



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



OUR VISION, KEY BEHAVIOURS & BRAND ATTRIBUTES

OUR VISION

OUR KEY BEHAVIOURS

OUR BRAND ATTRIBUTES

BUILDING ALLIANCES TO IMPROVE LIVES

COMMIT TO EXCELLENCE

TAKE OWNERSHIP

COLLABORATE

INNOVATE & SIMPLIFY

UNDERSTAND AND ACT

#1 IN INNOVATION

#1 IN BEING FAST, SIMPLE & RESPONSIVE

#1 IN BEING ALIGNED TO CUSTOMERS' NEEDS

CORPORATE PROFILE

Alliance Financial Group Berhad was incorporated in Malaysia on 7 April 1966 and was listed on the Main Market of Bursa Malaysia Securities Berhad (then known as Kuala Lumpur Stock Exchange) on 6 July 1979. The Group is principally involved in the provision of banking and financial services through Alliance Bank Malaysia Berhad.

Alliance Bank Malaysia Berhad, together with its subsidiaries, Alliance Investment Bank Berhad and Alliance Islamic Bank Berhad, provide a wide range of financial products and services in consumer banking, SME banking, corporate and commercial banking, Islamic banking, investment banking, and stockbroking businesses.

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VIEW OUR REPORT ONLINE

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

HISTORY OF ALLIANCE FINANCIAL GROUP

50s - 70s		90s	
1958	Banque de L'Indochine commenced operations in Malaya with its first branch in the Selangor Kwangtung Association Building, Jalan Pudu, Kuala Lumpur. This branch was subsequently relocated to Jalan Raja Chulan, Kuala Lumpur, in 1975.	1998	By February 1998, the Bank had a network of 34 branches nationwide, including Sabah and Sarawak.
1959	Banque de L'Indochine opened a sub-branch at Jalan Batu, Kuala Lumpur (now known as Jalan Tunku Abdul Rahman).	1999	Multi-Purpose Bank Berhad was selected to be one of the anchor banks in the Malaysian government's bank consolidation initiative. Multi-Purpose Bank Berhad successfully anchored the merger with International Bank Malaysia Berhad, Sabah Bank Berhad, Sabah Finance Berhad, Bolton Finance Berhad, Amanah Merchant Bank Berhad, and Bumiputra Merchant Bankers Berhad.
1975	The name of the Bank was changed to Banque de L'Indochine et de Suez (Banque Indosuez). In the same year, Banque Indosuez acquired a building in Jalan Raja Chulan, Kuala Lumpur, to serve as its headquarters.		
80s - 90s		21st Century	
1982	Malaysian French Bank Berhad was incorporated to assume the banking business of the two local branches of Banque Indosuez. The incorporation was the result of the French government's nationalisation of Banque Indosuez and also of the subsequent restructuring of the Bank's businesses in Malaysia to comply with local banking regulations.	2001	The Alliance Banking Group was established on 19 January with the successful merger of seven financial institutions. The newly-merged entity's name and logo were unveiled to the public for the first time as the Alliance Banking Group comprising Alliance Bank Malaysia Berhad (Alliance Bank), Alliance Finance Berhad, Alliance Merchant Bank Berhad, and Alliance Unit Trust Management Berhad.
1985	The Bank established its "first" branch in Taman Maluri, Kuala Lumpur. In the same year, eight more branches were opened throughout the country.	2004	On 1 August, Alliance Finance Berhad merged with Alliance Bank. Consequently, Hire Purchase is now offered at all Alliance Bank's retail branches nationwide.
1986-1995	During this time, 16 branches were established nationwide.	2005	On 1 January, Alliance Merchant Bank Berhad acquired 100% equity interest in Kuala Lumpur City Securities (KLCS).
1996	Malaysian French Bank Berhad changed its name to Multi-Purpose Bank Berhad.	2006	In August, Alliance Merchant Bank Berhad changed its name to Alliance Investment Bank Berhad (AIBB). In December, KLCS merged with AIBB to offer a full suite of investment banking services.

	21st Century
2007	<p>In April, Alliance Unit Trust Management Berhad merged with Alliance Capital Asset Management Berhad to form Alliance Investment Management Berhad (AIMB). Under the terms of the agreement, Alliance Bank owns 70% equity stake in AIMB. In June, Alliance Islamic Bank Berhad (AIS) was incorporated as a wholly-owned subsidiary of Alliance Bank.</p> <p>In conjunction with the change of name of its holding company from Malaysian Plantations Berhad to Alliance Financial Group Berhad on 31 August, Alliance Banking Group underwent a major rebranding exercise and was renamed Alliance Financial Group (the Group).</p>
2008	<p>AIS commenced its Islamic banking business on 1 April after assuming the entire Islamic banking business portfolio of Alliance Bank.</p>
2011	<p>In January, Alliance Bank and AIA Berhad entered into a joint venture to form AIA AFG Takaful Berhad which offers a range of Takaful savings, protection and investment products.</p> <p>Under the terms of agreement, Alliance Bank owns 30% equity stake in AIA AFG Takaful Berhad.</p>
2013	<p>In March, Alliance Bank completed the sale of its 30% equity stake in AIA AFG Takaful Berhad.</p> <p>In April, Alliance Bank completed the sale of its 70% shareholding in AIMB to KAF-Seagroatt Campbell Berhad. AIMB ceased to be part of the Group following the completion of the sale.</p> <p>In June, Alliance Bank entered into a 10-year bancassurance partnership with Manulife Insurance Berhad. With this partnership, Alliance Bank is now able to provide a comprehensive bancassurance product suite to its customers.</p>
2014	<p>In May, AIBB acquired a 51% equity stake in HwangDBS Vickers Research Sdn Bhd (HDBSV). HDBSV was later renamed AllienceDBS Research Sdn Bhd.</p>

NOW

Today

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

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

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

CORPORATE INFORMATION

DIRECTORS

DATUK OH CHONG PENG

▶ *Chairman, Independent Non-Executive Director*

KUNG BENG HONG

▶ *Non-Independent Non-Executive Director*

OU SHIAN WAEI

▶ *Independent Non-Executive Director*

LEE AH BOON

▶ *Non-Independent Non-Executive Director*

TAN CHIAN KHONG

▶ *Independent Non-Executive Director (Appointed on 1 August 2016)*

STEPHEN GEH SIM WHYE

▶ *Independent Non-Executive Director (Retired on 5 August 2016)*

CHIEF EXECUTIVE OFFICER

▶ Joel Kornreich

GROUP COMPANY SECRETARY

▶ Lee Wei Yen (MAICSA 7001798)

REGISTERED OFFICE

▶ 3rd Floor, Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur, Malaysia

Tel : 03-2604 3333

Fax : 03-2694 6200

Website : www.alliancefg.com

Email : enquiry@alliancefg.com

REGISTRAR

▶ **Shareworks Sdn Bhd**
No. 2-1, Jalan Sri Hartamas 8
Sri Hartamas
50480 Kuala Lumpur, Malaysia

Tel : 03-6201 1120

Fax : 03-6201 3121

AUDITORS

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

PRINCIPAL BANKER

▶ Alliance Bank Malaysia Berhad

BURSA MALAYSIA STOCK NAME/CODE

▶ AFG/2488

INTERNATIONAL SECURITIES IDENTIFICATION NUMBER (ISIN)

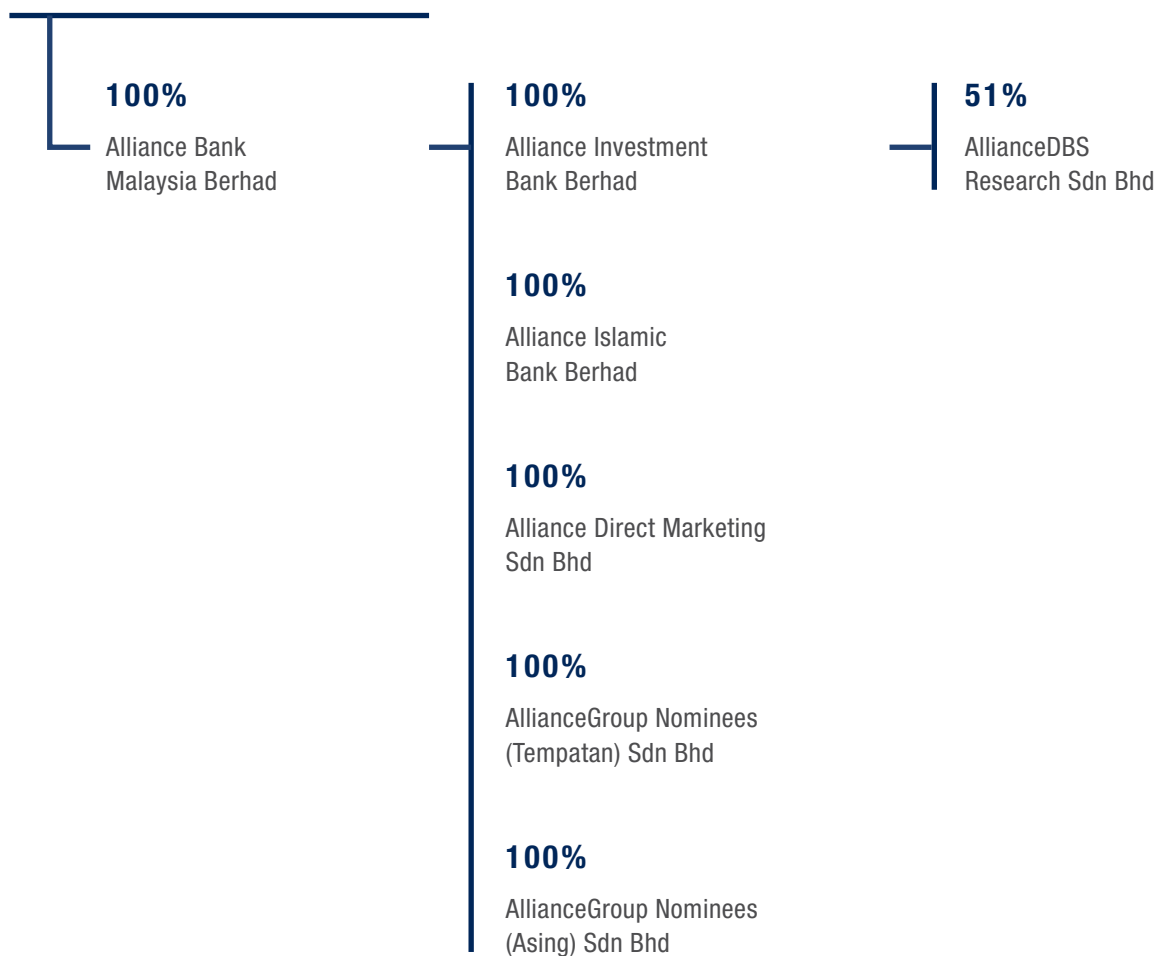
▶ MYL248800004

CORPORATE STRUCTURE

as at 25 May 2017



ALLIANCE FINANCIAL GROUP BERHAD (6627-X)



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

PRODUCTS AND SERVICES

ALLIANCE BANK MALAYSIA BERHAD

PERSONAL BANKING

Wealth Management

Deposits

- Savings Account/Basic Savings Account
- Alliance Buddy
- Alliance Senior Savers
- Alliance My eSaving Account
- Current Account/Basic Current Account
- Alliance Hybrid Account
- Fixed Deposit
- Alliance FDGold
- eFD (via allianceonline)
- Alliance XChange Account (via allianceonline)
- Alliance XChange FD (via allianceonline)
- allianceonline Banking
- Alliance Cash2Home
- Alliance SavePlus Account (via allianceonline)
- Foreign Currency Current Account
- Foreign Currency Fixed Deposit

Unit Trust

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

Retail Bond

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

Structured Investment

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

Share Trading & Investment Lending

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

Bancassurance

- Safe Assure
- Home Assure
- Care Assure
- Mortgage Reducing Term Assurance
- Mortgage Level Term Assurance
- Mortgage Reducing Term Takaful
- Elite Income Saver
- Elite Max Saver
- Elite Prime Life
- Elite Cash Saver
- Elite Smart Life
- Elite Smart Kids
- Elite Credit Shield
- Elite Global Annuity
- Fire/House Owner (Conventional & Takaful)
- Motor Insurance (Conventional & Takaful)
- Personal Loan Reducing Team Assurance
- Personal Loan - Group Credit Family Takaful

Conventional Loans

- Alliance One Account
- Alliance Conventional Home Loan
- Alliance Conventional Commercial Property Loan
- Alliance Conventional Oil Palm Plantation Financing
- Alliance CashFirst Personal Loan
- Alliance Hire Purchase

Cards

Credit Cards

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

Debit Cards

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

BUSINESS BANKING

SME

Credit Facilities

- Working Capital Financing
- Equipment Financing
- Business Premises Financing
- Oil Palm Plantation Financing
- Schemes promoted by CGC/BNM/Government
- Foreign Exchange
- SME Express Cash

Trade Facilities

- Letter of Credits
- Trust Receipts
- Foreign Currency Trade Loan
- Bankers Acceptances
- Export Bills Purchased/Discounting
- Export Credit Refinancing
- Export LC Negotiation
- Collection Bills
- Shipping Guarantees
- Export LC Advising/Confirmation
- Bank Guarantees (BGs)
- Promissory Notes

Bancassurance

- Commercial Line General Insurance
- Keyman Credit-Life Insurance/Return of Premium Rider
- Alliance Business Shield/Biz Assure

Business Credit Card

- MyBusiness Platinum Credit Card
- Business Platinum Credit Card
- Visa Infinite Business Credit Card

Cash Management

- Deposit Account Offering
 - Business Current Account
 - Business Fixed Deposit
 - Business Foreign Currency Current Account
 - Business Foreign Currency Fixed Deposit
- Account Management (via Alliance BizSmart)
 - Consolidated Account Overview
 - Transaction History Download
 - e-Statement
 - Tax Invoice/Merchant Report
- Payment Management (via Alliance BizSmart)
 - Bulk Payment
 - Bulk Payment with Payment Advice
 - Payroll (Salary/EPF/SOCSSO/Monthly Contribution/PCB-LHDN Payment)
 - Fund Transfer (Pay to Alliance Bank/Interbank GIRO/RENTAS)
 - Foreign Telegraphic Transfer
 - Prepaid Reload
 - Bill Payment (JomPAY/Direct Bill)
 - MyGST Payment
 - E-Dividend Payment
 - Zakat Selangor
- Collection Management
 - Payee Corporation Service (FPX Payment)
 - Auto Debit Service
 - JomPAY Collection
 - Biz-Xpress Card: Deposit cum Withdrawal function via self service terminal (ATM/CDM/CES)

- Liquidity Management
 - Auto Sweeping Service
 - Business Rewards Services
- Alliance BizSmart Online Banking

Corporate & Commercial

Credit Facilities

- Working Capital Financing
- Term Loan
- Bridging Loan
- Syndicated Loan
- Business Premises Financing
- Supplier Financing
- Foreign Currency Loan

Trade Facilities

- Letter of Credits
- Trust Receipts
- Foreign Currency Trade Loan
- Bankers Acceptances
- Export Bills Purchased/Discounting
- Export Credit Refinancing
- Export LC Negotiation
- Collection Bills
- Shipping Guarantees
- Export LC Advising/Confirmation
- Bank Guarantees (BGs)
- Promissory Notes

Business Credit Card

- Business Platinum Card
- Visa Infinite Business Credit Card

Foreign Exchange

Bancassurance

Interest Rate Swap

Cash Management

- Deposit Account Offering
 - Business Current Account
 - Business Fixed Deposit
 - Business Foreign Currency Current Account
 - Business Foreign Currency Fixed Deposit
- Account Management (via Alliance BizSmart)
 - Consolidated Account Overview
 - Transaction History Download
 - e-Statement
 - Tax Invoice/Merchant Report
- Collection Management
 - Payee Corporation Service (FPX Payment)
 - Auto Debit Service
 - Bulk Cheque Collection Service
 - Cash in Transit
 - Cash Concentration Solution
 - Biz-Xpress Card: Deposit cum Withdrawal function via Self-Service Terminals (ATM/CDM/CES)
 - JomPAY Collection

PRODUCTS AND SERVICES (Cont'd)

ALLIANCE BANK MALAYSIA BERHAD

- Liquidity Management
 - Auto Sweeping Service
 - Business Rewards Services
- Payment Management (via Alliance BizSmart)
 - Prepaid Reload
 - Payroll (Salary/EPF/SOCSO/Monthly Contribution/PCB-LHDN Payment)
 - Bulk Payment
 - Bulk Payment with Payment Advice
 - Fund Transfer (Pay to Alliance Bank/Interbank GIRO/RENTAS)
 - Foreign Telegraphic Transfer
 - Bill Payment (JomPAY/Direct Bill)
 - MyGST Payment
 - E-Dividend Payment
 - Zakat Selangor
- Alliance BizSmart Online Banking

FINANCIAL MARKETS

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

ALLIANCE ISLAMIC BANK BERHAD

Deposits

- Basic Savings Account-i
- Basic Current Account-i
- Savings Account-i
- Current Account-i
- Alliance My eSavings Account-i
- Junior Smart Saver-i
- Alliance Term Deposit-i
- Junior Smart Term Deposit-i
- Alliance Hybrid Account-i
- eATD (via allianceonline)
- allianceonline Banking
- Alliance Cash2Home
- Alliance SavePlus Account-i (via allianceonline)

Consumer Financing

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

Business Financing

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

Trade Financing and Services

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

Cards

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

Unit Trust

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

Financial Markets

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

ALLIANCE INVESTMENT BANK BERHAD

Corporate Finance

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

Debt Capital Markets

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

Equity Capital Markets

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

Islamic Banking

- Bal'Bithaman Ajil
- Murabahah Working Capital Financing
- Islamic Accepted Bills
- Kafalah Bank Guarantee

Stockbroking Products & Services

- Institutional Share Trading
- Retail Share Trading
 - Cash Trading Account
 - Collateralised Trading Account
 - Alliance Flexi 7
- Share Margin Financing
- Online Share Trading Services
 - eAllianceShare
 - Mobile Share Trading
- E-Services
 - Direct Credit
 - E-Dividend
- Foreign Share Trading
- Corporate Action Services

ALLIANCE DBS RESEARCH SDN BHD

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

ALLIANCE GROUP NOMINEES (TEMPATAN) SDN BHD

ALLIANCE GROUP NOMINEES (ASING) SDN BHD

- Nominee Services

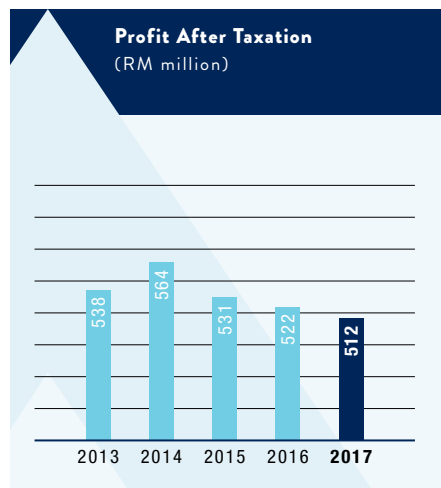
FINANCIAL HIGHLIGHTS

FINANCIAL YEAR ENDED 31 MARCH	2017	2016	2015	2014	2013
OPERATING RESULTS (RM MILLION)					
Net income	1,469	1,424	1,383	1,349	1,333
Profit before taxation	681	695	703	749	714
Net profit after taxation	512	522	531	564	538
KEY BALANCE SHEET DATA (RM MILLION)					
Total assets	54,089	55,627	53,142	48,075	43,692
Gross loans, advances and financing	39,336	38,748	36,923	32,199	28,225
Total liabilities	48,975	50,785	48,646	43,909	39,657
Deposits from customers	45,228	46,025	44,607	39,237	36,004
Paid-up capital	1,548	1,548	1,548	1,548	1,548
Shareholders' equity	5,114	4,842	4,495	4,166	4,030
Commitments and contingencies	26,494	21,832	22,746	24,146	19,079
SHARE INFORMATION AND VALUATIONS					
Share Information					
Earnings per share (sen)	33.5	34.2	34.8	37.2	35.3
Diluted earnings per share (sen)	33.5	34.2	34.8	37.1	35.3
Dividend per share (sen)	16.0	14.5	15.4	29.5 ¹	16.6
Net assets per share (RM)	3.30	3.13	2.90	2.69	2.60
Share price as at 31 March (RM)	4.08	4.15	4.79	4.41	4.40
Market capitalisation (RM million)	6,316	6,425	7,415	6,827	6,811
Share Valuations					
Dividend yield (%)	3.92	3.49	3.22	6.69 ¹	3.77
Dividend payout ratio (%)	48.4	43.0	45.0	79.5 ¹	46.9
Price to earnings multiple (times)	12.2	12.1	13.8	11.9	12.5
Price to book multiple (times)	1.2	1.3	1.6	1.6	1.7
FINANCIAL RATIOS (%)					
Profitability Ratios					
Net interest margin on average interest-earning assets	2.2	2.1	2.2	2.2	2.4
Net return on average equity	10.5	11.2	12.3	13.8	13.8
Net return on average assets	0.9	1.0	1.0	1.2	1.3
Net return on average risk-weighted assets	1.5	1.5	1.6	1.9	2.0
Cost to income ratio	47.1	48.4	46.8	46.6	47.9
Asset Quality Ratios					
Loan loss coverage	136.7²	109.1 ²	102.7	92.7	82.5
Gross impaired loans ratio	1.0	1.3	1.0	1.4	2.1
Net impaired loans ratio	0.6	0.8	0.6	0.7	1.1
Liquidity Ratios					
CASA ratio	34.2	32.1	33.6	34.0	33.6
Loan to Deposit ratio	87.0	84.2	82.8	82.1	78.4
Loan to Funds ratio	83.8	80.1	81.6	-	-
Capital Adequacy Ratios					
Common Equity Tier I ("CET I") capital ratio	12.55	11.78	11.11	10.38	10.62
Tier I capital ratio	12.55	11.78	11.11	11.43	11.91
Total capital ratio	17.18	17.36	12.97	13.67	14.63

¹ Including special dividend of 10.5 sen; should special dividend is excluded, the dividend yield and dividend payout ratio are 4.31% and 51.3% respectively.

² Including Regulatory Reserve provision.

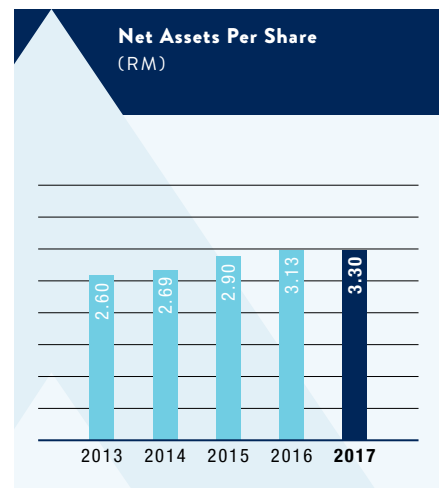
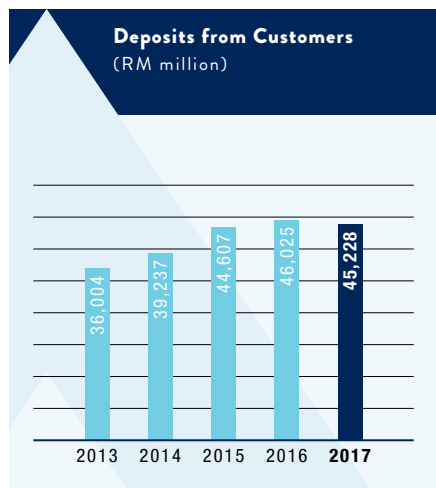
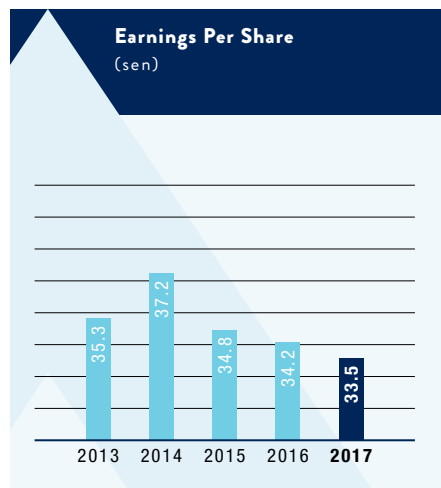
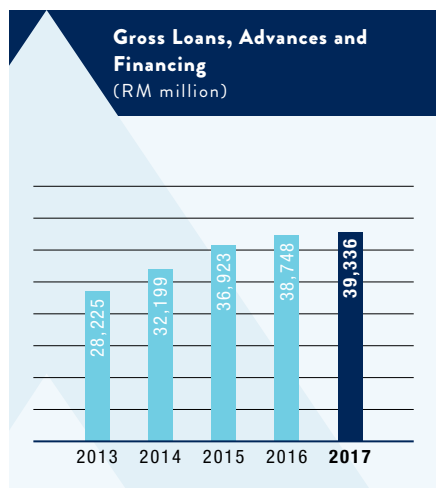
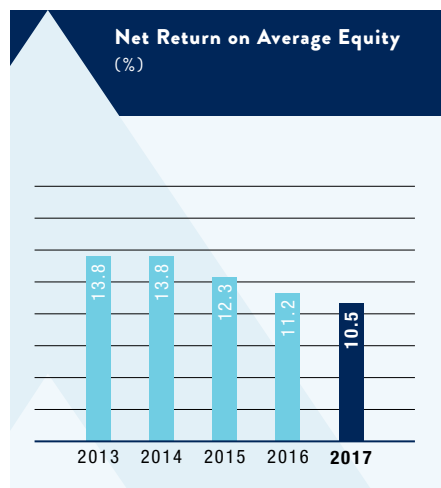
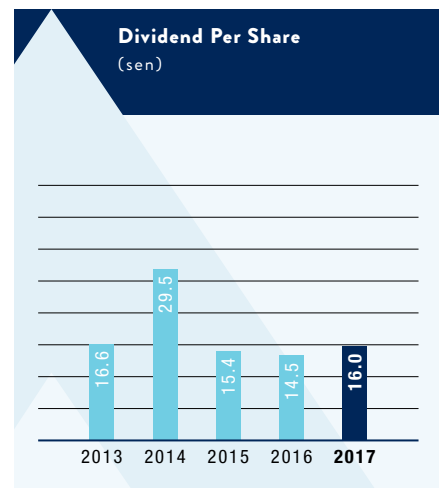
IMPROVED EARNINGS



STEADY BALANCE SHEET GROWTH



ENHANCED SHAREHOLDERS VALUE





LULU
WORLD CLASS IN THE
SUPERMARKET &
TREATMENT STORE
OFFICIALS AND MORE
BY PHONE, MESSAGE

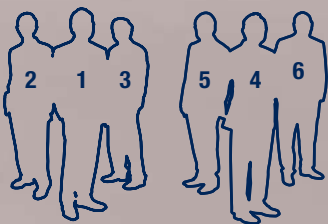


INNOVATION THAT HELPS IMPROVE EFFICIENCY.

Managing your finances shouldn't be complicated. Our innovative solutions are designed to make things simple and more efficient for you.



DIRECTORS



1. DATUK OH CHONG PENG
2. KUNG BENG HONG
3. LEE AH BOON



- 4. OU SHIAN WAEI
- 5. TAN CHIAN KHONG
- 6. JOEL KORNREICH

DIRECTORS

(Cont'd)

DIRECTORS OF ALLIANCE FINANCIAL GROUP BERHAD

ALLIANCE FINANCIAL GROUP BERHAD (AFG)

Datuk Oh Chong Peng

▶ *Chairman, Independent Non-Executive Director*

Kung Beng Hong

▶ *Non-Independent Non-Executive Director*

Ou Shian Waei

▶ *Independent Non-Executive Director*

Lee Ah Boon

▶ *Non-Independent Non-Executive Director*

Tan Chian Khong

▶ *Independent Non-Executive Director*

DIRECTORS OF MAJOR SUBSIDIARIES

ALLIANCE BANK MALAYSIA BERHAD (ABMB)

Tan Sri Dato' Ahmad bin Mohd Don

▶ *Chairman/Independent Non-Executive Director*

Lee Ah Boon

▶ *Non-Independent Non-Executive Director*

Kung Beng Hong

▶ *Non-Independent Non-Executive Director*

Ou Shian Waei

▶ *Independent Non-Executive Director*

Kuah Hun Liang

▶ *Independent Non-Executive Director*

Datuk Wan Azhar bin Wan Ahmad

▶ *Independent Non-Executive Director*

Lee Boon Huat

▶ *Independent Non-Executive Director*

Ho Hon Cheong

▶ *Non-Independent Non-Executive Director*

Thayaparan Sangarapillai

▶ *Independent Non-Executive Director*

ALLIANCE INVESTMENT BANK BERHAD (AIBB)

Kung Beng Hong

▶ *Chairman/Non-Independent Non-Executive Director*

Kuah Hun Liang

▶ *Independent Non-Executive Director*

Dato' Majid bin Mohamad

▶ *Independent Non-Executive Director*

Mazidah binti Abdul Malik

▶ *Independent Non-Executive Director*

Dato' Yeoh Beow Tit

▶ *Independent Non-Executive Director*

ALLIANCE ISLAMIC BANK BERHAD (AIS)

Datuk Wan Azhar bin Wan Ahmad

▶ *Chairman/Independent Non-Executive Director*

Tuan Haji Md Ali bin Md Sarif

▶ *Independent Non-Executive Director*

Dato' Majid bin Mohamad

▶ *Independent Non-Executive Director*

Tuan Haji Ibrahim bin Hassan

▶ *Independent Non-Executive Director*

Shaharuddin bin Zainuddin

▶ *Independent Non-Executive Director*



DATUK OH CHONG PENG

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

A Malaysian, male, aged 72, was appointed Chairman of the AFG Board on 21 April 2006.

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

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

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

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

Datuk Oh currently sits on the Boards of British American Tobacco (Malaysia) Berhad, WCE Holdings Berhad (formerly known as Kumpulan Europlus Berhad), Malayan Flour Mills Berhad, Dialog Group Berhad, Saujana Resort (M) Berhad and several other companies.

DIRECTORS

(Cont'd)



KUNG BENG HONG

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

A Malaysian, male, aged 72, was appointed to the AFG Board on 21 April 2006.

Mr Kung holds a Bachelor of Arts (Hons) degree in Analytical Economics from the University of Malaya. He is a Fellow of the Institute of Bankers Malaysia (now known as The Asian Institute of Chartered Bankers).

He has 49 years' working experience in the banking industry and has held numerous senior management positions, mainly in Malaysia, including CEO positions in three banks and directorships in five banks. He has also held various positions at Citibank N.A. in the United States and Singapore.

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

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



OU SHIAN WAEI

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

A Malaysian, male, aged 66, was appointed to the AFG Board on 1 July 2010.

Mr Ou holds a Bachelor of Science degree in Chemistry from the University of Malaya.

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

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

He is also a Director of ABMB. He serves as the Chairman of AIG Malaysia Insurance Berhad and is the Public Interest Director of Private Pension Administrator Malaysia.



LEE AH BOON

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

A Singaporean, male, aged 66, was appointed to the AFG Board on 18 April 2012.

Mr Lee holds a Bachelor of Accounting (Hons) degree from the National University of Singapore.

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

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

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

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



TAN CHIAN KHONG

***(Independent Non-Executive Director)
Chairman of the Audit Committee
and Member of Nomination Committee***

A Singaporean, male, aged 61, was appointed to the AFG Board on 1 August 2016.

Mr Tan holds a Bachelor of Accountancy degree from the National University of Singapore, and is a US CPA (Illinois) by examination. He is also a Fellow of the Institute of Singapore Chartered Accountants and of CPA Australia.

He joined Ernst & Young LLP (EY) in 1981, and was seconded to its global operations team in New York in 1994. He returned to Singapore in 1996.

Mr Tan has 35 years of experience in providing audit and business advisory services to clients in a wide range of industries, including banks. He has led initial public offerings and reverse takeover exercises of companies in the hotels, entertainment and leisure, control systems integration, construction and property development, internet services, food processing, shipbuilding, and materials recycling industries.

From 2014 to 2016, Mr Tan served at EY's Asia-Pacific's Ethics Oversight Group, which reviews the responses to incidents involving partners for breaches of the Global Code of Conduct, which are investigated and responded to by the firm's executive management. Mr Tan retired as an audit partner in 2016.

He is a Board member of the Automobile Association of Singapore, AAS@217 East Coast Road Pte Ltd, TrailBlazer Foundation Ltd, Methodist Welfare Services, and the Casino Regulatory Authority, a statutory board of Singapore.

DIRECTORS

(Cont'd)



TAN SRI DATO' AHMAD BIN MOHD DON

A Malaysian, male, aged 69, was appointed as Chairman of the ABMB Board on 1 February 2017.

Tan Sri Dato' Ahmad is a Summa cum Laude graduate in Economics and Business from Aberystwyth University, United Kingdom. He is also a Fellow of the Institute of Chartered Accountants in England and Wales and a Member of the Malaysian Institute of Certified Public Accountants.

Tan Sri Dato' Ahmad has extensive experience in finance and banking, having worked in various capacities with Pernas Securities Sdn Bhd, Permodalan Nasional Berhad and Malayan Banking Berhad. He served as Group Managing Director and Chief Executive Officer of Malayan Banking Berhad from 1991 to 1994. Tan Sri Dato' Ahmad was also the Governor of Bank Negara Malaysia from May 1994 to August 1998.

He is the Chairman of the Boards of Zurich Takaful Malaysia Berhad, Zurich Insurance Malaysia Berhad, Hap Seng Plantations Holdings Berhad and Sunway REIT Management Sdn Bhd. He also holds directorships on the Boards of United Malacca Berhad and MAA Group Berhad.



KUAH HUN LIANG

A Malaysian, male, aged 55, was appointed to the ABMB Board on 15 December 2011.

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

He has over 30 years of experience in the financial services industry having begun his career at Public Bank in 1983. He joined Deutsche Bank AG in 1989 where he served as Treasurer and was then promoted as Head of Global Markets when the bank ventured into investment banking. In 2000, he was appointed as an Executive Director of Deutsche Bank (M) Berhad and was promoted to Managing Director and Chief Executive Officer in 2002, positions he held until 2006.

Mr Kuah also serves on the Board of AIBB. His directorships in other companies are in Rexit Berhad, MPH Capital Berhad and Multi-Purpose Holdings Berhad.



DATUK WAN AZHAR BIN WAN AHMAD

A Malaysian, male, aged 58, was appointed to the ABMB Board on 7 April 2015.

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

He was the Chief Executive Officer of Credit Guarantee Corporation Malaysia Berhad (CGC) from 1997 until his retirement on 31 December 2014. He began his career in banking as a Loan Executive of Hong Leong Bank in 1985 and left the bank as Head of Branch Operations in 1993. He was then recruited and appointed as a Manager in CGC by Bank Negara Malaysia in 1993. In 1995, he was promoted to Assistant General Manager and subsequently to Chief Executive Officer in 1997. In 2000, he was then appointed to the Board of Directors and assumed the role of Managing Director. One of the key highlights of his career was the transformation of CGC from a traditional credit guarantee provider into a market-driven and financially sustainable SME-support institution. He was also instrumental in setting up Credit Bureau Malaysia where he was the Chairman for six years from 2008 to 2014. Upon his retirement, he was appointed as Consultant to the World Bank from 2015 to 2016, undertaking projects relating to SME financing in the Middle East.

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

Datuk Wan Azhar is also the Chairman of AIS and serves on the Boards of Bina Darulaman Berhad, Bank Pembangunan Malaysia Berhad and Global Maritime Ventures Berhad. He is also on the Board of Trustees of NAMA Foundation. He is also Chairman of BI Credit & Leasing Berhad, Pembangunan Leasing Corporation Sdn Bhd, PLC Credit & Factoring Sdn Bhd and SME Growth Acceleration Fund Sdn Bhd.



LEE BOON HUAT

A Singaporean, male, aged 59, was appointed to the ABMB Board on 7 April 2015.

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

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

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

DIRECTORS

(Cont'd)



HO HON CHEONG

A Malaysian, male, aged 62, was appointed to the ABMB Board on 26 August 2015.

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

Mr Ho began his banking career with Citibank Malaysia in 1981. Since then, he has held various senior positions with Citibank in Asia Pacific and the Middle East including as Country Risk Officer with Citibank Malaysia, Pan Asia Corporate Head with the Citibank Asia Pacific office in Singapore, and Chief Executive Officer with Citibank Thailand. He has also served as General Manager and Group Head for Corporate and Investment Banking with Saudi American Bank in Saudi Arabia.

In 2004, Mr Ho moved to PT Bank Internasional Indonesia TBK where he served as the President Director and Chief Executive Officer before he moved to Temasek Holdings (Private) Ltd in 2009. He returned to Indonesia in 2010 as the President Director and Chief Executive Officer of PT Bank Danamon Indonesia TBK until his retirement in February 2015.

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

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



THAYAPARAN SANGARAPILLAI

A Malaysian, male, aged 62, was appointed to the ABMB Board on 10 May 2016.

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

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

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

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



DATO' MAJID BIN MOHAMAD

A Malaysian, male, aged 63, was appointed to the AIS Board on 6 September 2013.

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

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

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

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



MAZIDAH BINTI ABDUL MALIK

A Malaysian, female, aged 58, was appointed to the AIBB Board on 18 January 2016.

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

Puan Mazidah served more than 30 years with Bank Negara Malaysia, which included stints with the Representative Office in New York and London, Labuan Offshore Financial Services Authority and the International Centre for Education in Islamic Finance. She has experience in money market and investment operations as well as exposure on issues relating to macroeconomic policy, risk management, communications and international relations.

Puan Mazidah also serves on the Boards of Prudential BSN Takaful Berhad, Bursa Malaysia Securities Berhad and Bursa Malaysia Securities Clearing Sdn Bhd.

DIRECTORS

(Cont'd)



DATO' YEOH BEOW TIT

A Malaysian, male, aged 68, was appointed to the AIBB Board on 17 May 2016.

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

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

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



TUAN HAJI MD ALI BIN MD SARIF

A Malaysian, male, aged 63, was appointed to the AIS Board on 23 March 2011.

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

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

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



TUAN HAJI IBRAHIM BIN HASSAN

A Malaysian, male, aged 61, was appointed to the AIS Board on 1 September 2016.

