



ALLIANCE INVESTMENT BANK

**CORPORATE GOVERNANCE STATEMENT
FOR THE FINANCIAL YEAR ENDED
31 MARCH 2018**

The Board of Directors (Board) of Alliance Investment Bank Berhad (AIBB or the Bank), a wholly-owned subsidiary of Alliance Bank Malaysia Berhad (Alliance Bank) considers good corporate governance to be the foundation of a well-managed institution. The Board is fully committed to integrity and fair dealing in all its activities, and has adopted the best practice of corporate governance in all areas of its business towards enhancing business prosperity and corporate accountability with the ultimate objective of safeguarding the interests of all stakeholders and enhancing shareholder value.

AIBB's approach to corporate governance practices is in conformity with Bank Negara Malaysia's (BNM) Policy Document on Corporate Governance (BNM CG Policy) and is guided by the principles and practices set out in the Malaysian Code on Corporate Governance issued in 2017 (the Code).

A. BOARD OF DIRECTORS

1. BOARD COMPOSITION

The members of the Board are as follows:

1. Kung Beng Hong
(Non-Independent Non-Executive Director/Chairman)
2. Kuah Hun Liang
(Independent Non-Executive Director)
3. Mazidah Binti Abdul Malik
(Independent Non-Executive Director)
4. Dato' Yeoh Beow Tit
(Independent Non-Executive Director)
5. Dato' Majid Bin Mohamad
(Independent Non-Executive Director)
(Retired on 28 February 2018)

The profiles of each of the members of the Board are available on the Bank's corporate website at <https://www.alliancebank.com.my/Alliance-Investment-Bank-Berhad/Corporate/Investor-Relations/Annual-Reports.aspx>. None of the Directors holds any shares in the Bank.

The Board consists of individuals of calibre and diverse experience with the necessary skills and qualification. The Board comprises Directors who, as a group, provides a mixture of core competencies, including finance, banking, insurance, economics, business management and investment banking for the effective functioning and discharging of the responsibilities of the Board.

The present Board comprised all Non-Executive Directors, three of whom are Independent Non-Executive Directors. The presence of a majority of Independent Non-Executive Directors provides the necessary check and balances to ensure that the interests of all shareholders and the general public are given due consideration in the decision-making process.

Independent Non-Executive Directors are not involved in the day-to-day management of the Bank nor participate in any of the Bank's business dealings to ensure they remain free of any conflict of interests to undertake their roles and responsibilities as Independent Directors effectively.

Tenure of Independent Director

The Board Charter provides that the tenure of an independent director shall not exceed a cumulative term of nine years. Upon completion of nine years, an independent director may continue to serve on the Board subject to the director being re-designated as non-independent director. However, the re-designation of an independent director to a non-independent director requires shareholder's approval in a general meeting.

As at the date of this Statement, none of AIBB's Independent Non-Executive Directors have served for a cumulative period of more than nine years.

Board Appointment

Any proposed appointment of new Directors to the Board will be assessed by the Group Nomination & Remuneration Committee (Group NRC). In evaluating any new appointment of Directors, the Group NRC looks for diversity of skills, knowledge, experience and gender of the candidates. To ensure a candidate has the character, experience, integrity and competency to effectively discharge his/her role as a Director, the Group NRC will assess the candidates on the following criteria:

- (i) not be disqualified under section 59(1) of the Financial Services Act, 2013;
- (ii) comply with the fit and proper requirements of the Bank;
- (iii) not have any competing time commitments that impair his/her ability to discharge his/her duties effectively;
- (iv) not be an active politician;
- (v) not be a partner of a firm which has been appointed as the external auditors of the Bank or any of the firm's officers directly involved in the engagement until at least two years after – (a) he/she ceases to be an officer or partner of that firm; or (b) the firm last served as an auditor of the Bank; and
- (vi) at a minimum holds a degree qualification and/or other equivalent qualification(s) and at least 5 years senior managerial position.

The Board is ultimately responsible for all Board appointments.

All Directors are assessed annually to ensure that they continue to satisfy the required standard for fitness and propriety on a continuing basis including compliance with internal policies and procedures.

Boardroom Diversity

The Bank currently has one woman director on the Board of four members. In evaluating the appointment of new Directors as well as Board Succession Plan, the Group NRC and the Board have taken steps to ensure that women candidates are given priority consideration in the selection and recruitment process of directors towards achieving the gender diversity target of 30% women participation. However, the Board is of the view that, while it is important to promote board gender diversity, the normal selection criteria based

on an effective blend of competencies, skills, extensive experience and knowledge to strengthen the Board should remain a priority.

