ALLIANCE INVESTMENT BANK

Alliance Investment Bank Berhad (21605-D)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

ALLIANCE INVESTMENT BANK BERHAD
(Incorporated in Malaysia)

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ALLIANCE INVESTMENT BANK BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors present their report together with the audited financial statements of the Bank and of the Group for the financial year ended 31 March 2017.

PRINCIPAL ACTIVITIES

The Bank is principally engaged in the investment banking business including Islamic banking business, provision of stock-broking services and related financial services.

The subsidiaries of the Bank are dormant during the financial year.

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

FINANCIAL RESULTS

	BANK RM'000	GROUP RM'000
Profit before taxation	23,828	24,885
Taxation	(5,240)	(6,159)
Net profit for the financial year	18,588	18,726

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.

DIVIDEND

The amount of dividends declared and paid by the Bank since 31 March 2016 were as follows:

		RM'000
(i)	An interim dividend of 2.89 sen per share, on 365,000,000 ordinary shares in respect of financial year ended 31 March 2016, was paid on 15 June 2016.	10,549
(ii)	A first interim dividend of 1.93 sen per share, on 365,000,000 ordinary shares in respect of financial year ending 31 March 2017, was paid on 16 December 2016.	7,045
		17,594

Subsequent to the financial year end, on 31 May 2017, the Directors declared a second interim dividend of 1.89 sen per share on 365,000,000 ordinary shares amounting to approximately RM6,899,000 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 2018. The directors do not propose any final dividend in respect of the financial year ended 31 March 2017.

ALLIANCE INVESTMENT BANK BERHAD
(Incorporated in Malaysia)

ALLIANCE FINANCIAL GROUP BERHAD 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.

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

The salient features of the ESS are disclosed in Note 23 to the financial statements.

BUSINESS REVIEW FOR FINANCIAL YEAR ENDED ("FYE") 31 MARCH 2017

The Group recorded a net profit after taxation of RM18.7 million for the financial year ended 31 March 2017, RM4.2 million higher compared to the last financial year, mainly due to higher net income.

Net interest income including Islamic banking income increased by RM7.3 million or 28.9% as year on year gross loan has increased by RM214.3 million or 105.2%.

Other operating income increased by RM6.4 million or 24.3% primarily due to increase in processing fees, corporate advisory fees, brokerage fees and treasury income.

Operating Expenses increased by RM2.8million or 7.7% mainly due to higher personnel cost by RM1.8 million and professional fees by RM0.4 million.

Both Total Capital and Common Equity Tier 1 ratios remained strong at 84.8% and 84.1% respectively as at 31 March 2017.

ECONOMIC OUTLOOK AND PROSPECTS FOR FYE 31 MARCH 2018

Bank Negara Malaysia has forecasted that the Malaysian Gross Domestic Product ("GDP") growth will be between 4.3% and 4.8% in 2017, despite the challenging international economic and financial landscape.

Domestic demand will remain the key driver of growth. While household expenditure will be supported by continued wage growth and government's measures to boost disposable income, investment activity is expected to be sustained by capital expenditure in export-oriented industries and ongoing transport-related infrastructure projects.

Meanwhile, Bank Negara Malaysia expects inflation to trend between 3.0% and 4.0% in 2017, on the back of cost-push factors such as the pass-through impact of the increase in global crude oil prices. On the external sector, gross exports are forecasted to expand 5.5% in 2017, higher than the 1.1% growth recorded in 2016.

Malaysia stands to benefit from brighter global macro prospects given its well-diversified export products and markets.

ALLIANCE INVESTMENT BANK BERHAD
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ECONOMIC OUTLOOK AND PROSPECTS FOR FYE 31 MARCH 2018 (CONTINUED)

In 2016, a total of RM98.5 billion was raised through the Malaysian capital markets, of which RM85.7 billion was in the form of corporate bonds and sukuk. The Securities Commission estimates total domestic fund raising to improve in 2017. Domestic debt fund raising in 2017 is expected to remain at 2016 levels, mainly from issuance of corporate bonds and sukuk to finance infrastructure investments and refinancing. Equity fund raising is expected to be higher in 2017 from initial public offerings (“IPOs”).

BUSINESS OUTLOOK FOR FYE 31 MARCH 2018

We expect the competition in the industry to be strong in 2017. The Group’s focus this financial year will be:

(a) to continue to build on the growth of its corporate advisory business achieved largely from the successful collaboration between the Investment Bank and Group Corporate and Commercial (“GCC”) department of Alliance Bank Malaysia Berhad;

(b) to implement the new Retail Broking strategy to drive higher brokerage fee income, and

(c) to grow the loan book prudently with risk-adjusted returns that commensurate with the Group’s risk appetite.

Against the backdrop of these business initiatives, the Group’s financial performance is expected to be satisfactory.

RATING BY EXTERNAL RATING AGENCY

The Bank is rated by Rating Agency Malaysia Berhad ("RAM"). Based on RAM’s rating in January 2017, the Bank’s short-term and long-term ratings are reaffirmed at P1 and A1 respectively. RAM has classified these rating categories as follows:

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

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

DIRECTORS

The Directors of the Bank in office during the financial year and during the period from the end of the financial year to the date of this report are:

Kung Beng Hong (Chairman)
Kuah Hun Liang
Dato' Majid Bin Mohamad
Mazidah Binti Abdul Malik
Dato' Yeoh Beow Tit (appointed wef on 17 May 2016)
Premod Paul Thomas (resigned on 13 April 2016)

ALLIANCE INVESTMENT BANK BERHAD
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DIRECTORS' REMUNERATION

Details of directors' remuneration are set out in Note 35 to the financial statements.

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit (other than benefits shown under Directors' Remuneration in Note 35 to the financial statements) by reason of a contract made by the Bank or its subsidiary or its holding company or subsidiary of the holding company with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

DIRECTORS' INTERESTS

According to the Register of Directors’ shareholdings required to be kept under Section 59 of the Companies Act, 2016, none of the Directors in office at the end of the financial year had any interest in shares, share options and share grants in the Bank or its related corporations during the financial year.

ISSUE OF SHARES AND DEBENTURES

There was no new issue of shares and debentures during the financial year.

BAD AND DOUBTFUL DEBTS

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

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

CURRENT ASSETS

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

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

ALLIANCE INVESTMENT BANK BERHAD
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VALUATION METHOD

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

CONTINGENT AND OTHER LIABILITIES

As at the date of this report, there does not exist:

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

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

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

In the opinion of the Directors:

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

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

HOLDING AND ULTIMATE HOLDING COMPANIES

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

SUBSIDIARIES

Details of subsidiaries are set out in Note 11 to the financial statements.

ALLIANCE INVESTMENT BANK BERHAD
(Incorporated in Malaysia)

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 27 to the financial statements.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events are disclosed in Note 45 to the financial statements.

SUBSEQUENT EVENTS

The subsequent events are disclosed in Note 46 to the financial statements.

AUDITORS

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

This report was approved by the Board of Directors on 31 May 2017. Signed on behalf of the Board of Directors.

Kung Beng Hong　　　　Kuah Hun Liang

Kuala Lumpur, Malaysia

ALLIANCE INVESTMENT BANK BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016

We, Kung Beng Hong and Kuah Hun Liang, being two of the Directors of Alliance Investment Bank Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 12 to 115 are drawn up so as to give a true and fair view of the financial position of the Bank and of the Group as at 31 March 2017 and financial performance of the Bank and of the Group for the financial year ended 31 March 2017 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 31 May 2017.

Kung Beng Hong

Kuah Hun Liang

Kuala Lumpur, Malaysia

STATUTORY DECLARATION
PURSUANT TO SECTION 251(1) (b) OF THE COMPANIES ACT, 2016

I, Wong Lai Loong, being the Officer primarily responsible for the financial management of Alliance Investment Bank Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 12 to 115 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed Wong Lai Loong at
Kuala Lumpur in the Federal Territory on
31 May 2017

Wong Lai Loong

Before me,

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF ALLIANCE INVESTMENT BANK BERHAD
(Incorporated in Malaysia)
(Company No. 21605-D)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Alliance Investment Bank Berhad ("the Bank") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Bank and of the Group as at 31 March 2017, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standard and the requirements of the Companies Act, 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Bank and of the Group, which comprise the statements of financial position as at 31 March 2017 of the Bank and of the Group, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Bank and of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 12 to 115.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

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

Independence and other ethical responsibilities

We are independent of the Bank and of the Group in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF ALLIANCE INVESTMENT BANK BERHAD
(Incorporated in Malaysia)
(Company No. 21605-D)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The directors of the Bank are responsible for the other information. The other information comprises Directors' Report, but does not include the financial statements of the Bank and of the Group and our auditors' report thereon.

Our opinion on the financial statements of the Bank and of the Group does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Bank and of the Group, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Bank and of the Group or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statement

The directors of the Bank are responsible for the preparation of the financial statements of the Bank and of the Group that give a true and fair view in accordance with Malaysian Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Bank and of the Group that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF ALLIANCE INVESTMENT BANK BERHAD
(Incorporated in Malaysia)
(Company No. 21605-D)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Bank and of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Bank and of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's and Group's internal control.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF ALLIANCE INVESTMENT BANK BERHAD
(Incorporated in Malaysia)
(Company No. 21605-D)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

(d) Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's or Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Bank and of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank or Group to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Bank and of the Group, including the disclosures, and whether the financial statements of the Bank and of the Group represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

OTHER MATTERS

This report is made solely to the member of the Bank, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS	SOO HOO KHOON YEAN
(No. AF: 1146)	(No. 2682/10/17 (J))
Chartered Accountants	Chartered Accountant

Kuala Lumpur
31 May 2017

ALLIANCE INVESTMENT BANK BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2017

		BANK		GROUP	
		2017	2016	2017	2016
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and short-term funds	3	42,993	22,179	44,420	23,201
Balances due from clients and brokers	4	113,022	104,659	113,022	104,659
Financial assets held-for-trading	5	34,865	-	34,865	-
Financial investments available-for-sale	6	1,013,311	972,750	1,013,311	972,750
Financial investments held-to-maturity	7	177,933	176,593	177,933	176,593
Loans, advances and financing	8	416,606	199,270	416,606	199,270
Other assets	9	4,310	2,586	4,444	2,722
Tax recoverable		8,266	12,627	8,755	13,112
Statutory deposits with Bank Negara Malaysia	10	33,690	21,318	33,690	21,318
Investments in subsidiaries	11	10	10	-	-
Investment in an associate	12	230	230	267	263
Investment in joint venture	13	394	394	650	566
Property, plant and equipment	14	1,713	1,560	1,713	1,560
Intangible assets	16	61,527	61,031	54,847	54,351
TOTAL ASSETS		1,908,870	1,575,207	1,904,523	1,570,365
LIABILITIES AND EQUITY					
Deposits from customers	17	728,285	534,856	728,285	534,856
Deposits and placements of banks and other financial institutions	18	431,375	284,805	431,375	284,805
Balances due to clients and brokers	19	69,066	77,246	69,066	77,246
Other liabilities	20	37,879	35,792	37,498	35,232
Provision for taxation		-	-	178	-
Deferred tax liabilities	15	11,143	11,521	11,143	11,521
TOTAL LIABILITIES		1,277,748	944,220	1,277,545	943,660
Share capital	21	365,000	365,000	365,000	365,000
Reserves	22	266,122	265,987	261,978	261,705
TOTAL EQUITY		631,122	630,987	626,978	626,705
TOTAL LIABILITIES AND EQUITY		1,908,870	1,575,207	1,904,523	1,570,365
COMMITMENTS AND CONTINGENCIES	40	320,164	294,666	320,164	294,666

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

ALLIANCE INVESTMENT BANK BERHAD
(Incorporated in Malaysia)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2017

		BANK		GROUP	
		2017	2016	2017	2016
	Note	RM'000	RM'000	RM'000	RM'000
Interest income	24	53,579	57,279	55,560	57,295
Interest expense	25	(26,765)	(35,397)	(26,711)	(35,397)
Net interest income		26,814	21,882	28,849	21,898
Net income from Islamic banking business	47	3,930	3,537	3,930	3,537
		30,744	25,419	32,779	25,435
Fee and commission income	26	37,714	38,496	37,714	38,496
Fee and commission expense	26	(11,413)	(15,771)	(11,413)	(15,771)
Investment income	26	5,778	2,391	2,916	2,391
Other income	26	1,653	3,147	3,453	1,173
Other operating income	26	33,732	28,263	32,670	26,289
Net income		64,476	53,682	65,449	51,724
Other operating expenses	27	(39,953)	(37,249)	(39,957)	(37,108)
Operating profit before allowance		24,523	16,433	25,492	14,616
(Allowance for)/write-back of losses on loans, advances and financing and other receivables	28	(695)	197	(695)	197
Write-back of impairment for losses	29	-	4,859	-	4,859
Operating profit after allowance		23,828	21,489	24,797	19,672
Share of results in an associate	12	-	-	4	5
Share of results of joint venture	13	-	-	84	156
Profit before taxation		23,828	21,489	24,885	19,833
Taxation	30	(5,240)	(5,818)	(6,159)	(5,348)
Net profit for the financial year		18,588	15,671	18,726	14,485
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss					
Revaluation reserve on financial investments available-for-sale					
- Net gain from change in fair value		912	9,492	912	9,492
- Realised gain transferred to statement of income on disposal and impairment		(2,085)	(1,520)	(2,085)	(1,520)
- Transfer from/(to) deferred tax		281	(1,913)	281	(1,913)
Other comprehensive (expense)/ income, net of tax		(892)	6,059	(892)	6,059
Total comprehensive income for the financial year		17,696	21,730	17,834	20,544
Net profit for the financial year attributable to:					
Equity holder of the Bank		18,588	15,671	18,726	14,485
Total comprehensive income attributable to:					
Equity holder of the Bank		17,696	21,730	17,834	20,544
Earnings per share attributable to Equity holder of the Bank:					
- Basic/Diluted (sen)	31			5.13	3.97

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

ALLIANCE INVESTMENT BANK BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2017

	Non-distributable reserves						Distributable reserves	
	Ordinary shares RM'000	Share premium RM'000	Statutory reserves RM'000	Regulatory reserves RM'000	Revaluation reserves RM'000	Equity contribution from ultimate holding company RM'000	Retained profits RM'000	Total equity RM'000
Bank								
At 1 April 2016	365,000	962	196,736	1,830	38,841	256	27,362	630,987
Net profit after taxation	-	-	-	-	-	-	18,588	18,588
Other comprehensive expense	-	-	-	-	(892)	-	-	(892)
Total comprehensive (expense)/income	-	-	-	-	(892)	-	18,588	17,696
Share-based payment under ESS	-	-	-	-	-	139	-	139
Payment for ESS recharged from parent	-	-	-	-	-	(106)	-	(106)
Transfer of ESS recharged difference on shares vested	-	-	-	-	-	(25)	25	-
Transfer to statutory reserves	-	-	4,647	-	-	-	(4,647)	-
Transfer to regulatory reserves	-	-	-	1,830	-	-	(1,830)	-
Dividend paid (Note 32)	-	-	-	-	-	-	(17,594)	(17,594)
At 31 March 2017	365,000	962	201,383	3,660	37,949	264	21,904	631,122
At 1 April 2015	365,000	962	192,818	-	32,782	170	23,393	615,125
Net profit after taxation	-	-	-	-	-	-	15,671	15,671
Other comprehensive income	-	-	-	-	6,059	-	-	6,059
Total comprehensive income	-	-	-	-	6,059	-	15,671	21,730
Share-based payment under Employees' Share Scheme ("ESS")	-	-	-	-	-	140	-	140
Payment for ESS recharged from parent	-	-	-	-	-	(34)	-	(34)
Transfer of ESS recharged difference on shares vested	-	-	-	-	-	(8)	8	-
ESS on share options lapsed	-	-	-	-	-	(12)	12	-
Transfer to statutory reserves	-	-	3,918	-	-	-	(3,918)	-
Transfer to regulatory reserves	-	-	-	1,830	-	-	(1,830)	-
Dividend paid (Note 32)	-	-	-	-	-	-	(5,974)	(5,974)
At 31 March 2016	365,000	962	196,736	1,830	38,841	256	27,362	630,987

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

ALLIANCE INVESTMENT BANK BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2017 (CONTD.)