Tuan Haji Ibrahim holds a Bachelor of Economics (Hons) degree from the University of Malaya. He has over 30 years of banking experience and was the Managing Director/Chief Executive Officer of RHB Islamic Bank Berhad from 2 September 2013 to 1 August 2016.

He began his illustrious career in the banking industry in the dealing rooms of three Maybank International Offices in Hong Kong, New York and London where he worked for a total of more than 10 years. Upon returning to Malaysia, he was instrumental in strengthening the treasury operations of the Maybank Group. He was subsequently appointed as the Chief Executive Officer of Maybank Discount from 1996 to 1998 and later became the head of the market risk division where he developed the market risk management policies and model for the Maybank Group.

He was promoted as the head of international banking in 2001 to oversee the operations of Maybank's international branches and subsidiaries in 14 countries. In 2007, Tuan Haji Ibrahim was reassigned to lead a team to de-merge the operations of Maybank's Islamic window operations into a separate full-fledged Islamic banking subsidiary of Maybank Group. He was appointed as Chief Executive Officer of Maybank Islamic when it began operations in January 2008. He was the president director of Maybank Syariah Indonesia, previously known as Maybank Indocorp, which commenced operations in October 2010.

Tuan Haji Ibrahim also serves on the Board of Bank Pertanian Malaysia Berhad.



SHAHARUDDIN BIN ZAINUDDIN

A Malaysian, male, aged 48, was appointed to the AIS Board on 1 September 2016.

Encik Shaharuddin holds a Bachelor of Science (Hons) degree in Accounting from the University of East Anglia, United Kingdom and is a fellow of the Association of Chartered Certified Accountants. He is also a qualified investment, securities and futures professional, being a Registered Representative of the Securities and Futures Authority and an Investment Management Certificate holder of the Investment Management Regulatory Organisation, United Kingdom.

He has over 20 years of global experience specialising in risk management, governance and control, gained from his senior executive roles in the banking, finance and private equity industries in London, Bahrain and most recently, in Malaysia.

Prior to his return to Malaysia, he was Director of Banking Operations at the Accounting and Auditing Organisation for Islamic Financial Institutions, the international Islamic banking regulator based in Bahrain. He served as the Regional Head of Compliance and Financial Security of Credit Agricole Corporate and Investment Bank (Calyon), where he spearheaded the implementation of enhanced compliance and governance programmes in the Middle East and Africa networks and branches from 2005 to 2012.

In the last five years, Encik Shaharuddin has been providing corporate finance advisory and restructuring services to SMEs and listed corporations in the oil and gas, transport, aviation, technology and telecommunication industries. He is also involved in providing investment opportunities in banks in emerging markets.

His expertise in Islamic banking regulation and international practice has also been sought after to resolve major litigation cases.

Encik Shaharuddin also serves on the Boards of Bank Pembangunan Malaysia Berhad, Adamas Capital Sdn Bhd, Adamas International Limited and Sabre-Adamas Pte Ltd.

DIRECTORS

(Cont'd)

OTHER INFORMATION OF DIRECTORS OF AFG

(i) Family Relationship

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

(ii) Conflict of Interest

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

(iii) List of Convictions for Offences

None of the Directors have been convicted for any offences within the past 5 years (other than traffic offences) and have been imposed any penalty by the relevant regulatory bodies during the financial year 2017.

(iv) Attendance of Directors at Board Meetings

There were nine Board Meetings held during the financial year ended 31 March 2017. Details of attendance of Directors at Board Meetings are as follows:

	Name of Director	Attendance
1.	Datuk Oh Chong Peng (Chairman)	9/9
2.	Kung Beng Hong	9/9
3.	Ou Shian Waei	9/9
4.	Lee Ah Boon	9/9
5.	Tan Chian Khong (appointed on 1 August 2016)	4/4
6.	Stephen Geh Sim Whye (retired on 5 August 2016)	5/5

CHIEF EXECUTIVE OFFICER



JOEL KORNEICH

***Chief Executive Officer, Alliance Financial Group Berhad
Group Chief Executive Officer, Alliance Bank Malaysia Berhad***

Belgian / Male / Aged 51

Mr Joel Kornreich is the Group Chief Executive Officer of Alliance Bank Malaysia Berhad. He joined Alliance Bank on 1 January 2015 and was appointed the Chief Executive Officer of Alliance Financial Group Berhad on 1 April 2015.

He is an experienced banker with more than 25 years in the financial services industry. Before joining Alliance Bank, Mr Kornreich was with Citigroup for 20 years in various roles around the world. His last position with Citigroup was as its Country Business Manager of Citibank Global Consumer Group, South Korea. Prior to this, he served as Chief Executive Officer for Spain, Belgium and Greece and managed Citigroup's Consumer Banking businesses in Indonesia and Russia.

Before his tenure in Indonesia and Europe, Mr Kornreich was Citigroup's Marketing Director and Head of Mortgages and Liabilities for Asia Pacific, as well as Retail Banking Head for Singapore.

Subsequently, Mr Kornreich joined the Consumer Banking business of ABN AMRO Bank as Head of Sales and Distribution for Asia, and Consumer Banking business manager for Indonesia and Hong Kong.

He holds a Masters of Science in Business Engineering with Magna cum Laude from Solvay Business School in Brussels, Belgium.

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

KEY SENIOR MANAGEMENT



KONG KIM YIHE
Group Chief Operating Officer



SUPARMAN KUSUMA
Head, Group Consumer Banking



ERNEST KWONG KAH WAH
Head, Group SME

Malaysian / Male / Aged 53

Mr Kong Kim Yihe is the Group Chief Operating Officer of Alliance Bank Malaysia Berhad. He joined Alliance Bank on 23 March 2016. In his role, Mr Kong manages areas related to banking operations and information technology.

He brings to the table more than 29 years of experience in technology-related operations in the financial services industry. He previously served with CIMB Bank and Phileo Allied Bank and has also served in the non-financial services sectors with a global IT company and a multinational insurance company.

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

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

Mr Kong does not have any family relationship with any other directors and/or major shareholders of the Group. He does not have any conflict of interest with the Group. He has not been convicted of any offences within the past five years, and had no public sanction or penalty imposed upon him by the relevant regulatory bodies during the financial year.

Indonesian / Male / Aged 48

Mr Suparman Kusuma is the Head, Group Consumer Banking at Alliance Bank Malaysia Berhad. He joined Alliance Bank on 23 July 2015 and oversees all aspects of Consumer Banking, including wealth management, cards, loans, deposits, and bancassurance.

Mr Kusuma has over 26 years of experience in Consumer Banking. Prior to his appointment at Alliance Bank, Mr Kusuma was the Managing Director, Consumer Banking for Bank Mega in Indonesia.

He served with various banking institutions in Asia and the Middle East, including with Citibank, Emirates National Bank of Dubai, Tokyo Star Bank, Standard Chartered Bank in Taiwan, Hong Kong and Singapore, as well as Bank Danamon in Indonesia.

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

Mr Kusuma does not have any family relationship with any other directors and/or major shareholders of the Group. He does not have any conflict of interest with the Group. He has not been convicted of any offences within the past five years, and had no public sanction or penalty imposed upon him by the relevant regulatory bodies during the financial year.

Malaysian / Male / Aged 43

Mr Ernest Kwong is the Head, Group SME at Alliance Bank Malaysia Berhad. He joined Alliance Bank on 10 November 2006 as Head, Remedial Management before moving on to several other roles within the business banking segment. He was appointed to his current role on 12 November 2016 and oversees the SME banking operations at the Bank.

Mr Kwong has over 20 years of experience in the SME and Commercial segments in both local and international financial institutions. Before assuming his current role, he was instrumental in the revamp of the Bank's financial programmes, in which he led a team to assess the viability and relevance of the SME programmes at every business life stage. Besides SME banking, he was also involved in credit, recovery and sales roles.

Prior to his current appointment, Mr Kwong was the Head of Commercial Banking.

Mr Kwong holds a Bachelor of Business Administration (Hons) majoring in Finance from University Utara Malaysia.

Mr Kwong does not have any family relationship with any other directors and/or major shareholders of the Group. He does not have any conflict of interest with the Group. He has not been convicted of any offences within the past five years, and had no public sanction or penalty imposed upon him by the relevant regulatory bodies during the financial year.



JEFF THAM KOK KUEN
Head, Group Corporate,
Commercial and Transactions



TAN ENG KIANG
Head, Group Financial Markets



**MAHESH S/O SHRI
PRANALAL RUPAWALLA**
Chief Executive Officer,
Alliance Investment Bank Berhad

Malaysian / Male / Aged 48

Mr Jeff Tham is the Head, Group Corporate, Commercial and Transactions at Alliance Bank Malaysia Berhad. He joined Alliance Bank on 6 July 2015.

Mr Tham has over 20 years of experience in the financial services industry. He was previously attached to HSBC Malaysia and UOB Malaysia, covering various roles encompassing commercial and corporate banking, credit underwriting, trade services, and business management.

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

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

Mr Tham does not have any family relationship with any other directors and/or major shareholders of the Group. He does not have any conflict of interest with the Group. He has not been convicted of any offences within the past five years, and had no public sanction or penalty imposed upon him by the relevant regulatory bodies during the financial year.

Malaysian / Male / Aged 53

Mr Tan Eng Kiang is the Head, Group Financial Markets of Alliance Bank Malaysia Berhad. He joined Alliance Bank on 14 July 2014 as Deputy Head, Financial Markets prior to his current appointment on 25 November 2014.

Mr Tan brings with him more than 20 years of experience in financial markets, having worked in several banks and banking groups in various capacities including sales, trading, funding, and liquidity management. He also helped a foreign-owned bank set up institutional client sales for treasury-related activities.

He is an Associate member of The Chartered Institute of Management Accountants, UK.

Mr Tan does not have any family relationship with any other directors and/or major shareholders of the Group. He does not have any conflict of interest with the Group. He has not been convicted of any offences within the past five years, and had no public sanction or penalty imposed upon him by the relevant regulatory bodies during the financial year.

Singaporean / Male / Aged 56

Mr Mahesh Rupawalla is the Chief Executive Officer of Alliance Investment Bank Berhad (AIBB). He joined AIBB on 21 April 2014.

Mr Rupawalla has more than 26 years of experience in the financial services industry. He began his career with the Monetary Authority of Singapore (MAS) and held the position of Assistant Director, Securities Industry Department when he left nine years later. He subsequently spent the next 11 years of his career with DBS Bank Ltd., Singapore, rising to the position of Regional Managing Director, Mergers and Acquisitions Advisory. Thereafter, Mr Rupawalla established a consultancy firm focused on corporate finance, acquisition and fund raising advisory to clients in South East Asia.

Prior to joining AIBB, he was the Chief Executive Officer of HwangDBS Investment Bank for three years.

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

Mr Rupawalla does not have any family relationship with any other directors and/or major shareholders of the Group. He does not have any conflict of interest with the Group. He has not been convicted of any offences within the past five years, and had no public sanction or penalty imposed upon him by the relevant regulatory bodies during the financial year.

KEY SENIOR MANAGEMENT (Cont'd)



**FOZIAKHATOON
BINTI AMANULLA KHAN**
Chief Executive Officer,
Alliance Islamic Bank Berhad



RAYMOND WONG LAI LOONG
Group Chief Financial Officer



AARON SUM WEI WERN
Head, Group Strategy &
Performance Management

Malaysian / Female / Aged 49

Puan Fozia Amanulla is the Chief Executive Officer of Alliance Islamic Bank Berhad (AIS). She joined AIS on 24 September 2012.

Prior to joining AIS, Puan Fozia was the Chief Executive Officer and Executive Director of a local Islamic bank.

She has over 23 years of experience in the banking industry. Over the course of her career, she had led the Islamic Capital Markets Division of one of the largest banks in Malaysia, where she was instrumental in structuring and advising on fixed income Islamic investment banking products. She also headed the team that concluded the first mortgaged back and Islamic sub debt transactions.

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

Puan Fozia does not have any family relationship with any other directors and/or major shareholders of the Group. She does not have any conflict of interest with the Group. She has not been convicted of any offences within the past five years, and had no public sanction or penalty imposed upon her by the relevant regulatory bodies during the financial year.

Malaysian / Male / Aged 55

Mr Raymond Wong is the Group Chief Financial Officer of Alliance Bank Malaysia Berhad. He joined Alliance Bank on 1 December 2015.

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

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

He is a fellow member of the Chartered Institute of Management Accountants & Chartered Global Management Accountants. He is also a certified member of the Financial Planning Association of Malaysia.

Mr Wong does not have any family relationship with any other directors and/or major shareholders of the Group. He does not have any conflict of interest with the Group. He has not been convicted of any offences within the past five years, and had no public sanction or penalty imposed upon him by the relevant regulatory bodies during the financial year.

Malaysian / Male / Aged 39

Dr Aaron Sum is the Head, Group Strategy & Performance Management of Alliance Bank Malaysia Berhad. He joined Alliance Bank on 6 December 2010 as Senior Vice President, SME Banking Strategy before being appointed to his current role on 1 April 2015.

Dr Sum has more than 18 years of combined management consulting, research and industry experience. Dr Sum's key expertise is in business strategy, operating model design, customer experience transformation, and process optimisation.

He holds a PhD in Engineering from the University of Nottingham, UK and a Bachelor of Engineering from the University of Manchester, UK.

Dr Sum does not have any family relationship with any other directors and/or major shareholders of the Group. He does not have any conflict of interest with the Group. He has not been convicted of any offences within the past five years, and had no public sanction or penalty imposed upon him by the relevant regulatory bodies during the financial year.



PETER FONG SEOW LOONG
Group Chief Credit Officer



PANG CHOON HAN
Group Chief Risk Officer



GIUSEPPE TAIBI
Group Chief Marketing Officer

Malaysian / Male / Aged 50

Mr Peter Fong is the Group Chief Credit Officer of Alliance Bank Malaysia Berhad. He joined Alliance Bank on 10 February 2014 as Head, Group Corporate Credit. He was subsequently appointed as the Group Chief Credit Officer on 1 October 2014. In his role, Mr Fong oversees the functions of credit risk, credit approval, early warning, remedial, collections, and special assets for the Bank's businesses.

Mr Fong has over 26 years of experience in the banking industry in both local and regional settings. He began his career with HSBC Bank and was involved in various banking functions in the organisation including corporate risk, recovery, credit assessment, corporate policy, and portfolio management. His stint at HSBC included two years at HSBC Hong Kong as Senior Manager, Asia Pacific Risk.

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

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

Mr Fong does not have any family relationship with any other directors and/or major shareholders of the Group. He does not have any conflict of interest with the Group. He has not been convicted of any offences within the past five years, and had no public sanction or penalty imposed upon him by the relevant regulatory bodies during the financial year.

Malaysian / Male / Aged 51

Mr Pang Choon Han is the Group Chief Risk Officer of Alliance Bank Malaysia Berhad. He joined Alliance Bank on 1 November 2006 as Head of Group Market Risk before his appointment to his current role on 27 October 2010. Mr Pang is responsible for the overall risk monitoring and management of the Group, which covers commercial bank, investment bank, and Islamic bank. This includes the credit, operation, market, and liquidity risk functions.

Mr Pang has more than 26 years of experience in the banking industry. He began his career with Resorts World Berhad (Genting Group), before joining Malayan Banking Berhad (Maybank). Mr Pang started off in internal audit, before switching to risk management. His previous responsibilities include reviewing controls across head office business and support functions, overseas branches and banking subsidiaries, establishing risk frameworks, policies and limits, supplementing supervisory controls, and monitoring risk exposure.

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

Mr Pang does not have any family relationship with any other directors and/or major shareholders of the Group. He does not have any conflict of interest with the Group. He has not been convicted of any offences within the past 5 years, and had no public sanction or penalty imposed upon him by the relevant regulatory bodies during the financial year.

Italian / Male / Aged 54

Mr Giuseppe Taibi is the Group Chief Marketing Officer of Alliance Bank Malaysia Berhad. He joined Alliance Bank on 15 August 2016, and oversees all aspects of Marketing and Communications (branding, public relations, online media, corporate responsibility, and event management), as well as customer experience and contact centre activities.

Mr Taibi has over 27 years of international banking experience, having worked in nine countries in various sectors including marketing, customer experience, digital banking, decision management, business and sales, as well as technology, compliance and control.

Prior to his appointment at Alliance Bank, Mr Taibi was the Customer Franchise Head at Citibank Thailand, where he developed and implemented a customer-focused strategy to align customer promise with actual delivery.

Mr Taibi holds a Master of Science in Business Engineering from IAG in Louvain-La-Neuve, Belgium.

Mr Taibi does not have any family relationship with any other directors and/or major shareholders of the Group. He does not have any conflict of interest with the Group. He has not been convicted of any offences within the past 5 years, and had no public sanction or penalty imposed upon him by the relevant regulatory bodies during the financial year.

KEY SENIOR MANAGEMENT (Cont'd)



CHEW SIEW SUAN
Head, Group Human Resource



MANUEL BULENS
Group Chief Administrative Officer



LEONG SOW YOKE
Group Chief Internal Auditor

Malaysian / Female / Aged 59

Ms Chew Siew Suan is Head, Group Human Resource of Alliance Bank Malaysia Berhad. She joined Alliance Bank on 3 October 2011.

Over the course of her extensive 30 years of experience, she has worked in all areas of Human Resource Management and Development.

Ms Chew began her career with a manufacturing company with local and overseas outfits. She later joined Hong Leong Bank as Head of Human Resource where she oversaw the HR functions for the banking and finance entities.

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

Ms Chew holds a Bachelor of Economics degree from the University of Malaya.

Ms Chew does not have any family relationship with any other directors and/or major shareholders of the Group. She does not have any conflict of interest with the Group. She has not been convicted of any offences within the past five years, and had no public sanction or penalty imposed upon her by the relevant regulatory bodies during the financial year.

Belgian / Male / Aged 39

Mr Manuel Bulens is the Group Chief Administrative Officer of Alliance Bank Malaysia Berhad. He joined Alliance Bank on 1 December 2015 and oversees the Operational Controls, Legal, Procurement, Corporate Services, Project Management Office, and Fraud Investigation units.

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

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

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

Mr Bulens does not have any family relationship with any other directors and/or major shareholders of the Group. He does not have any conflict of interest with the Group. He has not been convicted of any offences within the past five years, and had no public sanction or penalty imposed upon him by the relevant regulatory bodies during the financial year.

Malaysian / Female / Aged 57

Ms Leong Sow Yoke is the Group Chief Internal Auditor of Alliance Bank Malaysia Berhad. She joined Alliance Bank on 8 December 2010.

Ms Leong has more than 30 years of external and internal audit experience that includes general and information systems audits. She was an auditor with an audit firm and a large conglomerate before joining the banking sector.

Prior to joining Alliance Bank, she previously held the role of Head of Internal Audit at OUB Malaysia and UOB Malaysia.

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

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

Ms Leong does not have any family relationship with any other directors and/or major shareholders of the Group. She does not have any conflict of interest with the Group. She has not been convicted of any offences within the past five years, and had no public sanction or penalty imposed upon her by the relevant regulatory bodies during the financial year.



ANG LEK HUI
Group Chief Compliance Officer



LEE WEI YEN
Group Company Secretary

Malaysian / Male / Aged 52

Mr Ang Lek Hui is the Group Chief Compliance Officer of Alliance Bank Malaysia Berhad. He joined Alliance Bank on 1 October 2014 as Head of Operational Risk Management before his appointment as Head of Group Compliance on 13 August 2015. He was subsequently designated as Group Chief Compliance Officer on 19 August 2016. Mr Ang advises on internal and external compliance issues for the Bank and is the liaison between the Bank and regulatory bodies in Malaysia.

Mr Ang brings with him more than 27 years of working experience on the audit, risk, and compliance fronts. He started his career in the UK as an external auditor before joining KPMG Malaysia.

His banking experience began with Citibank in 1994, first as Chief Internal Auditor, Chief Country Compliance Officer, and finally as the Regional Product Risk Manager, overseeing the risk management of products within Treasury & Trade Solutions and Security & Fund Services for the Asia Pacific region. He was also the coordinator for the Asia Pacific Fiduciary Oversight Committee.

He is a Fellowship Member of the Chartered Associations of Certified Accountants, UK, and a Fellow Member of the Association of Accounting Technicians, UK.

Mr Ang does not have any family relationship with any other directors and/or major shareholders of the Group. He does not have any conflict of interest with the Group. He has not been convicted of any offences within the past five years, and had no public sanction or penalty imposed upon him by the relevant regulatory bodies during the financial year.

Malaysian / Male / Aged 52

Mr Lee Wei Yen is the Group Company Secretary of Alliance Financial Group. He joined the Group on 1 April 2004.

With over 25 years of experience in the corporate secretarial function, Mr Lee has a strong background in corporate actions of public listed companies, with wide exposure to the management and financial services industry.

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

Mr Lee does not have any family relationship with any other directors and/or major shareholders of the Group. He does not have any conflict of interest with the Group. He has not been convicted of any offences within the past five years, and had no public sanction or penalty imposed upon him by the relevant regulatory bodies during the financial year.



ALLIANCE ONE ACCOUNT



**FAST.
SIMPLE.
RESPONSIVE.**

We understand and act on your need for solutions that are fast, simple and responsive, so you can spend more time on things that matter.

STATEMENT BY CHAIRMAN OF ALLIANCE FINANCIAL GROUP BERHAD



DATUK OH CHONG PENG

CHAIRMAN

DEAR SHAREHOLDERS,

The year in review was the year in which Alliance Financial Group Berhad reinforced its position as the bank of choice for business owners. We are one of the Top 3 banks in the industry in terms of return on equity (ROE) performance at 10.5%, and achieved a satisfactory SME loans growth of 9.3%.

In the midst of this fast-evolving regulatory landscape, shifting digital trends and an increasingly competitive playing field, we embraced the many opportunities and challenges that the year brought while delivering on key operational and financial metrics.

Strengthening Business Fundamentals

The year saw us successfully sustaining our financial health and risk-bearing capacity as well as delivering returns to our shareholders. We accomplished this by leveraging on good business fundamentals, focused strategies, and robust operational efficiencies.

We also continued to focus our efforts on optimising our business while strengthening our foundations for a sustainable future. For the financial year in review, we placed greater operational focus on short-term opportunities and longer-term strategic projects.

Our short-term “Fix the Present” initiatives saw us focusing our efforts on enhancing asset efficiency, optimising the funding mix, strengthening risk management, governance and controls, as well as streamlining our operational processes.

Meanwhile, our longer-term “Build the Future” projects saw us introducing a new Vision of “Building Alliances to Improve Lives” and a strategy that calls for us “To Be the Most Important Relationship for the Financial Success of Business Owners”. We also developed a new brand architecture which positions us as a Bank that uses innovation to deliver fast, simple and responsive solutions that are aligned to our customers’ needs.

All these elements are certainly helping pave a pathway for sustainable profit growth and greater balance sheet efficiency.

Shareholder Value Creation

I am pleased to report that as a result of these initiatives, the Group turned in a steady financial performance for the year ended 31 March 2017 (FY2017).

The Group reported a profit after tax of RM512.1 million in FY2017, a 1.9% decrease from the previous financial year, due to higher credit costs. Last financial year, credit costs were lower mainly due to a write-back in the collective assessment allowance for a large account. Earnings per share was marginally lower at 33.5 sen as compared to 34.2 sen in the previous year. Return on equity (ROE) was 10.5% against 11.2% in financial year 2016 (FY2016).

Our net interest income, including Islamic banking, grew by 4.8% to RM1,144.6 million, driven by efficient loans growth of 1.5% with a focus on risk-adjusted returns. Other operating income decreased by 2.2% to RM324.8 million due to lower treasury income from derivatives and foreign exchange trading gains.

Having surpassed the RM50 billion mark in financial year 2015, the Group’s total assets continued to rise to RM54.1 billion in FY2017.

The year saw us maintaining our capital position. As at 31 March 2017, the Group’s common equity Tier 1 ratio rose to 12.5% (FY2016: 11.8%). Its total capital ratio dropped marginally to 17.2%, positioning the Group among the highest in the industry.

The Board has proposed a second interim dividend of 7.5 sen per share. Together with the first interim dividend of 8.5 sen per share paid out on 30 December 2016, the total dividend for FY2017 amounts to 16.0 sen per share. This represents a total payment of RM247.7 million or 48.4% from the year’s net profit after tax. This underlines our progress in creating sustainable value for shareholders.

“WE ALSO DEVELOPED A NEW BRAND ARCHITECTURE WHICH POSITIONS US AS A BANK THAT USES INNOVATION TO DELIVER FAST, SIMPLE AND RESPONSIVE SOLUTIONS THAT ARE ALIGNED TO OUR CUSTOMERS’ NEEDS.”



At the Launch of the Alliance One Account.

STATEMENT BY CHAIRMAN OF ALLIANCE FINANCIAL GROUP BERHAD (Cont'd)

The sound financial health of the Group was reaffirmed by RAM Rating Services Berhad. The ratings agency gave Alliance Bank its long and short-term financial institutional rating of A1 and P1 respectively in November 2016.

Despite the tougher operating environment, the Group remains committed towards creating good shareholder value. In view of the investments we are making in our transformation programmes, we aim to achieve a ROE of above 12% in the longer-term, and to continue distributing dividends up to 60% of net profit.

Our Commitment to Business Sustainability

As we go about our daily business of helping shape the marketplace and society through our offerings, we acknowledge the need to create long-term shared value for our stakeholders and to secure the future of the Group. In this regard, we are committed to upholding responsible management and sustainable development on the Economic, Environmental and Social (EES) fronts.

In line with Bursa Malaysia Securities Berhad's business sustainability reporting requirements, this year we present a Sustainability Statement

outlining our various EES undertakings. This Statement highlights how the respective business segments within the Group continue to work together, leveraging on common synergies and resources to embed business sustainability within their organisations. By ensuring sustainable progress throughout the Group, we are providing the momentum for our businesses to strengthen their operational efficiencies and deliver long-term growth.

Moving Forward into FY2018

Against a backdrop of continuing economic challenges, the Group will work on adapting to the new market realities and strengthening its relationships with customers by helping them make the most of the challenges and opportunities.

Our efforts will see us leveraging on our franchise strength to deliver sustainable profits and fulfil customer needs particularly in the Consumer Banking and SME Banking segments. We will also set our sights on improving balance sheet efficiency while strengthening the linkages across our diverse business segments to bring into play our full suite of solutions and capabilities.

As personified by our new and improved vision of "Building Alliances to Improve Lives", we will focus on building a profitable future for Business Owners while helping them to create value for their stakeholders. All in all, the Group will set its sights on being a Bank that uses innovation to deliver fast, simple and responsive solutions that are always aligned to our customers' needs.

By focusing on these measures, we envisage that the Group will be able to uphold its priority of achieving sustainable growth while delivering a satisfactory performance in FY2018.

Come the second quarter of FY2018, the listing status of Alliance Financial Group Berhad (AFG) will be transferred to Alliance Bank Malaysia Berhad (Alliance Bank) as part of a reorganisation exercise. The reorganisation will involve, among other things, the Group's shareholders exchanging their existing shares for Alliance Bank shares on a one-for-one basis, where their number of shares held and percentage shareholdings in the Group will be the same in Alliance Bank.

This will mean that the existing shareholders of AFG will have direct participation in the



School children having a good time at the Grand Finale of AEIOU Challenge 2 in 2016.



Board of Directors and their spouses, and Senior Management of the Bank.

equity and future growth of Alliance Bank. The reorganisation exercise is expected to improve cost and corporate efficiency, and enhance brand recognition for the Group.

Acknowledgments

Several parties have played a part in the Group's sustainable growth and we are truly appreciative of their contributions.

On behalf of the Board of Directors, I wish to firstly extend my sincere gratitude to our valued shareholders and customers for their continued support and confidence in the Group.

My heartfelt thanks also goes to our loyal employees, the Bank Board, our investors, and business partners for their steadfast commitment and support amidst a highly challenging operating environment.

I also wish to express our deep gratitude to Bank Negara Malaysia, the Securities Commission Malaysia, Bursa Malaysia Securities Berhad and other regulatory authorities for their constant guidance and assistance.

I would like to convey a big thank you to my fellow directors for their invaluable counsel and guidance as well as their dedication to their board responsibilities. In particular, we want to acknowledge the contributions of Dato' Thomas Mun Lung Lee, Tuan Haji Megat Dziauddin bin Megat Mahmud and Mr Stephen Geh Sim Whye who retired during the year. We wish them well in their future endeavours.

At the same time, we welcome on board Mr Tan Chian Khong who joined the Alliance Financial Group board in August 2016, as well as Tuan Haji Ibrahim bin Hassan and Encik Shahrudin bin Zainuddin who joined the Alliance Islamic Bank board effective 1 September 2016. We certainly look forward to these gentlemen's insights and contributions.

It is with a tinge of sadness that I sign off on this, my final annual review, after having served the Group as Chairman these past 11 years. Three CEOs have served under my watch since April 2006 and I have seen the Group grow from success to success to become what it is today. Working diligently

together to attain new heights of excellence, the Alliance family has accomplished much in a relatively short time, and I am both humbled and proud to have been a part of it all.

As I take my leave, I ask that all our stakeholders kindly extend your cooperation and support to Tan Sri Dato' Ahmad bin Mohd Don, our new but very experienced Bank Chairman, who came on board effective 1 February 2017. Rest assured that the well-balanced Board and Management team have the requisite skills and collective experience to steer the Group through today's highly competitive playing field.

I leave the Group in their good hands and care as I bid you all farewell.

Thank you.

DATUK OH CHONG PENG
Chairman, Alliance Financial Group Berhad

MANAGEMENT DISCUSSION & ANALYSIS



JOEL KORNREICH

CHIEF EXECUTIVE OFFICER

DEAR SHAREHOLDERS,

I am pleased to report that the Group turned in a steady performance for the financial year ended 31 March 2017 (FY2017). Our results were all the more noteworthy given that they were achieved amidst challenging macroeconomic conditions and intense competitive price pressures on both deposits and loans.

This Management Discussion and Analysis highlights the Group's businesses, our strategic imperatives and key performance metrics for FY2017. It also spells out the franchise building measures undertaken in FY2017 and the way forward for us in FY2018 and beyond.

OUR BUSINESS AND STRATEGIC IMPERATIVES

The Alliance Financial Group, although small in size in terms of assets, is a profitable integrated financial services group, with a strong niche among the Business Owner segment. We are one of the Top 3 financial groups in terms of return on equity (ROE) performance in the industry at 10.5%, and our SME loans growth is at a healthy 9.3%.

The past few years have proven challenging for the banking sector. FY2017 was no exception. During this time of global economic uncertainty and domestic challenges, the sector experienced very modest growth.

The introduction of new regulations together with funding pressures have compelled banks to implement competitive pricing on deposits. At the same time, banks have had to intensify competitive pricing on loans due to the need to grow in a market that is constrained.

Marked changes in digital technology too continue to transform the financial services industry, reshape customer behaviour, and mandate the implementation of more advanced cyber security measures. Non-financial participants (FinTech) are beginning to challenge the role and relevance of traditional business models while expanding the frontiers of banking.

In the midst of all these changes, the Group continues to optimise its operations with short-term “Fix the Present” priorities and strengthen its foundations for the longer-term with “Build the Future” priorities.

• Fix the Present

- **By improving asset efficiency** – we do this by focusing on better risk adjusted return (RAR) loans and improving the loan portfolio yield, thereby ensuring that our net interest margin is among the Top 3 in the industry;
- **By optimising the funding mix and minimising volatility** – we achieve this by strengthening our medium-term funding, scaling up structured investments, focusing on client-based businesses, and reducing net balance sheet positions;



With business partner, CTOS Data Systems.

- **By strengthening risk management** – this is being undertaken via the implementation of the Duo Score risk assessment mechanism, which is a cross-matrix of Internal and Bureau scores in areas such as new application underwriting, portfolio management and collection activities. This has, for example, led to better approval rates while enabling us to maintain the same risk levels;
- **By enhancing governance and controls** – the measures to date include enhanced Governance Risk and Control monitoring; the adoption of a stronger compliance risk assessment framework and governance measures; plus the roll-out of enhanced consumer market conduct activities such as the formation of a Sales Surveillance Committee, call-back surveys and mystery shopping to detect any mis-selling or misconduct; and
- **By streamlining processes** – through streamlining group operational and branch processes as well as undertaking the migration of over-the-counter transactions to self-service channels, we saved more than 80,000 man-hours in FY2017.
- **Build the Future**
 - **By creating value for Business Owners and their stakeholders** – We focus on being the most important relationship for the financial success

of our Business Owner clientele. We do this by helping them, and helping them help others within their circles such as their employees, business partners and retail clients. With this, we aim to achieve our Vision of “Building Alliances to Improve Lives”;

- **Leveraging on innovation to deliver fast, responsive and hassle-free unique solutions** – from the Forward Positioning Research, we developed a new brand architecture with a value proposition that positions us as “A Bank that uses **innovation** to bring you **fast, simple and responsive solutions that are aligned to your needs.**” In line with this, we launched the Alliance Cash2Home (Mobile Foreign Remittance) and Alliance One Account (Loan Consolidation Service) solutions, and forged strategic partnerships with CTOS Data Systems Sdn Bhd (CTOS) and Pos Malaysia Berhad for long-term growth.

As these innovations that support our “Build the Future” priorities were rolled out over the year in review, we achieved some early successes. More innovative client solutions are also lined up for deployment in FY2018.

These initiatives are spelt out in more detail in other parts of this report. As we build upon these and fine-tune them to suit market conditions and market demand, we are confident of making strong strides forward.

MANAGEMENT

DISCUSSION & ANALYSIS (Cont'd)

PERFORMANCE HIGHLIGHTS 2016

For the year in review, our teams worked hard to execute our priorities.

Financial Highlights

As a result, we posted Group revenue of RM1.5 billion in FY2017, a 3.2% or RM45.3 million increase over FY2016's revenue. The Group's net profit after taxation, however, declined by 1.9% to RM512.1 million from RM522 million in FY2016 due to an increase of RM55.6 million in allowances. We posted a return on equity (ROE) of 10.5% against a ROE of 11.2% previously.

The year's revenue growth was primarily due to higher net interest income, inclusive of Islamic Banking income, which increased by RM49.6 million or 4.6%. Our focus on better RAR loans ensured a significant increase in our net interest margin, which rose to 226 bps against 215 bps in the last financial year.

The financial year saw the Group's fee-based income (including Islamic Banking) improve by RM22.7 million or 8.2% mainly from wealth management, trade fees, and loan processing fee income. Non-client based non-interest income declined by RM27.2 million mainly due to lower treasury income from derivatives and lower foreign exchange trading gains.

By undertaking operational streamlining, a 9.5% reduction in staff numbers, and ongoing expense discipline, we were able to maintain expenses close to the previous year's level.

As a result, we registered only a marginal increase in our operating expenses of 0.4%, or RM3 million. The cost to income ratio of 47.1% improved by 1.3% in comparison to the previous financial year.

Shareholder Value Creation

For FY2017, the Group declared a second interim dividend of 7.5 sen (amounting to RM116.1 million), bringing the total dividends declared for FY2017 to 16 sen, representing 48.4% of the net profit after tax or RM247.7 million (FY2016: RM224.5 million). The pre-provision profit for the Group recorded an increase of RM42.3 million or 5.8%.

	FY2017	FY2016	Growth	Growth
Summarised Income Statement	RM million	RM million	RM million	%
Net Interest Income*	1,128.4	1,078.8	49.6	4.6
Other Operating Income*	341.0	345.3	(4.3)	(1.2)
Net Income	1,469.4	1,424.1	45.3	3.2
Operating Expenses	(691.9)	(689.0)	(2.9)	0.4
(Allowance for)/Write-back of Loans and Impairment	(96.2)	(40.6)	(55.6)	136.9
Profit Before Taxation	681.4	694.8	(13.4)	(1.9)
Net Profit After Taxation	512.1	522.0	(9.9)	(1.9)
Summarised Balance Sheet	RM million	RM million	RM million	%
Net Loans, Advances and Financing	38,991.7	38,410.7	581.0	1.5
Investment and Dealing Securities	11,491.9	9,827.2	1,664.7	16.9
Total Assets	54,089.1	55,627.0	(1,537.9)	(2.8)
Deposits from Customers	45,228.4	46,024.9	(796.5)	(1.7)
CASA Deposits	15,469.6	14,771.6	698.0	4.7
Shareholders' Funds	5,114.2	4,842.0	272.2	5.6

* Inclusive of Net Financing Income from Islamic Banking business of RM280.9 million (FYE 2016: RM231 million) and Other Operating Income from Islamic Banking business of RM16.2 million (FYE 2016: RM13.1 million)

Healthy Balance Sheet

Satisfactory Funding

In FY2017, the Current Account/Savings Account (CASA) ratio improved to 34.2% from 32.1% previously, far above the industry average of 26.9%. Our loans-to-deposits ratio increased to 87% as at 31 March 2017, from 84.2% the previous year, while our loans-to-fund ratio stood at 83.8% against 80.1% previously.

Healthy Capital Ratios

The Group continues to maintain a strong capital position with the common equity Tier 1 (CET 1) ratio improving to 12.5% from 11.8% a year ago. After the redemption of RM600 million of Tier-2 subordinated notes in April 2016, the Group's total capital ratio stood at a healthy 17.2% as at 31 March 2017. This ratio is among the strongest in the industry. With our focus being on risk adjusted return loans and client based fee income, the Group's capital levels will remain stable and be supportive of business growth.

Highlights of Our "Fix the Present" Initiatives

Asset Efficiency Improved

For the year in review, we continued to focus our efforts on enhancing asset efficiency through portfolio analytics and risk-based pricing.

Net loans and advances grew 1.5% to RM39 billion in FY2017 from RM38.4 billion previously. The Group's better RAR loans within the consumer, SME, and commercial lending segments grew at an annualised rate of 13.6%. Our SME loans growth remained strong at 9.3% YOY, while maintaining excellent asset quality, with a gross impaired loans ratio of 1.1%.

Our overall gross impaired loans improved to 1% in FY2017 from 1.3% previously, outperforming the industry. Our loan loss coverage ratio improved to 136.7% from 109.1% previously.

Funding Mix Optimised

We continued to optimise the funding mix by focusing on CASA, and reinforced the Bank's balance sheet by having a greater mix of longer-term funding. The Bank has put in place long-term funding sources including a Senior Medium-Term Notes programme and asset securitisation on a Purchase with Recourse (PWR) basis with Cagamas Berhad, replacing some slightly more volatile shorter term Treasury deposits. Nevertheless, in FY2017, the proportion of funding from core customer deposits (excluding treasury deposits) remained high, improving from 68% to 75%.