The Board plans to appoint a woman director in place of Dato' Majid Bin Mohamad who had retired from the Board on 28 February 2018.

Directors' Training and Development

Continuous training is vital for the Directors to gain insight and keep abreast with the development in the industry to further enhance their skills and knowledge in discharging their responsibilities effectively. While the Directors are expected to have personal development skills to improve themselves, they are encouraged to attend a minimum of three days of training programmes relating to the relevant areas within the financial year taking into consideration emerging trends in the banking industry. In addition, each Board Committee Member is encouraged to attend a minimum of two days of training programmes relevant to the respective areas of the Board Committees to keep abreast with the latest developments in the industry in each financial year.

The Bank has put in place an In-house Directors' Orientation Programme for newly appointed Directors to familiarise themselves with the Bank's operations in addition to the regulatory mandatory training programmes such as Capital Market Directors Programme. Directors also received guidance from the Company Secretary on the Bank's governance framework and associated policies, as well as their duties as Directors of the Bank.

The Directors are provided with the opportunity to attend relevant training programmes on an on-going basis in areas relating to banking including Islamic banking and financial industry to enable them to keep abreast with the latest developments in the industry. Such training programmes include the Financial Institutions Directors' Education (FIDE) Core Programme which promotes high-impact Boards by strengthening Board competencies in dealing with corporate governance, risk management, Fintech and digitisation, cybersecurity, Anti-Money Laundering and strategic issues faced by the financial services industry.

The Directors have attended various training programmes during the financial year under review as follows:

Directors	Training programmes attended by Directors
Kung Beng Hong	<ul style="list-style-type: none"> • The Companies Act 2016 • Bank 4.0: Banking everywhere, but not a bank • Compliance Conference 2017 • FIDE Forum: Risk and Reward: What Must Boards Know About a Sustainable FI Remuneration System for Senior Management and Material Risk Takers? • CG Breakfast Series: Leading in a Volatile, Uncertain, Complex, Ambiguous (VUCA) World • Invitation to Securities Commission Malaysia's Conversation with Audit Committees • Changes in the Listing Requirements Post - Companies Act 2016: What to Look Out For • Cyber Security: Cyber Proofing for the Next Wave

Directors	Training programmes attended by Directors
Kuah Hun Liang	<ul style="list-style-type: none"> • The Companies Act 2016 • Sustaining Business Growth With Sound Governance, Risk Management, Internal Control and Compliance • FIDE Forum: Efficient Inefficiency: Making Board Effective in a Changing World • FIDE Forum: Exclusive Workshop for Nomination Committee Chairman and Members: Board Selection - Engagement with Potential Directors • FIDE Forum: Risk and Reward: What Must Boards Know About a Sustainable FI Remuneration System for Senior Management and Material Risk Takers? • FIDE Forum: Navigating the VUCA World by Professor Tan Sri Dato' Lin See-Yan • Beyond Compliance: Achieving Cyber Resiliency
Mazidah Binti Abdul Malik	<ul style="list-style-type: none"> • The Companies Act 2016 • Sustaining Business Growth With Sound Governance, Risk Management, Internal Control and Compliance • FIDE Forum: Efficient Inefficiency: Making Board Effective in a Changing World • FIDE Forum: Fintech: Opportunities for the Financial Services Industry in Malaysia • FIDE Forum: Risk and Reward: What Must Boards Know About a Sustainable FI Remuneration System for Senior Management and Material Risk Takers • MSCI Presentation to Listed Companies • Invest Malaysia 2017: Malaysia at 60: Maximising Potential • FIDE Forum: Cryptocurrency and Blockchain Technology: Viewpoint from an Entrepreneur • 2nd Securities Commission - FIDE Dialogue: Leveraging Technology for Growth • Invest Malaysia 2018: Connecting Strength, Advancing Performance • World Capital Markets Symposium 2018
Dato' Yeoh Beow Tit	<ul style="list-style-type: none"> • Malaysian Companies Act, 2016 • Customer Due Diligence Training • Key Financial Aspects of the Insurance Business: Life Criteria of Individual Target Capital Level Determination • Great Eastern: International Financial Reporting Standards (IFRS) training session for Audit Committee Members of Singapore, Malaysia and Indonesia • New Companies Act by Messrs Wong & Partners • FIDE Forum: Fintech - Opportunities for the Financial Services Industry in Malaysia • The use of Inherited Estate in a Participating Fund • IFRS & The Directors' and Officers' Liability Insurance (DOLI) • Key Drivers of Profits • Motor Pricing Model for Private Cars • BoardPac • Shariah Contracts in Takaful • IFRS 17 by Messrs PricewaterhouseCoopers