	Attributable to Equity holder of the Bank							
	Ordinary shares RM'000	Share premium RM'000	Statutory reserves RM'000	Regulatory reserves RM'000	Revaluation reserves RM'000	Equity contribution from ultimate holding company RM'000	Retained profits RM'000	Total equity RM'000
Group								
At 1 April 2016	365,000	962	196,736	1,830	38,841	303	23,033	626,705
Net profit after taxation	-	-	-	-	-	-	18,726	18,726
Other comprehensive expense	-	-	-	-	(892)	-	-	(892)
Total comprehensive (expense)/income	-	-	-	-	(892)	-	18,726	17,834
Share-based payment under ESS	-	-	-	-	-	139	-	139
Payment for ESS recharged from ultimate holding company	-	-	-	-	-	(106)	-	(106)
Transfer of ESS recharged difference on shares vested	-	-	-	-	-	(25)	25	-
ESS on share options lapsed	-	-	-	-	-	(13)	13	-
Transfer to statutory reserves	-	-	4,647	-	-	-	(4,647)	-
Transfer to regulatory reserves	-	-	-	1,830	-	-	(1,830)	-
Dividend paid (Note 32)	-	-	-	-	-	-	(17,594)	(17,594)
At 31 March 2017	365,000	962	201,383	3,660	37,949	298	17,726	626,978
At 1 April 2015	365,000	962	192,818	-	32,782	231	20,250	612,043
Net profit after taxation	-	-	-	-	-	-	14,485	14,485
Other comprehensive income	-	-	-	-	6,059	-	-	6,059
Total comprehensive income	-	-	-	-	6,059	-	14,485	20,544
Share-based payment under ESS	-	-	-	-	-	126	-	126
Payment for ESS recharged from ultimate holding company	-	-	-	-	-	(34)	-	(34)
Transfer of ESS recharged difference on shares vested	-	-	-	-	-	(8)	8	-
ESS on share options lapsed	-	-	-	-	-	(12)	12	-
Transfer to statutory reserves	-	-	3,918	-	-	-	(3,918)	-
Transfer to regulatory reserves	-	-	-	1,830	-	-	(1,830)	-
Dividend paid (Note 32)	-	-	-	-	-	-	(5,974)	(5,974)
At 31 March 2016	365,000	962	196,736	1,830	38,841	303	23,033	626,705

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

ALLIANCE INVESTMENT BANK BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2017

	BANK		GROUP	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	23,828	21,489	24,885	19,833
Adjustments for:				
Accretion of discount less amortisation of premium of financial investments	(936)	(118)	(936)	(118)
Depreciation of property, plant and equipment	553	450	553	450
Amortisation of computer software	342	181	342	181
Dividends received from financial investments available-for-sale	(778)	(750)	(778)	(750)
Dividends received from subsidiaries	(2,862)	-	-	-
Property, plant and equipment written-off	-	20	-	20
Net gain from sale of financial investments available-for-sale	(2,085)	(1,159)	(2,085)	(1,159)
Unrealised gain from revaluation of financial assets held-for-trading	(53)	-	(53)	-
Allowance for/(write-back of) loans, advances and financing	789	(76)	789	(76)
Allowance for on other receivables	48	1,116	48	1,116
Write-back on other losses for balances due from clients	(2)	(3)	(2)	(3)
Share of results of associate	-	-	(4)	(5)
Share of results of joint venture	-	-	(84)	(156)
Write-back of impairment on financial investments available-for-sale	-	(6,050)	-	(6,050)
Write-back of impairment on financial investments held-to-maturity	-	(17)	-	(17)
Impairment on goodwill	-	1,208	-	1,208
Interest income from financial investments available-for-sale	(29,518)	(42,414)	(29,518)	(42,414)
Interest income from financial investments held-for-trading	-	(31)	-	(31)
Interest income from financial investments held-to-maturity	(5,041)	(5,054)	(5,041)	(5,054)
Share options/grants under ESS	139	140	139	126
Operating loss before working capital changes	(15,576)	(31,068)	(11,745)	(32,899)
Changes in working capital:				
Deposits from customers	193,429	(221,428)	193,429	(221,428)
Deposits and placements of banks and other financial institutions	146,570	(314,387)	146,570	(314,387)
Other liabilities	2,087	808	2,266	2,731
Deposits and placement with banks and other financial institutions	-	73,419	-	73,419
Financial assets held-for-trading	(34,520)	-	(34,520)	-
Loans, advances and financing	(218,125)	(87)	(218,125)	(87)
Other assets	(1,772)	3,012	(1,770)	2,369
Balances due (to)/from clients and brokers	(16,541)	12,500	(16,541)	12,500
Operating profit before working capital changes carried forward	71,128	(446,163)	71,309	(444,883)

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

ALLIANCE INVESTMENT BANK BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2017 (CONTD.)

	BANK		GROUP	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating profit before working capital changes brought forward	71,128	(446,163)	71,309	(444,883)
Statutory deposits with Bank Negara Malaysia	(12,372)	16,638	(12,372)	16,638
Cash used in operations	43,180	(460,593)	47,192	(461,144)
Tax paid	(977)	(12,660)	(1,721)	(12,671)
Net cash generated/(used in) operating activities	42,203	(473,253)	45,471	(473,815)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(706)	(431)	(706)	(431)
Purchase of intangible assets	(838)	(381)	(838)	(381)
Proceeds from disposal of financial investments available-for-sale (net of purchase)	(39,351)	374,372	(39,352)	374,372
Proceeds from redemption of financial investments held-to-maturity (net of purchase)	-	16	-	16
Proceeds from disposal of property, plant and equipment	-	2	-	2
Net dividends received from financial investments available-for-sale	778	750	778	750
Net dividends received from subsidiaries	2,862	-	-	-
Interest income from financial investments available-for-sale	28,519	44,772	28,519	44,772
Interest income from financial investments held-for-trading	-	31	-	31
Interest income from financial investments held-to-maturity	5,047	5,047	5,047	5,047
Net cash generated from investing activities	(3,689)	424,178	(6,552)	424,178
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment for ESS recharged from ultimate holding company	(106)	(34)	(106)	(34)
Dividend paid to holding company	(17,594)	(5,974)	(17,594)	(5,974)
Net cash used in financing activities	(17,700)	(6,008)	(17,700)	(6,008)
NET DECREASE IN CASH AND CASH EQUIVALENTS	20,814	(55,083)	21,219	(55,645)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	22,179	77,262	23,201	78,846
CASH AND CASH EQUIVALENTS AT END OF YEAR	42,993	22,179	44,420	23,201
Cash and cash equivalents comprise the following:				
Cash and short-term funds	42,993	22,179	44,420	23,201
	42,993	22,179	44,420	23,201

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

ALLIANCE INVESTMENT BANK BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2017

1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The Bank is principally engaged in the investment banking business including Islamic banking business, provision of stock-broking services and related financial services.

The subsidiaries of the Bank are dormant during the financial year.

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

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 31 May 2017.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

Malaysian Financial Reporting Standards ("MFRS") Framework

The financial statements of the Bank and the Group have been prepared in accordance with of the Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

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

The financial statements incorporate all activities relating to the Islamic banking business which have been undertaken by the Bank. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(a) Basis of Preparation (contd.)

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

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are described in the following notes:

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

Standards, amendments to published standards and interpretations that are effective

The new accounting standards, amendments and improvements to published standards and interpretations that are effective for the Bank and the Group's financial year beginning on or after 1 April 2016 are as follows:

- Amendment to MFRS 11 "Joint Arrangements" - Accounting for acquisition of interests in joint operations
- Amendments to MFRS 127 "Equity Method in Separate Financial Statements"
- Amendments to MFRS 10, 12 & 128 "Investment entities - Applying the Consolidation Exception"
- Amendments to MFRS 101 "Presentation of financial statements - Disclosure Initiative"
- Annual Improvements to MFRSs 2012 - 2014 cycle

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(a) Basis of Preparation (contd.)

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

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

<u>Financial year beginning on/after 1 April 2017</u>

(a) Amendments to MFRS 107 "Statement of Cash Flows - Disclosure Initiative" (effective from 1 January 2017) introduce an additional disclosure on changes in liabilities arising from financing activities.

(b) Amendments to MFRS 112 "Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses" (effective from 1 January 2017) clarify the requirements for recognising deferred tax assets on unrealised losses arising from deductible temporary difference on asset carried at fair value.

In addition, in evaluating whether an entity will have sufficient taxable profits in future periods against which deductible temporary differences can be utilised, the amendments require an entity to compare the deductible temporary differences with future taxable profits that excludes tax deductions resulting from the reversal of those temporary differences.

The amendments shall be applied retrospectively.

<u>Financial year beginning on/after 1 April 2018</u>

(a) IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration' (effective from 1 January 2018) applies when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. MFRS 121 requires an entity to use the exchange rate at the 'date of the transaction' to record foreign currency transactions.

IC Interpretation 22 provides guidance how to determine 'the date of transaction' when a single payment/receipt is made, as well as for situations where multiple payments/receipts are made.

The date of transaction is the date when the payment or receipt of advance consideration gives rise to the non-monetary asset or non-monetary liability when the entity is no longer exposed to foreign exchange risk.

If there are multiple payments or receipts in advance, the entity should determine the date of the transaction for each payment or receipt.

An entity has the option to apply IC Interpretation 22 retrospectively or prospectively.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(a) Basis of Preparation (contd.)

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

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

Financial year beginning on/after 1 April 2018 (contd.):

(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 the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than income statement, unless this creates an accounting mismatch.

MFRS 9 introduces 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.

(c) MFRS 15 "Revenue from Contracts with Customers" (effective from 1 January 2018) replaces MFRS 118 "Revenue" and MFRS 111 "Construction Contracts" and related interpretations. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

A new five-step process is applied before revenue can be recognised:

- Identify contracts with customers
- Identify the separate performance obligations
- Determine the transaction price of the contract;
- Allocate the transaction price to each of the separate performance obligations; and
- Recognise the revenue as each performance obligation is satisfied.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(a) Basis of Preparation (contd.)

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

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

<u>Financial year beginning on/after 1 April 2018 (contd.):</u>

(c) Key provisions of the new standard are as follows:
- Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
- If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.
- The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
- There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few.
- As with any new standard, there are also increased disclosures.

<u>Financial year beginning on/after 1 April 2019</u>

MFRS 16 "Leases" (effective from 1 January 2019) supersedes MFRS 117 ”Leases” and the related interpretations.

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a “right-of-use” of the underlying asset and a lease liability reflecting future lease payments for most leases.

The right-of-use asset is depreciated in accordance with the principle in MFRS 116 ‘Property, Plant and Equipment’ and the lease liability is accreted over time with interest expense recognised in the income statement.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The above standards, amendments to published standards and interpretations to existing standards are not anticipated to have any significant impact on the financial statements of the Bank and the Group in the year of initial application, except for the adoption of MFRS 9. The Bank and the Group are assessing the potential impact of this standard.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(b) Economic Entities in the Group

(i) Subsidiaries

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

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

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

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

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date, any gains or losses arising from such re-measurement are recognised in profit or loss.

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

(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.

(iv) Associates

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

Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment in an associate is initially recognised at cost, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the associate in profit or loss, and the Group's share of movements in other comprehensive income of the associate in other comprehensive income. Dividends received or receivable from an associate are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interests in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. The Group's investment in associates includes goodwill identified on acquisition.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. Any impairment loss is recognised for the amount by which the carrying amount of the associate exceeds its recoverable amount.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

(iv) Associates (contd.)

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates, unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to the financial statements of associates to ensure consistency of accounting policies with those of the Group.

When the Group ceases to equity account its associate because of a loss of significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as a financial asset. In addition, any amount previously recognised in other comprehensive income in respect of the entity is accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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

Dilution gains and losses arising in investments in associates are recognised in the statements of comprehensive income.

(v) Joint Arrangements

A joint arrangement is an arrangement of which there is contractually agreed sharing of control by the Group with one or more parties, where decisions about the relevant activities relating to the joint arrangement require unanimous consent of the parties sharing control. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities, relating to the arrangement.

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position. Under the equity method, the investment in a joint venture is initially recognised at cost, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the joint venture in profit or loss, and the Group's share of movements in other comprehensive income of the joint venture in other comprehensive income. Dividends received or receivable from a joint venture are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint venture, including any long-term interests that, in substance, form part of the Group's net investment in the joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

(v) Joint Arrangements (contd.)

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. An impairment loss is recognised for the amount by which the carrying amount of the joint venture exceeds its recoverable amount.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

(c) Investments in Subsidiaries, Joint Ventures and Associates in Separate Financial Statements

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

(d) Intangible Assets

(i) Goodwill

Goodwill arises from a business combination and represents the excess of the aggregate of fair value of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed on the acquisition date. If the fair value of consideration transferred, the amount of non-controlling interest and the fair value of previously held interest in the acquiree are less than the fair value of the net identifiable assets of the acquiree, the resulting gain is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(d) Intangible Assets (contd.)

(i) Goodwill (contd.)

Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at operating segments level. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(ii) Computer Software

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

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

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

(e) Financial Assets

(i) Classification

The Bank and the Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available-for-sale and held-to-maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period. The policy of the recognition and measurement of impairment is in accordance with Note 2(i).

Financial assets at fair value through profit or loss

The Bank and the Group classifies financial assets at fair value through profit or loss if they are acquired principally for the purpose of selling in the short term, i.e. are held-for-trading.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(e) Financial Assets (contd.)

(i) Classification (contd.)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Bank and the Group's loans and receivables comprise cash and short-term funds, deposits and placements with bank and other financial institutions, loans, advances and financing and other assets, in the statement of financial position.

Financial investments available-for-sale

Financial investments available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Financial investments held-to-maturity

Financial investments held-to-maturity are non-derivative quoted financial assets with fixed or determinable payments and fixed maturities that the Bank and the Group's management has the positive intention and ability to hold to maturity. If the Bank and the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as financial investments available for sale.

(ii) Reclassification

The Bank and the Group may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Bank and the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made.

Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date.

As at the reporting date, the Bank and the Group have not made any such reclassification.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(e) Financial Assets (contd.)

(iii) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the settlement date.

Financial assets are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset for all financial assets not carried at fair value through profit or loss. Financial assets at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss.

(iv) Subsequent measurement – gains and losses

Financial investments available-for-sale and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and financial investments held-to-maturity are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss, including the effects of currency translation, interest and dividend income are recognised in profit or loss in the period in which the changes arise.

Changes in the fair value of financial investments available-for-sale are recognised in other comprehensive income, except for impairment losses Note 2(i) and foreign exchange gains and losses Note 2(r).

(v) De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Bank and the Group have transferred substantially all risks and rewards of ownership.

When financial investments available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss.

(f) Financial Liabilities

Financial liabilities are initially recognised at the fair value of consideration received less directly attributable transaction costs. Subsequent to initial recognition, financial liabilities are measured at amortised cost.