In Consumer Banking's wealth management segment, longer-term funding through the issuance of structured investments has strengthened the overall funding mix.

Risk Management Strengthened

A number of risk management initiatives were launched during the year to safeguard the Group's operations.

We completely overhauled the Group Operational Control testing framework to ensure a differentiated risk-based approach. This aims to give us improved oversight of the key risks we face and how best to mitigate them.

We continued to invest in compliance tools and people particularly in regard to our "Anti-Money Laundering" and "Know Your Customer" initiatives. We moved from a decentralised to a centralised model for more direct oversight over the quality of the work undertaken. This approach is supported by a new system to identify suspicious transactions.

This more focused approach will also enable our branch staff to devote more time on risk management and customer service.

To ensure compliance with Bank Negara Malaysia's (BNM) tightening regulatory framework, we have enhanced our existing Compliance Monitoring and Testing approach. This robust monitoring initiative serves as an additional layer of protection that allows our compliance professionals to identify and deal with potential compliance issues in an effective manner. It also adopts a differentiated

risk-based approach by business areas, enabling more effective and efficient allocation of resources to compliance concerns.

The key advantage of a risk-based approach in managing compliance risk is to enable prioritisation and allocation of resources to the areas that need it most while fostering greater productivity.

We also continued our efforts to educate our customers against new threats they are facing. This included providing them with online training on how to remain safe while using online banking, as well as raising awareness on new techniques used by fraudsters. Concurrently, we conducted e-learning and classroom training sessions to raise risk and compliance awareness among our staff.

All of these initiatives, combined with a strong discipline among our Senior Management team and staff to escalate issues when they are identified, resulted in more than 40% of the issues tracked in FY2017 being raised by Senior Management and the risk and compliance functions.

Governance and Controls Enhanced

Over the course of the year, we also reviewed our various policies, limits and controls to ensure that they were working as intended

to support business activities. In tandem with this, we continued to monitor the health of our respective financing and investment portfolios. Where relevant, we fine-tuned our policies as well as portfolio management strategies and methodologies to protect our franchise, based on the data collected.

These measures, among others, were implemented:

- The Duo Score initiative saw us applying data from both our internal credit scorecards and external credit bureaus scores concurrently, to improve vetting of retail loan applications and to enhance our portfolio management analytics;
- We tightened our credit verification process for industries with higher risk potential;
- We strengthened our collections capabilities by implementing a risk-based settlement strategy together with a new performance-based scheme for our collectors. We also upgraded our collections system during the year; and
- We conducted various stress tests and thematic reviews on specific business segments to assess the potential impact of emerging risks while formulating contingency plans.



Launch of Alliance One Account.

MANAGEMENT DISCUSSION & ANALYSIS (Cont'd)

Where concerns were raised in other countries over the security of fund transfers and electronic payments, we carried out a review of our various funds transfer systems and e-payment channels as a safety precaution. To complement these measures, we collaborated across several departments to review our safeguards relating to information security and data privacy. These measures were in addition to other physical controls and IT security measures already in place.

To ensure customers are treated fairly and that our businesses carry out fair market conduct, we set up a Sales Surveillance Committee. Structures are in place to ensure that our Senior Management team is aware of all issues and is ready to resolve these issues in a timely and effective manner.

The Senior Management team also meets in our monthly Service Council to discuss customer feedback so that we can improve our processes and practices for higher client satisfaction. We initiated call-back surveys and mystery shopping activities to ensure proper compliance and business conduct.

Processes Streamlined

We organised a task force to streamline operational processes aimed at improving productivity and efficiency at the Group and branch levels. Our efforts met with some early successes. We did away with time-consuming transaction verifications between the Home branch and Transaction branch as well as the need for numerous signatures during account openings. By streamlining multiple standard operating procedures (SOPs), we eliminated inconsistent processes at the branches.

Concurrently, we improved the methodology and control processes relating to the introduction of new treasury products and structured investments.

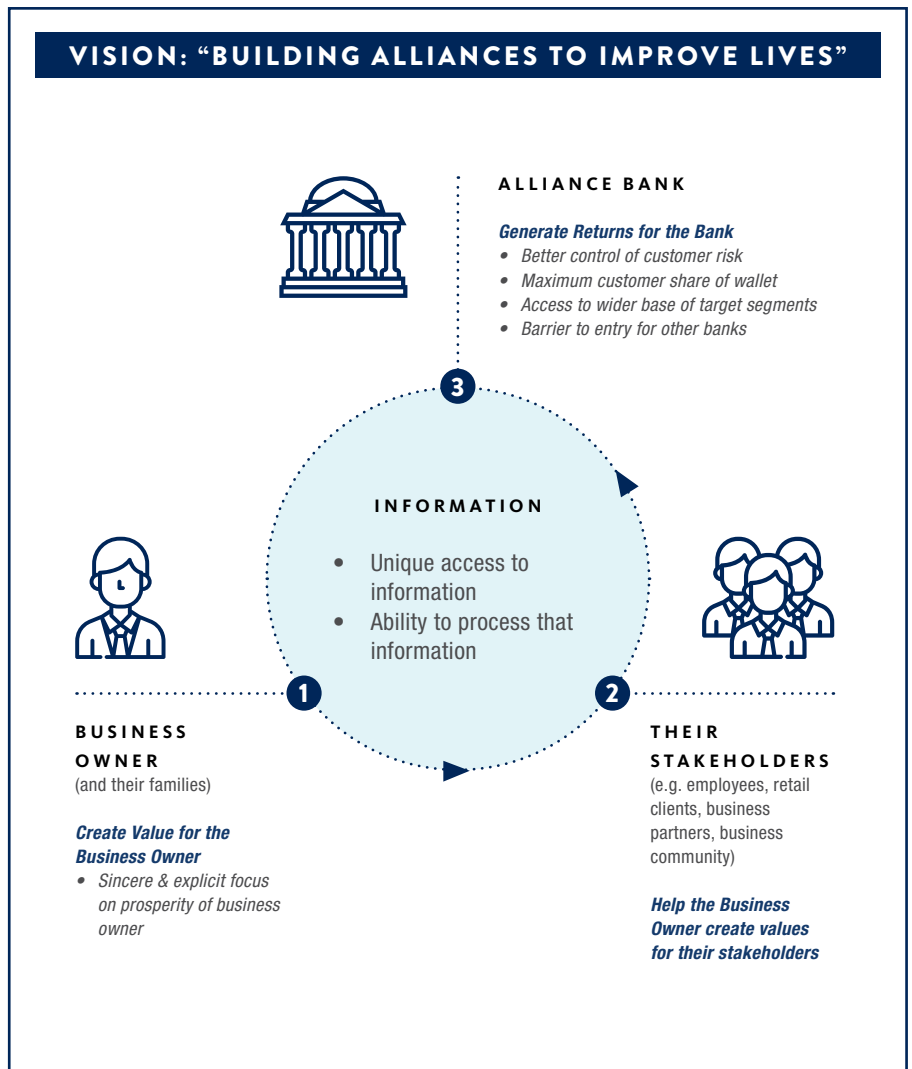
As a result of these measures among others, we saved more than 80,000 man-hours of work in FY2017.

Highlights of Our “Build the Future” Initiatives

New Purpose Established

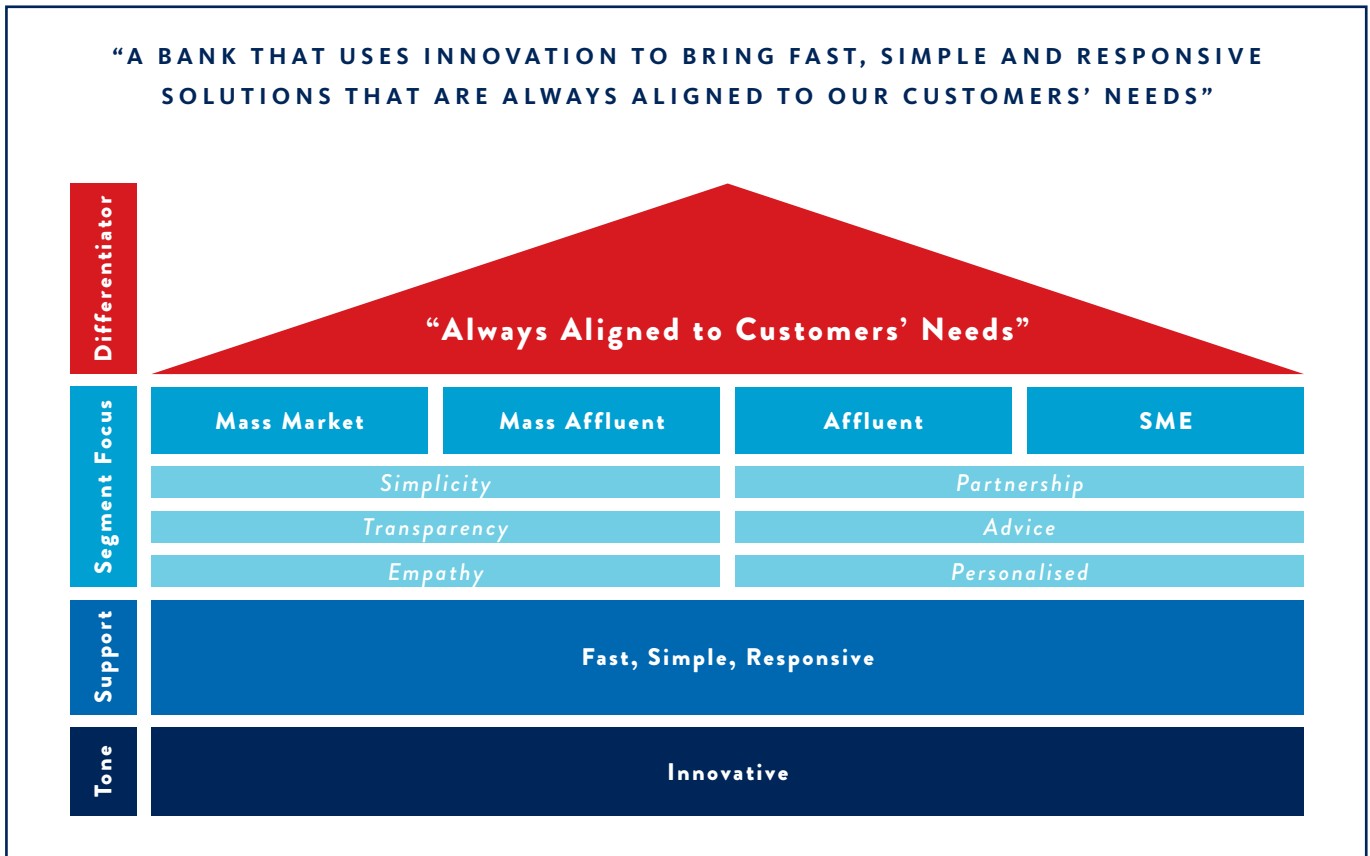
The year in review also saw us introducing a new vision and strategy for the Group as well as developing a new brand architecture. Research has shown us that our strong relationships with Business Owners and the information from those relationships give us an edge over our competitors.

The Group’s strategic intent is “To Be the Most Important Relationship for the Financial Success of Business Owners”, while benefitting their stakeholders, i.e. their families, employees and retail clients, through our Vision of “Building Alliances to Improve Lives”. The unique knowledge that we have of their businesses and specific needs allows us to help Business Owners create value for themselves and their stakeholders, and ultimately generate returns for the Group.



Brand Architecture Rolled Out

We used Forward Positioning Research to develop our new brand architecture. The essence of our new brand promise positions us as a Bank that uses innovation to deliver fast, simple and responsive solutions that are aligned to our customers’ needs.

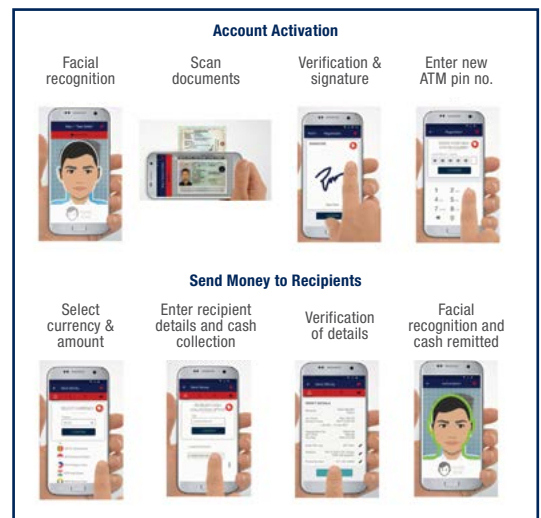


Our new brand architecture determines the attributes every product, service or value proposition must have before we can decide to offer them to our target audiences.

I am pleased to report that our new positioning served as a catalyst for the introduction of several innovative solutions and strategic partnerships. These included:

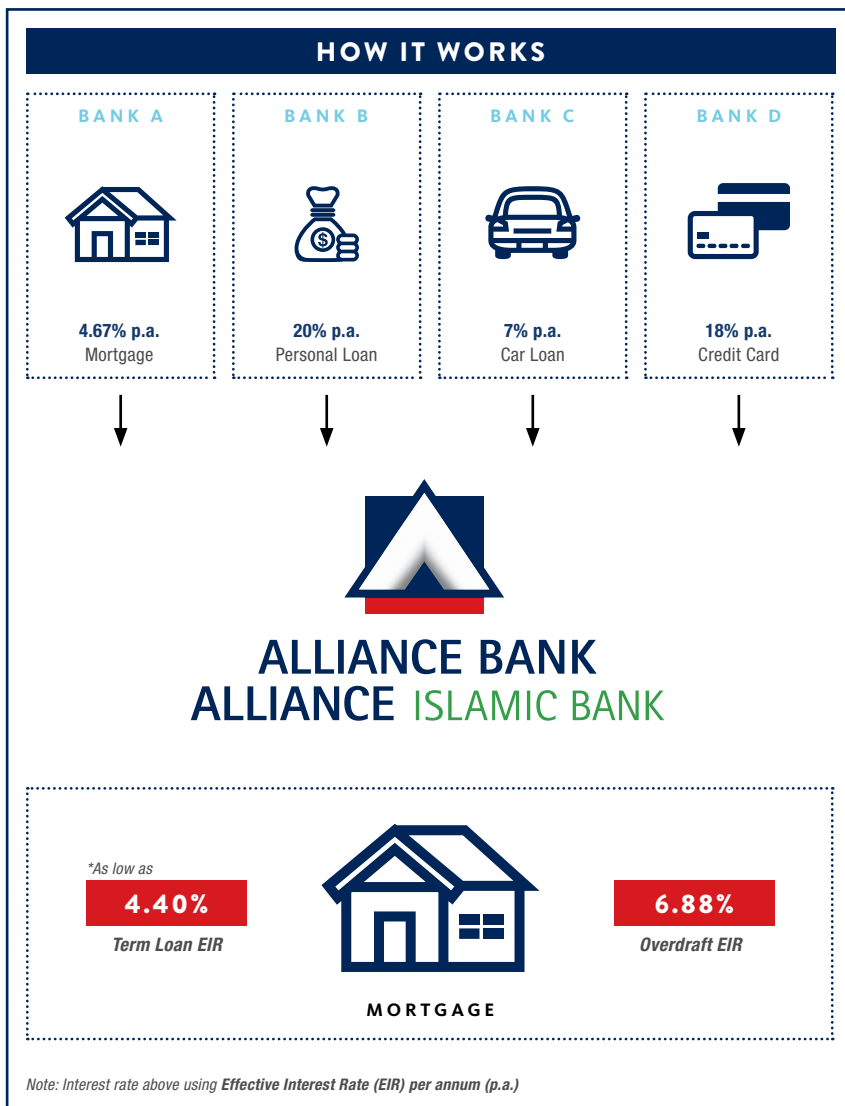
- **The rollout of the pilot programme for our Alliance Cash2Home (Mobile Foreign Remittance) application.** Our solution enables foreign workers to remit money, from their salary account and in a few seconds, to their home country with the simple use of their mobile phone. The mobile application taps biometric facial recognition technology to authenticate users while optical character recognition technology allows users to scan their documents. It helps alleviate the otherwise tedious human resource administrative functions by enabling simple, mass on-boarding processing and automatic salary crediting, while doing away with the need to carry large amounts of physical cash.

During our focus group sessions, the application registered a 100% acceptance rate among foreign workers and 65% interest level by employers who are quickly catching on to the idea.



MANAGEMENT DISCUSSION & ANALYSIS (Cont'd)

- **The introduction of the Alliance One Account.** This is a loan consolidation proposition that gives customers the control, convenience, and flexibility over their monthly loan obligations. It is a mortgage account that is part term loan, and part overdraft. By consolidating their various loans into this one mortgage account, customers now have the option of paying less each month, saving on total interest or financing costs, or having more cash in hand. Its overdraft facility can be as high as 70% of the property value.



- **The forging of a strategic partnership with CTOS.** Our tie-up with CTOS ensures that users who are accessing CTOS' current credit score service and who are keen to optimise their debt management, receive an invitation to check out the Alliance One Account, which can reduce their monthly repayments or make more cash available to them.
- **A strategic tie-up with Pos Malaysia.** Under this initiative, the Bank has become the primary acquirer within Pos Malaysia's new e-Commerce marketplace setup. We are proud to be involved in this venture and are in the process of providing credit card merchant terminals to the entire Pos Malaysia branch network of more than 1,000 touchpoints.

We also provided mobile point-of-sale terminals under Pos Malaysia's "Smart Postman" initiative with our terminals deployed across the network.

PERFORMANCE BY BUSINESS SEGMENTS

Consumer Banking

In FY2017, Consumer Banking's revenue increased by RM37.4 million or 7.3% driven by a 9.8% growth in fee income and a 6.6% growth in interest income. As a result of the higher revenue and lower expense (by RM4.5 million), the segment's operating profit before credit cost grew by RM41.9 million or 22.3%. The higher credit cost amounting to RM30.7 million resulted in a more modest pre-tax profit growth of RM11.3 million (7.5%).

The 9.8% growth in fee income was primarily attributable to the 18.5% growth in fee revenue from wealth products following the introduction of several innovative principal-protected structured investment products in January 2017. Our success in growing structured investments has also led to the growth of total deposits by 6.1% YOY. We will be introducing more innovative principal-protected structured investment products with different underlying assets in FY2018.

Our Bancassurance business continued its successful development. In line with customers' needs, it launched two new products – the Elite Income Saver in November 2016 and Elite Max Saver in March 2017. The new products provide a guaranteed minimum 5% crediting rate for 24 months.

We also introduced a new current account, the SavePlus Account that features no transaction fee (subject to minimum average balance) and which pays interest up to 3%. These features make it a market-leading value proposition. This new product has been developed in direct response to what customers have expressed to us (in recent customer research) about the type of transaction account that will best serve their interests.

Although loan balances did not register any growth in FY2017, our focus on growing high RAR loans resulted in net interest income growth of 6.6%. The launch of the Alliance One Account, a debt consolidation product in partnership with CTOS that was soft launched in January 2017, augurs well for us. Its innovative value proposition will help customers save on their total financing costs, pay less every month, or have more cash in hand once they consolidate all their other bank loans under the Alliance One Account.



Cultivating a reading culture among Malaysians with our partner, Big Bad Wolf.

In the area of our Infinite and Platinum credit cards, we introduced a new 0% interest over three months feature for all overseas and air ticket transactions. This has helped to increase the growth of overseas spend for our cards YOY.

There will also be an increased focus on card acquisition and an expansion of our card customer base in FY2018. We have been expanding our card acquisition capabilities and channels to reach a wider group of customers, especially customers who are highly engaged in digital transactions. We are now at the research stage to refresh our card value propositions which will be launched in the first half of FY2018.

For the year in review, the Sales Surveillance Committee covered three main surveillance areas, namely the review of any customer complaint from wealth management sales, a review of the risk profiles of investors for higher-risk products, and monthly mystery shopping activities.

During the year, the Bank won four awards at the PNB Starz Awards 2016, which honours the contributions of partners and agents. This included the “Inspirational Star Award” for Best Performing New Agent in the Industry for outstanding performance in 2016.

Moving forward, Consumer Banking will focus its efforts on introducing/enhancing its customer and product value propositions as well as improving its Net Promoter Score (NPS) by defining precise customer interaction experiences with the Bank. We will also automate and simplify processes as well as

and collaborate with strategic partners such as CTOS to bring innovative products as well as quality customer experiences and services to our customers.

SME Banking

Alliance Bank continues to grow from strength to strength as the bank of choice for SMEs through focused group-wide initiatives that support the success of our SME clientele.

We provide banking facilities that meet the CAPEX and working capital, cash management, FOREX and trade finance needs of SMEs, particularly those from the wholesale, manufacturing, retail trading and business services segments. Our suite of SME offerings includes co-marketing collaboration activities and trade financing training, among other things.

Despite FY2017’s tougher operating environment, characterised by price wars among the banks, our total SME revenue for the year grew by 5.3% YOY. Fee income increased 10.4% with notable growth coming from FOREX income (12.9% YOY), while pre-tax profit improved by 8.8% YOY.

Overall, the Bank registered a SME segment loans growth of 9.3% from RM9.0 billion to RM9.8 billion. Most of our SME loans growth comes from high RAR products, namely working capital and CAPEX financing for SMEs. SME loans represented 24.9% of the Bank’s portfolio while the gross impaired loans ratio came in at 1.1%.

Customer deposits increased YOY by 11.8% from RM6.7 billion in FY2016 to RM7.5 billion in FY2017. This comprised an increase in CASA by 9.3% or RM395 million and a hike in fixed deposits of 16.6% or RM406 million.

We also made strong strides forward with regard to equipment financing, which grew 78.7% YOY. Growth came from across Malaysia and from diverse industries including manufacturing, construction and logistics. We anticipate more opportunities in this area.

Our strong relationship management model mandates that every one of our Relationship Managers is supported by a ‘web’ of product specialists so that the needs of our customers are met in a holistic manner. Our well-trained Relationship Managers understand how to check the pulse of a customer’s business and to ask the relevant questions. They have good market insights and know how to manage the Bank’s risk and NPL ratio.



At our business partner iMoney’s office.

MANAGEMENT DISCUSSION & ANALYSIS (Cont'd)

We continue to do well in this area and have been very effective in growing business from existing SME customers and engendering a high level of loyalty among them. Based on annual Customer Loyalty studies with independent external research agencies, our customers rate us as being significantly stronger than our competitors with a net promoter score or NPS of 18. This is the highest NPS among the banks that were tested in the study.

In FY2017, the Bank faced stiffer competition in the SME segment. Even as most banks focused their efforts on SME segment growth, talent poaching continued to put a strain on limited industry resources. SMEs were also affected by the weaker Ringgit as many companies importing raw materials had to contend with higher costs in this area.

The financial year in review, was the fourth consecutive year in which we ran our very popular SME Innovation Challenge. In FY2017, it drew in over 300 submissions nationwide. The SME Innovation Challenge continues to give promising Malaysian SMEs breakthroughs to their next phase of growth through learning, coaching and funding activities.

Every year, more partners join us and they have been very supportive of the SME community. We are proud to be associated with Eco

World Development Group Berhad, Visa Malaysia, Manulife Insurance Berhad, HyppTV, Leaderonomics, BFM89.9 and the Malaysian Global Innovation and Creativity Centre (MaGIC) for this programme.

Our Young Entrepreneurs' Conference (YEC), which is run in conjunction with the SME Innovation Challenge, also continues to draw the crowds. In FY2017, the YEC saw over 2,200 attendees across five cities nationwide.

Our BizSmart Online Banking platform continues to make solid advances in the SME segment. At 37.1%, it has one of the highest business e-banking penetration rates, comparing favourably to the industry's 10.5% rate.

During the year, the Bank introduced the Eco-Biz Dream Project, a three-month programme designed to hone the business acumen of university students and, at the same time, inculcate greater environmental awareness. To qualify, students formed teams of four persons, and submitted a practical business proposition that addresses today's environmental concerns. The Bank received 235 submissions from public and private universities, far exceeding its initial estimate. More details of the Eco-Biz Dream Project can be found in the "Sustainability Statement" section on pages 78 to 88.

Alliance Bank is proud to be part of the Go Global Malaysia initiative, an initiative led by Google and supported by the Ministry of International Trade and Industry (MITI). We believe that this initiative will help more SMEs fast-track their entrepreneurial ambitions in e-commerce. For our efforts in helping SME companies grow, we continued to receive recognition from our peers. In FY2017, we were awarded the "Top SME Supporter" by the SME Association of Malaysia during the Platinum Business Awards 2016.

Moving forward, we anticipate that the first two quarters of FY2018 will remain challenging for the SME Banking segment. The slowdown in business activity is expected to lead to lower demand for banking facilities. However, we foresee a steady recovery in the second half of FY2018 and look forward to a bright future for this business segment.

To boost the performance of the SME Banking segment, we will focus our efforts on promoting the innovations that we have developed for Business Owners and their employees. These include the Alliance Cash2Home (Mobile Foreign Remittance) application featuring biometric on-boarding, optical character recognition and multilingual support, which has already begun to receive wide acceptance from Business Owners and workers.

We see new opportunities in the market in technology, and will continue to innovate and provide simple but holistic business solutions for our SME customers and their stakeholders via our Alliance@Work proposition. The Alliance@Work is a comprehensive banking programme for the employees of our Business Owners. It offers attractive rates, rewards and privileges that complement the existing employee benefits at a company without additional cost to the business.

At the same time, we will explore widening our comprehensive range of financing products to include merchant financing and cash management services, as well as expand our sales force to meet customer needs.



Alliance Bankers with business partner, MBG Fruits.

Corporate, Commercial and Transaction Banking

Our Corporate, Commercial and Transaction Banking segment continues to grow its balance sheet and revenues efficiently, and is also developing the organisation through close collaboration with our other business entities and lines of businesses.

In FY2017, the segment achieved stronger results and delivered franchise value through integrated solutions for its clients by working together with the Group's investment banking arm, Alliance Investment Bank (AIBB), our Islamic banking arm, Alliance Islamic Bank (AIS) as well as other lines of businesses. Our collaboration with AIBB led to a transaction volume growth of 287% through the entity.

The Corporate, Commercial and Transaction Banking segment made very good progress in FY2017. It continues to be one of the main contributors to the Bank's bottom line, accounting for 26.5% of total loans assets, 28.1% of the total customer deposits and 30.6% of the total pre-tax profit in FY2017. The segment achieved loans asset growth of 9.1%, with better-than-industry credit cost, business customer deposits growth of 2.1% and pre-tax profit growth of 2.7%.

Commercial Banking showed excellent progress and pace in overall growth, while Corporate Banking achieved satisfactory positioning in terms of its risk adjusted return. The quality of the loan assets portfolio stood out even as the segment jointly managed the portfolio with Group Credit. The Bank was relatively unaffected by the oil and gas industry fallout, as well as the challenging period faced by the steel sector during the first half of 2016.

Going forward, we will look for opportunities in the infrastructure and construction segments, and carefully explore pockets of opportunities in the oil and gas sector as the industry strengthens. We also note attractive opportunities in the oil palm plantation sector.

In March 2017, the Transaction Banking segment (encompassing the cash management, BizSmart online banking platform and trade sales businesses) was integrated into the Corporate & Commercial Banking segment. This initiative aims to strengthen our overall integrated solutions offering to our clients.



Building Malaysia together with Acre Works.

The year saw the Corporate, Commercial and Transaction Banking segment optimising technology and channel investments to accelerate deposits growth. We will continue to expand the use of e-channel and e-Payments by businesses, government agencies as well as statutory bodies. During the year, there was a 16% increase in the number of business customers who used the Alliance BizSmart online platform for payroll services, cash management and other payment services.

Our Transaction Banking business continues to receive international recognition by its industry peers for its BizSmart Online Banking as well as Cash Management capabilities. It was highly commended for its "Excellence in Business Model Innovation" at the Retail Banker International Asia Trailblazer Awards 2017 event.

Financial Markets

Group Financial Markets (GFM) focuses on four main core activities i.e. funding and investment, trading and market-making, client-based activities, as well as asset and liability management.

For the year in review, GFM focused its efforts on balance sheet cost optimisation and liquidity management.

Cagamas funding and Senior Notes issuance through the capital market provided longer-term and more stable funding. This was supported by core customer deposits. All in all, Alliance Bank's CASA balance remained high with YOY growth of 4.7%.

The Bank's liquidity ratios such as its Loan Deposit Ratio (LDR) remained one of the strongest in the industry at 87% while its Loan to Fund Ratio (LFR) stood at 83.8% at end FY2017. Upon the introduction of the Net Stable Funding Ratio (NSFR) measure effective January 2018, competition for longer-term liquidity will be more intense. The Bank is well positioned to meet this challenge.

Through active management and dynamic rebalancing, we were able to take advantage of changes in the yield curve, resulting in improved portfolio weighted average returns.

In terms of business, non-client fee based income did not perform as expected. With the Ringgit trapped in a tight range, directional trading opportunities were limited.

However, volatility in the early part of the year helped drive hedging products both in terms of foreign currency and interest rates. Innovative and simple-to-understand hedging solutions were introduced to help clients better manage their market risk exposures so that

MANAGEMENT DISCUSSION & ANALYSIS (Cont'd)



Alliance Bankers at Sasbadi's warehouse.

Business Owners could better manage their core business, hence improving their lives and business metrics. Client-based income on foreign exchange and structured investment grew by 13% YOY.

In terms of Treasury wealth management products, innovative structured investments have helped our High Net-Worth Individuals (HNIs) and Business Owners manage their personal wealth better.

While the uncertain market outlook is expected to continue in FY2018, we foresee greater growth opportunities in structured investments. GFM recently designed and launched a more robust and comprehensive Structured Product Management programme incorporating well-defined governances and business philosophies. This programme will enable speedier time-to-market and hence will be more responsive to customers' needs.

Islamic Banking

Our Islamic banking arm, Alliance Islamic Bank Berhad or AIS, offers a wide range of Shariah-compliant financing, deposits and transaction services to our individual as well as Business Owner and Corporate customers. These products and services are in line with the Shariah principles as defined under the Islamic Financial Services Act 2016 as well as the Shariah Governance Framework.

AIS has a niche positioning in the SME market evidenced by the large proportion of SME businesses in its asset portfolio (more than 20%) in comparison to other Islamic banks. AIS' niche positioning is expected to be strengthened via its collaboration with strategic partners who are focused specifically on SME growth.

AIS also continues to make significant headway in fostering and growing relationships in the government and government-linked business segments. The following were among its notable achievements:

- In June 2016, AIS together with the Malaysian Department of Insolvency (MDI) launched an online collection system based on the Interbank Giro and JomPay platforms to facilitate payments made to MDI. AIS helped design and customise the online banking solution for MDI. In May 2017, an FPX payments capability was added to the platform to further strengthen it;
- AIS enabled an online *zakat* collection service for Pusat Zakat Selangor (PZS) as part of its appointed role as PZS' *zakat* collection agent. This followed AIS' appointment as a Goods and Services Tax (GST) collection agent by Jabatan Kastam Diraja Malaysia;

- AIS forged a transformation partnership with Pos Malaysia Berhad on new payment solutions to support its e-commerce initiatives;
- AIS collaborated with Lulu Hypermarket (Lulu) on a joint branding initiative and a pilot programme for the Group's mobile foreign worker remittance solution. This relationship was extended to other banking solutions catering to Lulu's business needs;
- AIS also forged relationships with Perbadanan Tabung Pendidikan Tinggi Nasional, the Human Resources Development Fund, and Putrajaya Leisure & Services Group or the PULSE Group for its more established banking product and service offering.

In FY2017, AIS recorded a net profit after taxation of RM76.6 million representing an increase of 46.3% or RM24.2 million on FY2016. The higher net profit after taxation stemmed from an increase in net profit income by RM31.6 million or 15.7%. Other operating income grew by RM3 million. AIS contributed 15% of the Group's net profit after taxation, and 18.5% of its loan base.

Gross financing and advances expanded by RM232.6 million or 3.3%, reaching RM7.3 billion. This growth was driven by product segments with higher RAR, namely the personal financing, term financing, revolving credit and cashline segments, which collectively grew by RM425.2 million.

As part of a strategy to rebalance AIS' funding mix, its total deposits declined slightly by 0.3% to RM8.7 billion in the FY2017, mainly due to a planned reduction in money market deposits. AIS' CASA ratio, however, increased to 30.2% from 27.5%.

As a result of a stronger net profit after tax growth this year, AIS' ROE rose to 9.2% from 7.1% previously. AIS maintained a total capital ratio of 14.5%, while its common equity Tier 1 and Tier 1 ratios both stood at 13.4% each as at 31 March 2017. In January 2017, RAM Rating Services Berhad assigned AIS an inaugural rating of A1/Stable/P1.

AIS' positive financial performance in 2017 corresponds with the continuing growth trajectory of the Malaysian Islamic Banking industry. The year saw Malaysian Islamic Banking assets grow by 11.2%, financing by 11.6% and deposits by 8.1%. The introduction of a Shariah-compliant fund option under the Employees Provident Fund and the launch of Bursa Malaysia-i, the world's first end-to-end Islamic securities exchange platform, served as catalysts that helped propel Shariah-compliant investment demand for AIS and other banks.

The outlook for the Islamic Banking industry remains positive with continued growth potential. AIS expects domestic Islamic financing growth to continue outpacing conventional banking loans growth, at a four-year compounded annual growth rate (CAGR) of 12% from FY2016 to FY2020.

Our Islamic Banking arm will continue to pursue sustainable value through high quality growth in products with more attractive RAR and cost-efficient deposits. At the same time, it will ensure that portfolio risks are sufficiently monitored and mitigated.

Moving forward, AIS will continue to build upon its strengths in the SME segment and government relationships. It will also leverage on the Group's strategic client relationships to enhance its business and brand presence in these market segments. The measures will position AIS' businesses for sustainable revenue growth and profitability in FY2018.

Investment Banking

The Group's investment banking arm, Alliance Investment Bank Berhad or AIBB provides a wide range of services, encompassing stockbroking, corporate advisory, underwriting and placement of equity securities, corporate bonds and *sukuk*, loan syndication as well as corporate banking and treasury services.

AIBB's research partnership with DBS Vickers Securities Pte Ltd, via 51%-owned investment in joint venture, AllianceDBS Research Sdn Bhd, is providing us with new avenues of opportunity to expand our range of offerings. Through our association with DBS' team of analysts across various Southeast Asian countries, we are now able to leverage on expertise in different regional markets.

The year in review was one in which a climate of global uncertainty prevailed. Due to a weaker ringgit, cautious investor sentiment post-Brexit, and a shift in investor preference for US-based assets, the year saw a general sell-down of emerging market stocks including those on Bursa Malaysia Securities Berhad.

Overall, trading value on Bursa Malaysia Securities Berhad grew marginally by 1.3% to RM1,029.2 billion (FY2016: RM1,015.8 billion), institutional trading value grew by 5.3% to RM726.2 million (FY2016: RM689.4 million), while retail trading value contracted by 7.2% to RM303 million (FY2016: RM326.4 million). This was offset by a marginal uplift which occurred only in the final financial quarter of FY2017.

Against this backdrop, AIBB's Stockbroking revenue improved by 30.9% YOY in FY2017 mainly due to the improvements in net interest income driven by a 38% YOY growth

in share margin financing balances. This was attributable to several business initiatives undertaken by AIBB as well as referrals from Consumer Banking which led to an increase in new sign ups. Meanwhile, brokerage fees grew marginally by 2% YOY.

In FY2017, AIBB was ranked 6th for "Overall Sales" and 4th for "Overall Local Broker" against its previous positions of 10th and 5th place respectively in 2016's Asiamoney Broker polls.

In December 2016, AIBB strengthened its partnership with the Consumer Banking segment by introducing a new strategy that offers clients an integrated retail stock broking model with a unified share trading platform. The strengthened cooperation between both segments is expected to have a positive influence on customers' experience when the trading platform is rolled out in the third quarter of FY2018.

The year 2016 saw the Malaysian capital market feeling the effects of cautious investor sentiment and subdued global fundraising. Some RM85.7 billion was raised in the corporate bond and *sukuk* market (2015: RM86.4 billion), while only RM12.8 billion was raised in the equity market (2015: RM21.2 billion).

Over the course of FY2017, there were 13 new listings with an aggregate IPO market capitalisation of RM4.4 billion as compared to the previous financial year which saw 14 new listings registered with an aggregate IPO market capitalisation of RM14.4 billion. Out of the 13 IPOs, AIBB successfully completed one IPO, namely that for LKL International Berhad. The listing took place in May 2016 with an IPO market capitalisation of RM85.8 million.

In Corporate Advisory, despite the revenue contraction of the capital markets segment in 2016, the closer collaboration with the Group Corporate & Commercial (GCC) segment yielded a 67.1% YOY growth in capital markets fee income. In collaboration with GCC, AIBB's Debt Capital Markets segment managed to secure and complete five deals comprising three bond deals amounting to RM270 million and two syndication deals totaling RM305 million.

MANAGEMENT DISCUSSION & ANALYSIS (Cont'd)



AIBB with partners and clients at Pulse of Asia Corporate Access Day.

In late October 2016, the Corporate Banking & Capital Markets departments in AIBB were re-organised as the Corporate and Investment Banking department to further strengthen the collaboration between AIBB and GCC.

For FY2017, our Investment Banking arm's total revenue grew by 20.1% YOY. Net interest income, including income from Islamic Banking business, rose by 20.9% YOY helped by the strong growth in corporate and share margin financing loan balances from RM203.6 million to RM418 million. Other operating income rose by 19.3% YOY. The increase in net interest income, loan balances and other operating income was primarily a result of the enhanced strategic collaboration between the Investment Bank, Corporate and Commercial Banking and Consumer Banking segments.

AIBB's operating expenses increased by 7.7% mainly due to higher personnel costs and professional fees. For FY2017, AIBB's net profit after taxation grew 29.3% YOY. Both AIBB's total capital and common equity Tier 1 ratios remained very strong at 84.8% and 84.1% respectively as at 31 March 2017.

Moving into FY2018, we expect the intense competition in the industry to continue. AIBB will focus its efforts on further growing its Corporate Advisory business by continuing to leverage on its successful collaboration with

GCC. It will also set its sights on implementing a new and enhanced retail broking strategy to drive higher brokerage fee income.

At the same time, AIBB will work on improving asset and capital efficiency by growing the loan book prudently with risk adjusted return that matches the Group's risk appetite. AIBB's financial performance is expected to be satisfactory in FY2018 even as it maintains a focus on these business initiatives.

