7.3% higher compared to the last financial year. Operating profit was RM7.2 million or 2.1% higher. Segment asset growth was RM1.5 billion or 10.2%, while liabilities registered growth of RM1.4 billion or 7.7%.

Financial Markets profit before tax was RM16.1 million or 8.2% higher compared to the last financial year due to higher other operating income by RM28.0 million, higher impairment write-back by RM6.9 million and lower other operating expenses by RM10.1 million.

Investment Banking segment covers stockbroking, capital market activities and corporate advisory services. Investment Banking's loss of RM11.0 million for FYE 31 March 2016 was RM2.9 million, an improvement over the loss of RM13.9 million incurred during the last financial year.

#### **ECONOMIC OUTLOOK AND PROSPECTS FOR FYE 31 MARCH 2017**

Bank Negara Malaysia has forecasted that the Malaysian Gross Domestic Product (GDP) is to remain on a steady growth path, expanding between 4.0% and 4.5% in 2016 despite the challenging international economic and financial landscape.

Domestic demand will remain the key driver of growth. While household expenditure continues to grow moderately, private sector capital spending will be supported by ongoing infrastructure and investment projects in the manufacturing, services and construction sectors.

Meanwhile, Bank Negara Malaysia expects inflation to trend between 2.5% and 3.5% in 2016, due to domestic cost-push price pressures.

On the external sector, gross exports are forecasted to expand 2.4% in 2016, higher than the 1.9% growth recorded in 2015.

The well diversified nature of Malaysia's exports and modest improvement in global demand in 2016 will support overall trade performance.

#### **BUSINESS OUTLOOK FOR FYE 31 MARCH 2017**

The Malaysian economy is expected to grow at a moderate pace with gross domestic product ("GDP") growth of 4.0% and 4.5% in 2016. The Group will leverage on its franchise strength to deliver sustainable profitability and to fulfill the financial needs of our customers.

The Group will continue to improve balance sheet efficiency by focusing on better risk adjusted return loans namely Small Medium Enterprise ("SME"), commercial and consumer financing, and optimising funding cost and mix.

The Group strategy is to focus on the success of business owners (and their families); while helping them to create value for their other stakeholders, such as their employees, customers, and business partners.

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

We are also maximising the linkages across Consumer Banking, Business Banking, Financial Markets, Investment Banking and Islamic Banking to bring to bear the full suite of solutions and capabilities that the Group has to offer to our clients.

The Group expects that these actions will position its businesses for sustainable revenue and profitability for financial year 2017.

#### **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 2015, 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 (Chairman) Stephen Geh Sim Whye Kung Beng Hong Ou Shian Waei Lee Ah Boon Tan Yuen Fah

Tan Yuen Fah (retired on 30 June 2015)
Dato' Thomas Mun Lung Lee (retired on 25 September 2015)
Megat Dziauddin Bin Megat Mahmud (retired on 25 September 2015)

#### **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, none of the Directors in office at the end of the financial year had any interest in shares, share options and share grants in the 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.

#### **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:

- 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:

- 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.

#### **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 30 May 2016.

**Datuk Oh Chong Peng** 

**Kung Beng Hong** 

Kuala Lumpur, Malaysia

#### STATEMENT BY DIRECTORS

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

We, Datuk Oh Chong Peng and Kung Beng Hong, 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 102 to 214 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provision of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 March 2016 and of their financial performance and the cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 52 to the financial statements has 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, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 30 May 2016.

**Datuk Oh Chong Peng** 

**Kung Beng Hong** 

Kuala Lumpur, Malaysia

#### STATUTORY DECLARATION

Pursuant to Section 169(16) of the Companies Act, 1965

I, Wong Lai Loong, 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 102 to 214 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Wong Lai Loong at Kuala Lumpur in the Federal Territory on 30 May 2016

**Wong Lai Loong** 

Before me,

Sivanason a/I Marimuthu

Commissioner for Oaths

Kuala Lumpur, Malaysia 30 May 2016

#### INDEPENDENT AUDITORS' REPORT

To The Members Of Alliance Financial Group Berhad (Incorporated in Malaysia) (Company No. 6627-X)

#### REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Alliance Financial Group Berhad on pages 102 to 213 which comprise the statements of financial position as at 31 March 2016 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Note 1 to Note 51.

#### Directors' Responsibility for the Financial Statements

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

#### Auditors' Responsibility

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

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

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

#### **Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 March 2016 and of their financial performance and cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

#### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the 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 or 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) (Company No. 6627-X)

#### OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 52 on page 214 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 Accountants

Kuala Lumpur 30 May 2016 **SOO HOO KHOON YEAN** 

(No. 2682/10/17 (J)) Chartered Accountant

#### **STATEMENTS OF FINANCIAL POSITION**

#### As At 31 March 2016

		G	roup	Con	npany
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
ASSETS					
Cash and short-term funds	3	4,943,700	2,696,183	56,837	75,357
Deposits and placements with banks and other	•	1,010,100	2,000,100	33,331	. 0,00
financial institutions	4	195,865	298,167	_	_
Balances due from clients and brokers	5	104,659	102,743	_	_
Financial assets held-for-trading	6	132,229	10,037	_	_
Financial investments available-for-sale	7	8,565,696	9,753,856	_	_
Financial investments held-to-maturity	8	1,129,307	1,319,035	_	_
Derivative financial assets	9	133,651	132,460	_	_
Loans, advances and financing	10	38,410,724	36,566,032	_	_
Other assets	11	102,690	90,053	905	1,184
Tax recoverable		36,492	27,017	-	-
Statutory deposits	12	1,410,928	1,675,426	_	_
Investments in subsidiaries	13	-,,		1,781,579	1,780,679
Investment in joint venture	14	731	509	165	99
Property, plant and equipment	15	86,750	97,711	323	368
Intangible assets	16	362,982	359,935	-	-
Deferred tax assets	17	10,639	12,357	435	334
TOTAL ASSETS	.,	55,627,043		1,840,244	1,858,021
TOTAL ASSETS		33,027,043	53,141,521	1,040,244	1,000,021
LIABILITIES AND EQUITY					
Deposits from customers	18	46,024,939	44,606,815	_	_
Deposits and placements of banks and other	10	10,02 1,000	11,000,010		
financial institutions	19	1,157,250	1,489,775	_	_
Balances due to clients and brokers	20	77,246	62,833	_	_
Bills and acceptances payable	21		801,578	_	_
Derivative financial liabilities	9	279,541	115,224	_	_
Amount due to Cagamas Berhad	22	502,725	7,003	_	_
Other liabilities	23	882,054	934,595	2,623	1,999
Subordinated obligations	24	1,840,147	613,267		-
Other borrowings	25	5,071	-	_	_
Provision for taxation	20	322	2,157	271	254
Provision for zakat		123	128		-
Deferred tax liabilities	17	15,617	13,041	_	_
TOTAL LIABILITIES		50,785,035	48,646,416	2,894	2,253
Share capital	26	1,548,106	1,548,106	1,548,106	1,548,106
Reserves	27	3,373,799	3,033,720	369,141	394,383
Shares held for Employees' Shares Scheme	28	(79,897)	(86,721)	(79,897)	(86,721)
		(19,091)	(00,721)	(13,031)	(00,721)
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT		4,842,008	4,495,105	1,837,350	1,855,768
TOTAL LIABILITIES AND EQUITY		55,627,043	53,141,521	1,840,244	1,858,021
COMMITMENTS AND CONTINGENCIES	43	21,832,427	22,745,783	_	-

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

#### STATEMENTS OF COMPREHENSIVE INCOME

#### For The Financial Year Ended 31 March 2016

		Gr	oup	Com	pany
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Interest income Interest expense	30 31	1,920,414 (1,072,622)	1,772,407 (951,818)	2,092	2,075
Net interest income Net income from Islamic banking business	32	847,792 244,151	820,589 225,057	2,092	2,075
		1,091,943	1,045,646	2,092	2,075
Fee and commission income Fee and commission expense Investment income Other income		285,248 (106,772) 92,298 61,421	309,296 (113,649) 86,830 54,866	- 192,439 2,584	326,013 2,937
Other operating income	33	332,195	337,343	195,023	328,950
Net income Other operating expenses	34	1,424,138 (688,950)	1,382,989 (646,979)	197,115 (2,820)	331,025 (3,117)
Operating profit before allowance		735,188	736,010	194,295	327,908
Allowance for losses on loans, advances and financing and other receivables Write-back of impairment on securities and amount due	35	(48,328)	(39,604)	-	-
from subsidiaries	36	7,765	6,728	-	1,327
Operating profit after allowance Share of profit of equity-accounted joint venture, net of tax	14	694,625 156	703,134 16	194,295 -	329,235 -
Profit before taxation Taxation	37	694,781 (172,743)	703,150 (172,370)	194,295 (1,012)	329,235 (1,250)
Net profit for the financial year		522,038	530,780	193,283	327,985
Other comprehensive income:  Items that may be reclassified subsequently to profit and loss Revaluation reserve on financial investments available-for-sale - Net gain from change in fair value - Realised gain transferred to statement of income on disposal and impairment		55,757 (7,659)	113,466 (14,977)	-	-
- Transfer to deferred tax		(11,544)	(27,328)	-	-
Other comprehensive income, net of tax		36,554	71,161	-	-
Total comprehensive income for the financial year		558,592	601,941	193,283	327,985
Net profit for the financial year attributable to: Owners of the parent		522,038	530,780	193,283	327,985
Total comprehensive income for the financial year attributable to:  Owners of the parent		558,592	601,941	193,283	327,985
Earnings per share attributable to owners of the parent: Basic (sen) Diluted (sen)	38(a) 38(b)	34.2 34.2	34.8 34.8		

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

# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For The Financial Year Ended 31 March 2016

		↓ ↓			ibutable to Ow	Attributable to Owners of the Parent	rent		<b>↑</b>	
Group	Note	Share Capital RM'000	Share Premium RM'000	Statutory Reserves RM'000	Capital Reserves RM'000	Revaluation Reserves RM'000	Employees' Share Scheme ("ESS") Reserves RM'000	Shares held for ESS RM'000	Retained Profits RM'000	Total Equity RM'000
At 1 April 2014		1,548,106	304,289	687,017	7,013	7,071	18,912	(112,263)	1,705,871	4,166,016
Net profit for the financial year		1	1	1	1	1	1	1	530,780	530,780
Other comprehensive income		•	•	•	•	71,161	1	•		71,161
Total comprehensive income	J									
for the financial year		1	1	1	1	71,161	•	•	530,780	601,941
Transfer to statutory reserves		1	1	140,610	1	1	1	1	(140,610)	1
Share-based payment under ESS		•	•	1	1	1	6,116	•		6,116
Dividends paid to shareholders	39	1	1	ı	1	1		1	(296,166)	(296, 166)
Transfer to retained profits on										
shares lapsed:										
<ul> <li>employees of subsidiaries</li> </ul>		1	1	1	1	1	(363)	1	363	1
- own employees		1	1	1	1	1	(13)	1	13	1
ESS shares grant vested to:										
<ul> <li>employees of subsidiaries</li> </ul>		1	1	1	1	•	(7,493)	7,493	1	1
- own employees		1	1	1	1	1	(156)	156	1	1
ESS shares option exercised by:										
<ul> <li>employees of subsidiaries</li> </ul>		1	1	1	1	1	(962)	695	1	1
Proceeds from share option exercised		1	1	1	1	1	1	17,198	1	17,198
Transfer of ESS shares purchase price										
difference on shares vested		•	•	•	•	•	(4,364)	•	4,364	•
At 31 March 2015		1,548,106	304,289	827,627	7,013	78,232	11,944	(86,721)	1,804,615	4,495,105

# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For The Financial Year Ended 31 March 2016

		•			— Attributa	Attributable to Owners of the Parent	of the Parent –			<b>^</b>	
Group	Note	Share Capital RM'000	Share Premium RM'000	Statutory Reserves RM'000	Capital Reserves RM'000	Revaluation Reserves RM'000	Regulatory Reserves RM'000	Employees' Share Scheme ("ESS") Reserves RM'000	Shares held for ESS RM'000	Retained Profits RM'000	Total Equity RM'000
At 1 April 2015		1,548,106	304,289	827,627	7,013	78,232	•	11,944	(86,721)	1,804,615	4,495,105
Net profit for the financial year					٠		•			522,038	522,038
Other comprehensive income		•	•	•	•	36,554	•	•	•	•	36,554
Total comprehensive income for the financial year				•	ı	36,554	•		1	522,038	558,592
Transfer to reserves Share-hased nayment			•	130,354	•	•	157,174		•	(287,528)	•
under ESS Dividende posid to		•	•	•	•	•	•	6,632	•	•	6,632
Shareholders	39	•	•	•	•	٠	•	٠	٠	(219,497)	(219,497)
Transfer to retained profits on shares lapsed:											
- employees of subsidiaries		•	•	•	•	•	1	(12)	•	12	•
ESS shares grant vested to: - employees of											
subsidiaries - employees of		•	•	•	•	•	•	(2,406)	5,406	•	•
joint venture		•	•	•	٠	1	•	٠	87	•	87
- own employees		•	•	•	•	•	•	(152)	152	•	•
exercised by:											
subsidiaries		•	•	•	•	•	•	(06)	06	•	•
Proceeds from share		ı				ı			1 000	1	1 000
Transfer of ESS shares		ı	•	•	1	ı	•	1	600,1	ı	600,1
purchase price difference on shares vested		1	•	•	•	•	•	(1,400)	•	1,400	•
At 31 March 2016		1,548,106	304,289	957,981	7,013	114,786	157,174	11,516	(79,897)	1,821,040	4,842,008

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

#### **STATEMENT OF CHANGES IN EQUITY**

#### For The Financial Year Ended 31 March 2016

		•	——— Non-Dis	stributable ——	→ <di< th=""><th>istributable&gt;</th><th></th></di<>	istributable>	
Company	Note	Share Capital RM'000	Share Premium RM'000	Employees' Share Scheme ("ESS") Reserves RM'000	Share held for ESS RM'000	Retained Profits RM'000	Total Equity RM'000
At 1 April 2014		1,548,106	304,289	18,912	(112,263)	41,954	1,800,998
Net profit for the financial year		-	-	-	_	327,985	327,985
Share-based payment under ESS		-	-	6,116	-	-	6,116
Dividends paid to shareholders	39	-	-	-	_	(296, 166)	(296,166)
Transfer to retained profits on						, ,	, , ,
shares lapsed:							
- employees of subsidiaries		-	-	(363)	-	-	(363)
- own employees		-	-	(13)	-	13	-
ESS recharge amount received							
from subsidiaries		-	-	-	7,493	-	7,493
ESS shares grant vested to:							
<ul> <li>employees of subsidiaries</li> </ul>		-	-	(7,493)	-	-	(7,493)
- own employees		-	-	(156)	156	-	-
ESS shares option exercised by:							
<ul> <li>employees of subsidiaries</li> </ul>		-	-	(695)	695	-	-
Proceeds from share option exercis	ed	-	-	-	17,198	-	17,198
Transfer of ESS shares purchase							
price difference on shares veste	ed	-	-	(4,364)	-	4,364	-
At 31 March 2015		1,548,106	304,289	11,944	(86,721)	78,150	1,855,768
At 1 April 2015		1,548,106	304,289	11,944	(86,721)	78,150	1,855,768
Net profit for the financial year		-	-	-	-	193,283	193,283
Share-based payment under ESS		-	-	6,632	-	-	6,632
Dividends paid to shareholders	39	-	-	-	-	(219,497)	(219,497)
Transfer to retained profits on							
shares lapsed:							
- employees of subsidiaries		-	-	(12)	-	-	(12)
ESS recharge amount received from	1:						
<ul> <li>employees of subsidiaries</li> </ul>		-	-	-	5,406	-	5,406
<ul> <li>employees of joint venture</li> </ul>		-	-	-	87	-	87
ESS shares grant vested to:							
<ul> <li>employees of subsidiaries</li> </ul>		-	-	(5,406)	-	-	(5,406)
- own employees		-	-	(152)	152	-	-
ESS shares option exercised by:							
<ul> <li>employees of subsidiaries</li> </ul>		-	-	(90)	90	-	-
Proceeds from share option exercis	ed	-	-	-	1,089	-	1,089
Transfer of ESS shares purchase							
price difference on shares veste	ed		-	(1,400)	-	1,400	<u>-</u>
At 31 March 2016		1,548,106	304,289	11,516	(79,897)	53,336	1,837,350

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

# CONSOLIDATED STATEMENTS OF CASH FLOWS

#### For The Financial Year Ended 31 March 2016

	2016 RM'000	2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	694,781	703,150
Adjustments for:		
Accretion of discount less amortisation of premium of financial investments	(68,125)	(62,935)
Depreciation of property, plant and equipment	23,014	21,471
Dividends from financial investments available-for-sale	(3,190)	(2,179)
Loss/(gain) on disposal of property, plant and equipment	11	(2)
Gain on disposal of non-current assets held for sale	-	(21,605)
Net loss from redemption of financial investments held-to-maturity	34	-
Net loss/(gain) from sale of financial assets held-for-trading	281	(873)
Net gain from sale of financial investments available-for-sale	(6,125)	(14,977)
Unrealised gain on revaluation of financial assets held-for-trading	(1,253)	(33)
Unrealised loss/(gain) on revaluation of derivative financial instruments	166,215	(36,249)
Unrealised gain arising from financial liabilities designated at fair value	(26,728)	(3,737)
Interest expense on subordinated obligations	56,861	29,470
Interest expense on other borrowings	71	-
Interest expense on securities sold under repurchase agreements	272	-
Interest income from financial investments held-to-maturity	(26,871)	(26,908)
Interest income from financial investments available-for-sale	(306,319)	(315,183)
Interest income from financial assets held-for-trading	(4,242)	(428)
Allowance for loans, advances and financing	64,806	81,668
Allowance for other receivables	4,092	2,041
Net write-back of financial investments available-for-sale	(6,050)	(1,759)
Net write-back of financial investments held-to-maturity	(1,715)	(4,969)
Amortisation of computer software	21,750	18,325
Share options/grants under ESS	6,566	6,017
Property, plant and equipment written off	762	957
Computer software written off	74	658
Share of results of joint venture	(156)	(16)
Zakat	56	57
Operating profit before working capital changes carried forward	588,872	371,961

# CONSOLIDATED STATEMENTS OF CASH FLOWS

#### For The Financial Year Ended 31 March 2016

	2016 RM'000	2015 RM'000
Operating profit before working capital changes brought forward Changes in working capital:	588,872	371,961
Deposits from customers Deposits and placements of banks and other financial institutions Deposits and placements with banks and other financial institutions Bills and acceptances payable Balances due to/(from) clients and brokers Other liabilities Financial assets held-for-trading Loans, advances and financing Other assets Statutory deposits Amount due to Cagamas Berhad	1,441,763 (332,525) 102,302 (801,578) 12,497 (52,541) (121,068) (1,909,498) (16,729) 264,498 495,722	5,366,991 (1,569,582) 357,138 801,578 (8,479) 74,687 101,034 (4,828,710) 3,462 (91,182) (7,011)
Cash (used in)/generated from operations Taxes paid Zakat paid	(328,285) (191,303) (61)	571,887 (207,061) (153)
Net cash (used in)/generated from operating activities	(519,649)	364,673
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received from financial investments available-for-sale Interest received from financial investments held-to-maturity Interest received from financial investments available-for-sale Interest received from financial assets held-for-trading Acquisition of joint venture company Purchase of property, plant and equipment Purchase of computer software Proceeds from disposal of property, plant and equipment Proceeds from disposal of financial investments held-to-maturity (net of purchase) Proceeds from disposal of financial investments	3,190 27,006 318,150 4,242 - (12,984) (24,871) 158	2,179 26,908 315,183 428 (394) (27,506) (25,662) 2
available-for-sale (net of purchase)  Proceeds from disposal of non-current asset held for sale ESS recharge amount received from joint venture for share grants	1,227,661 - 87	93,421 49,353 -
Net cash generated from investing activities	1,810,828	509,616
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of subordinated notes Transaction costs paid on issuance of subordinated notes Proceeds from other borrowings Proceeds from share option exercised by employees/joint venture Interest paid on subordinated obligations Interest paid on securities sold under repurchase agreements Dividends paid to shareholders of the Company	1,200,000 (1,062) 5,000 1,089 (28,920) (272) (219,497)	17,198 (28,920) - (296,166)
Net cash generated from/(used in) financing activities	956,338	(307,888)
NET CHANGE IN CASH AND CASH EQUIVALENTS CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	2,247,517 2,696,183	566,401 2,129,782
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	4,943,700	2,696,183
Cash and cash equivalents comprise the following: Cash and short-term funds	4,943,700	2,696,183

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

# **STATEMENT OF CASH FLOWS**

#### For The Financial Year Ended 31 March 2016

CASH FLOWS FROM OPERATING ACTIVITIES           Profit before taxation         194,295         329,235           Adjustments for:         Depreciation of property, plant and equipment Interest income from money at call and deposit placements with financial institutions         48         51           Interest income from money at call and deposit placements with financial institutions         2,0921         2075           Write-back of impairment losses on amount due from subsidiaries         -         (1,327)           Share options/grants under ESS         29         21           Changes in working capital changes         29         21           Receivables         (148)         103           Receivables         (148)         103           Payables         395         102           Cash generated from operations         276         226           Taxes paid         (10,96)         9600           Net cash used in operating activities         435         934           Amount due from subsidiaries         435         934           Amount due from subsidiaries of share grants         48         6           ESS recharge amount received from subsidiaries of share grants         87         2           ESS recharge amount received from subsidiaries of share options         90		2016 RM'000	2015 RM'000	
Adjustments for:         48         51           Depreciation of property, plant and equipment         48         51           Interest income from money at call and deposit placements with financial institutions         (2,092)         (2,075)           Write-back of impairment losses on amount due from subsidiaries         1         (1,327)           Share options/grants under ESS         27         15.00           Gross dividend income from a subsidiary         (192,439)         (326,013)           Operating profit before working capital changes         29         21           Changes in working capital:         148         103           Receivables         (148)         103           Payables         395         102           Cash generated from operations         276         226           Taxes paid         (1,096)         (960)           Net cash used in operating activities         435         934           Amount due from subsidiaries         435         934           Amount due from a joint venture         (8            ESS recharge amount received from subsidiaries for share grants         5,406         7,493           ESS recharge amount received from subsidiaries for share grants         87            ESS recharge amount r	CASH FLOWS FROM OPERATING ACTIVITIES			
Depreciation of property, plant and equipment Interest income from money at call and deposit placements with financial institutions (2,092) (2,075) (1,0277)         (2,092) (2,075) (2,075)           Write-back of impairment losses on amount due from subsidiaries (7,0327)         1,3277 (150)           Gross dividend income from a subsidiary (192,439) (326,013)         (192,439) (326,013)           Operating profit before working capital changes (193,000)         29         21           Changes in working capital: Receivables (193,000)         (148) (103,000)         395         102           Cash generated from operations (199,000)         276         226         132         133         102           CASH FLOWS FROM INVESTING ACTIVITIES         (80) (7,34)         734         1435         934         1435         934         1435         1436	Profit before taxation	194,295	329,235	
Interest income from money at call and deposit placements with financial institutions   1,027   1,02	· ·			
Write-back of impairment losses on amount due from subsidiaries         -         (1,327)           Share options/grants under ESS fores dividend income from a subsidiary         (192,439)         (326,013)           Operating profit before working capital changes         29         21           Changes in working capital:         (148)         103           Receivables         395         102           Cash generated from operations         276         226           Taxes paid         (1,096)         (960)           Net cash used in operating activities         (820)         (734)           CASH FLOWS FROM INVESTING ACTIVITIES           CASH FLOWS FROM INVESTING ACTIVITIES           Amount due from subsidiaries         435         934           Amount due from a joint venture         (8)         -           ESS recharge amount received from subsidiaries for share grants         57         -           ESS recharge amount received from subsidiaries for share options         90         695           Interest received from deposits and placements with banks and other financial institutions         2,092         2,075           Purchase of property, plant and equipment         (3)         -           Dividends received         192,439         326,013 <t< td=""><td></td><td></td><td></td></t<>				
Share options/grants under ESS Gross dividend income from a subsidiary         217 (192,439)         (326,013)           Operating profit before working capital changes         29         21           Changes in working capital:         80         29         21           Receivables         (148)         103         295         102           Payables         10         26         226		(2,092)		
Gross dividend income from a subsidiary         (192,439)         (326,013)           Operating profit before working capital:         29         21           Changes in working capital:         8         103           Receivables         (148)         103           Payables         395         102           Cash generated from operations         276         226           Taxes paid         (1,996)         (960)           Net cash used in operating activities         (820)         (734)           CASH FLOWS FROM INVESTING ACTIVITIES           Amount due from subsidiaries         435         934           Amount due from a joint venture         (8)         -           ESS recharge amount received from subsidiaries for share grants         5,406         7,493           ESS recharge amount received from subsidiaries for share options         90         695           Interest received from deposits and placements with banks and other financial institutions         2,092         2,075           Purchase of property, plant and equipment         (3)         -           Dividends received         192,439         326,013           Net cash generated from investing activities         200,538         337,210           CASH FLOWS FROM FINANCING ACTI		- 217		
Operating profit before working capital changes         29         21           Changes in working capital:         (148)         103           Receivables         395         102           Dayables         395         102           Cash generated from operations         276         226           Taxes paid         (1,096)         (960)           Net cash used in operating activities         (820)         (734)           CASH FLOWS FROM INVESTING ACTIVITIES           Amount due from subsidiaries Activities         435         934           Amount due from a joint venture         (8)         -           ESS recharge amount received from subsidiaries for share grants         5,406         7,493           ESS recharge amount received from subsidiaries for share grants         87         -           ESS recharge amount received from subsidiaries for share options         90         695           Interest received from deposits and placements with banks and other financial institutions         2,092         2,075           Purchase of property, plant and equipment         (3)         -           Dividends received         192,439         326,013           Net cash generated from investing activities         200,538         337,210 <td c<="" td=""><td></td><td></td><td></td></td>	<td></td> <td></td> <td></td>			
Changes in working capital:         (148)         103           Payables         395         102           Cash generated from operations         276         226           Taxes paid         (1,096)         (960)           Net cash used in operating activities         (820)         (734)           CASH FLOWS FROM INVESTING ACTIVITIES           Amount due from subsidiaries         435         934           Amount due from subsidiaries         480         -           ESS recharge amount received from subsidiaries for share grants         5,406         7,493           ESS recharge amount received from subsidiaries for share grants         87         -           ESS recharge amount received from subsidiaries for share options         90         695           ESS recharge amount received from subsidiaries for share options         90         695           ESS recharge amount received from subsidiaries for share options         90         695           Interest received from deposits and placements with banks and other financial institutions         2,092         2,075           Purchase of property, plant and equipment         (3)         -           Dividends received         192,439         326,013           Net cash generated from investing activities         20,538         37	-			
Payables         395         102           Cash generated from operations         276         226           Taxes paid         (1,096)         (960)           Net cash used in operating activities         (820)         (734)           CASH FLOWS FROM INVESTING ACTIVITIES           Amount due from subsidiaries           Amount due from subsidiaries         435         934           Amount due from subsidiaries for share grants         5,406         7,493           ESS recharge amount received from subsidiaries for share grants         87         -           ESS recharge amount received from subsidiaries for share options         90         695           Interest received from deposits and placements with banks and other financial institutions         2,092         2,075           Purchase of property, plant and equipment         (3)         -           Dividends received         192,439         326,013           CASH FLOWS FROM FINANCING ACTIVITIES           CASH FLOWS FROM FINANCING ACTIVITIES           Dividends paid         (219,497)         (296,166)           Proceeds from share option exercised         1,089         17,193           Amount due to subsidiaries         (218,238)         (278,919)				
Cash generated from operations Taxes paid         276 (1,096) (960)           Net cash used in operating activities         (820) (734)           CASH FLOWS FROM INVESTING ACTIVITIES           Amount due from subsidiaries           Amount due from subsidiaries         435 (934)           Amount due from subsidiaries         (8) -           ESS recharge amount received from subsidiaries for share grants         5,406 (7,493)           ESS recharge amount received from joint venture for share grants         87 -           ESS recharge amount received from subsidiaries for share options         90 (895)           Interest received from deposits and placements with banks and other financial institutions         2,092 (2,075)           Purchase of property, plant and equipment         (3) -           Dividends received         192,439 (30)           Net cash generated from investing activities         200,538 (37,210)           CASH FLOWS FROM FINANCING ACTIVITIES           Dividends paid         (219,497) (296,166)           Proceeds from share option exercised         1,089 (17,98)           Amount due to subsidiaries         10 (3) (29,194)           Net cash used in financing activities         (218,238) (278,919)           Net Change in Cash and Cash Equivalents         (18,520) (57,557 (7,557)           CASH AND CASH EQUIVALEN	Receivables	(148)	103	
Taxes paid         (1,096)         (960)           Net cash used in operating activities         (820)         (734)           CASH FLOWS FROM INVESTING ACTIVITIES	Payables	395	102	
Net cash used in operating activities         (820)         (734)           CASH FLOWS FROM INVESTING ACTIVITIES           Amount due from subsidiaries         435         934           Amount due from a joint venture         (8)         -           ESS recharge amount received from subsidiaries for share grants         5,406         7,493           ESS recharge amount received from joint venture for share grants         87         -           ESS recharge amount received from joint venture for share grants         90         695           ESS recharge amount received from joint venture for share options         90         695           Interest received from deposits and placements with banks and other financial institutions         2,092         2,075           Purchase of property, plant and equipment         (3)         -           Dividends received         192,439         326,013           Net cash generated from investing activities         200,538         337,210           CASH FLOWS FROM FINANCING ACTIVITIES           Dividends paid         (219,497)         (296,166)           Proceeds from share option exercised         1,089         17,198           Amount due to subsidiaries         1,089         17,198           Amount due to subsidiaries         (218,238)         (2	Cash generated from operations	276	226	
CASH FLOWS FROM INVESTING ACTIVITIES           Amount due from subsidiaries         435         934           Amount due from a joint venture         (8)         -           ESS recharge amount received from subsidiaries for share grants         5,406         7,493           ESS recharge amount received from joint venture for share grants         87         -           ESS recharge amount received from subsidiaries for share options         90         695           SS recharge amount received from subsidiaries for share options         90         695           Interest received from deposits and placements with banks and other financial institutions         2,092         2,075           Purchase of property, plant and equipment         (3)         -           Dividends received         192,439         326,013           Net cash generated from investing activities         200,538         337,210           CASH FLOWS FROM FINANCING ACTIVITIES           Dividends paid         (219,497)         (296,166)           Proceeds from share option exercised         1,089         17,198           Amount due to subsidiaries         170         49           Net cash used in financing activities         (218,238)         (278,919)           NET CHANGE IN CASH AND CASH EQUIVALENTS         (18,520)         57	Taxes paid	(1,096)	(960)	
Amount due from subsidiaries         435         934           Amount due from a joint venture         (8)            ESS recharge amount received from subsidiaries for share grants         5,406         7,493           ESS recharge amount received from joint venture for share grants         87         -           ESS recharge amount received from subsidiaries for share options         90         695           Interest received from deposits and placements with banks and other financial institutions         2,092         2,075           Purchase of property, plant and equipment         (3)         -           Dividends received         192,439         326,013           Net cash generated from investing activities         200,538         337,210           CASH FLOWS FROM FINANCING ACTIVITIES           Dividends paid         (219,497)         (296,166)           Proceeds from share option exercised         1,089         17,198           Amount due to subsidiaries         170         49           Net cash used in financing activities         (218,238)         (278,919)           NET CHANGE IN CASH AND CASH EQUIVALENTS         (18,520)         57,557           CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR         75,357         17,800           Cash and cash equivalents	Net cash used in operating activities	(820)	(734)	
Amount due from a joint venture         (8)         -           ESS recharge amount received from subsidiaries for share grants         5,406         7,493           ESS recharge amount received from joint venture for share grants         87         -           ESS recharge amount received from joint venture for share options         90         695           ESS recharge amount received from by joint venture for share options         90         695           Interest received from deposits and placements with banks and other financial institutions         2,092         2,075           Purchase of property, plant and equipment         (3)         -           Dividends received         192,439         326,013           Net cash generated from investing activities         200,538         337,210           CASH FLOWS FROM FINANCING ACTIVITIES           Dividends paid         (219,497)         (296,166)           Proceeds from share option exercised         1,089         17,198           Amount due to subsidiaries         170         49           Net cash used in financing activities         (218,238)         (278,919)           NET CHANGE IN CASH AND CASH EQUIVALENTS         (18,520)         57,557           CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR         56,837         75,357 <t< td=""><td>CASH FLOWS FROM INVESTING ACTIVITIES</td><td></td><td></td></t<>	CASH FLOWS FROM INVESTING ACTIVITIES			
Amount due from a joint venture         (8)         -           ESS recharge amount received from subsidiaries for share grants         5,406         7,493           ESS recharge amount received from joint venture for share grants         87         -           ESS recharge amount received from joint venture for share options         90         695           ESS recharge amount received from by joint venture for share options         90         695           Interest received from deposits and placements with banks and other financial institutions         2,092         2,075           Purchase of property, plant and equipment         (3)         -           Dividends received         192,439         326,013           Net cash generated from investing activities         200,538         337,210           CASH FLOWS FROM FINANCING ACTIVITIES           Dividends paid         (219,497)         (296,166)           Proceeds from share option exercised         1,089         17,198           Amount due to subsidiaries         170         49           Net cash used in financing activities         (218,238)         (278,919)           NET CHANGE IN CASH AND CASH EQUIVALENTS         (18,520)         57,557           CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR         56,837         75,357 <t< td=""><td>Amount due from subsidiaries</td><td>435</td><td>934</td></t<>	Amount due from subsidiaries	435	934	
ESS recharge amount received from subsidiaries for share grants         5,406         7,493           ESS recharge amount received from joint venture for share grants         87         -           ESS recharge amount received from subsidiaries for share options         90         695           Interest received from deposits and placements with banks and other financial institutions         2,092         2,075           Purchase of property, plant and equipment         (3)         -           Dividends received         192,439         326,013           Net cash generated from investing activities         200,538         337,210           CASH FLOWS FROM FINANCING ACTIVITIES           Dividends paid         (219,497)         (296,166)           Proceeds from share option exercised         1,089         17,198           Amount due to subsidiaries         170         49           Net cash used in financing activities         (218,238)         (278,919)           NET CHANGE IN CASH AND CASH EQUIVALENTS         (18,520)         57,557           CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR         75,357           Cash and cash equivalents comprise the following:         56,837         75,357			-	
ESS recharge amount received from subsidiaries for share options 90 695 Interest received from deposits and placements with banks and other financial institutions 2,092 2,075 Purchase of property, plant and equipment (3) -Dividends received 192,439 326,013 Net cash generated from investing activities 200,538 337,210 CASH FLOWS FROM FINANCING ACTIVITIES  Dividends paid (219,497) (296,166) Proceeds from share option exercised 1,089 17,198 Amount due to subsidiaries 170 49 Net cash used in financing activities (218,238) (278,919) NET CHANGE IN CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR 75,357 17,800 CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR 56,837 75,357 Cash and cash equivalents comprise the following:			7,493	
Interest received from deposits and placements with banks and other financial institutions2,0922,075Purchase of property, plant and equipment(3)-Dividends received192,439326,013Net cash generated from investing activities200,538337,210CASH FLOWS FROM FINANCING ACTIVITIESDividends paid(219,497)(296,166)Proceeds from share option exercised1,08917,198Amount due to subsidiaries17049Net cash used in financing activities(218,238)(278,919)NET CHANGE IN CASH AND CASH EQUIVALENTS(18,520)57,557CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR75,35717,800CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR56,83775,357Cash and cash equivalents comprise the following:	ESS recharge amount received from joint venture for share grants	87	-	
Purchase of property, plant and equipment Dividends received 192,439 326,013  Net cash generated from investing activities  CASH FLOWS FROM FINANCING ACTIVITIES  Dividends paid Proceeds from share option exercised Amount due to subsidiaries 170 49  Net cash used in financing activities  NET CHANGE IN CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR  CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR  To so, 327 5,357  Cash and cash equivalents comprise the following:				
Dividends received 192,439 326,013  Net cash generated from investing activities 200,538 337,210  CASH FLOWS FROM FINANCING ACTIVITIES  Dividends paid (219,497) (296,166) Proceeds from share option exercised 1,089 17,198 Amount due to subsidiaries 170 49  Net cash used in financing activities (218,238) (278,919)  NET CHANGE IN CASH AND CASH EQUIVALENTS (18,520) 57,557 CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR 75,357 17,800  CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR 56,837 75,357  Cash and cash equivalents comprise the following:	·	•	2,075	
Net cash generated from investing activities  CASH FLOWS FROM FINANCING ACTIVITIES  Dividends paid  Proceeds from share option exercised  Amount due to subsidiaries  Net cash used in financing activities  Net cash used in financing activities  (218,238)  (278,919)  NET CHANGE IN CASH AND CASH EQUIVALENTS  CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR  CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR  Cash and cash equivalents comprise the following:			-	
CASH FLOWS FROM FINANCING ACTIVITIES  Dividends paid (219,497) (296,166) Proceeds from share option exercised 1,089 17,198 Amount due to subsidiaries 170 49  Net cash used in financing activities (218,238) (278,919)  NET CHANGE IN CASH AND CASH EQUIVALENTS (18,520) 57,557 CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR 75,357 17,800  CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR 56,837 75,357  Cash and cash equivalents comprise the following:				
Dividends paid (219,497) (296,166) Proceeds from share option exercised 1,089 17,198 Amount due to subsidiaries 170 49  Net cash used in financing activities (218,238) (278,919)  NET CHANGE IN CASH AND CASH EQUIVALENTS (18,520) 57,557 CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR 75,357 17,800  CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR 56,837 75,357  Cash and cash equivalents comprise the following:	Net cash generated from investing activities	200,538	337,210	
Proceeds from share option exercised Amount due to subsidiaries 17,198 Amount due to subsidiaries 170 49  Net cash used in financing activities (218,238) NET CHANGE IN CASH AND CASH EQUIVALENTS CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR 75,357 CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR 56,837 75,357  Cash and cash equivalents comprise the following:	CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share option exercised Amount due to subsidiaries 17,198 Amount due to subsidiaries 170 49  Net cash used in financing activities (218,238) NET CHANGE IN CASH AND CASH EQUIVALENTS CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR 75,357 CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR 56,837 75,357  Cash and cash equivalents comprise the following:	Dividends paid	(219,497)	(296,166)	
Net cash used in financing activities (218,238) (278,919)  NET CHANGE IN CASH AND CASH EQUIVALENTS CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR 75,357 17,800  CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR 56,837 75,357  Cash and cash equivalents comprise the following:	·			
NET CHANGE IN CASH AND CASH EQUIVALENTS CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR 56,837 75,357 Cash and cash equivalents comprise the following:	Amount due to subsidiaries	·		
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR  CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR  56,837  75,357  Cash and cash equivalents comprise the following:	Net cash used in financing activities	(218,238)	(278,919)	
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR 75,357 17,800  CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR 56,837 75,357  Cash and cash equivalents comprise the following:	NET CHANGE IN CASH AND CASH EQUIVALENTS	(18,520)	57,557	
Cash and cash equivalents comprise the following:	CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	75,357	17,800	
·	CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	56,837	75,357	
·	Cash and cash equivalents comprise the following:			
	·	56,837	75,357	

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

#### 31 March 2016

#### 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 stockbroking services, nominees services, investment advisory services and 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 30 May 2016.