Directors	Training programmes attended by Directors
Dato' Majid Bin Mohamad	<ul style="list-style-type: none"> • The Companies Act 2016 • Compliance Conference 2017 • FIDE Forum: Fintech: Opportunities for the Financial Services Industry in Malaysia • FIDE Forum: Navigating the VUCA World by Professor Tan Sri Dato' Lin See-Yan • FIDE Forum: Focus Group (Banking) - Discussion in Preparation for the 5th Annual Dialogue with the Governor

The Directors also received briefings on relevant new laws, rules and regulations, risk management updates and changes in accounting standards at Board/Board Committee meetings from time to time.

Board Annual Assessment

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

Each Director evaluates the performance of the Board as a whole by way of a Self-Assessment Questionnaire by Individual Board Members. The assessments are made against the pre-established criteria as follows:

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

For individual Directors' assessments, Self-Assessment Forms by Individual Director are completed individually by every Director. In addition, the performance of each Board Member is assessed by the Board Chairman based on similar criteria of the Self-Assessment Form. The results are compiled for Group NRC's deliberation.

The results of the performance evaluation are reviewed and discussed for improvements among Board Members.

The Board, through the Group NRC, also assessed the fitness and propriety of the Directors in accordance with the Group's Policy on Fit and Proper.

For the financial year under review, an external consultant, the Institute of Corporate Directors Malaysia (ICDM) was engaged to undertake a Board Effectiveness Assessment and Individual Director Evaluation for the Bank. Two sets of structured questionnaires were used to interview the members of the Board and selected Senior Management of the Group to assess the following eight components of board effectiveness:

- (a) Board Composition
- (b) Board Leadership
- (c) Board Information
- (d) Board Dynamics
- (e) Board Agendas and Meetings
- (f) Board-Management Relationship
- (g) Board Committees
- (h) Board Processes

The first, longer set was used to interview the members of the Board and the second, simpler set of questions was used to interview the Senior Management.

The Board Effectiveness Assessment results were tabled to the Board while the results of the Individual Director Evaluation were presented to members of the Board on a one-to-one basis by the consultant. The suggested improvements highlighted by ICDM are considered by the Board for improvement, where necessary.

2. BOARD RESPONSIBILITIES

Board Charter

The Board has a Board Charter that clearly sets out the mandates, responsibilities and procedures of the Board including the matters reserved for the Board's decision.

The Board has the overall responsibility for promoting the sustainable growth and financial soundness of the Bank and for ensuring reasonable standards of fair dealing, without undue influence from any party. This includes a consideration of the long-term implications of the Board's decisions on the Bank and its customers, officers and the general public.

The key responsibilities of the Board are set out below:

- (a) approve the risk appetite, business plans and other initiatives which would, singularly or cumulatively, have a material impact on the Bank's risk profile;
- (b) oversee the selection, performance, remuneration and succession plans of the Chief Executive Officer (CEO), control function heads and other members of senior management, such that the Board is satisfied with the collective competence of senior management to effectively lead the operations of the Bank;
- (c) oversee the implementation of the Bank's governance framework and internal control framework, and periodically review whether these remain appropriate in light of material changes to the size, nature and complexity of the Bank's operations;
- (d) promote, together with senior management, a sound corporate culture within the Bank which reinforces ethical, prudent and professional behaviour;
- (e) promote sustainability through appropriate environmental, social and governance considerations in the Bank's business strategies;
- (f) oversee and approve the recovery and resolution as well as business continuity plans for the Bank to restore its financial strength, and maintain or preserve critical operations and critical services when it comes under stress; and
- (g) promote timely and effective communication between the Bank and BNM on matters affecting or that may affect the safety and soundness of the Bank.

The Board has established various Board Committees to assist and complement the Board in the execution of its responsibilities. These Board Committees operate within clearly defined roles and responsibilities as set out in the Board Charter as well as in the terms of reference of each of the committees.

The Board's approach is that major policy decisions are matters for the Board as a whole. The matters reserved for the Board's decision include, among others, key proposals/issues related to strategy and management, structure and capital, financial reporting and controls, communication with stakeholders, Board membership and appointments of CEO, remuneration, delegation of authority, etc.