BUSINESS RISKS

As the Group ventures forth, we acknowledge that we may be exposed to certain anticipated or known risks that may have a material effect on our operations, performance, financial condition, and liquidity. These risks and our strategies to mitigate them are spelt out in the Statement on Risk Management and Internal Control on page 92 of this Annual Report.

OUTLOOK AND PROSPECTS

Global economic activity is projected to pick up in 2017, touching 3.4% growth against 2016's 3.1% growth. Activities in emerging markets and developing economies will continue to drive global growth, while the advanced economies are expected to make moderate progress.

Malaysia's gross domestic product (GDP) is expected to grow between 4.3% and 4.8% in 2017 (2016: 4.2%) as a result of a gradual economic recovery and resilient domestic demand. While household expenditure will be supported by continued wage growth and the 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 mega infrastructure projects.

BNM expects inflation to trend between 3% and 4% in 2017, due to cost-push factors such as the pass-through impact of the increase in global crude oil prices. Gross exports are forecasted to expand 5.5% in 2017, higher than the 1.1% growth recorded in 2016. Overall, Malaysia stands to benefit from brighter global macro prospects given its well-diversified export products and markets.

Against this backdrop, the Group will leverage on its franchise strength to continue delivering sustainable profits.

The Group's strategy going forward is to remain focused on the success of Business Owners while helping them to create value for their stakeholders including their families, employees, business partners and retail clients. We will direct our efforts on becoming the most important relationship for the financial success of Business Owners by helping them, and helping them help others.

Our vision of "Building Alliances to Improve Lives" embodies this strategy. We will set our sights on being a Bank that uses innovation to deliver fast, simple and responsive solutions that are aligned to our customers' needs.

To this end, FY2018 will see us scaling up and launching a number of new and differentiated value propositions to support our vision and brand architecture. Innovations such as the Alliance One Account, SavePlus Account, Alliance@Work proposition, and Alliance Cash2Home will open new opportunities for us, as will additional new financial solutions we have in the pipeline. Our existing and future strategic partnerships with CTOS Data Systems and Pos Malaysia Berhad, to name a few, will help us extend our reach for long-term growth.



Alliance Bankers at the Vision Conference 2016.

We will be scaling up our sales force to continue to drive our new value propositions such as the Alliance One Account and Alliance Cash2Home. We will also be investing in the required information technology, as well as marketing and branding enablers to support the Bank's strategic initiatives.

We will maximise the linkages across our businesses to bring to bear the full suite of solutions and capabilities that the Group has to offer to its clients. At the same time, we will continue to improve balance sheet efficiency by focusing on better risk adjusted return loans, liquidity management, and credit risk mitigation activities.

As part of our continuous efforts to reduce complexity, we will also roll out a branch transformation programme that will focus on significantly enhancing advisory outcomes for clients and improving the efficiency of the branch network.

While these actions and investments will have a short-term impact on our profit trajectory, we believe it will position the Group for accelerated growth in the next 3-5 years.

IN APPRECIATION

There are many parties whom have helped the Group along in its journey to success and I would like to acknowledge them.

I wish to extend my heartfelt appreciation to all our customers and business partners for their unwavering patronage and support as well as for continuing to look to the Group as their partner in growth.

I also wish to convey my sincere thanks to our regulators, especially Bank Negara Malaysia, the Securities Commission Malaysia and Bursa Malaysia Securities Berhad for their support and guidance.

My utmost gratitude goes to our dedicated Management team and all our employees for their hard work, their commitment to excellence and the resilience they have displayed in delivering another fine performance amidst a very challenging year.

Last but not least, I am deeply grateful to our Board of Directors for their astute insights and invaluable guidance which have helped steer us through challenging times.

I especially want to highlight the worthy contributions of our Group Chairman, Datuk Oh Chong Peng and our Bank Chairman, Datuk Thomas Mun Lung Lee, for both having faithfully served the Group and Bank for 11 years. We owe them a debt of gratitude for leading the organisation from strength to strength, and we wish them the very best upon their retirement.

We welcome on board our new Bank Chairman, Tan Sri Dato' Ahmad bin Mohd Don, who joined us earlier this year. With his and the Board's vast experience in the financial services sector, we look forward to their guidance and support in realising our ambitions for the Bank.

Based on the strength of the Bank, as well as the Transformation plans we have laid out, we are confident that we will be able to deliver on our promise to build alliances to improve lives.

Thank you.

JOEL KORNREICH
Chief Executive Officer



ALLIANCE BANK CEO CHATROOM



ALWAYS ALIGNED TO YOUR NEEDS.

Our innovations, born from meaningful collaborations, are designed to always be aligned to your needs.

AWARDS & RECOGNITION



**BEST GRADUATE
EMPLOYMENT SCHEME
– RETAIL BANKING**

Retail Banker International
Asia Trailblazer Awards 2017

**EXCELLENCE IN BUSINESS
MODEL INNOVATION
(HIGHLY COMMENDED)**

Retail Banker International
Asia Trailblazer Awards 2017

**INSPIRATIONAL STAR AWARD
– BEST PERFORMING
NEW AGENT**

PNB Starz Awards 2016



EXCELLENCE IN GRADUATE RECRUITMENT & DEVELOPMENT (SILVER)

Human Resources
Excellence Awards 2016

GRADUATE EMPLOYMENT PROGRAMME OF THE YEAR – MALAYSIA

Asian Banking & Finance
Retail Banking Awards 2016

TOP SME SUPPORTER AWARD

Platinum Business
Awards 2016

BEST MANAGEMENT TRAINEE/GRADUATE PROGRAMME (FINALIST)

Graduate Recruitment
Awards 2016

CALENDAR OF SIGNIFICANT EVENTS

FINANCIAL CALENDAR FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

ACTIVITIES	DATE
Announcement of Financial Results	
▶ First Financial Quarter ended 30 June 2016	22 August 2016
▶ Second Financial Quarter ended 30 September 2016	29 November 2016
▶ Third Financial Quarter ended 31 December 2016	22 February 2017
▶ Fourth Financial Quarter ended 31 March 2017	31 May 2017
Dividend	
▶ First Interim single tier dividend of 8.5 sen per share • Payment	30 December 2016
▶ Second Interim single tier dividend of 7.5 sen per share • Payment	22 June 2017
General Meetings	
▶ Notice of 51st Annual General Meeting	19 June 2017
▶ 51st Annual General Meeting	12 July 2017
▶ Notice of Extraordinary General Meeting	19 June 2017
▶ Extraordinary General Meeting	12 July 2017

CORPORATE CALENDAR

for financial year ended 31 March 2017

19/03/16

ALLIANCE INVESTMENT BANK BOWLING TOURNAMENT



In appreciation of its clients' support throughout the year, Alliance Investment Bank held its annual bowling tournament at Ampang Superbowl for over 60 of its clients.

04/04 - 27/09/16

ALLIANCE BANK KNOWLEDGE SHARING SERIES



Alliance Bank organised a series of Knowledge Sharing talks on various financial and economic topics at Taylor's University Subang Jaya and Sunway University to educate students. Topics include "Lessons from the Financial Crisis" by speaker Manokaran Mottain, Chief Economist; "Overview of the Malaysian Bond Market" by Wong Kim Kean, Head of Retail Treasury Sales, and "Structured Investments in the Current Market" by Tan Eng Kiang, Head of Group Financial Markets of Alliance Bank.

19/04/16

ALLIANCE BANK RECEIVES BEST GRADUATE RECRUITMENT PROGRAMME (BRONZE) AWARD AT HUMAN RESOURCES ASIA RECRUITMENT AWARDS 2016

Alliance Bank won the Bronze for "Best Graduate Recruitment Programme" award for the second consecutive year at the Human Resources Asia Recruitment Awards 2016 event.

30/04/16

ALLIANCE BANK GIVES WITH A WILLING HEART TO YAYASAN SUNBEAMS HOME



As part of Alliance Bank's efforts to reach out to the community under its "Giving with a Willing Heart" programme, the Bank's employees volunteered their time at the Yayasan Sunbeams Home. The staff organised a host of activities including financial literacy games and quizzes for the children. The employees also held a donation drive for groceries, books, toys, and stationery at the Bank's headquarters. Donated items amounting to RM15,000 were collected and delivered to the Home.

22/05/16

ALLIANCE BANK TRADE BANKING CUSTOMERS ENJOYS MOVIE SCREENING

Alliance Bank treated its Trade Banking customers to a movie screening of the blockbuster hit, X-Men Apocalypse at 1 Utama Shopping Centre in Bandar Utama. Over 200 movie tickets were distributed during the event.

13/06/16

GRADUATION CEREMONY FOR ALLIANCE MANAGERS PROGRAMME 2016



18 Alliance Bankers completed the Alliance Managers Programme, a 10-month programme designed to develop the leadership qualities and people management skills of the Bank's middle managers. Over the past four years, 60 managers in Alliance Bank have successfully graduated from the programme.

CORPORATE CALENDAR (Cont'd)

for financial year ended 31 March 2017

18/06/16

BUKA PUASA WITH RUMAH AMAL SUCI ROHANI



In conjunction with the month of *Ramadhan*, Alliance Bank and Alliance Islamic Bank hosted a *buka puasa* meal and invited 80 children and employees from Rumah Amal Suci Rohani to break fast together. Before the meal, a *takziah* was held to talk about the importance of fasting and doing good during the holy month. The Bank then distributed *duit raya* and gifts to the underprivileged children of the home as well as presented *zakat* to the home.

19/06/16

BUSINESS BANKING CUSTOMERS' MOVIE DAY



800 key customers from the Corporate, Commercial and SME segments were invited to nationwide screenings of *Now You See Me 2*, which were held simultaneously in Penang, Batu Pahat, Melaka, Klang Valley, Kota Kinabalu and Kuching.

11/07/16

ALLIANCE ISLAMIC BANK TREATS YOUNG ASNAF AS PART OF ANNUAL ZAKAT PROGRAMME



As part of Alliance Islamic Bank's annual *Zakat* programme, the Bank treated underprivileged young *asnaf* to a *baju raya* shopping spree. The Bank also distributed *duit raya* during a *buka puasa* session with the children. The event was attended by Tan Sri Shahrizat Abdul Jalil, Advisor to the Prime Minister of Malaysia on Women Entrepreneurial and Professional Development.

27/07/16

BLOOD DONATION DRIVE

Alliance Bank organised its inaugural blood donation drive at its headquarters, Menara Multi-Purpose to encourage employee participation for a good cause. Over 170 Alliance bankers, including the management team, participated in the blood donation drive.

29/07/16

ALLIANCE BANK ROLLS OUT FOURTH SME INNOVATION CHALLENGE



For the fourth consecutive year, Alliance Bank launched the BizSmart SME Innovation Challenge for young businesses in Malaysia. The programme provides young entrepreneurs the opportunity to gain knowledge from the BizSmart structured trainings, be mentored by top business leaders, and learn from one another during the networking sessions.

The 2016 Challenge's prize pool was worth RM1 million. The winner of the programme stand to receive the EcoWorld Entrepreneur Award worth RM250,000.

23/07 - 27/08/16

ALLIANCE BANK YOUNG ENTREPRENEURS' CONFERENCE 2016



Alliance Bank continues to support young Malaysian entrepreneurs by providing them with a platform to network and collaborate with each other, as well as address issues faced by SMEs, at the annual Young Entrepreneurs' Conference. This event which was organised in five major cities nationwide, namely Johor Bahru, Penang, Kuching, Kota Kinabalu, and Kuala Lumpur, saw over 2,000 young entrepreneurs attending the conference.

09 - 11/08/16

ALLIANCE BANK DURIAN FIESTA



Alliance Bank organised its annual durian fiesta for over 500 Corporate, Commercial and SME customers at the Kuala Lumpur Golf & Country Club. The popular event also served as a networking platform for business owners as well as helped strengthen ties between the Bank and its customers.

10/08/16

ALLIANCE BANK PARTNERS WITH TUMI TO LAUNCH PREMIUM LUGGAGE COLLECTION

Alliance Bank's Privilege Banking customers were invited to the exclusive launch of TUMI's new luggage series collection called 'Perfecting The Pack, V3 Collection'. The Bank's customers were given the opportunity to purchase items from the special collection at discounted prices and at 0% interest instalments. On top of this, cash back benefits were offered to Alliance Bank credit cardholders.

10/08/16 - 17/01/17

ALLIANCE CHATROOM TALK SERIES



This year, the Bank introduced the Alliance Chatroom, a series of talks by external and internal subject matter experts on a variety of economic and lifestyle topics. Some of the subjects explored during the Alliance Chatroom sessions include tips on how to beat inflation, market outlook for the new year, and application of psychological theories to help in parenting.

13/08/16

ALLIANCE BANK STAFF VOLUNTEER AT KECHARA SOUP KITCHEN

Alliance Bank organised a Bank-wide food and clothes donation drive in collaboration with Kechara Soup Kitchen. Over 300 pieces of new and pre-loved clothes were collected for the needy. 40 of the Bank's staff volunteered to distribute the clothes at the soup kitchen while the Bank sponsored the cost of food for a night.

17/08/16

ALLIANCE BANK IS OFFICIAL CREDIT CARD FOR MATTA FAIR® 2016



Alliance Bank partnered with the Malaysian Association of Tour and Travel Agents (MATTA) to offer best-value travel privileges and propositions to existing and new Alliance Bank customers. Visitors to the MATTA Fair® also enjoyed special rates for Alliance Bank deposits and loan packages.

CORPORATE CALENDAR (Cont'd)

for financial year ended 31 March 2017

25/08/16

ALLIANCE BANK LAUNCHES AEIOU CHALLENGE 2



Back for the second year, the AEIOU Financial Comic Strip Challenge 2 used comic strips as a medium of instruction to educate children in primary schools to cultivate good money habits. To participate in the Challenge, students aged between nine and 12 were required to submit a four-panel comic strip reflecting the theme “Smart Financial Habits”.

03 - 18/09/16

ALLIANCE BANK ORGANISES MID-AUTUMN FESTIVAL FOR CUSTOMERS



Alliance Bank celebrated the Mid-Autumn Festival by hosting an evening of food, fun, and games for its Alliance Privilege and Alliance Personal customers.

07/09/16

ALLIANCE INVESTMENT BANK AND DBS VICKERS HOST “PULSE OF ASIA” CORPORATE DAY

Alliance Investment Bank and DBS Vickers Securities (DBS) Limited, Singapore, jointly hosted “Pulse of Asia” Corporate Day at The Westin Hotel in Kuala Lumpur. It was an opportunity for both companies to showcase 10 cross-industry client companies from Singapore, Indonesia, Thailand, and the Philippines to over 70 institutional investors.

15/09/16

ALLIANCE BANK OPENS UP CEO CHATROOM TO MORE SMES



Alliance Bank hosted the first CEO Chatroom session of 2016, with speakers Dato’ Chang Khim Wah and Tan Sri Liew Kee Sin from Eco World Development Group Bhd sharing their entrepreneurial journey in the property development industry and giving invaluable business tips.

The CEO Chatroom series is one of BizSmart Academy’s initiatives where SME Innovation Challenge finalists get to meet and learn from seasoned industry leaders.

Originally offered to only 20 finalists, the Bank decided to triple the impact of its structured teaching and mentoring sessions to 60 finalists, who came from various industries such as F&B, fashion, medical technology, waste management, and e-commerce.

28/09/16

ALLIANCE ORGANISES INVESTMENT TALK DINNER IN KOTA KINABALU

Alliance Bank and Alliance Investment Bank, along with Bursa Malaysia and the Kota Kinabalu Chinese Chamber of Commerce and Industry (KKCCCI) jointly hosted an Investment Talk at Horizon Hotel, Kota Kinabalu. The talk was attended by the Bank’s Share Trading Centre and SME clients as well as members of the KKCCCI.

The investment talk served as a platform to share information about listing opportunities and procedures, the advantages of an Initial Public Offering (IPO), and the IPO advisory services that the Group’s investment banking arm provides.

04/10/16

ALLIANCE BANK WINS EXCELLENCE IN GRADUATE RECRUITMENT AND DEVELOPMENT (SILVER) AWARD AT HUMAN RESOURCES EXCELLENCE AWARDS 2016

Alliance Bank’s Management Trainee Programme was honoured with a Silver award for “Excellence in Graduate Recruitment and Development” at the Human Resources Excellence Awards 2016.

19/10/16

LAUNCH OF THE INAUGURAL ECO-BIZ DREAM PROJECT



University students from 20 leading Malaysian universities challenged themselves by signing up for the inaugural Alliance Bank's Eco-Biz Dream Project. The three-month Dream Project aimed to tap into the creativity of today's youths to create eco-friendly business proposals that are sustainable. Participants of the Dream Project are required to submit a one-minute video pitch on their eco-friendly business projects, attend a Design Thinking workshop organised by the Bank, and present a practical business proposition that would help address an environmental issue.

19/10/16

SAVE A TREE, PLANT A TREE



50 staff took their time off on a weekend to participate in a tree planting activity at the Forest Research Institute Malaysia (FRIM) and learned more about Mother Earth in an effort to build a healthy environment for the next generation. The tree planting activity was aimed at educating Alliance Bankers on the importance of forest preservation.

Our volunteers planted 30 fruit trees including Durian Hutan, Asam Gelugur, Kerian Dot, Nyatoh Tembaga, Karas and Avocado.

23/10/16

ALLIANCE INVESTMENT BANK GOLF CHAMPIONSHIP

For the third year in a row, Alliance Investment Bank organised a Golf Championship for its clients. Held at the Glenmarie Golf & Country Club, the half day golf event was hosted by the Bank's directors and management team.

04/11/16

ALLIANCE BANK'S MANAGEMENT TRAINEE PROGRAMME RECOGNISED AS BEST MANAGEMENT TRAINEE/GRADUATE PROGRAMME FINALIST AT GRADUATE RECRUITMENT AWARDS EVENT

For the second year running, Alliance Bank was recognised as a Finalist in the "Best Management Trainee/Graduate Programme" category at the GradMalaysia Graduate Recruitment Awards 2016.

09/11/16

ALLIANCE BANK ANNOUNCES WINNERS OF AEIOU CHALLENGE 2



With over 8,500 submissions received from 23 schools nationwide, the AEIOU Challenge 2 attracted 60% more submissions than the previous year. Forty shortlisted students were invited to attend a two-day, one-night financial literacy camp. The winner of the AIEOU Challenge 2 won RM5,000 cash, a trophy and a certificate, while the first and second runner-up won RM3,000 cash and RM1,000 cash respectively, along with a trophy and a certificate for their efforts. Six consolation winners were awarded RM200 cash and a trophy each.

11/11/16 - KUALA LUMPUR

15/11/16 - JOHOR BAHRU

18/11/16 - PENANG



NATIONAL BUDGET SEMINAR FOR SME AND COMMERCIAL BANKING CUSTOMERS

To assist its Business Banking customers gain a better understanding of the impact of the 2016 National Budget on their businesses, Alliance Bank organised a National Budget Seminar in Kuala Lumpur, Penang and Johor Bahru respectively. Speakers include Koong Lin Loong, CEO of K-Konsult Taxation and a regular commentator of Malaysian taxes; and Peck Boon Soon, economist and Deputy Chairman of the Socio-Economic Research Committee of the Associated Chinese Chambers of Commerce and Industry Malaysia (ACCCIM).

CORPORATE CALENDAR (Cont'd)

for financial year ended 31 March 2017

03/12/16

ALLIANCE FAMILY DAY 2016



Over 900 Alliance Bankers and their families had a fun time at the Alliance Family Day 2016 held at the scenic Perdana Botanical Garden. Children were treated to exciting activities such as booth games, bouncy castles, a petting zoo, sand art, and face painting activities while the adults participated in zumba dance, cupcake, and flower decoration contests.

09/12/16

SME INNOVATION CHALLENGE AWARDS RM1 MILLION WORTH OF PRIZES



Penang-based NutriBrown Rice emerged champion of the SME Innovation Challenge 2016 and walked away with the EcoWorld Entrepreneurship Award worth RM250,000. First runner-up prize went to Sabah's fast-food restaurant Borenos, who took home RM200,000. Healthy snack start-up Amazin' Graze, rounded up the top three with the second runner-up title, winning RM150,000.

The Visa Retail Award, which comes with a RM100,000 prize, was awarded to RecomN.com, an e-commerce platform that offers trusted and reliable service professionals for any projects. Grub Cycle, a platform that works to funnel surplus food to the community, went home with two awards: the RM100,000 Manulife Sustainability Award and the HyppTV Viewers' Choice Award worth RM200,000 in media packages.

21/12/16

ALLIANCE BANK STAFF MOVIE NIGHT

The Alliance Bank Staff Movie Night was attended by over 700 Alliance bankers nationwide. This year, they were treated to the movie, Rogue One: A Star Wars Story. The movie was screened simultaneously in Kuala Lumpur, Johor Bahru, Penang, Kota Kinabalu, and Kuching.

10/01/17

ALLIANCE CORPORATE DAY CONFERENCE



Alliance Investment Bank Berhad and AllianceDBS Research hosted a Corporate Day Conference for the local fund management community, with over 180 fund managers and analysts in attendance. A total of 12 public listed companies were showcased during the one-day event.

16/01/17 - PENANG

23/02/17 - KUALA LUMPUR

24/02/17 - JOHOR BAHRU

TRADE SEMINAR SERIES 2017



Alliance Bank hosted its series of trade seminars in Kuala Lumpur, Johor and Penang to share trade finance knowledge with its customers. The seminars touched upon topics such as seller/buyer interest on open account trades and the effects of trade-based anti-money laundering transactions. Internal and external speakers at the regional seminars also spoke on the 2017 economy and foreign exchange outlook with close to 400 customers in attending.

18/01/17

ALLIANCE BANK ORGANISES 2017 MARKET OUTLOOK FOR IRSI CUSTOMERS



Alliance Bank hosted an exclusive Market Outlook 2017 talk for its Interest Rate Structured Investment (IRSI) customers to provide insights into market conditions, particularly the local interest rate outlook and the new IRSI structure in Malaysia. Chief Economist of Alliance Bank, Manokaran Mottain also spoke on the economic and business forecast for 2017 during the event.

08/02/17

“GLORIOUS ORIENTAL NIGHT” CHINESE NEW YEAR CUSTOMER APPRECIATION DINNER

Alliance Bank organised a Chinese New Year Appreciation Dinner for its valued customers and business partners at The Vertical, Bangsar South. Attended by more than 700 people, guests were treated to performances by the national Lion Dance Competition champion, Xuan Long Lion Dance Troupe. Entertainment was provided by the Montuno Band Performance.

22/02/17

TEAM ECO BEAST NAMED WINNER OF THE INAUGURAL ECO-BIZ DREAM PROJECT



The youngest team among the five finalists of the Eco-Biz Dream Project, Team Eco Beast from Sunway College emerged the winner of the competition with their business proposal of soap for skin allergy, and went home with a RM10,000 cash prize. The first runner up, Team Guardian of the Nature from Universiti Kebangsaan Malaysia and second runner up, Team UOL from Help University, received RM5,000 and RM3,000 respectively. Consolation prizes of RM1,000 each went to Team TRAPP and Team Patriot from the University of Nottingham Malaysia and Multimedia University, respectively.

25 - 26/02/17

HUGE TURNOUT FOR ALLIANCE BANK TREASURE HUNT 2017



Over 400 Alliance Bankers in 100 cars took off from Alliance Bank’s headquarters in Kuala Lumpur, and battled their way to Penang via a series of challenges as part of the annual Alliance Bank Treasure Hunt. On the way, participants donated ‘treasures’ in the form of groceries such as canned food and cereal boxes to Sekolah Sinar Harapan, a centre for the mentally-challenged and disabled children in Penang. After a fun-filled day, the Hunt came to an end at Wembley at St Giles, Penang. Participants were then treated to dinner while the winning teams were awarded prizes.

15/03/17

ALLIANCE BANK SUPPORTS MITI AND GOOGLE IN GO GLOBAL MALAYSIA LAUNCH

Alliance Bank was one of the programme partners for Go Global Malaysia, a Public-Private Initiative aimed at supporting local SMEs to build their business capabilities, promote international exports, and become globally competitive by going digital. Go Global Malaysia is organised by the Ministry of International Trade & Industry (MITI) and Google, with the support of industry and government partners.

16/03/17



ALLIANCE BANK WINS BEST GRADUATE EMPLOYMENT SCHEME – RETAIL BANKING AWARD AT RBI ASIA TRAILBLAZERS AWARDS 2017 EVENT

Alliance Bank’s award-winning Management Trainee Programme has won numerous accolades over the years. Most recently, the programme won the accolade “Best Graduate Employment Scheme – Retail Banking in Asia Pacific” for the third consecutive year at the Retail Banker International Asia Trailblazer Awards 2017 event.

MEDIA HIGHLIGHTS

Alliance Bank's new phase

Smallest bank in country plans re-branding exercise

By YONGE TAN and SUKUMARAN RAJAGOPALAN
The smallest bank in the country, Alliance Bank, is set to undergo a re-branding exercise in its four-year-old Eco-Biz Dream Project.



Alliance Bank addresses SMEs' main issues

By YONGE TAN and SUKUMARAN RAJAGOPALAN
Alliance Bank Malaysia Bhd is set to launch a new initiative to address the main issues of Small and Medium Enterprises (SMEs) in the country.



Alliance anjur Eco-Biz Dream Project

KUALA LUMPUR 19 OKT. - Alliance Malaysia Berhad (Alliance) mengumumkan pertandingan Eco-Biz Dream Project bagi mempromosikan perniagaan praktikal dalam kalangan pelajar universiti.



1,000 attend Young Entrepreneurs' Conference

KUALA LUMPUR - Over 1,000 young entrepreneurs gathered for an engaging and relevant conference.



Kornreich (right) and Leadership's chief operating officer Ang Hui Ming, (second from right) speaking to some of the university students after the launch.

Putting students' skills to the test

Undergraduates to come up with proposals addressing environmental concerns

STUDENTS from 20 leading universities in Malaysia will be selected to attend additional workshops on intermediate design thinking before making their final pitch to the judges in January 2017.



At the launch of the Alliance Bank AEIOU Financial Comic Strip Challenge 2, from left to right: Datuk P. Kamarasan, Deputy Minister of Education, Ministry of Education Malaysia with Joel Kornreich, Group Chief Executive Officer, Alliance Bank Malaysia Berhad.

Alliance Bank launches AEIOU Challenge 2

KUALA LUMPUR - Malaysian school children aged between nine and 12 will be able to compete for a cash prize in the Alliance Bank AEIOU Financial Comic Strip Challenge 2 from now till 31 October.

Alliance Bank optimistic on achieving high single-digit loan growth

ALLIANCE Bank Malaysia Bhd is optimistic of achieving loan growth in the high single digits for its financial year ending March 31, 2017 (FY17).

Group CEO Joel Kornreich said the banking group will look to its strong segments such as the small and medium enterprise (SME) loan sector to drive its overall loan growth to the desired rate.

1,000 attend Young Entrepreneurs' Conference

KUALA LUMPUR - Over 1,000 young entrepreneurs gathered for an engaging and relevant conference.

The government knows we need to stimulate the economy. That's what people want and what we want as well. Loans will only be stimulated if people have assured income and confidence in the future," he said.

Alliance Financial Group Bhd, the parent holder of Alliance Bank, said it was pleased with the performance of the banking group.

Alliance Finance aims to outshine industry growth

By Ushar Daniels
ushardani@malaymail.com.my

KUALA LUMPUR - Alliance Financial Group Bhd said it expects an industry growth rate of between 6% to 7% due to better outlook for the current financial year.

Alliance 1QFY17 earnings up 8.6 per cent to RM132.47 million

KUCHING - Alliance Financial Group Bhd's Alliance quarter financial year 2017 (1QFY17) ended June 2016 earnings increased by 8.6 per cent year-on-year to RM132.47 million in 1QFY17 ended June 2016.

The banking group is in ailing to Bursa Malaysia yesterday said 1QFY17 revenue grew marginally by 2.4 per cent year-on-year to RM174.34 million from RM169.77 million generated in 1QFY16.

Sandakan's Daphne Chu wins national Alliance Bank challenge

KUALA LUMPUR - Exposure to financial management among school children is essential to instil good saving and spending behaviour to prepare them for adult life, said Deputy Education Minister Datuk P. Kamarathan.

He said it is easier to learn new languages at a young age, and the same holds true for financial education.

Alliance Bank optimistic on achieving high single-digit loan growth

ALLIANCE Bank Malaysia Bhd is optimistic of achieving loan growth in the high single digits for its financial year ending March 31, 2017 (FY17).

Group CEO Joel Kornreich said the banking group will look to its strong segments such as the small and medium enterprise (SME) loan sector to drive its overall loan growth to the desired rate.

Commenting on the results, chief executive officer (CEO) Joel Kornreich in a statement posted the strong set to growing its best performing segments and optimising its deposit mix.

"During this time, small and medium enterprises are the backbone of the economy. We are looking into it and we might do within a year," he said.

The group continues to strengthen its position in the SME sector being growing year-over-year while maintaining the group's targeted ratio at 5%.

The group also reported healthy levels of overall asset quality, with a gross impaired loan ratio of 1.3% while their loan loss coverage rate is 100.7%.

Congratulations to the AMP Grads!

LEADERONOMICS wishes to congratulate all the graduates of the intensive AMP programme for top talent at Alliance Bank. Well done for graduating from the challenging programme. We also want to give our best wishes to the new batch of AMPians. Well done to Alliance Bank for their focus on developing their employees and enabling them to grow into leaders!

Congratulations to the AMP Grads!

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STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors of Alliance Financial Group Berhad (AFG or the Company) is committed to adopting high standards of corporate governance in all areas of its activities with the objective of achieving business prosperity and corporate accountability. The ultimate objective is to safeguard the interests of all stakeholders and to enhance shareholders' and investors' value.

The Board is committed to ensuring that the Company is in compliance with the principles and recommendations of the Malaysian Code on Corporate Governance 2012 (MCCG 2012) and Bank Negara Malaysia's (BNM) Policy Document on Corporate Governance (BNM CG Policy).

In accordance with the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Securities), this statement describes the way in which the Company has applied the principles and recommendations set out in the MCCG 2012, during the financial year ended 31 March 2017 (FY2017).

1. The Board of Directors

1.1 Duties and Responsibilities

The Board is led by the Chairman, Datuk Oh Chong Peng, who is an Independent Director. He is responsible for the effective overall functioning of the Board.

In fulfilling his role, the Chairman:

- (i) ensures that appropriate procedures are in place to govern the Board's operation;
- (ii) ensures that decisions are taken on a sound and well-informed basis, including by ensuring that all strategic and critical issues are considered by the Board, and that Directors receive the relevant information on a timely basis;
- (iii) encourages healthy discussion and ensure that dissenting views can be freely expressed and discussed; and
- (iv) lead efforts to address the Board's development needs.

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

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

The Board has the overall responsibility for promoting the sustainable growth and financial soundness of the Company, and for ensuring reasonable standards of fair dealing, without undue influence from any party.

The principal duties and responsibilities of the Board are:

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

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

1.2 Board Charter

The Board has adopted a charter which sets out the mandate, responsibilities and procedures of the Board and the Board Committees, including the matters reserved for the Board's decision. The Board Charter is reviewed from time to time and updated in accordance with the needs of the Company, and any changes in regulations to ensure its relevance to the Board. It is available on the Company's corporate website (www.alliancefg.com) for reference.

1.3 Directors' Code of Conduct and Ethics

The Company has a Code of Conduct that sets out the standards required to be observed by the Directors and the employees in order to promote and maintain the highest ethical standards at all times. The Directors of the Company also adhere to the Code of Ethics for Company Directors established by the Companies Commission of Malaysia.

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

1.4 Board Composition

The Board comprises five members, who are all Non-Executive Directors, three of whom are Independent Directors.

The current Board is constituted of individuals of high calibre with diverse experience which collectively has the necessary skills, experience and qualifications to effectively manage the Company and to discharge the responsibilities of the Board. The Board members are all experienced in the management of businesses and in terms of their academic backgrounds, have skills in the areas of banking, finance, accounting, economic, business management and information technology. The diversity

of business backgrounds in the composition of the Board ensures good use of their different and wide ranging skills, regional as well as industry experience and other attributes of the Directors.

The Board has taken note of the recommendation of the MCCG 2012 to establish a policy formalising its approach to boardroom diversity. Through the Nomination Committee and the banking group nominating committee, the Company and its subsidiaries (the Group) have respectively taken steps to ensure that women candidates are given priority consideration in the selection and recruitment process for directors towards achieving the gender diversity target of 30% women participation. However, the merits of the individual and the knowledge and expertise relevant to the Group, will be the overarching criteria when considering the selection of new candidates to the respective Boards of Directors.

Alliance Investment Bank Berhad, an indirect wholly owned subsidiary of the Company has appointed a female director on its Board.

1.5 Reinforcing Independence

The present composition of the Board complies with paragraph 15.01(1) of the MMLR which requires at least 2 directors or 1/3 of the board of directors of a listed issuer, whichever is the higher, are independent directors. The Company also complies with the requirement of having a majority of independent directors on the Board at all times as set out in paragraph 11.6 of the BNM CG Policy.

The presence of a majority of Independent Directors provides the necessary checks and balances to ensure that the interests of all shareholders and the general public are given due consideration in the decision-making process. The Independent Directors are not involved in the day-to-day management of the Company, nor do they participate in any of its business dealings. This ensures they remain free of any conflict of interest to undertake their roles and responsibilities as Independent Directors effectively.

The Board through the Nomination Committee assesses Directors' independence annually against the independence criteria under Paragraph 1.01 of the MMLR and Paragraph 11.7 of the BNM CG Policy. In the annual assessment of the Independent Directors of the Company in respect of the FY2017, the Board was satisfied that each of the Independent Directors of the Company continues to be independent and free from any business or other relationship, which could interfere with the exercise of independent judgment or the ability to act in the best interest of the Company.

In line with Recommendation 3.2 of the MCCG 2012, the Company has adopted a policy that limits its Independent Directors' tenure to a maximum of 9 years. However, as a transitional process pending completion of the Proposed Corporate Reorganisation exercise that was announced by the Company on 21 September 2016, which would ultimately

result in the transfer of listing status of the Company on the Main Market of Bursa Securities to its wholly-owned subsidiary, Alliance Bank Malaysia Berhad, the Board has proposed that Datuk Oh Chong Peng, who has served the Company as an Independent Director for more than 9 years, be retained as an Independent Director to ensure continued effective functioning of the Board. Datuk Oh Chong Peng will relinquish his position as a Director of the Company upon completion of the said Proposed Corporate Reorganisation exercise.

Datuk Oh Chong Peng, who was first appointed to the Board as an Independent Director on 21 April 2006, has served the Board for 11 years. The Nomination Committee has assessed the independence of Datuk Oh Chong Peng and was satisfied that he met the criteria for independence as stipulated in the MMLR and BNM CG Policy.

Being an Independent Director who does not hold any other directorship within the Group, Datuk Oh Chong Peng is independent in character and judgment, and free from associations or circumstances that may impair the exercise of his independent judgment. He consistently demonstrates the values and principles associated with independence during Board and Board Committees' discussions. His independent judgment is not compromised by amongst others, familiarity or close relationship with Management or other Board Members. On recommendation of the Nomination Committee, the Board has approved the retention of Datuk Oh Chong Peng as an Independent Director subject to shareholders' approval at the forthcoming Annual General Meeting (AGM) of the Company.

1.6 Annual Assessment of Performance of the Board, Board Committees and Individual Directors

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

In the annual assessment of the Board for FY2017, the Board was satisfied with its current size and composition as well as its mix of skills which is made up of individuals of high calibre, credibility and with the necessary skills and qualifications to enable the Board to discharge its responsibility effectively.

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

A brief profile of each Director is presented on pages 17 to 25 of this Annual Report.

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

1.7 Appointment and Re-election of Directors

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

Any proposed appointment of new Board members or proposed re-appointment of Directors will be assessed by the Nomination Committee. In evaluating the appointment of new Directors, the Nomination Committee taken steps to ensure that women candidates are given priority consideration. In addition, it also looks for diversity of skills, qualifications and experience of the candidates. To ensure the candidate has the character, experience, integrity, competency and time to effectively discharge his/her role as a Director, the Nomination Committee will assess the fitness and propriety of the candidates in accordance with the Group's Policy on Fit and Proper. The following criteria are considered by the Nomination Committee:

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

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

Upon appointment, the new Director will be arranged to attend an in-house orientation program within three months of the appointment date where he/she will be briefed on the operations and business strategies by the Senior Management to familiarise him/her with the industry and the Group. All Directors are also being regularly updated on new requirements affecting their responsibility and are constantly reminded of their obligations.

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

The Board has recommended the following re-election/re-appointment of Directors at the forthcoming AGM:

- Mr Lee Ah Boon, who retires by rotation at the forthcoming AGM pursuant to Article 82 of the Company's Articles of Association, and being eligible, has offered himself for re-election;
- Mr Tan Chian Khong, who retires at the forthcoming AGM pursuant to Article 89 of the Company's Articles of Association, and being eligible, has offered himself for re-election; and

- Datuk Oh Chong Peng and Mr Kung Beng Hong, who are above the age of 70, were re-appointed as Directors pursuant to Section 129 of the Companies Act 1965 at the last AGM to hold office until the conclusion of the forthcoming AGM. As their terms of office will end at the conclusion of the forthcoming AGM, they have, being eligible, offered themselves for re-appointment as Directors.

1.8 Board Meetings

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

The Board met nine (9) times during the FY2017. All the board members have recorded full attendance in the board meetings held during the FY2017. Details of each Director's attendance during the financial year are listed as follows:

	Directors	Attendance
1.	Datuk Oh Chong Peng (Chairman)	9/9
2.	Kung Beng Hong	9/9
3.	Ou Shian Waei	9/9
4.	Lee Ah Boon	9/9
5.	Tan Chian Khong (appointed on 1 August 2016)	4/4
6.	Stephen Geh Sim Whye (retired on 5 August 2016)	5/5

1.9 Access to Information

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

The Group has implemented paperless meetings where board materials are uploaded to a secured board server for the Directors to download to their tablets. This initiative has made the process of creating, distributing and reviewing confidential board materials more efficient and secure. It speeds up the

process of board pack dissemination and removes the need for hard copy papers. The initiative also enhances the Group's corporate responsibility in line with environmental initiatives by reducing its paper consumption.