#### 2. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of Preparation

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

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

The financial statements of the Group and the Company 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 or loss.

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

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

The preparation of the financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgment in the process of applying the Group's and the Company'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 16) the measurement of the recoverable amount of cash-generating units are determined based on the value-in-use method, which requires the use of estimates for cash flow projections approved by management covering a 4-year period, estimated growth rates for cash flows beyond the fourth year are extrapolated in perpetuity and discount rates are applied to the cash flow projections.
- (ii) Allowance for losses on loans, advances and financing and other receivables (Note 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.

#### 31 March 2016

#### 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 and the Company's financial year beginning on or after 1 April 2015 are as follows:

- Amendments to MFRS 119 Defined Benefit Plans "Employee Contributions"
- Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRSs 2010 2012 Cycle"
  - MFRS 2 "Share-based Payment"
  - MFRS 3 "Business Combinations"
  - MFRS 8 "Operating Segments"
  - MFRS13 "Fair Value Measurement"
  - MFRS116 "Property, Plant and Equipment" and MFRS 138 "Intangible Assets"
  - MFRS 124 " Related Party Disclosures"
- Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRSs 2011 2013 Cycle"
  - MFRS 1 "First-time Adoption of Malaysian Financial Reporting Standards"
  - MFRS 3 "Business Combinations"
  - MFRS 13 "Fair Value Measurement"
  - MFRS 140 "Investment Property"

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

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

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

#### Financial year beginning on/after 1 April 2016

- (a) Amendment to MFRS 11 "Joint Arrangements" (effective from 1 January 2016) requires an investor to apply the principles of MFRS 3 "Business Combination" when it acquires an interest in a joint operation that constitutes a business. The amendments are applicable to both the acquisition of the initial interest in a joint operation and the acquisition of additional interest in the same joint operation. However, a previously held interest is not re-measured when the acquisition of an additional interest in the same joint operation results in retaining joint control.
- (b) Amendments to MFRS 116 "Property, Plant and Equipment" and MFRS 138 "Intangible Assets" (effective from 1 January 2016) clarify that the use of revenue-based methods to calculate the depreciation and amortisation of an item property, plant and equipment and intangible asset are not appropriate. This is because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.
  - The amendments to MFRS 138 also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption can be overcome only in the limited circumstances where the intangible asset is expressed as a measure of revenue or where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.
- (c) Amendments to MFRS 127 "Equity Method in Separate Financial Statements" (effective from 1 January 2016) allow an entity to use the equity method in its separate financial statement to account for investments in subsidiary companies, joint ventures and associates.
- (d) Amendments to MFRS 10, 12 & 128 "Investment entities Applying the Consolidation Exception" (effective 1 January 2016) clarify the exemption from preparing consolidated financial statements for an intermediate parent entity, a subsidiary providing services that support parent's investment activities, application of the equity method by a non-investment entity that has an interest in an associate or joint venture that is an investment entity, and the disclosures required.

#### 31 March 2016

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

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

Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Company but not yet effective (cont'd)

The Group and the Company will apply the new standards, amendments to standards and interpretations in the following period (cont'd):

#### Financial year beginning on/after 1 April 2016 (cont'd)

- (e) Amendments to MFRS 10 and MFRS 128 "Sales or Contribution of Assets between an Investor and its Associate or Joint Venture" (effective 1 January 2016) clarify the accounting for sale or contribution of assets to an associate or joint venture by an investor. The accounting treatment depends on whether the non-monetary assets sold or contributed constitute a 'business' and only applies when an investor sells or contributes assets to its associate or joint venture.
- (f) Amendments to MFRS 101 "Presentation of financial statements Disclosure Initiative" (effective 1 January 2016) clarifies a number of disclosures requirements are designed to encourage companies to apply professional judgement in determining what information to disclose and how to structure it in their financial statements.
- (g) Amendment to MFRSs contained in the document entitled "Annual Improvements to MFRSs 2012 2014 Cycle" (effective 1 January 2016) The Annual Improvements to MFRSs 2012 2014 Cycle consist of the following amendments:
  - (i) MFRS 5 Non-current Assets Held for Sale and Discontinued Operations introduces specific guidance in MFRS 5 for cases in which an entity re-classifies an asset from held for sale to held for distribution or vice-versa and cases in which held-for distribution is discontinued. The amendment clarifies that changing from one of these disposal methods to the other should not be considered to be a new plan of disposal and that changing the disposal method does not change the date of classification.
  - (ii) MFRS 7 Financial Instruments: Disclosures requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety. The amendment clarifies that a servicing contract that included a fee can constitute continuing involvement in a financial asset and an entity must assess the nature of the fee and arrangement in order to assess whether the disclosures are required. The amendments also clarify the applicability of the amendments to MFRS 7 on offsetting disclosures to condensed interim financial statements.
  - (iii) MFRS 119 Employee Benefits clarifies the meaning that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. When there is no deep market for high quality corporate bonds, government bonds denominated in similar currency must be used.
  - (iv) MFRS 134 Interim Financial Reporting clarifies the meaning of "elsewhere in the interim financial report" as used in MFRS 134 and states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and some other statement that is available to users of the financial statements on the same terms and at the same time.

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

- (a) Amendments to MFRS 107 "Statement of Cash Flows Disclosure Initiative" (effective 1 January 2017). The amendments introduce an additional disclosure on changes in liabilities arising from financing activities. Changes in financial asset should also be disclosed if such cash flows were, or will be included in cash flows from financing activities.
- (b) Amendments to MFRS 112 "Income Taxes Recognition of Deferred Tax Assets for Unrealised Losses" (effective 1 January 2017). The amendment will change the deferred tax for assessment for deductible temporary difference on asset carried at fair value and assessment of future taxable profits available to offset deductible temporary differences. The amendment requires a retrospective application.

#### 31 March 2016

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

(a) Basis of Preparation (cont'd)

Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Company but not yet effective (cont'd)

The Group and the Company will apply the new standards, amendments to standards and interpretations in the following period (cont'd):

#### Financial year beginning on/after 1 April 2018

- (a) MFRS 15 "Revenue from Contracts with Customers" (effective from 1 January 2018) replaces MFRS 118 "Revenue" and MFRS 111 "Construction Contracts" and related interpretations. The standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.
  - Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group and the Company has yet to assess MFRS 15's full impact.
- (b) MFRS 9 "Financial Instruments" (effective from 1 January 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement".

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

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

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

#### Financial year beginning on/after 1 April 2019

(a) MFRS 16 "Leases" will supersedes MFRS 117 "Leases" and the related interpretations (effective 1 Jan 2019). MFRS 16 eliminates the classification of leases between finance lease (on balance sheet) and operating lease (off balance sheet). It now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts.

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 and the Company in the year of initial application.

#### 31 March 2016

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

#### (b) Economic Entities in the Group

#### (i) Subsidiaries

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

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

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

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

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 unless the transaction provides evidence of an impairment of the transfer assets. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

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

#### (iii) Disposal of Subsidiaries

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

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

#### 31 March 2016

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

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

#### (iv) Joint Arrangements

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

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

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

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

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

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

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

#### (c) Investments in Subsidiaries

In the Company's separate financial statements, investments in subsidiaries 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, the difference between disposal proceeds and the carrying amounts of the investments are recognised in the statement of comprehensive income.

#### 31 March 2016

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

#### (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.

#### 31 March 2016

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

#### (e) Financial Assets

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

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

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

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

An uncollectible loan, advance and financing or portion of a loan, advance and financing classified as bad is written off after taking into consideration the realisable value of collateral, if any, when in the 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 profittaking. 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 non-derivative financial assets with fixed or determinable payments and fixed maturities 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.

#### 31 March 2016

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

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

#### (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.

#### (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. Financial liabilities measured at amortised cost include deposits from customers, deposits from banks and debt securities issued, other borrowed funds and bills and acceptances payable. Certain structure products include deposits from customers are designated at fair value through profit or loss.

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

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

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

#### (g) Repurchase Agreements

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

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

#### 31 March 2016

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

#### (h) Property, Plant and Equipment and Depreciation

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

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

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

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

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:

Buildings2%Office equipment and furniture10% - 20%Motor vehicles10% - 16.6%Renovations20%Computer equipment20% - 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 fulfil either of the following criteria:

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

#### 31 March 2016

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

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

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

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

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

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

The calculation of the present value of the estimated future cash flows of a collateralised 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.

#### 31 March 2016

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

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

#### (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.

#### (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 non-financial assets

Other non-financial 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.

#### 31 March 2016

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

#### (i) 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).

#### (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. Refer to Note 2(f).

#### (I) 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.

#### 31 March 2016

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

#### (m) Subordinated Bonds and Other Borrowings

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

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

#### (n) Other Assets

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

#### (o) Provisions

Provisions are recognised when:

- the Group 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. Provision are not recognised for future operating losses.

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

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

#### (p) Balances Due From Clients and Brokers

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

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

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

#### 31 March 2016

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

#### (q) 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.

#### (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.

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

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

#### 31 March 2016

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

#### (s) 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.

#### (i) Fair value hedge

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

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

#### (ii) Cash flow hedge

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

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

#### (iii) Net investment hedge

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

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

#### (iv) Derivatives that do not qualify for hedge accounting

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

#### 31 March 2016

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

#### (t) 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.

#### (u) 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. In the event of uncertain tax position, the tax is measured using the single best estimate of the most likely outcome.

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

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

#### (v) Foreclosed Properties

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

#### (w) 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.

#### (x) 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.

#### 31 March 2016

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

#### (y) 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 comprises 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 Directors and employees of the Group and the joint venture are granted or are allowed to acquire ordinary shares of the Company.

At AFGB Company level, the total fair value of the share options/share grants offered/awarded to the eligible Directors and employees are recognised as a cost of investment in the subsidiary and joint venture respectively 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. In the subsidiary's books, the total fair value will be recorded in the operating expense and a corresponding increase in the capital contribution from parent. On consolidation, the capital contribution from parent and the cost of investment in subsidiary will be eliminated.

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.

Upon vesting, the Company will recharge the cost to the subsidiaries and joint venture. The proceeds received net of any directly attributable transaction costs are credited to equity. For Share Grants, shares held for ESS are released on vesting date. For Share Options, shares held for ESS are released upon exercise by employees.

When vested Share Options lapsed, the remaining amount in the share scheme reserve will be reclassified to Retained Profits.

#### (z) 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.

#### 31 March 2016

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

#### (aa) Financial Guarantee Contracts

Financial guarantee contracts are contracts that require the Group and the Company 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.

#### (ab) Segments 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.

#### (ac) 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

	Gi	roup	Com	pany
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	632,593	778,909	25	22
Money at call and deposit placements maturing within one month	4,311,107	1,917,274	56,812	75,335
	4,943,700	2,696,183	56,837	75,357

#### Note:

The Company's cash and short term funds as of 31 March 2016 comprises amounts maintained with:

- (i) its banking subsidiary amounting to RM47,335,000 (2015: RM69,527,000).
- (ii) ther licensed bank amounting to RM9,498,000 (2015: RM5,823,000), pursuant to the Company's ESS.

31 March 2016

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

	Gro	oup	Com	pany
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Licensed banks	195,865	298,167	-	-

#### 5. BALANCES DUE FROM CLIENTS AND BROKERS

	Gro	up
	2016 RM'000	2015 RM'000
Due from clients Due from brokers	97,680 7,816	60,289 43,294
Less: Allowance for other losses	105,496 (837)	103,583 (840)
	104,659	102,743

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

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

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

		oup
	2016 RM'000	2015 RM'000
	niw ooo	THIN OOO
Classified as doubtful	52	128
Classified as bad	848	927
Other balances are neither past due nor impaired	900	1,055

The movements in allowance for other losses are as follows:

	Gro	Group	
	2016 RM'000	2015 RM'000	
At beginning of financial year	840	1,194	
Write-back during the financial year, net	(3)	(354)	
At end of financial year	837	840	

#### 31 March 2016

#### 6. FINANCIAL ASSETS HELD-FOR-TRADING

	Group	
	2016 RM'000	2015 RM'000
At fair value		
Money market instruments:		
Malaysian Government investment certificates	40,441	-
<u>Unquoted securities:</u>		
Medium term notes	91,788	10,037
	132,229	10,037

#### 7. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Group	
	2016	2015
At fair value	RM'000	RM'000
Money market instruments:		
Malaysian Government securities	1,277,948	2,607,781
Malaysian Government investment certificates	2,338,432	2,723,129
Negotiable instruments of deposits	1,684,516	1,241,534
Bankers' acceptances	-	105,531
Khazanah bonds	202,673	194,349
	5,503,569	6,872,324
Quoted securities in Malaysia:		
Shares	26	22
Accumulated impairment	(11)	(11)
	15	11
Unquoted securities:		
Shares	153,781	141,651
Accumulated impairment	(1,440)	(1,440)
	152,341	140,211
Unit Trust Funds	4,992	-
	4,992	-
Debt securities and medium term notes	3,136,690	2,979,271
Accumulated impairment	(231,911)	(237,961)
	2,904,779	2,741,310
	3,062,112	2,881,521
	8,565,696	9,753,856

#### 31 March 2016

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

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

	Group	
	2016 RM'000	2015 RM'000
At beginning of financial year Write-back during the financial year Write-off during the financial year	239,412 (6,050) -	242,635 (1,759) (1,464)
At end of financial year	233,362	239,412

#### 8. FINANCIAL INVESTMENTS HELD-TO-MATURITY

	Group	
	2016	2015
	RM'000	RM'000
At amortised cost		
Money market instruments:		
Malaysian Government securities	700,570	701,521
Malaysian Government investment certificates	233,390	423,739
Khazanah bonds	190,602	183,932
	1,124,562	1,309,192
At cost		
<u>Unquoted securities:</u>		
Debt securities	18,938	37,668
Accumulated impairment	(14,193)	(27,825)
	4,745	9,843
	1,129,307	1,319,035

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

	Group	
	2016	
	RM'000	RM'000
At beginning of financial year	27,825	34,203
Write-back during the financial year	(1,715)	(4,969)
Write-off during the financial year	(11,917)	(1,409)
At end of financial year	14,193	27,825

#### 31 March 2016

#### 9. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

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

		2016			2015	
	Contract/ Notional	Fair	r Value	Contract/ Notional	Fair	Value
Group	Amount RM'000	Assets RM'000	Liabilities RM'000	Amount RM'000	Assets RM'000	Liabilities RM'000
Trading Derivative Foreign exchange contracts and commodity contracts:						
- Currency forwards - Currency swaps	1,316,549 5,559,540	25,079 90,660	(53,190) (182,106)	1,083,171 3,285,411	70,152 56,355	(5,529) (86,421)
- Currency spots - Currency options	258,309 160,427	646 1,349	(615) (404)	219,795 307,337	347 1,562	(869) (803)
Interest rate related contracts: - Interest rate swaps	2,480,312	15,917	(10,333)	3,645,000	4,044	(9,276)
Equity related contracts: - Options	111,820	-	(27,061)	36,240	-	(3,624)
Hedging Derivatives Interest rate related contracts:						
- Interest rate swaps	200,219	-	(5,832)	280,422	-	(8,702)
Total derivative assets/(liabilities)	10,087,176	133,651	(279,541)	8,857,376	132,460	(115,224)

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

#### 31 March 2016

#### 10. LOANS, ADVANCES AND FINANCING

		G	roup
		2016	2015
		RM'000	RM'000
	drafts	2,641,243	2,142,270
	ı loans/financing using loans/financing	14,842,860	14,257,710
- Syr	ndicated term loans/financing	261,668	431,427
- Hir	e purchase receivables	1,351,475	1,564,527
- Oth	ner term loans/financing	13,039,019	11,751,901
Bills	receivables	306,143	300,866
Trust	t receipts	179,935	182,437
	ns on customers under acceptance credits	2,519,809	2,567,211
	loans [include loans to Directors of a banking subsidiary of RM123,000 (2015: RM155,000)]	34,395	37,691
	it/charge card receivables	646,321	653,068
	lving credits	1,660,665	1,467,301
Shar	e margin financing	1,264,135	1,566,703
	s loans, advances and financing	38,747,668	36,923,112
Add:	Sales commissions and handling fees	38,365	33,927
	Less: Allowance for impairment on loans, advances and financing		
	- Individual assessment allowance	(68,331)	(56,303
	- Collective assessment allowance	(306,978)	(334,704
Total	net loans, advances and financing	38,410,724	36,566,032
(i)	By maturity structure:		
	Within one year	9,201,769	8,508,239
	One year to three years	1,318,284	1,426,070
	Three years to five years	2,050,419	1,825,760
	Over five years	26,177,196	25,163,043
	Gross loans, advances and financing	38,747,668	36,923,112
(ii)	By type of customer:		
	Domestic non-bank financial institutions	375,434	576,252
	Domestic business enterprises	510,101	0.0,000
	- Small and medium enterprises	8,956,673	7,481,367
	- Others	7,058,880	6,890,104
	Government and statutory bodies	6,816	8,258
	Individuals	21,306,301	20,866,962
	Other domestic entities	201,401	215,146
	Foreign entities	842,163	885,023
	Gross loans, advances and financing	38,747,668	36,923,112

#### 31 March 2016

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

		Group	
		2016 RM'000	2015 RM'000
(iii)	By interest/profit rate sensitivity:		
	Fixed rate		
	- Housing loans/financing	46,476	57,528
	- Hire purchase receivables	1,306,547	1,512,488
	- Other fixed rate loans/financing	2,379,044	2,248,229
	Variable rate		
	- Base lending rate plus	27,543,664	26,582,088
	- Base rate plus	847,853	29,334
	- Cost plus	6,350,612	6,253,494
	- Other variable rate loans/financing	273,472	239,951
	Gross loans, advances and financing	38,747,668	36,923,112
(iv)	By economic purposes:		
	Purchase of securities	1,285,780	1,597,174
	Purchase of transport vehicles	1,218,632	1,426,986
	Purchase of landed property	22,624,255	21,587,935
	of which: - Residential	15,846,729	15,137,475
	- Non-residential	6,777,526	6,450,460
	Purchase of fixed assets excluding land and buildings	192,901	209,585
	Personal use	2,560,230	2,276,090
	Credit card	646,321	653,068
	Construction	663,866	564,122
	Merger and acquisition	117,688	117,687
	Working capital	7,186,477	6,623,099
	Others	2,251,518	1,867,366
	Gross loans, advances and financing	38,747,668	36,923,112
(v)	By geographical distribution:		
	Northern region	2,569,926	2,413,727
	Central region	27,917,362	26,845,424
	Southern region	4,581,547	4,246,477
	Sabah region	2,586,488	2,634,948
	Sarawak region	1,092,345	782,536
	Gross loans, advances and financing	38,747,668	36,923,112

#### 31 March 2016

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

			oup	
		2016	2015	
		RM'000	RM'000	
(vi)	Movements in impaired loans, advances and financing ("impaired loans") are as follows:			
	At beginning of financial year	380,712	442,781	
	Impaired during the financial year	688,435	688,569	
	Reclassified as unimpaired during the financial year	(342,996)	(412,159)	
	Recoveries	(157,779)	(235,458)	
	Amount written off	(80,504)	(103,021)	
	Gross impaired loans, advances and financing	487,868	380,712	
	Individual allowance for impairment Collective allowance for impairment (impaired portion)	(68,331) (109,347)	(56,303) (102,533)	
	Net impaired loans, advances and financing	310,190	221,876	
	Gross impaired loans as % of gross loans, advances and financing	1.3%	1.0%	
(vii)	Movements in the allowance for impairment on loans, advances, and financing are as follows:			
	Individual assessment allowance			
	At beginning of financial year	56,303	97,159	
	Allowance made during the financial year, net	24,229	3,475	
	Amount written off Transfer from/(to) collective assessment allowance, net	(14,060) 1,859	(43,873) (458)	
		-		
	At end of financial year	68,331	56,303	
	Collective assessment allowance			
	At beginning of financial year	334,704	313,296	
	Allowance made during the financial year, net	40,577	78,193	
	Amount written off  Transfers (ta) from individual accessment allowance, not	(66,444)	(57,243)	
	Transfers (to)/from individual assessment allowance, net	(1,859)	458	
	At end of financial year	306,978	334,704	
(viii)	Impaired loans by economic purposes:			
	Purchase of securities	-	515	
	Purchase of transport vehicles	14,742	8,263	
	Purchase of landed property	307,795	255,939	
	of which: - Residential	220,145	233,894	
	- Non-residential	87,650	22,045	
	Purchase of fixed assets excluding land and buildings	651	541	
	Personal use Credit card	37,029 9,421	27,164 7,611	
	Construction	3,892	3,979	
	Working capital	96,211	67,634	
	Others	18,127	9,066	
	Gross impaired loans	487,868	380,712	

#### 31 March 2016

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

		Group	
		2016 RM'000	2015 RM'000
(ix)	Impaired loans by geographical distribution:		
	Northern region	46,072	45,294
	Central region	372,422	267,873
	Southern region	40,279	37,759
	Sabah region	25,088	25,501
	Sarawak region	4,007	4,285
	Gross impaired loans	487,868	380,712

#### 11. OTHER ASSETS

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Other receivables	105,339	96,227	76	35
Deposits	9,192	9,348	103	98
Prepayment	14,985	15,033	115	13
Trade receivables	49	49	-	_
Amount due from subsidiaries [Note (a)]	-	-	603	1,038
Amount due from joint venture [Note (b)]	198	534	8	-
	129,763	121,191	905	1,184
Less:				
Allowance for other receivables [Note (c) and (d)]	(27,073)	(31,138)	-	-
	102,690	90,053	905	1,184

#### Note:

(a) Amounts due from subsidiaries

	Company	
	2016 RM'000	2015 RM'000
Non-interest bearing	603	1,038

The amounts due from subsidiaries of RM603,000 (2015: RM1,038,000) are unsecured, interest-free and repayable upon demand.

#### (b) Amounts due from joint venture

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-interest bearing	198	534	8	-

The amounts due from joint venture are unsecured, interest-free and repayable upon demand.

#### 31 March 2016

#### 11. OTHER ASSETS (cont'd)

		Gro	u <b>p</b>
		2016 RM'000	2015 RM'000
(c)	Movements in allowance for other receivables of the Group:		
	At beginning of financial year	31,138	28,743
	Allowance net of write-back	4,095	2,395
	Amount written off	(8,160)	-
	At end of financial year	27,073	31,138

(d) Movements in allowance for amount due from subsidiaries of the Company:

	Com	pany
	2016 RM'000	2015 RM'000
At beginning of financial year	<u>-</u>	1,327
Allowance net of write-back	-	(1,327)
At end of financial year	-	-

#### 12. STATUTORY DEPOSITS

Statutory deposits comprise the following:

- (a) Non-interest bearing statutory deposits of RM1,410,828,000 (2015: RM1,675,326,000) 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 (2015: 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.

#### 13. INVESTMENTS IN SUBSIDIARIES

	Con	npany
	2016 RM'000	2015 RM'000
Unquoted shares, at cost: At beginning of financial year Written off Employees' Share Scheme [Note (a)]	1,810,438 (7,534) 18,434	1,810,438 - 17,534
At end of financial year Less: Accumulated impairment: At beginning of financial year Written off	1,821,338 (47,293) 7,534	1,827,972 (47,293)
At end of financial year	1,781,579	1,780,679

#### 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.

#### 31 March 2016

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

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

Name	Principal activities	Effective equity	interest
		2016	2015
		%	%
Subsidiaries of the Company			
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
Alliance Trustee Berhad	Trustee services	100	100
Kota Indrapura Development Corporation Berhad	Property holding	100	100
Pridunia Sdn. Bhd. *	Liquidated	-	100
Subsidiaries of Alliance Bank Malaysia Berhad			
Alliance Investment Bank Berhad	Investment banking business including Islamic banking, provision of stockbroking services and related financial services	100	100
Alliance Islamic Bank Berhad	Islamic banking, finance business and the provision of related financial services	100	100
Alliance Direct Marketing Sdn. Bhd.	Dealing in sales and distribution of consumer and commercial banking products	100	100
AllianceGroup Nominees (Asing) Sdn. Bhd.	Nominee services	100	100
AllianceGroup Nominees (Tempatan) Sdn. Bhd.	Nominee services	100	100
Subsidiaries of Alliance Investment Bank Berha	d		
AIBB Nominees (Tempatan) Sdn. Bhd.	Dormant	100	100
AIBB Nominees (Asing) Sdn. Bhd.	Dormant	100	100
ARSB Alliance Sdn. Bhd.	Dormant	100	100
KLCS Sdn. Bhd.	Dormant	100	100
Rothputra Nominees (Tempatan) Sdn. Bhd. (under members' voluntary winding up)	Dormant	100	100
Alliance Investment Futures Sdn. Bhd. *	Liquidated	-	100
Unincorporated trust for ESS	Special purpose vehicle for ESS	-	-

<sup>\*</sup> Pridunia Sdn. Bhd. and Alliance Investment Futures Sdn. Bhd., have been dissolved with effect from 9 December 2015 by way of Members' Voluntary Winding-Up pursuant to Section 272(5) of the Companies Act, 1965.

#### 31 March 2016

#### 14. INVESTMENT IN JOINT VENTURE

	Gro	oup	Com	pany
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Unquoted shares				
At beginning of financial year	509	-	99	-
Acquired during the financial year	-	394	-	-
Employees' Share Scheme [Note (a)]	66	99	66	99
Share of post acquisition reserves	156	16	-	-
	731	509	165	99
Represented by:				
Group's share of net assets	566	410	165	99

#### Note:

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

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

Name	Principal activities	Effective equity	interest
		2016	2015
		%	%
AllianceDBS Research Sdn. Bhd.	Research and stock analysis	51	51

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

#### 31 March 2016

#### 14. INVESTMENT IN JOINT VENTURE (cont'd)

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

	2016 RM'000	2015 RM'000
Assets and Liabilities		
Current assets Cash and short term funds	1,354	2,256
Other current assets	373	2,230
Total current assets	1,727	2,498
Non-current assets	519	440
Total assets	2,246	2,938
Current liabilities		
Other liabilities (non trade)	1,136	2,134
Total liabilities	1,136	2,134
Net assets	1,110	804
Revenue	5,710	6,069
Profit before tax for the financial year	171	41
Profit after tax for the financial year	305	31
The above profit includes the following:		
Depreciation and amortisation	(37)	(82)
Taxation	134	(10)
Reconciliation of summarised financial information:		
Net assets		
At beginning of financial year	804	- 770
Acquired during the financial year Profit for the financial year	306	773 31
At the end of financial year	1,110	804
At 51% share of the equity interest of a joint venture	566	410
Employees' Share Scheme	165	99
Carrying value	731	509

31 March 2016

# 15. PROPERTY, PLANT AND EQUIPMENT

Cost At beginning of financial year Disposals Written off At end of financial year At beginning of financial year At beginning of financial year At beginning of financial year Charge for the financial year	11,673	1,850	30,415	118,266 5,765		KM.000	RM'000	1 0 tal RM'000
1,953	11,673	1,850	30,415 - (83)	118,266 5,765				
1,953 ation Il year			(83)	- -	50,446	101,992	1,706	318,301
1,953 ation Il year		ı		(1,928)	5,181 (15) (1,261)	2,038 (89) (39,618)	- (190) -	(42,807)
	11,673	1,850	30,332	122,103	54,351	64,323	1,516	288,101
	2 745	959	10.606	89.281	32 019	84.392	28	220 590
Dionocolo	100	23	589	10,039	6,186	5,945	132	23,014
Uspusats Written off			( <i>y</i> e)	(1,377)	(14) (1,157)	(29) (39,511)	-	(200) (42,045)
At end of financial year - 2,845	2,845	982	11,158	97,943	37,034	50,798	591	201,351
Net Carrying Amount 1,953 8,828	8,828	898	19,174	24,160	17,317	13,525	925	86,750

31 March 2016

15. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group	Freehold land RM'000	<ul><li>Leaseh 50 years or more RM'000</li></ul>	← Leasehold land → 0 years Less than or more 50 years RM'000 RM'000	Buildings RM'000	Renovations RM'000	Office equipment, furniture and fixture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
2015									
<b>Cost</b> At beginning of financial year	1.953	11.673	1.850	30.415	112.421	44.338	95.993	1.731	300.374
Additions	1	1		1	11,385	9,317	6,804	1	27,506
Disposals	•	•	ı	1	•	(10)	(45)	(22)	(80)
Written off	•	•	•	1	(5,540)	(3,199)	(200)	1	(6,489)
At end of financial year	1,953	11,673	1,850	30,415	118,266	50,446	101,992	1,706	318,301
Accumulated Depreciation									
At beginning of financial year	•	2,650	931	10,017	84,782	29,552	79,344	465	207,741
Charge for the financial year	1	92	28	589	869'6	5,308	2,605	148	21,471
Disposals	1	1	1	1	1	(10)	(45)	(22)	(80)
Written off	1	1	1	1	(2,199)	(2,831)	(212)	•	(8,542)
At end of financial year		2,745	626	10,606	89,281	32,019	84,392	588	220,590
Net Carrying Amount	1,953	8,928	891	19,809	28,985	18,427	17,600	1,118	97,711

Included in property, plant and equipment of the Group are computer equipment under finance lease with a carrying amount of RM8, 125,000 (2015: RM10, 299,000). Details of the terms and conditions of the finance lease arrangement are disclosed in Note 23(b) to the financial statement.

31 March 2016

### 15. 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
2016					
Cost					
At beginning of financial year	251	422	500	621	1,794
Additions	3	-	-	-	3
Written off	(246)	(7)	-		(253)
At end of financial year	8	415	500	621	1,544
Accumulated Depreciation					
At beginning of financial year	251	413	143	619	1,426
Charge for the financial year	-	6	42	-	48
Written off	(246)	(7)	-	-	(253)
At end of financial year	5	412	185	619	1,221
Net Carrying Amount	3	3	315	2	323
2015					
Cost					
At beginning/end of financial year	251	422	500	621	1,794
Accumulated Depreciation					
At beginning of financial year	251	404	101	619	1,375
Charge for the financial year	-	9	42	-	51
At end of financial year	251	413	143	619	1,426
Net Carrying Amount	-	9	357	2	368

### 31 March 2016

### 16. INTANGIBLE ASSETS

	Gro	oup
	2016 RM'000	2015 RM'000
Goodwill		
Cost At beginning/end of financial year	301,997	301,997
	331,331	
Accumulated Impairment: At beginning/end of financial year	(2,084)	(2,084)
Net Carrying Amount	299,913	299,913
	299,910	299,910
Computer software		
Cost		
At beginning of financial year	189,274	164,328
Additions	24,871	25,662
Disposal	-	(18)
Written off	(48,167)	(698)
At end of financial year	165,978	189,274
Accumulated Amortisation		
At beginning of financial year	(129,252)	(110,985)
Charge for the financial year	(21,750)	(18,325)
Disposal	-	18
Written off	48,093	40
At end of financial year	(102,909)	(129,252)
Net Carrying Amount	63,069	60,022
Total carrying amount of goodwill and computer software	362,982	359,935

### (a) Impairment test on goodwill

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

	Group	
	2016 RM'000	2015 RM'000
Business banking	100,822	100,822
Consumer banking	101,565	101,565
Financial markets	83,261	83,261
Corporate finance and capital market	1,838	1,838
Stock-broking business	12,427	12,427
	299,913	299,913

### 31 March 2016

### 16. INTANGIBLE ASSETS (cont'd)

### (a) Impairment test on goodwill (cont'd)

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

### (i) Discount rate

The discount rate are based on the pre-tax weighted average cost of capital plus an appropriate risk premium, that reflect specific risks relating to the 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. The discount rate for the respective CGU as follows:

	Group	
	2016	
	%	%
Business banking	8.66	7.54
Consumer banking	8.66	7.54
Financial markets	8.66	7.54
Corporate finance and capital market	8.03	7.49
Stock-broking business	8.04	7.50

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

Cash flow projections are based on four-year financial budget and projections approved by management. Cash flows beyond the fourth year are extrapolated in perpetuity using a terminal growth rate of 5.0% (2015: 5.1%) based on respective industry's average growth. Cash flows are extrapolated in perpetuity due to the long term perspective of these businesses within the Group.

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

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

### (b) Sensitivity to changes in assumptions

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

### 31 March 2016

### 17. DEFERRED TAX

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deferred tax assets, net	10,639	12,357	435	334
Deferred tax liabilities, net	(15,617)	(13,041)	-	-
	(4,978)	(684)	435	334

	Group		Company	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
At beginning of financial year	(684)	27,304	334	325
Recognised in statements of comprehensive income [Note 37]	7,250	(660)	101	9
Recognised in other comprehensive income	(11,544)	(27,328)	-	-
At end of financial year	(4,978)	(684)	435	334

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deferred tax assets	40,863	41,389	435	345
Deferred tax liabilities	(45,841)	(42,073)	-	(11)
	(4,978)	(684)	435	334

	Gro	up	Company	
	2016	6 2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets				
- to be recovered more than 12 months	8,068	10,976	-	-
- to be recovered within 12 months	32,795	30,413	435	345
	40,863	41,389	435	345
Deferred tax liabilities				
- to be settled more than 12 months	(40,016)	(40,996)	-	(11)
- to be settled within 12 months	(5,825)	(1,077)	-	-
	(45,841)	(42,073)	-	(11)

### 31 March 2016

### 17. 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	Unabsorbed tax losses and capital allowances RM'000	Other temporary differences RM'000	Total RM'000
Deferred tax assets: At 31 March 2014 Recognised in statements of comprehensive income	4,299 (2,287)	35,384 3,993	39,683 1,706
At 31 March 2015 Recognised in statements of comprehensive income	2,012 (916)	39,377 390	41,389 (526)
At 31 March 2016	1,096	39,767	40,863
	Financial investments available-for-sale RM'000	Property, plant and equipment RM'000	Total RM'000
Deferred tax liabilities: At 31 March 2014 Recognised in statements of comprehensive income Recognised in other comprehensive income	(2,623) - 27,328	15,002 2,366	12,379 2,366 27,328
At 31 March 2015 Recognised in statements of comprehensive income Recognised in other comprehensive income	24,705 - 11,544	17,368 (7,776)	42,073 (7,776) 11,544
At 31 March 2016	36,249	9,592	45,841
Company		Other temporary differences RM'000	Total RM'000
Deferred tax assets: At 31 March 2014 Recognised in statement of comprehensive income		330 15	330 15
At 31 March 2015 Recognised in statement of comprehensive income		345 90	345 90
At 31 March 2016		435	435
		Property, plant and equipment RM'000	Total RM'000
Deferred tax liabilities: At 31 March 2014 Recognised in statement of comprehensive income		5 6	5 6
At 31 March 2015 Recognised in statement of comprehensive income		11 (11)	11 (11)
At 31 March 2016		-	-

### 31 March 2016

### 17. DEFERRED TAX (cont'd)

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

	Group	
	2016	2015
	RM'000	RM'000
Deferred tax assets of the Group have not been recognised in respect of:		
Unabsorbed tax losses	-	496

The carried forward unused tax losses are subject to the agreement of the tax authorities.

### 18. DEPOSITS FROM CUSTOMERS

	Group	
	2016	2015
RN	'000	RM'000
Amortised cost		
Demand deposits 12,984	,455	13,222,335
Savings deposits 1,787	,163	1,767,621
Fixed/investment deposits 22,890	,873	21,049,678
Money market deposits 2,594	,183	4,171,150
Negotiable instruments of deposits 5,266	,944	4,001,934
Structured deposits 260	,185	330,602
45,785	,803	44,543,320
At fair value through profit and loss		
Structured deposits 239	,136	63,495
46,024	,939	44,606,815

### Note:

- (a) Structured deposits issued by the Group include foreign currency time deposits with embedded foreign exchange, equity linked options and interest rate index linked placements.
- (b) The Group has undertaken a fair value hedge on the interest rate risk of certain structured deposits amounting to RM200,913,000 (2015: RM281,371,000) using interest rate swaps.

	Group	
	2016 RM'000	2015 RM'000
Structured deposits	200,913	(5,832)
Fair value changes arising from fair value hedges	(5,832)	(8,702)
	195,081	272,669

The fair value gain of the interest rate swap in this hedge transaction as at financial year ended 31 March 2016 was RM5,832,000 (2015: RM8,702,000). There were no ineffectiveness.