To assist with their respective fiduciary duties and responsibilities, the roles of the Chairman, Non-Executive Director and CEO are identified and set out in the Board Charter.

The Board Charter is reviewed from time to time and updated in line with the needs of the Bank and any changes in regulations to ensure its continual relevance to the Board. The Board Charter was last reviewed and revised by the Board on 25 January 2018 to incorporate the relevant amendments in line with the latest regulatory development.

The Board Charter is available on the Bank's corporate website at <https://www.alliancebank.com.my/Alliance-Investment-Bank-Berhad/Corporate/Corporate-Governance.aspx>

Responsibility of the Chairman and CEO

The roles of the Chairman of the Board and the CEO are separated consistent with the principles of corporate governance to institute an appropriate balance of power and authority.

The Chairman, in leading the Board, is responsible for the effective overall function of the Board. He maintains a close professional relationship with the CEO and his management team and acts as mentor as required. He chairs Board meetings, and concerns himself with the good order and effectiveness of the Board and its processes.

The CEO, in leading the management team, provides leadership, strategic vision, high-level business judgment and wisdom, and the responsibility to meet immediate performance targets without neglecting longer-term growth opportunities of the Bank.

The key roles of the CEO, amongst others, include:

- Developing the strategic direction of the Bank;
- Ensuring that the Bank's strategies and corporate policies are effectively implemented;
- Ensuring that Board decisions are implemented and Board directions are responded to;
- Providing directions in the implementation of short and long term business plans;
- Providing strong leadership; i.e. effectively communicating a vision, management philosophy and business strategy to the employees;
- Keeping Board fully informed of all important aspects of the Bank's operations and ensuring that sufficient information is distributed to Board members; and
- Ensuring the day-to-day business affairs of the Bank are effectively managed.

Code of Conduct

The Bank has a Code of Conduct that sets out the principles and standards of business and ethics conduct required to be observed by the Directors and the employees in order to promote and uphold the highest standard of professionalism and exemplary code of conduct at all times.

Core areas of conduct set out in the Code of Conduct include, among others:

- (a) compliance with laws, regulations, internal policies and procedures;
- (b) avoidance of conflict of interest;
- (c) misuse of position;
- (d) misuse of information and insider trading;
- (e) reject bribery and corruption;
- (f) respect customer confidentiality and data privacy; and
- (g) stay alert to money laundering, terrorism and fraud.

To underscore the importance of adherence to and observance of the Bank's Code of Conduct, our employees refresh their knowledge of the Code of Conduct by way of e-learning annually.

The Code of Conduct is available on Alliance Bank Group's corporate website at www.alliancebank.com.my.

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

Whistleblowing Policy

In line with the Bank's strive for sustained ethical business practices, the Bank has put in place a Whistleblower Policy that is designed to provide a platform for employees to report any misconducts committed or about to be committed, including breaches of any laws, regulations, business principles, policies and guidelines of the Bank; and any possible financial improprieties such as manipulation of financial results, misappropriation of assets, intentional circumvention of internal controls, inappropriate influence on related party transactions by related parties and other improprieties.

The Whistleblower Policy is also an avenue for employees to raise concerns in relation to the specific issues that are in the interest of integrity and justice.

Employees who utilise the whistleblower platform are ensured of anonymity (if applicable) and are protected against work related retaliation to a certain extent, regardless of whether or not the concerns raised are upheld.

In addition to the internal reporting channels, employees are also given information on external reporting channels i.e. BNM and Securities Commission of Malaysia.

The Chairman of the Group NRC, who is a Senior Independent Non-Executive Director of Alliance Bank, has been appointed to be responsible for the effective implementation of the Whistleblower Policy. The Chairman of the Board, Chairman of Group Audit Committee and the Group CEO are the designated reporting channels to whom any whistleblowing complaints may be directed to. The Board is informed of the relevant whistleblower investigation/conclusions.

The Bank is also committed to ensuring that third parties are provided an avenue to raise complaints as whistleblowers. To this end, the "ALLIANCE Speak up" Statement, being a whistleblower statement for third parties, has been made available for public viewing and information through Alliance Bank Group's corporate website at www.alliancebank.com.my

Company Secretary

The Board is supported by a qualified and competent Company Secretary with over 25 years of experience in the corporate secretarial function. He is an Associate member of the Malaysian Institute of Chartered Secretaries & Administrators. He holds a Master of Business Administration in Finance from University Putra Malaysia and a Master of Advanced Business Practice from University of South Australia.