Certain financial liabilities are designated at initial recognition at fair value through profit or loss when one of the designation criteria is met:

(i) Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;

(ii) Its performance is evaluated on a fair value basis, in accordance with a documented with management or investment strategy; or

(iii) The item is a hybrid contract that contains one or more embedded derivative.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(g) Repurchase Agreements

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

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

(h) Property, Plant and Equipment and Depreciation

Property, plant and equipment are initially recorded at cost 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 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)(iv).

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:

Office equipment, furniture and fixtures	10% - 20%
Motor vehicles	20%
Renovations	20%
Computer equipment	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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

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

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

(i) Assets carried at amortised cost

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

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

(1) significant financial difficulty of the obligor;

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

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

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

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

The Bank and the Group first assesses individually whether objective evidence of impairment exists for all financial assets deemed to be individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset whether significant or not, the loan is then collectively assessed for impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment is the current effective interest rate determined under the contract.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(i) Impairment of Assets (contd.)

(i) Assets carried at amortised cost (contd.)

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

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

(ii) Assets classified as financial investments available-for-sale

The Bank and the Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses criteria and measurement of impairment loss applicable for 'assets carried at amortised cost' above. If, in a subsequent period, the fair value of a debt instrument classified as financial investments available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the profit or loss.

In the case of equity securities classified as financial investments available-for-sale, in addition to the criteria for 'assets carried at amortised cost' above, a significant or prolonged decline in the fair value of the security below its cost is also considered as an indicator that the assets are impaired. If any such evidence exists for financial investments available-for-sale, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in profit or loss. The amount of cumulative loss reclassified to profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments classified as financial investments available-for-sale are not reversed through profit or loss in subsequent periods.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(i) Impairment of Assets (contd.)

(iii) Goodwill/Intangible assets

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

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

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

(iv) Other non-financial assets

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

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

(j) Leases

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(j) Leases (contd.)

(i) Finance Leases

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

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

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

(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.

(k) Share Capital

(i) Classification

Ordinary shares with discretionary dividends are classified as equity.

(ii) Share issue costs

Incremental costs directly attributable to the issue of new shares or options are deducted against the share premium account.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(k) Share Capital (contd.)

(iii) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owner of the Bank and the Group, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share

Diluted earnings per share adjusts the figures in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(l) 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.

(m) Provisions

Provisions are recognised when:

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(n) 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 when all recovery actions have been fully exhausted. Impairment allowances are made for balances due from clients and brokers which are considered doubtful or which have been classified as impaired, after taking into consideration collateral held by the Group and deposits of and amounts due to dealer representative in accordance with the Rules of Bursa Securities.

(o) Recognition of Interest and Financing Income

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

Interest income and financing income are recognised in the statement of comprehensive income for all interest/profit-bearing assets on an accrual basis. Interest income and financing income are 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/financing where the value has been reduced as a result of impairment loss, interest/financing income continues to be accrued using the rate of interest used to discount the future cash flows for the purposes of measuring the impairment.

(p) Recognition of Interest and Financing Expenses

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(q) 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.

Dividends are recognised when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.

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

(r) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Bank's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Changes in the fair value of monetary securities denominated in foreign currency classified as financial investments available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as financial investments available-for-sale, are included in other comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(s) Current and Deferred Income Tax

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

Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in the comprehensive income or directly in equity, respectively.

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

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

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred income tax assets and liabilities relate to taxes levied by the same tax authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(t) Cash and Cash Equivalents

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(u) Employee Benefits

(i) Short-term Employee Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. 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

Alliance Financial Group Berhad ("AFGB"), the ultimate holding company of the Bank operates a number of equity-settled share-based compensation plan under which the Bank receives services from employees as consideration for equity instruments (options/grants) of the ultimate holding company . The award is treated as equity settled in the Bank's financial statements. The fair value of the employee services received in exchange for the grant of the options/grants is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options/grants granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding of shares for a specific period of time).

Non-market vesting conditions and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of the reporting period, the Bank revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss over the vesting period with a corresponding credit recognised in equity.

In circumstances where employees provide services in advance of the grant date, the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(u) Employee Benefits (contd.)

(iii) Equity Compensation Benefits (contd.)

The credit to equity is treated as a capital contribution as the ultimate holding company is compensating the Bank's employees with no expense to the Bank.

Where the parent recharges the Bank for the equity instruments granted, the recharge is recognised over the vesting period.

(v) Contingent Liabilities and Contingent Assets

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

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

(w) Financial Guarantee Contracts

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(x) Segment Reporting

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

(y) Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

3. CASH AND SHORT-TERM FUNDS

	BANK		GROUP	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	31,302	14,437	32,218	15,128
Money at call and deposit placements maturing within one month	11,691	7,742	12,202	8,073
	42,993	22,179	44,420	23,201

Included in the cash and short-term funds of the Bank and the Group are accounts held-in-trust for remisiers amounting to RM8,279,000 respectively (2016: RM6,151,000)

4. BALANCES DUE FROM CLIENTS AND BROKERS

	BANK/GROUP	
	2017	2016
	RM'000	RM'000
Due from clients	96,499	97,680
Due from brokers	17,358	7,816
	113,857	105,496
Less: Allowance for other losses	(835)	(837)
	113,022	104,659

These represent amounts receivable 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.

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

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

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

	BANK/GROUP	
	2017	2016
	RM'000	RM'000
Classified as doubtful	101	52
Classified as bad	846	848
	947	900

Other balances are neither past due nor impaired.

The movements in allowance for other losses are as follows:

At beginning of financial year	837	840
Write-back during the financial year (net)	(2)	(3)
At end of financial year	835	837

5. FINANCIAL ASSETS HELD-FOR-TRADING

	BANK/GROUP	
	2017	2016
	RM'000	RM'000
At fair value		
Money market instruments:		
Commercial papers	34,865	-

6. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	BANK/GROUP	
	2017	2016
	RM'000	RM'000
At fair value		
Money market instruments:		
Malaysian Government securities	161,194	112,091
Malaysian Government investment certificates	161,870	386,856
Negotiable instruments of deposits	506	97,494
	323,570	596,441
Unquoted securities:		
Shares	55,342	51,124
Less: Accumulated impairment	(1,440)	(1,440)
	53,902	49,684
Unit Trust Fund	4,960	4,992
Corporate bonds and sukuk	727,110	417,864
Less: Accumulated impairment	(96,231)	(96,231)
	630,879	321,633
	1,013,311	972,750

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

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

	BANK/GROUP 2017 RM'000	BANK/GROUP 2016 RM'000
At beginning of financial year	97,671	103,721
Write-back during the financial year	-	(6,050)
At end of financial year	97,671	97,671

7. FINANCIAL INVESTMENTS HELD-TO-MATURITY

	BANK/GROUP 2017 RM'000	BANK/GROUP 2016 RM'000
At amortised cost		
Money market instruments:		
Malaysian Government securities	121,310	121,830
Khazanah Bonds	52,216	50,356
	173,526	172,186
At cost		
Unquoted securities:		
Corporate bonds	17,306	17,306
Less: Accumulated impairment	(12,899)	(12,899)
	4,407	4,407
	177,933	176,593

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

	BANK/GROUP 2017 RM'000	BANK/GROUP 2016 RM'000
At beginning of financial year	12,899	24,833
Write-back during the financial year	-	(17)
Written-off during the financial year	-	(11,917)
At end of financial year	12,899	12,899

8. LOANS, ADVANCES AND FINANCING

	BANK/GROUP 2017 RM'000	BANK/GROUP 2016 RM'000
Term loans/financing	211,769	57,612
- Syndicated term loans/financing	146,284	1,153
- Other term loans/financing	65,485	56,459
Staff loans (Directors loan: RMNil)	425	533
Revolving credits	5,010	2
Share margin financing	200,758	145,490
Gross loans, advances and financing	417,962	203,637
Less: Allowance for impairment on loans, advances and financing		
- Individual assessment allowance	-	(3,800)
- Collective assessment allowance	(1,356)	(567)
Total net loans, advances and financing	416,606	199,270

8. LOANS, ADVANCES AND FINANCING (CONTD.)

(i) By maturity structure:

	BANK/GROUP 2017 RM'000	BANK/GROUP 2016 RM'000
Within one year	207,315	150,510
One year to three years	40,181	29,862
Three years to five years	10,250	20,687
Over five years	160,216	2,578
Gross loans, advances and financing	417,962	203,637

(ii) By type of customer:

	BANK/GROUP 2017 RM'000	BANK/GROUP 2016 RM'000
Domestic non-bank financial institutions	-	25,004
Domestic business enterprises		
- Small and medium enterprises	83,346	-
- Others	173,276	59,245
Individuals	158,129	119,388
Other domestic entities	2,980	-
Foreign entities	231	-
Gross loans, advances and financing	417,962	203,637

(iii) By interest/profit rate sensitivity:

	BANK/GROUP 2017 RM'000	BANK/GROUP 2016 RM'000
Fixed rate loans/financing	35,245	5,323
Variable rate:		
- Base lending rate plus	191,623	140,971
- Cost plus	191,094	57,343
Gross loans, advances and financing	417,962	203,637

(iv) By economic purposes:

	BANK/GROUP 2017 RM'000	BANK/GROUP 2016 RM'000
Purchase of securities	200,758	145,490
Purchase of transport vehicles	27	25
Purchase of landed property	48,631	3,807
of which: - Residential	2,684	2,654
- Non-residential	45,947	1,153
Personal use	131	121
Working capital	130,628	3,802
Others	37,787	50,392
Gross loans, advances and financing	417,962	203,637

8. LOANS, ADVANCES AND FINANCING (CONTD.)

(v) By geographical distribution:

	BANK/GROUP 2017 RM'000	BANK/GROUP 2016 RM'000
Northern region	32,834	21,874
Central region	371,156	173,066
Southern region	13,972	8,697
Gross loans, advances and financing	417,962	203,637

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

	BANK/GROUP 2017 RM'000	BANK/GROUP 2016 RM'000
At beginning of financial year	5,955	10,835
Impaired during the financial year	225	223
Reclassified as non-impaired during the financial year	-	(56)
Recoveries	-	(68)
Amount written-off	(3,800)	(4,979)
At end of financial year	2,380	5,955
Individual allowance for impairment	-	(3,800)
Collective allowance for impairment (impaired portion)	(321)	(271)
Net impaired loans, advances and financing	2,059	1,884
Gross impaired loans as % of gross loans, advances and financing	0.6%	2.9%

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

	BANK/GROUP 2017 RM'000	BANK/GROUP 2016 RM'000
Individual Assessment Allowance		
At beginning of financial year	3,800	8,763
Amount written-off	(3,800)	(4,963)
At end of financial year	-	3,800
Collective Assessment Allowance		
At beginning of financial year	567	659
Allowance for/(write-back) of allowance during the financial year	789	(76)
Amount written-off	-	(16)
At end of financial year	1,356	567

8. LOANS, ADVANCES AND FINANCING (CONTD.)

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

	BANK/GROUP	
	2017	2016
	RM'000	RM'000
Purchase of transport vehicle	27	25
Purchase of landed properties	2,079	1,924
of which: -Residential	*2,079*	*1,924*
Personal use	131	121
Working capital	-	3,800
Others	143	85
Gross impaired loans	2,380	5,955

(ix) Impaired loans by geographical distribution:

	BANK/GROUP	
	2017	2016
	RM'000	RM'000
Central region	2,380	5,955
Gross impaired loans	2,380	5,955

9. OTHER ASSETS

	BANK		GROUP	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Other receivables, deposits and prepayments	7,639	5,829	7,773	5,965
Amount due from subsidiaries/ related companies	-	148	-	148
	7,639	5,977	7,773	6,113
Less: Allowance for other receivables [Note (a)]	(3,329)	(3,391)	(3,329)	(3,391)
	4,310	2,586	4,444	2,722

Note:

(a) Movement in allowance for other losses of the Bank and of the Group are as follow:

	BANK/GROUP	
	2017	2016
	RM'000	RM'000
At beginning of financial year	3,391	7,634
Allowance made during the financial year	48	1,116
Amount written-off	(110)	(5,359)
At end of financial year	3,329	3,391

10. STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

Non-interest bearing statutory deposits for the Bank and the Group of RM33,690,000 (2016: RM21,318,000) are maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009, the amounts of which are determined as a set percentage of total eligible liabilities.

11. INVESTMENTS IN SUBSIDIARIES

	BANK	
	2017	2016
	RM'000	RM'000
Unquoted shares, at cost		
At beginning/end of financial year	10	10

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

Name	Principal activities	Equity interest	
		2017	2016
		%	%
ARSB Alliance Sdn. Bhd.	Dormant	100	100
KLCS Sdn. Bhd.	Dormant	100	100
Rothputra Nominees (Tempatan) Sdn. Bhd. (under member's voluntary winding up)	Dormant	100	100
AIBB Nominees (Asing) Sdn. Bhd. (under member's voluntary winding up)	Dormant	100	100
AIBB Nominees (Tempatan) Sdn. Bhd. (under member's voluntary winding up)	Dormant	100	100

12. INVESTMENT IN AN ASSOCIATE

	BANK		GROUP	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Unquoted shares				
At beginning of financial year	230	230	263	258
Share of results in an associate	-	-	4	5
At the end of financial year	230	230	267	263
Represented by:				
Share of net tangible assets			267	263

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

Name	Principal activities	Effective equity interest 2017	Effective equity interest 2016
Alliance Trustee Berhad	Trustee services	20%	20%

Alliance Trustee Berhad is jointly held by the following:

	Effective equity interest 2017	Effective equity interest 2016
Alliance Financial Group Berhad	100%	100%
Alliance Bank Malaysia Berhad	40%	40%
Setiu Integrated Resort Sdn Bhd	20%	20%
Hijauan Setiu Sdn Bhd	20%	20%

The summarised financial information of the associate is as follows:

	GROUP	
	2017	2016
	RM'000	RM'000
Assets and Liabilities		
Current assets		
Cash and short term funds	168	143
Other current assets	1,077	1,081
Total current assets	1,245	1,224
Non-current assets	102	103
Total assets	1,347	1,327
Current liabilities		
Other current liabilities	10	14
Total liabilities	10	14
Net assets	1,337	1,313
The summarised statement of comprehensive income is as follows:		
Revenue	43	44
Profit before tax for the financial year	33	31
Profit after tax for the financial year	24	23
Reconciliation of summarised financial information:		
The above profit includes the following:		
Taxation	(8)	(8)

12. INVESTMENT IN AN ASSOCIATE (CONTD.)

	GROUP 2017 RM'000	GROUP 2016 RM'000
Net assets		
At beginning of financial year	1,313	1,290
Profit after tax for the financial year	24	23
At end of financial year	1,337	1,313
Carrying value at 20% share of the equity interest of the associate	267	263

13. INVESTMENT IN JOINT VENTURE

	BANK 2017 RM'000	BANK 2016 RM'000	GROUP 2017 RM'000	GROUP 2016 RM'000
At beginning of financial year	394	394	566	410
Share of results of joint venture	-	-	84	156
At the end of financial year	394	394	650	566
Represented by:				
Share of net tangible assets			650	566

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

Name	Principal activities	Effective equity interest 2017	Effective equity interest 2016
AllianceDBS Research Sdn. Bhd.	Research and stock analysis	51%	51%

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

	GROUP 2017 RM'000	GROUP 2016 RM'000
Assets and Liabilities		
Current assets		
Cash and short term funds	1,859	1,354
Other current assets	651	373
Total current assets	2,510	1,727
Non-current assets	512	518
Total assets	3,022	2,245
Current liabilities		
Other liabilities (non trade)	1,747	1,136
Total liabilities	1,747	1,136
Net assets	1,275	1,109
The summarised statement of comprehensive income is as follows:		
Revenue	6,389	5,710
Profit before tax for the financial year	215	171
Profit after tax for the financial year	166	305
The above profit includes the following:		
Depreciation and amortisation	(18)	(37)
Taxation	(49)	134