### 31 March 2016

### 18. DEPOSITS FROM CUSTOMERS (cont'd)

(c) During the financial year, the Group designated certain structured deposits at fair value through profit or loss. This designation is permitted under MFRS 139 "Financial Instruments: Recognition and Measurement" as it includes embedded derivatives that are not closely related to its underlying deposits. The structured deposits are recorded at fair value. The carrying amount of the structured deposits were RM10,745,000 lower than the contractual amount at maturity.

	Group	
	2016 RM'000	2015 RM'000
Structured deposits	269,601	67,232
Fair value changes arising from designation at fair value through profit or loss	(30,465)	(3,737)
	239,136	63,495

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

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

	Group	
	2016	2015
	RM'000	RM'000
Due within six months	25,104,425	24,011,868
Six months to one year	5,464,888	5,156,361
One year to three years	53,992	48,134
Three years to five years	130,695	6,399
	30,754,000	29,222,762

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

	Group	
	2016	2015
	RM'000	RM'000
Domestic financial institutions	5,349,252	4,057,149
Domestic non-bank financial institutions	2,724,792	4,443,347
Government and statutory bodies	3,962,637	2,998,668
Business enterprises	14,678,060	14,134,110
Individuals	18,221,964	17,906,583
Foreign entities	593,398	591,360
Others	494,836	475,598
	46,024,939	44,606,815

### 31 March 2016

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

	Gr	Group	
	2016 RM'000	2015 RM'000	
Licensed banks	708,074	852,198	
Licensed Islamic banks	-	200,020	
Bank Negara Malaysia	449,176	437,557	
	1,157,250	1,489,775	

### 20. BALANCES DUE TO CLIENTS AND BROKERS

	G	Group	
	2016 RM'000	2015 RM'000	
Due to clients	77,246	62,833	
Due to brokers	-	-	
	77,246	62,833	

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 RM83,067,000 (2015: RM78,850,000) have been excluded accordingly.

### 21. BILLS AND ACCEPTANCES PAYABLE

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

### 22. AMOUNT DUE TO CAGAMAS BERHAD

This relates to proceeds received from conventional housing loans and hire purchase loans sold directly to Cagamas Berhad with recourse to the 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.

### 23. OTHER LIABILITIES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Other payables	756,653	821,776	137	_
Provision and accruals	95,111	81,215	1,977	1,660
Remisers and dealers accounts	22,165	21,305	-	-
Amount due to subsidiaries [Note (a)]	_	-	509	339
Finance lease liabilities [Note (b)]	8,125	10,299	-	-
	882,054	934,595	2,623	1,999

### 31 March 2016

### 23. OTHER LIABILITIES (cont'd)

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:

	Future		Present value
	minimum	Future	of finance
	lease	finance	lease
Group	payments	charges	liabilities
•	RM'000	RM'000	RM'000
2016			
Within one year	2,780	460	2,320
One year to five years	6,255	450	5,805
	9,035	910	8,125
2015			
Within one year	2,780	605	2,175
One year to five years	9,035	911	8,124
	11,815	1,516	10,299

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

### 24. SUBORDINATED OBLIGATIONS

On 28 August 2015, the Group obtained approval from Bank Negara Malaysia for establishment of Subordinated Medium Term Notes Programme ("Sub-MTN Programme") to issue:

Subordinated Medium Term Notes ("Sub-MTNs") of RM2.0 billion in nominal value up to (30) years from the first issuance.

		Gro	oup
	Note	2016 RM'000	2015 RM'000
Subordinated Notes			
RM600 million Sub-MTNs	(a)	613,927	613,267
RM900 million Sub-MTNs	(b)	921,344	-
RM300 million Sub-MTNs	(c)	304,876	-
		1,840,147	613,267

### 31 March 2016

### 24. SUBORDINATED OBLIGATIONS (cont'd)

### (a) RM600 million Sub-MTNs

	Gro	Group	
	2016 RM'000	2015 RM'000	
At cost Accumulated unamortised discount Interest accrued	600,000 (18) 13,945	600,000 (598) 13,865	
	613,927	613,267	

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

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

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

The main features of the Sub-MTNs 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/coupon rate: 4.82% per annum, payable semi-annually in arrears.

(v) Redemption option: The issuer may, at its option, redeem the Sub-MTNs at any coupon payment

date on or after five (5) years from the issue date. The redemption amount will be at an amount equal to 100% of the principal amount together with accrued but unpaid coupon (if any) relating to the then current interest period (if any) up to (and excluding) the date on which the Subordinated Notes are redeemed.

- (vi) The Sub-MTNs 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 Sub-MTNs, ranking pari passu among themselves.
- (vii) In the event of winding up or liquidation of the issuer, be subordinated in right of payment to all deposit liabilities and other liabilities of the issuer, except in each case to those liabilities which by their terms rank equally in right of payment or which are subordinated to the Sub-MTNs.

On 8 April 2016, the Group has fully redeemed its RM600.0 million Sub-MTNs as disclosed in Note 51.

### (b) RM900 million Sub-MTNs

	Gro	Group	
	2016	2015	
	RM'000	RM'000	
At cost	900,000	_	
Transaction cost	(916)	-	
Interest accrued	22,260	-	
	921,344	-	

### 31 March 2016

### 24. SUBORDINATED OBLIGATIONS (cont'd)

### (b) RM900 million Sub-MTNs (cont'd)

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

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

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

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

(i) Issue date: 27 October 2015

(ii) Tenure of the facility/issue: 10 years from the issue date and callable five (5) years after issue date

(iii) Maturity date: 27 October 2025

(iv) Interest rate/coupon: 5.75% per annum, payable semi-annually in arrears

(v) Call date: 27 October 2020 and thereafter on every coupon payment date

- (vi) The Sub-MTNs 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 Sub-MTNs, ranking pari passu among themselves.
- (vii) In the event of winding up or liquidation of the issuer, be subordinated in right of payment to all deposit liabilities and other liabilities of the issuer, except in each case to those liabilities which by their terms rank equally in right of payment or which are subordinated to the Sub-MTNs.

### (c) RM300 million Sub-MTNs

		Group	
	2016	2015	
	RM'000	RM'000	
At cost	300,000	-	
Interest accrued	4,876	-	
	304,876	-	

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

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

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

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

(i) Issue date: 18 December 2015

(ii) Tenure of the facility/issue: 10 years from the issue date and callable five (5) years after issue date

(iii) Maturity date: 18 December 2025

(iv) Interest rate/coupon: 5.65% per annum, payable semi-annually in arrears

(v) Call date: 18 December 2020 and thereafter on every coupon payment date

- (vi) The Sub-MTNs 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 Sub-MTNs, ranking pari passu among themselves.
- (vii) In the event of winding up or liquidation of the issuer, be subordinated in right of payment to all deposit liabilities and other liabilities of the issuer, except in each case to those liabilities which by their terms rank equally in right of payment or which are subordinated to the Sub-MTNs.

### 31 March 2016

### 25. OTHER BORROWINGS

On 28 August 2015, the Group obtained approval from Bank Negara Malaysia for establishment of Senior Medium Term Notes Programme ("Senior MTN Programme") and Commercial Papers Programme ("CPs Programme") to issue:

(a) Senior MTN Programme of RM1.5 billion in nominal value up to (30) years from the first issuance.

		Group	
	2016	2015	
	RM'000	RM'000	
At cost	5,000	-	
Interest accrued	71	-	
	5,071	-	

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

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

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

The main features of the Senior MTNs are as follows:

(i) Issue date: 14 December 2015

(ii) Tenor of the facility/issue: 2 years after issue date

(iii) Maturity date: 14 December 2017

(iv) Interest rate/coupon: 4.75% per annum, payable semi-annually in arrears

(v) Call option: Not available

- (vi) The Senior MTNs will constitute direct unsecured obligations of the issuer, to the extent and in the manner provided for in the Senior MTNs and ranks at least pari passu with all other present and future unsecured obligations of the issuer.
- (b) CPs Programme of RM500 million in nominal value up to (7) years from the first issuance.

On 27 November 2015, Alliance Bank Malaysia Berhad ("ABMB") issued RM5.0 million Commercial Papers ("CPs") under the RM500.0 million CPs Programme.

The discount rate for the CPs was fixed at 4.10% per annum with tenure of 2 months.

On 27 January 2016, ABMB has fully redeemed its RM5.0 million CPs which had matured on 27 January 2016.

### 31 March 2016

### **26. SHARE CAPITAL**

	Group/ 2016 RM'000	Company 2015 RM'000
Authorised 2,000,000,000 ordinary shares of RM1 each	2,000,000	2,000,000
Issued and fully paid Ordinary shares:		
At 1 April/31 March 1,548,106,000 ordinary shares of RM1 each	1,548,106	1,548,106

### 27. RESERVES

		Gr	oup
	Note	2016 RM'000	2015 RM'000
Non distributable.			
Non-distributable:	(a)	057 001	007 607
Statutory reserves	(a)	957,981	827,627
Regulatory reserves	(b)	157,174	7.010
Capital reserves	(c)	7,013	7,013
Revaluation reserves	(d)	114,786	78,232
Employees' share scheme ("ESS") reserves	(e)	11,516	11,944
Share premium		304,289	304,289
		1,552,759	1,229,105
Distributable:			
Retained profits		1,821,040	1,804,615
		3,373,799	3,033,720
		Con	npany
		2016	2015
	Note	RM'000	RM'000
Non-distributable:			
Employees' share scheme reserves	(e)	11,516	11,944
Share premium	. ,	304,289	304,289
		315,805	316,233
Distributable:			
Retained profits		53,336	78,150
		369,141	394,383

### 31 March 2016

### 27. RESERVES (cont'd)

### Note:

- (a) The statutory reserves 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) Regulatory reserves is maintained as an additional credit risk absorbent in excess of the requirement of accounting standards to comply with regulatory requirements.
- (c) The capital reserves is in respect of retained profit capitalised for a bonus issue by a subsidiary company.
- (d) The revaluation reserves is in respect of unrealised fair value gains and losses on financial investments available-for-sale.
- (e) The employees' share scheme reserves 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.

### 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 ended 31 March 2016, the Trustee of the ESS had not purchased any shares in the Company from the open market (2015: NIL).

In the financial year ended 31 March 2016, 1,951,400 shares (2015: 6,994,750) 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 2016, the Trustee of the ESS held 22,926,500 (2015: 24,877,900) ordinary shares representing 1.48% (2015: 1.61%) 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 Option Plan and Share Save Plan during the current 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.

### 31 March 2016

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

- (iv) The ESPS Committee may at its discretion offer to any Director or employee of a corporation in the Group to participate in the 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.

31 March 2016

### 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 2016		2	Share Options Number of Share Options	ptions are Options				_	Share Grants Number of Share Grants	ants ıre Grants		
	At beginning of financial year '000	Offered/ awarded '000	Transfer in/(out) '000	Vested/ exercised '000	Lapsed/ forfeited '000	At end of financial year '000	At beginning of financial year '000	Offered/ awarded '000	Transfer in/(out) '000	Vested '000	Lapsed/ forfeited '000	At end of financial year '000
2013 Share Scheme (1st grant) 2013 Share Scheme (2nd grant) 2014 Share Scheme 2015 Share Scheme (1st grant) 2015 Share Scheme (2nd grant) 2016 Share Scheme	7,480 1,050 10,330				(7,480) (1,050) (3,637)	6,693	482 37 534 1,911	1,816		(454) (37) (281) (715) (11)	(28) - (66) (294) - - (270)	- 187 902 23 1,433
	18,860				(12,167)	6,693	2,998	1,816	'	(1,611)	(658)	2,545
WAEP (RM)	4.85	'	- Share Options Number of Share Options	- ptions are Options	4.56	5.36		-	Share Grants Number of Share Grants	ants ire Grants		
	At beginning of financial year '000	Offered/ awarded '000	Vested/ exercised '000		Lapsed/ forfeited '000	At end of financial year '000	At beginning of financial year '000	Offered/ awarded '000	1/4 Ve.	_	Lapsed/ forfeited '000	At end of financial year '000
2012 Share Scheme 2013 Share Scheme (1st grant) 2013 Share Scheme (2nd grant) 2014 Share Scheme 2015 Share Scheme 2015 Share Scheme (1st grant) 2015 Share Scheme (2nd grant)	6,251 10,627 1,050 13,700		4° E	(4,397) (1,063) - (1,047) -	(1,854) (2,084) - (2,323) -	7,480 1,050 10,330	672 1,375 74 1,208	2,125		(644) (799) (37) (621)	(28) (94) - (53) (92)	- 482 37 534 1,911
	31,628		9)	(6,507)	(6,261)	18,860	3,329	2,159		(2,223)	(267)	2,998
WAEP (RM)	4.59	1		3.97	4.45	4.85						

31 March 2016

### 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 2016		Z	Share Options Number of Share Options	rtions rre Options				_	Share Grants Number of Share Grants	ants are Grants		
	At beginning of financial year '000	Offered/ awarded '000	Transfer in/(out) '000	Vested/ exercised '000	Lapsed/ forfeited '000	At end of financial year '000	At beginning of financial year '000	Offered/ awarded '000	Transfer in/(out) '000	Vested '000	Lapsed/ forfeited '000	At end of financial year '000
2013 Share Scheme (1st grant) 2014 Share Scheme 2015 Share Scheme (1st grant) 2016 Share Scheme	301		(36)		(301)	363	16 20 59	40	· (6)	(16) (10) (20)	1111	33 8 1
	200		(36)	1	(301)	363	92	40	(8)	(46)		84
WAEP (RM)	4.87		5.36		4.22	5.36						
2015		Z	Share Options Number of Share Options	rtions rre Options				_	Share Grants Number of Share Grants	ants rre Grants		
	At beginning of financial year '000	Offered/ awarded '000	Vested/ exercised '000'	_	Lapsed/ forfeited '000	At end of financial year '000	At beginning of financial year '000	Offered/ awarded '000		Vested '000	Lapsed/ forfeited '000	At end of financial year '000
2012 Share Scheme 2013 Share Scheme (1st grant) 2014 Share Scheme 2015 Share Scheme (1st grant)	211 301 399	1 1 1 1	_	(154)	(57)	301 399 399	17 33 30 -	ю	59	(17) (17) (10)		- 16 20 59
	911	1		(154)	(57)	700	80	5	59	(44)		92
WAEP (RM)	4.57	1	.,	3.58	3.58	4.87						

### 31 March 2016

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

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

	WAEP RM	Exercise Period
	NW	Exercise Period
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
		<b>Vesting Dates</b>
2013 Share Grants (1st grant)	- First 50% of the share grants	06.07.2014
	- Second 50% of the share grants	06.07.2015
2013 Share Grants (2nd grant)	- First 50% of the share grants	31.01.2015
	- Second 50% of the share grants	31.01.2016
2014 Share Grants	- First 33.3% of the share grants	16.08.2014
	- Second 33.3% of the share grants	16.08.2015
	- Third 33.4% of the share grants	16.08.2016
2015 Share Grants (1st grant)	- First 33.3% of the share grants	23.06.2015
	- Second 33.3% of the share grants	23.06.2016
	- Third 33.4% of the share grants	23.06.2017
2015 Share Grants (2nd grant)	- First 33.3% of the share grants	26.01.2016
	- Second 33.3% of the share grants	26.01.2017
	- Third 33.4% of the share grants	26.11.2017
2016 Share Grants	- First 33.0% of the share grants	22.06.2016
	- Second 67.0% of the share grants	22.06.2017

- (b) Allocation of shares options/grants to Executive Directors and senior management of the Group:
  - 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.
  - The actual percentage allocation of share grants to Executive Directors and senior management is 41.0% as at 31 March 2016. As for financial year ended 31 March 2015, the actual allocation of share grants to Executive Directors and senior management was 42.8%.

### 31 March 2016

### 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. The fair value of share options and share grants measured at offer/award date and the assumptions are as follows:

					<b>Share Options</b>	
				2013	2013	2014
				(1st grant)	(2nd grant)	
Fair value of the shares as at	grant date,					
- 06 July 2012 (RM)				0.6900	-	-
- 31 January 2013 (RM)				-	0.5000	-
- 16 August 2013 (RM)				-	-	0.7200
Weighted average share price				4.2200	4.2500	5.3600
Weighted average exercise pr	rice (RM)			4.2200	4.2500	5.3600
Expected volatility (%)				0.2345	0.2019	0.2084
Expected life (years)				5	4	4
Risk free rate (%)				2.96 to 3.97	2.99 to 3.90	3.09 to 3.83
Expected dividend yield (%)				3.46	3.51	3.90
			Shar	e Grants		
	2013	2013	2014	2015	2015	2016
	(1st grant)	(2nd grant)		(1st grant)	(2nd grant)	
Fair value of the shares						
as at grant date,						
- 06 July 2012 (RM)	3.8000					
- 31 January 2013 (RM)	-	3.8200	-	-	-	-
- 16 August 2013 (RM)	-	-	4.7700	-	-	-
- 23 June 2014 (RM)	-	-	-	4.3400	-	-
- 26 January 2015 (RM)	-	-	-	-	4.3500	-
- 22 June 2015 (RM)	-	-	-	-	-	4.0600
Weighted average						
share price (RM)	4.2200	4.2500	5.3600	4.7400	4.7430	4.3700
Expected volatility (%)	0.2345	0.2019	0.2084	0.2418	0.1884	0.1736
Risk free rate (%)	2.96 to 3.97	2.99 to 3.90	3.09 to 3.83	3.17 to 4.43	3.36 to 4.39	2.99 to 4.29
Expected dividend yield (%)	3.46	3.51	3.90	4.36	4.31	4.31

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-year MGS.

### 31 March 2016

### **30. INTEREST INCOME**

	Gi	roup	Com	pany
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Loans, advances and financing	1,486,756	1,330,504	_	_
Money at call and deposit placements with financial institutions	17,417	25,402	2,092	2,075
Financial assets held-for-trading	4,242	428	-	-
Financial investments available-for-sale	306,319	315,183	-	-
Financial investments held-to-maturity	26,871	26,908	_	-
Others	10,684	11,047	-	-
	1,852,289	1,709,472	2,092	2,075
Accretion of discount less amortisation of premium of				
financial investments	68,125	62,935	-	-
	1,920,414	1,772,407	2,092	2,075

### 31. INTEREST EXPENSE

	Gro	oup
	2016	2015
	RM'000	RM'000
Deposits and placements of banks and other financial institutions	51,545	74,748
Deposits from customers	936,314	830,414
Securities sold under repurchase agreements	272	-
Other borrowings	71	-
Subordinated obligations	56,861	29,470
Others	27,559	17,186
	1,072,622	951,818

### 32. NET INCOME FROM ISLAMIC BANKING BUSINESS

	Gro	oup
	2016	2015
	RM'000	RM'000
Income derived from investment of depositors' funds and others	429,182	364,828
Income derived from investment of Islamic Banking funds	38,139	33,641
Income attributable to depositors and financial institutions	(249,579)	(201,714)
	217,742	196,755
Add: Income due to head office eliminated at Group level	26,409	28,302
	244,151	225,057

### 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.

31 March 2016

### 33. OTHER OPERATING INCOME

		Gro	oup	Com	pany
		2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
a)	Fee and commission income:				
	Commissions	77,843	78,212	-	-
	Service charges and fees	31,250	31,752	-	-
	Portfolio management fees	-	29	-	
	Corporate advisory fees	1,639	762	-	
	Underwriting commissions	375	526	-	
	Brokerage fees	33,793	39,476	-	
	Guarantee fees	15,430	13,195	-	
	Processing fees	8,061	15,588	-	
	Commitment fees	15,445	15,214	-	
	Other fee income	101,412	114,542	-	
		285,248	309,296	-	
)	Fee and commission expense:				
	Commissions expense	(2,050)	(2,275)	_	
	Brokerage fees expense	(15,778)	(19,328)	-	
	Guarantee fees expense	(898)	(737)	-	
	Other fee expense	(88,046)	(91,309)	-	
		(106,772)	(113,649)	-	
)	Investment income:				
	(Loss)/gain arising from sale/redemption of:				
	- Financial assets held-for-trading	(281)	873	-	
	- Financial investments held-to-maturity	(34)	-	-	
	- Financial investments available-for-sale	6,125	14,977	-	
	Marked-to-market revaluation of:				
	- Financial assets held-for-trading	1,253	33	-	
	- Derivative financial instruments	(166,215)	36,249	-	
	- Unrealised gain arising from financial liabilities				
	designated at fair value	26,728	3,737	-	
	Realised gain on derivative financial instruments	221,532	28,782	-	
	Gross dividend income from:				
	- Financial investments available-for-sale	3,190	2,179	-	
	- Subsidiary	-	-	192,439	326,01
		92,298	86,830	192,439	326,01
)	Other income:				
	Foreign exchange gain	32,646	4,628	_	
	(Loss)/gain on disposal of property, plant and equipment	(11)	2	-	
	Gain on disposal of non-current assets held for sale	-	21,605	-	
	Others	28,786	28,631	2,584	2,93
		61,421	54,866	2,584	2,93
	Total other operating income	332,195	337,343	195,023	328,950

### 31 March 2016

### 34. OTHER OPERATING EXPENSES

· ·	oup	COIII	pany
2016	2015	2016	2015
RM'000	RM'000	RM'000	RM'000
,	,		569
			98
			150
36,550	48,795	110	141
430,722	403,458	911	958
23,014	21,471	48	51
21,750	18,325	-	-
30,810	28,177	229	229
8,210	9,108	3	4
9,278	11,510	114	108
41,529	38,792	-	2
14,268	16,891	112	186
148,859	144,274	506	580
4,459	7,239	_	_
13,984	18,266	-	_
7,758	7,746	-	-
26,201	33,251	-	-
13,356	14,093	11	11
3,455	4,200	1	2
20,410	10,499	-	11
19,149	18,188	122	186
26,798	19,016	1,269	1,369
83,168	65,996	1,403	1,579
688,950	646,979	2,820	3,117
1.961	3.148	107	105
,	,	-	-
	,	_	_
		_	_
	RM'000  334,317 53,289 6,566 36,550  430,722  23,014 21,750 30,810 8,210 9,278 41,529 14,268 148,859  4,459 13,984 7,758 26,201  13,356 3,455 20,410 19,149 26,798 83,168	RM'000       RM'000         334,317       298,387         53,289       50,259         6,566       6,017         36,550       48,795         430,722       403,458         23,014       21,471         21,750       18,325         30,810       28,177         8,210       9,108         9,278       11,510         41,529       38,792         14,268       16,891         148,859       144,274         4,459       7,239         13,984       18,266         7,758       7,746         26,201       33,251         13,356       14,093         3,455       4,200         20,410       10,499         19,149       18,188         26,798       19,016         83,168       65,996         688,950       646,979         1,961       3,148         5,888       5,042         762       957	RM'000         RM'000         RM'000           334,317         298,387         505           53,289         50,259         79           6,566         6,017         217           36,550         48,795         110           430,722         403,458         911           23,014         21,471         48           21,750         18,325         -           30,810         28,177         229           8,210         9,108         3           9,278         11,510         114           41,529         38,792         -           14,268         16,891         112           148,859         144,274         506           4,459         7,239         -           13,984         18,266         -           7,758         7,746         -           26,201         33,251         -           19,149         18,188         122           26,798         19,016         1,269           83,168         65,996         1,403           688,950         646,979         2,820           1,961         3,148         107           5,888

### 31 March 2016

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

		oup	Com	pany
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Auditors' remuneration				
Statutory audit fee	1,138	1,074	58	58
- under provision in prior year	-	170	_	
Audit related services	689	638	37	36
Tax compliance work	114	100	12	11
Tax related services	20	1,166	-	
Total	1,961	3,148	107	105
CEOs and Directors' remuneration				
CEOs and Directors of Subsidiaries:				
Chief Executive Officers				
- Salaries and allowances	5,774	2,004	-	
- Bonuses	2,625	475	-	
- Contribution to EPF	1,141	383	-	
- Share options/grants under ESS	241	199	-	
- Benefits-in-kind	52	-	-	
	9,833	3,061	-	
Directors of the Company and Subsidiaries:				
Non-Executive Directors				
Non-Executive Directors - Allowances	1.305	1 439	246	45!
- Allowances	1,305 1,826	1,439 1,971	246 462	
- Allowances - Fees	1,826	1,971	462	660
- Allowances	1,826 57	1,971 62	462 26	660 38
- Allowances - Fees	1,826	1,971	462	660 38
- Allowances - Fees	1,826 57	1,971 62	462 26	455 660 38 1,153
- Allowances - Fees	1,826 57 3,188	1,971 62 3,472	462 26 734	660 38 1,153
- Allowances - Fees - Benefits-in-kind	1,826 57 3,188	1,971 62 3,472	462 26 734	660 38 1,153
- Allowances - Fees - Benefits-in-kind  Past Chief Executive Officer/Past Non-executive Directors	1,826 57 3,188	1,971 62 3,472	462 26 734	660 38 1,150
- Allowances - Fees - Benefits-in-kind  Past Chief Executive Officer/Past Non-executive Directors of Company and Subsidiaries:	1,826 57 3,188 13,021	1,971 62 3,472 6,533	734 734	660 38 1,150
- Allowances - Fees - Benefits-in-kind  Past Chief Executive Officer/Past Non-executive Directors of Company and Subsidiaries: - Salaries and allowances including meeting allowance	1,826 57 3,188 13,021	1,971 62 3,472 6,533	734 734	660 38 1,150
- Allowances - Fees - Benefits-in-kind  Past Chief Executive Officer/Past Non-executive Directors of Company and Subsidiaries: - Salaries and allowances including meeting allowance - Bonuses - Fees	1,826 57 3,188 13,021	1,971 62 3,472 6,533 1,434 1,250	734 734	660 38 1,150
- Allowances - Fees - Benefits-in-kind  Past Chief Executive Officer/Past Non-executive Directors of Company and Subsidiaries: - Salaries and allowances including meeting allowance - Bonuses - Fees - Contribution to EPF	1,826 57 3,188 13,021	1,971 62 3,472 6,533 1,434 1,250	734 734	1,15
- Allowances - Fees - Benefits-in-kind  Past Chief Executive Officer/Past Non-executive Directors of Company and Subsidiaries: - Salaries and allowances including meeting allowance - Bonuses - Fees - Contribution to EPF - Share options/grants under ESS	1,826 57 3,188 13,021	1,971 62 3,472 6,533 1,434 1,250	734 734	660 36 1,15
- Allowances - Fees - Benefits-in-kind  Past Chief Executive Officer/Past Non-executive Directors of Company and Subsidiaries: - Salaries and allowances including meeting allowance - Bonuses - Fees	1,826 57 3,188 13,021	1,971 62 3,472 6,533 1,434 1,250 - 829 2,003	734 734	660 36 1,15
- Allowances - Fees - Benefits-in-kind  Past Chief Executive Officer/Past Non-executive Directors of Company and Subsidiaries: - Salaries and allowances including meeting allowance - Bonuses - Fees - Contribution to EPF - Share options/grants under ESS	1,826 57 3,188 13,021 159 - 224 - -	1,971 62 3,472 6,533 1,434 1,250 - 829 2,003 27	462 26 734 734 85 - 81 - -	660 38 1,153

31 March 2016

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

CEOs and Directors' remuneration (cont'd)

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

	Salary and other		Contribution to	į		Share options/ grant	Benefits-	ļ
uroup 2016	remuneration RM'000	Bonuses RM'000	RM'000	rees RM'000	Allowances RM'000	under ESS RM'000	IN-KING RM'000	10tal RM'000
CEOs and Directors of Subsidiaries: Joel Kornreich Mahesh s/o Shri Pranlal Rupawalla Foziakhatoon Binti Amanulla Khan	4,195 959 620	2,000 400 225	816 201 124	111		89 152	52	7,063 1,649 1,121
	5,774	2,625	1,141	•	1	241	52	9,833
Non-executive Directors of Company and Subsidiaries	aries:							
	•	•	1	270	66	•	31	400
lan Yuen Fah	•	•		97	89	•		165
Megat Dziauddin Bin Megat Mahmud	•	•	•	177	104	•	•	281
Lee Ah Boon	•	•	•	146	136	•		282
Ou Shian Waei	•	•	•	146	142	•	•	288
Kung Beng Hong	•	•	•	238	238	•	•	476
Kuah Hun Liang	•	•	•	146	119	•	•	265
Datuk Oh Chong Peng	•	•	•	176	51	•	56	253
Stephen Geh Sim Whye	•	•	•	88	63	•	•	151
Md. Ali bin Md. Sarif	•	•	•	99	<u></u>	•	•	127
Dato' Majid Bin Mohamad	•	•	•	132	62	•	•	194
Dr. Abdul Rahman Bin Awang	•	•	•	22	<u></u>	•		18
Datuk Wan Azhar bin Wan Ahmad		•	•	103	68	•	•	192
Lee Boon Huat	•	•	•	79	72	•	•	151
Ho Hon Cheong		•		48	33	•	•	87
Premod Paul Thomas	•	•	•	29	20	•	•	123
Mazidah Binti Abdul Malik	•	1	ı	14	4	•	•	<b>9</b>
	•	•		2,050	1,464	•	22	3,571
Total Directors' remuneration	5,774	2,625	1,141	2,050	1,464	241	109	13,404

31 March 2016

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

(cont'd) (cEOs and Directors' remuneration (cont'd)

The total remuneration (including benefit-in-kind) of the CEOs and Directors of the Group are as follows (cont'd):

6107	and other remuneration RM'000	Bonuses RM'000	Contribution to EPF RM'000	Fees RM'000	Allowances RM'000	options/ grant under ESS RM'000	Benefits- in-kind RM'000	Total RM'000
CEOs and Directors of Subsidiaries: Joel Kornreich Mahesh s/o Shri Pranlal Rupawalla Foziakhatoon Binti Amanulla Khan	516 907 581	250 225	80 185 118	1 1 1	1 1 1	199	1 1 1	596 1,342 1,123
	2,004	475	383	1	1	199		3,061
Non-executive Directors of Company and Subsidiaries:	.Sc							
Datuk Oh Chong Peng		•	1	176	74	1	31	281
Dato' Thomas Mun Lung Lee	•	1	1	363	138	1	31	532
Stephen Geh Sim Whye	•	1	1	88	74	1	1	162
Tan Yuen Fah	•	1	1	146	86	•	•	244
Megat Dziauddin Bin Megat Mahmud	1	1	1	344	191	1	1	535
Lee Ah Boon	•	1	1	146	144	1	1	290
Ou Shian Waei	1	1	1	146	208	1	1	354
Kung Beng Hong	1	1	1	212	295	1	1	202
Kuah Hun Liang	•	1	1	146	92	1	1	238
Dr. Abdul Rahman bin Awang	•	1	1	99	22	1	1	123
Md. Ali bin Md. Sarif	•	1	•	99	22	1	1	121
Dato' Majid Bin Mohamad	•	•	•	72	13	•	•	85
Sng Seow Wah	1,434	1,250	829	1	•	2,003	27	5,543
	1,434	1,250	829	1,971	1,439	2,003	88	9,015
	000	1	3	7	000		S	0100
lotal Directors: remuneration	3,438	1,725	1,212	1,9/1	1,439	2,202	68	12,076

31 March 2016

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

CEOs and Directors' remuneration (cont'd) **@**  The total remuneration (including benefit-in-kind) of the CEOs and Directors of the Group are as follows (cont'd):

Company 2016	Salary and other remuneration RM'000	Bonuses RM'000	Contribution to EPF RM'000	Fees RM'000	Allowances RM'000	Share options/ grant under ESS RM'000	Benefits- in-kind RM'000	Total RM'000
Non-executive Directors: Datuk Oh Chong Peng	•	•	•	176	51	•	<b>5</b> 6	253
Stephen Geh Sim Whye	•	1	1	88	83	1	1	151
Kung Beng Hong	•	•	•	99	54	•	•	120
Ou Shian Waei	•	1	•	99	42	•	•	108
Lee Ah Boon	•	•	•	99	36	•	•	102
Dato' Thomas Mun Lung Lee	•	•	•	32	28	•	•	09
Tan Yuen Fah	•	•	•	17	14	•	•	31
Megat Dziauddin Bin Megat Mahmud	•	•	•	32	43	1	•	75
Total Directors' remuneration				543	331		26	006
2015								
Non-executive Directors:				77	7		Č	C
Date. Thomas Min Lind Lee				99	47		7	120
Stephen Geh Sim Whye	1	1	1	8 88	74	1	. 1	162
Tan Yuen Fah	•	1	•	99	35	1	1	101
Megat Dziauddin Bin Megat Mahmud	•	1	1	99	19	1	1	127
Kung Beng Hong	•	1	1	99	99	1	1	132
Ou Shian Waei	•	•	•	99	49	•	•	115
Lee Ah Boon	1	•	•	99	49	•	•	115
Total Directors' remuneration		•	1	099	455	-	38	1,153

### 31 March 2016

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

		Gro	oup
		2016 RM'000	2015 RM'000
Allov	wance for losses on loans, advances and financing and other receivables:		
(a)	Individual assessment allowance - Made during the financial year, net	24,229	3,475
(b)	Collective assessment allowance - Made during the financial year, net	40,577	78,193
(c)	Bad debts on loans and financing - Recovered - Written off	(37,799) 17,229	(61,849) 17,744
Allov	wance for other receivables	44,236 4,092	37,563 2,041
		48,328	39,604

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 RM20,432,000.

### 36. WRITE-BACK OF IMPAIRMENT ON SECURITIES AND AMOUNT DUE FROM SUBSIDIARIES

	Gro	oup	Com	pany
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Write-back of impairment on securities:				
- Financial investments available-for-sale	(6,050)	(1,759)	-	-
- Financial investments held-to-maturity	(1,715)	(4,969)	-	-
Write-back of impairment on amount due from subsidiaries	-	-	-	(1,327)
	(7,765)	(6,728)	-	(1,327)

### 37. TAXATION

	Gro	oup	Com	pany
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Taxation: - Income tax provision for current financial year - Under provision in prior financial years	172,468	167,748	1,113	1,244
	7,525	3,962	-	15
Deferred tax [Note 17]	179,993	171,710	1,113	1,259
	(7,250)	660	(101)	(9)
	172,743	172,370	1,012	1,250

Income tax is calculated at the Malaysian statutory tax rate of 24% (2015: 25%) of the estimated assessable profit for the financial year.

### 31 March 2016

### 37. TAXATION (cont'd)

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

	Gro	oup	Com	pany
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	694,781	703,150	194,295	329,235
Taxation at Malaysian statutory tax rate of 24% (2015: 25%)	166,747	175,788	46,631	82,309
Effect of income not subject to tax	(674)	(10,200)	(46,185)	(81,503)
Effect of expenses not deductible for tax purposes	5,440	5,914	569	426
(Over)/under provision of deferred tax in prior financial years	(6,295)	(3,094)	(3)	3
Under provision of tax expense in prior financial years	7,525	3,962	-	15
Tax expense for the financial year	172,743	172,370	1,012	1,250

### 38. EARNINGS PER SHARE

### (a) Basic

The calculation of the basic 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.

	Gr	oup
	2016	2015
Net profit for the financial year attributable to owners of the parent (RM'000)	522,038	530,780
Weighted average number of ordinary shares in issue ('000) Effect of shares bought back for ESS ('000)	1,548,106 (22,927)	1,548,106 (24,878)
	1,525,179	1,523,228
Basic earnings per share (sen)	34.2	34.8

### (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 2016.

	Gr	oup
	2016	2015
Net profit for the financial year attributable to owners of the parent (RM'000)	522,038	530,780
Weighted average number of ordinary shares in issue ('000)	1,548,106	1,548,106
Effect of shares bought back for ESS ('000)	(22,927)	(24,878)
Effect of Share Grants under ESS ('000)	2,546	2,998
	1,527,725	1,526,226
Diluted earnings per share (sen)	34.2	34.8

### 31 March 2016

### 39. DIVIDENDS

	•	financial year	Net Divi per Ordina	
	2016 RM'000	2015 RM'000	2016 sen	2015 sen
Recognised during the financial year:				
First interim dividend				
8.0 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 2016, was paid on 30 December 2015	121,994	-	8.00	-
9.0 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 2015, was paid on 30 December 2014		136,933	-	9.00
Second interim dividend				
6.4 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 2015, was paid on 30 June 2015	97,503	-	6.40	-
Special dividend				
10.5 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 26 June 2014		159,233	_	10.50
	219,497	296,166	14.40	19.50

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 RM3,430,000 (2015: RM5,715,000) 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 26 May 2016, the Directors declared a second single tier interim dividend of 6.5 sen per share, on 1,548,105,929 ordinary shares amounting to approximately RM100,627,000 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 2017.

The Directors do not propose any final dividend in respect of the financial year ended 31 March 2016.

### 31 March 2016

### **40. CAPITAL COMMITMENTS**

	Gro	oup
	2016 RM'000	2015 RM'000
Capital expenditure: Authorised and contracted for	15,864	22,594
Authorised and contracted for Authorised but not contracted for	94,250	47,836
	110,114	70,430

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

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

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

The credit exposure arising from off-balance sheet activities, i.e. commitments and contingencies is set out in Note 43 to the financial statements.