The Company Secretary provides counsel to the Board on corporate governance matters and advocates the adoption of corporate governance best practices; renders effective support to the Chairman of the Board/Board Committees and Directors in the discharge of their roles and responsibilities; and facilitates effective communication of decisions and policies made by the Board/Board Committees to the Management. The Company Secretary also ensures Board procedures; applicable rules and regulations; and relevant laws are complied with.

The Company Secretary keeps abreast with changes in relevant laws; rules and regulations; and industry development through continuous training and regular interaction with various stakeholders and industry peers.

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

Board Meetings and Supply of Information

The Board meets on a scheduled basis to review progress reports on the Bank's business and financial performance; approve budget, strategies, business plans and significant policies as well as to consider business and other proposals which require the Board's approval. Ad-hoc Board meetings are held to deliberate urgent corporate proposals or issues which require the Board's immediate consideration and decision. The Board also meets without presence of Management as and when it is required.

All Directors are supplied with information on a timely manner. The agenda for each Board/Board Committee meeting, together with detailed reports and proposal papers are circulated to the Directors for their prior reading at least three clear days before the relevant Board and Board Committees' meetings to provide sufficient time for the Board members to review, consider and obtain further information if required. Urgent proposals can be presented less than three clear days subject to approval of the Chairman of the Board/Board Committees.

Senior Management and advisors are invited to attend Board/Board Committees meetings, where necessary, to provide the Board/Board Committees with detailed explanations and clarifications on proposals tabled to enable the Board/Board Committees to make informed decisions.

The Board may also at anytime interact directly with, or request further explanation, information or updates on any aspect of the Bank's operations or business concerns from the Management.

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

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

Minutes of Board and Board Committees' meetings are circulated to the Board members in a timely manner for their review to ensure that the minutes accurately record the deliberations and decisions of the Board and Board Committees.

Number of meetings convened by the Board and attendance of each Director

All Directors have demonstrated that they are able to allocate sufficient time to the Bank to discharge their duties and responsibilities. The Board met 15 times during the financial year under review. Details of each Director's attendance during the financial year under review are as follows:

No.	Directors	Attendance
1.	Kung Beng Hong (Chairman)	15/15
2.	Kuah Hun Liang	14/15
3.	Dato' Majid Bin Mohamad (Retired on 28 February 2018)	12/12
4.	Mazidah Binti Abdul Malik	15/15
5.	Dato' Yeoh Beow Tit	15/15

B. BOARD COMMITTEES

To enhance the Board's effectiveness in discharging its duties and responsibilities, the Board has established the following Board Committees which operate within specific delegated authority and functions to complement the Board in the execution of its responsibilities:

- Executive Committee (EXCO)
- Group NRC
- Group Audit Committee (Group AC)
- Group Risk Management Committee (Group RMC)

The Group AC, Group RMC and Group NRC operate on a Group basis covering the Bank and its related companies namely, Alliance Bank and Alliance Islamic Bank Berhad (AIS). Each Board Committee has its Terms of Reference which set forth the responsibilities of that Committee.

EXCO

The EXCO reviews large loan applications as delegated by the Board and approves other business matters recommended by the Management which are within its financial limits set by the Board. It also reviews and recommends strategies and policies for the Board's approval and oversees their implementation.

The members of the EXCO are as follows:

1. Kuah Hun Liang – Independent Non-Executive Director/Chairman
2. Kung Beng Hong – Non-Independent Non-Executive Director
3. Mazidah Binti Abdul Malik – Independent Non-Executive Director

The EXCO met nine times during the financial year under review. Details of each EXCO Member's attendance during the financial year under review are as follows:

No.	EXCO Members	Attendance
1.	Kuah Hun Liang (Chairman)	9/9
2.	Kung Beng Hong	9/9
3.	Mazidah Binti Abdul Malik	9/9

Group NRC

The Group NRC is responsible to support the Boards in carrying out their functions in the following matters concerning the Boards, Shariah Committee, Senior Management and Company Secretary:

- Appointment and removals;
- Composition of the Boards;
- Performance evaluation and development; and
- Fit and proper assessments,

and actively overseeing the design and operation of the Bank's remuneration system, as prescribed in its Terms of Reference. Further, Group NRC also periodically reviews the remuneration of Directors on the Board, particularly on whether remuneration remains appropriate to each Director's contribution, taking into account the level of expertise, commitment and responsibilities undertaken.