13. INVESTMENT IN JOINT VENTURE (CONTD.)

Reconciliation of summarised financial information:

	GROUP 2017 RM'000	GROUP 2016 RM'000
Net assets		
At beginning of financial year	1,109	804
Profit for the financial year	166	305
At the end of financial year	1,275	1,109
Carrying value at 51% share of the equity interest of a joint venture	650	566

14. PROPERTY, PLANT AND EQUIPMENT

BANK 2017	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost					
At beginning of financial year	3,966	2,447	15,858	5	22,276
Additions	55	544	107	-	706
At end of financial year	4,021	2,991	15,965	5	22,982
Accumulated Depreciation					
At beginning of financial year	2,781	2,135	15,795	5	20,716
Charge for the financial year	397	107	49	-	553
At end of financial year	3,178	2,242	15,844	5	21,269
Net Carrying Amount	843	749	121	-	1,713

GROUP 2017	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost					
At beginning of financial year	3,966	2,457	15,858	5	22,286
Additions	55	544	107	-	706
At end of financial year	4,021	3,001	15,965	5	22,992
Accumulated Depreciation					
At beginning of financial year	2,781	2,145	15,795	5	20,726
Charge for the financial year	397	107	49	-	553
At end of financial year	3,178	2,252	15,844	5	21,279
Net Carrying Amount	843	749	121	-	1,713

14. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

BANK	Renovations	Office equipment and furniture	Computer equipment	Motor vehicles	Total
2016	RM'000	RM'000	RM'000	RM'000	RM'000
Cost					
At beginning of financial year	3,654	2,455	24,656	5	30,770
Additions	312	28	91	-	431
Disposals	-	(7)	-	-	(7)
Written-off	-	(29)	(8,889)	-	(8,918)
At end of financial year	3,966	2,447	15,858	5	22,276
Accumulated Depreciation					
At beginning of financial year	2,416	2,101	24,647	5	29,169
Charge for the financial year	365	68	17	-	450
Disposals	-	(5)	-	-	(5)
Written-off	-	(29)	(8,869)	-	(8,898)
At end of financial year	2,781	2,135	15,795	5	20,716
Net Carrying Amount	1,185	312	63	-	1,560

GROUP	Renovations	Office equipment and furniture	Computer equipment	Motor vehicles	Total
2016	RM'000	RM'000	RM'000	RM'000	RM'000
Cost					
At beginning of financial year	3,654	2,465	24,656	5	30,780
Additions	312	28	91	-	431
Disposals	-	(7)	-	-	(7)
Written-off	-	(29)	(8,889)	-	(8,918)
At end of financial year	3,966	2,457	15,858	5	22,286
Accumulated Depreciation					
At beginning of financial year	2,416	2,111	24,647	5	29,179
Charge for the financial year	365	68	17	-	450
Disposals	-	(5)	-	-	(5)
Written-off	-	(29)	(8,869)	-	(8,898)
At end of financial year	2,781	2,145	15,795	5	20,726
Net Carrying Amount	1,185	312	63	-	1,560

15. DEFERRED TAX LIABILITIES

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

	BANK/GROUP	
	2017	2016
	RM'000	RM'000
Deferred tax liabilities	(11,143)	(11,521)
	(11,143)	(11,521)

	BANK/GROUP	
	2017	2016
	RM'000	RM'000
At beginning of financial year	(11,521)	(9,719)
Recognised in statement of comprehensive income	97	111
Recognised in other comprehensive income	281	(1,913)
At end of financial year	(11,143)	(11,521)

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

Bank/Group Deferred tax assets/ (liabilities)	Financial investments available-for-sale RM'000	Property, plant and equipment RM'000	Other liabilities RM'000	Total RM'000
At 1 April 2015	(10,352)	-	633	(9,719)
Recognised in statement of comprehensive income	-	(86)	197	111
Recognised in equity	(1,913)	-	-	(1,913)
At 31 March 2016	(12,265)	(86)	830	(11,521)
Recognised in statement of comprehensive income	-	(31)	128	97
Recognised in other comprehensive income	281	-	-	281
At 31 March 2017	(11,984)	(117)	958	(11,143)

16. INTANGIBLE ASSETS

	BANK		GROUP	
	2017	2016	2017	2016
Goodwill	RM'000	RM'000	RM'000	RM'000
Cost:				
At beginning/end of financial year	71,760	71,760	63,870	63,870
Impairment:				
At beginning of financial year	(12,216)	(11,008)	(11,006)	(9,798)
Impairment made during the financial year	-	(1,208)	-	(1,208)
At end of financial year	(12,216)	(12,216)	(11,006)	(11,006)
Net carrying amount	59,544	59,544	52,864	52,864
Computer software				
Cost:				
At beginning of financial year	5,504	6,219	5,504	6,219
Additions	838	381	838	381
Written-off	-	(1,096)	-	(1,096)
At end of financial year	6,342	5,504	6,342	5,504
Accumulated amortisation:				
At beginning of financial year	(4,017)	(4,932)	(4,017)	(4,932)
Charge for the financial year	(342)	(181)	(342)	(181)
Written-off	-	1,096	-	1,096
At end of financial year	(4,359)	(4,017)	(4,359)	(4,017)
Net carrying amount	1,983	1,487	1,983	1,487
Total carrying amount	61,527	61,031	54,847	54,351

Computer software includes work in progress of RM915,000 (2016: RM938,000) which is not amortised until ready for use.

(a) Impairment test on Goodwill

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

	BANK		GROUP	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Stockbroking business	32,639	32,639	29,050	29,050
Financial markets	23,282	23,282	20,722	20,722
Corporate Investment Banking	3,623	3,623	3,092	3,092
	59,544	59,544	52,864	52,864

16. INTANGIBLE ASSETS (CONTD.)

(a) Impairment test on Goodwill (contd.)

For annual impairment testing purposes, the recoverable amount of the CGUs, which are reportable businesses, 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 Board of Directors. The key assumptions for the computation of value-in-use including the discount rates, cash flow projection and growth rates applied are as follows:

(i) Discount rate

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

	GROUP	
	2017	2016
	%	%
Stockbroking business	7.13	8.04
Financial markets	7.16	8.07
Corporate Investment Banking	7.14	8.03

(ii) Cash flow projections and growth rate

Cash flow projections are based on four-year financial budget and projections approved by the Board of Directors. Cash flows beyond the fourth year are extrapolated in perpetuity using a terminal growth rate of 4.5% (2016: 5.0%) based on respective industry's average growth.

During the last financial year, an impairment loss on RM1.2 million has been recognised in respect of Corporate Investment Banking, CGU. The impairment loss is driven by lower projected cash flows resulting from the reassessment of expected future business performance in the light of current trading and economic conditions. Any adverse change in key assumptions would cause a further impairment loss to be recognised.

(b) Sensitivity to changes in Assumptions

Management is of a view that any reasonable change in the key assumptions would not cause the carrying amount of the goodwill to exceed the recoverable amount of the CGU.

17. DEPOSITS FROM CUSTOMERS

	BANK/GROUP	
	2017	2016
	RM'000	RM'000
Fixed/investment deposits	460,581	238,960
Money market deposits	67,670	195,694
Negotiable instruments of deposits	200,034	100,202
	728,285	534,856

17. DEPOSITS FROM CUSTOMERS (CONTD.)

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

	BANK/GROUP	
	2017	2016
	RM'000	RM'000
Due within six months	728,285	534,856

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

	BANK/GROUP	
	2017	2016
	RM'000	RM'000
Business enterprises	471,364	222,213
Domestic financial institutions	200,034	100,202
Domestic non-bank financial institutions	56,887	163,418
Others	-	49,023
	728,285	534,856

18. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	BANK/GROUP	
	2017	2016
	RM'000	RM'000
Licensed banks	431,375	284,805

19. BALANCES DUE TO CLIENTS AND BROKERS

	BANK/GROUP	
	2017	2016
	RM'000	RM'000
Due to clients	69,066	77,246

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 trade payable for non-margin client is three (3) market days according to Bursa's FDSS trading rules.

Following the issuance of FRSIC Consensus 18, the Bank and the Group no longer recognises trust monies balances in the statement of financial position, as the Bank and the Group do 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 Bank and the Group amounting to RM75,447,000 (2016: RM83,067,000) have been excluded accordingly.

20. OTHER LIABILITIES

	Note	BANK 2017 RM'000	BANK 2016 RM'000	GROUP 2017 RM'000	GROUP 2016 RM'000
Other payables		22,778	22,721	22,193	22,135
Provision and accruals		4,924	4,969	4,949	4,994
Remisier's accounts		8,279	6,151	8,279	6,151
Amounts due to joint venture	(i)	260	-	260	-
Amount due to immediate holding company	(i)	1,570	1,889	1,748	1,889
Amount due to ultimate holding company	(i)	68	62	69	63
		37,879	35,792	37,498	35,232

Note:

(i) The amount due to related/subsidiary companies, immediate holding company and ultimate holding company are unsecured, interest free and repayable upon demand.

21. SHARE CAPITAL

	BANK/GROUP 2017 RM'000	BANK/GROUP 2016 RM'000
Ordinary shares issue:		
At beginning/end of financial year	365,000	365,000

22. RESERVES

	Note	BANK 2017 RM'000	BANK 2016 RM'000	GROUP 2017 RM'000	GROUP 2016 RM'000
Non-distributable:					
Statutory reserves	(a)	201,383	196,736	201,383	196,736
Regulatory reserves	(b)	3,660	1,830	3,660	1,830
Revaluation reserves	(c)	37,949	38,841	37,949	38,841
Equity contribution from ultimate holding company	(d)	264	256	298	303
Share premium	(e)	962	962	962	962
		244,218	238,625	244,252	238,672
Distributable:					
Retained profits		21,904	27,362	17,726	23,033
		266,122	265,987	261,978	261,705

22. RESERVES (Contd.)

Note:

(a) The statutory reserves are maintained in compliance with Section 47(2)(f) of the Financial Services Act, 2013 ("FSA") which requires a banking institution to maintain a reserve fund and minimum capital funds at all times.

(b) The Group are required to maintain in aggregate collective impairment allowances of no less than 1.2% of the total outstanding loans, advances and financing, net of individual impairment allowances, in accordance with the BNM guideline dated 6 April 2015 on "Classification and Impairment Provisions for Loans/Financing".

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

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

(e) Share premium is used to record premium arising from new shares issued by the Bank. The Bank has adopted the transitional provisions under the Companies Act, 2016 where the sum standing to the credit of the share premium account may be utilised within 24 months from the commencement date 31 January 2017 in the manner as allowed for under the Act. Any remaining amount standing to the credit of the Bank’s share premium account shall be reclassified and become part of the share capital.

23. ALLIANCE FINANCIAL GROUP BERHAD EMPLOYEES' SHARE SCHEME

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

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

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

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

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

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

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

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

(a) has attained the age of 18 years;

(b) in the case of a Director, is on the board of directors of a corporation in the Group;

(c) in the case of an employee, is employed by a corporation in the Group; and

(d) is not a participant of any other employee share option scheme implemented by any other corporation within the Group which is in force for the time being,

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

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

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

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

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

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

BANK/GROUP **2017**	Share Grants Number of Share Grants					
	At beginning of year '000	Offered/ awarded '000	Transfer '000	Vested '000	Lapsed/ forfeited '000	At end of year '000
2015 Share Scheme (1st grant)	16	-	-	(8)	-	8
2016 Share Scheme	68	-	-	(22)	-	46
	84	-	-	(30)	-	54

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

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

BANK

2016	Share Options Number of Share Options						Share Grants Number of Share Grants					
	At beginning of year '000	Offered/ awarded '000	Transfer '000	Vested/ exercised '000	Lapsed '000	At end of year '000	At beginning of year '000	Offered/ awarded '000	Transfer '000	Vested/ exercised '000	Lapsed '000	At end of year '000
2013 Share Scheme (1st grant)	81	-	-	-	(81)	-	5	-	-	(2)	(3)	-
2015 Share Scheme (1st grant)	-	-	-	-	-	-	24	-	-	(8)	-	16
2016 Share Scheme	-	-	-	-	-	-	-	87	(12)	-	(7)	68
	81	-	-	-	(81)	-	29	87	(12)	(10)	(10)	84
WAEP (RM)	4.22	-	-	-	4.22	-						

GROUP

2016	Share Options Number of Share Options						Share Grants Number of Share Grants					
	At beginning of year '000	Offered/ awarded '000	Transfer '000	Vested/ exercised '000	Lapsed '000	At end of year '000	At beginning of year '000	Offered/ awarded '000	Transfer '000	Vested/ exercised '000	Lapsed '000	At end of year
2013 Share Scheme (1st grant)	199	-	(118)	-	(81)	-	14	-	(9)	(2)	(3)	-
2014 Share Scheme	208	-	(208)	-	-	-	11	-	(11)	-	-	-
2015 Share Scheme (1st grant)	-	-	-	-	-	-	56	-	(32)	(8)	-	16
2016 Share Scheme	-	-	-	-	-	-	-	87	(12)	-	(7)	68
	407	-	(326)	-	(81)	-	81	87	(64)	(10)	(10)	84
WAEP (RM)	4.80	-	4.95	-	4.22	-						

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

	Vesting Schedule	**Vesting Dates**
2015 Share Grants (1st grant)	- First 33.3% of the share grants	23.06.2015
	- Second 33.3% of the share grants	23.06.2016
	- Third 33.4% of the share grants	23.06.2017
2016 Share Grants	- First 33% of the share grants	22.06.2016
	- Second 67% of the share grants	22.06.2017

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

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

The fair value of share options/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/grants were offered/awarded. The rates are based on observable prices. The fair value of share options and share grants measured at offer/award date and the assumptions are as follows:

	Share Grants	
	2015 (1st grant)	2016
Fair value of the shares as at grant date,		
- 23 June 2014 (RM)	4.3400	-
- 22 June 2015 (RM)	-	4.0600
Weighted average share price (RM)	4.7400	4.3700
Expected volatility (%)	0.2418	0.1736
Risk free rate (%)	3.17 to 4.43	2.99 to 4.29
Expected dividend yield (%)	4.36	4.31

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

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

24. INTEREST INCOME

	BANK		GROUP	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing	18,053	9,615	18,053	9,615
Money at call and deposit placements with financial institutions	31	47	2,012	63
Financial assets held-for-trading	-	31	-	31
Financial investments available-for-sale	29,518	42,414	29,518	42,414
Financial investments held-to-maturity	5,041	5,054	5,041	5,054
	52,643	57,161	54,624	57,177
Accretion of discount less amortisation of premium of financial investments	936	118	936	118
	53,579	57,279	55,560	57,295

Included in interest income on loans and advances for the current year is interest accrued on impaired loans of the Bank and of the Group of RM1,321,000 (2016 : RM1,155,000).