### 31 March 2016

### 41. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

### (a) Credit Risk (Contd.)

### (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 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.

	G	roup
	2016 RM'000	2015 RM'000
	NIVI UUU	NIVI UUU
Credit risk exposure of on-balance sheet:		
Cash and short-term funds (exclude cash in hand)	4,650,111	2,388,474
Deposits and placements with banks and other financial institutions	195,865	298,167
Balances due from clients and brokers	104,659	102,743
Financial assets held-for-trading	132,229	10,037
Financial investments available-for-sale (exclude equity securities)	8,413,340	9,613,634
Financial investments held-to-maturity	1,129,307	1,319,035
Derivative financial assets	133,651	132,460
Loans, advances and financing	38,372,359	36,532,105
Statutory deposits	1,410,928	1,675,426
	54,542,449	52,072,081
Credit risk exposure of off-balance sheet:		
Financial guarantees	568,644	634,879
Credit related commitments and contingencies	11,176,607	13,253,528
	11,745,251	13,888,407
Total maximum exposure	66,287,700	65,960,488
	Co	mpany
	2016	2015
	RM'000	RM'000
Credit risk exposure of on-balance sheet:		
Cash and short-term funds (exclude cash in hand)	56,836	75,356
Total maximum exposure	56,836	75,356

31 March 2016

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

Credit Risk (cont'd) (a) **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 2016	Government and Central Bank RM'000	Financial, Insurance, Business Services, and Real Estate RM'000	Transport, Storage and Communication Services RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand) Demosts and placements with hanks	2,712,615	1,937,496	'	1	ı	•	ı	4,650,111
and other financial institutions	•	195,865	•	1	1	•	1 0	195,865
Balances due from clients and brokers Financial assets held-for-trading	40,441	7,816 40,805	50,983				96,843	104,659 132,229
Financial investments available-for-sale (exclude equity securities)	3,717,205	3,529,144	780,619	226,243	160,129	•	•	8,413,340
Financial investments held-to-maturity	933,960	195,347	•	•	•	•	- 00	1,129,307
Defivative infancial assets Loans, advances and financing Statutory deposits	- - 1.410.928	92,211 4,803,788 -	293,280	10,097,638	- - -	- 22,013,944 -	28,199 466,742 -	133,651 38,372,359 1.410,928
	8,828,324	10,802,538	1,124,882	10,323,881	857,096	22,013,944	591,784	54,542,449
Financial guarantees Credit related commitments and contingencies		69,812 1,019,751	20,954 86,904	392,414 4,033,902	59,909 1,131,450	2,676 4,486,937	22,879 417,663	568,644 11,176,607
	1	1,089,563	107,858	4,426,316	1,191,359	4,489,613	440,542	11,745,251
Total credit risk	8,828,324	11,892,101	1,232,740	14,750,197	2,048,455	26,503,557	1,032,326	66,287,700

31 March 2016

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

(a) Credit Risk (cont'd)

(ii) Credit risk concentrations (cont'd)

Group 2015	Government and Central Bank RM'000	Financial, Insurance, Business Services, and Real Estate RM'000	Transport, Storage and Communication Services RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)	978,808	1,409,666	•	•	•	1	•	2,388,474
Deposits and placentents with bank and other financial institutions Balances due from clients and brokers Financial assets held-for-trading	1 1 1	298,167 43,293	5,007	1 1 1	5,030	1 1 1	59,450	298,167 102,743 10,037
rinalicia investinents available-ful-sale (exclude equity securities) Financial investments held-to-maturity Derivative financial assets Loans, advances and financing Statutory deposits	5,431,621 1,309,191 - 1,675,426	3,195,943 4,745 61,004 4,612,209	370,689 5,099 224,525	362,298 - 9,109,575	166,556 - 570,940	- - 21,619,482	86,527 - 71,456 395,374	9,613,634 1,319,035 132,460 36,532,105 1,675,426
	9,395,046	9,625,027	605,320	9,471,873	742,526	21,619,482	612,807	52,072,081
Financial guarantees Credit related commitments and contingencies	1 1 1	118,636 1,611,298 1,729,934	24,434 83,091 107,525	409,048 3,685,935 4,094,983	42,940 1,423,028 1,465,968	6,092,350	39,821 357,826 397,647	634,879 13,253,528 13,888,407
Total credit risk	9,395,046	11,354,961	712,845	13,566,856	2,208,494	27,711,832	1,010,454	65,960,488

### 31 March 2016

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

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

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

Financial, Insurance, Business Services, and Real Estate RM'000	Total RM'000
56,836	56,836
56,836	56,836
75,356	75,356
75,356	75,356
	Insurance, Business Services, and Real Estate RM'000 56,836 56,836

### (iii) Collaterals

The main types of collateral obtained by the Group are as follows:

- For personal housing loans/financing, mortgages over residential properties;
- For commercial property loans/financing, charges over the properties being financed;
- For hire purchase, ownership claimed over the vehicles or equipment financed; and
- For other loans/financing, charges over business assets such as premises, financial/trade receivables or deposits.

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

All loans, advances and financing are categorised as either:

- neither past due nor impaired;
- past due but not impaired; or
- impaired.

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

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

	G	roup
	2016	2015
	RM'000	RM'000
Neither past due nor impaired 37	7,029,553	35,337,986
Past due but not impaired	1,230,247	1,204,414
Impaired	487,868	380,712
Gross loans, advances and financing 38	3,747,668	36,923,112
Sales commissions and handling fees	38,365	33,927
Less: Allowance for impairment		
- Individual assessment	(68,331)	(56,303)
- Collective assessment	(306,978)	(334,704)
Net loans, advances and financing 38	3,410,724	36,566,032
Financial effect of collateral held for loans, advances and financing	76.3%	75.2%

### 31 March 2016

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

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

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

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

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

	G	roup
	2016 RM'000	2015 RM'000
Grading classification - Good - Fair	35,167,665 1,861,888	32,992,238 2,345,748
	37,029,553	35,337,986

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

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

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

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

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

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

	Gi	roup
	2016 RM'000	2015 RM'000
Past due up to 1 month	1,008,966	935,615
Past due > 1 - 2 months	193,473	242,781
Past due > 2 - 3 months	27,808	26,018
	1,230,247	1,204,414

### 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:

	Gro	up
	2016 RM'000	2015 RM'000
Gross impaired loans/financing	487,868	380,712
Gross individually assessed impaired loans/financing [Note] Less: Allowance for impairment individual impaired	127,479 (68,331)	93,100 (56,303)
Net individually assessed impaired loans	59,148	36,797

### Note:

Exclude individually assessed impaired loans which were fully collateralised and subsequently assessed under collective allowance for the Group (2016: RM106,867,000; 2015: RM29,512,000).

### 31 March 2016

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

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

### (v) Credit quality - financial instruments and financial assets

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

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

Group d	Neither past ue nor impaired RM'000	Past due but not impaired RM'000	Impaired RM'000	Allowance for impairment RM'000	Total RM'000
Cash and short-term funds					
(exclude cash in hand)	4,650,111	-	-	-	4,650,111
Deposits and placements with banks					
and other financial institutions	195,865	-	-	-	195,865
Balances due from clients and broker	s <b>104,596</b>	-	900	(837)	104,659
Financial assets held-for-trading	132,229	-	-	-	132,229
Financial investments available-for-sa	ale				
(exclude equity securities)	8,413,340	-	231,911	(231,911)	8,413,340
Financial investments held-to-maturit	y <b>1,124,935</b>	-	18,565	(14,193)	1,129,307
Derivative financial assets	133,651	-	-	-	133,651
Statutory deposits	1,410,928	-	-	-	1,410,928
	16,165,655	-	251,376	(246,941)	16,170,090
	Neither past	Past due but		Allowance	

2015	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Impaired RM'000	Allowance for impairment RM'000	Total RM'000
Cash and short-term funds					
(exclude cash in hand)	2,388,474	-	-	-	2,388,474
Deposits and placements with banks	}				
and other financial institutions	298,167	-	-	-	298,167
Balances due from clients and broke	rs 102,528	-	1,055	(840)	102,743
Financial assets held-for-trading	10,037	-	-	-	10,037
Financial investments available-for-s	ale				
(exclude equity securities)	9,613,634	-	237,961	(237,961)	9,613,634
Financial investments held-to-matur	ity 1,314,663	-	32,197	(27,825)	1,319,035
Derivative financial assets	132,460	-	-	-	132,460
Statutory deposits	1,675,426	-	-	-	1,675,426
	15,535,389	-	271,213	(266,626)	15,539,976

31 March 2016

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

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

### (v) Credit quality - financial instruments and financial assets (cont'd)

Most listed and some unlisted securities are rated by external rating agencies. The Group and the Company uses external credit ratings provided by RAM, MARC, FITCH, Moody 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 assets financial institutions RM'000	Financial held-for- trading RM'000	Financial investments available- for- sale RM'000	Financial investments held-to- maturity RM'000	Derivative financial assets RM'000	Statutory deposits RM'000	Total RM'000
Group								
<b>2016</b> By rating agenci	es							
RAM								
AAA	947,996	-	61,256	691,709	-	43,538	-	1,744,499
AA1	-	-	-	1,253,070	-	9,231	-	1,262,301
AA2	259,405	-	-	204,533	-	38,017	-	501,955
AA3	50,076	-	-	450,682	-	-	-	500,758
A1	2,542	-	-	-	-	-	-	2,542
A3	150,143	-	-	-	-	4	-	150,147
MARC								
AAA	-	-	10,280	922,122	_	13,175	-	945,577
AA-	310,064	-	-	326,688	-	-	-	636,752
<u>FITCH</u>								
AA	1,019	-	-	-	-	-	-	1,019
MOODY'S								
AA1	634	-	-	-	-	-	-	634
AA2	2,139	-	-	-	_	4	-	2,143
AA3	1,164	-	-	-	-	60	_	1,224
A1	-	-	-	-	-	29	-	29
A2	2,888	-	-	-	-	-	_	2,888
A3	1,954	-	-	-	-	-	-	1,954
S&P								
Α	340	-	-	-	-	-	-	340
AA-	759	-	-	-	-	2	-	761
BBB+	157	-	-	-	-	-	-	157
Government								
backed	2,712,615	-	60,693	4,559,543	1,124,562	-	1,410,928	9,868,341
Unrated [Note]	206,216	195,865	-	4,993	4,745	29,591	-	441,410
	4,650,111	195,865	132,229	8,413,340	1,129,307	133,651	1,410,928	16,065,431

### 31 March 2016

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

- (a) Credit Risk (cont'd)
  - (v) Credit quality financial instruments and financial assets (cont'd)

Denosite

	Cash and short-term funds RM'000	Deposits and placements with assets financial institutions RM'000	Financial held-for- trading RM'000	Financial investments available- for- sale RM'000	Financial investments held-to- maturity RM'000	Derivative financial assets RM'000	Statutory deposits RM'000	Total RM'000
Group								
<b>2015</b> <i>By rating agencie</i>	es							
RAM								
AAA	126,776	54,738	-	506,998	-	2,278	-	690,790
AA1	30,003	-	-	202,612	-	16,385	-	249,000
AA2	250,429	74,101	-	20,286	-	5,616	-	350,432
AA3	250,022	-	5,030	61,127	-	10,597	-	326,776
A1	112,151	-	-	-	-	12,674	-	124,825
A2	-	-	-	-	-	4,336	-	4,336
A3	80,014	-	-	-	-	4	-	80,018
MARC								
AAA	-	-	-	592,948	-	4,799	-	597,747
AA-	205,012	-	-	196,343	-	252	-	401,607
FITCH								
A+	9,285	-	-	-	-	-	-	9,285
A-	149	-	-	-	-	-	-	149
Α	682	-	-	-	-	-	-	682
MOODY'S								
AA1	5,136	-	-	-	-	-	-	5,136
AA2	-	-	-	-	-	116	-	116
A1	74,523	-	-	-	-	-	-	74,523
A2	-	-	-	-	-	3,085	-	3,085
BAA1	200	-	-	-	-	-	-	200
BAA3	163,074	-	-	-	-	-	-	163,074
S&P								
A+	10,693	-	-	-	-	-	-	10,693
Α	610	169,328	-	-	-	-	-	169,938
AA-	1,146	-	-	-	-	-	-	1,146
BBB+	40	-	-	-	-	-	-	40
Government								
backed	978,808	-	5,007	6,686,255	1,314,290	-	1,675,426	10,659,786
Unrated [Note]	89,721	-	-	1,347,065	4,745	72,318	-	1,513,849
<u> </u>	2,388,474	298,167	10,037	9,613,634	1,319,035	132,460	1,675,426	15,437,233

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.

### 31 March 2016

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

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

### (v) Credit quality - financial instruments and financial assets (cont'd)

	Cash and short-term funds	Total
	RM'000	RM'000
Company		
<b>2016</b> By rating agency		
RAM		
AAA	9,501	9,501
A1 Unrated	21 47,314	21 47,314
Unidea		
	56,836	56,836
2015		
By rating agency		
RAM		
AAA	5,829	5,829
A1	15	15
Unrated	69,512	69,512
	75,356	75,356

### (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.

### (i) Interest rate/profit rate risk

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

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

The Group 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.

31 March 2016

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

Market Risk (cont'd) 

	<b>↓</b>			Non-trading book	) yo		Non-		
Group 2016	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	interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000
Assets Cash and short-term funds Deposits and placements	4,314,977	ı	ı	•	•	•	628,723	•	4,943,700
with banks and other financial institutions	•	195,675	•	•	•	•	190	•	195,865
and brokers Financial assets held-for-trading	1,752	1 1		1 1		1 1	102,907	132,229	104,659 132,229
Financial investments available-for-sale	814,808	889,933	45,201	349,345	4,273,267	1,972,452	220,690	•	8,565,696
rinaricia investinents held-to-maturity Derivetive financial accete	•	1	•	213,885	903,291	•	12,131	•	1,129,307
- Trading derivatives	•	•	•	•	•	•	•	133,651	133,651
	31,447,934	1,666,201	411,177	423,615	2,424,167	1,925,071	112,559*	•	38,410,724
profit sensitive balances	1	1	1	1	1	1	2,011,212	1	2,011,212
Total assets	36,579,471	2,751,809	456,378	986,845	7,600,725	3,897,523	3,088,412	265,880	55,627,043

31 March 2016

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

(b) Market Risk (cont'd)

Total RM'000	46,024,939	1,157,250	77,246	273,709	5,832	502,725	5,071	1,840,147	898,116	50,785,035 4,842,008	55,627,043	1
Trading book RM'000	•	•	•	273,709		•	•	1	•	273,709	273,709	(7,829)
Non- interest/ profit sensitive RM'000	6,667,180	4,953	77,246	•	•	2,725	71	41,080	898,116	7,691,371 4,842,008	12,533,379	(9,444,967)
Over 5 years RM'000	16,953	1	1	•	•	•	•	1	•	16,953	16,953	3,880,570
>1-5 years	529,535	390,496	1	•	5,832	200,000	2,000	1,199,085	•	2,629,948	2,629,948	4,970,777
Non-trading book >6-12 months RM'000	5,508,456	431,279	•	•	•	•	•	1	•	5,939,735	5,939,735	(4,952,890)
>3-6 months RM'000	5,001,031	10,300	•	1	•	•	•	1	•	5,011,331	5,011,331	(4,554,953)
>1-3 months RM'000	6,298,146	200,244	•	1	•	•	•	1	•	6,498,390	6,498,390	(3,746,581)
Up to 1 month RM'000	22,003,638	119,978	•	•	•	- p	•	599,982	•	22,723,598	22,723,598	13,855,873
Group 2016	Liabilities Deposits from customers Deposits and placements of banks and other	financial institutions Balances due to clients	and brokers Derivative financial liabilities	- Trading derivatives	<ul> <li>Hedging derivatives</li> </ul>	Amount due to Cagamas Berhad	Other borrowings	Subordinated obligations Other non-interest/	profit sensitive balances	<b>Total liabilities</b> Equity	Total liabilities and equity	On-balance sheet interest sensitivity gap

31 March 2016

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

Market Risk (cont'd) 

	<b>↓</b>			Non-trading book	you		<b>↑</b>		
Group 2015	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non- interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000
Assets Cash and short-term funds Deposits and placements	1,887,650	1	1	1	1	1	808,533	1	2,696,183
With banks and other financial institutions	•	74,050	223,534	1	•	1	583	1	298,167
and brokers	2,736	•	1	1	•	•	100,007	' !	102,743
Financial assets held-for-trading	ı D		•			•	ı	10,037	10,037
rinanciai investments available-for-sale	733,200	680,273	224,935	266,212	5,124,068	2,506,232	218,936	1	9,753,856
Financial investments held-to-maturity	ı	ı	189,922	5,034	1,111,814	•	12,265	1	1,319,035
Derivative financial assets - Trading derivatives	1	ı				1		132,460	132,460
Loans, advances and financing	29,497,781	1,207,152	479,089	823,136	2,366,784	2,202,385	(10,295)*	•	36,566,032
Other non-interest/ profit sensitive balances	1	ı	•	1	•	•	2,263,008	1	2,263,008
Total assets	32,121,367	1,961,475	1,117,480	1,094,382	8,602,666	4,708,617	3,393,037	142,497	53,141,521

31 March 2016

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

(b) Market Risk (cont'd)

	. •			Non-trading book	<b>%</b>		Non-		
Group 2015	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000
Liabilities Deposits from customers Deposits and placements of banks and other	21,710,672	5,833,465	5,459,271	5,151,143	299,455	70,171	6,082,638	1	44,606,815
financial institutions Balances due to clients	690,227	408,434	54,477	55,502	275,557	1	5,578	1	1,489,775
and brokers Bills and acceptances payable Derivative financial liabilities	401,298	365,945	34,335		1 1	1 1	62,833	1 1	62,833 801,578
- Trading derivatives - Hedging derivatives	1 1	1 1	1 1	' ' '	8,168	534		106,522	106,522 8,702
Amount due to Cagamas Berhad Subordinated obligations Other non interest/		1 1	1 1	7,003	599,402	1 1	13,865	1 1	7,003 613,267
profit sensitive balances	1	1	1	1	1	1	949,921	1	949,921
<b>Total liabilities</b> Equity	22,802,197	6,607,844	5,548,083	5,213,648	1,182,582	70,705	7,114,835 4,495,105	106,522	48,646,416 4,495,105
Total liabilities and equity	22,802,197	6,607,844	5,548,083	5,213,648	1,182,582	70,705	11,609,940	106,522	53,141,521
On-balance sheet interest sensitivity gap	9,319,170	(4,646,369)	(4,430,603)	(4,119,266)	7,420,084	4,637,912	(8,216,903)	35,975	'

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

31 March 2016

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

Market Risk (cont'd) **(**Q)

			2	Non-trading book				
	, <u>=</u>	7	:  /	6-19	7	ק אפער	Non- interest/	
Company 2016	1 month	months RM'000	months RM'000	months RM:000	years	years RM'000	sensitive RM1000	Total RM'000
Assets Cash and short-term funds	56.730			'		1	107	56.837
Other non-interest sensitive balances		•	•	•	•	•	1,783,407	1,783,407
Total assets	56,730					1	1,783,514	1,840,244
<b>Liabilities</b> Other non-interest sensitive balances		,	,			ı	2,894	2,894
Total liabilities Equity					1 1		2,894 1,837,350	2,894 1,837,350
Total liabilities and equity							1,840,244	1,840,244
On-balance sheet interest sensitivity gap	56,730						(56,730)	•

31 March 2016

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

(b) Market Risk (cont'd)

	↓ ↓		<u>N</u>	Non-trading book			<b>↑</b>	
Company 2015	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non- interest/ profit sensitive RM'000	Total RM'000
Assets Cash and short-term funds Other non-interest sensitive balances	75,218		1 1		1 1	1 1	139	75,357 1,782,664
Total assets	75,218		ı		1	1	1,782,803	1,858,021
<b>Liabilities</b> Other non-interest sensitive balances		1	1	ı	ı	1	2,253	2,253
Total liabilities Equity	1 1	1 1	1 1	1 1	1 1	1 1	2,253 1,855,768	2,253 1,855,768
Total liabilities and equity	1	ı	ı		1	1	1,858,021	1,858,021
On-balance sheet interest sensitivity gap	75,218	1	1	1	1	1	(75,218)	1

### 31 March 2016

### 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 Dollars, Pound Sterling, Euro Dollars, Australian Dollars and Singapore Dollars. Other foreign exchange exposures include exposure to Japanese Yen and New Zealand Dollars. The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the Group.

	US Dollars RM'000	Pound Sterling RM'000	Euro Dollars RM'000	Australian Dollars RM'000	Singapore Dollars RM'000	Others RM'000	Total RM'000
Group 2016							
Assets Cash and short-term funds Deposits and placements with banks and other	301,249	1,954	2,888	121,867	4,550	10,944	443,452
financial institutions Loans, advances	195,865	-	-	-	-	-	195,865
and financing	565,178	19,917	25,493	_	-	1,843	612,431
Other financial assets	23,566	-	10	-	-	-	23,576
Total financial assets	1,085,858	21,871	28,391	121,867	4,550	12,787	1,275,324
<b>Liabilities</b> Deposits from customers Deposits and placements of	535,189	74,338	30,676	148,448	37,248	38,834	864,733
banks and other financial institutions	707 610					198	707 016
Other financial liabilities	707,618 152	9	1	3	3	23	707,816 191
Total financial liabilities	1,242,959	74,347	30,677	148,451	37,251	39,055	1,572,740
On-balance sheet open position Off-balance sheet	(157,101)	(52,476)	(2,286)	(26,584)	(32,701)	(26,268)	(297,416)
open position	148,950	50,664	8,497	28,364	26,112	35,307	297,894
Net open position	(8,151)	(1,812)	6,211	1,780	(6,589)	9,039	478

### 31 March 2016

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

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

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

	US Dollars RM'000	Pound Sterling RM'000	Euro Dollars RM'000	Australian Dollars RM'000	Singapore Dollars RM'000	Others RM'000	Total RM'000
Group 2015							
Assets Cash and short-term funds Deposits and placements with banks and other	255,461	681	2,091	-	5,136	7,504	270,873
financial institutions Loans, advances	74,101	54,738	-	169,328	-	-	298,167
and financing Other financial assets	364,380 5,173	11,779 43	25,653	- 195	652	1,789 -	404,253 5,411
Total financial assets	699,115	67,241	27,744	169,523	5,788	9,293	978,704
Liabilities Deposits from customers Deposits and placements of banks and other	340,641	57,421	36,000	166,727	20,995	20,330	642,114
financial institutions	333,456	-	-	616	-	2,162	336,234
Other financial liabilities	38	4	5	2	-	10	59
Total financial liabilities	674,135	57,425	36,005	167,345	20,995	22,502	978,407
On-balance sheet open position Off-balance sheet	24,980	9,816	(8,261)	2,178	(15,207)	(13,209)	297
open position	62,462	(6,284)	20,535	5,142	14,339	23,982	120,176
Net open position	87,442	3,532	12,274	7,320	(868)	10,773	120,473

### 31 March 2016

### 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 2016	Balance RM'000	Average for the year RM'000	Minimum RM'000	Maximum RM'000
Instruments: FX related derivatives Government securities Private debt securities	(1,108)	(10,444)	(163)	(324,920)
	(15,702)	(18,527)	(4,069)	(24,907)
	(4,541)	(6,140)	(1,646)	(7,902)
2015				
Instruments: FX related derivatives Government securities Private debt securities	(190)	(2,100)	(101)	(88,073)
	(20,258)	(25,469)	(18)	(66,989)
	(6,368)	(6,581)	(6)	(13,181)

### (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.

	2	2015		
Group	- 100 bps Increase	- 100 bps + 100 bps Increase/(Decrease)		
	RM'000	RM'000	RM'000	RM'000
Impact on net profit after tax	(71,567)	71,567	(36,905)	36,905
Impact on equity	181,229	(172,433)	239,248	(226,798)

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

### 31 March 2016

### 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 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 Liquidity Coverage Ratio Guideline, 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.

### 31 March 2016

### 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 in accordance with the requirement of Bank Negara Malaysia Guidelines:

Group 2016	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1 year RM'000	Total RM'000
Assets Cash and short-term funds Deposits and placements with banks and	4,943,700	-	-	-	-	4,943,700
other financial institutions Balances due from	-	195,865	-	-	-	195,865
clients and brokers Financial investments Loans, advances	88,511 841,010	- 927,493	- 60,181	- 560,213	16,148 7,438,335	104,659 9,827,232
and financing Other asset balances	7,671,645 106,911	1,783,082 28,456	956,625 18,944	756,060 19,111	27,243,312 1,971,441	38,410,724 2,144,863
Total assets	13,651,777	2,934,896	1,035,750	1,335,384	36,669,236	55,627,043
Liabilities Deposits from customers Deposits and placements of banks and other	28,527,819	6,352,952	5,063,709	5,534,045	546,414	46,024,939
financial institutions Balances due to	118,923	202,393	10,160	423,679	402,095	1,157,250
clients and brokers Amount due to	77,246	-	-	-	-	77,246
Cagamas Berhad Other borrowings Subordinated	-	2,725 71	-	-	500,000 5,000	502,725 5,071
obligations Other financial	636,186	4,876	-	-	1,199,085	1,840,147
liabilities	555,099	95,809	84,687	145,217	296,845	1,177,657
<b>Total liabilities</b> Equity	29,915,273 -	6,658,826 -	5,158,556 -	6,102,941 -	2,949,439 4,842,008	50,785,035 4,842,008
Total liabilities and equity	29,915,273	6,658,826	5,158,556	6,102,941	7,791,447	55,627,043
Net maturity mismatch	(16,263,496)	(3,723,930)	(4,122,806)	(4,767,557)	28,877,789	-

31 March 2016

### 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 2015	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1 year RM'000	Total RM'000
Assets						
Cash and	0.000.400					0.000.400
short-term funds	2,696,183	-	-	-	-	2,696,183
Deposits and placements						
with banks						
and other financial						
institutions	_	74,101	224,066	_	_	298,167
Balances due from		•	•			,
clients and brokers	87,182	-	-	-	15,561	102,743
Financial investments	763,802	749,459	432,250	343,373	8,794,044	11,082,928
Loans, advances						
and financing	5,885,695	1,380,795	910,036	281,555	28,107,951	36,566,032
Other asset balances	59,733	48,392	58,544	23,913	2,204,886	2,395,468
Total assets	9,492,595	2,252,747	1,624,896	648,841	39,122,442	53,141,521
Liabilities						
Deposits from						
customers	27,732,058	5,883,086	5,504,167	5,174,364	313,140	44,606,815
Deposits and		, ,	, ,	, ,	,	, ,
placements of						
banks and other						
financial institutions	693,445	410,610	54,477	55,502	275,741	1,489,775
Balances due to						
clients and brokers	62,833	-	-	-	-	62,833
Bills and acceptances	401.000	205 045	04.005			001 570
payable	401,298	365,945	34,335	-	-	801,578
Amount due to Cagamas Berhad	_	_	_	7,003	_	7,003
Subordinated				7,000		7,000
obligations	13,865	_	_	_	599,402	613,267
Other financial	10,000				,	,
liabilities	603,736	34,821	88,938	45,794	291,856	1,065,145
Total liabilities	29,507,235	6,694,462	5,681,917	5,282,663	1,480,139	48,646,416
Equity	-	-	-	-	4,495,105	4,495,105
Total liabilities	00 507 005	0.004.400	F 001 017	F 000 000	F 07F 044	F0 141 F01
and equity	29,507,235	6,694,462	5,681,917	5,282,663	5,975,244	53,141,521
Net maturity	(00.04.4.040)	(4.444.745)	(4.057.004)	(4.000.000)	00 4 47 400	
mismatch	(20,014,640)	(4,441,715)	(4,057,021)	(4,633,822)	33,147,198	-

### 31 March 2016

### 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 2016	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1 year RM'000	Total RM'000
Assets						
Cash and short-term funds Other asset balances	56,837 582	60	29	- 57	- 1,782,679	56,837 1,783,407
Total assets	57,419	60	29	57	1,782,679	1,840,244
Liabilities						
Other financial liabilities	694	431	479	959	331	2,894
<b>Total liabilities</b> Equity	694 -	431 -	479 -	959 -	331 1,837,350	2,894 1,837,350
Total liabilities and equity	694	431	479	959	1,837,681	1,840,244
Net maturity mismatch	56,725	(371)	(450)	(902)	(55,002)	-
2015						
Assets						
Cash and short-term funds Other asset balances	75,357 1,006	-	-	-	- 1,781,658	75,357 1,782,664
Total assets	76,363	-	-	-	1,781,658	1,858,021
Liabilities						
Other financial liabilities	477	277	415	830	254	2,253
<b>Total liabilities</b> Equity	477 -	277 -	415 -	830	254 1,855,768	2,253 1,855,768
Total liabilities and equity	477	277	415	830	1,856,022	1,858,021
Net maturity mismatch	75,886	(277)	(415)	(830)	(74,364)	

### 31 March 2016

### 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 2016	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
Non derivative financial liabilities							
Deposits from customers Deposits and placements of banks and other	28,546,889	6,395,570	5,142,564	5,700,114	586,071	17,543	46,388,751
financial institutions Balances due to	120,448	204,097	10,300	440,983	406,483	-	1,182,311
clients and brokers Amount due to	77,246	-	-	-	-	-	77,246
Cagamas Berhad	-	5,450	5,450	10,900	535,000	-	556,800
Other borrowings	- 014 400	119	-	119	5,238	-	5,476
Subordinated obligations Other financial liabilities	614,460 555,099	34,350 95,938	- 84,808	34,350 145,427	1,474,800 297,296	_	2,157,960 1,178,568
	29,914,142	6,735,524	5,243,122	6,331,893	3,304,888	17,543	51,547,112
in the statement of financial position							
Financial guarantees Credit related commitments	88,110	78,605	73,722	226,529	101,656	22	568,644
and contingencies	10,242,592	53,089	56,077	268,906	552,929	3,014	11,176,607
	10,330,702	131,694	129,799	495,435	654,585	3,036	11,745,251
Derivatives							
financial liabilities  Derivatives settled							
on a net basis Interest rate derivatives							
and equity option	(38)	(347)	(6,253)	(9,162)	(9,518)	_	(25,318)
Hedging derivatives	(107)	(430)	(595)	(916)	(1,248)	_	(3,296)
Net outflow	(145)	(777)	(6,848)	(10,078)	(10,766)	-	(28,614)
Derivatives settled							
on a gross basis							
Outflow Inflow	(1,087,979) 1,061,062	(929,712) 867,657	(838,185) 781,293	(847,127) 776,282		-	(3,703,003) 3,486,294
	(26,917)	(62,055)	(56,892)	(70,845)	-	-	(216,709)

### 31 March 2016

### 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 2015	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
Non derivative							
financial liabilities Deposits from customers Deposits and placements of banks and other	27,694,740	5,937,469	5,592,259	5,284,367	338,495	75,688	44,923,018
financial institutions Balances due to	693,504	413,544	54,477	57,985	285,583	-	1,505,093
clients and brokers Bills and	62,833	-	-	-	-	-	62,833
acceptances payable Amount due to	401,298	365,945	34,335	-	-	-	801,578
Cagamas Berhad	334	-	335	6,629	-	-	7,298
Subordinated obligations	14,460	-	-	14,460	614,460	-	643,380
Other financial liabilities	603,875	34,985	89,095	46,079	292,629	-	1,066,663
	29,471,044	6,751,943	5,770,501	5,409,520	1,531,167	75,688	49,009,863
in the statement of financial position							
Financial guarantees Credit related commitments	79,534	109,188	147,240	179,563	119,332	22	634,879
and contingencies	8,143,473	43,690	85,211	194,970	593,788	4,192,396	13,253,528
	8,223,007	152,878	232,451	374,533	713,120	4,192,418	13,888,407
Derivatives financial liabilities Derivatives settled on a net basis Interest rate derivatives							
and equity option	7	91	(19)	(636)	(13,624)	_	(14,181)
Hedging derivatives	(197)	(453)	(614)	(1,229)	(7,078)	(1,666)	(11,237)
Net outflow	(190)	(362)	(633)	(1,865)	(20,702)	(1,666)	(25,418)
Derivatives settled on a gross basis							
Outflow	(1,283,877)	(188,611)	(769,969)	(152,067)	_	_	(2,394,524)
Inflow	1,279,340	185,312	699,946	145,999	-	-	2,310,597
	(4,537)	(3,299)	(70,023)	(6,068)	_	_	(83,927)

### 31 March 2016

### 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 2016	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
<b>Liabilities</b> Other financial liabilities	694	431	479	959	331	-	2,894
Total financial liabilities	694	431	479	959	331	-	2,894
2015							
Liabilities							
Other financial liabilities	477	277	415	830	254	-	2,253
Total financial liabilities	477	277	415	830	254	-	2,253

### (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. 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.

Group Operational Risk Management Department, as the second line of defense formulates and implement 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.

### 31 March 2016

### 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.

The minimum regulatory capital adequacy ratios, as required under BNM's Capital Adequacy Framework (Capital Components) which includes transitional arrangements for year 2015, are set out as follows:

	Common Equity Tier 1 ("CET I") Capital Ratio	Tier I Capital Ratio	Total Capital Ratio
Calendar Year	%	%	%
2015 onwards*	4.5	6.0	8.0

<sup>\*</sup> Before including capital conservation buffer of 2.5% and countercyclical capital buffer

Banking institutions are also required to maintain a capital conservation buffer of up to 2.5% and a countercyclical capital buffer above. Under the transition arrangements, capital conservation buffer will be phased-in as follows:

Calendar Year	Capital Conservation Buffer
2016	0.625%
2017	1.250%
2018	1.875%
2019 onwards	2.500%

On 13 October 2015, BNM issued the revised Capital Adequacy Framework (Capital Components and Basel II - Risk-weighted Assets) ("Revised Framework") which is effective from 1 January 2016. Under the Revised Framework, a countercyclical capital buffer is required to be maintained if this buffer is applied by regulators in countries which the Group has exposures to, determined based on the weighted average of prevailing countercyclical capital buffer rates applied in that jurisdictions. The countercyclical buffer which is in a range of between 0% and 2.5% is not a requirement for exposures in Malaysia but may be applied by regulators in the future.

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

	Group	
	2016	2015
Before deducting proposed dividends		
CET I capital ratio	12.070%	11.301%
Tier I capital ratio	12.070%	11.301%
Total capital ratio	17.657%	13.160%
After deducting proposed dividends		
CET I capital ratio	11.775%	11.108%
Tier I capital ratio	11.775%	11.108%
Total capital ratio	17.362%	12.967%

### 31 March 2016

### 42. CAPITAL ADEQUACY (cont'd)

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

	Group	
	2016 RM'000	2015 RM'000
CET I Capital		
Paid-up share capital	796,517	796,517
Share premium	401,517	401,517
Retained profits	2,047,248	2,005,815
Statutory reserves	1,200,019	1,069,665
Revaluation reserves	114,786	78,232
Capital reserves	10,018	10,018
	4,570,105	4,361,764
Less: Regulatory adjustments		
- Goodwill and other intangibles	(362,982)	(359,935)
- Deferred tax assets	(10,201)	(12,020)
- 55% of revaluation reserves	(63,132)	(43,028)
- Investment in subsidiaries, associates and joint venture	(2,824)	(1,816)
Total CET I Capital/Total Tier I Capital	4,130,966	3,944,965
Tier II Capital		
Subordinated obligations	1,559,074	419,581
Collective assessment allowance and regulatory reserves	354,805	232,171
Less: Regulatory adjustment		
- Investment in subsidiaries and associates	(1,882)	(2,725)
Total Tier II Capital	1,911,997	649,027
Total Capital	6,042,963	4,593,992

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

	Group		
	2016 RM'000	2015 RM'000	
Credit risk 31,	241,896	32,011,298	
Market risk	123,843	125,778	
Operational risk 2,	858,987	2,770,484	
Total RWA and capital requirements 34,	224,726	34,907,560	

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

### 31 March 2016

### 42. CAPITAL ADEQUACY (cont'd)

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

	Alliance Bank Malaysia Berhad	Alliance Islamic Bank Berhad	Alliance Investment Bank Berhad
2016			
Before deducting proposed dividends			
CET I capital ratio	11.237%	13.375%	103.287%
Tier I capital ratio	11.237%	13.375%	103.287%
Total capital ratio	16.528%	14.399%	103.641%
After deducting proposed dividends			
CET I capital ratio	10.880%	13.044%	101.292%
Tier I capital ratio	10.880%	13.044%	101.292%
Total capital ratio	16.170%	14.068%	101.646%
2015			
Before deducting proposed dividends			
CET I capital ratio	11.291%	11.013%	94.504%
Tier I capital ratio	11.291%	11.013%	94.504%
Total capital ratio	11.751%	11.731%	94.504%
After deduction assessed dividends			
After deducting proposed dividends	11 0500/	11 0120/	02.4400/
CET I capital ratio	11.058% 11.058%	11.013% 11.013%	93.448%
Tier I capital ratio			93.448%
Total capital ratio	11.518%	11.731%	93.448%

### 31 March 2016

### 43. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group makes various commitments and incur certain centigent liabilities with legal resourse to their customer. No material losses are anticipated as a result of these transaction.