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

1.10 Time Commitment

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

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

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

1.11 Directors' Training

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

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

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

All the Directors have completed the Mandatory Accreditation Programme, including Mr Tan Chian Khong who was appointed as an Independent Director of the Company on 1 August 2016, as mandated pursuant to the MMLR. The Directors have also attended various training programmes during the financial year under review as follows:

- FIDE Forum: FinTech: Business Opportunity or Disruptor
- Bursa Malaysia: Complimentary Cybersecurity Workshop
- FIDE Forum: Strategy to Leverage Technology for Business Solutions
- AIF Distinguished Speaker Series: Riding the Leadership Rollercoaster: An Observer's Guide
- FIDE Forum: 2nd Distinguished Board Leadership Series: Avoiding Financial Myopia
- FIDE Forum: Dialogue with Deputy Governor on the Corporate Governance Concept Paper
- FIDE Forum: 3rd Distinguished Board Leadership Series: Effective Board Evaluation
- Understanding the Evolving Cybersecurity Landscape
- Breakfast Talk with ACGA – Ecosystems Matter (half day programme)
- FIDE Forum: Annual Dialogue with Deputy Governor of BNM on Summary of Key Matters and Logistic Arrangements
- Board Briefing by PwC on Key Audit Matters Disclosures
- Mandatory Accreditation Programme for Directors of Public Listed Companies
- FIDE Core & Elective Programmes (Module A & B)

1.12 Board Committees

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

(a) Audit Committee

The Terms of Reference and the composition of the Audit Committee as well as the summary of work of the Audit Committee and how it has met its responsibilities during the financial year are set out in the Audit Committee Report on pages 89 to 91 of this Annual Report.

(b) Nomination Committee

The main objectives of the Nomination Committee are to review, recommend and consider candidates for appointment as Directors and Chief Executive Officer (CEO), and to assess the effectiveness of individual directors and Board as a whole, and performance of CEO and key Senior Management officers. The Terms of Reference of the Nomination Committee is made available on the Company's corporate website.

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

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

- assessed the performance of individual Directors and the Board as a whole as part of the Annual Assessment, which covered performance of the Board, Board Committees and individual Directors;
- assessed the fitness and propriety of Directors, CEO and the Company Secretary and the independence of Independent Directors;
- determined those directors who would retire at the forthcoming AGM and made the necessary recommendations to the Board for their re-election and re-appointment;
- assessed and determined the fitness and propriety of Directors with regard to their re-appointment to Board;
- assessed the training needs of the Directors;
- reviewed and recommended to the Board for the appointment of Mr Tan Chian Khong as an Independent Director of the Company; and
- review and recommended to the Board the appointment of Mr Tan Chian Khong as the Chairman of the Audit Committee and a member of the Nomination Committee.

The Nomination Committee comprises entirely of Non-Executive Directors with the majority being Independent Directors. In FY2017, a total of four (4) Nomination Committee meetings were held. All members of the Nomination Committee have attended all the meetings held in FY2017 and details of their attendance are listed as follows:

Committee Members		Attendance
1.	Ou Shian Waei (Chairman)	4/4
2.	Datuk Oh Chong Peng	4/4
3.	Kung Beng Hong	4/4
4.	Lee Ah Boon	4/4
5.	Tan Chian Khong (appointed on 1 August 2016)	1/1
6.	Stephen Geh Sim Whye (retired on 5 August 2016)	3/3

c) Remuneration Committee

The main objectives of Remuneration Committee are to review and recommend a formal and transparent procedure for developing remuneration policy for directors, CEO and key Senior Management to ensure that compensation stays competitive and consistent with the Company's culture, objectives and strategy. The Terms of Reference of the Remuneration Committee is made available on the Company's corporate website.

The Remuneration Committee comprises entirely of Non-Executive Directors with the majority being independent. In FY2017, one (1) Remuneration Committee meeting was held. The Remuneration Committee had reviewed and recommended to the Board the Directors' fees, including Board Committees' fees, attendance allowance and other benefits, subject to the shareholders' approval at the forthcoming AGM. All members of the Remuneration Committee have attended the meeting held in FY2017 and the details of their attendance are listed as follows:

Committee Members		Attendance
1.	Ou Shian Waei (Chairman)	1/1
2.	Datuk Oh Chong Peng	1/1
3.	Kung Beng Hong	1/1
4.	Lee Ah Boon	1/1

d) Employees' Share Participating Scheme Committee

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

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

Committee Members		Attendance
1.	Ou Shian Waei (Chairman)	1/1
2.	Datuk Oh Chong Peng	1/1
3.	Kung Beng Hong	1/1
4.	Lee Ah Boon	1/1

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

1.13 Remuneration

Non-Executive Directors

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

All Non-Executive Directors are paid fixed annual director fees and meeting attendance allowance for each Board and Board Committee meeting attended. In addition, Non-Executive Directors also receive other benefits-in-kind including Directors & Officers Liability Insurance and medical benefits.

On the recommendation of the Remuneration Committee, the Board has recommended the Directors' fees, including Board Committees' fees in respect of the FY2017 and Directors' other benefits from 31 January 2017 until the next AGM for shareholders' approval at the forthcoming 51st AGM.

The details on the aggregate remuneration of the Directors of the Company (comprising remuneration received and/or receivable from the Company and its subsidiaries during the FY2017) are as follows:

	COMPANY			SUBSIDIARIES		
	Fees (including Board Committees' fees) RM'000	Sitting Allowance and Benefits- in-kind RM'000	Company Total RM'000	Fees RM'000	Sitting Allowance and Benefits- in-kind RM'000	Group Total RM'000
Executive Directors	-	-	-	-	-	-
Non-Executive Directors						
Datuk Oh Chong Peng (Chairman)	224	50	274	-	-	274
Kung Beng Hong	105	30	135	336	96	567
Lee Ah Boon	88	20	108	153	63	324
Ou Shian Waei	114	26	140	212	68	420
Tan Chian Khong (appointed on 1 August 2016)	76	14	90	-	-	90
Stephen Geh Sim Whye (retired on 5 August 2016)	57	24	81	-	-	81
Total	664	164	828	701	227	1,756

Senior Management

The Group has established a Compensation Policy which outlines the mandatory requirements that must be reflected in the design of management of performance and remuneration arrangements across the Group.

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

- supports a performance culture that is based on merit, differentiates and rewards excellent performance, both in the short and long term, and recognises the Group's Core Values;
- enables the Group to attract and retain employees and to motivate them to achieve the Group's results;
- balances the mix of Fixed Compensation and Variable Compensation to appropriately reflect the value and responsibility of the role performed day-to-day, and to influence appropriate behaviours and actions;
- consistent with, and promotes, effective risk management practices and the Group's compliance and control culture; and
- takes into account the long-term performance of the Group, in order to create sustainable financial performance and value for the Group and Shareholders.

The 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.

Senior Management in this context means the Group Chief Executive Officer and the Business and Support Heads who report directly to him or to the Board/Board Committees.

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

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

Fixed pay	Consists of base salary, and where applicable, cash allowance	<ul style="list-style-type: none"> Determined based on roles and responsibilities, individual experience and skill sets, the Group's legal obligations and market competitiveness.
Variable rewards	Consists of Cash Bonus and Deferred Cash/Share	<ul style="list-style-type: none"> Cash Bonus is principally used to recognise an individual's performance throughout the performance year. The Cash Bonus aligns compensation with prudent risk-taking and incorporates adjustments to reflect (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, and (iii) the time necessary for the outcomes of those business activities to be reliably measured. Deferred Cash/Share are used to achieve the following objectives: <ul style="list-style-type: none"> (i) Retain top performers and critical staff (ii) Provide market competitive total compensation (iii) Provide meaningful award for motivation
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.

Any deferred variable remuneration that has not been paid or vested to employee is subject to forfeiture or adjustment in the event of:

- Resignation
- Misconduct/poor performance

The following depicts the total value of remuneration awarded to the Chief Executive Officer and Senior Management of the Group in FY2017:

Chief Executive Officer	Non-Deferred (RM'000)	Deferred (RM'000)	Total Amount of Outstanding Deferred Remuneration as at 31.3.2017 (RM'000)	Total Amount of Deferred Remuneration Paid Out (Vested) in FY2017 (RM'000)
Fixed - Cash-based	4,041	-	-	-
Variable - Cash-based	2,300	333	333	-
Variable - Share-based	-	-	-	-

Senior Management	No. of Senior Management	Non-Deferred (RM'000)	Deferred (RM'000)	Total Amount of Outstanding Deferred Remuneration as at 31.3.2017 (RM'000)	Total Amount of Deferred Remuneration Paid Out (Vested) in FY2017 (RM'000)
Fixed - Cash-based	17	16,410	-	-	-
Variable - Cash-based	17	6,577	932	932	-
Variable - Share-based	10	-	1,031	567	1,313

Senior Management	No.	Amount (RM'000)
Number of Senior Management and total amount of guaranteed bonuses awarded during FY2017	1	690
Number and total amount of sign-on awards made during FY2017	-	-
Number and total amount of severance payments made during FY2017	-	-

Performance Management

The Group actively managing the performance of employees to ensure a robust link between remuneration outcomes and the achievement of the Group's strategy.

Employee performance is assessed against both what an employee achieves and how he/she achieves it. 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 outcomes.

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 Group'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. In addition to achieving their objectives, employees are also assessed based on the Bank's core values/key behaviours.

To safeguard the independence and authority of employees engaged in Risk and Control functions, including the functions of Compliance, Risk and Audit, the compensation for employees in Risk and Control functions do not have strong linkages to 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 Group.

2. Accountability and Audit

2.1 Financial Reporting

The annual financial statements and quarterly results are reviewed by the Audit Committee and approved by the Board of Directors for BNM's clearance prior to public release. A statement by the Directors explaining the Board's responsibility for preparing the annual financial statements is set out on page 102 of this Annual Report.

2.2 Risk Management Framework

A Risk Management report, which provides an overview of the risk management framework within the Group, is disclosed on page 93 of this Annual Report.

2.3 Internal Control

A Statement on Risk Management and Internal Control, which provides an overview of the state of internal control within the Group, is disclosed on page 92 of this Annual Report.

2.4 Policy against Fraud

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

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

2.5 Anti-Money Laundering and Counter-Financing of Terrorism

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

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

The key features of the policy are as follows:

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

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

2.6 Relationship with the Auditors

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

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

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

3. Company Secretary

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

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

4. Corporate Responsibility

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

5. Investor Relations and Shareholders Communication

The Company acknowledges the importance of regular communication with shareholders and investors. The Company endeavours to maintain constant and effective communication with shareholders through timely and comprehensive announcements. The Board regards the AGM as an opportunity to communicate directly with shareholders and encourages attendance and participation. The notice of AGM is despatched to shareholders, together with explanatory notes or circulars on items of special business, at least 21 days prior to the meeting date. At the forthcoming 51st AGM to be held on 12 July 2017, no substantive resolutions or resolutions on related party transactions will be put forth for shareholders' approval.

In line with the MMLR, voting at general meetings of the Company will be conducted by poll with at least one independent scrutineer appointed to validate the votes cast at the general meetings.

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

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

Shareholders, potential investors and members of the public can access the Company's corporate website at www.alliancefg.com for information of the Group. There is a dedicated section for corporate governance on the Company's corporate website where information such as the Board Charter, Code of Conduct, Annual Reports, Minutes of General Meetings, Memorandum and Articles of Association and Terms of Reference of the Board Committees are made available to the public. Under the Investor Relations section, all announcements made by the Company to Bursa Securities including quarterly results, dividend information and presentation slides for analyst briefings are also available on the website for the benefit of the investing public.

The investing public can also convey their concerns and queries to the Independent Chairman, Datuk Oh Chong Peng. The Chairman serves as the designated contact for any shareholders' concerns or queries that may be raised, as an alternative to the formal channel of communication with shareholders.

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

6. Corporate Disclosure

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

The objectives of the CDPP are:

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

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

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

7. Dealings in Securities

The Group has put in place an internal procedure governing dealings in securities by the Directors and employees to prevent contravention of applicable rules and requirements, including the provisions of the MMLR and insider trading laws. Directors and relevant employees are subject to pre-clearance from Group Compliance to ensure personal securities trading of Directors and relevant employees do not put the Company or its subsidiaries in conflict with the clients.

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

This Statement on Corporate Governance was approved by the Board of Directors on 17 May 2017.

SUSTAINABILITY STATEMENT

COMMITTED TO CREATING SUSTAINABLE VALUE

WITH OVER 50 YEARS TO ITS NAME, ALLIANCE FINANCIAL GROUP BERHAD CONTINUES TO HOLD TRUE TO ITS AMBITION OF BUILDING A RESPONSIBLE AND SUSTAINABLE BANK THAT WILL EFFECTIVELY SERVE THE NEEDS OF ITS DIVERSE STAKEHOLDERS.

To secure the future of the Group and ensure the creation of long-term shared value for our stakeholders, we continue to prioritise responsible management and sustainable development on the Economic, Environmental and Social fronts.

This sees the Group's respective business segments working together, leveraging on each other's strengths and resources, to embed business sustainability within their organisations. As we set our sights on achieving sustainable progress, this helps drive operational excellence and provides the momentum for the Group to deliver long-term sustainable growth.

Scope and Methodology

Our inaugural Sustainability Statement underscores our commitment to undertaking business in a responsible and sustainable manner through our Economic, Environmental and Societal (EES) performance.

To be produced on an annual basis, this Statement covers the period 1 April 2016 to 31 March 2017 (FY2017). It highlights the business sustainability activities of the Alliance Financial Group comprising Alliance Bank Malaysia Berhad, together with its subsidiaries, Alliance Investment Bank Berhad and Alliance Islamic Bank Berhad. In particular, it covers the business activities of the Group's Consumer Banking, SME Banking, Corporate, Commercial and Transactions Banking, Financial Markets, Islamic Banking and Investment Banking business segments.

This Statement focuses on the Group's key sustainability activities in Peninsular and East Malaysia, as well as provides insights into the key policies and structures relating to business sustainability. This Statement is to be read in conjunction with the rest of Alliance Financial Group Berhad's 2017 Annual Report, which highlights other financial and non-financial aspects of our business. To avoid content overlap, certain parts of this Statement may



The Alliance Bank SME Innovation Challenge 2016.

make reference to existing content within other sections of this Annual Report.

Our Approach to Sustainability

Sustainability Governance

The Alliance Financial Group is committed to integrating an agenda of sustainable growth into our overall strategy and operations in a more distinct manner as we acknowledge this is key to the long-term success of our business. This commitment is apparent throughout all levels of our organisation.

At the very top, our Board of Directors and Senior Management recognise the importance of pursuing an agenda that upholds good EES practices and which promotes sustainable growth. Through investing in such activities, we are creating long-term value for our shareholders.

On the ground, the various teams within our organisation carry out their everyday functions in a manner that makes a positive and sustainable impact on the EES front. As our employees do their part to ensure responsible and sustainable behaviour as well as impactful outcomes for our EES stakeholders, this is helping preserve the Group's reputation and strengthening shareholder value.

Disclosure and External Assurance

Although sustainable practices are embedded within our daily operations, the Group is still very much at the early stages of developing a formal sustainability policy that encompasses all areas.

This being our first Sustainability Statement, it has not been subjected to external assurance. We are currently working to consolidate our sustainability data collection and monitoring activities across the Group and plan to deliver a more comprehensive Sustainability Statement in the next reporting cycle. We also aim to seek external assurance in due course which will help ensure the credibility of our published Sustainability Statement over the longer-term.

MATERIAL SUSTAINABILITY MATTERS/KEY RISKS

The Group has yet to commence a formal materiality analysis at the Group-level to determine what topics are of importance to our various stakeholders. However, we have identified risks in key areas that may impact the Group's ability to create, preserve or erode EES value.

These risks and the strategies to mitigate such risks are spelt out in the Statement on Risk Management and Internal Control on page 92 of this Annual Report.

STAKEHOLDER ENGAGEMENT

We are committed to strengthening our engagement our diverse stakeholders so as to respond to their expectations, meet their changing needs and build enduring ties with them.

Even as our businesses and markets evolve, our diverse stakeholder groups too continue to expand. The Stakeholder Engagement Matrix below highlights the stakeholder engagement activities that we rolled out in FY2017:

Stakeholder Engagement Matrix

Stakeholder	Key Area of Focus	Platforms and Tools Utilised
Shareholders/Bankers and Investors	Business direction of the Group and key corporate developments and relationship building	<ul style="list-style-type: none"> - Regular shareholder communications/announcements on Bursa Malaysia Securities Berhad (Bursa Securities) and the Alliance Financial Group corporate website - Annual General Meetings - Quarterly and annual financial statements - Periodic engagements with equity analysts and fund managers
Government/Regulators and Policy Makers	Regulation, compliance and relationship building	<ul style="list-style-type: none"> - Frequent dialogues between Bank Negara Malaysia (BNM) and Compliance Officers Networking Group to discuss issues related to regulations and new requirements - Participation in BNM's Compliance Conference by Board of Directors, Senior Management and Chief Compliance Officer to keep abreast of latest development, or emerging threats in the industry - Annual Securities Commission Dialogue with Alliance Investment Bank Berhad's CEO on issues affecting capital markets - Frequent dialogues with BNM, Bursa Securities, Securities Commission, Personal Data Protection Commissioner, and Inland Revenue Board Malaysia by Senior Management and Compliance Officers via forums organised by The Association of Banks in Malaysia (ABM), Association of Islamic Banking Institutions Malaysia (AIBIM), Malaysian Investment Banking Association (MIBA) and Association of Stockbroking Companies Malaysia (ASCM)
Customers, Suppliers and Partners	Innovative products and services, business direction, knowledge sharing, business guidelines and relationship building	<ul style="list-style-type: none"> - Innovative customer-oriented solutions that are fast, simple and responsive; product or service-specific communications on the Alliance Bank and subsidiary websites - Customer or industry meetings, talks, exhibitions, tradeshows, roadshows, networking events and appreciation events - Regulatory reminders highlighting anti-money laundering, personal data protection, procurement, guidelines, etc.
Employees	Human capital development, safety, governance, corporate developments and relationship building	<ul style="list-style-type: none"> - Regular communications via email blasts - Townhall session - Training and development initiatives such as the Alliance Managers Programme, Alliance Impactful Manager, the award-winning Management Trainee Programme, Accelerated Strengths Coaches initiative, Train the Trainer programmes, G.R.E.A.T @ Alliance and Global Leaders Talkshop - Roll out of additional e-Learning modules including anti-money laundering (AML), code of conduct, information risk management & cyber-security, and Personal Data Protection Act (PDPA) - Social activities via the AFG Recreational and Sports Club - Voluntary participation in Corporate Responsibility (CR) programmes - Weekly and monthly employee engagement activities, e.g. Huddles and monthly Department meetings - Launch of Allies of Alliance microsite to connect employees with updates on projects, processes and policies at the Bank; a related Ideas Bank for employees to contribute and discuss new ideas and simplification
Local Communities	Education and social assistance and relationship building	<ul style="list-style-type: none"> - Specific on-the-ground outreach programmes such as the SME Innovation Challenge, Eco-Biz Dream Project, AEIOU Challenge, and financial education programme for children

SUSTAINABILITY STATEMENT (Cont'd)

UPHOLDING GOOD MARKETPLACE PRACTICES

In this section, we highlight the Group's key Economic initiatives or interactions within the marketplace ecosystem and spell out how our business activities influence our various stakeholders.

Our Business Strategy

While we are a well-established integrated financial services group with over five decades of a proud history of serving the financial community in Malaysia, we operate in an increasingly competitive marketplace. New market realities demand that we continuously review and fine-tune our strategic priorities and tactics in order to defend our core business segments and ensure the sustainable growth of the Group. By adopting strategies that are more resilient as opposed to merely being reactionary, we are able to adapt to evolving market and business conditions and ensure our sustainable progress.

To guide us along on our journey, we continue to leverage on our Vision of "Building Alliances to Improve Lives". At the same time, we focus on improving our existing operations while we build a future based on delivering innovative solutions to our customers that are fast, simple and responsive.

The details of our strategic imperatives as well as our financial and operational performance are spelt out in the Management Discussion and Analysis (MD&A) section on pages 40 to 53 of this Annual Report.

Strengthening Our Marketplace Ecosystem

The total marketplace ecosystem is important to the Group's sustainable growth and we are committed to helping strengthen this. In this regard, our niche as an innovative partner for businesses, especially small and medium enterprises (SMEs), continues to stand us in good stead. By proactively reaching out to business owners and other stakeholders with effective initiatives, we are making a tangible impact and creating value for the many business segments, markets and communities in which we operate.

The year in review saw us engaging in initiatives that helped strengthen the marketplace ecosystem and our customers' businesses. At the same time, these efforts helped us strengthen our ties with our customers, suppliers, industry peers and other stakeholders in the marketplace. The following are some highlights of our marketplace initiatives:

Impact of the Group's new brand architecture rollout

Our new brand architecture calls for us to leverage on innovation to deliver fast, simple and responsive solutions that are always aligned to our customers' needs. This will serve as the yardstick by which every product, service or value proposition must be measured before it is launched.

In line with this proposition, we introduced the innovative Alliance Cash2Home (Mobile Foreign Remittance) application and Alliance One Account loan consolidation service to the market. At the same time, we forged market-impacting strategic partnerships with

CTOS and Pos Malaysia. The details of these initiatives can be found in the MD&A section.

Initiatives to bolster young businesses

SME Innovation Challenge 2016: Running for the fourth consecutive year, the SME Innovation Challenge 2016 programme accorded high potential young Malaysian SMEs two months of structured teaching and business coaching plus media exposure for the SMEs' brands. The 2016 programme involved three rounds of business proposition pitches to a panel of judges. Penang-based NutriBrownRice's journey saw it ending up as Champion and walking away with the EcoWorld Entrepreneurship Award worth RM250,000 from a total cash prize pool of RM1 million.

Held annually since 2013, the event has to date attracted over 1,300 high-quality submissions from all over Malaysia from various sectors including the food and beverage, retail, e-commerce and green technology sectors. The 2016 Challenge tripled its impact by offering 60 SMEs the opportunity to attend its structured coaching and CEO Chatroom sessions.



Alliance Bank Vision Conference 2016.

Young Entrepreneurs' Conference (YEC)

2016: The YEC is one of Group's platforms that provides the opportunity for young promising and aspiring entrepreneurs to meet and learn from established business owners. The conference is held in five key regions across the country to showcase local entrepreneurs that the business community looks up to. The 2016 roadshow covered the cities of Johor Bahru, Penang, Kuching, Kota Kinabalu and Kuala Lumpur with over 2,000 young entrepreneurs in attendance.

Eco-Biz Dream Project: This initiative challenges university students to develop practical business propositions that will help address environmental issues. The inaugural event saw 20 leading universities participating in a three-month project to create sustainable eco-friendly business proposals.

This three-month initiative sought to polish the business acumen of university students and increase environmental awareness among them. Open to Foundation, Diploma, A-levels and undergraduate students (between the ages of 18 and 25) from selected universities, the Eco-Biz Dream Project had an initial target of 100 submissions in its first season; however, we received 236 submissions instead.

Participants were invited to attend Design Thinking workshops which helped them translate their inspirations into tangible prototypes and a viable business framework. Following the workshops, 10 teams were shortlisted for interviews and five finalists chosen to devise a final pitch based on the theme "Start an eco-business, Change the environment". The finalists were then evaluated based on the creativity and practicality of their propositions and their relevance to environment conservation. Team Eco Beast from Sunway College, the youngest team among five finalists, presented a business proposition to market soap for skin allergy. For their effort, they emerged winners of the competition and took home a RM10,000 cash prize.

More details of the aforementioned activities can be found in the "Calendar of Events" section on pages 58 to 65.

In support of the marketplace

Over the course of FY2017, Alliance Bank and its subsidiaries took a lead role in supporting these marketplace initiatives:

- Alliance Bank played the role of Official Credit Card sponsor of the MATTA Fair 2016;
- Alliance Bank organised a series of talks under the Alliance Bank Knowledge Sharing Series at Taylor's University and Sunway University;
- Alliance Bank also hosted a National Budget Seminar, regional trade seminars and a Market Outlook 2017 talk on Interest Rate Structured Investments for its diverse customers;
- Alliance Investment Bank Berhad (AIBB) and DBS Vickers Securities (DBS) Limited, Singapore hosted the "Pulse of Asia" Corporate Day showcasing client companies to institutional investors;
- Alliance Bank, AIBB, Bursa Malaysia and the Kota Kinabalu Chinese Chamber of Commerce and Industry (KKCCCI) jointly hosted an investment talk;
- AIBB hosted the Alliance Investment Bank Golf Championship for the third consecutive year;
- AIBB and AllianceDBS Research hosted a corporate day conference for the local fund management community;
- Alliance Bank treated its valued customers across the Group to movie screenings across the nation, its annual durian fiesta and a Chinese New Year appreciation dinner;
- Alliance Bank was one of the programme partners of Go Global Malaysia, a public-private digital initiative organised by the Ministry of International Trade & Industry (MITI) and Google.

For further details of these and other activities, please refer to the Calendar of Events section on pages 58 to 65.

Ensuring Good Marketplace Behaviour

To ensure we uphold good marketplace behaviour, we have in place a set of values and several policies to guide us in our day-to-day operations. Internally, we have in place our new key behaviours of Commit to Excellence, Take Ownership, Collaborate, Understand & Act, and Innovate & Simplify. We regularly publish Regulatory Reminders on topics such as anti-money laundering, Personal Data Protection Act (PDPA), Group Procurement Policy, and several other internal guidelines. We've also established a Sales Surveillance Committee, which oversees compliance of good consumer market conduct.

Externally, the following policies, procedures and documents are available on the Alliance Financial Group website under the "About Us/Corporate Governance" section: Board Charter, Code of Conduct, Annual Reports, ALLIANCE Speak Up (Whistleblower Policy), Minutes of General Meetings, Memorandum and Articles of Association, and Terms of Reference.

Business Awards and Accolades

The Group continues to be recognised by the marketplace for its achievements on several fronts, particularly our commitment to business excellence. The details of the many awards and accolades we garnered in FY2017 can be found on our Awards and Recognition section on pages 56 to 57 of this Annual Report.



SUSTAINABILITY STATEMENT (Cont'd)

UPHOLDING EFFECTIVE ENVIRONMENTAL PRACTICES

In this section, we highlight our interactions with living and non-living natural systems as well as describe how our business activities influence these.

Reducing Our Environmental Footprint

The Group is conscious about sustainability from an environmental perspective and continues to put in place the relevant measures to protect and preserve our environment. Over the years, we have taken measures to reduce our environmental footprint in a number of ways and we continue to build upon these initiatives. This has helped lay the groundwork for low-impact operations without compromising our services or delivery to customers.

Our environmental conservation efforts to date include recycling activities, activities promoting paperless banking as well as activities aimed at reducing energy consumption and minimising our carbon footprint.

We continue to make good strides forward with our paper recycling programme that took off in November 2015. In January 2016, we deployed 22 paper recycling bins at our Head Office. By the financial year's end, we had recycled 6.7 tonnes of paper or saved the equivalent of some 120 trees.

Under our "Go Green" initiative, we continue to look at ways and means to move towards a paperless banking environment. Aside from the introduction of e-documents including contract notes and monthly statements, the year saw us leveraging on the UNIFLOW ID



Pledging to do our best to help preserve the environment.

system to reduce printing wastage. Under this system, user IDs are required to activate the copier machines. Where previously there was no tracking system to curb excessive printing, by deploying the UNIFLOW ID system, we are seeing more effective control of printing activities and a lower volume of paper being used.

Supporting Global Conservation Initiatives

On 25 March 2017, the Group once again joined the global Earth Hour initiative by switching off all lights for one hour. The 2017 event marked the tenth anniversary of the Earth Hour initiative with an unprecedented 187 countries and territories across seven continents coming together to take an urgent stand for climate action. This time around, our Head Office and 3Alliance buildings (with the

exception of critical areas) participated in the event by shutting down their power supply for one hour in support of the cause. All staff were encouraged to do the same.

In addition, we also worked with the Forest Reserve Institute of Malaysia (FRIM) to mark Earth Day which is celebrated every year on 22 April in over 175 countries. The first Earth Day was celebrated in 1970 to raise awareness on the importance of keeping our planet healthy and clean, by making positive changes to the environment.

In keeping up with this spirit, we invited officers from FRIM to share facts about Earth Day and to raise awareness on the importance of preserving the environment with our staff and the general public at Menara Multi-Purpose on 20 April 2017. Participants who attended the Earth Day festivities pledged to "go green every day" and help make positive changes to the environment.

Promoting Sustainable Businesses

As mentioned in the Economic section of this Sustainability Statement, the year also saw us launching the Eco-Biz Dream Project. The inaugural programme showcased an interesting mix of projects in the final pitch with business propositions that were practical, well thought out and with a strong focus on green sustainability.



Launch of the Alliance Bank Eco-Biz Dream Project 2016.

UPHOLDING GOOD SOCIAL PRACTICES

In this section, we highlight our interactions within the social ecosystem that we operate in.

Labour Practices and Decent Work

The Group's employees are our most important asset and are key to unlocking the success of our business and our competitive edge. We take our responsibilities towards our employees seriously and are unrelenting in our endeavours to improve and enhance their lives – both in terms of their personal and professional growth as well as their welfare.

In our pursuit to improve the lives of our employees, we are mindful of the importance of providing sustainable and innovative plans and methods for the growth of our workforce. Having a vibrant work atmosphere keeps

our employees motivated and focused on delivering excellent service to our customers. This, together with a host of other innovative workplace initiatives such as our award-winning management trainee programme, competitive employee engagement packages, and robust employee engagement efforts are helping to position us as an employer of choice while strengthening our ability to attract and retain talent.

The Group's Workforce

The Group has a workforce of 3,400 employees who comprise different age groups and hail from diverse racial and societal backgrounds. Approximately 99% of our employees are permanent staff while only 1% comprises contract personnel. The following charts show the composition of the Group's workforce as at 31 March 2017:

The Group counts the varied levels of education and working experience of its Directors, Senior Management, and staff as being among its strengths. This diversity of experience and knowledge lends to the efficiency and value of the Group's workforce. Each one of us brings to the table varied experiences that are not merely limited to the financial industry. This wealth of experience is certainly doing much to promote innovation and creativity at the workplace, and enables the Group to stay relevant in the marketplace.

Our Commitment to Diversity

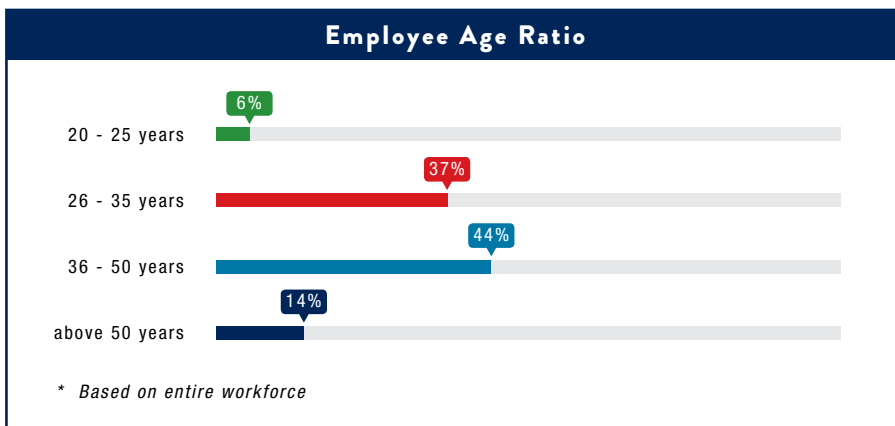
We believe in nurturing a diversified and inclusive workforce and in providing equal employment opportunities. Our commitment here is underscored by our support of the TalentCorp Career Comeback Programme, one of the many efforts initiated by TalentCorp, and implemented and supported by Alliance Bank which is helping drive our nation's economic transformation. The programme aims to encourage women on career breaks to return to the workforce while providing them assistance during the transition process. In FY2017, the Bank welcomed back 12 female employees into the workforce, thereby expanding the Bank's talent pool.

We remain committed to upholding diversity and ensuring equal gender participation in our workforce, of which 62% are women employees. We also have 60% of women employees holding management positions (Senior Executives and above), while 30% of our Senior Vice Presidents or above are women.

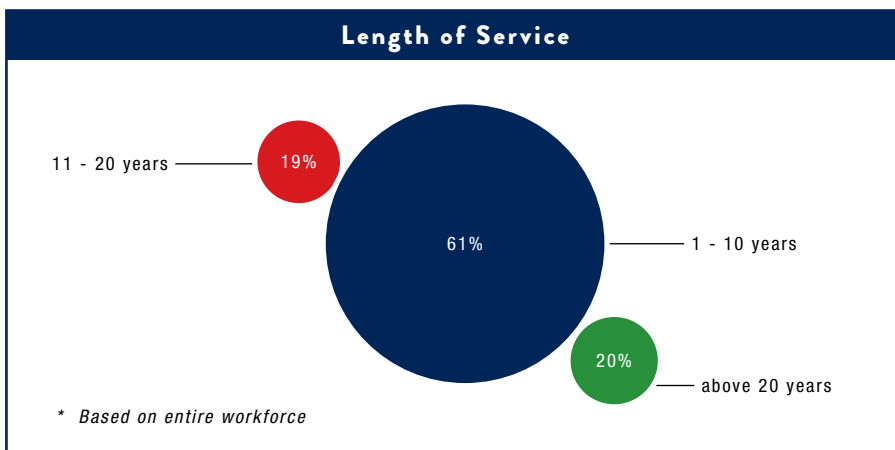
We are proactively producing a constant and consistent pipeline of fresh talent and experience via multiple internal and external programmes and initiatives. The Group is committed to nurturing and providing early work exposure to students in order to create a pool of industry-relevant and workforce-ready talent to tackle the current talent shortage.

To this end, we have been strong advocates of the Structured Internship Programme endorsed by TalentCorp, in collaboration with the Ministry of Higher Education, to help realise and support the nation's Economic Transformation Programme (ETP). In the last one year, we placed 116 students/interns into various Departments and Units within the Group.

Age Ratio



Length of Service



SUSTAINABILITY STATEMENT (Cont'd)



“WE ARE COMMITTED TO PROVIDING OUR EMPLOYEES WITH A SAFE AND HEALTHY WORKING ENVIRONMENT.”

The HR Excellence Awards 2016.

We are also committed to continuously developing our internal talent capability via our annual award-winning Alliance Bank Management Trainee Programme. Since its inception in 2011, this programme has been helping fresh graduates to not only attain personal growth, but also the relevant banking experience, leadership knowledge and skills to contribute to the bench strength of the Group. Today, 52% of our workforce comprises those aged 35 and below.

Better Employee Practices/Benefits

The year in review saw us taking positive steps to improve the lives of our employees through numerous innovative and simplified processes, all aimed at providing a sustainable and engaged work environment and experience.

The Group's Human Resource Management System was revamped to enable employees to enjoy speedier claims submissions and swifter leave approvals. The system upgrade also delivered enhanced connectivity and enabled employees to get more familiar with one another via its “People Finder” function, complete with staff photographs and office contact details. Improvements were also made to the employee medical benefits scheme with better dental/optical benefits for employees and their family members.

A measure of flexibility was introduced into the overall staff benefits and entitlements package with the introduction of the Flexible Birthday Leave option, whereby employees are entitled to one day of birthday leave on any day within their respective birthday month. System and process improvements have been implemented across the board to make employee applications and claims a smoother and speedier process.

With the revitalisation of the AFG Recreational & Sports Club, mid-weeks were dubbed as “Awesome Wednesdays” where employees were treated to food and beverages that aim to improve their health and lifestyle. These efforts also promote business sustainability as the food and beverage items came from the businesses of our SME customers.

Keeping Our People Safe and Healthy

We are committed to providing our employees with a safe and healthy working environment. To date, our Occupational, Safety and Health (OSH) policy mandates the establishment of an OSH Committee in every Department/Branch to oversee and handle safety issues at the workplace.

As part of our efforts to maintain the highest standards of safety, we provide first aid training and educate our people on the workings of the Occupational, Safety & Health Act 1994 and its regulations. As a result of these initiatives, the Bank currently boasts 42 certified first-aiders among our workforce.

In line with our efforts to maintain a safe workplace, we only recorded one minor accident for 2016.

Accident Injury Rate

	Accident with lost time injury	Dangerous occurrence	Occupational poisoning	Occupational disease
2016	1	0	0	0
2015	2	0	0	0

Upholding Ethical Behaviour

As part of the Bank’s commitment towards promoting and ensuring ethical behaviour and practices in the workplace, the Group’s Whistleblower Policy dubbed ALLIANCE Speak Up is being continuously revised to reflect for effectiveness. The policy provides a platform for employees to voice their concerns regarding questionable management and business practices. Employees can direct their complaints via specific reporting channels to the Group Chief Executive Officer, Group Head Human Resource or Chairman of the Board of Directors, who are the key personnel empowered to initiate whistle blower investigations or reviews.

Strengthening Employee Engagement

We believe that a high performance and sustainable work culture begins with engaged employees who help champion the cause of the organisation and ensure that it performs sustainably in a dynamic environment. It has also been proven that engaged employees are also more satisfied with their work, tend to stay on longer, and are more productive and committed.

As part of our employee engagement efforts, we conduct the Voice of Employee survey, an annual employee engagement survey that serves as a platform for employees to provide their honest feedback. This feedback provides invaluable insights that are helping us to enhance our employee value proposition (EVP) for better all-round personal and professional development, all in all, making Alliance Bank “A Great Place to Work!”

In the year under review, the frequency of the employee engagement survey was increased and it now runs on a quarterly basis. This aims to facilitate greater engagement and to garner feedback on a regular basis. At the same time, it aims to ensure quicker turnaround of the necessary improvements.

Since 2011, our employee engagement index has been steadily improving from 70% to 78% in 2015. In 2017, we applied the Sustainable Engagement Index (SEI) to our employee survey. This measures strength of employees’ ties to the Bank based on three factors: the willingness of the employee to go the

extra mile to help accomplish organisational objectives, a supportive work environment to promote greater productivity, and a work environment that promotes well-being. We achieved a Sustainable Engagement Index of 86%, on par with the Global High Performing Companies’ standard.

Following the launch of our new Vision – “Building Alliances to Improve Lives” – we are in the midst of a transformation exercise which is designed to respond to changing economic and societal factors. With the Group’s Key Behaviours and Brand Attributes in place, we are dedicated to, among other things, improving employee engagement and providing a sustainable work culture within the Bank.