The functions of the Group NRC are set out in its Terms of Reference which is published on Alliance Bank Group's corporate website at www.alliancebank.com.my.

The members of the Group NRC are as follows:

1. Ou Shian Waei – Senior Independent Non-Executive Director, Alliance Bank/Chairman
2. Tan Sri Dato' Ahmad bin Mohd Don – Independent Non-Executive Director, Alliance Bank
3. Datuk Wan Azhar bin Wan Ahmad – Independent Non-Executive Director, Alliance Bank and AIS
4. Kung Beng Hong – Non-Independent Non-Executive Director of the Bank and Alliance Bank
5. Lee Ah Boon – Non-Independent Non-Executive Director, Alliance Bank
6. Lee Boon Huat – Independent Non-Executive Director, Alliance Bank

The Group NRC met 12 times during the financial year under review. Details of each Group NRC Member's attendance during the financial year under review are as follows:

No.	Group NRC Members	Attendance
1.	Ou Shian Waei (Chairman)	12/12
2.	Tan Sri Dato' Ahmad bin Mohd Don	12/12
3.	Datuk Wan Azhar bin Wan Ahmad	12/12
4.	Kung Beng Hong	12/12
5.	Lee Ah Boon	12/12
6.	Lee Boon Huat	9/12

Group AC

The Group AC is principally responsible to support the Board in ensuring that there is a reliable and transparent financial reporting process within the Bank and its related companies.

The functions of the Group AC are set out in its Terms of Reference which is published on Alliance Bank Group's corporate website at www.alliancebank.com.my.

The members of the Group AC are as follows:

1. Thayaparan Sangarapillai – Independent Non-Executive Director, Alliance Bank/Chairman
2. Kuah Hun Liang – Independent Non-Executive Director of the Bank and Alliance Bank
3. Datuk Wan Azhar bin Wan Ahmad – Independent Non-Executive Director, Alliance Bank and AIS
4. Ho Hon Cheong – Non-Independent Non-Executive Director, Alliance Bank
5. Tan Chian Khong – Independent Non-Executive Director, Alliance Bank (Appointed as a member of the Group AC with effect from 1 January 2018)
6. Ou Shian Waei – Senior Independent Non-Executive Director, Alliance Bank (Stepped down as a member of the Group AC with effect from 1 January 2018)

The Group AC met 24 times during the financial year under review. Details of each Group AC Member's attendance during the financial year under review are as follows:

No.	Group AC Members	Attendance
1.	Thayaparan S. Sangarapillai (Chairman)	24/24
2.	Kuah Hun Liang	23/24
3.	Datuk Wan Azhar bin Wan Ahmad	24/24
4.	Ho Hon Cheong	23/24
5.	Tan Chian Khong	6/6
6.	Ou Shian Waei	18/18

Group RMC

The principal objectives of the Group RMC is to support the Board in meeting the expectations on risk management as set out in the BNM Policy Document on Risk Governance in overseeing the Bank's Senior Management's activities in managing credit, market, liquidity, operational, legal and other risks as well as to ensure that the risk management process is in place and functioning according to its purposes.

The functions of the Group RMC are set out in its Terms of Reference which is published on Alliance Bank Group's corporate website at www.alliancebank.com.my.

The members of the Group RMC are as follows:

1. Kuah Hun Liang – Independent Non-Executive Director of the Bank and Alliance Bank/Chairman
2. Lee Boon Huat – Independent Non-Executive Director, Alliance Bank
3. Ho Hon Cheong – Non-Independent Non-Executive Director, Alliance Bank
4. Tuan Haji Ibrahim bin Hassan – Independent Non-Executive Director, AIS (Appointed as a member of the Group RMC with effect from 1 January 2018)
5. Mazidah Binti Abdul Malik – Independent Non-Executive Director of the Bank (Appointed as a member of the Group RMC with effect from 1 January 2018)
6. Dato' Majid Bin Mohamad – Independent Non-Executive Director, AIS (Stepped down as a member of the Group RMC with effect from 1 January 2018)

The Group RMC met 22 times during the financial year under review. Details of each Group RMC Member's attendance during the financial year under review are as follows:

No.	Group RMC Members	Attendance
1.	Kuah Hun Liang (Chairman)	22/22
2.	Lee Boon Huat	20/22
3.	Ho Hon Cheong	20/22
4.	Tuan Haji Ibrahim bin Hassan	6/6
5.	Mazidah Binti Abdul Malik	6/6
6.	Dato' Majid Bin Mohamad	16/16

C. INTERNAL CONTROL FRAMEWORK

The Bank operates a holistic internal control framework, which is intended to safeguard the Bank's assets and our customers' information and deposits. To do so, the internal control framework operates on a system of checks and balances. Examples of such controls include:

- Board oversight over Management actions/decisions;
- Segregation of duties;
- Authorisation controls;
- Transactional limits;
- Portfolio/concentration limits;
- Verification/validation checks;
- Reconciliation checks;
- Physical security/access controls;
- Automated, system-based controls and password controls;
- Documentation controls.

The above are supplemented with policies, limits and procedures to govern the Bank's various products, services and activities. The Board and Senior Management are responsible for setting the 'tone at the top'; backed by staff training/orientation and ongoing supervision. Incident handling is reinforced through performance management and consequence management. The Board, relevant Board Committees and Management Committees periodically review and update the key policies and procedures in accordance with the operational and business needs of the Bank, changes in regulations and industry development.

The internal control framework is embedded within the Bank's Three Lines of Defence:

Frontline Units – 1st Line of Defence

Business Units, aided by Business Support functions, including Business Risk and Credit Underwriting functions and Group Operations Control form the 1st Line of Defence.

In addition to the departmental controls within the respective 1st Line business and support units, the Bank also conducts supervisory checks and independent reviews, to assess whether these controls are functioning effectively as intended. This framework is further augmented by independent audits carried out on the 1st Line and 2nd Line functions.

Risk Control Functions – 2nd Line of Defence

Group Risk Management, Group Compliance and Shariah Review Team form the 2nd Line of Defence.

Group Compliance has established the Compliance Risk Assessment and Review Framework which sets out the risk based approach and process to ensure compliance risk is proactively identified and managed. The framework identify, prioritise and assign accountability for managing current and potential compliance threats and risks to which the bank may be expose to. Compliance testing plan is developed annually to ensure that controls over compliance related risks are tested and verified. Deficiencies identified from the review will be reported and appropriately followed up.

Internal Audit – 3rd Line of Defence

As the 3rd Line of defence, Group Internal Audit (GIA) performs regular independent reviews on the Bank's activities to evaluate and make recommendations to improve the effectiveness of risk management, governance processes, internal control & compliance framework and information systems, and where possible advise on best practices. The reviews are conducted in accordance with the annual audit plan, which was developed based on the GIA's risk-based audit planning methodology and approved by the Group AC.

D. REMUNERATION

Non-Executive Directors

The objective of the Group's Policy on Directors' remuneration is to attract and retain Directors needed to steer the Bank towards achieving its goals effectively. The determination of the Non-Executive Directors' remuneration is a matter for the Board as a whole. The level of remuneration of Non-Executive Directors is linked to their level of responsibilities.

All Non-Executive Directors are paid fixed annual director fees and meeting attendance allowance for each Board or Board Committee meeting attended. In addition, Non-Executive Directors also receive other benefits including Directors & Officers Liability Insurance, provided that such Director has not acted negligently, fraudulently or dishonestly, or is in breach of his duty of trust.

The details of remuneration of each Director of the Bank received/receivable from the Bank in respect of FY2018 are disclosed on pages 71 and 72 of the Annual Audited Financial Statements.

Senior Management

The Group Compensation Policy governs the design and management of remuneration for employees in the Bank. The policy is reviewed and endorsed by the Group NRC and approved by the Board on a periodic basis and whenever material changes are required. The last review was completed in 2017 to incorporate requirements from BNM CG Policy. The enhancements were on introduction of Material Risk Takers as a new category of employees and Deferral Policy to govern deferment of a portion of variable compensation. The policy review also includes input from risk and control functions.

The remuneration strategy of the Bank is designed around the following principles:

- supports a performance culture that is based on merit, differentiates and rewards performance, both in the short and long term, and recognises the Bank's Core Values/Key Behaviours;
- enables the Bank to attract and retain employees and to motivate them to achieve the desired results;
- balances the mix of fixed and variable pay to appropriately reflect the value and responsibility of the role, and to influence appropriate behaviours and actions;
- consistent with, and promotes, effective risk management practices and the Bank's compliance and control culture;
- takes into account the long-term performance of the Bank, in order to create sustainable financial performance and value for the Bank and shareholders.