25. INTEREST EXPENSE

	BANK		GROUP	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	9,117	11,742	9,117	11,742
Deposits from customers	17,648	23,655	17,594	23,655
	26,765	35,397	26,711	35,397

26. OTHER OPERATING INCOME

	BANK		GROUP	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
(a) Fee and commission income:				
Brokerage fees	29,795	33,793	29,795	33,793
Corporate advisory fees	2,285	1,639	2,285	1,639
Guarantee fees	262	268	262	268
Processing fees	4,986	2,087	4,986	2,087
Service charges	301	334	301	334
Underwriting commissions	85	375	85	375
	37,714	38,496	37,714	38,496
(b) Fee and commission expense:				
Brokerage fees expense	(11,413)	(15,771)	(11,413)	(15,771)
(c) Investment income:				
Gain arising from sale/redemption of securities:				
- Financial assets held-for-trading	-	482	-	482
- Financial investments available-for-sale	2,085	1,159	2,085	1,159
Unrealised gain from revaluation of financial assets held-for-trading	53	-	53	-
Gross dividend income from:				
- Financial investments available-for-sale	778	750	778	750
- Subsidiaries	2,862	-	-	-
	5,778	2,391	2,916	2,391
(d) Other income:				
Foreign exchange gain	423	305	423	305
Rental income	34	-	34	-
Other non-operating income	1,196	2,842	2,996	868
	1,653	3,147	3,453	1,173
Total other operating income	33,732	28,263	32,670	26,289

27. OTHER OPERATING EXPENSES

	BANK		GROUP	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Personnel costs				
- Salaries, allowances and bonuses	19,008	17,200	19,008	17,200
- Contribution to EPF	2,920	2,750	2,920	2,750
- Share options/grants under ESS	139	140	139	126
- Others	1,974	2,136	1,974	2,136
	24,041	22,226	24,041	22,212
Establishment costs				
- Depreciation of property, plant and equipment	553	450	553	450
- Amortisation of computer software	342	181	342	181
- Rental	1,644	1,695	1,644	1,695
- Water and electricity	634	646	634	646
- Repairs and maintenance	583	620	583	620
- Information technology expenses	2,706	2,352	2,706	2,352
- Others	1,441	1,653	1,441	1,653
	7,903	7,597	7,903	7,597
Marketing expenses				
- Advertisement and publicity	443	628	443	628
- Entertainment	186	171	186	171
- Research cost	2,384	2,164	2,384	2,160
- Others	227	145	227	145
	3,240	3,108	3,240	3,104
Administration and general expenses				
- Communication expenses	570	644	570	644
- Printing and stationery	56	80	56	80
- Insurance	-	12	-	12
- Professional fees	1,627	1,158	1,631	1,184
- Others	2,516	2,424	2,516	2,275
	4,769	4,318	4,773	4,195
Total other operating expenses	39,953	37,249	39,957	37,108

Included in the other operating expenses are the following:

Auditors' remuneration				
- statutory audit fees	205	205	213	213
- audit related services	72	72	72	72
- tax compliance fees	32	37	32	37
Property, plant and equipment written-off	-	20	-	20

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

	BANK		GROUP	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Write-back of impaired loans and financing and other assets:				
(a) Individual assessment allowance				
- Net write-back during the financial year	-	-	-	-
(b) Collective assessment allowance				
- Net allowance for/(write-back of) during the financial year	789	(76)	789	(76)
(c) Bad debts on loans and financing				
- Recovered	(140)	(1,234)	(140)	(1,234)
	649	(1,310)	649	(1,310)
Allowance for other receivables, net	48	1,116	48	1,116
Write-back on other losses for balances due from clients	(2)	(3)	(2)	(3)
	695	(197)	695	(197)

29. WRITE-BACK OF IMPAIRMENT LOSSES

	BANK		GROUP	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Write-back of impairment on securities:				
- Financial investments held-to-maturity	-	(17)	-	(17)
- Financial investments available-for-sale	-	(6,050)	-	(6,050)
Allowance for impairment on goodwill	-	1,208	-	1,208
	-	(4,859)	-	(4,859)

30. TAXATION

	BANK		GROUP	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Income Tax:				
Provision for current year	5,177	5,603	6,096	5,133
Under provision in prior years	160	326	160	326
	5,337	5,929	6,256	5,459
Deferred tax (Note 15)	(97)	(111)	(97)	(111)
	5,240	5,818	6,159	5,348

Income tax is calculated at the Malaysian Statutory tax rate of 24% (2016: 24%) of the estimated assessable profit for the year.

30. TAXATION (CONTD.)

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

	BANK		GROUP	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	23,828	21,489	24,885	19,833
Taxation at Malaysian statutory tax rate of 24% (2016: 24%)	5,719	5,157	5,973	4,760
Income not subject to tax	(874)	(180)	(209)	(219)
Expenses not deductible for tax purposes	235	519	235	485
Over provision of deferred tax in prior years	-	(4)	-	(4)
Under provision of tax expense in prior years	160	326	160	326
Tax expense for the year	5,240	5,818	6,159	5,348

31. EARNINGS PER SHARE

Basic/Diluted

Basic/diluted earnings per share amounts are calculated by dividing profit for the year attributable to Equity holder of the Bank by the weighted average number of ordinary shares in issue during the financial year.

	GROUP	
	2017	2016
	RM'000	RM'000
Net profit attributable to Equity holder of the Bank	18,726	14,485
	2017	2016
	'000	'000
Numbers of ordinary shares in issued	365,000	365,000
	2017	2016
	Sen	Sen
Basic/diluted earnings per share	5.13	3.97

32. DIVIDEND

Dividends on Ordinary Shares:

	Recognised during the year	
	2017	2016
	RM'000	RM'000
Second Interim		
2.89 sen per share, on 365,000,000 ordinary shares declared in financial year ended 31 March 2016, was paid on 15 June 2016.	10,549	-
Second Interim		
1.6367 sen per share, on 365,000,000 ordinary shares declared in financial year ended 31 March 2015, was paid on 15 June 2015.	-	5,974
First Interim		
1.93 sen per share, on 365,000,000 ordinary shares declared in financial year ending 31 March 2017, was paid on 16 December 2016.	7,045	-
	17,594	5,974

Subsequent to the financial year end, on 31 May 2017, the Directors declared a second interim dividend of 1.89 sen per share on 365,000,000 ordinary shares amounting to approximately RM6,899,000 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 2018. The director do not propose any final dividend in respect of the financial year ended 31 March 2017.

The following is the analysis of dividend per share in respect of the financial year when the dividend was declared:

	Net dividends per Ordinary Share	
	2017	2016
	Sen	Sen
Declared subsequent to financial year end:		
An interim dividend of 2.89 sen per share	-	2.89
Paid:		
First Interim dividend of 1.93 sen, tax exempt under single tier tax	1.93	-
	1.93	2.89

33. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

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

The related parties of, and their relationship with the Company are as follows:

Relationship	**Related parties**
-Key management personnel	Key management personnel refer to those persons having authority and responsibility for planning, directing and controlling the activities of the Bank and the Group, directly or indirectly, including Executive Directors and Non-Executive Directors of the Bank and the Group (including close members of their families). Other members of key management personnel of the Bank and the Group are the Group Chief Executive Officer, Group Chief Operating Officer, Group Chief Financial Officer, Group Chief Risk Officer, Group Chief Credit Officer and Group Chief Administrative Officer (including close members of their families).
-Ultimate holding company	Ultimate holding company of the Bank as disclosed in Note 39.
-Immediate holding company	Immediate holding company of the Bank as disclosed in Note 39.
-Subsidiaries	Subsidiaries of the Bank as disclosed in Note 11.
-Related companies	Related companies of the Bank as disclosed in Note 39.
-Associate	Associate of the Bank as disclosed in Note 12.
-Joint venture	Joint venture of the Bank as disclosed in Note 13.

	BANK		GROUP	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
(a) Transactions				
Interest income				
- immediate holding company	11	42	11	57
- related companies	5	3,537	5	3,537
Other income				
- ultimate holding company	500	-	500	-
- immediate holding company	62	554	96	554
Interest expenses				
- ultimate holding company	(1,882)	(1,846)	(1,882)	(1,846)
- immediate holding company	(6,778)	(2,812)	(6,778)	(2,812)
- related companies	(1,444)	(1,589)	(1,444)	(1,589)
Rental expense				
- immediate holding company	(233)	(34)	(233)	(34)
Dividend paid				
- immediate holding company	(17,594)	(5,974)	(17,594)	(5,974)

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

(a) Transactions (Contd.)

	BANK		GROUP	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Overhead expenses				
- ultimate holding company	(762)	(768)	(762)	(768)
- immediate holding company	(10,220)	(10,006)	(10,220)	(10,006)
- subsidiaries	-	(4)	-	-
- joint venture	-	-	(55)	(36)

(b) Balances

	BANK 2017 RM'000	BANK 2016 RM'000	GROUP 2017 RM'000	GROUP 2016 RM'000
Cash and short-term funds				
- immediate holding company	-	24,755	-	25,446
- joint venture	-	-	-	351
Money at call and deposit placements with financial institutions				
- immediate holding company	33,105	-	33,305	-
- related companies	-	97,494	-	97,494
Other assets				
- joint venture	-	148	-	148
Investment in Securities				
- related companies	506	-	506	-
Deposits from customers				
- ultimate holding company	(97,229)	(94,305)	(97,229)	(94,305)
- immediate holding company	(200,034)	(100,202)	(200,034)	(100,202)
- related companies	(9,889)	-	(9,889)	-
- joint venture	-	-	(1,801)	-
Deposits and placements of banks and other financial institutions				
- immediate holding company	(431,375)	(284,805)	(431,375)	(284,805)
Other liabilities				
- ultimate holding company	(68)	(62)	(69)	(63)
- immediate holding company	(1,570)	(1,986)	(1,748)	(1,987)
- associated companies	(260)	-	(260)	-

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

(c) Compensation of key management personnel

Remuneration of CEO and Directors excluding past Directors for the year are as follows:

	BANK		GROUP	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Short-term employee benefits				
- Fees	536	305	536	305
- Salary and other remuneration, including meeting allowances	1,915	1,539	1,915	1,539
- Contribution to EPF	243	201	243	201
- Share options/grants under ESS	96	89	96	89
	2,790	2,134	2,790	2,134
Included in the total key management personnel are:				
CEO and Directors' remuneration excluding past Directors (Note 35)	2,790	2,134	2,790	2,134

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

	Share Grants	
	2017	2016
	'000	'000
Bank/Group		
At beginning of year	56	-
Offered/awarded	-	56
Vested	(18)	-
At end of year	38	56

The above share options/grants were offered/awarded on the same terms and conditions as those offered to other employees of the AFG Berhad Group (Note 23).

Bank/Group

Total value of remuneration and numbers of officers with variable remuneration for the year are as follow:

	2017		2016	
	Unrestricted	Deferred	Unrestricted	Deferred
	RM'000	RM'000	RM'000	RM'000
Fixed remuneration				
Cash	2,111	-	1,645	-
	2,111	-	1,645	-

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

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

Bank/Group

Total value of remuneration and numbers of officers with variable remuneration for the year are as follow (contd.):

	2017			2016		
	Number	Unrestricted RM'000	Deferred RM'000	Number	Unrestricted RM'000	Deferred RM'000
Variable remuneration						
Cash	1	500	83	1	400	-
Shares and share-linked instruments	1	-	96	1	-	89
		500	179		400	89
		2,611	179		2,045	89

34 CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

	BANK/GROUP 2017 RM'000	BANK/GROUP 2016 RM'000
Outstanding credit exposures with connected parties	100,337	-
of which: Total credit exposure which is impaired or default	-	-
Total credit exposures	1,904,872	487,803
Percentage of outstanding credit exposures to connected parties		
- as a proportion of total credit exposures	5.27%	-
- which is impaired or in default	-	-

The disclosure on Credit Transactions and Exposures with Connected Parties above is presented in accordance with para 9.1 of Bank Negara Malaysia's received Guidelines on Credit Transactions and Exposures with Connected Parties, which became effective on 1 January 2008.

Based on these guidelines, a connected party refers to the following:

(i) Directors of the Bank and their close relatives;

(ii) Controlling shareholder and his close relative;

(iii) Executive officer, being a member of management having authority and responsibility for planning, directing and/or controlling the activities of the Bank, and his close relatives;

34 CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES (CONTD.)

Based on these guidelines, a connected party refers to the following (contd.) :

(iv) Officers who are responsible for or have the authority to appraise and/or approve credit transactions or review the status of existing credit transactions, either as a member of a committee or individually, and their close relatives;

(v) Firms, partnerships, companies or any legal entities which control, or are controlled by any person listed in (i) to (iv) above, or in which they have an interest, as a director, partner, executive officer, agent or guarantor, and their subsidiaries or entities controlled by them;

(vi) Any person for whom, the persons listed in (i) to (iv) above is a guarantor; and

(vii) Subsidiary of or an entity controlled by the Bank and its connected parties.

Credit transactions and exposures to connected parties as disclosed above includes the extension of credit facilities and/or off-balance sheet credit exposures such as guarantees, trade-related facilities and loan commitments. It also includes holdings of equities and private debt securities issued by the connected parties.

35. CEO AND DIRECTORS' REMUNERATION

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

	BANK		GROUP	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
CEO				
- Salary and other remuneration	1,286	959	1,286	959
- Bonuses	500	400	500	400
- Contribution to EPF	243	201	243	201
- Share options/grants under ESS	96	89	96	89
	2,125	1,649	2,125	1,649
Non-executive Directors				
- Fees	536	305	536	305
- Allowances	129	180	129	180
	665	485	665	485
	2,790	2,134	2,790	2,134
Past Director				
- Fees	4	79	4	79
- Allowances	-	6	-	6
	4	85	4	85
	2,794	2,219	2,794	2,219
Total Directors' remuneration excluding benefits-in-kind	2,794	2,219	2,794	2,219

35. CEO AND DIRECTORS' REMUNERATION (CONTD.)

Remuneration in aggregate for CEO/Directors charged to the statement of comprehensive income for the year is as follows (Contd.) :

Note:

(a) Other than Directors fees and allowances, there were no amount paid or payable for services rendered by any Directors of the Bank and the Group during the financial year.

(b) During the financial year, Directors of the Bank and the Group are covered under the Directors' & Officers' Liability Insurance in respect of liabilities arising from acts committed in their capacity as Directors and Officers of the Bank and the Group, provided that such Director or Officer has not acted negligently, fraudulently or dishonestly, or is in breach of his or her duty of trust. The total apportioned amount of insurance effected for Directors under the Bank and the Group was RM5,000 and RM103,000.

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

BANK/GROUP	Salary and other remuneration	Bonuses	Contribution to EPF	Fees	Allowances	Share options/ grants under ESS	Total
2017	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Chief Executive Officer:							
Mahesh s/o Shri Pranlal Rupawalla	1,286	500	243	-	-	96	2,125
	1,286	500	243	-	-	96	2,125
Non-executive Directors:							
Kung Beng Hong	-	-	-	181	23	-	204
Kuah Hun Liang	-	-	-	112	24	-	136
Dato' Majid Bin Mohamad	-	-	-	76	42	-	118
Mazidah Binti Abdul Malik	-	-	-	101	29	-	130
Dato' Yeoh Beow Tit	-	-	-	66	11		77
	-	-	-	536	129	-	665
Past Director:							
Premod Paul Thomas	-	-	-	4	-	-	4
	-	-	-	4	-	-	4
Total CEO and Directors' remuneration	1,286	500	243	540	129	96	2,794

35. CEO AND DIRECTORS' REMUNERATION (CONTD.)

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

BANK/GROUP	Salary and other remuneration	Bonuses	Contribution to EPF	Fees	Allowances	Share options/ grants under ESS	Total
2016	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Chief Executive Officer:							
Mahesh s/o Shri Pranlal Rupawalla	959	400	201	-	-	89	1,649
	959	400	201	-	-	89	1,649
Non-executive Directors:							
Kung Beng Hong	-	-	-	92	43	-	135
Kuah Hun Liang	-	-	-	66	48	-	114
Dato' Majid Bin Mohamad	-	-	-	66	29	-	95
Mazidah Binti Abdul Malik	-	-	-	14	4	-	18
Premod Paul Thomas	-	-	-	67	56	-	123
	-	-	-	305	180	-	485
Past Directors:							
Dato' Thomas Mun Lung Lee	-	-	-	73	6	-	79
Megat Dziauddin Bin Megat Mahumud	-	-	-	6	-	-	6
	-	-	-	79	6	-	85
Total CEO and Directors' remuneration	959	400	201	384	186	89	2,219

36. MATERIAL LITIGATIONS

Previously, the Bank had commenced recovery action against a third party and its guarantors pursuant to their breach under a Repayment Agreement and joint and several guarantees entered between the parties and the Bank respectively. The Repayment Agreement was entered as a result of a Novation Agreement entered between our corporate borrower, the third party and the Bank whereby the third party had agreed to assume all the obligations and liabilities of our corporate borrower under a credit facility granted by the Bank to the corporate borrower.