As part of our continuous improvement efforts, 231 huddle sessions are held bank-wide every week. Employees are encouraged to discuss and reflect on different issues within the Bank during the huddles. These ongoing measures are certainly helping bolster employee engagement and developmental breakthroughs.

In the spirit of employee engagement, we have introduced the “Allies of Alliance” microsite, which features an “Ideas Bank” for employees

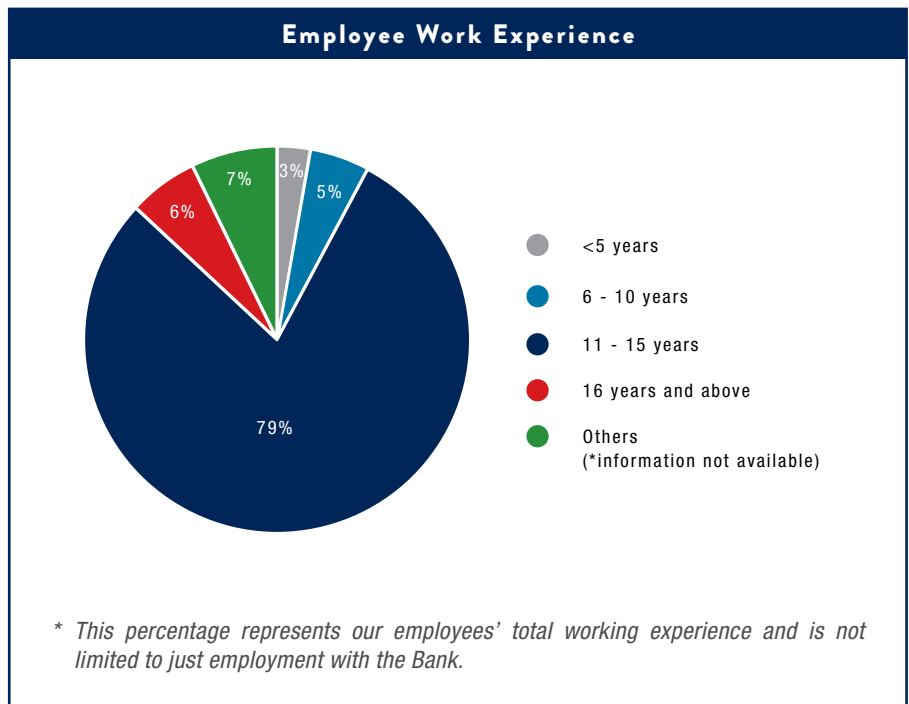
to contribute and discuss new ideas and simplification. These suggestions given by our employees are assessed and serve as catalysts to improve our systems and processes within the Bank.

In pushing for effective collaboration within our workforce, we have Employee Engagement Committees that drive employee engagement at the Divisional level and help bring a sense of ownership and teamwork to the workplace.

Employee recognition plays an integral part in our mission to maintain a sustainable workforce. We continue to award annual Employee Recognition Awards to acknowledge our employees’ contributions to the Group. These awards also represent the Group’s outward expression of our appreciation for outstanding employee contributions that fall outside the scope of an employee’s normal duties.

We also celebrate and recognise the contributions of employees who have served with the Group for many years. The Long Service Award is awarded to employees who have been with the Group for 15 and 25 years respectively.

Employee Work Experience



SUSTAINABILITY STATEMENT (Cont'd)



The Global Leaders Talkshop with Dr William Tan.

Fit@Alliance is our new employee-centric wellness programme that aims to create a healthy and energetic workforce. It will serve as a platform from which awareness on personal health and sustainability will be inculcated amongst the Group's employees.

Training, Development & Succession Planning

In our pursuit of long-term business success and sustainability, we continue to leverage on a people-centric methodology. This calls for us to invest in the long-term learning and development of our employees, as well as to improve our people capabilities across the organisation.

To develop and sustain the talent of our employees and their leadership capabilities, we have designed a robust talent management framework which has been recognised as being a global best practice. All eligible employees are assessed annually and productivity is measured through rigorous performance appraisals and productivity-enhancing initiatives.

Our Internal Job Opportunities platform encourages staff to take ownership of their own career growth, thus helping prevent career stagnation. Individual Development Plans are key components of our workforce performance

management, coupled with experiential learning through coaching, mentoring and networking. Our internal and external learning programmes are customised to ensure the development of a sustainable and innovative workforce, while our online programmes accord our employees round-the-clock access.

Over the last one year, our staff recorded an average of 25 learning hours per person through 324 face-to-face development programmes and 17 e-Learning programmes. The following were among the more notable programmes:

- (a) Alliance Managers Programme – a 10-month programme aimed at developing leadership qualities;
- (b) Alliance Impactful Managers – aimed at providing essential concepts and approaches to inculcate a positive workplace environment;
- (c) Accelerated Strengths Coaches – aimed at creating a certified pool of managers and supervisors to be coaches at work. In turn, these coaches help our employees leverage on their strengths so that they can reach their fullest potential at work;
- (d) Train the Trainer Programmes – aimed at transforming managers into teachers to imprint their knowledge, expertise and experience onto business managers;

(e) G.R.E.A.T @ Alliance – a customer based programme designed to support the Bank's strategy to be the most important relationship for the financial success of Business Owners;

(f) Global Leaders Talkshop – aimed at accelerating our employees' leadership insights and their learning by inviting global leaders to speak to our home grown talent. Over the past year, our employees have been inspired by leaders sharing their experiences on the following themes:

- Leadership in a Changing World and Turning Adversity into Advantages by Mr Rob Lilwall;
- The Power of Possibility Thinking by Dr William Tan; and
- Harnessing the Entrepreneurial Spirit at Work by Encik Azran Osman Rani

Our continuous leadership development programme has brought about the following results:

- Leaders as Mentors (49 leaders);
- Leaders as Coaches (17 leaders have been certified as Strengths Coaches) and
- Leaders as Teachers (28 bank-wide leaders)

People Development Awards and Accolades

Our proactive people development efforts have resulted in our gaining numerous awards and accolades as an employer of choice. In the last three years, we have garnered the following:

- Best Graduate Employment Scheme – Retail Banking in Asia Pacific at the Retail Banker International Asia Trailblazer Awards for three consecutive years (2015, 2016 and 2017);
- Excellence in Graduate Recruitment and Development (Silver) at the Human Resources Excellence Awards for two consecutive years (2015 and 2016);
- Best Graduate Recruitment Programme (Bronze) at the Human Resources Asia Recruitment Awards for two consecutive years (2015 and 2016); and
- Best Management Trainee/Graduate Programme (Finalist) at the GradMalaysia Graduate Recruitment Awards for two consecutive years (2015 and 2016)

Society/Community

Our Commitment to Enriching Communities

Looking beyond our franchise, we continue to exhibit the same care and commitment when supporting communities, charities and social causes. We are always looking for ways to create a positive and tangible difference in the communities we operate in and our employee volunteers have been very effective in helping elevate the well-being of communities. Our initiatives to date cover financial literacy for young children, mentoring young entrepreneurs and supporting underprivileged groups, among other things.

Promoting Financial Literacy

In the area of financial literacy, Alliance Bank continues to make good advances in its efforts to educate the young generation about smart financial habits. The Bank continues to do this through a variety of platforms that encompass its own financial literacy workshops conducted at its branches, external party events, universities and via sessions catering specifically for the children of our staff. These following are the highlights of FY2017’s initiatives:

Rollout of the AEIOU Challenge 2

The year saw us rolling out the second segment of the AEIOU Financial Comic Strip, Malaysia’s first ever challenge that utilises comic strips as a medium to teach nine to 12 year-old students about good money habits. This initiative aims to help students apply the financial literacy lessons taught, practice smart financial habits and help them become wise and knowledgeable consumers.

The more flexible AEIOU Challenge 2 format sought to enable participants with drawing skills to participate via comic drawing and to complete a comic strip respectively based on the theme, “Smart Financial Habits”. Teachers leveraged on an eight-comic strip series (Episodes 1 to 8) and video tutorials to teach students about smart financial habits as well as guide them on how to participate in the Challenge. In 2015, the programme garnered 5,000 submissions; increasing to over 8,500 submissions in 2016.

Introduction of the Alliance CEO Chatroom Series

Alliance Bank hosted a series of talks by external and internal subject matter experts on a variety of business and lifestyle topics under the Alliance CEO Chatroom platform. The talks aimed at employees, kicked off with the topic, “Parenting in the Digital Era”.

Reaching out to lend a helping hand

Throughout FY2017, Alliance Bank and its subsidiaries reached out to lend a helping hand and look after the wellbeing of a variety of audiences. These included the following activities:

- Alliance Bank’s outreach initiative at Yayasan Sunbeams Home saw employees volunteering their time to teach residents about financial literacy as well as donating gifts in cash and kind amounting to RM15,000;
- Alliance Bank’s inaugural blood donation drive at the Head Office saw 171 employees contributing to a worthy cause;
- Alliance Bank and Alliance Islamic Bank hosted a *buka puasa* session and presented *zakat* to 80 children and employees from Rumah Amal Suci Rohani;
- Alliance Islamic Bank treated underprivileged young *asnaf* to a *baju raya* shopping spree as part of its annual *zakat* programme; and
- Alliance Bank organised a Bank-wide food and clothes donation drive in collaboration with Kechara Soup Kitchen while its staff volunteered at the soup kitchen.

For further details of these and other activities, please refer to the Calendar of Events section on pages 58 to 65.



The AEIOU Challenge 2 in 2016.

SUSTAINABILITY STATEMENT (Cont'd)



Lending a helping hand to the Kechara Soup Kitchen.

“BEING A CONSCIENTIOUS CORPORATE CITIZEN, THE ALLIANCE FINANCIAL GROUP REMAINS GENUINELY COMMITTED TO BALANCING OUT OUR GOOD ECONOMIC PERFORMANCE WITH RESPONSIBLE ENVIRONMENTAL AND SOCIAL CONSIDERATIONS.”

Product Responsibility

Committed to Upholding Quality

The Group's operating companies are continually enhancing their systems and implementing various quality activities to ensure that our businesses maintain their competitive edge. In FY2017, we undertook the following quality initiatives among others to better our product and service offerings:

- Established a Sales Surveillance Committee to ensure customers are treated fairly and that the Group's businesses carry out fair market conduct;
- Organised monthly Service Council meetings whereby Senior Management meet to discuss service feedback so that processes and practices can be enhanced for higher client satisfaction; and
- Implemented call-back surveys and mystery shopping activities to ensure proper compliance and business conduct.

ENSURING A SUSTAINABLE FUTURE

Being a conscientious corporate citizen, the Alliance Financial Group remains genuinely committed to balancing out our good Economic performance with responsible Environmental and Social considerations. To deliver sustainable performance in the respective EES areas, our people continue to work hard to ensure that the notion of sustainability becomes embedded in a deeper manner within our organisation.

As the Group ventures forth, we continue to focus our efforts on implementing effective programmes and establishing enduring ties with our many stakeholders so that we can truly deliver sustainable growth in a responsible manner.

AUDIT COMMITTEE REPORT

Composition and Terms of Reference

The Audit Committee comprises the following Directors:

Tan Chian Khong

*Chairman, Independent Non-Executive Director
(appointed as a member on 1 August 2016 and re-designated
as Chairman on 5 August 2016)*

Kung Beng Hong

Non-Independent Non-Executive Director

Ou Shian Waei

Independent Non-Executive Director

Stephen Geh Sim Whye

*Chairman, Independent Non-Executive Director
(retired on 5 August 2016)*

The current composition of the Audit Committee is in compliance with Paragraph 15.09(1)(a) and (b) of the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad which state that the audit committee must be composed of not fewer than 3 members; and that all the audit committee members must be non-executive directors, with a majority of them being independent directors.

Mr Tan Chian Khong, who was appointed as Chairman of the Audit Committee on 5 August 2016, is a Fellow of the CPA Australia and has 35 years of audit and accounting experience. Thus, the Company also complies with Paragraph 15.09(1)(bb) of the MMLR.

The Terms of Reference (TOR) of the Audit Committee which deals with its authority and duties is made available on Company's corporate website (www.alliancefg.com).

In the annual assessment of the effectiveness of Board Committees for the financial year ended 31 March 2017 (FY2017), the Board was satisfied that the Audit Committee and its members have discharged their function, duties and responsibilities in accordance with the Audit Committee's TOR to provide independent oversight of the Company's internal and external audit functions, internal controls and ensuring checks and balances within the Company.

Audit Committee Meetings held during FY2017

During the FY2017, a total of six Audit Committee meetings were held. The details of attendance of the Committee members are as follows:

Name of Committee Member	Attendance
Tan Chian Khong, Chairman <i>(appointed as a member on 1 August 2016 and re-designated as Chairman on 5 August 2016)</i>	3/3
Kung Beng Hong	6/6
Ou Shian Waei	6/6
Stephen Geh Sim Whye, Chairman <i>(retired on 5 August 2016)</i>	3/3

The Audit Committee meetings were also attended by Group Chief Internal Auditor together with the team of Group Internal Audit while the attendance of other Management staff is by invitation depending on the matters deliberated by the Audit Committee.

Summary of Audit Committee's Works

During the year under review, the Audit Committee in discharging its functions, duties and responsibilities had carried out the following works:

1. Financial Reporting

- Reviewed the unaudited quarterly consolidated financial results and the annual audited consolidated financial statements of the Company and its subsidiaries (the Group) before recommending the same for approval by the Board. In reviewing the financial reporting of the Group, the Audit Committee discussed and made enquiries on, among others:
 - any material changes made between the current and preceding or corresponding quarter/year and the reasons for any significant variances in the financial statements;
 - any significant changes in accounting policy and adoption of new or updated accounting standards, and its impact to the financial results of the Group; and
 - the assumptions and judgment made by the Management which are significant to the financial reporting and their reasonableness based on the available information and current or expected market condition.

2. External Audit

- Reviewed the audit plan of the external auditors for the Group, which encompassed the detailed terms of the external auditors' responsibilities and affirmation of their independence as external auditors, audit strategy, the engagement team, risk assessment, areas of audit emphasis for the financial year and additional disclosures in the auditors' report in line with the new and amended international standards on auditing, including disclosure on Key Audit Matters.
- Reviewed with the external auditors, the results of their audit together with their recommendations and Management's responses as detailed in the following reports:
 - Limited Review Report of the Group for the Half-Year Ended 30 September 2016; and
 - Audit Committee Report for FY2017.

AUDIT COMMITTEE

REPORT (Cont'd)



- Met twice with the external auditors on 20 October 2016 and 25 April 2017 without the presence of Management for open discussions between the Audit Committee and external auditors on any issues of concern of the external auditors arising from their audits.
- Reviewed the non-audit services rendered by the external auditors and their proposed fees taking into consideration the fees threshold established under the Group's policy to ensure that the external auditors' independence and objectivity are not compromised. The total non-audit fees incurred as a percentage of the total statutory audit and other audit related services fees for the Group in respect of FY2017 was 23.8%.
- Assessed and satisfied itself with the performance, effectiveness and independence of the external auditors based on the criteria set out in Bank Negara Malaysia's Policy Document on External Auditors and recommended to the Board for the re-appointment of the external auditors for the next financial year. Among the assessment criteria taken into account by the Audit Committee were:
 - (i) Qualification criteria;
 - (ii) Level of knowledge, capabilities, experience and quality of previous work;
 - (iii) Level of engagement with the Board and Audit Committee;
 - (iv) Ability to provide constructive observations, implications and recommendations in areas which require improvements;
 - (v) Appropriateness of audit approach and the effectiveness of audit planning;
 - (vi) Ability to perform the audit work within the agreed duration given;
 - (vii) Independence, Objectivity and Professional Scepticism; and
 - (viii) Ability to demonstrate unbiased stance when interpreting the standards/policies adopted by the licensed institutions.
- Met twice with Group Chief Internal Auditor on 20 October 2016 and 25 April 2017 without the presence of Management for open discussion between the Audit Committee and Group Chief Internal Auditor on any issues of concern arising from internal audits.
- Reviewed and assessed the half-yearly and full year performance of Group Chief Internal Auditor.
- Performed fit and proper assessment of the Group Chief Internal Auditor to ensure that she satisfies the fitness and propriety criteria set out in the Group Policy on Fit and Proper for Key Responsible Persons on a continuous basis.
- Appointed an external consultant to perform a Quality Assurance Review of the Group Internal Audit Function to assess whether it is in conformity with the Institute of Internal Auditors' International Standards for Professional Practice of Internal Auditing, and for recommendations to enhance the ability of the Group Internal Audit in the effective rendering of Internal Audit services to the Board, the Audit Committee and Senior Management.

4. Related Party Transactions

- Reviewed related party transactions entered into by the Company and its subsidiaries, covering the nature and amount of the transactions so as to ensure that related party transactions are undertaken on an arm's length basis, on normal commercial terms and on terms that are not more favourable to the related parties than those generally available to the non-related parties.
- Reviewed audit reports on recurrent related party transactions (RRPTs) on a quarterly basis. The reports covered the aggregate consideration of RRPTs tracked against the limit of thresholds set to ensure proper reporting and disclosures in accordance with the requirements of the Company's internal policy and the MMLR.

5. Other Works

- Provided oversight over the preparation and implementation of the Malaysian Financial Reporting Standard 9 (MFRS 9), which will come into effect on 1 January 2018, including the review of the gap analysis and the potential impact to the Group.
- Reviewed the Audit Committee Report and the Statement on Risk Management and Internal Control for the Board's approval to be included in the Annual Report.
- Reviewed the financial impact of MFRS 16 Leases, which will be effective for annual periods beginning on or after 1 January 2019, to the Group.

3. Internal Audit

- Reviewed with Group Internal Audit the internal audit plan to ensure adequacy of scope, coverage and resources required to perform audits for the identified auditable areas.
- Reviewed the revisions made to the Group Internal Audit Charter arising from the biennial review conducted by Group Internal Audit and recommended the same for the Board's approval.

Group Internal Audit Function

The Group Internal Audit's primary role is to assist the Audit Committee to discharge its duties and responsibilities by independently reviewing and reporting on the adequacy and effectiveness of the systems of internal controls and the overall control environment.

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

The Group Internal Audit provides reasonable assurance that the systems of internal controls continue to operate satisfactorily and effectively. These audits cover the review of the adequacy of risk management, operational controls, compliance with established procedures, guidelines and statutory requirements, quality of assets, application systems and management efficiency, amongst others.

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

The audit approach includes the application of Computer Assisted Audit Techniques (CAATs) that enables interrogation of data in order for audits to be carried out in a more effective and efficient manner. Information systems audits of application systems are carried out to assess whether the application systems' controls are in place, and operating securely and with integrity. Group Internal Audit also plays a consultative role in the development of major systems or projects to ensure that the necessary control features are incorporated.

Group Internal Audit works collaboratively with Group Risk Management and evaluates the risk governance framework and the risk management processes that are applied to ensure an acceptable level of risk exposure which is consistent with the risk management policy of the Group. Group Internal Audit also works with the external auditors to resolve any control issues raised by them to ensure that significant issues are duly acted upon by Management.

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

Group Internal Audit continues to host the Guest Auditor Programme where selected line managers and candidates are invited to join as guest auditors for audit assignments. During these short attachments to Group Internal Audit, guest auditors gain useful insights into the internal audit process and a deeper appreciation of the risks and controls while Group Internal Audit will benefit from their functional or business unit knowledge. This pooling of talents and experiences allows the sharing of best practices across the Group.

During the FY2017, the Group's internal audit function incurred costs amounting to RM7.8 million.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Responsibility

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

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

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

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

Risk Management Framework

The Board, through its Group Risk Management Committee ("GRMC") provides oversight on risk management strategies, methodologies, policies and guidelines, risk tolerance and other risk related matters of the Group. Approval of risk policies by the Board is obtained where necessitated by regulatory requirements. In addition, the GRMC also oversees the functions of management committees such as the Group Assets and Liabilities Management Committee and Group Operational Risk Management Committee, which assume the responsibility of monitoring specific areas of risks pertaining to the Group's business activities and implement various risk management policies and procedures. For further information on the Group's risk management framework, please refer to the Risk Management report on pages 93 to 99 of this Annual Report.

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

System of Internal Controls

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

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

Assessment of Risk Management and Internal Control System

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

Review of the Statement by External Auditors

As required by Paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Recommended Practice Guide ("RPG") 5 (Revised 2015) issued by the Malaysian Institute of Accountants. RPG 5 (Revised 2015) does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

RISK MANAGEMENT

In the course of our daily operations, the Group/Bank takes on a wide variety of risks. Briefly, key risks arise from:

- Economic factors that impact our country, commodity prices, financial markets, retail trade, etc., which ultimately impacts on the economic well-being of our customers;
- Products/services that we offer and the business activities that the Bank is engaged in;
- Changing pace of technology, in particular, changes that affect the way our society performs banking and transacts in cash and cashless/electronic payments; and
- New/revised financial regulations and compliance requirements.

The role of risk management is to help maintain the safety of the Bank and achieve sustainable growth, while managing these risks.

INTEGRATED RISK MANAGEMENT FRAMEWORK

The Group adopts an Integrated Risk Management Framework (“IRMF”) to manage business and financial risks on a Group-wide basis. It provides a structured approach for the Group to form a consolidated view of all risks and to manage these risks in a holistic manner, alongside business and compliance requirements.



Risk Appetite and Strategy

The Group’s Risk Appetite Statement, which has been approved by the Board, serves as an expression of the boundaries for managing business and risk concerns.

Overall, the Group strives for balanced, sustainable growth by:

- Performing the Group’s business activities in accordance with approved strategic plans, policies and limits;
- Balancing between risks and rewards; and
- Balancing the interest of the Group’s various stakeholders.

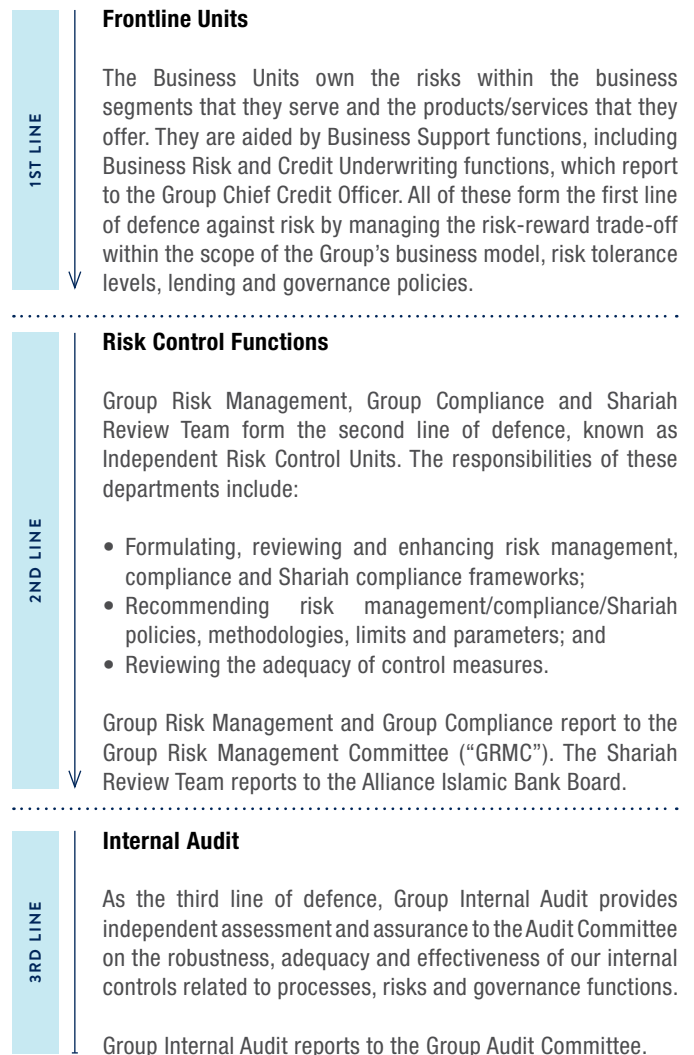
Underpinning the above, the Group is committed towards ensuring strong risk management practices, active liquidity management and a healthy capital position. Parameters include:

- Maintaining sufficient capital buffer under normal business conditions and projected stress scenarios;
- Maintaining sufficient liquidity buffer to fund daily operations and holding sufficient levels of high quality liquid assets to handle contingencies;
- Generating an equitable level of returns while controlling/managing business activities that would otherwise give rise to volatile swings in earnings; and
- Maintaining good asset quality through active monitoring and management of financing activities.

These parameters are monitored regularly to ensure that the Group operates within established risk boundaries.

Risk Governance and Organisation

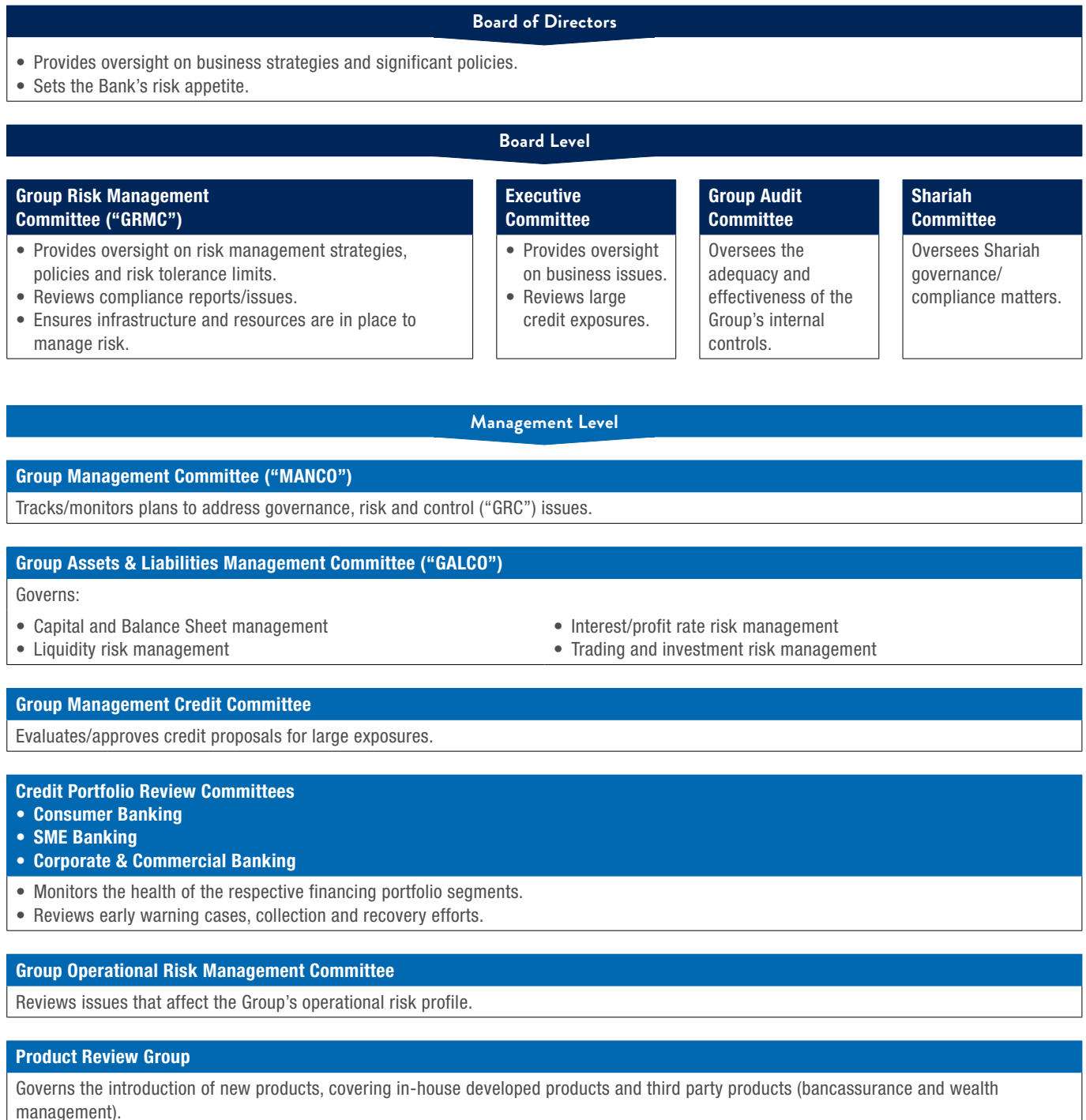
The Group adopts three (3) lines of defence in managing risks, and each line of defence has clear areas of responsibility.



RISK MANAGEMENT (Cont'd)

Governance Structure

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



Role and Responsibilities of the Board

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

Roles and Responsibilities of the GRMC

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

- Providing risk oversight over Senior Management's handling of various risks, across the Group;
- Endorsing/approving risk frameworks and policies; risk management strategies, risk exposures, risk tolerance limits and thresholds;

- Reviewing and assessing the adequacy of risk management policies and frameworks for identifying, measuring, monitoring and controlling risks;
- Ensuring that the risk management frameworks and processes are functioning effectively, as intended;
- Ensuring that infrastructure, resources and systems are in place for managing risks;
- Ensuring that the staff responsible for implementing risk management systems perform their duties independently of the Group's risk-taking activities; and
- Reviewing management reports on risk exposures, compositions/concentrations and trends.

The GRMC held seventeen (17) meetings during the financial year ended 31 March 2017. The attendance of the GRMC members are as follows:

Committee Member	Attendance
Kuah Hun Liang (Chairman)	17/17
Ho Hon Cheong	17/17
Majid Bin Mohamed	16/17
Lee Boon Huat	13/17
Premod P. Thomas ¹	N/A

¹ Resigned on 13 April 2016

Risk Methodology, Tools and Communication

The IRMF defines the Group's key risk activities according to risk categories and identifies the methodologies and tools to manage them, as follows:

Risk Universe	Frameworks & Policies	Methodologies, Tools Used
Credit Risk The risk of loss due to failure by customers/ counterparties to fulfil their financial obligations/contractual, when due.	<ul style="list-style-type: none"> • Credit Risk Management Framework • Credit Programmes/Product Programmes • Risk Acceptance Criteria 	<ul style="list-style-type: none"> • Key Risk Indicators • Tripwires, limits and thresholds • Credit ratings/scorecards • Risk-based pricing • Stress testing
Market Risk The risk of loss arising from market volatility and adverse price changes in interest rates, profit rates, foreign exchange rates, equity prices and commodity prices.	<ul style="list-style-type: none"> • Market Risk Management Framework • Trading Book Policy Statement • Valuation Policy • Hedging Policy • Value-at-Risk & Back testing • Treasury Product Programmes 	<ul style="list-style-type: none"> • Limits and thresholds • Revaluation, marking-to-market and marking-to-model • Stress testing and back testing • Hedging

RISK

MANAGEMENT (Cont'd)

Risk Universe	Frameworks & Policies	Methodologies, Tools Used
<p>Liquidity Risk The risks include:</p> <ul style="list-style-type: none"> • Inability to fund financial commitments when due; • Risk of incurring losses when attempting to liquidate assets, due to market disruptions and/or illiquid market situations. 	<ul style="list-style-type: none"> • Liquidity Risk Management Policy • Contingency Funding Plan 	<ul style="list-style-type: none"> • Liquidity gap analysis • Liquidity stress testing • Diversification of funding sources, instruments and maturities • Deposit concentration • Liquidity ratios, triggers and thresholds
<p>Operational Risk The risk of loss resulting from failures of processes, people and systems; or from external events which are neither market-related nor credit-related.</p> <p>Legal and Regulatory Risk The risk of loss or imposition of penalties, fines, or other liabilities arising from breaches of applicable laws, regulations, or contractual obligations.</p>	<ul style="list-style-type: none"> • Operational Risk Management Framework • IT Risk Management Framework • Business Continuity Plan • Compliance Framework • Legal Manual • Anti-Money Laundering & Counter Financing of Terrorism Policy 	<ul style="list-style-type: none"> • Risk and Control Self-Assessment • Control Self-Assessment • Key Risk Indicators • Loss Event Data Collection • Heat maps • Operational risk and compliance reviews • New product assessment • Compliance and risk awareness programmes
<p>Shariah Non-Compliance Risk The risk of loss arising from failure to comply with Shariah rules and principles.</p>	<ul style="list-style-type: none"> • Shariah Governance Framework 	<ul style="list-style-type: none"> • Shariah reviews and rating • Shariah non-compliance monitoring and reporting
<p>Strategic Risk The risk of loss arising from adopting the wrong business strategy, failure to properly execute business strategies, or failure to effectively respond to changes in the industry/economy.</p>	<ul style="list-style-type: none"> • Strategic Risk Management Framework 	<ul style="list-style-type: none"> • Integrated business strategy, risk appetite and capital planning process • Tracking of strategic initiatives and deliverables • Regular reviews by Management and Board
<p>Reputational Risk The risk of loss arising from negative perception by customers, counter-parties, shareholders, and other relevant key stakeholders. This can adversely affect the Group's existing and new business relationships; and access to funding sources.</p>	<ul style="list-style-type: none"> • Reputational Risk Management Framework • Code of Conduct 	<ul style="list-style-type: none"> • Stakeholder and media analysis • Monitoring of corporate risk rating • Regular industry and market benchmarking • Investor relations • Transparent disclosures and communications
<p>Model Risk The risk of loss arising from the inappropriate reliance on risk models.</p>	<ul style="list-style-type: none"> • Independent Risk Rating Model Validation Framework 	<ul style="list-style-type: none"> • Quantitative statistical tools/ratios, used to test the models ability to discriminate between potentially "good" versus "bad" credits • Qualitative assessment of the model design, data quality, modelling methodology and use of scorecards

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

Risk Frameworks, Policies and Limits

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

Risk Methodologies & Tools

- We strive to use statistical tools to quantify and aggregate risks across products, business segments and business entities.
- These quantitative techniques/tools include credit scorecards, risk-rating templates, expected loss models, stress testing and scenario analyses.
- Measurement of risks enables us to gauge the risk levels against risk limits. These are reported to the Senior Management/Board Committees.
- To ensure that these tools continue to function as intended, we employ other techniques to back test and independently validate their reliability.
- Where warranted, our risk models are recalibrated and fine-tuned.
- We avoid over-reliance on purely statistical models. Instead, we combine the use of these tools alongside sound judgmental controls.

Risk Communication and Disclosures

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

Risk Management Process

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



Identify

- Identify the various risks inherent to each product or activity.



Assess

- Adopt quantitative and qualitative approaches to measure and assess these risks, in terms of quantum, severity of impact and likelihood of occurrence.



Mitigation and Control

- Examine various measures to mitigate and monitor these risks.
- Implement an appropriate set of risk mitigating and control measures.



Monitoring

- Monitor the risks and control indicators.
- Monitor areas of significant risks more closely/frequently.
- Identify adverse trends.
- Take corrective measures. Revise business/risk strategies where necessary.








Reporting, Escalation and Disclosure

- Furnish periodic risk reports/dashboards to Senior Management and the Board.
- Provide disclosure to investors/regulators via statutory/regulatory reporting.

RISK MANAGEMENT (Cont'd)

Risk Culture

Risk management is not merely confined to policies, procedures, limits, and models. Effective risk management also requires a strong risk culture. Risk culture is the system of values and behaviours within the Group that shapes our day-to-day functions. The Group's Key Behaviours from a risk management perspective are as follows:

	<p>Collaborate</p> <ul style="list-style-type: none"> Working together with all 3 Lines of Defence, to meet the Group's strategic initiatives and ongoing mission.
	<p>Innovate and Simplify</p> <ul style="list-style-type: none"> Providing solutions that are responsive and innovative. Working towards reducing complexity whenever possible.
	<p>Understand and Act</p> <ul style="list-style-type: none"> Understanding how our products/services meet our customer's needs. Understanding the inherent risks within our products/services. Implementing controls to mitigate these risks, based on accepted risk-control trade-offs.
	<p>Commit to Excellence</p> <ul style="list-style-type: none"> Enabling the Group to provide products and services that are in the best interests of our customers.
	<p>Take Ownership</p> <ul style="list-style-type: none"> Holding ourselves accountable for achieving the Group's Mission. Honouring our commitments to our partners/stakeholders to address/resolve issues that arise.

CAPITAL MANAGEMENT

The Group and its entities strive to maintain a healthy capital position, to fuel growth and act as a risk buffer. Towards this end, the following frameworks are in place:

- Internal Capital Adequacy Assessment Process ("ICAAP"): This serves to identify and quantify all material risks; and to continually re-assess the adequacy of the Group's capital buffer.
- Capital Management Framework: This sets out the policies and guidelines for managing the Group's/Bank's capital structure, with an appropriate mix of Core Equity, Tier-1 and Tier-2 capital instruments; and contingency plans to raise more capital when needed.

Bank Negara Malaysia requires banking institutions to have a minimum total capital ratio plus conservation buffer of 9.25% by 2017, with annual stepped increases, to reach 10.5% by 2019. The Group has maintained strong Total Capital Ratios, in line with the industry average.

The Group continuously monitors its capital levels via the ICAAP process, to maintain a strong capital base and buffer against stress losses.

STRESS TESTING AND CONTINGENCY PLANNING

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

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

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

In addition to conducting stress testing for regulatory reporting purposes, we conduct thematic stress tests, scenario analyses and simulations, to:

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

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

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

EMERGING RISKS

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

Higher Cost of Compliance and Operational Controls

The regulatory landscape for the banking sector continues to evolve, with greater emphasis on governance, good market conduct, capital management, liquidity management, anti-money laundering, anti-financing of terrorism and Shariah compliance. In addition, the Group is also focusing efforts to incorporate new accounting and disclosure standards. The Group strives to incorporate new/revised guidelines into our activities and processes in a manner that complies with the regulatory requirements and is conducive for business.

To strengthen our operational controls and to avoid incurring compliance penalties, the Bank has taken several tasks, including the following:

- Group Compliance undertakes to perform gap analyses when new/revised regulations are issued, together with the affected business and support units.
- Group Management Committee regularly monitors the progress of addressing governance, risk and control issues.
- The Bank strengthened risk awareness among staff, via e-learning, classroom training and refresher courses.
- The Bank formed a work group to look into process optimisation and streamlining, to improve operational efficiency.

Credit Risk

The global and domestic economic slowdown has led to a tougher operating environment for the banking industry. Risk concerns include high levels of household debts in Malaysia, a squeeze in disposable incomes, job cuts across business sectors, a weaker currency and volatile commodity prices. The Group uses various approaches to mitigate these risk concerns, such as conducting policy reviews, reviewing customer vetting criteria, regular portfolio reviews, conducting thematic reviews to assess our potential exposures; and close monitoring of our collection/remedial efforts.