The off-balance sheet exposures of the Group are as follow:

	2016 RM'000	2015 RM'000
Group		
Credit-related exposures		
Direct credit substitutes	717,319	789,038
Transaction-related contingent items	677,126	653,199
Short-term self-liquidating trade-related contingencies	137,524	164,832
Irrevocable commitments to extend credit:		
- maturity exceeding one year	2,287,572	4,189,365
- maturity not exceeding one year	6,327,855	6,634,666
Unutilised credit card lines	1,597,855	1,457,307
	11,745,251	13,888,407
<u>Derivative financial instruments</u> Foreign exchange related contracts:		
- one year or less	7,255,690	4,794,524
- over one year to three years	39,135	69,675
- over three years	-	31,515
Interest rate related contracts:		0.005.000
- one year or less	380,000	2,085,000
- over one year to three years	809,755	828,153
- over three years	1,490,776	1,012,269
Equity related contracts:	00.040	00.400
- one year or less	92,940	23,460
- over one year to three years	18,880	12,780
	10,087,176	8,857,376
	21,832,427	22,745,783

### 31 March 2016

### 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 approval.

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 prescribed 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:

	Gro	oup	Com	pany
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Within one year	22,768	25,235	326	356
Between one and five years	13,629	28,466	163	533
	36,397	53,701	489	889

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

### 31 March 2016

### **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:

March   Marc	2015 RM'000 (1,975) - (326,013) (6,039) (27)
Interest income - subsidiaries - key management personnel  Dividend income - subsidiary (192,439)  Overhead expenses recharged - subsidiaries (6,123) - joint venture  Interest expenses - key management personnel - joint venture  Other overhead expenses	(326,013)
- subsidiaries (1,846) - key management personnel (63) (111) -  Dividend income - subsidiary (192,439)  Overhead expenses recharged - subsidiaries (6,123) - joint venture (257) (27) (72)  Interest expenses - key management personnel 132 122 joint venture - 16 -	(326,013)
- key management personnel (63) (111) -  Dividend income - subsidiary (192,439)  Overhead expenses recharged - subsidiaries (6,123) - joint venture (257) (27) (72)  Interest expenses - key management personnel 132 122 joint venture - 16 -	(326,013)
Dividend income - subsidiary (192,439)  Overhead expenses recharged - subsidiaries (6,123) - joint venture (257) (27) (72)  Interest expenses - key management personnel - joint venture - 16 - Other overhead expenses	(6,039)
- subsidiary (192,439)  Overhead expenses recharged - subsidiaries (6,123) - joint venture (257) (27) (72)  Interest expenses - key management personnel 132 122 joint venture - 16  Other overhead expenses	(6,039)
Overhead expenses recharged - subsidiaries - joint venture (257)  Interest expenses - key management personnel - joint venture  132 122 - Joint venture  Other overhead expenses	(6,039)
- subsidiaries (6,123) - joint venture (257) (27) (72)  Interest expenses - key management personnel 132 122 joint venture - 16 -	
- joint venture (257) (27) (72)  Interest expenses - key management personnel 132 122 joint venture - 16 -  Other overhead expenses	
Interest expenses - key management personnel - joint venture  Other overhead expenses	(27)
- key management personnel 132 122 - joint venture - 16 - Other overhead expenses	(21)
- joint venture - 16 - Other overhead expenses	
Other overhead expenses	-
•	-
- subsidiaries <b>36</b> 27 <b>904</b>	1,180
(b) Balances	
Amount due to deposits from customers	
- key management personnel (9,668) (5,476) -	-
- joint venture (351) (2,023) -	-
Money at call and deposit placements with financial institutions	
- subsidiaries - 47,335	69,527
Loans, advances and financing	
- key management personnel <b>3,955</b> 4,150 -	-
Other assets	
- subsidiaries - 94	698
- joint venture <b>198</b> 534 <b>8</b>	2

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 Officer, Group Chief Administrative Officer and Group Company Secretary.

### 31 March 2016

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

### (c) Compensation of key management personnel

	Gro	up	Com	pany
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Short-term employee benefits				
Fees	1,826	1,971	462	660
Salary and other remuneration, including meeting allowances	13,476	9,498	945	1,099
Contribution to EPF	1,676	1,223	99	90
Share options/grants under ESS	831	2,027	199	352
Benefits-in-kind	110	63	26	38
	17,919	14,782	1,731	2,239
Included in the total key management personnel are: CEO and Directors' remuneration, excluding past CEO				
and Directors [Note 34(b)]	13,021	6,533	734	1,153
	Share (	Options	Share	Grants
	2016	2015	2016	2015
Group	'000	'000	'000	'000
At beginning of financial year	3,231	9,618	521	815
Offered/awarded	-	-	376	377
Vested	-	(3,164)	(419)	(649)
Lapsed	(2,143)	(3,223)	(103)	(22)
At end of financial year	1,088	3,231	375	521
Company				
At beginning of financial year	633	804	76	60
Offered/awarded	-	-	40	49
Vested	-	(125)	(37)	(33)
Lapsed	(272)	(46)	-	-
At end of financial year	361	633	79	76

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).

### 31 March 2016

### **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.

### 31 March 2016

### 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 2016	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets				
Financial assets held-for-trading				
- Money market instruments	-	40,441	-	40,441
- Unquoted securities	-	91,788	-	91,788
Financial investments available-for-sale - Money market instruments	_	5,503,569	_	5,503,569
- Quoted securities in Malaysia	15	-	_	3,303,309
- Unquoted securities	-	2,909,771	152,341	3,062,112
Derivative financial assets	-	133,651	-	133,651
Liabilities				
Derivative financial liabilities	_	279,541	_	279,541
	Level 1	Level 2	Level 3	Total
2015	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2015 Assets				
Assets Financial assets held-for-trading		RM'000		RM'000
Assets Financial assets held-for-trading - Unquoted securities				
Assets Financial assets held-for-trading - Unquoted securities Financial investments available-for-sale		<b>RM'000</b>		<b>RM'000</b>
Assets Financial assets held-for-trading - Unquoted securities Financial investments available-for-sale - Money market instruments	RM'000 - -	RM'000		10,037 6,872,324
Assets Financial assets held-for-trading - Unquoted securities Financial investments available-for-sale - Money market instruments - Quoted securities in Malaysia		10,037 6,872,324	RM'000 - - -	10,037 6,872,324 11
Assets Financial assets held-for-trading - Unquoted securities Financial investments available-for-sale - Money market instruments	RM'000 - -	<b>RM'000</b>		10,037 6,872,324
Assets Financial assets held-for-trading - Unquoted securities Financial investments available-for-sale - Money market instruments - Quoted securities in Malaysia - Unquoted securities	RM'000 - -	10,037 6,872,324 - 2,741,310	RM'000 - - -	10,037 6,872,324 11 2,881,521

There were no transfers between levels 1 and 2 of the fair value hierarchy for the Group during the financial year ended 31 March 2016 and 31 March 2015.

Reconciliation of movements in level 3 financial instruments:

Group	2016 RM'000	2015 RM'000
At beginning of financial year	140,211	141,100
Total (losses)/gains recognised in:		
- Statement of comprehensive income		
(Loss)/gain arising from sales financial investments available-for-sale	(549)	11,224
- Other comprehensive income		
Revaluation reserves	12,705	1,976
Disposal	(26)	(14,089)
At end of financial year	152,341	140,211

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.

### 31 March 2016

### 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 2016		Fai	r value		Comming
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Carrying amount RM'000
Financial assets					
Financial investments held-to-maturity	-	1,148,526	-	1,148,526	1,129,307
Loans, advances and financing	-	-	38,798,310	38,798,310	38,410,724
Financial liabilities					
Deposits from customers Deposits and placements of banks and	-	46,122,698	-	46,122,698	46,024,939
other financial institutions	_	1,133,927	_	1,133,927	1,157,250
Amount due to Cagamas Berhad	_	500,840	_	500,840	502,725
Other borrowings	-	5,015	-	5,015	5,071
Subordinated obligations	-	1,820,493	-	1,820,493	1,840,147
2015		Fai	r value		Carrying
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	amount RM'000
Financial assets					
Financial investments held-to-maturity	-	1,327,672	-	1,327,672	1,319,035
Loans, advances and financing	-	-	36,904,492	36,904,492	36,566,032
Financial liabilities					
Deposits from customers	_	44,723,650	_	44,723,650	44,606,815
Deposits and placements of banks and		, -,		, -,	,,
other financial institutions	-	1,473,294	-	1,473,294	1,489,775
Amount due to Cagamas Berhad	-	6,717	-	6,717	7,003
Subordinated obligations	-	605,088	-	605,088	613,267

### 31 March 2016

### 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) 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.

### (iv) 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.

### (v) Other borrowings and subordinated obligations

The fair value of the other borrowings and 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.

31 March 2016

### 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 amou off in the bala Financial Instruments RM'000		Net Amount RM'000
Group 2016						
Derivative financial assets Balances due from	133,651	-	133,651	(61,231)	-	72,420
clients and brokers	189,714	(85,055)	104,659	-	-	104,659
Total	323,365	(85,055)	238,310	(61,231)	-	177,079
2015						
Derivative financial assets Balances due from	132,460	-	132,460	(25,019)	-	107,441
clients and brokers	149,558	(46,815)	102,743	-	-	102,743
Total	282,018	(46,815)	235,203	(25,019)	-	210,184

### (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 amou off in the bala Financial Instruments RM'000		Net Amount RM'000
Group 2016						
Derivative financial liabilities Balances due to	279,541	-	279,541	(61,231)	(29,052)	189,258
clients and brokers	162,301	(85,055)	77,246	-	-	77,246
Total	441,842	(85,055)	356,787	(61,231)	(29,052)	266,504
2015						
Derivative financial liabilities Balances due to	115,224	-	115,224	(25,019)	(5,184)	85,021
clients and brokers	109,648	(46,815)	62,833	-	-	62,833
Total	224,872	(46,815)	178,057	(25,019)	(5,184)	147,854

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.

### 31 March 2016

### 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"), Corporate and Commercial Banking. SME Banking customers comprise self-employed, small and medium scale enterprises. Corporate and Commercial Banking serves public-listed and large corporate business 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 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.

31 March 2016

<del>o</del>
(cont'd
<b>IFORMATION</b>
<b>SEGMENT IN</b>
<u>ල</u>

Group 2016	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 - inter-segment	449,008 (128,972)	326,818 63,271	71,312 69,387	4,730 (3,686)	3,734	855,602	(7,810)	847,792
Net income from Islamic banking business Other operating income	320,036 90,296 105,953	390,089 73,656 147,477	140,699 53,790 57,880	1,044	3,734	855,602 217,742 552,314	(7,810) 26,409 (220,119)	847,792 244,151 332,195
Net income Other operating expenses Depreciation and amortisation	516,285 (303,974) (24,216)	611,222 (251,403) (16,269)	252,369 (42,596) (3,600)	24,584 (34,917) (631)	221,198 (21,658) (48)	1,625,658 (654,548) (44,764)	(201,520) 10,362	1,424,138 (644,186) (44,764)
Operating profit/(loss) before allowance Allowance for losses on loans, advances and financing and other receivables	188,095	343,550	206,173	(10,964)	199,492	926,346	(191,158)	735,188
Write-back of impairment on securities	(202(20)	16	7,749	<u> </u>	•	7,765	•	7,765
Segment result Share of profit of equity-accounted joint venture, net of tax Taxation	149,886	333,531	213,862	(10,988)	199,492	885,783	(191,158)	694,625 156 (172,743)
Net profit after taxation							•	522,038
Segment assets	22,172,958	16,079,638	18,758,136	284,496	1,908,423	59,203,651	(4,074,202)	55,129,449
Reconciliation of segment assets to consolidated assets: Investments in joint ventures Property, plant and equipment Unallocated assets Intangible assets								731 86,750 47,131 362,982
Total assets							•	55,627,043
Segment liabilities	22,087,698	20,354,741	9,572,956	104,007	16,178	52,135,580	(1,366,607)	50,768,973
Unallocated liabilities							'	16,062
Total liabilities							•	50,785,035

31 March 2016

49. SEGMENT INFORMATION (cont'd)

Group 2015	Consumer Banking RM'000	Business Banking RM'000	Financial Markets RM'000	Investment Banking RM'000	Others RM'000	Total Operations RM'000	Inter-segment Elimination RM'000	Total RM'000
Net interest income/(expense) - external income - inter-segment	381,726 (79,848)	304,902 41,971	136,548 42,814	6,733 (4,937)	3,537	833,446	(12,857)	820,589
Net income from Islamic banking business Other operating income	301,878 84,601 107,491	346,873 68,240 154,316	179,362 43,914 29,864	1,796	3,537	833,446 196,755 729,203	(12,857) 28,302 (391,860)	820,589 225,057 337,343
Net income Other operating expenses Depreciation and amortisation	493,970 (267,350) (22,022)	569,429 (219,669) (13,385)	253,140 (52,549) (3,786)	27,086 (41,344) (552)	415,779 (37,765) (51)	1,759,404 (618,677) (39,796)	(376,415) 11,494	1,382,989 (607,183) (39,796)
Operating profit/(loss) before allowance (Allowance for)/write-back of impairment losses on loans, advances and financing and other receivables Write-back of impairment on securities	204,598 (42,719)	336,375 2,136 4,395	196,805 80 833	(14,810)	377,963	1,100,931 (39,604) 8,055	(364,921)	736,010 (39,604) 6,728
Segment result Share of profit of equity-accounted joint venture, net of tax Taxation	161,879	342,906	197,718	(13,911)	380,790	1,069,382	(366,248)	703,134 16 (172,370)
Net profit after taxation								530,780
Segment assets	21,836,416	14,592,555	18,280,083	63,524	1,924,206	56,696,784	(4,052,792)	52,643,992
Reconciliation of segment assets to consolidated assets: Investments in joint venture Property, plant and equipment Unallocated assets Intangible assets								509 97,711 39,374 359,935
Total assets								53,141,521
Segment liabilities	19,239,768	18,905,387	11,826,134	89,021	16,942	50,077,252	(1,446,162)	48,631,090
Unallocated liabilities								15,326
Total liabilities								48,646,416

31 March 2016

### **50. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

The details of issuance of new debts are disclosed in Notes 24 and 25.

### **51. SUBSEQUENT EVENTS**

On 8 April 2016, ABMB has fully redeemed its RM600.0 million Sub-MTNs which was issued on 8 April 2011 under ABMB's RM1.5 billion Sub-MTN Programme.

### 31 March 2016

### **52. 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	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Total retained profits				
- Realised	2,039,388	2,023,336	52,901	77,816
- Unrealised	132,310	123,187	435	334
	2,171,698	2,146,523	53,336	78,150
Total share of profits/(losses) from joint venture				
- Realised	15	(171)	-	-
- Unrealised	141	187	-	-
	2,171,854	2,146,539	53,336	78,150
Less: Consolidation adjustments	(350,814)	(341,924)	-	-
Total retained profits	1,821,040	1,804,615	53,336	78,150

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.



040	•	
216	Overview	ı
210	O VOI VIOVI	

- 217 1.0 Scope of Application
- 217 2.0 Capital
  - 2.1 Capital Adequacy Ratios
  - 2.2 Capital Structure
  - 2.3 Risk-Weighted Assets and Capital Requirements
- 225 3.0 Credit Risk
  - 3.1 Distribution of Credit Exposures
  - 3.2 Past Due Loans, Advances and Financing Analysis
  - 3.3 Impaired Loans, Advances and Financing Analysis
  - 3.4 Assignment of Risk-Weights for Portfolio **Under the Standardised Approach**
  - 3.5 Credit Risk Mitigation
  - 3.6 Off-Balance Sheet Exposures and Counterparty Credit Risk
- 4.0 Market Risk 257
- 258 5.0 Operational Risk
- 6.0 Equity Exposures in Banking Book 259
- 260 7.0 Interest Rate Risk/Rate of Return Risk
  - in the Banking Book
- 261 8.0 Shariah Governance Disclosures and

Profit Sharing Investment Account ("PSIA")



## For The Financial Year Ended 31 March 2016

## **Overview**

Bank Negara Malaysia's ("BNM") guidelines on capital adequacy require Alliance Bank Malaysia Berhad and its subsidiaries ("the Group") to maintain an adequate level of capital to withstand potential losses arising from its operations. BNM's capital adequacy guidelines cover 3 main aspects:

- (a) Pillar 1 covers the calculation of risk-weighted assets for credit risk, market risk and operational risk.
- (b) Pillar 2 involves assessment of other risks (e.g. interest rate risk in the banking book, liquidity risk and concentration risk) not covered under Pillar 1. This promotes adoption of forward-looking approaches to capital management and stress testing/risk simulation techniques.
- (c) Pillar 3 covers disclosure and external communication of risk and capital information by banks.

The Group maintains a strong capital base to support its current activities and future growth, to meet regulatory capital requirements at all times and to buffer against potential losses.

To ensure that risks and returns are appropriately balanced, the Group has implemented a Group-wide Integrated Risk Management Framework, with guidelines for identifying, measuring, and managing risks. This process includes quantifying and aggregating various risks in order to ensure the Group and each entity has sufficient capital to cushion unexpected losses and remain solvent.

In summary, the capital management process involves the following:

- (i) Monitoring of regulatory capital and ensuring that the minimum regulatory requirements and approved internal ratios are adhered to.
- (ii) Estimation of capital requirements based on ongoing forecasting and budgeting process.
- (iii) Regular reporting of regulatory and internal capital ratios to management.

In addition, the Group's capital adequacy under extreme but plausible stress scenarios are periodically assessed via a Group-wide stress test exercise. The results of the stress tests are reported to senior management, to provide them with an assessment of the financial impact of such events on the Group's earnings and capital.

The Group's Pillar 3 Disclosure is governed by the Bank Disclosure Policy on Basel II Risk-Weighted Capital Adequacy Framework - Pillar 3 which sets out the minimum disclosure standards, the approach for determining the appropriateness of information disclosed and the internal controls over the disclosure process which covers the verification and review of the accuracy of information disclosed.

## For The Financial Year Ended 31 March 2016

## 1.0 Scope of Application

The Pillar 3 Disclosure was prepared on a consolidated basis and comprises information on Alliance Bank Malaysia Berhad ("the Bank"), its subsidiaries and associate companies. The Group offers Conventional and Islamic banking services. The latter includes the acceptance of deposits and granting of financing under the Shariah principles via the Bank's wholly-owned subsidiary, Alliance Islamic Bank Berhad. Information on subsidiary and associate companies are available in Note 13 and 14 of the audited financial statements.

The basis of consolidation for the use of regulatory capital purposes is similar to that for financial accounting purposes as prescribed in Note 2(b) of the audited financial statements, except for investments in subsidiaries engaged in nominees activities and sales distribution which are excluded from the regulatory consolidation and are deducted from regulatory capital.

There were no significant restrictions or other major impediments on transfer of funds or regulatory capital within the Group.

There were no capital deficiencies in any of the subsidiaries of the Group that were not included in the consolidation for regulatory purposes as at the financial year end.

The capital adequacy information was computed in accordance with BNM's Capital Adequacy Framework. The Group has adopted the Standardised Approach for credit risk and market risk, and Basic Indicator Approach for operational risk.

## 2.0 Capital

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

- To maintain sufficient capital resources to meet the regulatory capital requirements as set forth by BNM;
- (ii) To maintain sufficient capital resources to support the Group's risk appetite and to enable future business growth; and
- (iii) To meet the expectations of key stakeholders, including shareholders, investors, regulators and rating agencies.

In line with this, the Group aims to maintain capital adequacy ratios that are above the regulatory requirements, while balancing shareholders' desire for sustainable returns and 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 tests are to facilitate the formulation of action plan(s) in advance if the stress tests reveal that the Group's capital will be adversely affected. The results of the stress tests are tabled to the Group Risk Management Committee for approval.

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

## For The Financial Year Ended 31 March 2016

## 2.0 Capital (cont'd)

## 2.1 Capital Adequacy Ratios

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

The minimum regulatory capital adequacy ratios, as required under BNM's Capital Adequacy Framework (Capital Components) which includes transitional arrangements for year 2015, are set out as follows:

	CET I	Tier I	Total
	Capital Ratio	<b>Capital Ratio</b>	<b>Capital Ratio</b>
Calender Year	%	%	%
2015 onwards*	4.5	6.0	8.0

<sup>\*</sup> Before including capital conservation buffer of 2.5% and countercyclical capital buffer

Banking institutions are also required to maintain a capital conservation buffer of up to 2.5% and a countercyclical capital buffer above. Under the transition arrangements, capital conservation buffer will be phased-in as follows:

Calender Year	Capital Conservation Buffer
2016	0.625%
2017	1.250%
2018	1.875%
2019 onwards	2.500%

On 13 October 2015, BNM issued the revised Capital Adequacy Framework (Capital Components and Basel II -Risk-weighted Assets) ("Revised Framework") which is effective from 1 January 2016. Under the Revised Framework, a countercyclical capital buffer is required to be maintained if this buffer is applied by regulators in countries which the Group has exposures to, determined based on the weighted average of prevailing countercyclical capital buffer rates applied in that jurisdictions. The countercyclical buffer which is in a range of between 0% and 2.5% is not a requirement for exposures in Malaysia but may be applied by regulators in the future.

## (a) The capital adequacy ratios of the Bank and the Group are as follows:

	Bank		Group	
	2016	2015	2016	2015
Before deducting proposed dividends				
CET I capital ratio	11.237%	11.291%	12.070%	11.301%
Tier I capital ratio	11.237%	11.291%	12.070%	11.301%
Total capital ratio	16.528%	11.751%	17.657%	13.160%
After deducting proposed dividends				
CET I capital ratio	10.880%	11.058%	11.775%	11.108%
Tier I capital ratio	10.880%	11.058%	11.775%	11.108%
Total capital ratio	16.170%	11.518%	17.362%	12.967%

For The Financial Year Ended 31 March 2016

## 2.0 Capital (cont'd)

## 2.1 Capital Adequacy Ratios

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

	Alliance Islamic Bank Berhad	Alliance Investment Bank Berhad
2016		
Before deducting proposed dividends		
CET I capital ratio	13.375%	103.287%
Tier I capital ratio	13.375%	103.287%
Total capital ratio	14.399%	103.641%
After deducting proposed dividends		
CET I capital ratio	13.044%	101.292%
Tier I capital ratio	13.044%	101.292%
Total capital ratio	14.068%	101.646%
Total ouplair and	1 1.000 /0	101.01070
2015		
Before deducting proposed dividends		
CET I capital ratio	11.013%	94.504%
Tier I capital ratio	11.013%	94.504%
Total capital ratio	11.731%	94.504%
After deducting present dividends		
After deducting proposed dividends	11 0100/	02.4400/
CET I capital ratio	11.013%	93.448%
Tier I capital ratio	11.013%	93.448%
Total capital ratio	11.731%	93.448%

## For The Financial Year Ended 31 March 2016

## 2.0 Capital (cont'd)

## 2.2 Capital Structure

The following tables present the components of Common Equity Tier I ("CET I"), Tier I and Tier II capital.

	Bank		Group	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
CET I Capital				
Paid-up share capital	796,517	796,517	796,517	796,517
Share premium	401,517	401,517	401,517	401,517
Retained profits	1,888,285	1,881,187	2,047,248	2,005,815
Statutory reserves	835,401	722,368	1,200,019	1,069,665
Revaluation reserves	73,152	43,838	114,786	78,232
Other reserves	-	-	10,018	10,018
	3,994,872	3,845,427	4,570,105	4,361,764
Less: Regulatory adjustment				
<ul> <li>Goodwill and other intangibles</li> </ul>	(247,299)	(244,522)	(362,982)	(359,935)
- Deferred tax assets	-	-	(10,201)	(12,020)
- 55% of revaluation reserves	(40,234)	(24,111)	(63,132)	(43,028)
<ul> <li>Investment in subsidiaries and associates</li> </ul>	(535,830)	(317,220)	(2,824)	(1,816)
Total CET I capital/Total Tier I capital	3,171,509	3,259,574	4,130,966	3,944,965
Tier II Capital				
Subordinated obligations	1,558,540	419,581	1,559,074	419,581
Collective assessment allowance	291,825	189,112	354,805	232,171
Less: Regulatory adjustment				
- Investment in subsidiaries and associates	(357,220)	(475,830)	(1,882)	(2,725)
Total Tier II Capital	1,493,145	132,863	1,911,997	649,027
Total Capital	4,664,654	3,392,437	6,042,963	4,593,992

For The Financial Year Ended 31 March 2016

## 2.0 Capital (cont'd)

## 2.3 Risk-Weighted Assets ("RWA") and Capital Requirements

## **Regulatory Capital Requirements**

The following tables present the minimum regulatory capital requirement of the Bank and the Group:

IK 6 os	ure Class		Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000
	<u>Credit Risk</u>					
	On-balance sheet exposures:					
	Sovereigns/Central banks		6,172,862	6,172,862	-	-
	Public sector entities		40,547	40,547	8,109	649
	Banks, Development Financial Institutions ("DF	ls")				
	and Multilateral Development Banks ("MDE	Bs")	4,782,172	4,782,172	1,181,925	94,554
	Insurance companies, securities firms					
	and fund managers		27,540	27,540	27,540	2,203
	Corporates		11,415,764	10,749,864	9,155,530	732,442
	Regulatory retail		9,471,017	8,408,449	6,338,200	507,056
	Residential mortgages		11,998,907	11,990,064	5,804,400	464,352
	Higher risk assets		2,910	2,904	4,357	349
	Other assets		538,790	538,790	236,581	18,926
	Equity exposures		102,672	102,672	102,681	8,214
	Defaulted exposures		243,444 44,796,625	241,410 43,057,274	291,138	23,291 1,852,036
	Total on-balance sheet exposures					
	Off-balance sheet exposures:					
	Credit-related off-balance sheet exposures		3,200,025	2,853,459	2,477,960	198,237
	Derivative financial instruments		285,304	285,304	103,267	8,261
	Defaulted exposures		8,205	8,187	12,246	980
	Total off-balance sheet exposures		3,493,534	3,146,950	2,593,473	207,478
	Total on and off-balance sheet exposures		48,290,159	46,204,224	25,743,934	2,059,514
	Market Risk (Note 4.0)	Long	Short			
		Position	Position			
	Interest rate risk	148,267	(13,312)		100,975	8,078
	Foreign currency risk	17,038	(16,530)		17,038	1,363
		-	(10,000)	-	-	-
	Total	165,305	(29,842)	-	118,013	9,441
	Operational Risk		-	-	2,361,359	188,909
					28,223,306	2,257,864

## For The Financial Year Ended 31 March 2016

## 2.0 Capital (cont'd)

## 2.3 Risk-Weighted Assets ("RWA") and Capital Requirements (cont'd)

## **Regulatory Capital Requirements (cont'd)**

The following tables present the minimum regulatory capital requirement of the Bank and the Group (cont'd):

					Risk-		
U S	P sure Class		Gross Exposures RM'000	Net Exposures RM'000	Weighted Assets RM'000	Capital Requirements RM'000	
	<u>Credit Risk</u>						
	On-balance sheet exposures:						
	Sovereigns/Central banks		8,814,847	8,814,847	-	-	
	Public sector entities		71,126	71,126	14,225	1,138	
	Banks, DFIs and MDBs		3,838,402	3,838,402	771,314	61,705	
	Insurance companies, securities firms						
	and fund managers		37,997	37,997	37,997	3,040	
	Corporates		14,035,293	13,199,772	10,831,852	866,548	
	Regulatory retail		12,382,876	11,231,008	8,567,997	685,440	
	Residential mortgages		14,472,085	14,462,098	6,988,970	559,118	
	Higher risk assets		2,910	2,904	4,357	349	
	Other assets		715,993	715,993	422,405	33,792	
	Equity exposures		152,355	152,355	152,364	12,189	
	Defaulted exposures		323,095	321,061	396,992	31,759	
	Total on-balance sheet exposures		54,846,979	52,847,563	28,188,473	2,255,078	
	Off-balance sheet exposures:						
	Credit-related off-balance sheet exposures		3,786,783	3,384,969	2,911,993	232,959	
	Derivative financial instruments		285,304	285,304	103,267	8,261	
	Defaulted exposures		25,532	25,514	38,163	3,053	
	Total off-balance sheet exposures		4,097,619	3,695,787	3,053,423	244,273	
	Total on and off-balance sheet exposures		58,944,598	56,543,350	31,241,896	2,499,351	
	Market Risk (Note 4.0)						
	Walket Hisk (Note 4.0)	Long	Short				
	Interest rate risk	Position	Position		100,975	8,078	
	Interest rate risk Foreign currency risk	148,267	(13,312)		17,038	1,363	
		17,038	(16,530)				
	Option risk	165,305	(29,842)	-	5,830	466	
	Total			-	123,843	9,907	
	Operational Risk		-	-	2,858,987	228,719	
	Total		58,944,598	56,543,350	34,224,726	2,737,977	

For The Financial Year Ended 31 March 2016

## 2.0 Capital (cont'd)

## 2.3 Risk-Weighted Assets ("RWA") and Capital Requirements (cont'd)

## **Regulatory Capital Requirements (cont'd)**

The following tables present the minimum regulatory capital requirement of the Bank and the Group (cont'd):

					Risk-	
Nk 15 po:			Gross Exposures RM'000	Net Exposures RM'000	Weighted Assets RM'000	Capital Requirements RM'000
	<u>Credit Risk</u>					
	On-balance sheet exposures:					
	Sovereigns/Central banks		6,735,295	6,735,295	-	-
	Public sector entities		40,618	40,618	8,124	650
	Banks, DFIs and MDBs		3,253,470	3,253,470	965,979	77,278
	Insurance companies, securities firms					
	and fund managers		32,191	32,191	32,191	2,575
	Corporates		11,652,264	10,681,988	8,874,352	709,948
	Regulatory retail		12,653,987	11,510,873	8,810,642	704,851
	Residential mortgages		7,345,901	7,339,140	3,411,504	272,920
	Higher risk assets		2,232	2,222	3,333	267
	Other assets		584,711	584,711	268,657	21,493
	Equity exposures		94,386	94,386	94,394	7,552
	Defaulted exposures		173,309	172,021	206,897	16,552
	Total on-balance sheet exposures		42,568,364	40,446,915	22,676,073	1,814,086
	Off-balance sheet exposures:					
	Credit-related off-balance sheet exposures		4,184,882	4,177,060	3,645,885	291,671
	Derivative financial instruments		242,448	242,448	134,745	10,780
	Defaulted exposures		9,607	9,606	14,409	1,153
	Total off-balance sheet exposures		4,436,937	4,429,114	3,795,039	303,604
	Total on and off-balance sheet exposures		47,005,301	44,876,029	26,471,112	2,117,690
	Mark at Disk (Nation 4.0)					
	Market Risk (Note 4.0)	Long Position	Short Position			
	Interest rate risk	14,082	(9,275)		4,328	346
	Foreign currency risk	121,456	(885)		121,450	9,716
	Total	135,538	(10,160)	- -	125,778	10,062
	Operational Risk		_	-	2,271,723	181,737
	Total		47,005,301	44,876,029	28,868,613	2,309,489

## For The Financial Year Ended 31 March 2016

## 2.0 Capital (cont'd)

## 2.3 Risk-Weighted Assets ("RWA") and Capital Requirements (cont'd)

## **Regulatory Capital Requirements (cont'd)**

The following tables present the minimum regulatory capital requirement of the Bank and the Group (cont'd):

Rick-

2015	UP 5 osure Class		Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000
(i)	<u>Credit Risk</u>					
	On-balance sheet exposures:					
	Sovereigns/Central banks		9,192,594	9,192,594	-	-
	Public sector entities		40,618	40,618	8,124	650
	Banks, DFIs and MDBs		3,168,773	3,168,773	727,157	58,173
	Insurance companies, securities firms					
	and fund managers		40,237	40,237	40,237	3,219
	Corporates		13,908,413	12,779,484	10,473,451	837,879
	Regulatory retail		16,061,231	14,861,847	11,346,500	907,720
	Residential mortgages		8,952,218	8,945,015	4,205,255	336,420
	Higher risk assets		2,250	2,240	3,360	269
	Other assets		785,633	785,633	477,924	38,234
	Equity exposures		140,222	140,222	140,230	11,218
	Defaulted exposures		207,684	206,266	246,876	19,750
	Total on-balance sheet exposures		52,499,873	50,162,929	27,669,114	2,213,532
	Off-balance sheet exposures:					
	Credit-related off-balance sheet exposures		4,846,211	4,836,099	4,184,252	334,740
	Derivative financial instruments		242,448	242,448	134,745	10,780
	Defaulted exposures		15,468	15,458	23,187	1,855
	Total off-balance sheet exposures		5,104,127	5,094,005	4,342,184	347,375
	Total on and off-balance sheet exposures		57,604,000	55,256,934	32,011,298	2,560,907
::\	Moviet Diele (Nete 4.0)					
ii)	Market Risk (Note 4.0)	Long	Short			
ii)		Position	Position		4 328	346
ii)	Market Risk (Note 4.0) Interest rate risk Foreign currency risk	_			4,328 121,450	
ii)	Interest rate risk	Position 14,082	Position (9,275)	-		9,716
ii) iii)	Interest rate risk Foreign currency risk	Position 14,082 121,456	Position (9,275) (885)	-	121,450	346 9,716 10,062 221,639

## Note:

Under Islamic banking, the Group does not use Profit-sharing Investment Account ("PSIA") as a risk absorbent mechanism.

The Bank and the Group do not have exposure to any Large Exposure Risk for equity holdings as specified under BNM's Guidelines on Investment in Shares, Interest-in-Shares and Collective Investment Schemes.

## For The Financial Year Ended 31 March 2016

## 3.0 Credit Risk

Credit risk is the risk of financial loss resulting from the failure of the Bank's borrowers or counterparties to fulfil their contractual obligations to repay their loans or to settle financial commitments. Credit risk may arise from slack lending standards, inadequate portfolio risk management, and failures to identify changes in the environment.

### Credit Risk Management

The Board, via the Group Risk Management Committee ("GRMC"), established a Credit Risk Management Framework ("CRMF") which outlines the broad principles for managing credit risk of the Group.

Credit approval is under the purview of the Executive Committee, Group Management Credit Committee and Underwriters, depending on the size and complexity of the loans.

Retail loans are subject to portfolio reviews and corporate loans are subject to periodic individual borrower or group reviews. Portfolio Review Committee for the respective lines of business, assisted by embedded business risk units, manage the portfolio quality. The process also ensures alignment of business strategy with the Bank's risk appetite.

Potential problematic loans will be identified and managed under the Early Warning Framework. Recovery of impaired loans are carried out internally or through authorised third party.

Group Risk Management department is responsible to assess adequacy and effectiveness of the risk management framework, policies and guidelines. Business risk units are responsible for monitoring business activities and ensuring that they are carried out within the approved policies and business models.

Stress testing is used to identify potential vulnerable risk areas of the Bank's portfolios to stress events and the impact to bottom lines and capital. Stress tests are performed using a variety of market and economic assumptions to assess possible vulnerability and effective mitigating actions when required.

The Credit Review Unit under Group Internal Audit reviews the credit processes regularly and recommends corrective measures or enhancements. These reviews provide senior management with assurance that the policies, processes, guidelines and limits are adhered to.

### Impaired Loans and Provisions

Past due accounts are loan accounts with any payment of principal and/or interest due and not paid, but are not classified as impaired. Loans are classified as impaired if the judgmental or mandatory triggers are activated.

Individual assessments are performed on impaired accounts with principal outstanding exceeding RM1 million. The discounted cashflow method will be used to determine the recoverable amounts. The remaining loan portfolios are then collectively assessed for impairment allowance provision.

Please refer to Note 2(i)(i) of the audited financial statements for accounting policies on impaired loans, advances and financing.

## For The Financial Year Ended 31 March 2016

## 3.0 Credit Risk (cont'd)

## 3.1 Distribution of Credit Exposures

## (a) Geographical Distribution

The following tables represent the Bank's and the Group's major types of gross credit exposure by geographical distribution. Exposures are allocated to the region in which the customer is located and are disclosed before taking into account of any collateral held or other credit enhancements and after allowance for impairment, where appropriate.

	Geographical region						
BANK 2016	Northern RM'000	Central RM'000	Southern RM'000	Sabah RM'000	Sarawak RM'000	Total RM'000	
Cash and short-term funds Deposits and placements with banks and other financial	-	3,907,289	-	-	-	3,907,289	
institutions	-	195,865	-	-	-	195,865	
Financial assets held-for-trading Financial investments	-	132,229	-	-	-	132,229	
available-for-sale Financial investments	-	7,150,250	-	-	-	7,150,250	
held-to-maturity	-	719,324	-	-	-	719,324	
Derivative financial assets Loans, advances	-	133,651	-	-	-	133,651	
and financing Statutory deposits with Bank	2,088,220	22,799,375	3,467,860	2,085,342	920,797	31,361,594	
Negara Malaysia	-	1,117,640	-	-	-	1,117,640	
Total on-balance sheet	2,088,220	36,155,623	3,467,860	2,085,342	920,797	44,717,842	
Financial guarantees Credit related commitments	68,162	307,616	37,388	28,030	12,142	453,338	
and contingencies	899,550	6,642,606	808,085	640,581	255,919	9,246,741	
Total off-balance sheet	967,712	6,950,222	845,473	668,611	268,061	9,700,079	
Total credit exposure	3,055,932	43,105,845	4,313,333	2,753,953	1,188,858	54,417,921	

For The Financial Year Ended 31 March 2016

## 3.0 Credit Risk (cont'd)

## 3.1 Distribution of Credit Exposures (cont'd)

## (a) Geographical Distribution (cont'd)

The following tables represent the Bank's and the Group's major types of gross credit exposure by geographical distribution. Exposures are allocated to the region in which the customer is located and are disclosed before taking into account of any collateral held or other credit enhancements and after allowance for impairment, where appropriate (cont'd).

	Geographical region							
GROUP 2016	Northern RM'000	Central RM'000	Southern RM'000	Sabah RM'000	Sarawak RM'000	Total RM'000		
Cash and short-term funds Deposits and placements with banks and other financial	-	4,640,610	-	-	-	4,640,610		
institutions Balances due from	-	195,865	-	-	-	195,865		
clients and brokers Financial assets	14,459	86,236	3,964	-	-	104,659		
held-for-trading Financial investments	-	132,229	-	-	-	132,229		
available-for-sale Financial investments	-	8,413,340	-	-	-	8,413,340		
held-to-maturity Derivative financial assets Loans, advances	-	1,129,307 133,651	-	-	-	1,129,307 133,651		
and financing Statutory deposits with Bank Negara	2,546,034	27,787,466	4,566,723	2,578,472	1,091,296	38,569,991		
Malaysia	-	1,410,828	-	-	-	1,410,828		
Total on-balance sheet	2,560,493	43,929,532	4,570,687	2,578,472	1,091,296	54,730,480		
Financial guarantees Credit related commitments	82,372	395,582	48,602	29,893	12,195	568,644		
and contingencies	1,120,094	7,637,513	998,094	1,093,973	326,933	11,176,607		
Total off-balance sheet	1,202,466	8,033,095	1,046,696	1,123,866	339,128	11,745,251		
Total credit exposure	3,762,959	51,962,627	5,617,383	3,702,338	1,430,424	66,475,731		

## For The Financial Year Ended 31 March 2016

## 3.0 Credit Risk (cont'd)

## 3.1 Distribution of Credit Exposures (cont'd)

## (a) Geographical Distribution (cont'd)

The following tables represent the Bank's and the Group's major types of gross credit exposure by geographical distribution. Exposures are allocated to the region in which the customer is located and are disclosed before taking into account of any collateral held or other credit enhancements and after allowance for impairment, where appropriate (cont'd).