The third party and its guarantors then counter-claimed against the Bank seeking amongst others that the third party and its guarantors be discharged from all their liabilities and sought general damages. It was further alleged that the Bank had breached a collateral contract which purportedly existed between the third party and the Bank. There was a further claim by another corporate entity related to one of the guarantors seeking for general damages as a result of the said breach.

On 5 April 2012, the High Court allowed the Bank's claim and dismissed the counter claim by the third party and its guarantors together with the claim by the corporate entity with costs of RM60,000. However, on 24 September 2014, the Court of Appeal set aside the High Court judgment given in favour of the Bank and allowed the counter claim brought by the third party, its guarantors and the claim by the corporate entity with costs of RM10,000 awarded to each of the claimants. The Bank then filed an application for leave to appeal against the said Court of Appeal's decision at the Federal Court.

On 6 July 2015, the Federal Court dismissed the Bank's application for leave to appeal against the said decision of the Court of Appeal with costs of RM10,000 to each set of solicitors and remitted the matter back to the High Court for assessment of damages.

The third party, its guarantors and the corporate entity filed its respective notice for directions for assessment of damages .

On 19 November 2015, the High Court dismissed the notice for directions for assessment of damages filed by two of the guarantors.

The third party, one of its guarantors and corporate entity filed their respective notice of appointment of assessment of damages.

On 24 November 2016 the Bank filed an application at the High Court to interpret the effect and scope of the Order dated 24 September 2014 by the Court of Appeal and to set the parameters of the scope of damages prior to the hearing of the assessment of damages ("the Bank's Application").

The Court gave directions to the parties to file their respective written submissions and fixed the matter for case management on 22 May 2017 for parties to receive any further directions (if any) in respect to the Bank's Application.

At this stage of proceedings, the Bank is unable to ascertain the quantum of damages that it would be liable for as this would be decided by the court based on the evidence to be adduced during the hearing of the assessment of damages proper.

37. FINANCIAL RISK MANAGEMENT POLICIES

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

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

(a) Credit Risk

Credit risk is the risk of financial loss resulting from the failure of the Bank’s borrowers or counterparties to fulfil their contractual obligations to repay their loans or settle 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 securitites in the statements of financial position. The lending/financing activities in the Group are guided by the Group’s Credit Risk Management Framework, in line with regulatory guidelines and best practices.

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

The credit exposure arising from off-balance sheet activities, i.e. commitments and contingencies is set out in Note 40 to the financial statements.

(i) Maximum exposure to credit risk

The following table presents the Bank and the Group's maximum exposure to credit risk of on-balance sheet and off-balance sheet financial instruments, before taking into account 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.

37. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (Contd.)

(i) Maximum exposure to credit risk (Contd.)

	BANK		GROUP	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Credit risk exposure of on-balance sheet:				
Cash and short-term funds (exclude cash in hand)	42,993	22,179	44,420	23,201
Balances due from clients and brokers	113,022	104,659	113,022	104,659
Financial assets held-for-trading	34,865	-	34,865	-
Financial investments available-for-sale (exclude equity securities)	959,409	923,066	959,409	923,066
Financial investments held-to-maturity	177,933	176,593	177,933	176,593
Loans, advances and financing	416,606	199,270	416,606	199,270
Statutory deposits with Bank Negara Malaysia	33,690	21,318	33,690	21,318
Other assets (exclude prepayment)	3,786	1,717	3,917	1,847
	1,782,304	1,448,802	1,783,862	1,449,954
Credit risk exposure of off-balance sheet:				
Credit related commitments and contingencies	320,164	294,666	320,164	294,666
Total off-balance sheet	320,164	294,666	320,164	294,666
Total maximum exposure	2,102,468	1,743,468	2,104,026	1,744,620

37. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(ii) Credit risk concentrations

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

	Government and Central Bank	Financial, Insurance, Business Services and Real Estate	Transport, Storage and Communication Services	Agriculture, Manufacturing, Wholesale & Retail Trade	Construction	Household	Others	Total
BANK	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2017								
Cash and short-term funds	52	42,941	-	-	-	-	-	42,993
Balances due from clients and brokers	-	17,358	-	-	-	-	95,664	113,022
Financial assets held-for-trading	-	34,865	-	-	-	-	-	34,865
Financial investments available-for-sale	323,063	348,033	162,307	36,139	89,867	-	-	959,409
Financial investments held-to-maturity	121,310	56,623		-	-	-	-	177,933
Loans, advances and financing	-	169,498	-	41,028	-	158,181	47,899	416,606
Statutory deposits with Bank Negara Malaysia	33,690	-	-	-	-	-	-	33,690
Other assets	-	-	-	-	-	-	3,786	3,786
	478,115	669,318	162,307	77,167	89,867	158,181	147,349	1,782,304
Credit related commitments and contingencies	-	54,794	-	14,500	7,500	239,349	4,021	320,164
Total off-balance sheet	-	54,794	-	14,500	7,500	239,349	4,021	320,164
Total credit risk	478,115	724,112	162,307	91,667	97,367	397,530	151,370	2,102,468
GROUP								
2017								
Cash and short-term funds	52	44,368	-	-	-	-	-	44,420
Balances due from clients and brokers	-	17,358	-	-	-	-	95,664	113,022
Financial assets held-for-trading	-	34,865	-	-	-	-	-	34,865
Financial investments available-for-sale	323,063	348,033	162,307	36,139	89,867	-	-	959,409
Financial investments held-to-maturity	121,310	56,623	-	-	-	-	-	177,933
Loans, advances and financing	-	169,498	-	41,028	-	158,181	47,899	416,606
Statutory deposits with Bank Negara Malaysia	33,690	-	-	-	-	-	-	33,690
Other assets	-	-	-	-	-	-	3,917	3,917
Total on-balance sheet	478,115	670,745	162,307	77,167	89,867	158,181	147,480	1,783,862
Credit related commitments and contingencies	-	54,794	-	14,500	7,500	239,349	4,021	320,164
Total off-balance sheet	-	54,794	-	14,500	7,500	239,349	4,021	320,164
Total credit risk	478,115	725,539	162,307	91,667	97,367	397,530	151,501	2,104,026

37. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (Contd.)

(ii) Credit risk concentrations (contd.)

	Government and Central Bank	Financial, Insurance, Business Services and Real Estate	Transport, Storage and Communication Services	Agriculture, Manufacturing, Wholesale & Retail Trade	Construction	Household	Others	Total
BANK	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2016								
Cash and short-term funds	63	22,116	-	-	-	-	-	22,179
Balances due from clients and brokers	-	7,816	-	-	-	-	96,843	104,659
Financial investments available-for-sale	498,947	265,783	106,881	21,501	29,954	-	-	923,066
Financial investments held-to-maturity	121,830	54,763		-	-	-	-	176,593
Loans, advances and financing	-	56,109	-	-	284	119,199	23,678	199,270
Statutory deposits with Bank Negara Malaysia	21,318	-	-	-	-	-	-	21,318
Other assets	-	148	-	-		-	1,569	1,717
	642,158	406,735	106,881	21,501	30,238	119,199	122,090	1,448,802
Credit related commitments and contingencies	-	48,183	-	4,000	14,716	214,826	12,941	294,666
Total off-balance sheet	-	48,183	-	4,000	14,716	214,826	12,941	294,666
Total credit risk	642,158	454,918	106,881	25,501	44,954	334,025	135,031	1,743,468
GROUP								
2016								
Cash and short-term funds	63	23,138	-	-	-	-	-	23,201
Balances due from clients and brokers	-	7,816	-	-	-	-	96,843	104,659
Financial investments available-for-sale	498,947	265,783	106,881	21,501	29,954	-	-	923,066
Financial investments held-to-maturity	121,830	54,763	-	-	-	-	-	176,593
Loans, advances and financing	-	56,109	-	-	284	119,199	23,678	199,270
Statutory deposits with Bank Negara Malaysia	21,318	-	-	-	-	-	-	21,318
Other assets	-	148	-	-	-	-	1,699	1,847
Total on-balance sheet	642,158	407,757	106,881	21,501	30,238	119,199	122,220	1,449,954
Credit related commitments and contingencies	-	48,183	-	4,000	14,716	214,826	12,941	294,666
Total off-balance sheet	-	48,183	-	4,000	14,716	214,826	12,941	294,666
Total credit risk	642,158	455,940	106,881	25,501	44,954	334,025	135,161	1,744,620

37. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(iii) Collaterals

The main types of collateral obtained by the Group are as follows:
- For personal housing loans/financing, mortgages over residential properties;
- For commercial property loans/financing, charges over the properties being financed;
- For hire purchase, 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 Loans / Financing"

Distribution of loans, advances and financing by credit quality

	BANK/GROUP	
	2017	2016
	RM'000	RM'000
Neither past due nor impaired	415,312	197,395
Past due but not impaired	270	287
Impaired	2,380	5,955
Gross loans, advances and financing	417,962	203,637
Less: Allowance for impairment		
- Individual assessment	-	(3,800)
- Collective assessment	(1,356)	(567)
Net loans, advances and financing	416,606	199,270
Financial effect of collateral held for loans, advances and financing	65.2%	92.7%

37. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

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

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

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

	BANK/GROUP	
	2017	2016
	RM'000	RM'000
Grading classification		
- Good	415,312	197,281
- Fair	-	114
	415,312	197,395

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.

	BANK/GROUP	
	2017	2016
	RM'000	RM'000
Past due up to 1 month	258	274
Past due > 1 - 2 months	12	13
	270	287

37. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

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

Loans, advances and financing assessed as impaired

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

	BANK/GROUP 2017 RM'000	BANK/GROUP 2016 RM'000
Gross impaired loans/financing	2,380	5,955
Gross individually assessed impaired loans/financing	4	3,800
Less: Allowance for impairment		
Individual assessment	(4)	(3,800)
Net individually assessed impaired loans	-	-

(v) Credit quality - Financial instruments and financial assets

Financial instrument include cash and short term funds, deposits and placements with other financial institutions, balances due from clients and brokers, debt securities, statutory deposits and other assets. Cash and short term funds herein excludes cash in hand. Debt securities include financial assets held-for-trading, financial investments available-for-sale and financial investments held-to-maturity. Financial assets held-for-trading and financial investments available-for-sale are measured 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:

BANK 2017	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)	42,993	-	-	-	42,993
Balances due from clients and brokers	112,910	-	947	(835)	113,022
Financial assets held-for-trading	34,865	-	-	-	34,865
Financial investments available-for-sale (exclude equity securities)	959,409	-	96,231	(96,231)	959,409
Financial investments held-to-maturity	173,561	-	17,271	(12,899)	177,933
Statutory deposits with Bank Negara Malaysia	33,690	-	-	-	33,690
Other assets (exclude prepayment)	3,786	-	3,329	(3,329)	3,786
	1,361,214	-	117,778	(113,294)	1,365,698

37. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(v) Credit quality - Financial instruments and financial assets (Contd.)

GROUP 2017	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)	44,420	-	-	-	44,420
Balances due from clients and brokers	112,910	-	947	(835)	113,022
Financial assets held-for-trading	34,865	-	-	-	34,865
Financial investments available-for-sale (exclude equity securities)	959,409	-	96,231	(96,231)	959,409
Financial investments held-to-maturity	173,561	-	17,271	(12,899)	177,933
Statutory deposits with Bank Negara Malaysia	33,690	-	-	-	33,690
Other assets (exclude prepayment)	3,917	-	3,329	(3,329)	3,917
	1,362,772	-	117,778	(113,294)	1,367,256

BANK 2016	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)	22,179	-	-	-	22,179
Balances due from clients and brokers	104,596	-	900	(837)	104,659
Financial investments available-for-sale (exclude equity securities)	923,066	-	96,231	(96,231)	923,066
Financial investments held-to-maturity	172,221	-	17,271	(12,899)	176,593
Statutory deposits with Bank Negara Malaysia	21,318	-	-	-	21,318
Other assets (exclude prepayment)	1,717	-	3,391	(3,391)	1,717
	1,245,097	-	117,793	(113,358)	1,249,532

GROUP 2016	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)	23,201	-	-	-	23,201
Balances due from clients and brokers	104,596	-	900	(837)	104,659
Financial investments available-for-sale (exclude equity securities)	923,066	-	96,231	(96,231)	923,066
Financial investments held-to-maturity	172,221	-	17,271	(12,899)	176,593
Statutory deposits with Bank Negara Malaysia	21,318	-	-	-	21,318
Other assets (exclude prepayment)	1,847	-	3,391	(3,391)	1,847
	1,246,249	-	117,793	(113,358)	1,250,684

37. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(v) Credit quality - Financial instruments and financial assets (Contd.)

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

BANK	Cash & short term funds RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Statutory Deposits with Bank Negara Malaysia RM'000	Total RM'000
2017						
By rating agencies						
RAM						
AAA	3,669	-	81,678	-	-	85,347
AA1	-	-	35,813	-	-	35,813
AA2	22	-	-	-	-	22
AA3	-	-	25,314	-	-	25,314
A1	39,250	-	15,215	-	-	54,465
P1	-	34,865	-	-	-	34,865
MARC						
AA	-	-	15,160	-	-	15,160
AAA	-	-	92,579	-	-	92,579
AA-	-	-	20,008	-	-	20,008
Government backed	52	-	668,682	173,526	33,690	875,950
Unrated [Note]	-	-	4,960	4,407	-	9,367
	42,993	34,865	959,409	177,933	33,690	1,248,890

GROUP	Cash & short term funds RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Statutory Deposits with Bank Negara Malaysia RM'000	Total RM'000
2017						
By rating agencies						
RAM						
AAA	3,669	-	81,678	-	-	85,347
AA1	-	-	35,813	-	-	35,813
AA2	22	-	-	-	-	22
AA3	-	-	25,314	-	-	25,314
A1	40,677	-	15,215	-	-	55,892
P1	-	34,865	-	-	-	34,865
MARC						
AA	-	-	15,160	-	-	15,160
AAA	-	-	92,579	-	-	92,579
AA-	-	-	20,008	-	-	20,008
Government backed	52	-	668,682	173,526	33,690	875,950
Unrated [Note]	-	-	4,960	4,407	-	9,367
	44,420	34,865	959,409	177,933	33,690	1,250,317

37. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(a) Credit Risk (contd.)

(v) Credit quality - Financial instruments (contd.)