Cyber Risk

The Bank uses technology as an enabler to conduct business transactions, to make payments, to process, store and retrieve data, etc.

The Group uses an array of physical and system controls to protect our customers and our data. We strive to continuously upgrade and improve our security controls, including engaging external expertise to assist us in areas such as Security and Network Surveillance and establishing threat intelligence through a global network.

The Bank carries out periodic reviews/reassessment of security measures to counter cyber risks. In addition to software tools, hardware controls, independent reviews and verification checks, the Bank has also taken steps to raise risk awareness among our staff and customers, on the basis that prevention is the best cure.

During the year:

- We performed benchmarking against regulatory requirements and industry standards, including e-payment systems and cyber risk resilience.
- We collaborated with other business and support units to build security measures into the Bank's strategic initiatives and digitalisation projects.

As part of our fraud prevention measures, we continuously post security reminders on our allianceonline sign-on page and corporate websites to educate customers on online banking security.

Liquidity Risk

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

ADDITIONAL COMPLIANCE INFORMATION

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

1. Audit and Non-Audit Fees

The details of the statutory audit, audit-related and non-audit fees paid/payable to the External Auditors, Messrs PricewaterhouseCoopers for the financial year ended 31 March 2017 and its affiliates are set out below:

Description	Company (RM'000)	Group (RM'000)
Statutory audit and audit related services	335	2,036
Non-audit related services	147	240

2. Material Contracts

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

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STATEMENT OF BOARD OF DIRECTORS' RESPONSIBILITIES

For preparing the Annual Audited Financial Statements

The Companies Act, 2016 requires Directors to prepare financial statements for each financial year, which give a true and fair view of the financial position as at the end of the financial year and the financial performance for the financial year of the Group and the Company for the financial year.

In preparing the financial statements, the Directors are responsible for the adoption of suitable accounting policies that comply with the provisions of the Companies Act, 2016, the Malaysian Financial Reporting Standards, and International Financial Reporting Standards. The Directors are also responsible to ensure their consistent use in the financial statements, supported where necessary by reasonable and prudent judgements.

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

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

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

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

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

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit before taxation	681,404	243,035
Taxation	(169,281)	(853)
Net profit for the financial year	512,123	242,182

RESERVES AND PROVISIONS

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

DIVIDENDS

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

	RM'000
(i) Second interim dividend of 6.5 sen per share, on 1,548,105,929 ordinary shares of RM1.00 each, in respect of the financial year ended 31 March 2016, was paid on 30 June 2016.	100,627
(ii) First interim dividend of 8.5 sen per share, on 1,548,105,929 ordinary shares of RM1.00 each, in respect of the financial year ending 31 March 2017, was paid on 30 December 2016.	131,589
	232,216

Dividends paid on the shares held in Trust pursuant to the Company's ESS which are classified as shares held for ESS are not accounted for in the total equity. An amount of RM1,472,000 and RM1,818,000 being dividends paid for those shares were added back to the appropriation of retained profits in respect of the second and first interim single tier dividends respectively.

Subsequent to the financial year end, on 31 May 2017, the Directors declared a second interim dividend of 7.5 sen per share, on 1,548,105,929 ordinary shares amounting to approximately RM116,108,000 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.

DIRECTORS'

REPORT (Cont'd)

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 28 to the financial statements.

SHARES HELD FOR EMPLOYEES' SHARE SCHEME

During the financial year ended 31 March 2017, the Trustee of the ESS had not purchased any shares in the Company from the open market.

During the financial year ended 31 March 2017, 1,731,400 shares have been vested and transferred from the Trustee to the eligible employees of the Company, its subsidiaries and joint venture in accordance with the terms under the Share Grant Plan and Share Option Plan of the ESS. As at 31 March 2017, the Trustee of the ESS held 21,195,100 ordinary shares representing 1.37% of the issued and paid-up capital of the Company. Such shares are held at a carrying amount of RM73,837,000 and further relevant details are disclosed in Note 28 to the financial statements.

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

For FYE 31 March 2017, the Group's net profit after taxation was RM512.1 million.

The Group's net income grew by RM45.3 million or 3.2% due to expansion of total gross loans to RM39.3 billion. Net Interest Margin recorded at 226bps from 215bps last financial year.

Fee based income improved RM18.7 million or 10.5% mainly from commission income and loan processing fees income.

Operating expenses increased marginally by RM3.0 million or 0.4% mainly from higher establishment costs and professional fees.

Gross impaired loans declined moderately to 1.0%. While loan loss coverage improved from 109.1% to 136.7%, reflecting a healthy book.

The Current Account/Savings Account ratio improved to 34.2% from 32.1% last year. Loans-to-deposits ratio increased to 87.0% as at 31 March 2017, from 84.2% last year, while loan-to-fund ratio stood at 83.8%.

The Group's total capital ratio stood healthy at 17.2%, with a Common Equity Tier 1 Capital ratio of 12.5% as at 31 March 2017.

The Group declared a second interim dividend of RM116.1 million, bringing the total dividend declared for the financial year ended 31 March 2017 to RM247.7 million (FYE2016: RM224.5 million).

PERFORMANCE BY BUSINESS SEGMENT

The Group's businesses are presented in the following business segments: Consumer Banking, Business Banking, Financial Markets, Stockbroking and Corporate Advisory. Please refer to Note 48 on Segment Information for the composition of each business segment.

Consumer Banking profit before tax was higher by RM11.3 million or 7.5% compared to last financial year. The net income was RM37.4 million or 7.3% higher compared to last financial year. Operating profit was higher by RM41.9 million or 22.3% mainly due to better risk adjusted return loan and growth in wealth management. Allowance for loans, advances and financing was higher by RM30.7 million. Segment asset was RM0.9 billion or 4.0% lower, while liabilities registered growth of RM2.1 billion or 9.6% higher.

Business Banking profit before tax was higher by RM16.9 million or 5.1% compared to last financial year, mainly due to increase in net income of RM36.1 million or 5.9% partially offset by higher other operating expenses by RM3.3 million or 1.3%. Allowance for loans, advances and financing was higher by RM16.1 million. Segment assets and liabilities registered growth of RM1.3 billion or 8.0% and RM1.2 billion or 5.8%.

Financial Markets profit before tax was RM53.4 million or 25.0% lower compared to last financial year mainly due to one-off gains on foreign exchange de-risking and bonds debt recovery last year.

Stockbroking and Corporate Advisory improved RM5.4 million or 49.1% compared to last financial year.

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.

BUSINESS OUTLOOK FOR NEXT FINANCIAL YEAR

The Group will leverage on its franchise strength to deliver sustainable profitability and to fulfill the financial needs of our customers.

The Group will continue to improve balance sheet efficiency by focusing on better risk adjusted return loans, liquidity management, and mitigating credit risk. We will also continue maximizing the linkages across Consumer Banking, Business Banking, Financial Markets, Investment Banking and Islamic Banking to bring to bear the full suite of solutions and capabilities that the Group has to offer to our clients.

The Group's strategy intend is to be the most important relationship for the financial success of business owners, through our vision of 'Building Alliances to Improve Lives'.

In the coming year, we will be launching and scaling up a number of new and differentiated value propositions for our customers. We will also be investing in the required Information Technology enablers to support the Bank's strategic initiatives and focus on streamlining to improve the efficiency of our operations.

This will position us as a Group that uses innovation to bring simple, fast and responsive solutions that are always aligned to our customers' needs, which is the essence of our new brand promise.

While we expect these strategic investments to deliver higher level of performance in the longer term, we would expect profitability in the immediate financial year to be impacted.

RATING BY EXTERNAL RATING AGENCY

The banking subsidiary, Alliance Bank Malaysia Berhad ("ABMB") is rated by Rating Agency Malaysia Berhad ("RAM"). Based on RAM's rating in November 2016, ABMB's short-term and long-term ratings are reaffirmed at P1 and A1 respectively. RAM has classified these rating categories as follows:

- P1 - Financial institutions in this category have superior capacities for timely payments of obligations.
- A1 - Financial institutions rated in this category are adjudged to offer adequate safety for timely payments of financial obligations. This level of rating indicates financial institutions with adequate credit profiles, but which possess one or more problem areas, giving rise to the possibility of future riskiness. Financial institutions rated in this category have generally performed at industry average and are considered to be more vulnerable to changes in economic conditions than those rated in the higher categories.

DIRECTORS'

REPORT (Cont'd)

DIRECTORS

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

Datuk Oh Chong Peng (Chairman)
Kung Beng Hong
Ou Shian Waei
Lee Ah Boon
Tan Chian Khong (appointed on 1 August 2016)
Stephen Geh Sim Whye (retired on 5 August 2016)

DIRECTORS' REMUNERATION

Details of directors' remuneration are set out in Note 33(b) 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 arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than those arising from the share options and share grants under the ESS.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits/shown under Directors' Remuneration in Note 33(b) and Note 45(c) to the financial statements respectively by reason of a contract made by the Company or its subsidiary related corporation with any Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

DIRECTORS' INTERESTS

According to the Register of Directors' shareholdings 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 Company 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 Group and of the Company 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 that adequate allowance had been made for doubtful debts.

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

CURRENT ASSETS

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

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

VALUATION METHOD

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

In the opinion of the Directors:

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

DIRECTORS' REPORT (Cont'd)

SUBSIDIARIES

Details of subsidiaries are set out in Note 13 to the financial statements.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 33(a) to the financial statements.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 49 to the financial statements.

SUBSEQUENT EVENTS

The significant events subsequent to the reporting date are disclosed in Note 50 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.

Datuk Oh Chong Peng

Kuala Lumpur, Malaysia

Kung Beng Hong

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act, 2016

We, Datuk Oh Chong Peng and Kung Beng Hong, being two of the Directors of Alliance Financial Group Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 115 to 229 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2017 and financial performance of the Group and of the Company 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.

In the opinion of the Directors, the information set out in Note 51 to the financial statements has been complied in accordance with the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

Datuk Oh Chong Peng

Kuala Lumpur, Malaysia

Kung Beng Hong

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 Financial Group Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 115 to 229 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,

Sivanason a/I Marimuthu
Commissioner for Oaths

Kuala Lumpur, Malaysia
31 May 2017

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ALLIANCE FINANCIAL GROUP BERHAD

(Incorporated in Malaysia)
(Company No. 6627-X)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Alliance Financial Group Berhad (“the Company”) and its subsidiaries (“the Group”) give a true and fair view of the financial position of the Group and of the Company 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 Standards and the requirements of the Companies Act, 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 March 2017 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 115 to 229.

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 Group and of the Company 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.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and the Company. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (cont'd)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
<p>Allowance for impairment on loans, advances and financing</p> <p>Refer to accounting policy 2(i)(i)(a) and Notes 2(a)(ii), 10 and 34 of the Financial Statements.</p> <p>Allowance for impairment are calculated on a collective basis for portfolio of loans of a similar credit risk characteristics and on an individual basis for individually significant loans.</p> <p>This is an area of focus as management makes significant judgements over both timing of recognition of allowances and the estimation of the amount of any such allowances.</p> <p>In particular, we focused on:</p> <p><u>Individual assessment allowance</u></p> <ul style="list-style-type: none"> • How objective evidence of impairment are identified; and • If identified, how the impairment amount was measured. <p><u>Collective assessment allowance</u></p> <ul style="list-style-type: none"> • Assumptions underlying the calculation of collective assessment allowance of loans, advances and financing, such as segmentation and historical loss rates. 	<p><u>Individual assessment allowance</u></p> <ul style="list-style-type: none"> • We obtained an understanding and tested management's controls over identification of impaired loans, advances and financing in accordance with the Group's policy and procedures. • We tested a sample of unimpaired loans/financing selected from certain criteria and assessed the appropriateness of management's judgment that there was no objective evidence of impairment for these loan/financing. • For individually impaired loans, we examined a sample of loans and reviewed reasonableness of management's assumptions used to estimate the impairment amount, in particular, the timing of expected cash flows. <p><u>Collective assessment allowance</u></p> <ul style="list-style-type: none"> • We obtained an understanding and tested management's controls over the appropriateness of models used to calculate the charge, the process of determining key assumptions and the identification of loans to be included within the portfolio. • We re-computed the collective assessment allowance on a sample basis. • We tested the completeness and accuracy of data used in those models by comparing to the underlying source. • We considered reasonableness of the applied assumptions at reporting date. <p>We found no material exceptions in these procedures.</p>
<p>Impairment testing of goodwill</p> <p>Refer to accounting policy 2(i)(ii)(a), and Notes 2(a)(i) and 17 of the Financial Statements.</p> <p>Management performed annual impairment review on the goodwill balance.</p> <p>The recoverable amount of each cash generating units ("CGU") of which goodwill have been allocated were determined based on the value-in-use method. The value-in-use method apply a discounted cash flow model and involves cash flow projections based on the financial budget approved by the Board of Directors and other key assumptions that requires significant judgements.</p> <p>In particular, we focused on the following key assumptions for each CGU:</p> <ul style="list-style-type: none"> • The annual growth rates in the cash flow projections; • The terminal growth rate; and • The discount rate. 	<p>We tested management's impairment review of goodwill as follows:</p> <ul style="list-style-type: none"> • Compared the assumptions used to prepare the cash flows projection to approved budgets and business plans for each CGU. • Compared historical cash flows forecasts to actual results to assess the reasonableness of forecasting. • Assessed reasonableness of applied discount rates which reflects the specific risk relating to each CGU by comparing to external information. • Evaluated reasonableness of terminal growth rates used by comparing to Malaysia's forecasted GDP rate. • Stress-tested the assumptions used by analysing the impact on results from using other growth rates and discount rates which were within a reasonably foreseeable range. We found that the stress-tested value-in-use calculations are still higher than the carrying value used in the financial statements. <p>Based on the evidence obtained, we found that the assumptions used by management in the value-in-use calculation were within a reasonable range.</p>

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ALLIANCE FINANCIAL GROUP BERHAD (Cont'd)

(Incorporated in Malaysia)
(Company No. 6627-X)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (cont'd)

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises:

- (i) Financial Highlights
- (ii) Statement by Chairman of Alliance Financial Group Berhad
- (iii) Management Discussion and Analysis
- (iv) Statement on Corporate Governance
- (v) Sustainability Statement
- (vi) Audit Committee Report
- (vii) Statement on Risk Management and Internal Control
- (viii) Risk Management
- (ix) Directors' Report
- (x) Basel II Pillar 3 Report Disclosure

but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company 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 Group and of the Company, 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 Group and of the Company 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 statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International 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 Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company 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.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (cont'd)Auditors' responsibilities for the audit of the financial statements (cont'd)

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 Group and of the Company, 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 Group's and the Company's internal control.
- (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 Group's or the Company'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 Group and of the Company 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 Group or the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company 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.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ALLIANCE FINANCIAL GROUP BERHAD (Cont'd)

(Incorporated in Malaysia)
(Company No. 6627-X)

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 51 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 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

(No. AF: 1146)
Chartered Accountants

Kuala Lumpur
31 May 2017

SOO HOO KHOON YEAN

(No. 2682/10/17 (J))
Chartered Accountant

STATEMENTS OF FINANCIAL POSITION

as at 31 March 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
ASSETS					
Cash and short-term funds	3	1,381,779	4,943,700	66,045	56,837
Deposits and placements with banks and other financial institutions	4	-	195,865	44,345	-
Balances due from clients and brokers	5	113,022	104,659	-	-
Financial assets held-for-trading	6	335,260	132,229	-	-
Financial investments available-for-sale	7	10,239,557	8,565,696	-	-
Financial investments held-to-maturity	8	917,092	1,129,307	-	-
Derivative financial assets	9	86,345	133,651	-	-
Loans, advances and financing	10	38,991,689	38,410,724	-	-
Other assets	11	110,340	102,690	526	905
Tax recoverable		9,726	36,492	-	-
Statutory deposits	12	1,437,444	1,410,928	-	-
Investments in subsidiaries	13	-	-	1,744,650	1,781,579
Investment in joint venture	14	763	731	113	165
Property, plant and equipment	15	73,948	86,750	159	323
Deferred tax assets	16	14,738	10,639	703	435
Intangible assets	17	377,361	362,982	-	-
TOTAL ASSETS		54,089,064	55,627,043	1,856,541	1,840,244
LIABILITIES AND EQUITY					
Deposits from customers	18	45,228,436	46,024,939	-	-
Deposits and placements of banks and other financial institutions	19	862,904	1,157,250	-	-
Balances due to clients and brokers	20	69,066	77,246	-	-
Derivative financial liabilities	9	81,892	279,541	-	-
Amount due to Cagamas Berhad	21	502,713	502,725	-	-
Other liabilities	22	968,788	882,054	3,347	2,623
Provision for taxation		19,753	322	178	271
Provision for zakat		206	123	-	-
Deferred tax liabilities	16	9,960	15,617	-	-
Other borrowings	23	5,070	5,071	-	-
Subordinated obligations	24	1,226,078	1,840,147	-	-
TOTAL LIABILITIES		48,974,866	50,785,035	3,525	2,894
Share capital	25	1,548,106	1,548,106	1,548,106	1,548,106
Reserves	26	3,639,929	3,373,799	378,747	369,141
Shares held for Employees' Shares Scheme	27	(73,837)	(79,897)	(73,837)	(79,897)
TOTAL EQUITY		5,114,198	4,842,008	1,853,016	1,837,350
TOTAL LIABILITIES AND EQUITY		54,089,064	55,627,043	1,856,541	1,840,244
COMMITMENTS AND CONTINGENCIES	42	26,493,954	21,832,427	-	-

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

STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 31 March 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Interest income	29	1,880,213	1,920,414	2,237	2,092
Interest expense	30	(1,032,668)	(1,072,622)	-	-
Net interest income		847,545	847,792	2,237	2,092
Net income from Islamic banking business	31	297,037	244,151	-	-
		1,144,582	1,091,943	2,237	2,092
Fee and commission income		297,075	285,248	-	-
Fee and commission expense		(99,872)	(106,772)	-	-
Investment income		143,496	92,298	232,503	192,439
Other income		(15,858)	61,421	2,451	2,584
Other operating income	32	324,841	332,195	234,954	195,023
Net income		1,469,423	1,424,138	237,191	197,115
Other operating expenses	33	(691,907)	(688,950)	(4,989)	(2,820)
Operating profit before allowances		777,516	735,188	232,202	194,295
Allowance for losses on loans, advances and financing and other receivables	34	(94,988)	(48,328)	-	-
(Allowance for)/write-back of impairment on other assets	35	(1,208)	7,765	10,833	-
Operating profit after allowances		681,320	694,625	243,035	194,295
Share of result of joint venture	14	84	156	-	-
Profit before taxation		681,404	694,781	243,035	194,295
Taxation	36	(169,281)	(172,743)	(853)	(1,012)
Net profit for the financial year		512,123	522,038	242,182	193,283
Other comprehensive (expense)/income:					
Items that may be reclassified subsequently to profit and loss					
Revaluation reserve on financial investments available-for-sale					
- Net (loss)/gain from change in fair value		(14,735)	55,757	-	-
- Realised gain transferred to statement of income on disposal and impairment		(5,684)	(7,659)	-	-
- Transfer from/(to) deferred tax		4,901	(11,544)	-	-
Other comprehensive (expense)/income, net of tax		(15,518)	36,554	-	-
Total comprehensive income for the financial year		496,605	558,592	242,182	193,283
Net profit for the financial year attributable to:					
Equity holders of the Company		512,123	522,038	242,182	193,283
Total comprehensive income for the financial year attributable to:					
Equity holders of the Company		496,605	558,592	242,182	193,283
Earnings per share attributable to Equity holders of the Company:					
Basic (sen)	37(a)	33.5	34.2		
Diluted (sen)	37(b)	33.5	34.2		

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 March 2017

Group	Note	Attributable to Equity holders of the Company										Total Equity RM'000
		Share Capital RM'000	Share Premium RM'000	Statutory Reserves RM'000	Regulatory Reserves RM'000	Capital Reserves RM'000	Revaluation Reserves RM'000	Share Scheme Reserves ("ESS") RM'000	Shares Held for ESS RM'000	Retained Profits RM'000	Share Scheme Reserves ("ESS") RM'000	
At 1 April 2016		1,548,106	304,289	957,981	157,174	7,013	114,786	11,516	(79,897)	1,821,040	4,842,008	
Net profit for the financial year		-	-	-	-	-	-	-	-	512,123	512,123	
Other comprehensive expense		-	-	-	-	-	(15,518)	-	-	-	(15,518)	
Total comprehensive (expense)/income for the financial year		-	-	-	-	-	(15,518)	-	-	512,123	496,605	
Transfer to reserves		-	-	23,506	726	-	-	-	-	(24,232)	-	
Share-based payment under ESS		-	-	-	-	-	-	2,241	-	-	2,241	
ESS on share lapsed:		-	-	-	-	-	-	-	-	-	-	
- employees of subsidiaries		-	-	-	-	-	-	(2,101)	-	2,101	-	
- employees of joint venture		-	-	-	-	-	-	(47)	-	-	(47)	
- own employees		-	-	-	-	-	-	(125)	-	125	-	
ESS shares grant vested to:		-	-	-	-	-	-	-	-	-	-	
- employees of subsidiaries		-	-	-	-	-	-	(3,394)	3,394	-	-	
- employees of joint venture		-	-	-	-	-	-	(92)	92	-	-	
- own employees		-	-	-	-	-	-	(128)	128	-	-	
ESS shares option exercised by:		-	-	-	-	-	-	-	-	-	-	
- employees of subsidiaries		-	-	-	-	-	-	(129)	129	-	-	
Proceeds from share option exercised		-	-	-	-	-	-	-	2,317	-	2,317	
Transfer of ESS shares purchase price difference on shares vested		-	-	-	-	-	-	(1,297)	-	1,297	-	
Dividends paid to shareholders	38	-	-	-	-	-	-	-	-	(232,216)	(232,216)	
Dividends paid for shares held in trust		-	-	-	-	-	-	-	-	3,290	3,290	
At 31 March 2017		1,548,106	304,289	981,487	157,900	7,013	99,268	6,444	(73,837)	2,083,528	5,114,198	

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Cont'd)

for the financial year ended 31 March 2017

Group	Note	Attributable to Equity holders of the Company										Total Equity RM'000
		Share Capital RM'000	Share Premium RM'000	Statutory Reserves RM'000	Regulatory Reserves RM'000	Capital Reserves RM'000	Revaluation Reserves RM'000	ESS Reserves RM'000	Shares Held for ESS RM'000	Retained Profits RM'000	Shares Held for ESS RM'000	
At 1 April 2015		1,548,106	304,289	827,627	-	7,013	78,232	11,944	(86,721)	1,804,615	4,495,105	
Net profit for the financial year		-	-	-	-	-	-	-	-	522,038	522,038	
Other comprehensive income		-	-	-	-	-	36,554	-	-	-	36,554	
Total comprehensive income for the financial year		-	-	-	-	-	36,554	-	-	522,038	558,592	
Transfer to reserves		-	-	130,354	157,174	-	-	-	-	(287,528)	-	
Share-based payment under ESS		-	-	-	-	-	-	6,719	-	-	6,719	
ESS on share lapsed:		-	-	-	-	-	-	-	-	-	-	
- employees of subsidiaries		-	-	-	-	-	-	(12)	-	12	-	
ESS shares grant vested to:		-	-	-	-	-	-	-	-	-	-	
- employees of subsidiaries		-	-	-	-	-	-	(5,406)	5,406	-	-	
- employees of joint venture		-	-	-	-	-	-	(87)	87	-	-	
- own employees		-	-	-	-	-	-	(152)	152	-	-	
ESS shares option exercised by:		-	-	-	-	-	-	-	-	-	-	
- employees of subsidiaries		-	-	-	-	-	-	(90)	90	-	-	
Proceeds from share option exercised		-	-	-	-	-	-	-	1,089	-	1,089	
Transfer of ESS shares purchase price difference on shares vested		-	-	-	-	-	-	(1,400)	-	1,400	-	
Dividends paid to shareholders	38	-	-	-	-	-	-	-	-	(222,927)	(222,927)	
Dividends paid for shares held in trust		-	-	-	-	-	-	-	-	3,430	3,430	
At 31 March 2016		1,548,106	304,289	957,981	157,174	7,013	114,786	11,516	(79,897)	1,821,040	4,842,008	

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

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended 31 March 2017

Company	Note	Non-Distributable			<Distributable>		Total Equity RM'000
		Share Capital RM'000	Share Premium RM'000	ESS Reserves RM'000	Shares Held for ESS RM'000	Retained Profits RM'000	
At 1 April 2016		1,548,106	304,289	11,516	(79,897)	53,336	1,837,350
Net profit for the financial year		-	-	-	-	242,182	242,182
Share-based payment under ESS		-	-	2,241	-	-	2,241
ESS on shares lapsed:							
- employees of subsidiaries		-	-	(2,101)	-	-	(2,101)
- employees of joint venture		-	-	(47)	-	-	(47)
- own employees		-	-	(125)	-	125	-
ESS shares grant vested to:							
- employees of subsidiaries		-	-	(3,394)	3,394	-	-
- employees of joint venture		-	-	(92)	92	-	-
- own employees		-	-	(128)	128	-	-
ESS shares option exercised by:							
- employees of subsidiaries		-	-	(129)	129	-	-
Proceeds from share option exercised		-	-	-	2,317	-	2,317
Transfer of ESS shares purchase price difference on shares vested		-	-	(1,297)	-	1,297	-
Dividends paid to shareholders	38	-	-	-	-	(232,216)	(232,216)
Dividends paid for shares held in trust		-	-	-	-	3,290	3,290
At 31 March 2017		1,548,106	304,289	6,444	(73,837)	68,014	1,853,016
At 1 April 2015		1,548,106	304,289	11,944	(86,721)	78,150	1,855,768
Net profit for the financial year		-	-	-	-	193,283	193,283
Share-based payment under ESS		-	-	6,719	-	-	6,719
ESS on shares lapsed:							
- employees of subsidiaries		-	-	(12)	-	-	(12)
ESS shares grant vested to:							
- employees of subsidiaries		-	-	(5,406)	5,406	-	-
- own employees		-	-	(152)	152	-	-
- employees of joint venture		-	-	(87)	87	-	-
ESS shares option exercised by:							
- employees of subsidiaries		-	-	(90)	90	-	-
Proceeds from share option exercised		-	-	-	1,089	-	1,089
Transfer of ESS shares purchase price difference on shares vested		-	-	(1,400)	-	1,400	-
Dividends paid to shareholders	38	-	-	-	-	(222,927)	(222,927)
Dividends paid for shares held in trust		-	-	-	-	3,430	3,430
At 31 March 2016		1,548,106	304,289	11,516	(79,897)	53,336	1,837,350

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the financial year ended 31 March 2017

	2017 RM'000	2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	681,404	694,781
Adjustments for:		
Accretion of discount less amortisation of premium of financial investments	(73,946)	(68,125)
Depreciation of property, plant and equipment	21,352	23,014
Amortisation of computer software	22,397	21,750
Dividends from financial investments available-for-sale	(3,218)	(3,190)
Loss on disposal of property, plant and equipment	346	11
Property, plant and equipment written off	233	762
Computer software written off	213	74
Net loss from redemption of financial investments held-to-maturity	-	34
Net (gain)/loss from sale of financial assets held-for-trading	(988)	281
Net gain from sale of financial investments available-for-sale	(5,239)	(6,125)
Unrealised loss/(gain) on revaluation of financial assets held-for-trading	1,147	(1,253)
Unrealised (gain)/loss on revaluation of derivative financial instruments	(144,553)	166,215
Unrealised loss/(gain) arising from financial liabilities designated at fair value	6,555	(26,728)
Interest expense on other borrowings	238	71
Interest expense on securities sold under repurchase agreements	-	272
Interest on loan sold to Cagamas	21,770	2,725
Interest expense on subordinated obligations	69,366	56,861
Interest income from financial investments held-to-maturity	(26,691)	(26,871)
Interest income from financial investments available-for-sale	(246,536)	(306,319)
Interest income from financial assets held-for-trading	(6,178)	(4,242)
Allowance for loans, advances and financing (net of recoveries)	103,914	64,806
Allowance for other receivables (net of recoveries)	2,570	4,095
Write-back of losses from balances due from clients	(2)	(3)
Allowance for commitment and contingencies	2,301	-
Write-back of impairment of financial investments available-for-sale	-	(6,050)
Write-back of impairment of financial investments held-to-maturity	-	(1,715)
Allowance for impairment on goodwill	1,208	-
Share options/grants under ESS	2,154	6,566
Share of results of joint venture	(84)	(156)
Zakat	143	56
Operating profit before working capital changes carried forward	429,876	591,597

	2017 RM'000	2016 RM'000
Operating profit before working capital changes brought forward	429,876	591,597
Changes in working capital:		
Deposits from customers	(808,846)	1,441,763
Deposits and placements of banks and other financial institutions	(294,346)	(332,525)
Deposits and placements with banks and other financial institutions	195,865	102,302
Bills and acceptances payable	-	(801,578)
Balances due (from)/to clients and brokers	(16,543)	12,497
Other liabilities	84,437	(52,541)
Financial assets held-for-trading	(201,848)	(121,068)
Loans, advances and financing	(684,879)	(1,909,498)
Other assets	(10,220)	(16,729)
Statutory deposits	(26,516)	264,498
Cash used in operations	(1,333,020)	(821,282)
Taxation paid	(127,946)	(191,303)
Zakat paid	(59)	(61)
Net cash used in operating activities	(1,461,025)	(1,012,646)

CASH FLOWS FROM INVESTING ACTIVITIES

Dividends received from financial investments available-for-sale	3,218	3,190
Interest received from financial investments held-to-maturity	28,929	27,006
Interest received from financial investments available-for-sale	232,838	318,150
Interest received from financial assets held-for-trading	5,825	4,242
Purchase of property, plant and equipment	(9,399)	(12,984)
Purchase of intangible assets	(38,197)	(24,871)
Proceeds from disposal of property, plant and equipment	270	158
Proceeds from redemption/disposal of financial investments held-to-maturity (net of purchase)	285,522	268,189
Proceeds from redemption/disposal of financial investments available-for-sale (net of purchase)	(1,677,931)	1,227,661
ESS recharge amount received from joint venture for share grants	92	87
Net cash (used in)/generated from investing activities	(1,168,833)	1,810,828

CASH FLOWS FROM FINANCING ACTIVITIES

Interest paid on securities sold under repurchase agreements	-	(272)
Interest paid on subordinated obligations	(83,434)	(28,920)
Interest paid on other borrowings	(238)	-
Amount due to Cagamas Berhad	-	492,997
Interest paid on loan sold to Cagamas	(21,782)	-
Proceeds from issuance of other borrowings	-	5,000
Proceeds from issuance of subordinated notes	-	1,200,000
Transaction costs paid on issuance of subordinated notes	-	(1,062)
Redemption on subordinated notes	(600,000)	-
Proceeds from share option exercised by employees/joint venture	2,317	1,089
Dividends paid to shareholders of the Company	(228,926)	(219,497)
Net cash (used in)/generated from financing activities	(932,063)	1,449,335
NET CHANGE IN CASH AND CASH EQUIVALENTS	(3,561,921)	2,247,517
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	4,943,700	2,696,183
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	1,381,779	4,943,700

Cash and cash equivalents comprise the following:

Cash and short-term funds	1,381,779	4,943,700
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The accompanying notes form an integral part of the financial statements.

STATEMENT OF CASH FLOWS - COMPANY

for the financial year ended 31 March 2017

	2017 RM'000	2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	243,035	194,295
Adjustments for:		
Depreciation of property, plant and equipment	175	48
Interest income from money at call and deposit placements with financial institutions	(2,237)	(2,092)
Write-back of impairment on subsidiaries	(10,833)	-
Share options/grants under ESS	119	217
Gross dividend income from a subsidiary	(232,503)	(192,439)
Operating (loss)/profit before working capital changes	(2,244)	29
Changes in working capital:		
Other liabilities	675	565
Other assets	379	279
Deposit and placement with banks and other financial institutions	(44,101)	-
Cash (used in)/generated from operations	(45,291)	873
Taxation paid	(1,215)	(1,096)
Net cash used in operating activities	(46,506)	(223)
CASH FLOWS FROM INVESTING ACTIVITIES		
ESS recharge amount received from subsidiaries for share grants	3,394	5,406
ESS recharge amount received from joint venture for share grants	92	87
ESS recharge amount received from subsidiaries for share options	129	90
Interest received from deposits and placements with banks and other financial institutions	1,993	2,092
Purchase of property, plant and equipment	(11)	(3)
Proceeds from redemption of share capital by subsidiary	44,223	-
Dividends received	232,503	192,439
Net cash generated from investing activities	282,323	200,111
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(228,926)	(219,497)
Proceeds from share option exercised	2,317	1,089
Net cash used in financing activities	(226,609)	(218,408)
NET CHANGE IN CASH AND CASH EQUIVALENTS	9,208	(18,520)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	56,837	75,357
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	66,045	56,837
Cash and cash equivalents comprise the following:		
Cash and short-term funds	66,045	56,837

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

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2017

1. CORPORATE INFORMATION

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

Malaysian Financial Reporting Standards ("MFRS") Framework

The financial statements of the Group and the Company have been prepared in accordance with 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 Group and the Company 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 Group. Islamic banking business refers generally to the acceptance of deposits and granting of financing under the Shariah principles.

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

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

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

- (i) Annual testing for impairment of goodwill (Note 17) - the measurement of the recoverable amount of cash-generating units are determined based on the value-in-use method, which requires the use of estimates for cash flow projections approved by management covering a 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 34) - the Group make allowance for losses on loans, advances and financing based on assessment of recoverability. Whilst management is guided by the relevant BNM guidelines and accounting standards, management makes judgment on the future and other key factors in respect of the estimation of the amount and timing of the cash flows in assessing allowance for impairment of loans, advances and financing. Among the factors considered are the Group's aggregate exposure to the borrowers, the net realisable value of the underlying collateral value, the viability of the customer's business model, the capacity to generate sufficient cash flows to service debt obligations and the aggregate amount and ranking of all other creditor claims.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2017

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of Preparation (cont'd)

Standards, amendments to published standards and interpretations that are effective

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

- Amendment to MFRS 11 "Joint Arrangements" - Accounting for acquisitions of interest in joint operations.
- Amendments to MFRS 127 "Equity Method in Separate Financial Statements"
- Amendments to MFRS 10, 12 and 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 Group and the Company.

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

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

Financial year beginning on/after 1 April 2017

- (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 amendment shall be applied retrospectively.

Financial year beginning on/after 1 April 2018

- (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 (cont'd)

(a) Basis of Preparation (cont'd)

Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Company but not yet effective (cont'd)

The Group and the Company will apply the new standards, amendments to standards and interpretations in the following period (cont'd):

Financial year beginning on/after 1 April 2018 (cont'd)

- (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 measured at fair value through profit or loss with an 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2017

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of Preparation (cont'd)

Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Company but not yet effective (cont'd)

The Group and the Company will apply the new standards, amendments to standards and interpretations in the following period (cont'd):

Financial year beginning on/after 1 April 2019

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 Group and the Company in the year of initial application, except for the adoption of MFRS 9. The Group and the Company are assessing the potential impact of the standard.

(b) Economic Entities in the Group

(i) Subsidiaries

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

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

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

(i) Subsidiaries (cont'd)

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.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

(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) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2017

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

(iv) Joint Arrangements (cont'd)

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 and Joint Ventures

In the Company's separate financial statements, investments in subsidiaries and joint ventures are carried at cost less accumulated impairment losses. The policy for the recognition and measurement of impairment is in accordance with Note 2(i)(ii)(b). On disposal of investments in subsidiaries and joint ventures, 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.

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 three to five years and are stated at cost less accumulated amortisation and accumulated impairment, if any. Computer software is assessed for impairment whenever there is an indication that it may be impaired. The amortisation period and amortisation method are reviewed at least at the end of each reporting period.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Financial Assets

(i) Classification

The Group and of the Company 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 Group and of the Company 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.

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 Group and of the Company'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 Group and of the Company's management has the positive intention and ability to hold to maturity. If 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 Group and of the Company 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 Group and the Company 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 Group and of the Company have not made any such reclassification.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2017

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Financial Assets (cont'd)

(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(s).

(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 Group have transferred substantially all risks and rewards of ownership.

Receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as amount due to Cagamas Berhad.

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.

(g) Repurchase Agreements

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Property, Plant and Equipment and Depreciation

Property, plant and equipment are initially recorded at cost net of the amount of goods and service tax ("GST") except where the amount of GST incurred is not recoverable from the government. When the amount of GST incurred is not recoverable from the government, the GST is recognised as part of the cost of acquisition of the property, plant and equipment. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2017

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Impairment of Assets

(i) Impairment of financial assets

(a) Assets carried at amortised cost

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

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

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

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.

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 Group.

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Impairment of Assets (cont'd)

(i) Impairment of financial assets (cont'd)

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

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.

(ii) Impairment of non-financial assets

(a) Goodwill/intangible assets

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

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

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

(b) Other non-financial assets

Other non-financial assets such as property, plant and equipment, investment properties, computer software, foreclosed properties and investments in subsidiaries and joint ventures 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.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2017

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Leases

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

(i) Finance Leases

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

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

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

(ii) Operating Leases

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

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

(k) Bills and Acceptances Payable

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

(l) 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 (cont'd)

(l) Share Capital (cont'd)

(iii) Purchase of own shares

Where the Company purchases the own equity instruments as a result of the ESS, the consideration paid, including any directly attributable incremental costs, net of tax, is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled, reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in equity attributable to the owners of the Company.

Shares held by the employee trust are recognised as treasury shares and deducted from contributed equity

(iv) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owner of 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.

(m) Subordinated Bonds and Other Borrowings

The interest-bearing instruments are classified as liabilities in the statement of financial position as there is a contractual obligation by the Group to make cash payments of either principal or interest or both to holders of the debt securities and the Group are contractually obliged to settle the financial instrument in cash or another financial instrument.

Subsequent to initial recognition, debt securities issued are recognised at amortised cost, with any difference between proceeds net of transaction costs and the redemption value being recognised in the statement of comprehensive income over the period of the borrowings on an effective interest method.

(n) Other Assets

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2017

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) Provisions

Provisions are recognised when:

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

Where the Group expects a provision to be reimbursed 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. Provision are not recognised for future operating losses.