			Geograph	ical region		
BANK 2015	Northern RM'000	Central RM'000	Southern RM'000	Sabah RM'000	Sarawak RM'000	Total RM'000
Cash and short-term funds Deposits and placements with banks and other financial	-	2,135,629	-	-	-	2,135,629
institutions Financial assets	-	298,167	-	-	-	298,167
held-for-trading Financial investments	-	10,037	-	-	-	10,037
available-for-sale Financial investments	-	7,787,813	-	-	-	7,787,813
held-to-maturity	-	714,915	-	-	-	714,915
Derivative financial assets Loans, advances	-	132,460	-	-	-	132,460
and financing Statutory deposits with Bank Negara	1,977,025	22,011,059	3,192,755	2,181,553	640,859	30,003,251
Malaysia	-	1,344,000	-	-	-	1,344,000
Total on-balance sheet	1,977,025	34,434,080	3,192,755	2,181,553	640,859	42,426,272
Financial guarantees Credit related commitments	53,656	410,092	33,184	28,813	10,394	536,139
and contingencies	782,540	8,778,288	890,309	665,452	181,593	11,298,182
Total off-balance sheet	836,196	9,188,380	923,493	694,265	191,987	11,834,321
Total credit exposure	2,813,221	43,622,460	4,116,248	2,875,818	832.846	54,260,593

For The Financial Year Ended 31 March 2016

## 3.0 Credit Risk (cont'd)

## 3.1 Distribution of Credit Exposures (cont'd)

## (a) Geographical Distribution (cont'd)

The following tables represent the Bank's and the Group's major types of gross credit exposure by geographical distribution. Exposures are allocated to the region in which the customer is located and are disclosed before taking into account of any collateral held or other credit enhancements and after allowance for impairment, where appropriate (cont'd).

		Geograph	ical region		
Northern RM'000	Central RM'000	Southern RM'000	Sabah RM'000	Sarawak RM'000	Total RM'000
-	2,382,645	-	-	-	2,382,645
-	298,167	-	-	-	298,167
22,911	74,391	5,441	-	-	102,743
-	10,037	-	-	-	10,037
-	9,613,634	-	-	-	9,613,634
-	1,319,035	-	-	-	1,319,035
-	132,460	-	-	-	132,460
2,389,880	26,733,313	4,232,714	2,627,002	781,366	36,764,275
-	1,675,326	-	-	-	1,675,326
2,412,791	42,239,008	4,238,155	2,627,002	781,366	52,298,322
72,877	475,120	43,594	32,894	10,394	634,879
928,200	9,882,642	1,076,947	1,112,765	252,974	13,253,528
1,001,077	10,357,762	1,120,541	1,145,659	263,368	13,888,407
3,413,868	52,596,770	5,358,696	3,772,661	1,044,734	66,186,729
	RM'000  - 22,911 - 22,911 - 2,389,880 - 2,412,791 72,877 928,200 1,001,077	RM'000         RM'000           -         2,382,645           -         298,167           22,911         74,391           -         10,037           -         9,613,634           -         1,319,035           -         132,460           2,389,880         26,733,313           -         1,675,326           2,412,791         42,239,008           72,877         475,120           928,200         9,882,642           1,001,077         10,357,762	Northern RM'000         Central RM'000         Southern RM'000           -         2,382,645         -           -         298,167         -           22,911         74,391         5,441           -         10,037         -           -         9,613,634         -           -         1,319,035         -           -         132,460         -           2,389,880         26,733,313         4,232,714           -         1,675,326         -           2,412,791         42,239,008         4,238,155           72,877         475,120         43,594           928,200         9,882,642         1,076,947           1,001,077         10,357,762         1,120,541	RM'000         RM'000         RM'000           -         2,382,645         -         -           -         298,167         -         -           -         22,911         74,391         5,441         -           -         10,037         -         -           -         9,613,634         -         -           -         1,319,035         -         -           -         132,460         -         -           2,389,880         26,733,313         4,232,714         2,627,002           -         1,675,326         -         -           2,412,791         42,239,008         4,238,155         2,627,002           72,877         475,120         43,594         32,894           928,200         9,882,642         1,076,947         1,112,765           1,001,077         10,357,762         1,120,541         1,145,659	Northern RM'000         Central RM'000         Southern RM'000         Sabah RM'000         Sarawak RM'000           -         2,382,645         -         -         -           -         298,167         -         -         -           -         22,911         74,391         5,441         -         -           -         10,037         -         -         -           -         9,613,634         -         -         -           -         1,319,035         -         -         -           -         132,460         -         -         -           2,389,880         26,733,313         4,232,714         2,627,002         781,366           -         1,675,326         -         -         -           2,412,791         42,239,008         4,238,155         2,627,002         781,366           72,877         475,120         43,594         32,894         10,394           928,200         9,882,642         1,076,947         1,112,765         252,974           1,001,077         10,357,762         1,120,541         1,145,659         263,368

Certain comparatives have been restated to conform to current period presentation.

For The Financial Year Ended 31 March 2016

## 3.0 Credit Risk (cont'd)

# 3.1 Distribution of Credit Exposures (cont'd)

## (b) Industry Distribution

The following tables represent the Bank's and tengaged.	the Group's maj	ior types of gro	oss credit expos	ure by sector. Th	ıe analysis is ba	Bank's and the Group's major types of gross credit exposure by sector. The analysis is based on the sector in which the customers are	or in which the	customers are
BANK 2016	Government and Central bank RM'000	Financial, insurance, business services and real estate RM'000	Transport, storage & communication RM'000	Agriculture, manufacturing, wholesale & retail trade RM'000	Construction RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds	1,698,304	2,208,985	'	•	•	•	1	3,907,289
and other financial institutions	' ;	195,865	1	1	1	•	1	195,865
Financial assets held-for-trading Financial investments available-for-sale	40,441 2,736,023	40,805 3,623,301	50,983 501,473	204,742	84,711		1 1	132,229 7,150,250
Financial investments held-to-maturity	578,740	140,584				1	1	719,324
Derivative financial assets	13,175	92,277	1	1	1	1	28,199	133,651
Loans, advances and financing Statutory denosits with Bank Negara	1	4,209,676	254,941	8,144,805	573,458	17,764,953	413,761	31,361,594
Oraniory acposits with bank hegara Malaysia	1,117,640	ı	1	1	1	1	1	1,117,640
Total on-balance sheet	6,184,323	10,511,493	807,397	8,349,547	628,169	17,764,953	441,960	44,717,842
Financial guarantees		67,078	20,914	314,252	25,715	2,675	22,704	453,338
contingencies	1	726,807	81,692	3,136,796	1,058,712	4,157,877	84,857	9,246,741
Total off-balance sheet		793,885	102,606	3,451,048	1,084,427	4,160,552	107,561	9,700,079
Total credit risk	6,184,323	11,305,378	910,003	11,800,595	1,742,596	21,925,505	549,521	54,417,921

For The Financial Year Ended 31 March 2016

## 3.0 Credit Risk (cont'd)

# 3.1 Distribution of Credit Exposures (cont'd)

## (b) Industry Distribution (cont'd)

The following tables represent the Bank's and the Group's major types of gross credit exposure by sector. The analysis is based on the sector in which the customers are engaged (cont'd).

GROUP 2016	Government and Central bank RM'000	Financial, insurance, business services and real estate	Transport, storage & communication RM'000	Agriculture, manufacturing, wholesale & retail trade RM'000	Construction RM'000	Household RM*000	Others RM'000	Total RM'000
Cash and short-term funds	2,712,615	1,927,995	•	ı	1	1	1	4,640,610
peposits and placements with banks and other financial institutions	1	195,865	1	1	•	•	' (	195,865
Balances due from clients and brokers Financial assets held-for-trading	40.441	7,816 40,805	50.983				96,843	104,659 132.229
Financial investments available-for-sale	3,717,205	3,529,144	780,619	226,243	160,129	•	1	8,413,340
Financial investments held-to-maturity	933,960	195,347			1	1	1	1,129,307
Derivative financial assets	13,175	92,277	1	1	1	1	28,199	133,651
Loans, advances and financing Statutory denosits with Bank Negara	1	4,831,141	296,740	10,204,495	703,636	22,064,081	469,898	38,569,991
Malaysia	1,410,828	1	1	ı	1	1	1	1,410,828
Total on-balance sheet	8,828,224	10,820,390	1,128,342	10,430,738	863,765	22,064,081	594,940	54,730,480
Financial guarantees		69,812	20,954	392,415	59,909	2,675	22,879	568,644
contingencies	1	1,019,751	86,904	4,033,902	1,131,450	4,486,937	417,663	11,176,607
Total off-balance sheet	1	1,089,563	107,858	4,426,317	1,191,359	4,489,612	440,542	11,745,251
Total credit risk	8,828,224	11,909,953	1,236,200	14,857,055	2,055,124	26,553,693	1,035,482	66,475,731

For The Financial Year Ended 31 March 2016

## 3.0 Credit Risk (cont'd)

# 3.1 Distribution of Credit Exposures (cont'd)

## (b) Industry Distribution (cont'd)

The following tables represent the Bank's and the Group's major types of gross credit exposure by sector. The analysis is based on the sector in which the customers are

engaged (cont'd).								
BANK 2015	Government and Central bank RM'000	Financial, insurance, business services and real estate RM'000	Transport, storage & communication RM'000	Agriculture, manufacturing, wholesale & retail trade RM'000	Construction RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds	694,538	1,441,091	,	ı	•	1	•	2,135,629
Deposits and praceinents with pains and other financial institutions Financial assets held-for-trading	1 1	298,167	5.007	1 1	5.030	1 1		298,167
Financial investments available-for-sale Financial investments held-to-maturity	4,160,080	2,876,820	253,331	305,182	121,143	1 1	71,257	7,787,813
Derivative financial assets Loans, advances and financing		61,004	190,537	7,492,179	462,137	-17,485,537	71,456 374,671	132,460 30,003,251
Statutory deposits with Bank Negara Malaysia	1,344,000			1		<b>1</b>		1,344,000
Total on-balance sheet	6,913,196	8,675,609	448,875	7,797,361	588,310	17,485,537	517,384	42,426,272
Financial guarantees		116,003	24,423	335,941	20,385		39,387	536,139
contingencies	1	1,214,737	76,195	2,936,046	1,259,578	5,766,339	45,287	11,298,182
Total off-balance sheet	1	1,330,740	100,618	3,271,987	1,279,963	5,766,339	84,674	11,834,321
Total credit risk	6,913,196	10,006,349	549,493	11,069,348	1,868,273	23,251,876	602,058	54,260,593

For The Financial Year Ended 31 March 2016

## 3.0 Credit Risk (cont'd)

# 1 Distribution of Credit Exposures (cont'd)

## (b) Industry Distribution (cont'd)

The following tables represent the Bank's and the Group's major types of gross credit exposure by sector. The analysis is based on the sector in which the customers are engaged (cont'd).

GROUP 2015	Government and Central bank RM'000	Financial, insurance, business services and real estate RM'000	Transport, storage & communication RM'000	Agriculture, manufacturing, wholesale & retail trade RM'000	Construction RM'000	Household RM'000	Others RM'000	Total RM'000
Cash and short-term funds	978,808	1,403,837	•	•	•	•	1	2,382,645
and other financial institutions	•	298,167		•	•	•	•	298,167
Balances due from clients and brokers	1	43,293	1	1	1	1	59,450	102,743
Financial assets held-for-trading	•	1	5,007	1	5,030	•	1	10,037
Financial investments available-for-sale	5,431,621	3,195,943	370,689	362,298	166,556	1	86,527	9,613,634
Financial investments held-to-maturity	1,309,191	4,745	5,099	1	1	1	1	1,319,035
Derivative financial assets	•	61,004	1	•	1	1	71,456	132,460
Loans, advances and financing Statistics deposits with Bank Negara	1	4,641,687	227,062	9,244,849	576,997	21,675,804	397,876	36,764,275
Malaysia	1,675,326	ı	1	1	1	1	1	1,675,326
Total on-balance sheet	9,394,946	9,648,676	607,857	9,607,147	748,583	21,675,804	615,309	52,298,322
Financial guarantees Cradit related commitments and	,	118,636	24,434	409,048	42,940	,	39,821	634,879
contingencies	1	1,611,298	83,091	3,685,935	1,423,028	6,092,350	357,826	13,253,528
Total off-balance sheet	1	1,729,934	107,525	4,094,983	1,465,968	6,092,350	397,647	13,888,407
Total credit risk	9,394,946	11,378,610	715,382	13,702,130	2,214,551	27,768,154	1,012,956	66,186,729

Certain comparatives have been restated to conform to current period presentation.

## For The Financial Year Ended 31 March 2016

## 3.0 Credit Risk (cont'd)

## 3.1 Distribution of Credit Exposures (cont'd)

## (c) Residual Contractual Maturity

The following tables represent the residual contractual maturity for major types of gross credit exposures for on-balance sheet exposures of financial assets of the Bank and the Group:

BANK 2016	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1 year RM'000	Total RM'000
Cash and						
short-term funds	3,907,289	-	-	-	-	3,907,289
Deposits and						
placements with						
banks and other		105.005				105.005
financial institutions	-	195,865	-	-	-	195,865
Financial assets held-for-trading	911	213	226		130,879	132,229
Financial investments	911	213	220	_	130,079	132,229
available-for-sale	829,986	829,141	46,357	607,061	4,837,705	7,150,250
Financial investments	020,000	023,141	40,007	007,001	4,007,700	7,100,200
held-to-maturity	2,229	447	813	63,775	652,060	719,324
Loans, advances	_,				55=,555	,
and financing	6,514,246	1,412,124	714,970	522,005	22,198,249	31,361,594
Statutory deposits		, ,	,	,	, ,	
with Bank Negara						
Malaysia	-	-	-	-	1,117,640	1,117,640
Derivative financial						
assets	77,729	13,523	15,131	11,486	15,782	133,651
Total on-balance						
sheet exposure	11,332,390	2,451,313	777,497	1,204,327	28,952,315	44,717,842
2016						
Cash and						
short-term funds	4,640,610	-	-	-	-	4,640,610
Deposits and						
placements with						
banks and other		405.005				405.005
financial institutions	-	195,865	-	-	-	195,865
Balances due from	00 E11				16 140	104 650
clients and brokers Financial assets	88,511	-	-	-	16,148	104,659
held-for-trading	911	213	226	_	130,879	132,229
Financial investments	311	210	220		100,070	102,223
available-for-sale	837,870	923,432	58,646	346,312	6,247,080	8,413,340
Financial investments	00.,0.0	020, 102	33,5.5	0.0,0.1	0,2 ,000	0, 1.0,0.10
held-to-maturity	2,229	3,848	1,309	213,901	908,020	1,129,307
Loans, advances						
and financing	7,671,645	1,783,082	956,625	756,060	27,402,579	38,569,991
Statutory deposits						
with Bank Negara						
Malaysia	-	-	-	-	1,410,828	1,410,828
Derivative financial	77 700	40 500	45 404	44 400	45 700	100.051
assets	77,729	13,523	15,131	11,486	15,782	133,651
Total on-balance						
sheet exposure	13,319,505	2,919,963	1,031,937	1,327,759	36,131,316	54,730,480

For The Financial Year Ended 31 March 2016

## 3.0 Credit Risk (cont'd)

## 3.1 Distribution of Credit Exposures (cont'd)

## (c) Residual Contractual Maturity (cont'd)

The following tables represent the residual contractual maturity for major types of gross credit exposures for on-balance sheet exposures of financial assets of the Bank and the Group (cont'd):

BANK 2015	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1 year RM'000	Total RM'000
Cash and short-term funds Deposits and	2,135,629	-	-	-	-	2,135,629
placements with banks and other financial institutions	-	74,101	224,066	-	-	298,167
Financial assets held-for-trading	_	_	17	_	10,020	10,037
Financial investments					,	
available-for-sale Financial investments	491,201	231,771	209,661	185,170	6,670,010	7,787,813
held-to-maturity	2,226	628	808	-	711,253	714,915
Loans, advances and financing Statutory deposits	4,665,869	1,087,894	647,632	88,284	23,513,572	30,003,251
with Bank Negara Malaysia Derivative financial	-	-	-	-	1,344,000	1,344,000
assets	25,313	33,339	54,970	16,764	2,074	132,460
Total on-balance sheet exposure	7,320,238	1,427,733	1,137,154	290,218	32,250,929	42,426,272
GROUP 2015						
Cash and short-term funds Deposits and placements with	2,382,645	-	-	-	-	2,382,645
banks and other financial institutions	-	74,101	224,066	-	_	298,167
Balances due from clients and brokers	87,181	-		-	15,562	102,743
Financial assets held-for-trading	-	-	17	_	10,020	10,037
Financial investments available-for-sale	761,576	745,439	240,855	337,740	7,528,024	9,613,634
Financial investments held-to-maturity	2,226	4,020	191,378	5,633	1,115,778	1,319,035
Loans, advances and financing Statutory deposits	5,885,695	1,380,795	910,036	281,555	28,306,194	36,764,275
with Bank Negara Malaysia Derivative financial	-	-	-	-	1,675,326	1,675,326
assets	25,313	33,339	54,970	16,764	2,074	132,460
Total on-balance sheet exposure	9,144,636	2,237,694	1,621,322	641,692	38,652,978	52,298,322

Certain comparatives have been restated to conform to current period presentation.

## For The Financial Year Ended 31 March 2016

## 3.0 Credit Risk (cont'd)

## 3.2 Past Due Loans, Advance and Financing Analysis

Past due but not impaired loans, advances and financing are loans where the customers have failed to make a principal and/or interest payment when contractually due, and include loans which are due one or more days after the contractual due date but less than 3 months.

Past due loans, advances and financing are analysed as follows:

	Ва	nk	Gr	oup
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Past due up to 1 month	762,974	711,650	1,008,966	935,615
Past due > 1 - 2 months	137,024	183,659	193,473	242,781
Past due > 2 - 3 months	16,145	15,763	27,808	26,018
	916,143	911,072	1,230,247	1,204,414

Past due loans, advances and financing analysed by sector:

	Ва	nk	Gr	roup
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Financial, insurance & business services	17,662	16,591	28,005	21,613
Transport, storage & communication	4,986	6,801	6,055	7,773
Agriculture, manufacturing, wholesale & retail trade	107,859	86,645	138,804	108,545
Construction	19,364	14,198	23,280	16,708
Household	761,291	785,616	1,026,723	1,047,995
Others	4,981	1,221	7,380	1,780
	916,143	911,072	1,230,247	1,204,414

Past due loans, advances and financing analysed by significant geographical areas:

	Ва	nk	Gr	roup
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Northern region	67,568	80,824	92,948	106,147
Central region	604,936	586,054	803,554	769,635
Southern region	149,468	156,976	210,949	217,718
Sabah region	81,210	72,174	103,421	92,297
Sarawak region	12,961	15,044	19,375	18,617
	916,143	911,072	1,230,247	1,204,414

For The Financial Year Ended 31 March 2016

## 3.0 Credit Risk (cont'd)

## 3.3 Impaired Loans, Advances and Financing Analysis

Impaired loans, advances and financing analysed by sectors:

	Ba	nk	Gro	oup
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Financial, insurance & business services	30,035	5,766	32,104	5,931
Transport, storage & communication	11,167	9,692	11,191	10,238
Agriculture, manufacturing, wholesale & retail trade	87,922	52,773	152,619	60,960
Construction	13,593	13,136	13,806	16,265
Household	227,009	237,797	274,109	284,425
Others	3,473	2,333	4,039	2,893
	373,199	321,497	487,868	380,712

Impairment allowances on impaired loans, advances and financing analysed by sectors:

Individual impairment allowance RM'000	Collective impairment allowance RM'000	Individual impairment net charge for the year RM'000	Individual impairment write-off for the year RM'000
720	25,375	267	(1,519)
10,146	3,119	(155)	-
29,605	111,555	18,692	(4,162)
7,158	6,577	(1,411)	(27)
9,044	86,651	1,823	(2,884)
1,388	3,224	(421)	(70)
58,061	236,501	18,795	(8,662)
2,751	29,401	2,298	(1,561)
10,146	3,501	(155)	-
36,264	137,728	21,408	(7,487)
7,158	8,035	(1,411)	(2,058)
10,060	124,461	2,505	(2,884)
1,952	3,852	(416)	(70)
68,331	306,978	24,229	(14,060)
	impairment allowance RM'000 720 10,146 29,605 7,158 9,044 1,388 58,061 2,751 10,146 36,264 7,158 10,060 1,952	impairment allowance RM'000         impairment allowance RM'000           720         25,375           10,146         3,119           29,605         111,555           7,158         6,577           9,044         86,651           1,388         3,224           58,061         236,501           2,751         29,401           10,146         3,501           36,264         137,728           7,158         8,035           10,060         124,461           1,952         3,852	Individual impairment allowance RM'000         Collective impairment allowance RM'000         impairment net charge for the year RM'000           720         25,375         267           10,146         3,119         (155)           29,605         111,555         18,692           7,158         6,577         (1,411)           9,044         86,651         1,823           1,388         3,224         (421)           58,061         236,501         18,795           2,751         29,401         2,298           10,146         3,501         (155)           36,264         137,728         21,408           7,158         8,035         (1,411)           10,060         124,461         2,505           1,952         3,852         (416)

## For The Financial Year Ended 31 March 2016

## 3.0 Credit Risk (cont'd)

## 3.3 Impaired Loans, Advances and Financing Analysis (cont'd)

Impairment allowances on impaired loans, advances and financing analysed by sectors (cont'd):

BANK 2015	Individual impairment allowance RM'000	Collective impairment allowance RM'000	Individual impairment net charge for the year RM'000	Individual impairment write-off for the year RM'000
Financial, insurance & business services	630	26,008	(792)	(65)
Transport, storage & communication	9,527	2,387	(8)	-
Agriculture, manufacturing, wholesale & retail trade	17,642	136,944	8,895	(26,791)
Construction	8,597	6,079	(1,898)	-
Household	8,674	104,613	2,843	(3,032)
Others	1,121	2,568	119	-
	46,191	278,599	9,159	(29,888)
GROUP 2015				
Financial, insurance & business services	672	30,763	(792)	(65)
Transport, storage & communication	9,527	2,867	(8)	-
Agriculture, manufacturing, wholesale & retail trade	24,911	155,179	3,866	(39,651)
Construction	10,628	7,129	(1,898)	-
Household	8,884	135,957	2,508	(4,157)
Others	1,681	2,809	(201)	-
	56,303	334,704	3,475	(43,873)

For The Financial Year Ended 31 March 2016

## 3.0 Credit Risk (cont'd)

## 3.3 Impaired Loans, Advances and Financing Analysis (cont'd)

Impaired loans, advances and financing and impairment allowances analysed by significant geographical areas:

BANK	Impaired loans, advances and financing	Individual impairment allowance	Collective impairment allowance
2016	RM'000	RM'000	RM'000
Northern region	42,935	7,702	34,867
Central region	272,288	49,188	148,845
Southern region	33,365	923	27,021
Sabah region	21,662	248	19,822
Sarawak region	2,949	-	5,946
	373,199	58,061	236,501
GROUP 2016			
Northern region	46,072	7,702	41,079
Central region	372,422	59,052	198,203
Southern region Sabah region	40,279 25,088	1,329 248	35,683 24,768
Sarawak region	4,007	240	7,245
- Carawak region	487,868	68,331	306,978
	407,000		300,370
	Impaired	Individual	Collective
	loans, advances	impairment	impairment
			•
BANK	and financing	allowance	allowance
BANK 2015	and financing RM'000	allowance RM'000	•
2015	RM'000	RM'000	allowance RM'000
			allowance
2015 Northern region	RM'000 42,274	<b>RM'000</b> 10,237	allowance RM'000
2015  Northern region Central region	<b>RM'000</b> 42,274 221,285	<b>RM'000</b> 10,237	allowance RM'000 34,237 190,895
2015  Northern region Central region Southern region	<b>RM'000</b> 42,274 221,285 30,309	<b>RM'000</b> 10,237 34,394	34,237 190,895 27,629
2015  Northern region Central region Southern region Sabah region	<b>RM'000</b> 42,274 221,285 30,309 23,797	<b>RM'000</b> 10,237 34,394	34,237 190,895 27,629 20,506
2015  Northern region Central region Southern region Sabah region Sarawak region  GROUP	<b>RM'000</b> 42,274 221,285 30,309 23,797 3,832	10,237 34,394 - 1,560	allowance RM'000 34,237 190,895 27,629 20,506 5,332
2015  Northern region Central region Southern region Sabah region Sarawak region  GROUP 2015	RM'000 42,274 221,285 30,309 23,797 3,832 321,497	10,237 34,394 - 1,560 - 46,191	allowance RM'000 34,237 190,895 27,629 20,506 5,332 278,599
2015  Northern region Central region Southern region Sabah region Sarawak region  GROUP 2015  Northern region	RM'000 42,274 221,285 30,309 23,797 3,832 321,497	RM'000 10,237 34,394 - 1,560 - 46,191	allowance RM'000 34,237 190,895 27,629 20,506 5,332 278,599
2015  Northern region Central region Southern region Sabah region Sarawak region  GROUP 2015  Northern region Central region	RM'000 42,274 221,285 30,309 23,797 3,832 321,497	10,237 34,394 - 1,560 - 46,191	allowance RM'000 34,237 190,895 27,629 20,506 5,332 278,599
2015  Northern region Central region Southern region Sabah region Sarawak region  GROUP 2015  Northern region Central region Southern region	42,274 221,285 30,309 23,797 3,832 321,497 45,294 267,873 37,759	10,237 34,394 - 1,560 - 46,191 10,237 44,506	allowance RM'000 34,237 190,895 27,629 20,506 5,332 278,599 39,276 228,965 36,115
2015  Northern region Central region Southern region Sabah region Sarawak region  GROUP 2015  Northern region Central region Southern region Southern region Sabah region	42,274 221,285 30,309 23,797 3,832 321,497 45,294 267,873 37,759 25,501	10,237 34,394 - 1,560 - 46,191	allowance RM'000 34,237 190,895 27,629 20,506 5,332 278,599 39,276 228,965 36,115 24,103
2015  Northern region Central region Southern region Sabah region Sarawak region  GROUP 2015  Northern region Central region Southern region	42,274 221,285 30,309 23,797 3,832 321,497 45,294 267,873 37,759	10,237 34,394 - 1,560 - 46,191 10,237 44,506	allowance RM'000 34,237 190,895 27,629 20,506 5,332 278,599 39,276 228,965 36,115

## For The Financial Year Ended 31 March 2016

## 3.0 Credit Risk (cont'd)

## 3.3 Impaired Loans, Advances and Financing Analysis (cont'd)

Movements in loan impairment allowances are analysed as follows:

	Ba	nk	Gro	oup
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Individual assessment allowance:				
At beginning of year	46,191	67,281	56,303	97,159
Allowance made during the year (net)	18,795	9,159	24,229	3,475
Amount written-off	(8,662)	(29,888)	(14,060)	(43,873)
Transfers to collective assessment allowance	1,737	(361)	1,859	(458)
At end of year	58,061	46,191	68,331	56,303
Collective assessment allowance:				
At beginning of year	278,599	266,907	334,704	313,296
Allowance made during the year (net)	1,502	51,693	40,577	78,193
Amount written-off	(41,863)	(40,362)	(66,444)	(57,243)
Transfers from individual assessment allowance	(1,737)	361	(1,859)	458
At end of year	236,501	278,599	306,978	334,704

For The Financial Year Ended 31 March 2016

## 3.0 Credit Risk (cont'd)

3.4 Assignment of Risk-Weights for Portfolio Under the Standardised Approach

The following tables represent the credit exposures by risk-weights and after credit risk mitigation:

				<b>Exposures</b> a	Exposures after netting and credit risk mitigation	nd credit risk	mitigation —					
BANK 2016 Risk-Weights	Sovereigns/ Central banks RM'000	Public sector entities RM'000	Banks, DFIs and MDBs RM'000	Insurance companies, Securities firms and Fund managers RM'000	Corporates RM'000	Regulatory retail RM'000	Residential mortgages RM'000	Higher risk assets RM'000	Other assets RM'000	Equity exposures RM'000	Total exposures after netting and credit risk mitigation RM'000	Total Risk- Weighted Assets RM'000
%0	6,172,862	•	•	•	425,119	•		•	293,588	•	6,891,569	•
20%	13,175	64,967	4,184,192	1	1,461,519	1	•	•	10,777	1	5,734,630	1,146,926
35%	•	1	1	1	1	1	6,428,212	1	1	1	6,428,212	2,249,874
20%	1	1	814,459	1	7,157	10,606	4,077,231	1	•	1	4,909,453	2,454,727
75%	•	1	1	1	1	9,621,824	36,269	1	1	1	9,658,093	7,243,570
100%	•	1	46	37,508	10,336,004	143,424	1,595,063	1	234,425	102,654	12,449,124	12,449,122
150%	•	•	•	•	49,840	77,624	1	5,661	•	18	133,143	199,715
Total exposures	6,186,037	64,967	4,998,697	37,508	12,279,639	9,853,478	12,136,775	5,661	538,790	102,672	46,204,224	25,743,934
Risk-weighted assets by exposures	2,635	12,993	1,244,114	37,508	10,706,646	7,481,531	5,910,755	8,492	236,581	102,681	25,743,934	
Average risk-weight	1	50%	25%	100%	87%	%92	49%	150%	44%	100%	26%	
Deduction from Capital base	'	•	•	•	•	'	'		1	,	,	

For The Financial Year Ended 31 March 2016

## 3.0 Credit Risk (cont'd)

3.4 Assignment of Risk-Weights for Portfolio Under the Standardised Approach (cont'd)

The following tables represent the credit exposures by risk-weights and after credit risk mitigation (cont'd):

diod												
unoor 2016 Risk-Weights	Sovereigns/ Central banks RM'000	Public sector entities RM'000	Banks, DFIs and MDBs RM'000	Insurance companies, Securities firms and Fund managers RM'000	Corporates RM'000	Regulatory retail RM'000	Residential mortgages RM'000	Higher risk assets RM'000	Other assets RM'000	Equity exposures RM'000	Total exposures after netting and credit risk mitigation RM'000	Total Risk- Weighted Assets RM'000
%0	8.874.847		1		709.642	,	•	•	293.588	,	9.878.077	1
20%	13,174	95,547	3.979.944	1	2,072,848	1	1	•	-	•	6,161,513	1,232,303
35%				1		1	7,664,958	•	•	1	7,664,958	2,682,735
20%	1	•	74,807	1	7,157	12,715	5,053,298	•	•	1	5,147,977	2,573,988
75%	•	•	1	1	1	12,124,788	38,517	1	1	1	12,163,305	9,122,479
100%	•	•	46	48,156	12,222,260	598,248	1,878,328	•	422,405	152,337	15,321,780	15,321,780
150%	•	•	•	•	117,363	82,656	•	5,703	•	18	205,740	308,611
Total exposures	8,888,021	95,547	4,054,797	48,156	15,129,270	12,818,407	14,635,101	5,703	715,993	152,355	56,543,350	31,241,896
Risk-weighted assets by exposures	2,635	19,109	833,438	48,156	12,816,454	9,822,180	7,116,600	8,555	422,405	152,364	31,241,896	
Average risk-weight	ı	20%	21%	100%	85%	412%	49%	150%	29%	100%	22%	
Deduction from Capital base	1	1	1	•	'	,	,	1	1	'	,	

For The Financial Year Ended 31 March 2016

## 3.0 Credit Risk (cont'd)

3.4 Assignment of Risk-Weights for Portfolio Under the Standardised Approach (cont'd)

The following tables represent the credit exposures by risk-weights and after credit risk mitigation (cont'd):

				<b>Exposures</b> a	fter netting a	Exposures after netting and credit risk mitigation	mitigation —					
BANK 2015 Risk-Weights	Sovereigns/ Central banks RM'000	Public sector entities RM'000	Banks, DFIs and MDBs RM'000	Insurance companies, Securities firms and Fund managers RM'000	Corporates RM'000	Regulatory retail RM'000	Residential mortgages RM*000	Higher risk assets RM'000	Other assets RM'000	Equity exposures RM'000	Total exposures after netting and credit risk mitigation RM'000	Total Risk- Weighted Assets RM'000
0% 20% 35% 50% 75% 100%	6,735,295	40,618	2,303,651 - 1,105,840 -	32,203	424,190 1,752,367 - 45 - 10,705,634 9,876	8,821 12,815,703 766,332 80,050	- 4,428,632 2,100,856 37,034 844,711	5,074	307,709 10,432 - - 266,570	94,372	7,467,194 4,107,068 4,428,632 3,215,562 12,852,737 12,709,822 95,014	821,414 1,550,021 1,607,781 9,639,552 12,709,823
Total exposures	6,735,295	40,618	3,409,491	32,203	12,892,112	13,670,906	7,411,233	5,074	584,711	94,386	44,876,029	26,471,112
Risk-weighted assets by exposures	1	8,124	1,013,650	32,203	11,070,944	11,070,944 10,502,594	3,472,935	7,612	268,657	94,393	26,471,112	
Average risk-weight	•	20%	30%	100%	%98	77%	47%	150%	46%	100%	29%	
Deduction from Capital base	•		•								'	

For The Financial Year Ended 31 March 2016

## 3.0 Credit Risk (cont'd)

3.4 Assignment of Risk-Weights for Portfolio Under the Standardised Approach (cont'd)

The following tables represent the credit exposures by risk-weights and after credit risk mitigation (cont'd)

GROUP 2015 Risk-Weights	Sovereigns/ Central banks RM'000	Public sector entities RM'000	Banks, DFIs and MDBs RM'000	Insurance companies, Securities firms and Fund managers RM'000	Corporates RM'000	Regulatory retail RM'000	Residential mortgages RM'000	Higher risk assets RM'000	Other assets RM'000	Equity exposures RM'000	Total exposures after netting and credit risk mitigation RM'000	Total Risk- Weighted Assets RM'000
%0	9.252.594		•	•	576.824	1	•	•	307.709	,	10.137.127	1
20%		40.618	2,958,563	1	2,198,757	1	1	•		•	5,197,938	1,039,588
35%	•			1	1	1	5,219,495	•	•	1	5,219,495	1,826,823
20%	•	•	366,231	1	45	10,413	2,695,375	•	•	1	3,072,064	1,536,033
75%	•	•		1	1	16,270,942	42,854	•	•	1	16,313,796	12,235,346
100%	•	•	1	51,583	12,595,922	860,670	1,076,220	•	477,924	140,208	15,202,527	15,202,528
150%	1	•	•	•	15,257	93,582	•	5,135	•	14	113,988	170,980
Total exposures	9,252,594	40,618	3,324,794	51,583	15,386,805	17,235,607	9,033,944	5,135	785,633	140,222	55,256,934	32,011,298
Risk-weighted assets by exposures		8,124	774,828	51,583	13,058,581	13,209,454	4,282,872	7,703	477,924	140,229	32,011,298	
Average risk-weight	1	20%	23%	100%	85%	%22	47%	150%	%19	100%	28%	
Deduction from Capital base			1	1	•	'		1	1	'	'	

For The Financial Year Ended 31 March 2016

## 3.0 Credit Risk (cont'd)

## 3.4 Assignment of Risk-Weights for Portfolio Under the Standardised Approach (cont'd)

For the purpose of determining counterparty risk-weights, the Group uses external credit assessments from Rating Agency Malaysia ("RAM"), Malaysian Rating Corporation ("MARC"), Standard and Poor's ("S&P"), Moody's, and Fitch. In the context of the Group's portfolio, external credit assessments are mainly applicable to banks/financial institutions and rated corporations. The Group follows the process prescribed under BNM's Capital Adequacy Framework to map the ratings to the relevant risk-weights. The ratings are monitored and updated regularly to ensure that the latest and most appropriate risk-weights are applied in the capital computation.