	Cash and short-term funds RM'000	Financial investments available-for sale RM'000	Financial investments held-to-maturity RM'000	Statutory deposits with Bank Negara Malaysia RM'000	Total RM'000
BANK					
2016					
By rating agencies					
RAM					
AAA	1,247	81,891	-	-	83,138
AA1	-	35,836	-	-	35,836
AA2	25	-	-	-	25
AA3	-	9,993	-	-	9,993
A1	20,844	-	-	-	20,844
MARC					
AAA	-	82,602	-	-	82,602
AA-	-	35,114	-	-	35,114
Government backed	63	575,144	172,186	21,318	768,711
Unrated [Note]	-	102,486	4,407	-	106,893
	22,179	923,066	176,593	21,318	1,143,156

	Cash and short-term funds RM'000	Financial investments available-for sale RM'000	Financial investments held-to-maturity RM'000	Statutory deposits with Bank Negara Malaysia RM'000	Total RM'000
GROUP					
2016					
By rating agencies					
RAM					
AAA	1,247	81,891	-	-	83,138
AA1	-	35,836	-	-	35,836
AA2	25	-	-	-	25
AA3	-	9,993	-	-	9,993
A1	21,866	-	-	-	21,866
MARC					
AAA	-	82,602	-	-	82,602
AA-	-	35,114	-	-	35,114
Government backed	63	575,144	172,186	21,318	768,711
Unrated [Note]	-	102,486	4,407	-	106,893
	23,201	923,066	176,593	21,318	1,144,178

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

37. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk

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

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

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

(i) Interest/profit rate risk

As a subset of market risk, interest rate/profit rate risk refers to the volatility in net interest/profit income as a result of changes in interest rate/rate of return and shifts in the composition of the assets and liabilities. Interest rate/rate of return risk is managed through interest/profit rate sensitivity analysis. The potential reduction in net interest/profit income from an unfavourable interest/profit rate movement is monitored and reported to Management. In addition to pre-scheduled meetings, Group Assets and Liabilities Management Committee ("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 is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest/profit rates on its financial position and cash flows. The effects of changes in the levels of interest rates/rates of return on the market value of securities are monitored regularly and the outcome of mark-to-market valuations are escalated to Management regularly. The table below summarises the effective interest/profit rates at the end of the reporting period and the periods in which the financial instruments will re-price or mature, whichever is the earlier.

37. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

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

BANK	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
	← Non-trading book →								
2017									
Assets									
Cash and short-term funds	11,692	-	-	-	-	-	31,301	-	42,993
Balances due from clients and brokers	3,561	-	-	-	-	-	109,461	-	113,022
Financial assets held-for-trading	-	-	-	-	-	-	-	34,865	34,865
Financial investments available-for-sale	-	5,466	-	70,022	526,699	347,626	63,498	-	1,013,311
Financial investments held-to-maturity	-	-	30,056	70,280	72,402	-	5,195	-	177,933
Loans, advances and financing	5,008	200,758	-	3	50,300	159,513	1,024*	-	416,606
Other financial assets^	-	-	-	-	-	-	38,000	-	38,000
Total assets	20,261	206,224	30,056	140,305	649,401	507,139	248,479	34,865	1,836,730
Liabilities									
Deposits from customers	682,363	44,223	-	-	-	-	1,699	-	728,285
Deposits and placements of banks and other financial institutions	431,340	-	-	-	-	-	35	-	431,375
Balances due to clients and brokers	-	-	-	-	-	-	69,066	-	69,066
Other liabilities	-	-	-	-	-	-	37,879	-	37,879
Total liabilities	1,113,703	44,223	-	-	-	-	108,679	-	1,266,605
On-balance sheet profit sensitivity gap	(1,093,442)	162,001	30,056	140,305	649,401	507,139	139,800	34,865	570,125

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

^Includes statutory deposits and other assets.

37. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

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

GROUP	Non-trading book								
	Up to 1 month RM'000	**>1-3 months RM'000**	**>3-6 months RM'000**	**>6-12 months RM'000**	**>1-5 years RM'000**	**Over 5 years RM'000**	**Non-interest/ profit sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
2017									
Assets									
Cash and short-term funds	12,430	-	-	-	-	-	31,990	-	44,420
Balances due from clients and brokers	3,561	-	-	-	-	-	109,461	-	113,022
Financial assets held-for-trading	-	-	-	-	-	-	-	34,865	34,865
Financial investments available-for-sale	-	5,466	-	70,022	526,699	347,626	63,498	-	1,013,311
Financial investments held-to-maturity	-	-	30,056	70,280	72,402	-	5,195	-	177,933
Loans, advances and financing	5,008	200,758	-	3	50,300	159,513	1,024*	-	416,606
Other financial assets^	-	-	-	-	-	-	38,134	-	38,134
Total assets	20,999	206,224	30,056	140,305	649,401	507,139	249,302	34,865	1,838,291
Liabilities									
Deposits from customers	682,363	44,223	-	-	-	-	1,699	-	728,285
Deposits and placements of banks and other financial institutions	431,340	-	-	-	-	-	35	-	431,375
Balances due to clients and brokers	-	-	-	-	-	-	69,066	-	69,066
Other liabilities	-	-	-	-	-	-	37,498	-	37,498
Total liabilities	1,113,703	44,223	-	-	-	-	108,298	-	1,266,224
On-balance sheet profit sensitivity gap	(1,092,704)	162,001	30,056	140,305	649,401	507,139	141,004	34,865	572,067

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

^Includes statutory deposits and other assets.

37. FINANCIAL RISK MANAGEMENT POLICIES (CONTDD.)

(b) Market Risk (contd.)

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

	Non-trading book							
BANK	**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**
2016								
Assets								
Cash and short-term funds	7,742	-	-	-	-	-	14,437	22,179
Balances due from clients and brokers	1,752	-	-	-	-	-	102,907	104,659
Financial investments available-for-sale	-	102,486	10,045	20,083	563,406	217,008	59,722	972,750
Financial investments held-to-maturity	-	-	-	-	171,391	-	5,202	176,593
Loans, advances and financing	-	145,490	-	5	50,381	1,806	1,588*	199,270
Other financial assets^	-	-	-	-	-	-	23,904	23,904
Total assets	9,494	247,976	10,045	20,088	785,178	218,814	207,760	1,499,355
Liabilities								
Deposits from customers	514,132	10,000	10,000	-	-	-	724	534,856
Deposits and placements of banks and other financial institutions	284,780	-	-	-	-	-	25	284,805
Balances due to clients and brokers	-	-	-	-	-	-	77,246	77,246
Other liabilities	-	-	-	-	-	-	35,792	35,792
Total liabilities	798,912	10,000	10,000	-	-	-	113,787	932,699
On-balance sheet profit sensitivity gap	(789,418)	237,976	45	20,088	785,178	218,814	93,973	566,656

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

^Includes statutory deposits and other assets.

37. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

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

	Non-trading book							
GROUP	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
2016								
Assets								
Cash and short-term funds	8,280	-	-	-	-	-	14,921	23,201
Balances due from clients and brokers	1,752	-	-	-	-	-	102,907	104,659
Financial investments available-for-sale	-	102,486	10,045	20,083	563,406	217,008	59,722	972,750
Financial investments held-to-maturity	-	-	-	-	171,391	-	5,202	176,593
Loans, advances and financing	-	145,490	-	5	50,381	1,806	1,588*	199,270
Other financial assets^	-	-	-	-	-	-	24,040	24,040
Total assets	10,032	247,976	10,045	20,088	785,178	218,814	208,380	1,500,513
Liabilities								
Deposits from customers	514,132	10,000	10,000	-	-	-	724	534,856
Deposits and placements of banks and other financial institutions	284,780	-	-	-	-	-	25	284,805
Balances due to clients and brokers	-	-	-	-	-	-	77,246	77,246
Other liabilities	-	-	-	-	-	-	35,232	35,232
Total liabilities	798,912	10,000	10,000	-	-	-	113,227	932,139
On-balance sheet profit sensitivity gap	(788,880)	237,976	45	20,088	785,178	218,814	95,153	568,374

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

^Includes statutory deposits and other assets.

37. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

(ii) 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 Bank and 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 hypothethical profit and loss over the corresponding period.

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

BANK/GROUP	Balance	Average for the year	Minimum	Maximum
	RM'000	RM'000	RM'000	RM'000
2017				
Instruments:				
Government securities	(4,138)	(2,423)	(1,321)	(4,165)
Private debt securities	(5,866)	(3,517)	(1,025)	(5,941)
2016				
Instruments:				
Government securities	(2,204)	(2,671)	(2,189)	(3,216)
Private debt securities	(1,051)	(1,053)	(932)	(1,561)

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

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

	2017 BANK/GROUP		**2016 BANK/GROUP**	
	- 100 bps	**+ 100 bps**	**- 100 bps**	**+ 100 bps**
	Increase/(Decrease)		**Increase/(Decrease)**	
	RM'000	RM'000	RM'000	RM'000
Impact on net profit after tax	5,940	(5,940)	4,467	(4,467)
Impact on equity	30,111	(28,416)	22,487	(21,430)

37. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(b) Market Risk (contd.)

Other risk measures

(iv) 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 is conducted on a bank-wide basis as well as on specific portfolios. The Group's bank-wide stress testing exercise uses a variety of broad macroeconomic indicators that are then translated into stress impacts on the various business units. The results are then consolidated to provide an overall impact on the Group's financial results and capital requirements. Stress testing results are reported to Management to provide them with an assessment of the financial impact of such events would have on the Group's profitability and capital levels.

(v) Sensitivity analysis

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

(c) Liquidity Risk

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

The Bank's liquidity risk profile is managed using 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.

37. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(c) Liquidity risk (contd.)

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

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

BANK	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
2017						
Assets						
Cash and short-term funds	42,993	-	-	-	-	42,993
Balances due from clients and brokers	113,022	-	-	-	-	113,022
Financial investments	3,421	44,650	32,700	140,302	1,005,036	1,226,109
Loans, advances and financing	206,874	-	168	3	209,561	416,606
Other financial and non financial assets	769	137	112	63	109,059	110,140
Total assets	367,079	44,787	32,980	140,368	1,323,656	1,908,870
Liabilities						
Deposits from customers	683,939	44,346	-	-	-	728,285
Deposits and placements of banks and other financial institutions	431,375	-	-	-	-	431,375
Balances due to clients and brokers	69,066	-	-	-	-	69,066
Other financial and non financial liabilities	3,761	2,014	-	-	43,247	49,022
Total liabilities	1,188,141	46,360	-	-	43,247	1,277,748
Equity	-	-	-	-	631,122	631,122
Total liabilities and equity	1,188,141	46,360	-	-	674,369	1,908,870
Net maturity mismatch	(821,062)	(1,573)	32,980	140,368	649,287	-

37. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(c) Liquidity risk (contd.)

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

GROUP	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
2017						
Assets						
Cash and short-term funds	44,420	-	-	-	-	44,420
Balances due from clients and brokers	113,022	-	-	-	-	113,022
Financial investments	3,421	44,650	32,700	140,302	1,005,036	1,226,109
Loans, advances and financing	206,874	-	168	3	209,561	416,606
Other financial and non financial assets	769	137	112	63	103,285	104,366
Total assets	368,506	44,787	32,980	140,368	1,317,882	1,904,523
Liabilities						
Deposits from customers	683,939	44,346	-	-	-	728,285
Deposits and placements of banks and other financial institutions	431,375	-	-	-	-	431,375
Balances due to clients and brokers	69,066	-	-	-	-	69,066
Other financial and non financial liabilities	3,940	2,014	-	-	42,865	48,819
Total liabilities	1,188,320	46,360	-	-	42,865	1,277,545
Equity	-	-	-	-	626,978	626,978
Total liabilities and equity	1,188,320	46,360	-	-	669,843	1,904,523
Net maturity mismatch	(819,814)	(1,573)	32,980	140,368	648,039	-

37. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(c) Liquidity risk (contd.)

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

BANK	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
2016						
Assets						
Cash and short-term funds	22,179	-	-	-	-	22,179
Balances due from clients and brokers	104,659	-	-	-	-	104,659
Financial investments	3,104	107,327	11,493	20,099	1,007,320	1,149,343
Loans, advances and financing	1,429	-	-	-	197,841	199,270
Other financial and non financial assets	148	-	-	-	99,608	99,756
Total assets	131,519	107,327	11,493	20,099	1,304,769	1,575,207
Liabilities						
Deposits from customers	514,854	10,001	10,001	-	-	534,856
Deposits and placements of banks and other financial institutions	284,805	-	-	-	-	284,805
Balances due to clients and brokers	77,246	-	-	-	-	77,246
Other financial and non financial liabilities	1,951	-	-	-	45,362	47,313
Total liabilities	878,856	10,001	10,001	-	45,362	944,220
Equity	-	-	-	-	630,987	630,987
Total liabilities and equity	878,856	10,001	10,001	-	676,349	1,575,207
Net maturity mismatch	(747,337)	97,326	1,492	20,099	628,420	-

37. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(c) Liquidity risk (contd.)

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

GROUP	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
2016						
Assets						
Cash and short-term funds	23,201	-	-	-	-	23,201
Balances due from clients and brokers	104,659	-	-	-	-	104,659
Financial investments	3,104	107,327	11,493	20,099	1,007,320	1,149,343
Loans, advances and financing	1,429	-	-	-	197,841	199,270
Other financial and non financial assets	165	-	-	-	93,727	93,892
Total assets	132,558	107,327	11,493	20,099	1,298,888	1,570,365
Liabilities						
Deposits from customers	514,854	10,001	10,001	-	-	534,856
Deposits and placements of banks and other financial institutions	284,805	-	-	-	-	284,805
Balances due to clients and brokers	77,246	-	-	-	-	77,246
Other financial and non financial liabilities	1,952	-	-	-	44,801	46,753
Total liabilities	878,857	10,001	10,001	-	44,801	943,660
Equity	-	-	-	-	626,705	626,705
Total liabilities and equity	878,857	10,001	10,001	-	671,506	1,570,365
Net maturity mismatch	(746,299)	97,326	1,492	20,099	627,382	-

37. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(c) Liquidity risk (contd.)

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

The table below presents the cash flows payable by the Bank and the Group under financial liabilities by remaining contractual maturities at the end of the reporting period. The amount disclosed in the table are the contractual undiscounted cash flows of all financial liabilities.

	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 year	Over 5 years	Total
BANK	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2017							
Liabilities							
Deposits from customers	684,604	44,561	-	-	-	-	729,165
Deposits and placements of banks and other financial institutions	431,446	-	-	-	-	-	431,446
Balances due to clients and brokers	69,066	-	-	-	-	-	69,066
Other financial liabilities	3,761	2,014	-	-	32,104	-	37,879
Total financial liabilities	1,188,877	46,575	-	-	32,104	-	1,267,556
Credit risk exposure of off-balance sheet							
Credit related commitments and contingencies	320,164	-	-	-	-	-	320,164

	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 year	Over 5 years	Total
GROUP	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2017							
Liabilities							
Deposits from customers	684,604	44,561	-	-	-	-	729,165
Deposits and placements of banks and other financial institutions	431,446	-	-	-	-	-	431,446
Balances due to clients and brokers	69,066	-	-	-	-	-	69,066
Other financial liabilities	3,940	2,014	-	-	31,544	-	37,498
Total financial liabilities	1,189,056	46,575	-	-	31,544	-	1,267,175
Credit risk exposure of off-balance sheet							
Credit related commitments and contingencies	320,164	-	-	-	-	-	320,164

37. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(c) Liquidity risk (contd.)