The Group Compensation Policy covers all employees, including Senior Management of the Group. Employees whose remuneration is covered by collective agreements or subject to labour union negotiations are bound by the terms and conditions of such agreements.

The remuneration of the Bank is made up of the following components:

Fixed pay	Consists of base salary, and where applicable, cash allowance	Determined based on roles and responsibilities, individual experience and skill sets, the Bank's legal obligations and market competitiveness.
Variable rewards	Consists of Cash Bonus and Deferred Cash/ Share	<p>These are not guaranteed and subject to the Bank's results and performance of the work unit and individual employee. Align compensation with prudent risk-taking and incorporates adjustments to reflect:</p> <ul style="list-style-type: none"> i. financial and non-financial measures of business performance; ii. the risks related to the business activities taking into account, where relevant, of the cost of the associated capital <p>Deferred Cash/Share are also used to achieve the following objectives:</p> <ul style="list-style-type: none"> i. Retain top performers and critical staff; ii. Provide market competitive total compensation; iii. Align the interest of employees with long term sustainability
Employee Benefits		Employee benefits are used to foster employees' sense of being valued and sense of well-being, delivering cost-effective programmes that are of value to employees.

The Bank bonus pool is determined based on the overall Bank performance and subject to adjustment after taking into consideration inputs from Audit, Risk and Compliance on both quantitative risk measures and qualitative risk outcomes. The final bonus pool is approved by the Board.

The Bank has identified Material Risk Takers comprising the Senior Management of the Bank. Their variable remuneration is subject to deferral policy up to three years to reflect the time horizon of risks and the potential for financial risks to crystallise over a longer period of time. The deferred awards, both unvested and vested portions, are subject to forfeiture and clawback in the event of a material restatement of the Bank or business unit's financials or significant deterioration in the Bank or business unit's financial health and/or the employee committed misconduct or resigned. The Bank does not have Other Material Risk Takers who are not members of the Senior Management but have authority to commit the Bank significantly to risk exposure.

The following depicts the total value of remuneration awarded to the CEO and Senior Management of the Bank in respect of the FY2018:

CEO	Non-Deferred (RM'000)	Deferred (RM'000)	Total amount of Outstanding Deferred remuneration as at 31.3.2018 (RM'000)	Total amount of Deferred Remuneration Paid Out (Vested) in FY2018 (RM'000)
Fixed - Cash-based	1,490	-	-	-
Variable - Cash-based	436	183	500	100
Variable - Share-based	-	-	-	149

Senior Management	No. of Senior Management	Non-Deferred (RM'000)	Deferred (RM'000)	Total amount of Outstanding Deferred remuneration as at 31.3.2018 (RM'000)	Total amount of Deferred Remuneration Paid Out (Vested) in FY2018 (RM'000)
Fixed - Cash-based	6	3,760	-	-	-
Variable - Cash-based	6	809	-	343	62
Variable - Share-based	-	-	-	-	-

Category	Senior Management	
	No.	Amount (RM'000)
Number and total amount of guaranteed bonuses awarded during FY2018	-	-
Number and total amount of sign-on awards made during FY2018	-	-
Number and total amount of severance payments made during FY2018	-	-

Performance Management

The Bank actively manages the performance of employees to ensure a robust link between remuneration outcomes and the achievement of the Bank's strategy. Formal assessments occur biannually, at the middle and end of the performance year respectively. Assessment outcomes directly influence an employee's short term incentive and long term incentive awards.

Employee performance is assessed against both what an employee achieves and how he/she achieves it. Individual objectives represent "what" the employee is expected to achieve. For Senior Management, objectives are set within a balanced scorecard framework with the scorecard categories aligning to the Bank's strategy. Scorecard objectives are cascaded down and documented in each employee's Individual Performance Plan or Job Standard at the commencement of the performance year.

An employee's performance will be measured based on both financial and non-financial objectives taking into consideration risk, compliance and control outcomes. In addition to achieving their objectives, employees are also assessed on the Bank's core values/key behaviours.

To safeguard the independence and authority of employees engaged in Risk and Control functions, covering the functions of Compliance, Risk and Audit, the performance of employees in Risk and Control functions are assessed independently of the performance of any business areas they oversee. The performance metrics of these employees are based principally on the achievement of the objectives of their job functions, rather than on the financial performance of the Bank. The remuneration of these risk and control functions employees is positioned at a higher fixed pay component and reviewed annually.