The following tables show the rated credit exposures according to ratings by approved Eligible Credit Assessment Institutions ("ECAIs"):

## BANK 2016

				Ratings by A	pproved ECA	ls		Total
		Moody's	Aaa to Aa3/P-1	A1 to A3/P-2	Baa1 to Ba3/P-3	B1 to C/ Others	Unrated	
		S&P	AAA to AA-/A-1	A+ to A-/A-2	BBB+ to BB-/A-3	B+ to D/ Others	Unrated	
Ехр	osure Class	Fitch	AAA to AA-/F1+, F1	A+ to A-/A-2	BBB+ to BB-/F3	B+ to D	Unrated	
		RAM	AAA to AA3/P-1	A+ to A3/P-2	BBB1+ to BB3/P-3	B to D/NP	Unrated	
		MARC	AAA to AA-/ MARC-1	A+ to A-/ MARC-2	BBB+ to BB-/ MARC-3	B+ to D/ MARC-4	Unrated	
			RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>On a</u>	and Off Balance-Sheet Exposur	<u>es</u>						
(i)	Exposures risk weighted using Sovereigns and Central Banks							
	Sovereigns and Central Banks (S	See Note 1)	-	6,186,036	-	-	-	6,186,036
	Corporates		-	425,119	-	-	-	425,119
			-	6,611,155	-	-	-	6,611,155
(ii)	Exposures risk weighted using Institutions long term rating Banks, MDBs and FDIs	g Banking	1,754,265	1,721,371	13,241	-	1,509,820	4,998,697
	Exposures risk weighted using Institutions short term rating Banks, MDBs and FDIs	g Banking	_	_	_	_	_	_
	246,220 44 . 2.6		1,754,265	1,721,371	13,241	-	1,509,820	4,998,697
(iii)	Exposures risk weighted using Corporate long term rating	g	, ,		,		, , ,	, ,
	Public Sector Entities		40,547	-	-	-	24,420	64,967
	Corporates	0	1,461,519	72	-	-	11,199,566	12,661,157
	Insurance Cos, Securities Firms Fund Managers	<b>ά</b>	-	-	-	-	37,510	37,510
	Exposures risk weighted using Corporate short term rating	g						
	Public Sector Entities Corporates		-	-	-	-	-	-
	Insurance Cos, Securities Firms	&	-	-	-	-	-	-
	Fund Managers	G.	_	_	_	_	_	_
			1,502,066	72	-	_	11,261,496	12,763,634

## For The Financial Year Ended 31 March 2016

## 3.0 Credit Risk (cont'd)

## 3.4 Assignment of Risk-Weights for Portfolio Under the Standardised Approach (cont'd)

The following tables show the rated credit exposures according to ratings by approved ECAIs (cont'd):

## GROUP 2016

				Ratings by A	pproved ECA	ls		Total
		Moody's	Aaa to Aa3/P-1	A1 to A3/P-2	Baa1 to Ba3/P-3	B1 to C/ Others	Unrated	
		S&P	AAA to AA-/A-1	A+ to A-/A-2	BBB+ to BB-/A-3	B+ to D/ Others	Unrated	
Ехр	osure Class	Fitch	AAA to AA-/F1+, F1	A+ to A-/A-2	BBB+ to BB-/F3	B+ to D	Unrated	
		RAM	AAA to AA3/P-1	A+ to A3/P-2	BBB1+ to BB3/P-3	B to D/NP	Unrated	
		MARC	AAA to AA-/ MARC-1	A+ to A-/ MARC-2	BBB+ to BB-/ MARC-3	B+ to D/ MARC-4	Unrated	
			RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>On a</u>	and Off Balance-Sheet Exposure	<u>es</u>						
(i)	Exposures risk weighted using Sovereigns and Central Banks							
	Sovereigns and Central Banks (S	ee Note 1)	-	8,888,021	-	-	-	8,888,021
	Corporates		-	709,642	-	-	-	709,642
(::)	Power was also well also also also also also also also al	. Davida	-	9,597,663	-	-	-	9,597,663
(ii)	Exposures risk weighted using Institutions long term rating	вапкіпд						
	Banks, MDBs and FDIs		1,934,797	1,721,597	13,241	-	385,162	4,054,797
	Exposures risk weighted using Institutions short term rating	Banking					,	, ,
	Banks, MDBs and FDIs		_	_	_	_	_	_
			1,934,797	1,721,597	13,241	-	385,162	4,054,797
(iii)	Exposures risk weighted using Corporate long term rating	1						
	Public Sector Entities		71,126	-	-	-	24,421	95,547
	Corporates		2,072,848	72	-	-	13,357,317	15,430,237
	Insurance Cos, Securities Firms & Fund Managers	&	-	-	-	-	48,158	48,158
	Exposures risk weighted using Corporate short term rating	I						
	Public Sector Entities		-	-	-	-	-	-
	Corporates		-	-	-	-	-	-
	Insurance Cos, Securities Firms & Fund Managers	<u> </u>	_	_	_	_	_	_
	i unu managera		2,143,974	72		-	13.429.896	15,573,942

For The Financial Year Ended 31 March 2016

## 3.0 Credit Risk (cont'd)

## 3.4 Assignment of Risk-Weights for Portfolio Under the Standardised Approach (cont'd)

The following tables show the rated credit exposures according to ratings by approved ECAIs (cont'd):

BANK 2015

				Ratings by A	pproved ECA	ls		Total
		Moody's	Aaa to Aa3/P-1	A1 to A3/P-2	Baa1 to Ba3/P-3	B1 to C/ Others	Unrated	
		S&P	AAA to AA-/A-1	A+ to A-/A-2	BBB+ to BB-/A-3	B+ to D/ Others	Unrated	
Ехр	osure Class	Fitch	AAA to AA-/F1+, F1	A+ to A-/A-2	BBB+ to BB-/F3	B+ to D	Unrated	
		RAM	AAA to AA3/P-1	A+ to A3/P-2	BBB1+ to BB3/P-3	B to D/NP	Unrated	
		MARC	AAA to AA-/ MARC-1	A+ to A-/ MARC-2	BBB+ to BB-/ MARC-3	B+ to D/ MARC-4	Unrated	
			RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>On a</u>	and Off Balance-Sheet Exposur	<u>es</u>						
(i)	Exposures risk weighted using Sovereigns and Central Banks							
	Sovereigns and Central Banks (S	See Note 1)	-	6,735,295	-	-	-	6,735,295
	Corporates		-	424,190	-	-	-	424,190
			-	7,159,485	-	-	-	7,159,485
(ii)	Exposures risk weighted using Institutions long term rating Banks, MDBs and FDIs	g Banking	413,096	1,348,998	180,048		1,467,349	3,409,491
	,		413,090	1,340,990	100,040	-	1,407,349	3,409,491
	Exposures risk weighted using Institutions short term rating Banks, MDBs and FDIs	g Banking						
	Daliks, WIDDS allu FDIS		413,096	1,348,998	180,048		1,467,349	3,409,491
(iii)	Exposures risk weighted using Corporate long term rating	g	410,000	1,040,000	100,040		1,407,043	3,403,431
	Public Sector Entities		40,618	-	-	-	-	40,618
	Corporates		1,752,367	-	300	-	11,686,929	13,439,596
	Insurance Cos, Securities Firms	&					00.000	00.000
	Fund Managers		-	-	-	-	32,203	32,203
	Exposures risk weighted using Corporate short term rating	g						
	Public Sector Entities		-	-	-	-	-	-
	Corporates	o	-	-	-	-	-	-
	Insurance Cos, Securities Firms Fund Managers	Č.	_	_	_	_	_	_
	. and managoro		1,792,985	-	300	_	11,719.132	13,512,417

## For The Financial Year Ended 31 March 2016

## 3.0 Credit Risk (cont'd)

## 3.4 Assignment of Risk-Weights for Portfolio Under the Standardised Approach (cont'd)

The following tables show the rated credit exposures according to ratings by approved ECAIs (cont'd):

## **GROUP** 2015

			R	atings by Apı	proved ECAIs			Total
		Moody's	Aaa to Aa3/P-1	A1 to A3/P-2	Baa1 to Ba3/P-3	B1 to C/ Others	Unrated	1000
		S&P	AAA to AA-/A-1	A+ to A-/A-2	BBB+ to BB-/A-3	B+ to D/ Others	Unrated	
Ехр	osure Class	Fitch	AAA to AA-/ F1+, F1	A+ to A-/A-2	BBB+ to BB-/F3	B+ to D	Unrated	
		RAM	AAA to AA3/P-1	A+ to A3/P-2	BBB1+ to BB3/P-3	B to D/NP	Unrated	
		MARC	AAA to AA-/ MARC-1	A+ to A-/ MARC-2	BBB+ to BB-/ MARC-3	B+ to D/ MARC-4	Unrated	
	1000		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>0n</u> :	and Off Balance-Sheet I	<u>Exposures</u>						
(i)	Exposures risk weight Sovereigns and Centra							
	Sovereigns and Central	Banks (See Note 1)	-	9,252,594	-	-	-	9,252,594
	Corporates		-	576,824	-	-	-	576,824
(::)	Francisco del contella	and and an Development	-	9,829,418	-	-	-	9,829,418
(ii)	Exposures risk weight Institutions long term Banks, MDBs and FDIs	•	1,100,314	1,655,621	180,048	-	388,810	3,324,794
	Exposures risk weight Institutions short term							
	Banks, MDBs and FDIs		1,100,314	1,655,621	180,048	-	388,810	3,324,794
(iii)	Exposures risk weight Corporate long term ra		1,100,514	1,000,021	100,040		300,010	0,024,734
	<b>Public Sector Entities</b>		40,618	-	-	-	-	40,618
	Corporates		2,198,757	-	300	-	13,742,112	15,941,170
	Insurance Cos, Securitie Fund Managers	es Firms &	-	-	-	-	51,583	51,583
	Exposures risk weight Corporate short term i							
	Public Sector Entities		-	-	-	-	-	-
	Corporates		-	-	-	-	-	-
	Insurance Cos, Securitie Fund Managers	es Firms &	-	-	-			
			2,239,375	-	300	-	13,793,695	16,033,371

Note 1: The Federal Government and Central Bank of Malaysia are accorded 0% risk-weight as provided under the Capital Adequacy Framework

### <u>Note</u>

There is no outstanding securitisation contract at the Bank that required disclosure of ratings and short term rating of securitisation by approved ECAIs.

<sup>\*</sup>Upper Range = Long Term Rating, Lower Range = Short Term Rating

## For The Financial Year Ended 31 March 2016

## 3.0 Credit Risk (cont'd)

## 3.5 Credit Risk Mitigation ("CRM")

As a practical approach towards mitigating credit risk, the Group accepts a wide range of collaterals. Main types of collateral acceptable to the Group include cash, guarantees, commercial and residential real estate, and physical collateral/financial collateral, e.g. motor vehicles or shares. Guarantees are accepted only when the financial standing of the guarantors have been ascertained.

However, for capital computation purposes, Basel II adopts more restrictive rules on collaterals that qualify as credit mitigants. As a result, not all of the collaterals accepted by the Group can be used to reduce our capital adequacy requirement.

The following tables represent the Bank's/Group's credit exposure including off-balance sheet items under the standardised approach, the total exposure (after, where applicable, eligible netting benefits) that is covered by eligible guarantees and credit derivatives; and eligible collateral after haircuts, allowed under the Capital Adequacy Framework.

BANK 2016 Exposure Class	Exposure before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000	Exposures covered by other eligible collateral RM'000
Credit Risk				
On-balance sheet exposures:				
Sovereigns/Central banks	6,172,862	_	_	_
Public sector entities	40,547	_	-	-
Banks, DFIs and MDBs	4,782,172	-	-	-
Insurance companies, securities firms and fund managers	27,540	-	-	-
Corporates	11,415,764	-	665,900	-
Regulatory retail	9,471,017	-	1,062,568	-
Residential mortgages	11,998,907	-	8,843	-
Higher risk assets	2,910	-	5	-
Other assets	538,790	-	-	-
Equity exposure	102,672	-	-	-
Defaulted exposures	243,444	-	2,034	-
Total on-balance sheet exposures	44,796,625	-	1,739,350	
Off-balance sheet exposures:				
Off-balance sheet exposures other than				
OTC derivatives or credit derivatives	3,485,329	-	346,567	-
Defaulted exposures	8,205		18	
Total off-balance sheet exposures	3,493,534	-	346,585	-
Total on and off-balance sheet exposures	48,290,159	-	2,085,935	-

## For The Financial Year Ended 31 March 2016

## 3.0 Credit Risk (cont'd)

## 3.5 Credit Risk Mitigation ("CRM") (cont'd)

The following tables represent the Bank's/Group's credit exposure including off-balance sheet items under the standardised approach, the total exposure (after, where applicable, eligible netting benefits) that is covered by eligible guarantees and credit derivatives; and eligible collateral after haircuts, allowed under the Capital Adequacy Framework (cont'd).

Evnoouroo

GROUP 2016 Exposure Class	Exposure before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000	Exposures covered by other eligible collateral RM'000
Credit Risk				
On-balance sheet exposures:				
Sovereigns/Central banks	8,814,847	-	-	-
Public sector entities	71,126	-	-	-
Banks, DFIs and MDBs	3,838,402	-	-	-
Insurance companies, securities firms and fund managers	37,997	-	-	-
Corporates	14,035,293	-	835,521	-
Regulatory retail	12,382,876	-	1,151,869	-
Residential mortgages	14,472,085	-	9,987	-
Higher risk assets	2,910	-	5	-
Other assets	715,993	-	-	-
Equity exposure	152,355	-	-	-
Defaulted exposures	323,095	-	2,034	-
Total on-balance sheet exposures	54,846,979	-	1,999,416	-
Off-balance sheet exposures:				
Off-balance sheet exposures other than				
OTC derivatives or credit derivatives	4,072,087	-	401,814	-
Defaulted exposures	25,532	-	18	-
Total off-balance sheet exposures	4,097,619	-	401,832	-
Total on and off-balance sheet exposures	58,944,598	-	2,401,248	_

## For The Financial Year Ended 31 March 2016

## 3.0 Credit Risk (cont'd)

## 3.5 Credit Risk Mitigation ("CRM") (cont'd)

The following tables represent the Bank's/Group's credit exposure including off-balance sheet items under the standardised approach, the total exposure (after, where applicable, eligible netting benefits) that is covered by eligible guarantees and credit derivatives; and eligible collateral after haircuts, allowed under the Capital Adequacy Framework (cont'd).

BANK 2015 Exposure Class	Exposure before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000	Exposures covered by other eligible collateral RM'000
Credit Risk				
On-balance sheet exposures:				
Sovereigns/Central banks	6,735,295	-	-	-
Public sector entities	40,618	-	-	-
Banks, DFIs and MDBs	3,253,470	-	-	-
Insurance companies, securities firms and fund managers	32,191	-	-	-
Corporates	11,652,264	-	970,276	-
Regulatory retail	12,653,987	-	1,143,115	-
Residential mortgages	7,345,901	-	6,761	-
Higher risk assets	2,232	-	10	-
Other assets	584,711	-	-	-
Equity exposure	94,386	-	-	-
Defaulted exposures	173,309	-	1,288	
Total on-balance sheet exposures	42,568,364	-	2,121,450	-
Off-balance sheet exposures:				
Off-balance sheet exposures other than				
OTC derivatives or credit derivatives	4,427,330	-	7,823	_
Defaulted exposures	9,607	-	· -	-
Total off-balance sheet exposures	4,436,937	-	7,823	-
Total on and off-balance sheet exposures	47,005,301	-	2,129,273	-

## For The Financial Year Ended 31 March 2016

## 3.0 Credit Risk (cont'd)

## 3.5 Credit Risk Mitigation ("CRM") (cont'd)

The following tables represent the Bank's/Group's credit exposure including off-balance sheet items under the standardised approach, the total exposure (after, where applicable, eligible netting benefits) that is covered by eligible guarantees and credit derivatives; and eligible collateral after haircuts, allowed under the Capital Adequacy Framework (cont'd).

Evnoouroo

GROUP 2015 Exposure Class	Exposure before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000	Exposures covered by other eligible collateral RM'000
<u>Credit Risk</u>				
On-balance sheet exposures:				
Sovereigns/Central banks	9,192,594	-	-	-
Public sector entities	40,618	-	-	-
Banks, DFIs and MDBs	3,168,773	-	-	-
Insurance companies, securities firms and fund managers	40,237	-	-	-
Corporates	13,908,413	-	1,128,929	-
Regulatory retail	16,061,231	-	1,199,385	-
Residential mortgages	8,952,218	-	7,202	-
Higher risk assets	2,250	-	10	-
Other assets	785,633	-	-	-
Equity exposure	140,222	-	-	-
Defaulted exposures	207,684	-	1,418	-
Total on-balance sheet exposures	52,499,873	-	2,336,944	-
Off-balance sheet exposures:				
Off-balance sheet exposures other than				
OTC derivatives or credit derivatives	5,088,659	-	10,114	-
Defaulted exposures	15,468	-	10	-
Total off-balance sheet exposures	5,104,127	-	10,124	-
Total on and off-balance sheet exposures	57,604,000	_	2,347,068	-

## For The Financial Year Ended 31 March 2016

## 3.0 Credit Risk (cont'd)

#### 3.6 Off-Balance Sheet Exposures and Counterparty Credit Risk

Counterparty Credit Risk ("CCR") is the risk that the counterparty to a transaction involving financial instruments such as foreign exchange and derivatives, could default before the final settlement of the transaction's cash flows. Unlike a loan where the credit risk is unilateral i.e. only the lending bank faces the risk of loss, CCR on derivatives creates bilateral risk of loss. This means either party of the transaction can incur losses depending on the market value of the derivative, which can vary over time with the movement of underlying market factors.

For derivatives, the Group is not exposed to credit risk for the full face value of the contracts. The CCR is limited to the potential cost of replacing the cash-flow if the counterparty defaults. As such, the credit equivalent amount will depend, inter alia, on the maturity of the contract and on the volatility of the rates underlying that type of instrument.

Derivatives are mainly utilised for hedging purposes with minimal trading exposures. CCR is managed via counterparty limits which is set based on the counterparty's size and credit rating. These limits are monitored daily by Group Risk Management.

CCR is further mitigated via netting agreements, e.g. under the International Swaps and Derivatives Association ("ISDA") master agreement. The ISDA agreement contractually binds both parties to apply close-out netting across all outstanding transactions covered by an agreement if either party defaults or other predetermined events occur.

CCR is measured via the current exposure method whereby the credit equivalent exposure for derivatives is the sum of the mark-to-market exposure plus the potential future exposure (add-on factor multiplied by the notional amount). The add-on factors are as stipulated by BNM.

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

BANK 2016	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
Credit-related exposures				
Direct credit substitutes	625,635	-	625,635	548,598
Transaction-related contingent items	618,043	-	309,021	226,748
Short-term self-liquidating trade-related contingencies Irrevocable commitments to extent credit:	113,621	-	22,724	20,084
- maturity exceeding one year	1,940,980	_	970,490	776,394
- maturity not exceeding one year	4,803,945	_	960,789	675,332
Unutilised credit card lines	1,597,855	-	319,571	243,050
	9,700,079	-	3,208,230	2,490,206
<u>Derivative financial instruments</u> Foreign exchange related contracts:				
- one year or less	7,255,690	117,734	192,432	70,702
- over one year to three years	39,135	-	3,522	1,761
- over three years	-	-	-	-
Interest rate related contracts:				
- one year or less	380,000	136	741	291
- over one year to three years	809,755	1,813	13,009	3,199
- over three years	1,490,776	13,968	68,514	23,771
Equity related contracts:				
- one year or less	92,940	-	5,576	2,788
- over one year to three years	18,880	-	1,510	755
	10,087,176	133,651	285,304	103,267
	19,787,255	133,651	3,493,534	2,593,473

## For The Financial Year Ended 31 March 2016

## 3.0 Credit Risk (cont'd)

## 3.6 Off-Balance Sheet Exposures and Counterparty Credit Risk (cont'd)

GROUP 2016	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
Credit-related exposures				
Direct credit substitutes	717,319	-	717,319	628,662
Transaction-related contingent items	677,126	-	338,563	244,244
Short-term self-liquidating trade-related contingencies Irrevocable commitments to extent credit:	137,524	-	27,505	24,375
- maturity exceeding one year	2,287,572	-	1,143,786	936,985
- maturity not exceeding one year	6,327,855	-	1,265,571	872,840
Unutilised credit card lines	1,597,855	-	319,571	243,050
	11,745,251	-	3,812,315	2,950,156
Derivative financial instruments				
Foreign exchange related contracts:	7.055.000	117 704	100 400	70 700
<ul><li>one year or less</li><li>over one year to three years</li></ul>	7,255,690 39,135	117,734	192,432 3,522	70,702 1,761
- over three years	39,133	-	3,322	1,701
Interest rate related contracts:	_	_	_	-
- one year or less	380,000	136	741	291
- over one year to three years	809,755	1,813	13,009	3,199
- over three years	1,490,776	13,968	68,514	23,771
Equity related contracts:	1,100,770	10,000	00,011	20,777
- one year or less	92,940	_	5,576	2,788
- over one year to three years	18,880	-	1,510	755
	10,087,176	133,651	285,304	103,267
	21,832,427	133,651	4,097,619	3,053,423

For The Financial Year Ended 31 March 2016

## 3.0 Credit Risk (cont'd)

## 3.6 Off-Balance Sheet Exposures and Counterparty Credit Risk (cont'd)

BANK 2015	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
<u>Credit-related exposures</u>				
Direct credit substitutes	714,754	-	714,754	714,754
Transaction-related contingent items	596,203	-	298,101	298,101
Short-term self-liquidating trade-related contingencies Irrevocable commitments to extent credit:	140,377	-	28,075	28,075
- maturity exceeding one year	3,589,874	-	1,794,937	1,434,673
- maturity not exceeding one year	5,335,806	-	1,067,161	955,738
Unutilised credit card lines	1,457,307	-	291,461	228,952
	11,834,321	-	4,194,489	3,660,293
<u>Derivative financial instruments</u> Foreign exchange related contracts:				
- one year or less	4,794,524	128,181	173,550	113,541
- over one year to three years	69,675	234	4,415	883
- over three years	31,515	204	3,467	1,733
Interest rate related contracts:	01,010		0,407	1,700
- one year or less	2,085,000	2,205	4.890	1.655
- over one year to three years	828,153	1,030	14,593	3,957
- over three years	1,012,269	810	39,103	11,828
Equity related contracts:	1,01-,-00		,	11,000
- one year or less	23,460	_	1,408	637
- over one year to three years	12,780	-	1,022	511
	8,857,376	132,460	242,448	134,745
	20,691,697	132,460	4,436,937	3,795,038

## For The Financial Year Ended 31 March 2016

## 3.0 Credit Risk (cont'd)

## 3.6 Off-Balance Sheet Exposures and Counterparty Credit Risk (cont'd)

GROUP 2015	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
<u>Credit-related exposures</u>				
Direct credit substitutes	789,038	-	789,038	789,038
Transaction-related contingent items	653,199	-	326,599	326,599
Short-term self-liquidating trade-related contingencies Irrevocable commitments to extent credit:	164,832	-	32,966	32,966
- maturity exceeding one year	4,189,365	-	2,094,682	1,698,086
- maturity not exceeding one year	6,634,666	-	1,326,933	1,131,797
Unutilised credit card lines	1,457,307	-	291,461	228,952
	13,888,407	-	4,861,679	4,207,438
<u>Derivative financial instruments</u> Foreign exchange related contracts:				
- one year or less	4,794,524	128.181	173,550	113,541
- over one year to three years	69,675	234	4,415	883
- over three years	31,515	_	3,467	1,733
Interest rate related contracts:	,		,	,
- one year or less	2,085,000	2,205	4,890	1,655
- over one year to three years	828,153	1,030	14,593	3,957
- over three years	1,012,269	810	39,103	11,828
Equity related contracts:				
- one year or less	23,460	-	1,408	637
- over one year to three years	12,780	-	1,022	511
	8,857,376	132,460	242,448	134,745
	22,745,783	132,460	5,104,127	4,342,183

## For The Financial Year Ended 31 March 2016

## 4.0 Market Risk

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

## **Market Risk Management**

The governance structure for market risk management starts with the Board of Directors which has the overall oversight on market risk management and defines the risk philosophy, principles and core policies. The Board is in turn assisted by the Group Risk Management Committee ("GRMC") which is a Board committee principally responsible for providing oversight on the risk management activities. Its responsibilities include reviewing and approving risk management policies, risk exposures and limits whilst ensuring the necessary infrastructure and resources are in place. At Senior Management level, the Group Assets and Liabilities Management Committee ("GALCO") manages the Group's market risk by reviewing and recommending market risk frameworks and policies; ensuring that market risk limits and parameters are within the approved thresholds; and aligning market risk management with business strategy and planning.

Organisationally, market risks are managed collectively via the Three Lines of Defence concept. Group Financial Markets as the risk taking unit assumes ownership of the risk and manages the risk within the approved policies, risk limits and parameters as set by the GRMC or GALCO. The risk control function is undertaken by Group Risk Management which provides independent monitoring, valuation and reporting of the market exposures. This is supplemented by periodic review by Group Internal Audit.

For the Group, market risk is managed on an integrated approach which involves the following processes:

- (i) Identification of market risk in new products and changes in risk profiles of existing exposures.
- (ii) Assessment of the type and magnitude of market risks which takes into account the activity and market role undertaken.
- (iii) Adoption of various market risk measurement tools and techniques to quantify market risk exposures.
- (iv) Adoption of the Three Lines of Defence concept for monitoring of market risk; Business Units forming the 1st Line, Group Market Risk Management as the 2nd Line and Group Internal Audit functioning as the 3rd Line.
- (v) Scheduled and exception reporting on market risk exposures.

Market risk exists in the Group's activities in bonds, foreign exchange and interest rate swaps, which are transacted primarily by Group Financial Markets (treasury) department. Trading positions are held intentionally for short-term resale and with the intent of benefiting from actual or expected short-term price movements while banking book positions are held until maturity or as available-for-sale. Hence, these positions are susceptible to market movements.

These exposures are governed by approved policies, risk limits and parameters which are set vis-a-vis the Group's risk appetite and strategy. Besides that, treasury activities are monitored and reported independently by Group Market Risk on a daily basis. Any limit breaches or exceptions are reported to GALCO and GRMC.

## **Hedging Policies and Strategies**

The Group had established a hedging policy which outlines the broad principles and policies governing hedging activities by the Group. Generally, the Group enters into hedges to manage or reduce risk exposures. All hedging strategies are approved by the GALCO and monitored independently by Group Market Risk. Further, all hedging strategies are designated upfront and recorded separately under the hedging portfolios. Hedging positions and effectiveness are monitored and reported monthly to management.

#### Market risk capital charge

For the Group, the market risk charge is computed on the standardised approach and the capital charges are mainly on the bond, foreign exchange and equities trading portfolios if any.

## For The Financial Year Ended 31 March 2016

## 4.0 Market Risk (cont'd)

## **Regulatory capital requirements**

The risk-weighted assets and capital requirements for the various categories of risk under market risk are as follows:

	Bank		Group		
2016	Risk- Weighted Assets RM'000	Capital Requirements RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000	
Interest rate risk					
- General interest rate risk	76,062	6,085	76,062	6,085	
- Specific interest rate risk	24,913	1,993	24,913	1,993	
	100,975	8,078	100,975	8,078	
Option risk	-	-	5,830	466	
Foreign exchange risk	17,038	1,363	17,038	1,363	
	118,013	9,441	123,843	9,907	
2015					
Interest rate risk					
- General interest rate risk	3,064	245	3,064	245	
- Specific interest rate risk	1,264	101	1,264	101	
	4,328	346	4,328	346	
Foreign exchange risk	121,450	9,716	121,450	9,716	
	125,778	10,062	125,778	10,062	

## 5.0 Operational Risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events.

#### **Operational Risk Management**

Management, escalation and reporting of operational risks are instituted through the Group Operational Risk Management Committee, Group Risk Management Committee as well as the Board.

The Board provides overall oversight on operational risk management and is assisted by Group Risk Management Committee which approves risk policies and reviews risk exposures. On a management level, Group Operational Risk Management (GORMC) manages the day-to-day operational risk exposures. Amongst the roles and responsibilities of GORMC include:

- (i) Provide strategic guidance on operational issues and monitor implementation of ORM framework
- (ii) Review operational intiatives, risk reports and exposures
- (iii) Evaluate and agree on initiatives to strengthen operational processes or infrastructure
- (iv) Promote risk awareness and operational risk management culture

The Group practices operational risk management as outlined in the ORM Framework, in accordance with Basel and regulatory guidelines. The Group applies operational risk tools and methodologies in the identification, assessment, measurement, control and monitoring of operational risks. Other efforts by the Group include the ORM awareness training which is given to all staff, and regular business continuity and disaster recovery plans.

The Group adopts the Basic Indicator Approach for computation of operational RWA.

## For The Financial Year Ended 31 March 2016

## 6.0 Equity Exposures in Banking Book

The Bank and the Group holds equity positions in banking books as a result of debt to equity conversion, for social-economic purposes, or to maintain strategic relationships. All equities are held at fair value. For quoted equities, fair value is estimated based on quoted or observable market price at the end of the reporting period. For unquoted equities, the fair value is estimated using approved valuation techniques.

The returns from these equities holdings are credited to the Statement of Comprehensive Income and any gains or losses arising from a change in fair value are recognised directly in other comprehensive income or in equity through the Statement of Changes in Equity.

The following table shows the equity exposures in banking book:

		Group		
2016	Gross credit exposures RM'000	Risk-weighted assets RM'000	Gross credit exposures RM'000	Risk-weighted assets RM'000
Publicly traded	45	00	4.5	00
Holding of equity investments	15	23	15	23
Privately held				
For socio-economic purposes	102,654	102,654	152,338	152,338
Not for socio-economic purposes	3	5	3	5
	102,672	102,682	152,356	152,366
2015				
Publicly traded				
Holding of equity investments	11	17	11	17
Privately held				
For socio-economic purposes	94,372	94,372	140,208	140,208
Not for socio-economic purposes	3	5	3	5
	94,386	94,394	140,222	140,230

## Gains and losses on equity exposures in the banking book

The table below present the gains and losses on equity exposures in banking book:

	Bank		Group	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Realised gains/(losses) recognised in the statement of comprehensive income				
- Publicly traded equity investments	-	-	-	-
- Privately held equity investments	(549)	11,224	(549)	11,224
	(549)	11,224	(549)	11,224
Unrealised gains/(losses) recognised in revaluation reserve				
- Publicly traded equity investments	4	-	4	-
- Privately held equity investments	8,856	(2,870)	12,705	1,976
	8,860	(2,870)	12,709	1,976

## For The Financial Year Ended 31 March 2016

## 7.0 Interest Rate Risk/Rate of Return Risk in the Banking Book

Interest rate risk/rate of return risk in the banking book ("IRR/RORBB") arises from exposure of banking book positions to interest rate/profit rate movements. Changes in interest rate/profit rate affects the Group's earnings by changing its net interest/profit income and the level of other interest/profit rate sensitive income and expenses. It also affects the underlying value of banking assets, liabilities and off-balance sheet instruments as the present value of future cash flows change when interest rate/profit rate change.

#### **Risk Governance**

IRR/RORBB is managed collectively by GALCO, Group Financial Markets, Group Finance and Group Risk Management. Each of the above parties has clearly defined roles and responsibilities to provide oversight and manage IRR/RORBB within the defined framework and structure as approved by the Board of Directors/GRMC. GALCO assumes the overall responsibility in managing IRR/RORBB by setting the directions, strategy and risk limits/parameters for the Bank/Group. Group Financial Markets is tasked to execute the approved strategy by managing the asset liabilities as well as the funding and liquidity needs of the Bank/Group. Group Finance and Group Risk Management provide support in respect of risk monitoring and reporting of the banking book exposures; and ensuring regulatory as well as accounting requirements are met.

## **IRR/RORBB Management**

The guiding principles in managing IRR/RORBB include:

- (i) Adopting a prudent approach to manage IRR/RORBB in ways that commensurate with the Group's size and business activities. This is achieved via establishing robust IRR/RORBB policies, measures and strategies which is complemented by regular monitoring and reporting.
- (ii) Checking to ensure that IRR/RORBB are accurately measured and any mismatches identified, reviewed and reported monthly to GALCO.
- (iii) Setting of proper gapping limits and the limits monitored closely.
- (iv) Practicing of comprehensive IRR/RORBB reporting and review process, which provide aggregate information and sufficient supporting details to enable assessment of the Group's sensitivity to changes in market conditions.

The Group uses a range of tools, including the following primary measures to quantify and monitor IRR/RORBB:

- (i) Repricing gap analysis to measure interest rate/profit rate from the earnings perspective i.e. impact of interest rate/profiit rate changes to earnings in the short-term.
- (ii) Net interest income/profit income simulation to assess the impact of interest rate/profit rate changes on short term earnings volatility.
- (iii) Economic value of equity ("EVE") simulation which measures long term interest rate/profit rate exposure through deterioration in capital base based on adverse interest rate/profit rate movements.

Group Risk Management performs independent monitoring of the interest rate/profit rate benchmarks to ensure compliance. Any exceptions are reported and appropriate remedial actions are taken, where necessary. Schedule reporting via risk dashboards are provided to senior management and Board committees periodically. The risk dashboards provide a gauge on the IRR/RORBB of the Group.

The Group is guided by BNM's guidelines and Basel standards on management of IRR/RORBB.

For The Financial Year Ended 31 March 2016

## 7.0 Interest Rate Risk/Rate of Return Risk in the Banking Book (cont'd)

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

2016	Bank + 100 bps RM'000	Group + 100 bps RM'000
Impact on net interest income ("NII") Ringgit Malaysia	88,226	94,167
Impact on Economic Value ("EV") Ringgit Malaysia	96,551	179,876
2015		
Impact on net interest income ("NII") Ringgit Malaysia	45,937	49,375
Impact on Economic Value ("EV") Ringgit Malaysia	124,570	213,772

## Note:

The foreign currency impact on NII/EV are considered insignificant as the exposure is less than 5% of the respective total Banking Book assets and liabilities.

## 8.0 Shariah Governance Disclosures and Profit Sharing Investment Account ("PSIA")

The disclosures under this section can be referred to Note 7.0 of Alliance Islamic Bank Berhad's Pillar 3 report.

# **LIST OF PROPERTIES**

## as at 31 March 2016

Location	Current Use	Year of Purchase <sup>1</sup>	Tenure	Remaining Lease Period (Expiry Year)	Age of Property (Years) <sup>2</sup>	Built-Up Area (Sq Ft) <sup>3</sup>	Net Book Value (RM'000) 4
1, Jalan Tembaga SD5/2A Bandar Sri Damansara 52100 Kepong, Kuala Lumpur	Alliance Bank's branch/office premises	1991	Freehold	-	23	9,305	686
150 – 152, Jalan Cerdas Taman Connaught 56000 Kuala Lumpur	Alliance Bank's branch/office premises	1997	Leasehold 99 years	62 years 2078	37	11,704	2,275
43 & 45, Jalan Bunga Tanjung 6A Taman Putra 68000 Ampang, Selangor	Alliance Bank's branch/office premises	1998	Leasehold 99 years	65 years 2081	34	8,120	1,135
1960 E & F, Jalan Stadium 05100 Alor Setar, Kedah	Alliance Bank's branch/office premises	1979	Leasehold 60 years	23 years 2039	37	5,814	415
Ground & Mezzanine Floor Wisma Malvest 20 & 20A Jalan Tun Dr Awang Sungai Nibong Kecil 11900 Bayan Lepas, Pulau Pinang	Alliance Bank's branch/office premises	1994	Freehold	-	22	6,103	1,502
70 & 71, Block 10 Jalan Laksamana Cheng Ho 93200 Kuching, Sarawak	Alliance Bank's branch/office premises	2007	Leasehold 60 years	53 years 2069	10	9,405	2,045
B-400, Jalan Beserah 25300 Kuantan, Pahang	Alliance Bank's branch/office premises	1996	Freehold	-	25	6,689	392
LG134/LG135/G128/F89 Holiday Plaza Jalan Dato Sulaiman 80250 Johor Bharu, Johor	Alliance Bank's branch/office premises	1984	Freehold	-	32	5,414	817
Lot 1 & 3, Jalan Permas Jaya 10/2 Bandar Baru Permas Jaya, Pelentong 81750 Masai, Johor Bahru, Johor	Alliance Bank's branch/office premises	1994	Freehold	-	23	24,334	1,514
3 & 5, Jalan Bentara 1 Tun Aminah 81300 Johor Bahru, Johor	Alliance Bank's branch/office premises	1996	Freehold	_	33	5,412	898

Location	Current Use	Year of Purchase <sup>1</sup>	Tenure	Remaining Lease Period (Expiry Year)	Age of Property (Years) <sup>2</sup>	Built-Up Area (Sq Ft) <sup>3</sup>	Net Book Value (RM'000) <sup>4</sup>
Unit 01-G & 01-1, Seremban City Jalan Tunku Munawir 70000 Seremban, Negeri Sembilan	Alliance Bank's branch/office premises	1997	Freehold	-	17	7,277	1,546
101 & 103, Jalan Melaka Raya 24 Taman Melaka Raya 75000 Melaka	Alliance Bank's branch/office premises	1995	Leasehold 99 years	78 years 2094	19	8,640	561
Lot 7 & 9, Block D Nountun Industrial Estate 89350 Inanam Kota Kinabalu, Sabah	Alliance Bank's branch/office premises	1995	Leasehold 999 years	907 years 2923	16	7,495	911
Lot 4-6, Block K Sinsuran Complex 88000 Kota Kinabalu, Sabah	Alliance Bank's branch/office premises	1980	Leasehold 99 years	55 years 2071	38	13,979	490
Lot 1086, Jalan Utara W.D.T. 127 91009 Tawau, Sabah	Alliance Bank's branch/office premises	1981	Leasehold 99 years	44 years 2060	53	14,948	529
Lot 8, Block A Beaufort Jaya Commercial Centre 89808 Beaufort, Sabah	Alliance Bank's branch/office premises	1984	Leasehold 999 years	885 years 2901	30	4,500	226
Lot 1, Block C Mile 4 1/2 Jalan Utara Bandar Kim Fung 90307 Sandakan, Sabah	Alliance Bank's branch/office premises	1992	Leasehold 99 years	64 years 2080	31	4,800	392
1 & 2, Block A, Jalan Jungkat Pangie Light Industrial Complex 89909 Tenom, Sabah	Alliance Bank's branch/office premises	1993	Leasehold 999 years	908 years 2924	22	7,085	297
17, 19 & 21, Jalan USJ 9/5 47620 Subang Jaya, Selangor	Alliance Bank's branch/office premises	1996	Freehold	_	20	13,860	2,346
2 & 3 Block A, Phase III Luyang Commercial Centre Damai Plaza, Jalan Damai 88300 Kota Kinabalu, Sabah	Alliance Bank's branch/office premises	1992	Leasehold 99 years	65 years 2081	20	9,667	874

# List of Properties (cont'd) as at 31 March 2016

Location	Current Use	Year of Purchase <sup>1</sup>	Tenure	Remaining Lease Period (Expiry Year)	Age of Property (Years) <sup>2</sup>	Built-Up Area (Sq Ft) <sup>3</sup>	Net Book Value (RM'000) 4
59-61, Jalan Tiga 90702 Sandakan, Sabah	Alliance Bank's branch/office premises	1963	Leasehold 999 years	873 years 2889	58	9,900	699
MPWPL U 0072 & 0073 Jalan Merdeka 87008 Labuan	Alliance Bank's branch/office premises	1979	Leasehold 99 years	41, 47 years 2057, 2063	50 50	5,800	643
Lot 84, Jalan Gaya 88000 Kota Kinabalu, Sabah	Alliance Bank's branch/office premises	1985	Leasehold 999 years	866 years 2882	58	10,040	1,726
45, Jalan Sungai Besi Indah 1/21 43300 Balakong, Selangor	Alliance Bank's branch/office premises	2001	Leasehold 99 years	75 years 2091	15	9,706	1,301
3, Jalan SS 15/2A Wisma Projass 47500 Subang Jaya, Selangor	Alliance Bank's branch/office premises	2005	Freehold	-	31	35,926	6,605

## Note:

<sup>&</sup>lt;sup>1</sup> The Year of Purchase is based on Sale & Purchase Agreement. In the event that Sale & Purchase Agreement is not available, it is based on the date of registration of ownership specified in the title document.