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

BANK	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 year RM'000	Over 5 years RM'000	Total RM'000
2016							
Liabilities							
Deposits from customers	515,436	10,058	10,101	-	-	-	535,595
Deposits and placements of banks and other financial institutions	284,805	-	-	-	-	-	284,805
Balances due to clients and brokers	77,246	-	-	-	-	-	77,246
Other financial liabilities	1,951	-	-	-	33,841	-	35,792
Total financial liabilities	879,438	10,058	10,101	-	33,841	-	933,438
Credit risk exposure of off-balance sheet							
Credit related commitments and contingencies	294,666	-	-	-	-	-	294,666

GROUP	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 year RM'000	Over 5 years RM'000	Total RM'000
2016							
Liabilities							
Deposits from customers	515,436	10,058	10,101	-	-	-	535,595
Deposits and placements of banks and other financial institutions	284,805	-	-	-	-	-	284,805
Balances due to clients and brokers	77,246	-	-	-	-	-	77,246
Other financial liabilities	1,952	-	-	-	33,280	-	35,232
Total financial liabilities	879,439	10,058	10,101	-	33,280	-	932,878
Credit risk exposure of off-balance sheet							
Credit related commitments and contingencies	294,666	-	-	-	-	-	294,666

37. FINANCIAL RISK MANAGEMENT POLICIES (CONTD.)

(d) Operational and Shariah Compliance Risk

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

Group Operational Risk Management Department formulates and implements operational risk framework within the Group while the line of businesses are responsible for the management of their day to day operational and Shariah non-compliance risks.

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

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

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

38. LEASE COMMITMENTS

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

	BANK/GROUP	
	2017	2016
	RM'000	RM'000
Within one year	651	1,212
Between one year and five years	33	684
	684	1,896

The operating leases of the Bank and the Group's premises typically cover for a 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.

39. HOLDING AND RELATED COMPANIES

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

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

40. COMMITMENTS AND CONTINGENCIES

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

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

	2017 Principal Amount	2016 Principal Amount
BANK/GROUP	RM'000	RM'000
Credit-related exposures		
Transaction-related contingent items	10,500	10,500
Irrevocable commitments to extend credit:		
- maturity not exceeding one year	283,572	247,025
- maturity exceeding one year	26,092	37,141
Total	320,164	294,666

41. CAPITAL ADEQUACY

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 capital adequacy ratios of the Bank and the Group are as follows:

	BANK		GROUP	
	2017	2016	2017	2016
Before deducting proposed dividends				
CET I capital ratio	84.804%	103.287%	85.140%	103.684%
Tier I capital ratio	84.804%	103.287%	85.140%	103.684%
Total capital ratio	85.516%	103.641%	85.843%	104.022%
After deducting proposed dividends				
CET I capital ratio	83.729%	101.292%	84.066%	101.689%
Tier I capital ratio	83.729%	101.292%	84.066%	101.689%
Total capital ratio	84.441%	101.646%	84.768%	102.028%

41. CAPITAL ADEQUACY (CONTD.)

(a) The following table represent the Bank's and the Group's capital positions. Components of Common Equity Tier I ("CET I"), Tier I and Tier II capital are as follows:

	BANK		GROUP	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
CET I Capital				
Paid-up share capital	365,000	365,000	365,000	365,000
Share premium	962	962	962	962
Retained profits	21,904	27,362	17,726	23,033
Statutory reserves	201,383	196,736	201,383	196,736
Revaluation reserves	37,949	38,841	37,949	38,841
	627,198	628,901	623,020	624,572
Less: Regulatory adjustment				
- Goodwill and other intangibles	(61,527)	(61,031)	(54,847)	(54,351)
- 55% of revaluation reserve	(20,872)	(21,363)	(20,872)	(21,363)
- Investment in subsidiaries, joint venture and associate	(507)	(380)	(742)	(503)
Total CET I Capital/Total Tier I Capital	544,292	546,127	546,559	548,355
Tier II Capital				
Collective assessment allowance and regulatory reserve	4,695	2,126	4,695	2,126
Less: Regulatory adjustment				
- Investment in subsidiaries, joint venture and associate	(127)	(254)	(185)	(336)
Total Tier II Capital	4,568	1,872	4,510	1,790
Total Capital	548,860	547,999	551,069	550,145

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

	BANK		GROUP	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Credit risk	531,682	414,971	531,808	415,097
Market risk	1,961	5,830	1,961	5,830
Operational risk	108,181	107,945	108,181	107,945
Total RWA and capital requirements	641,824	528,746	641,950	528,872

Detail information on risk exposure above is presented in the Bank's Pillar 3 report.

42. CAPITAL

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

- to maintain sufficient capital resources to meet the regulatory capital requirements as set forth by BNM,

- 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 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 test are tabled to the Group Risk Management Committee for approval.

The Bank’s and Group's regulatory capital are determined under BNM’s Capital Adequacy Framework and their capital ratios complied with the prescribed capital adequacy ratios.

43. FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

(i) Financial instruments in Level 1

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

(ii) Financial instruments in Level 2

Where fair value is determined using quoted prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Bank and 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 and corporate notes.

(iii) Financial instruments in Level 3

The Bank and 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 asset, net asset value, discounted cash flows, and other appropriate valuation models. These includes private equity investments.

43. FAIR VALUE MEASUREMENTS (CONTD.)

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

The following tables show the Bank and 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:

BANK/GROUP 2017	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial Assets				
Financial assets held-for-trading				
- Money market instruments:	-	34,865	-	34,865
Financial investments available-for-sale				
- Money market instruments:	-	323,570	-	323,570
- Unquoted securities	-	630,879	58,862	689,741

BANK/GROUP 2016	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial Assets				
Financial investments available-for-sale				
- Money market instruments:	-	596,441	-	596,441
- Unquoted securities	-	321,633	54,676	376,309

There were no transfers between levels 1 and 2 of the fair value hierarchy for the Bank and the Group during the financial year ended 31 March 2017 and 31 March 2016.

Reconciliation of movements in level 3 financial instruments:

	BANK/GROUP	
	2017 RM'000	2016 RM'000
At beginning of financial year	54,676	45,836
Purchases	-	5,000
Total gain recognised in:		
- Other comprehensive income		
(i) Revaluation reserves	4,186	3,840
At end of financial year	58,862	54,676

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

43. FAIR VALUE MEASUREMENTS (CONTD.)

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

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

	Fair value				Carrying
BANK/GROUP	Level 1	Level 2	Level 3	Total	amount
2017	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets					
Financial investments held-to-maturity	-	179,171	-	179,171	177,933
Loans, advances and financing	-	-	417,641	417,641	416,606

	Fair value				Carrying
BANK/GROUP	Level 1	Level 2	Level 3	Total	amount
2016	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets					
Financial investments held-to-maturity	-	179,670	-	179,670	176,593
Loans, advances and financing	-	-	199,566	199,566	199,270

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

43. FAIR VALUE MEASUREMENTS (CONTD.)

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

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

(i) Financial investments held-to-maturity

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

(ii) Loans, advances and financing

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

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

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

44. 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.

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

(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
BANK/GROUP			
2017			
Balances due from clients and brokers	213,368	(100,346)	113,022
Total	213,368	(100,346)	113,022
BANK/GROUP			
2016			
Balances due from clients and brokers	189,714	(85,055)	104,659
Total	189,714	(85,055)	104,659

(b) Financial liabilities

	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
BANK/GROUP			
2017			
Balances due to clients and brokers	169,412	(100,346)	69,066
Total	169,412	(100,346)	69,066
BANK/GROUP			
2016			
Balances due to clients and brokers	162,301	(85,055)	77,246
Total	162,301	(85,055)	77,246

There were no enforceable master netting arrangements or similar arrangements between the Group and the counterparty that allows for net settlement of financial assets and liabilities.

45. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

There were no material event during the financial year that require disclosure or adjustment.

46. SUBSEQUENT EVENTS

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

47. ISLAMIC BANKING BUSINESS

STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2017

	Note	BANK/GROUP 2017 RM'000	BANK/GROUP 2016 RM'000
ASSETS			
Cash and short-term funds	(a)	26	63
Financial investments available-for-sale	(b)	100,773	97,494
Other assets	(c)	16,997	16,979
Deferred tax	(d)	161	-
Total Assets		117,957	114,536
LIABILITIES AND ISLAMIC BANKING FUNDS			
Provision for taxation		10,506	9,562
Total Liabilities		10,506	9,562
Islamic Banking Funds		56,000	56,000
Reserves		51,451	48,974
		107,451	104,974
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS		117,957	114,536

47. ISLAMIC BANKING BUSINESS (CONTD.)

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2017

		BANK/GROUP	
		2017	2016
	Note	RM'000	RM'000
Income derived from investment of depositors' funds and financial institutions	(e)	-	354
Income derived from investment of Islamic banking funds	(f)	3,930	3,183
Total distributable/net income		3,930	3,537
Other operating expenses	(g)	(1)	-
Profit before taxation		3,929	3,537
Taxation	(h)	(943)	(849)
Net profit for the financial year		2,986	2,688
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Revaluation reserve on financial investments available-for-sale			
- Net loss from change in fair value		(670)	-
- Transfer from deferred tax		161	-
Other comprehensive expense, net of tax		(509)	-
Total comprehensive income for the financial year		2,477	2,688

Net income from Islamic banking business stated in the consolidated statement of comprehensive income is derived from:

Income derived from investment of depositors' funds and financial institutions	-	354
Income derived from investment of Islamic banking funds	3,930	3,183
	3,930	3,537

47. ISLAMIC BANKING BUSINESS (CONTD.)

STATEMENT OF CHANGES IN ISLAMIC BANKING FUNDS FOR THE YEAR ENDED 31 MARCH 2017

	Funds allocated from Head Office (HO)	Revaluation reserves	Retained profits	Total
	RM'000	RM'000	RM'000	RM'000
Bank/Group				
At 1 April 2015	56,000	-	46,286	102,286
Net profit after taxation	-	-	2,688	2,688
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	2,688	2,688
At 31 March 2016	56,000	-	48,974	104,974
At 1 April 2016	56,000	-	48,974	104,974
Net profit after taxation	-	-	2,986	2,986
Other comprehensive expense	-	(509)	-	(509)
Total comprehensive expense	-	(509)	2,986	2,477
At 31 March 2017	56,000	(509)	51,960	107,451

47. ISLAMIC BANKING BUSINESS (CONTD.)

STATEMENTS OF CASH FLOWS FOR YEAR ENDED 31 MARCH 2017

	BANK/GROUP	
	2017	2016
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	3,929	3,537
Adjustments for:-		
Accretion of discount less amortisation of premium of securities	(978)	(3,107)
Income from financial investments available-for-sale	(2,949)	-
Operating profit before working capital changes	2	430
Changes in working capital:		
Other assets	(18)	7
Deposits and placements of banks and other financial institutions	-	(10,032)
Deposits and placements with banks and other financial institutions	-	73,419
Cash (used in)/generated from operations	(16)	63,824
Net cash (used in)/generated from operating activities	(16)	63,824
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial investments available-for-sale (net of proceeds from disposasl)	(2,970)	(94,387)
Income from financial investments available-for-sale	2,949	-
Net cash used in investing activity	(21)	(94,387)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(37)	(30,563)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	63	30,626
CASH AND CASH EQUIVALENTS AT END OF YEAR	26	63

Cash and cash equivalents comprise the following:

Cash and short term funds	26	63

47. ISLAMIC BANKING BUSINESS (CONTD.)

(a) Cash and Short-term Funds

	BANK/GROUP 2017 RM'000	BANK/GROUP 2016 RM'000
Cash and balances with banks and other financial institutions	26	63

(b) Financial Investments Available for Sale

	BANK/GROUP 2017 RM'000	BANK/GROUP 2016 RM'000
At fair value		
Money market instruments:		
Negotiable instruments of deposits	506	97,494
Unquoted securities:		
Sukuk	100,267	-
	100,773	97,494

(c) Other Assets

	BANK/GROUP 2017 RM'000	BANK/GROUP 2016 RM'000
Other debtors, deposits and prepayments	16,997	16,979

(d) Deferred Tax

	BANK/GROUP 2017 RM'000	BANK/GROUP 2016 RM'000
Deferred tax liabilities, net	161	-

	BANK/GROUP 2017 RM'000	BANK/GROUP 2016 RM'000
At beginning of financial year	-	-
Recognised in statement of comprehensive income	161	-
At end of financial year	161	-

47. ISLAMIC BANKING BUSINESS (CONTD.)

(d) Deferred Tax (contd.)

Bank/Group Deferred tax assets/ liabilities	Financial investments available-for-sale RM'000	Total RM'000
At 31 March 2016	-	-
Recognised in other comprehensive income	161	161
At 31 March 2017	161	161

(e) Income Derived from Investment of Depositors' Funds and Financial Institutions

	BANK/GROUP	
	2017 RM'000	2016 RM'000
Income derived from investment of :		
- Others	-	354
	-	354
Income derived from investment of other deposits:		
Finance income and hibah		
Financial investments available-for-sale	-	-
Money at call and deposit with financial institutions	-	43
	-	43
Accretion of discount less amortisation of premium	-	311
Total finance income and hibah	-	354

(f) Income Derived from Investment of Islamic Banking Funds

	BANK/GROUP	
	2017 RM'000	2016 RM'000
Finance income and hibah		
Financial investments available-for-sale	2,949	-
Money at call and deposit with financial institutions	3	387
	2,952	387
Accretion of discount less amortisation of premium	978	2,796
Total finance income and hibah	3,930	3,183

47. ISLAMIC BANKING BUSINESS (CONTD.)

(g) Other Operating Expenses

	BANK/GROUP	
	2017	2016
	RM'000	RM'000
Administration and general expenses		
- Others	1	-
Total operating expenses	1	-

(h) Taxation

	BANK/GROUP	
	2017	2016
	RM'000	RM'000
Income tax:		
Provision for current year	943	849

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

	BANK/GROUP	
	2017	2016
	RM'000	RM'000
Profit before taxation	3,929	3,537
Taxation at Malaysian statutory tax rate of 24% (2016: 24%)	943	849
Tax expense for the year	943	849

(i) Profit Rate Risk

The following tables indicate the effective profit rates at the end of reporting period and the periods in which the financial instruments re-price or mature, whichever is earlier.

47. ISLAMIC BANKING BUSINESS (CONTD.)

(j) Profit Rate Risk (contd.)

Bank/Group 2017	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Total RM'000
Assets								
Cash and short-term funds	-	-	-	-	-	-	26	26
Financial investments available-for-sale	-	506	-	-	29,939	69,392	936	100,773
Other financial assets	-	-	-	-	-	-	16,997	16,997
Total assets	-	506	-	-	29,939	69,392	17,959	117,796
On-balance sheet profit sensitivity gap	-	506	-	-	29,939	69,392	17,959	117,796

Bank/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	Non-profit sensitive RM'000	Total RM'000
Assets								
Cash and short-term funds	-	-	-	-	-	-	63	63
Financial investments available-for-sale	-	97,494	-	-	-	-	-	97,494
Other financial assets	-	-	-	-	-	-	16,979	16,979
Total assets	-	97,494	-	-	-	-	17,042	114,536
On-balance sheet profit sensitivity gap	-	97,494	-	-	-	-	17,042	114,536

47. ISLAMIC BANKING BUSINESS (CONTD.)

(k) Capital Adequacy

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 in Note 41.

	BANK/GROUP	
	2017	2016
CET I capital ratio	450.099%	246.963%
Tier I capital ratio	450.099%	246.963%
Total capital ratio	450.099%	246.963%

(i) Components of Common Equity Tier I ("CET I"), Tier I and Tier II capital under the revised Capital Adequacy Framework.

	BANK/GROUP	
	2017	2016
	RM'000	RM'000
CET I Capital		
Paid-up share capital	56,000	56,000
Retained profits	51,960	48,974
Revaluation reserves	(509)	-
	107,451	104,974
Less: Regulatory adjustment		
- Deferred tax assets	(161)	-
Total CET I Capital/Total Tier I Capital	107,290	104,974
Tier II Capital		
Collective assessment allowance	-	-
Total Capital Base	107,290	104,974

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

	BANK/GROUP	
	2017	2016
	RM'000	RM'000
Credit risk	17,102	36,500
Operational risk	6,735	6,006
Total RWA and capital requirements	23,837	42,506