<sup>&</sup>lt;sup>2</sup> The Age of Property is based on Certificate of Fitness for Occupation. In the event that the Certificate of Fitness for Occupation is not available, it is based on the issuance date of the title document.

 $<sup>^{\</sup>scriptscriptstyle 3}$  The Built-Up Area is based on the valuation report conducted in March 2012.

<sup>&</sup>lt;sup>4</sup> Net Book Value as at 31 March 2016.

## **DIRECTORY**

as at 31 May 2016



## ALLIANCE BANK MALAYSIA BERHAD

## **HEAD OFFICE**

3rd Floor, Menara Multi-Purpose Capital Square

No. 8, Jalan Munshi Abdullah 50100 Kuala Lumpur

Tel: 03-2604 3333 Fax: 03-2694 6200

www.alliancebank.com.my



## ALLIANCE ISLAMIC BANK BERHAD

## **HEAD OFFICE**

22nd Floor, Menara Multi-Purpose Capital Square

No. 8, Jalan Munshi Abdullah 50100 Kuala Lumpur

Tel : 03-2604 3333 Fax : 03-2698 4691

www.allianceislamicbank.com.my

## Butterworth

4105-4107, Jalan Bagan Luar 12000 Butterworth, Pulau Pinang

Tel : 04-331 4863/64 Fax : 04-323 2824

#### **Sungai Nibong Kecil**

Ground & Mezzanine Floor Wisma Malvest, 20 & 20A Jalan Tun Dr Awang Sungai Nibong Kecil

11900 Bayan Lepas, Pulau Pinang

Tel: 04-642 5918 Fax: 04-642 5924



## PERAK

#### lpoh

40 & 42, Persiaran Greenhill 30450 Ipoh, Perak

Tel : 05-241 2342/3 05-241 2346/8 Fax : 05-241 2355

## Sitiawan

23 & 24, Jalan Raja Omar Taman Selamat 32000 Sitiawan, Perak Tel : 05-691 1212

Fax : 05-691 7975





## KEDAH

## **Alor Setar**

1960 E & F, Jalan Stadium 05100 Alor Setar, Kedah Tel : 04-731 0744 Fax : 04-733 8055

## Lunas, Kulim

888 & 889, Jalan Aman Taman Sejahtera 09600 Lunas, Kulim, Kedah Tel : 04-484 3275/76/78

Fax: 04-484 3277

## Sejati Indah, Sungai Petani

Ground Floor, Wisma Uni-Green 18, Jalan Permatang Gedong Taman Sejati Indah 08000 Sungai Petani, Kedah

Tel : 04-431 1673/81 04-431 2139 Fax : 04-431 1687



## **PULAU PINANG**

## **Bandar Baru Air Itam**

No. 37, Jalan Angsana Bandar Baru Air Itam 11500 Pulau Pinang Tel : 04-827 3288 Fax : 04-827 3688

## **Beach Street**

Ground Floor, Bangunan Barkath 21, Beach Street 10300 Georgetown, Pulau Pinang

Tel : 04-262 8100 Fax : 04-261 3300

#### **Bukit Mertajam**

Ground & 1st Floor Wisma Ng Ah Yan 42, Lebuh Nangka 2 Taman Mutiara 14000 Bukit Mertajam, Pulau Pinang

Tel: 04-530 3130 Fax: 04-530 7433



## **SELANGOR**

## Aman Suria Damansara

J-G-23 & J-G-25, Block J Jalan PJU 1/43, PJU1 Aman Suria Damansara 47301 Petaling Jaya, Selangor Tel : 03-7880 8842

Fax : 03-7880 4299

#### **Ampang Point**

Ground & Mezzanine Floor 65, Jalan Mamanda 9 Ampang Point Taman Dato Ahmad Razali 68000 Ampang, Selangor Tel : 03-4252 3822

#### Balakong

45, Jalan Sungai Besi Indah 1/21 Taman Sungai Besi Indah 43300 Seri Kembangan, Selangor

Tel: 03-8948 6972 Fax: 03-8948 9530

Fax: 03-4252 3877

# Directory (cont'd) as at 31 May 2016



## SELANGOR (cont'd)

## **Bandar Bukit Tinggi**

56, Lorong Batu Nilam 4B Bandar Bukit Tinggi 41200 Klang, Selangor Tel : 03-3324 1122

Fax : 03-3324 3311

#### **Bandar Puteri Puchong**

11 & 13, Jalan Puteri 2/1 Bandar Puteri Puchong 47100 Puchong, Selangor Tel : 03-8063 2833 Fax : 03-8063 2711

## **CP Tower, Petaling Jaya**

Unit 1-2, Right Wing Level 1, CP Tower 11, Jalan 16/11 Off Jalan Damansara 46350 Petaling Jaya, Selangor

Tel : 03-7957 3366 Fax : 03-7957 3360

#### **Damansara Uptown**

Unit 102 & 103 Level 1, Uptown 2 2, Jalan SS21/37 Damansara Uptown 47400 Petaling Jaya, Selangor

Tel: 03-7660 9798 Fax: 03-7660 9799

## **Kajang**

Lot 4 & 5, Jalan Jeloh 3 Off Jalan Bukit 43000 Kajang, Selangor

Tel: 03-8733 5966 Fax: 03-8736 4004

#### **Klang**

Ground Floor 1, Lorong Kasawari 4B Taman Eng Ann 41150 Klang, Selangor Tel : 03-3345 3700 Fax : 03-3345 3733

#### **Kota Damansara**

7-G & 9-G, Jalan PJU 5/20 Pusat Perdagangan Kota Damansara PJU5 Kota Damansara

47810 Petaling Jaya, Selangor

Tel : 03-6142 8632 Fax : 03-6142 8732

#### **Mutiara Damansara**

G19, IKANO Power Centre 2, Jalan PJU 7/2 Mutiara Damansara 47800 Petaling Jaya, Selangor

Tel: 03-7727 1041 Fax: 03-7727 1478

#### **Pandan Indah**

Ground & Mezzanine Floor 11 & 13, Jalan Pandan Indah 4/34 Pandan Indah, 55100 Selangor

Tel: 03-4295 7300 Fax: 03-4296 4107

## **Puchong Jaya**

11, Jalan Kenari 5 Bandar Puchong Jaya 47100 Puchong Jaya, Selangor

Tel: 03-8075 9185 Fax: 03-8075 9200

#### Rawang

71, Jalan Bandar Rawang 2 Bandar Baru Rawang 48000 Rawang, Selangor Tel : 03-6091 7622 Fax : 03-6091 7922

## Seri Kembangan

31-1 & 31-2 Jalan Serdang Perdana 2/1 Taman Serdang Perdana 43300 Seri Kembangan, Selangor

Tel: 03-8941 6610 Fax: 03-8941 6620

## **Shah Alam**

Ground & 1st Floor 2, Jalan Murni 25/61 Taman Sri Muda, Seksyen 25 40400 Shah Alam, Selangor Tel : 03-5121 9336

Fax : 03-5121 9373

## Sri Damansara

1, Jalan Tembaga SD 5/2A Bandar Sri Damansara 52100 Selangor

Tel: 03-6275 0144/0529/0684

Fax : 03-6275 0457 03-6272 1732

#### SS2, Petaling Jaya

53 & 55, Jalan SS2/55 47300 Petaling Jaya, Selangor

Tel: 03-7875 8255 Fax: 03-7874 0973

## **Subang Jaya**

3 Alliance 3, Jalan SS15/2A

47500 Subang Jaya, Selangor

Tel: 03-5634 2870 Fax: 03-5634 1128

#### **Taman Putra**

43-45, Jalan Bunga Tanjung 6A

Taman Putra

68000 Ampang, Selangor Tel : 03-4291 7740 Fax : 03-4296 1250

## **USJ, Subang Jaya**

Ground & 1st Floor 17, 19 & 21, Jalan USJ 9/5N 47620 UEP Subang Jaya, Selangor

Tel: 03-8024 1300 Fax: 03-8023 4379



#### Bangsar

No. 1, Jalan Telawi 5 Bangsar Baru 59100 Kuala Lumpur Tel : 03-2284 8633 Fax : 03-2284 9616

## **Capital Square**

Ground Floor
Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel : 03-2604 3333
Fax : 03-2694 6867

## **GTower, Jalan Tun Razak**

Lot No. G-06, Ground Floor GTower, No. 199, Jalan Tun Razak

50400 Kuala Lumpur Tel : 03-2164 8240 Fax : 03-2168 8390

#### Jalan Ipoh

41 & 43, Jalan Ipoh 51200 Kuala Lumpur Tel : 03-4041 2288 Fax : 03-4041 3868

#### Jalan Sultan Ismail

Mezzanine Floor Menara Prudential 10, Jalan Sultan Ismail 50250 Kuala Lumpur Tel : 03-2070 4477 Fax : 03-2070 4900



#### Kepong

Ground Floor, 52, Jalan Prima Vista Magna, Metro Prima Kepong 52100 Kuala Lumpur

Tel: 03-6257 9997 Fax: 03-6257 9996

#### **Kuchai Entrepreneurs Park**

1, Jalan 1/116B Kuchai Entrepreneurs Park 58200 Kuala Lumpur Tel: 03-7984 8800 Fax: 03-7981 6486

## **Mid Valley**

15-G & 15-1 The Boulevard Offices Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur Tel: 03-2283 1849 Fax: 03-2282 4430

#### **Mont'Kiara**

Unit A-0G-02, Block A Plaza Mont'Kiara 2, Jalan Kiara, Mont'Kiara 50480 Kuala Lumpur Tel: 03-6203 1543 Fax: 03-6201 2607

#### Segambut

Ground & 1st Floor 22, Wisma Sin Hoh Huat Persiaran Segambut Tengah 51200 Kuala Lumpur Tel: 03-6257 2105 Fax: 03-6257 2680

#### Selayang

71 & 73, Jalan 2/3A Pusat Bandar Utara Selayang KM 12, Jalan Ipoh 68100 Batu Caves, Kuala Lumpur

Tel: 03-6135 1800

Fax: 03-6135 1787

#### Setapak

No. D-1-2. D-2-2 & D-3-2 StarParc Point Taman Danau Ibu Kota Jalan Genting Klang, Setapak 53300 Kuala Lumpur

Tel: 03-4143 9643 Fax: 03-4143 9568

## **Taman Connaught**

150-152, Jalan Cerdas Taman Connaught 56000 Kuala Lumpur Tel: 03-9102 3973

Fax: 03-9102 3740

#### **Taman Maluri**

254 & 254A, Jalan Mahkota Taman Maluri, Cheras 55100 Kuala Lumpur Tel: 03-9285 4133 Fax: 03-9283 1397

## **Taman Tun Dr Ismail**

No. 6-3-0 & 6-3-1 Sinaran TTDI Jalan Tun Mohd Fuad 3 Taman Tun Dr Ismail 60000 Kuala Lumpur Tel: 03-7729 8239 Fax: 03-7729 8237



## **PUTRAJAYA**

#### **Putrajaya**

Ground Floor, Menara Ikhlas (Boulevard Plaza) No. 17, Persiaran Perdana

Presint 3

62100 Putrajaya

Wilayah Persekutuan Putrajaya

Tel: 03-8889 1788 Fax: 03-8889 1799



## **JOHOR**

## **Batu Pahat**

Ground, 1st & 2nd Floor 2 & 4, Jalan Kundang 3 Taman Bukit Pasir 83000 Batu Pahat, Johor Tel: 07-431 4088 Fax : 07-434 0033

## **Bukit Bakri, Muar**

88, Jalan Tepi Pasar Bukit Bakri 84200 Muar, Johor Tel: 06-986 7633 Fax: 06-986 6721

## Holiday Plaza, Johor Bahru

Unit G128, Holiday Plaza Jalan Dato Sulaiman Century Garden 80250 Johor Bahru, Johor Tel: 07-331 1200

Fax: 07-331 1207

#### Johor Jaya

50 & 52, Jalan Dedap 13 Taman Johor Jaya 81100 Johor Bahru, Johor Tel: 07-353 5388 Fax: 07-355 7377

#### Kelapa Sawit, Kulai

16 & 17, Jalan Susur Satu 26th Mile, Jalan Air Hitam Kelapa Sawit 81030 Kulai, Johor Tel: 07-652 3704/5/7

Fax: 07-652 3706

#### **Kluang**

No. 73, Jalan Rambutan 86000 Kluang, Johor Tel: 07-772 9911 Fax: 07-772 6611

## **Permas Jaya**

1 & 3, Jalan Permas Jaya 10/2 Bandar Baru Permas Jaya 81750 Johor Bahru, Johor Tel: 07-386 2480 Fax: 07-386 2478

## Segamat

No. 109A & 109B Jalan Genuang 85000 Segamat, Johor Tel: 07-931 1170 Fax: 07-931 2727

## Sri Gading, Batu Pahat

1 & 2, Jalan Ria 1 Taman Ria Java, Sri Gading 83000 Batu Pahat, Johor Tel: 07-455 9406 Fax: 07-455 9411

## **Taman Molek**

1 & 1-01, Jalan Molek 1/29 Taman Molek 81100 Johor Bahru, Johor Tel: 07-355 6577

Fax: 07-355 4677

# Directory (cont'd) as at 31 May 2016



## JOHOR (cont'd)

#### Taman Nusa Bestari

1-G & 1-O1, Jalan Bestari 6/2 Taman Nusa Bestari 81300 Skudai, Johor

Tel: 07-237 8301 Fax: 07-237 8621

## Taman Pelangi

Ground Floor, Shoplot Nos. 1 & 3 Jalan Perang, Taman Pelangi 80400 Johor Bahru, Johor

Tel : 07-332 7016 Fax : 07-333 7411

#### **Tun Aminah**

3 & 5, Jalan Bentara 1 Taman Ungku Tun Aminah 81300 Skudai, Johor

Tel: 07-554 0031 Fax: 07-554 2494

#### **Ulu Tiram**

Ground Floor, Lots 34 & 36 Jalan Johar 3, Desa Cemerlang 81800 Ulu Tiram, Johor

Tel: 07-861 5143 Fax: 07-861 5157



## **MELAKA**

#### Melaka

101 & 103 Jalan Melaka Raya 24 Taman Melaka Raya 75000 Melaka

Tel : 06-284 9249 Fax : 06-284 9248

## **Taman Desa Cheng Perdana**

G-1, Ground Floor, Bangunan KK Jalan Cheng Perdana 1/1A Taman Desa Cheng Perdana 1 75260 Melaka

Tel : 06-336 5111 Fax : 06-336 5110

## A

## **NEGERI SEMBILAN**

#### Seremban

1G & 1-1, Seremban City Centre Jalan Tuanku Munawir 70000 Seremban, Negeri Sembilan

Tel : 06-762 5610/21 Fax : 06-762 5612



## **PAHANG**

#### Kuantan

B400, Jalan Beserah 25300 Kuantan, Pahang Tel : 09-567 2508

Fax : 09-567 9044



## **TERENGGANU**

## Kuala Terengganu

Ground & Mezzanine Floor Wisma Kam Choon 101, Jalan Kampong Tiong 20100 Kuala Terengganu, Terengganu

Tel: 09-623 5244 Fax: 09-623 6379



## **SABAH**

## Bandar Kim Fung, Sandakan

Lot 1, Block C, Bandar Kim Fung Mile 41/2, Jalan Utara P.O. Box 163 Post Office, Mile 11/2, Jalan Utara 90307 Sandakan, Sabah

Tel : 089-275 020/21/22 Fax : 089-275 027

#### **Beaufort**

Lot B, Block A, Beaufort Jaya Commercial Centre, P.O. Box 220 89808 Beaufort, Sabah

Tel: 087-211 721 Fax: 087-212 392

## **Donggongon**

Wisma PPS Donggongon New Township W.D.T. No. 56

80509 Penampang, Sabah Tel : 088-713 411/2

088-718 980 Fax : 088-718 634

#### Federal House, Kingfisher's Park, KK

(Service Centre) Aras 1, Blok A

Kompleks Pentadbiran Kerajaan Persekutuan Sabah, Jalan UMS 88400 Kota Kinabalu, Sabah

Tel: 088-484 718 Fax: 088-484 712

#### Inanam, Kota Kinabalu

Ground, 1st & 2nd Floor Lot 7 & 9, Block D Nountun Industrial Estate

89350 Inanam, Kota Kinabalu, Sabah

Tel: 088-435 761 Fax: 088-435 770

## Jalan Gaya

82 & 84, Jalan Gaya 88000 Kota Kinabalu, Sabah

Tel: 088-251 177 Fax: 088-223 629

#### Keningau

Lot No. 1, Block B-8 Jalan Arusap 89000 Keningan, Saba

89000 Keningau, Sabah Tel : 087-330 301 Fax : 087-330 294

#### Kota Marudu

Shoplot No. 8, Block E Sedco Shophouses P.O. Box 260

89108 Kota Marudu, Sabah Tel : 088-661 104 Fax : 088-661 106

#### **Kundasang**

Shoplot No. 6, Block B Sedco Shophouses P.O. Box 152 89308 Ranau, Sabah

Tel: 088-889 679 Fax: 088-889 676

#### **Lahad Datu**

Lot 1 MDLD 4709 Jalan Kastam Lama 91100 Lahad Datu, Sabah Tel : 089-883 911/5 Fax : 089-883 916

Luyang Damai

Ground & 1st Floor, Shoplot No. 2 & 3 Block A, Luyang Commercial Centre Damai Plaza, Phase III, Jalan Damai 88300 Kota Kinabalu, Sabah

Tel: 088-249 073/084/085/109

Fax: 088-249 064



## SABAH (cont'd)

#### Sandakan

59-61 Block 20 Jalan Tiga, Bandar Sandakan 90000 Sandakan, Sabah

Tel: 089-275 193 Fax: 089-271 641

#### **Sinsuran**

Lot 4, 5, & 6, Block K Sinsuran Complex 88000 Kota Kinabalu, Sabah

Tel: 088-237 762 Fax: 088-212 511

#### **Tambunan**

Lot 1, Block B Sedco Shophouses, W.D.T. 55 89659 Tambunan, Sabah Tel: 087-771 171

Fax: 087-771 157

#### Tawau

1086, Jalan Utara, W.D.T. 127 91009 Tawau, Sabah

Tel: 089-776 000 Fax: 089-763 287

#### Tenom

**Ground & Mezzanine Floor** Shoplot Nos 1 & 2, Block A Pangie Light Industrial Complex Jalan Jungkat, Tenom New Township P.O. Box 379

89909 Tenom, Sabah Tel: 087-737 757 Fax: 087-737 762



## SARAWAK

No. 24, Bintulu Parkcity Commerce Square Phase 1, Jalan Tun Ahmad Zaidi 97000 Bintulu, Sarawak

Tel: 086-318 626 Fax: 086-318 621

## **Kuching**

178, Jalan Chan Chin Ann 93100 Kuching, Sarawak Tel: 082-257 129

Fax: 082-257 275

#### Laksamana

70 & 71, Block 10 Jalan Laksamana Cheng Ho 93200 Kuching, Sarawak Tel: 082-230 888

Fax: 082-235 567

#### Miri

Ground & 1st Floor Lot 353, Block 7 Miri Concession Land District (Pelita Commercial Centre) Jalan Miri Pujut 98000 Miri, Sarawak

Tel: 085-427 535 Fax: 085-425 362

## Sibu

Ground Floor, 32 Jalan Bako **Brooke Drive 3** 96000 Sibu, Sarawak Tel: 084-317 628 Fax: 084-317 148



#### Labuan

MPWPL U 0072 & 0073 Jalan Merdeka, P.O. Box 396 87008 Labuan FT

Tel: 087-412 826 Fax: 087-415 446



## **ALLIANCE INVESTMENT BANK BERHAD**

(A participating organisation of Bursa Malaysia Securities Berhad)

## **HEAD OFFICE**

19th Floor, Menara Multi-Purpose Capital Square No. 8, Jalan Munshi Abdullah

50100 Kuala Lumpur Tel: 03-2604 3333 Fax: 03-2692 8787

www.allianceinvestmentbank.com.my





## KEDAH

#### **Alor Setar**

Lot T-30, 2nd Floor Wisma PKNK Jalan Sultan Badlishah 05000 Alor Setar, Kedah Tel: 04-731 7088

Fax: 04-731 8428



## PULAU PINANG

## **Pulau Pinang**

**Ground & Mezzanine Floor** Bangunan Barkath 21, Lebuh Pantai 10300 Pulau Pinang

Tel: 04-261 1688 Fax: 04-261 6363

# Directory (cont'd) as at 31 May 2016



## **KUALA LUMPUR**

#### **Kuala Lumpur**

17th Floor, Menara Multi-Purpose Capital Square No. 8, Jalan Munshi Abdullah

50100 Kuala Lumpur Tel : 03-2604 3333

Tel : 03-2604 3333 Fax : 03-2697 2929



## **JOHOR**

#### **Kluang**

No. 73, Ground Floor & 1st Floor Jalan Rambutan 86000 Kluang, Johor

Tel : 07-771 7922 Fax : 07-777 1079



## **PAHANG**

#### **Kuantan**

Ground, Mezzanine & 1st Floor B-400, Jalan Beserah 25300 Kuantan, Pahang Tel : 09-566 0800

Fax : 09-566 0801



## **TERENGGANU**

## Kuala Terengganu

Ground & Mezzanine Floor Wisma Kam Choon 101, Jalan Kampong Tiong 20100 Kuala Terengganu, Terengganu

Tel : 09-631 7922 Fax : 09-631 3255



# ALLIANCEDBS RESEARCH SDN BHD

## **HEAD OFFICE**

19th Floor, Menara Multi-Purpose Capital Square No. 8, Jalan Munshi Abdullah

50100 Kuala Lumpur Tel : 03-2604 3333 Fax : 03-2604 3921

www.allianceinvestmentbank.com.my



## ALLIANCE TRUSTEE BERHAD

## **HEAD OFFICE**

18th Floor, Menara Multi-Purpose Capital Square No. 8, Jalan Munshi Abdullah

50100 Kuala Lumpur Tel : 03-2604 3333

Fax : 03-2698 0393

# **ANALYSIS OF SHAREHOLDINGS**

## as at 31 May 2016

Class of securities : Ordinary shares of RM1.00 each

Authorised share capital : RM2,000,000,000 Issued and paid-up share capital : RM1,548,105,929

Voting rights : One vote per ordinary share

## **Shareholdings Distribution Schedule**

	No. of	% of	No. of	% of
Size of Shareholdings	Shareholders	Shareholders	Shares Held	Issued Shares
Less than 100	1,838	11.14	37,236	0.00
100 – 1,000	3,937	23.85	3,093,188	0.20
1,001 – 10,000	8,164	49.46	34,464,111	2.23
10,001 - 100,000	2,067	12.52	61,645,888	3.98
100,001 - less than 5% of issued shares	498	3.02	774,001,991	50.00
5% and above of issued shares	2	0.01	674,863,515	43.59
Total	16,506	100.00	1,548,105,929	100.00

## Thirty (30) Largest Shareholders

	Name	No. of Shares Held	% of Issued Shares
1.	CIMB Group Nominees (Tempatan) Sdn Bhd – Exempt AN for DBS Bank LTD (SFS)	449,857,775	29.06
2.	Citigroup Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board	225,005,740	14.54
3.	Malaysia Focus Investment Fund Limited	73,528,700	4.75
4.	Medimetro (M) Sdn Bhd	56,000,000	3.62
5.	HSBC Nominees (Asing) Sdn Bhd – Exempt AN for Bank Julius Baer & Co. Ltd (Singapore)	41,010,900	2.65
6.	Malaysia Nominees (Tempatan) Sendirian Berhad – Great Eastern Life Assurance (Malaysia) Berhad	34,311,000	2.22
7.	Cartaban Nominees (Asing) Sdn Bhd – Exempt AN for State Street Bank & Trust Company	28,901,000	1.87
8.	HSBC Nominees (Asing) Sdn Bhd – BNP Paribas SECS SVS LUX for Aberdeen Global	27,306,900	1.76
9.	Public Nominees (Tempatan) Sdn Bhd – PB Trustee Services Berhad (AFG ESS)	22,721,100	1.47
10.	Cartaban Nominees (Tempatan) Sdn Bhd – Exempt AN for Eastspring Investments Berhad	22,346,800	1.44
11.	Eden Engineering Sdn Bhd	19,700,000	1.27
12.	HSBC Nominees (Asing) Sdn Bhd – BBH and Co Boston for Vanguard Emerging Markets ST	18,165,717	1.17
13.	Citigroup Nominees (Tempatan) Sdn Bhd – Exempt AN for AIA Bhd	15,984,400	1.03
14.	Citigroup Nominees (Asing) Sdn Bhd – CBNY for Dimensional Emerging Markets Value Fund	15,784,300	1.02
15.	Cartaban Nominees (Asing) Sdn Bhd – GIC Private Limited for Government of Singapore (C)	15,208,200	0.98

# Analysis of Shareholdings (cont'd) as at 31 May 2016

	Name	No. of Shares Held	% of Issued Shares
16.	Maybank Nominees (Tempatan) Sdn Bhd  – Maybank Trustees Berhad for Public Regular Savings	15,044,700	0.97
17.	HSBC Nominees (Asing) Sdn Bhd – Exempt AN for JPMorgan Chase Bank, National Association	12,731,980	0.82
18.	Citigroup Nominees (Tempatan) Sdn Bhd – Kumpulan Wang Persaraan (Diperbadankan) (Aberdeen)	12,400,000	0.80
19.	Citigroup Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board (Aberdeen)	11,400,000	0.74
20.	Citigroup Nominees (Asing) Sdn Bhd – Exempt AN for Citibank New York (Norges Bank 12)	7,455,400	0.48
21.	Malaysia Nominees (Tempatan) Sendirian Berhad – Great Eastern Life Assurance (Malaysia) Berhad (PA)	7,411,200	0.48
22.	Malaysia Nominees (Tempatan) Sendirian Berhad – Great Eastern Life Assurance (Malaysia) Berhad (LS)	6,722,600	0.44
23.	Citigroup Nominees (Asing) Sdn Bhd – CBNY for Emerging Market Core Equity Portfolio DFA	6,561,500	0.42
24.	HSBC Nominees (Asing) Sdn Bhd - HSBC BK PLC for Abu Dhabi Investment Authority (AG)	5,646,500	0.37
25.	Citigroup Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board (F Templeton)	5,527,200	0.36
26.	HSBC Nominees (Asing) Sdn Bhd – Exempt AN for The Bank of New York Mellon (Mellon)	5,426,840	0.35
27.	HSBC Nominees (Asing) Sdn Bhd - HSBC BK PLC Abu Dhabi Investment Authority (TR)	5,011,600	0.32
28.	Citigroup Nominees (Asing) Sdn Bhd – Legal & General Assurance (Pensions Management) Ll	4,990,277	0.32
29.	Cartaban Nominees (Asing) Sdn Bhd – BBH (Lux) SCA for Fidelity Funds Asean	4,465,700	0.29
30.	DB (Malaysia) Nominee (Asing) Sdn Bhd - BNYM SA/NV for People's Bank of China (SICL Asia E)	4,030,100	0.26
	Total	1,180,694,129	76.27

# SUBSTANTIAL SHAREHOLDERS

as at 31 May 2016

## **No. of Ordinary Shares**

		% of Issued	Indirect	% of Issued		% of Issued
Name of Substantial Shareholder	Direct Interest	Shares	Interest	Shares	Total	Shares
Vertical Theme Sdn Bhd	449,857,775	29.06	-	-	449,857,775	29.06
Langkah Bahagia Sdn Bhd	-	-	449,857,7751	29.06	449,857,775	29.06
Duxton Investments Pte Ltd	-	-	449,857,7751	29.06	449,857,775	29.06
Ong Beng Seng	-	-	449,857,7752	29.06	449,857,775	29.06
Ong Tiong Sin	-	-	449,857,7752	29.06	449,857,775	29.06
Seow Lun Hoo	-	-	449,857,7752	29.06	449,857,775	29.06
Fullerton Financial Holdings Pte Ltd	-	-	449,857,775 <sup>3</sup>	29.06	449,857,775	29.06
Fullerton Management Pte Ltd	-	-	449,857,7754	29.06	449,857,775	29.06
Temasek Holdings (Private) Limited	-	-	449,993,6755	29.07	449,993,675	29.07
Minister for Finance of Singapore	-	-	449,993,6756	29.07	449,993,675	29.07
Employees Provident Fund Board	252,876,840	16.33	-	-	252,876,840	16.33

#### Notes:

- Deemed Interested by virtue of Section 6A(4) of the Companies Act, 1965 held through Vertical Theme Sdn Bhd.
- <sup>2</sup> Deemed Interested by virtue of Section 6A(4) of the Companies Act, 1965 held through Langkah Bahagia Sdn Bhd.
- 3 Deemed Interested by virtue of Section 6A(4) of the Companies Act, 1965 held through Duxton Investments Pte Ltd.
- <sup>4</sup> Deemed Interested by virtue of Section 6A(4) of the Companies Act, 1965 held through Fullerton Financial Holdings Pte Ltd.
- <sup>5</sup> Deemed Interested by virtue of Section 6A(4) of the Companies Act, 1965 held through Fullerton Management Pte Ltd.
- 6 Deemed Interested by virtue of Section 6A(4) of the Companies Act, 1965 held through Temasek Holdings (Private) Limited.

# **DIRECTORS' SHAREHOLDINGS**

as at 31 May 2016

None of the Directors and the Chief Executive Officer have any interests in the Company or in any of the Company's related corporation.

# **NOTICE OF ANNUAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN THAT** the 50th Annual General Meeting of Alliance Financial Group Berhad will be held at Ballroom 1, Level 1, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Tuesday, 19 July 2016 at 2.00 p.m. for the following purposes:

## **AGENDA**

#### As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 March 2016 together with the Reports of the Directors and Auditors thereon.

Please refer to Explanatory Note (i)

2. To approve the payment of Directors' fees amounting to RM543,000 in respect of the financial year ended 31 March 2016.

**Ordinary Resolution 1** 

 To re-elect Mr Ou Shian Waei who retires by rotation pursuant to Article 82 of the Company's Articles of Association.

**Ordinary Resolution 2** 

4. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and authorise the Directors to fix their remuneration.

**Ordinary Resolution 3** 

## **As Special Business**

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions:

- 5. Re-appointment of Directors pursuant to Section 129 of the Companies Act, 1965
  - 5.1 "THAT Mr Kung Beng Hong, a Director who retires pursuant to Section 129 of the Companies Act, 1965 be and is hereby re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company."

**Ordinary Resolution 4** 

5.2 "THAT Datuk Oh Chong Peng, a Director who retires pursuant to Section 129 of the Companies Act, 1965 be and is hereby re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company."

**Ordinary Resolution 5** 

## 6. Retention of Independent Directors

"THAT Datuk Oh Chong Peng who has served as an Independent Director of the Company for a cumulative term of more than 9 years be and is hereby retained as an Independent Director of the Company."

**Ordinary Resolution 6** 

"THAT Mr Stephen Geh Sim Whye who has served as an Independent Director of the Company for a cumulative term of more than 9 years be and is hereby retained as an Independent Director of the Company."

**Ordinary Resolution 7** 

 To transact any other business for which due notice shall have been given in accordance with the Company's Articles of Association and/or the Companies Act, 1965.

BY ORDER OF THE BOARD

LEE WEI YEN (MAICSA 7001798) Group Company Secretary

Kuala Lumpur 24 June 2016

#### Notes:

- 1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead.
- 2. A proxy may but need not be a Member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
- 3. To be valid, the Form of Proxy, duly completed must be deposited at the registered office of the Company at 3rd Floor, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur, not less than 48 hours before the time set for holding the meeting.
- 4. A Member who is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
- 5. A Member other than an Exempt Authorised Nominee shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting.
- 6. Where a Member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
- 7. If the appointor is a corporation, the Form of Proxy must be executed under its common seal or under the hand of an officer or attorney duly authorised.
- 8. A Member whose name appears in the General Meeting Record of Depositors as at 11 July 2016 shall be regarded as a Member entitled to attend, speak and vote at the meeting or appoint a proxy or proxies to attend and/or vote in his stead.

## **EXPLANATORY NOTES**

(i) Item 1 on the Agenda is meant for discussion only. The provision of Section 169 (1) of the Companies Act, 1965 requires that the Audited Financial Statements be laid before the Company at its Annual General Meeting and does not require a formal approval of the shareholders. As such, this Agenda item is not a business which requires a resolution to be put to vote by shareholders.

## (ii) Ordinary Resolutions 4 and 5 - Re-appointment of Directors pursuant to Section 129 of the Companies Act, 1965

Mr Kung Beng Hong and Datuk Oh Chong Peng who are over the age of seventy (70) years, shall retire pursuant to Section 129 of the Companies Act, 1965 at the conclusion of the forthcoming 50th Annual General Meeting.

The proposed re-appointment of Mr Kung Beng Hong and Datuk Oh Chong Peng will require a resolution each passed by a majority of not less than three-fourth (3/4) of the members of the Company who are entitled to vote at the forthcoming 50th Annual General Meeting. The proposed resolutions will enable Mr Kung Beng Hong and Datuk Oh Chong Peng to hold office until the conclusion of the next Annual General Meeting of the Company.

## (iii) Ordinary Resolutions 6 and 7 - Retention of Independent Directors

Datuk Oh Chong Peng and Mr Stephen Geh Sim Whye have served the Company as Independent Directors for a cumulative term of more than 9 years.

The Board has conducted an assessment on the independence of each of them as Independent Directors of the Company. Apart from meeting the independence criteria as set out in Paragraph 1.01 of the Main Market Listing Requirements, the Board found that they have been able to demonstrate their independence and exercise of objective judgement during board meetings. The Board is confident that they will continue to bring independent and objective judgement to the Board deliberations and decision making process notwithstanding their length of service.

The proposed resolutions which are in line with Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012, will enable Datuk Oh Chong Peng and Mr Stephen Geh Sim Whye, to hold office as Independent Directors until the conclusion of the next Annual General Meeting of the Company.



## **Alliance Financial Group Berhad** (6627-X)

(Incorporated in Malaysia)

## **FORM OF PROXY**

FUNIVI UF FNUX I						
I/We (ful	I name in block letters)					
identity	card no./company registration r	10				
of						
	Member/Members of ALLIANCE					
			(NRIC No.)			
of						
or failing	յ him		(NRIC No.)			
of						
	ur proxy/proxies to vote for m Sime Darby Convention Centre,					
NO.	ORDINARY RESOLUTIONS				*FOR	*AGAINST
1	To approve the payment of Di 31 March 2016	rectors' fees amounting t	o RM543,000 in respect of	the financial year ended		
2	To re-elect Mr Ou Shian Waei a	as Director pursuant to Art	icle 82 of the Company's Arti	cles of Association		
	To re-appoint Messrs Pricewat their remuneration	terhouseCoopers as Audito	ors of the Company and auth	orise the Directors to fix		
4	To re-appoint Mr Kung Beng H	ong pursuant to Section 1	29 of the Companies Act, 190	65		
5	To re-appoint Datuk Oh Chong	Peng pursuant to Section	129 of the Companies Act, 1	965		
6	To retain Datuk Oh Chong Peng	g as an Independent Direc	tor			
7	To retain Mr Stephen Geh Sim	Whye as an Independent I	Director			
his a	se indicate with an "X" on how liscretion.	•	·	ns to voting is given, the pro	oxy will vot	e or abstain a
As witne	ess my/our hand(s) this	day of	2016.		• • • • • • • • •	••••
	re(s) of Member			Seal of C	orporation	

Shareholding represented by Proxy

#### Notes:

- 1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead.
- 2. A proxy may but need not be a Member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
- 3. To be valid, the Form of Proxy, duly completed must be deposited at the registered office of the Company at 3rd Floor, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur, not less than 48 hours before the time set for holding the meeting.
- 4. A Member who is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
- 5. A Member other than an Exempt Authorised Nominee shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting.
- 6. Where a Member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
- 7. If the appointor is a corporation, the Form of Proxy must be executed under its common seal or under the hand of an officer or attorney duly authorised.
- 8. A Member whose name appears in the General Meeting Record of Depositors as at 11 July 2016 shall be regarded as a Member entitled to attend, speak and vote at the meeting or appoint a proxy or proxies to attend and/or vote in his stead.

	fold flap for sealing		
	then fold here		
•••••			•••••
		Affix Stamp	
	Group Company Secretary		
	Alliance Financial Group Berhad		
	3rd Floor, Menara Multi-Purpose Capital Square, No. 8, Jalan Munshi Abdullah		
	Oupride Oqualo, 140, 0, buildi Mullolli Abdullali		

50100 Kuala Lumpur, Malaysia.

1st fold here

## Alliance Financial Group Berhad (6627-x)

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

Tel : 03-2604 3333 Fax : 03-2694 6200

www.alliancefg.com



AllianceBankMalaysia



AllianceBankMY