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

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

(p) Balances Due From Clients and Brokers

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

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

Bad debts are written off when 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.

(q) Revenue Recognition

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

(i) Recognition of Dividend Income

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

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(q) Revenue Recognition (cont'd)

(ii) Recognition of Interest and Financing Income

Interest income and financing income are recognised using effective interest/profit rates, 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. When calculating the effective interest rate, 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 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 include 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/profit used to discount the future cash flows for the purposes of measuring the impairment.

(iii) Recognition of Fees and Other Income

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

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

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

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

(r) Recognition of Interest and Financing Expenses

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

(s) Foreign Currencies

(i) Functional and presentation of 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 Company's functional and presentation currency.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2017

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(s) Foreign Currencies (cont'd)

(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.

(t) Current and Deferred Income Tax

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

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 other comprehensive income and 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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(u) Foreclosed Properties

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

(v) Cash and Cash Equivalents

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

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

(iii) Equity Compensation Benefits

The Group operates a number of equity-settled, share-based compensation plan under which the entity, its subsidiaries and joint venture receives services from employees as consideration for equity instruments (options) of the Company. The fair value of the options granted in exchange for the services of the employees are recognised as employee benefit expense with a corresponding increase to Employees' Shares Scheme ("ESS") reserves within equity. The total amount to be expensed is determined by reference to the fair value of the options 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 Group 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, with a corresponding adjustment to ESS reserves 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.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised. When options are not exercised and lapsed, the ESS reserves is transferred to retained profits.

In its separate financial statements of the Company, the grant by the Company of options over its equity instruments to the employees of subsidiary in the Group is treated as a capital contribution to the subsidiary. The fair value of options granted to employees of the subsidiary in exchange for the services of the employees to the subsidiary are recognised as investment in subsidiary, with a corresponding credit to equity of the Company.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2017

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(x) Contingent Liabilities and Contingent Assets

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

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

(y) Financial Guarantee Contracts

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

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

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

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

(z) 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.

(aa) 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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash and balances with banks and other financial institutions	616,096	632,593	23	25
Money at call and deposit placements maturing within one month	765,683	4,311,107	66,022	56,812
	1,381,779	4,943,700	66,045	56,837

Note:

- (a) The Company's cash and short-term funds as of 31 March 2017 comprises amounts maintained with:
- (i) its banking subsidiary amounting to RM52,901,000 (2016: RM47,335,000).
 - (ii) other licensed bank amounting to RM13,141,000 (2016: RM9,501,000), pursuant to the Company's ESS.
- (b) Included in the cash and short-term funds of the Group are accounts held-in-trust for remisiers amounting to RM8,279,000 (2016: RM6,151,000).

4. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Licensed banks	-	195,865	-	-
Licensed investment banks	-	-	44,345	-
	-	195,865	44,345	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2017

5. BALANCES DUE FROM CLIENTS AND BROKERS

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

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

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

	Group	
	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:

	Group	
	2017	2016
	RM'000	RM'000
At beginning of financial year	837	840
Write-back during the financial year, net	(2)	(3)
At end of financial year	835	837

6. FINANCIAL ASSETS HELD-FOR-TRADING

	Group	
	2017	2016
	RM'000	RM'000
At fair value		
<u>Money market instruments:</u>		
Malaysian Government investment certificates	20,049	40,441
Commercial papers	104,773	-
Malaysian Government securities	20,125	-
<u>Unquoted securities:</u>		
Corporate bonds and sukuk	190,313	91,788
	335,260	132,229

7. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Group	
	2017	2016
	RM'000	RM'000
At fair value		
<u>Money market instruments:</u>		
Malaysian Government securities	1,890,820	1,277,948
Malaysian Government investment certificates	1,849,621	2,338,432
Negotiable instruments of deposits	2,332,427	1,684,516
Commercial papers	49,491	-
Khazanah bonds	138,731	202,673
	6,261,090	5,503,569
<u>Quoted securities in Malaysia:</u>		
Shares	26	26
Accumulated impairment	(11)	(11)
	15	15
<u>Unquoted securities:</u>		
Shares	166,719	153,781
Accumulated impairment	(1,440)	(1,440)
	165,279	152,341
Unit Trust Funds	4,960	4,992
	4,960	4,992
Corporate bonds and sukuk	4,040,124	3,136,690
Accumulated impairment	(231,911)	(231,911)
	3,808,213	2,904,779
	3,978,452	3,062,112
	10,239,557	8,565,696

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2017

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

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

	Group	
	2017	2016
	RM'000	RM'000
At beginning of financial year	233,362	239,412
Write-back during the financial year	-	(6,050)
At end of financial year	233,362	233,362

8. FINANCIAL INVESTMENTS HELD-TO-MATURITY

	Group	
	2017	2016
	RM'000	RM'000
At amortised cost		
<u>Money market instruments:</u>		
Malaysian Government securities	689,470	700,570
Malaysian Government investment certificates	80,957	233,390
Khazanah bonds	141,920	190,602
	912,347	1,124,562
At cost		
<u>Unquoted securities:</u>		
Corporate bonds and sukuk	18,938	18,938
Accumulated impairment	(14,193)	(14,193)
	4,745	4,745
	917,092	1,129,307

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

	Group	
	2017	2016
	RM'000	RM'000
At beginning of financial year	14,193	27,825
Write-back during the financial year	-	(1,715)
Write-off during the financial year	-	(11,917)
At end of financial year	14,193	14,193

9. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

Derivative financial instruments are financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates, interest rates and equity prices) of the underlying instruments. These instruments allow the Group and the banking customers to transfer, modify or reduce their foreign exchange and interest rate risk via hedge relationships. The Group also transacts in these instruments for proprietary trading purposes. The risks associated with the use of derivative financial instruments, as well as management's policy for controlling these risks are set out in Note 40.

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

Group	2017			2016		
	Contract/ Notional Amount RM'000	Fair Value		Contract/ Notional Amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
Trading Derivative						
Foreign exchange contracts:						
- Currency forwards	1,392,677	45,788	(5,109)	1,316,549	25,079	(53,190)
- Currency swaps	9,675,352	15,809	(46,870)	5,559,540	90,660	(182,106)
- Currency spots	40,255	56	(60)	258,309	646	(615)
- Currency options	128,868	265	(24)	160,427	1,349	(404)
Interest rate related contracts:						
- Interest rate swaps	4,344,432	24,339	(24,455)	2,680,531	15,917	(16,165)
Equity related contracts:						
- Options	82,735	88	(5,374)	111,820	-	(27,061)
Total derivative assets/ (liabilities)	15,664,319	86,345	(81,892)	10,087,176	133,651	(279,541)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2017

10. LOANS, ADVANCES AND FINANCING

	Group	
	2017	2016
	RM'000	RM'000
Overdrafts	2,763,678	2,641,243
Term loans/financing		
- Housing loans/financing	14,437,368	14,842,860
- Syndicated term loans/financing	363,508	261,668
- Hire purchase receivables	1,299,638	1,351,475
- Other term loans/financing	13,674,780	13,039,019
Bills receivables	502,836	306,143
Trust receipts	199,515	179,935
Claims on customers under acceptance credits	2,616,395	2,519,809
Staff loans [include loans to Directors of a banking subsidiary of RM Nil (2016: RM123,000)]	29,864	34,395
Credit/charge card receivables	604,197	646,321
Revolving credits	1,745,060	1,660,665
Share margin financing	1,098,842	1,264,135
Gross loans, advances and financing	39,335,681	38,747,668
Add: Sales commissions and handling fees	35,963	38,365
Less: Allowance for impairment on loans, advances and financing		
- Individual assessment allowance	(66,627)	(68,331)
- Collective assessment allowance	(313,328)	(306,978)
Total net loans, advances and financing	38,991,689	38,410,724

(i) By maturity structure:

Within one year	9,595,942	9,201,769
One year to three years	1,480,000	1,318,284
Three years to five years	2,467,214	2,050,419
Over five years	25,792,525	26,177,196
Gross loans, advances and financing	39,335,681	38,747,668

(ii) By type of customer:

Domestic non-bank financial institutions	351,484	375,434
Domestic business enterprises		
- Small and medium enterprises	9,786,917	8,956,673
- Others	7,632,297	7,058,880
Government and statutory bodies	5,952	6,816
Individuals	20,523,924	21,306,301
Other domestic entities	188,394	201,401
Foreign entities	846,713	842,163
Gross loans, advances and financing	39,335,681	38,747,668

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

		Group	
		2017	2016
		RM'000	RM'000
(iii)	<u>By interest/profit rate sensitivity:</u>		
	Fixed rate		
	- Housing loans/financing	40,638	46,476
	- Hire purchase receivables	1,262,655	1,306,547
	- Other fixed rate loans/financing	2,417,180	2,379,044
	Variable rate		
	- Base lending rate plus	26,754,482	27,543,664
	- Base rate plus	1,807,725	847,853
	- Cost plus	6,721,766	6,350,612
	- Other variable rate loans/financing	331,235	273,472
	Gross loans, advances and financing	39,335,681	38,747,668
(iv)	<u>By economic purposes:</u>		
	Purchase of securities	1,109,188	1,285,780
	Purchase of transport vehicles	1,078,821	1,218,632
	Purchase of landed property	22,487,331	22,624,255
	<i>of which:</i> - Residential	15,506,791	15,846,729
	- Non-residential	6,980,540	6,777,526
	Purchase of fixed assets excluding land and buildings	291,617	192,901
	Personal use	2,656,823	2,560,230
	Credit card	604,197	646,321
	Construction	655,891	663,866
	Merger and acquisition	117,688	117,688
	Working capital	7,844,844	7,186,477
	Others	2,489,281	2,251,518
	Gross loans, advances and financing	39,335,681	38,747,668
(v)	<u>By geographical distribution:</u>		
	Northern region	2,652,319	2,569,926
	Central region	28,237,847	27,917,362
	Southern region	4,652,964	4,581,547
	Sabah region	2,530,304	2,586,488
	Sarawak region	1,262,247	1,092,345
	Gross loans, advances and financing	39,335,681	38,747,668

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2017

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

	Group	
	2017	2016
	RM'000	RM'000
(vi) <u>Movements in impaired loans, advances and financing ("impaired loans") are as follows:</u>		
At beginning of financial year	487,868	380,712
Impaired during the financial year	600,685	688,435
Reclassified as unimpaired during the financial year	(419,465)	(342,996)
Recoveries	(176,471)	(157,779)
Amount written off	(99,268)	(80,504)
At end of the financial year	393,349	487,868
Individual allowance for impairment	(66,627)	(68,331)
Collective allowance for impairment (impaired portion)	(94,714)	(109,347)
Net impaired loans, advances and financing	232,008	310,190
Gross impaired loans as % of gross loans, advances and financing	1.0%	1.3%
(vii) <u>Movements in the allowance for impairment on loans, advances, and financing are as follows:</u>		
Individual assessment allowance		
At beginning of financial year	68,331	56,303
Net allowance made during the financial year	23,506	24,229
Amount written off	(21,875)	(14,060)
Transfer (to)/from collective assessment allowance, net	(3,335)	1,859
At end of financial year	66,627	68,331
Collective assessment allowance		
At beginning of financial year	306,978	334,704
Net allowance made during the financial year	80,408	40,577
Amount written off	(77,393)	(66,444)
Transfers from/(to) individual assessment allowance, net	3,335	(1,859)
At end of financial year	313,328	306,978

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

	Group	
	2017 RM'000	2016 RM'000
(viii) <u>Impaired loans by economic purposes:</u>		
Purchase of securities	7	-
Purchase of transport vehicles	11,497	14,742
Purchase of landed property	231,786	307,795
<i>of which: - Residential</i>	176,996	220,145
<i>- Non-residential</i>	54,790	87,650
Purchase of fixed assets excluding land and buildings	1,206	651
Personal use	43,475	37,029
Credit card	10,201	9,421
Construction	3,888	3,892
Working capital	71,965	96,211
Others	19,324	18,127
Gross impaired loans	393,349	487,868
(ix) <u>Impaired loans by geographical distribution:</u>		
Northern region	30,552	46,072
Central region	277,515	372,422
Southern region	58,562	40,279
Sabah region	23,737	25,088
Sarawak region	2,983	4,007
Gross impaired loans	393,349	487,868

11. OTHER ASSETS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Other receivables	53,361	52,288	81	76
Derivative margin	22,381	29,052	-	-
Settlement account	34,923	23,999	-	-
Deposits	9,245	9,192	103	103
Prepayment	19,529	14,985	109	115
Trade receivables	49	49	-	-
Amount due from subsidiaries [Note (a)]	-	-	224	603
Amount due from joint venture [Note (b)]	387	198	9	8
	139,875	129,763	526	905
Less:				
Allowance for other receivables [Note (c)]	(29,535)	(27,073)	-	-
	110,340	102,690	526	905

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2017

11. OTHER ASSETS (cont'd)

Note:

- (a) Amounts due from subsidiaries

	Company	
	2017	2016
	RM'000	RM'000
Non-interest bearing	224	603

The amounts due from subsidiaries of RM224,000 (2016: RM603,000) are unsecured, interest-free and repayable upon demand.

- (b) Amounts due from joint venture

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Non-interest bearing	387	198	9	8

The amounts due from joint venture are unsecured, interest-free and repayable upon demand.

- (c) Movements in allowance for other receivables of the Group:

	Group	
	2017	2016
	RM'000	RM'000
At beginning of financial year	27,073	31,138
Allowance net of write-back	2,570	4,095
Amount written off	(108)	(8,160)
At end of financial year	29,535	27,073

12. STATUTORY DEPOSITS

Statutory deposits comprise the following:

- (a) Non-interest bearing statutory deposits of RM1,437,344,000 (2016: RM1,410,828,000) relating to the banking subsidiaries, maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009, the amounts of which are determined as a set percentage of total eligible liabilities.
- (b) Interest bearing statutory deposits of RM100,000 (2016: RM100,000) relating to a subsidiary, Alliance Trustee Berhad which is maintained with the Accountant-General in compliance with Section 3(f) of the Trust Companies Act, 1949.

13. INVESTMENTS IN SUBSIDIARIES

	Company	
	2017 RM'000	2016 RM'000
Unquoted shares, at cost:		
At beginning of financial year	1,802,904	1,810,438
Written off during the financial year	-	(7,534)
Capital redemption during the financial year	(44,223)	-
	1,758,681	1,802,904
Employees' Share Scheme [Note (a)]	14,895	18,434
	1,773,576	1,821,338
Less: Accumulated impairment:		
At beginning of financial year	(39,759)	(47,293)
Written off during the financial year	-	7,534
Write back during the financial year	10,833	-
	(28,926)	(39,759)
At end of financial year	1,744,650	1,781,579

Note:

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

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

Name	Principal activities	Effective equity interest	
		2017 %	2016 %
<i>Subsidiaries of the Company</i>			
Alliance Bank Malaysia Berhad	Banking and finance business and the provision of related financial services	100	100
Hijauan Setiu Sdn. Bhd.	Investment holding	100	100
Setiu Integrated Resort Sdn. Bhd.	Investment holding	100	100
Alliance Trustee Berhad [Note (b)]	Trustee services	100	100
Kota Indrapura Development Corporation Berhad	Property holding	100	100

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2017

13. INVESTMENTS IN SUBSIDIARIES (cont'd)

Details of the subsidiaries, which are incorporated in Malaysia, are as follows (cont'd):

Name	Principal activities	Effective equity interest	
		2017 %	2016 %
<i>Subsidiaries of Alliance Bank Malaysia Berhad</i>			
Alliance Investment Bank Berhad	Investment banking business including Islamic banking, provision of stockbroking services and related financial services	100	100
Alliance Islamic Bank Berhad	Islamic banking, finance business and the provision of related financial services	100	100
Alliance Direct Marketing Sdn. Bhd.	Dealing in sales and distribution of consumer and commercial banking products	100	100
AllianceGroup Nominees (Asing) Sdn. Bhd.	Nominee services	100	100
AllianceGroup Nominees (Tempatan) Sdn. Bhd.	Nominee services	100	100
<i>Subsidiaries of Alliance Investment Bank Berhad</i>			
ARSB Alliance Sdn. Bhd.	Dormant	100	100
KLCS Sdn. Bhd.	Dormant	100	100
Rothputra Nominees (Tempatan) Sdn. Bhd. (under members' voluntary winding up)	Dormant	100	100
AIBB Nominees (Tempatan) Sdn. Bhd. (under members' voluntary winding up)	Dormant	100	100
AIBB Nominees (Asing) Sdn. Bhd. (under members' voluntary winding up)	Dormant	100	100
Unincorporated trust for ESS	Special purpose vehicle for ESS	-	-

13. INVESTMENTS IN SUBSIDIARIES (cont'd)

Note:

(b) Alliance Trustee Berhad is jointly held by the following subsidiaries:

	Effective equity interest	
	2017	2016
	%	%
i) Alliance Bank Malaysia Berhad	40	40
ii) Alliance Investment Bank Berhad	20	20
iii) Hijauan Setiu Sdn. Bhd.	20	20
iv) Setiu Integrated Resort Sdn. Bhd.	20	20

14. INVESTMENT IN JOINT VENTURE

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Unquoted shares, at cost				
At beginning of financial year	566	410	-	-
Share of result of joint venture	84	156	-	-
At end of financial year	650	566	-	-
Employees' Share Scheme [Note (a)]	113	165	113	165
Net Carrying Amount	763	731	113	165
Represented by:				
Group's share of net assets	650	566	113	165

Note:

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

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

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

Investment in AllianceDBS Research Sdn. Bhd. ("ADBS") is accounted for as an investment in joint venture in accordance with MFRS 128 "Investment in Associates and Joint Ventures" because both of the Group and the other joint venturer have joint control over the decision making of the entity and rights to the net assets of the entity.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2017

14. INVESTMENT IN JOINT VENTURE (cont'd)

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

	Group	
	2017 RM'000	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
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
Reconciliation of summarised financial information:		
<u>Net assets</u>		
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
At 51% share of the equity interest of a joint venture	650	566
Employees' Share Scheme	113	165
Carrying value	763	731

15. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land		Leasehold land		Buildings	Renovations	Office equipment, furniture and fixtures	Computer equipment	Motor vehicles	Total
	RM'000	RM'000	50 years or more	Less than 50 years						
2017										
Cost										
At beginning of financial year	1,953	11,673	1,850	1,850	30,332	122,103	54,351	64,323	1,516	288,101
Additions	-	-	-	-	-	1,455	3,914	3,019	1,011	9,399
Disposals	-	-	-	-	-	-	-	-	(1,139)	(1,139)
Written off	-	-	-	-	-	(520)	(839)	(222)	-	(1,581)
At end of financial year	1,953	11,673	1,850	1,850	30,332	123,038	57,426	67,120	1,388	294,780
Accumulated Depreciation										
At beginning of financial year	-	2,845	982	982	11,158	97,943	37,034	50,798	591	201,351
Charge for the financial year	-	114	23	23	587	9,086	5,625	5,656	261	21,352
Disposals	-	-	-	-	-	-	-	-	(523)	(523)
Written off	-	-	-	-	-	(423)	(710)	(215)	-	(1,348)
At end of financial year	-	2,959	1,005	1,005	11,745	106,606	41,949	56,239	329	220,832
Net Carrying Amount	1,953	8,714	845	845	18,587	16,432	15,477	10,881	1,059	73,948

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2017

15. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group	Freehold land		Leasehold land		Buildings	Renovations	Office equipment, furniture and fixtures	Computer equipment	Motor vehicles	Total
	RM'000	50 years or more	50 years or less	RM'000						
2016										
Cost										
At beginning of financial year	1,953	11,673	1,850		30,415	118,266	50,446	101,992	1,706	318,301
Additions	-	-	-	-	-	5,765	5,181	2,038	-	12,984
Disposals	-	-	-	(83)	(83)	-	(15)	(89)	(190)	(377)
Written off	-	-	-	-	-	(1,928)	(1,261)	(39,618)	-	(42,807)
At end of financial year	1,953	11,673	1,850		30,332	122,103	54,351	64,323	1,516	288,101
Accumulated Depreciation										
At beginning of financial year	-	2,745	959		10,606	89,281	32,019	84,392	588	220,590
Charge for the financial year	-	100	23		589	10,039	6,186	5,945	132	23,014
Disposals	-	-	-	(37)	(37)	-	(14)	(28)	(129)	(208)
Written off	-	-	-	-	-	(1,377)	(1,157)	(39,511)	-	(42,045)
At end of financial year	-	2,845	982		11,158	97,943	37,034	50,798	591	201,351
Net Carrying Amount	1,953	8,828	868		19,174	24,160	17,317	13,525	925	86,750

Note:

Included in property, plant and equipment of the Group are computer equipment under finance lease with a carrying amount of RM5,805,000 (2016: RM8,125,000). Details of the terms and conditions of the finance lease arrangement are disclosed in Note 22(b) to the financial statements.

15. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Company	Computer equipment RM'000	Office equipment, furniture and fixtures RM'000	Motor vehicles RM'000	Renovations RM'000	Total RM'000
2017					
Cost					
At beginning of financial year	8	415	500	621	1,544
Additions	10	-	-	1	11
At end of financial year	18	415	500	622	1,555
Accumulated Depreciation					
At beginning of financial year	5	412	185	619	1,221
Charge for the financial year	2	2	170	1	175
At end of financial year	7	414	355	620	1,396
Net Carrying Amount	11	1	145	2	159
2016					
Cost					
At beginning of financial year	251	422	500	621	1,794
Additions	3	-	-	-	3
Written off	(246)	(7)	-	-	(253)
At end of financial year	8	415	500	621	1,544
Accumulated Depreciation					
At beginning of financial year	251	413	143	619	1,426
Charge for the financial year	-	6	42	-	48
Written off	(246)	(7)	-	-	(253)
At end of financial year	5	412	185	619	1,221
Net Carrying Amount	3	3	315	2	323

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2017

16. DEFERRED TAX

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deferred tax assets	14,738	10,639	703	435
Deferred tax liabilities	(9,960)	(15,617)	-	-
	4,778	(4,978)	703	435

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At beginning of financial year	(4,978)	(684)	435	334
Recognised in statements of comprehensive income [Note 36]	4,855	7,250	268	101
Recognised in other comprehensive income	4,901	(11,544)	-	-
At end of financial year	4,778	(4,978)	703	435

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

Group	Unabsorbed tax losses and capital allowances RM'000	Other liabilities RM'000	Financial investments available- for-sale RM'000	Property, plant and equipment RM'000	Total RM'000
Deferred tax:					
At 31 March 2015	2,012	39,377	(24,705)	(17,368)	(684)
Recognised in statements of comprehensive income	(916)	390	-	7,776	7,250
Recognised in other comprehensive income	-	-	(11,544)	-	(11,544)
At 31 March 2016	1,096	39,767	(36,249)	(9,592)	(4,978)
Recognised in statements of comprehensive income	(1,096)	3,321	-	2,630	4,855
Recognised in other comprehensive income	-	-	4,901	-	4,901
At 31 March 2017	-	43,088	(31,348)	(6,962)	4,778

16. DEFERRED TAX (cont'd)

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

Company	Other temporary differences RM'000	Property, plant and equipment RM'000	Total RM'000
Deferred tax assets:			
At 31 March 2015	345	(11)	334
Recognised in statement of comprehensive income	90	11	101
At 31 March 2016	435	-	435
Recognised in statement of comprehensive income	261	7	268
At 31 March 2017	696	7	703

17. INTANGIBLE ASSETS

	2017 RM'000	Group 2016 RM'000
Goodwill		
Cost		
At beginning of financial year	301,997	301,997
Accumulated Impairment:		
At beginning of financial year	(2,084)	(2,084)
Impairment made during the financial year	(1,208)	-
At end of financial year	(3,292)	(2,084)
Net Carrying Amount	298,705	299,913
Computer software		
Cost		
At beginning of financial year	165,978	189,274
Additions	38,197	24,871
Written off	(339)	(48,167)
At end of financial year	203,836	165,978
Accumulated Amortisation		
At beginning of financial year	(102,909)	(129,252)
Charge for the financial year	(22,397)	(21,750)
Written off	126	48,093
At end of financial year	(125,180)	(102,909)
Net Carrying Amount	78,656	63,069
Total carrying amount of goodwill and computer software	377,361	362,982

Note:

Computer software includes work in progress of RM21,888,000 (2016: RM8,460,000) which is not amortised until ready for use.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2017

17. INTANGIBLE ASSETS (cont'd)

(a) Impairment test on goodwill

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

	Group	
	2017	2016
	RM'000	RM'000
Consumer banking	101,565	101,565
Business banking	100,822	100,822
Financial markets	83,261	83,261
Corporate finance and capital market	630	1,838
Stockbroking business	12,427	12,427
	298,705	299,913

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

(i) Discount rate

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

	Group	
	2017	2016
	%	%
Consumer banking	7.96	8.66
Business banking	7.96	8.66
Financial markets	7.96	8.66
Corporate finance and capital market	7.14	8.03
Stockbroking business	7.13	8.04

(ii) Cash flow projections and growth rate

Cash flow projections are based on four-year financial budget and projections approved by the Board of Director. 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.

17. INTANGIBLE ASSETS (cont'd)**(a) Impairment test on goodwill (cont'd)**

During the financial year, an impairment loss on RM1.2 million (2016: RM Nil) has been recognised in respect of Corporate Finance and Capital Market 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.

18. DEPOSITS FROM CUSTOMERS

	Group	
	2017	2016
	RM'000	RM'000
Amortised cost		
Demand deposits	13,605,203	12,984,455
Savings deposits	1,864,445	1,787,163
Fixed/investment deposits	24,232,158	22,890,873
Money market deposits	1,412,241	2,594,183
Negotiable instruments of deposits	3,331,673	5,268,944
Structured deposits	379,982	260,185
	44,825,702	45,785,803
At fair value through profit and loss		
Structured deposits	402,734	239,136
	45,228,436	46,024,939

Note:

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2017

18. DEPOSITS FROM CUSTOMERS (cont'd)

Note (cont'd):

- (b) During the financial year, the Group designated certain structured deposits at fair value through profit or loss. This designation is permitted under MFRS 139 "Financial Instruments: Recognition and Measurement" as it includes embedded derivatives that are not closely related to its underlying deposits. The structured deposits are recorded at fair value.

	2017 RM'000	Group 2016 RM'000
Structured deposits	426,644	269,601
Fair value changes arising from designation at fair value through profit or loss	(23,910)	(30,465)
	402,734	239,136

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

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

	2017 RM'000	Group 2016 RM'000
Due within six months	21,189,833	25,104,425
Six months to one year	7,566,156	5,464,888
One year to three years	32,637	53,992
Three years to five years	187,446	130,695
	28,976,072	30,754,000

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

	2017 RM'000	Group 2016 RM'000
Domestic financial institutions	3,299,060	5,349,252
Domestic non-bank financial institutions	2,292,516	2,724,792
Government and statutory bodies	3,647,891	3,962,637
Business enterprises	15,568,282	14,678,060
Individuals	19,316,253	18,221,964
Foreign entities	652,995	593,398
Others	451,439	494,836
	45,228,436	46,024,939

19. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group	
	2017	2016
	RM'000	RM'000
Licensed banks	273,325	708,074
Bank Negara Malaysia	589,579	449,176
	862,904	1,157,250

20. BALANCES DUE TO CLIENTS AND BROKERS

	Group	
	2017	2016
	RM'000	RM'000
Due to clients	69,066	77,246
	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 non-margin clients is three (3) market days according to the Bursa's FDSS trading rules.

Following the issuance of FRSIC Consensus 18, the Group no longer recognises trust monies balances in the statement of financial position, as the Group does not have any control over the trust monies to obtain the future economic benefits embodied in the trust monies. The trust monies maintained by the Group amounting to RM75,447,000 (2016: RM83,067,000) have been excluded accordingly.

21. AMOUNT DUE TO CAGAMAS BERHAD

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2017

22. OTHER LIABILITIES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Other payables	243,811	206,438	90	137
Bills payable	203,663	129,915	-	-
Settlement account	30,116	37,792	-	-
Clearing account	331,384	345,884	-	-
Sundry deposits	43,340	45,526	-	-
Provision and accruals	99,829	102,223	3,066	1,977
Remisier's accounts	8,279	6,151	-	-
Allowance for commitment and contingencies	2,301	-	-	-
Amount due to subsidiaries [Note (a)]	-	-	191	509
Amount due to joint venture [Note (a)]	260	-	-	-
Finance lease liabilities [Note (b)]	5,805	8,125	-	-
	968,788	882,054	3,347	2,623

Note:

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

Group	Future minimum lease payments RM'000	Future finance charges RM'000	Present value of finance lease liabilities RM'000
2017			
Within one year	2,780	(304)	2,476
One year to five years	3,475	(146)	3,329
	6,255	(450)	5,805
2016			
Within one year	2,780	(460)	2,320
One year to five years	6,255	(450)	5,805
	9,035	(910)	8,125

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

23. OTHER BORROWINGS

On 28 August 2015, the Group obtained approval from Bank Negara Malaysia for establishment of Senior Medium Term Notes Programme (“Senior MTN Programme”) up to RM1.5 billion in nominal value with tenure up (30) years from the first issuance.

On 14 December 2015, the Group issued RM5.0 million Senior Medium Term Notes (“Senior MTNs”) under the RM1.5 billion Senior MTN Programme.

Senior MTN Programme of RM1.5 billion in nominal value up to (30) years from the first issuance.

	Group	
	2017 RM'000	2016 RM'000
At cost	5,000	5,000
Interest accrued	70	71
	5,070	5,071

The Senior MTNs have assigned a long term rating of A1 by RAM Rating Services Berhad with tenure of 2 years.

The coupon rate for the Senior MTNs is fixed at 4.75% per annum, payable semi-annually throughout the entire tenure.

The main features of the Senior MTNs are as follows:

- (i) Issue date: 14 December 2015
- (ii) Tenor of the facility/issue: 2 years after issue date
- (iii) Maturity date: 14 December 2017
- (iv) Interest rate/coupon: 4.75% per annum, payable semi-annually in arrears
- (v) Call option: Not available
- (vi) The Senior MTNs constitutes direct unsecured obligations of the issuer, to the extent and in the manner provided for in the Senior MTNs and ranks at least pari passu with all other present and future unsecured obligations of the issuer.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2017

24. SUBORDINATED OBLIGATIONS

On 28 August 2015, the Group obtained approval from Bank Negara Malaysia for establishment of Subordinated Medium Term Notes Programme ("Sub-MTN Programme") to issue up to RM2.0 billion in nominal value with tenure up to (30) years from the first issuance.

	Note	Group	
		2017 RM'000	2016 RM'000
Subordinated Notes			
RM600 million Sub-MTNs	(a)	-	613,927
RM900 million Sub-MTNs	(b)	921,295	921,344
RM300 million Sub-MTNs	(c)	304,783	304,876
		1,226,078	1,840,147

(a) RM600 million Sub-MTNs

On 8 April 2011, the Group issued RM600 million Sub-MTNs under the RM1.5 billion Sub-MTN Programme.

	Group	
	2017 RM'000	2016 RM'000
At cost	-	600,000
Accumulated unamortised discount	-	(18)
Interest accrued	-	13,945
	-	613,927

The Sub-MTNs have been assigned a long term rating of A2 by RAM Rating Services Berhad with tenure of 10 years, callable five (5) years after issue date and on every coupon payment date thereafter.

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

The main features of the Sub-MTNs are as follows:

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

24. SUBORDINATED OBLIGATIONS (cont'd)**(a) RM600 million Sub-MTNs (cont'd)**

- (vi) The Sub-MTNs constitutes direct and unsecured obligations of the issuer, subordinated in right and priority of payment, to the extent and in the manner provided in the Sub-MTNs, ranking pari passu among themselves.
- (vii) In the event of winding up or liquidation of the issuer, be subordinated in right of payment to all deposit liabilities and other liabilities of the issuer, except in each case to those liabilities which by their terms rank equally in right of payment or which are subordinated to the Sub-MTNs.

On 8 April 2016, the Group has fully redeemed its RM600.0 million Sub-MTNs.

(b) RM900 million Sub-MTNs

On 27 October 2015, the Group issued RM900 million Sub-MTNs under the RM2.0 billion Subordinated MTN Programme.

	Group	
	2017	2016
	RM'000	RM'000
At cost	900,000	900,000
Accumulated unamortised discount	(823)	(916)
Interest accrued	22,118	22,260
	921,295	921,344

The Subordinated Notes have been assigned a long term rating of A2 by RAM Rating Services Berhad with tenure of 10 years, callable five (5)-years after issue date.

The coupon rate for the Sub-MTNs is fixed at 5.75% per annum, payable semi-annually throughout the entire tenure.

The main features of the Sub-MTNs are as follows:

- (i) Issue date: 27 October 2015
- (ii) Tenure of the facility/issue: 10 years from the issue date and callable five (5) years after issue date
- (iii) Maturity date: 27 October 2025
- (iv) Interest rate/coupon: 5.75% per annum, payable semi-annually in arrears
- (v) Call date: 27 October 2020 and thereafter on every coupon payment date
- (vi) The Sub-MTNs constitutes direct and unsecured obligations of the issuer, subordinated in right and priority of payment, to the extent and in the manner provided in the Sub-MTNs, ranking pari passu among themselves.
- (vii) In the event of winding up or liquidation of the issuer, be subordinated in right of payment to all deposit liabilities and other liabilities of the issuer, except in each case to those liabilities which by their terms rank equally in right of payment or which are subordinated to the Sub-MTNs.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2017

24. SUBORDINATED OBLIGATIONS (cont'd)

(c) RM300 million Sub-MTNs

On 18 December 2015, the Group issued RM300 million Sub-MTNs under the RM2.0 billion Subordinated MTN Programme.

	Group	
	2017	2016
	RM'000	RM'000
At cost	300,000	300,000
Interest accrued	4,783	4,876
	304,783	304,876

The Sub-MTNs have been assigned a long term rating of A2 by RAM Rating Services Berhad with tenure of 10 years, callable five (5)-years after issue date.

The coupon rate for the Sub-MTNs is fixed at 5.65% per annum, payable semi-annually throughout the entire tenure.

The main features of the Sub-MTNs are as follows:

- (i) Issue date: 18 December 2015
- (ii) Tenure of the facility/issue: 10 years from the issue date and callable five (5) years after issue date
- (iii) Maturity date: 18 December 2025
- (iv) Interest rate/coupon: 5.65% per annum, payable semi-annually in arrears
- (v) Call date: 18 December 2020 and thereafter on every coupon payment date
- (vi) The Sub-MTNs constitutes direct and unsecured obligations of the issuer, subordinated in right and priority of payment, to the extent and in the manner provided in the Sub-MTNs, ranking pari passu among themselves.
- (vii) In the event of winding up or liquidation of the issuer, be subordinated in right of payment to all deposit liabilities and other liabilities of the issuer, except in each case to those liabilities which by their terms rank equally in right of payment or which are subordinated to the Sub-MTNs.

25. SHARE CAPITAL

	Group/Company	
	2017	2016
	RM'000	RM'000
Ordinary share issued:		
At beginning/end of financial year	1,548,106	1,548,106

26. RESERVES

	Note	Group	
		2017	2016
		RM'000	RM'000
<u>Non-distributable:</u>			
Statutory reserves	(a)	981,487	957,981
Regulatory reserves	(b)	157,900	157,174
Capital reserves	(c)	7,013	7,013
Revaluation reserves	(d)	99,268	114,786
Employees' share scheme ("ESS") reserves	(e)	6,444	11,516
Share premium	(f)	304,289	304,289
		1,556,401	1,552,759
<u>Distributable:</u>			
Retained profits		2,083,528	1,821,040
		3,639,929	3,373,799

		Company	
		2017	2016
		RM'000	RM'000
<u>Non-distributable:</u>			
Employees' share scheme reserves	(e)	6,444	11,516
Share premium	(f)	304,289	304,289
		310,733	315,805
<u>Distributable:</u>			
Retained profits		68,014	53,336
		378,747	369,141

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2017

26. RESERVES (cont'd)

Note:

- (a) The statutory reserves is maintained in compliance with Section 47(2)(f) of the Financial Services Act, 2013 ("FSA") and Section 57(2)(f) of the Islamic Financial Services Act, 2013 ("IFSA") which requires a banking institution to maintain a reserve fund and minimum capital funds at all times.
- (b) The Group's banking subsidiaries 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 Provision for Loans/Financing".
- (c) Capital reserves are in respect of retained profit capitalised for a bonus issue by a subsidiary company.
- (d) The revaluation reserves are in respect of unrealised fair value gains and losses on financial investments available-for-sale.
- (e) The employees' share scheme reserves relates to the equity-settled share options/grants to 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.
- (f) 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 and capital reserve account may be utilised within 24 months from the commencement date of 31 January 2017 in the manner as allowed for under the Act. Any remaining amount standing to the credit of the Bank's shall be reclassified and become part of the share capital.

27. SHARES HELD FOR EMPLOYEES' SHARE SCHEME

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

During the financial year ended 31 March 2017, the Trustee of the ESS had not purchased any shares in the Company from the open market (2016: Nil).

In the financial year ended 31 March 2017, 1,731,400 shares (2016: 1,951,400 shares) have been vested and transferred from the Trustee to the eligible employees of the Company and its subsidiaries in accordance with the terms under the Share Grant Plan and Share Option Plan of the ESS. As at 31 March 2017, the Trustee of the ESS held 21,195,100 (2016: 22,926,500) ordinary shares representing 1.37% (2016: 1.48%) of the issued and paid-up capital of the Company.

28. EMPLOYEES' SHARE SCHEME ("ESS")

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

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

The salient features of the ESS are as follows:

- (i) The AFG Bhd ESS is implemented and administered by the Employees' Share Participating Scheme Committee ("ESPS Committee") in accordance with the Bye-Laws.
- (ii) The total number of shares which may be available under the ESS shall not exceed in aggregate 10% of the total issued and paid-up share capital of the Company at any one time during the existence of the ESS and out of which not more than 50% of the shares available under the ESS shall be allocated, in aggregate, to Directors and senior management. In addition, not more than 10% of the shares available under the ESS shall be allocated to any individual Director or employee who, either singly or collectively through his/her associates, holds 20% or more in the issued and paid-up capital of the Company.
- (iii) The subscription price for each share under the Share Option Plan, Share Grant Plan and Share Save Plan may be at a discount (as determined by the ESPS Committee or such other pricing mechanism as may from time to time be permitted by Bursa Malaysia Securities Berhad or such other relevant regulatory authorities), provided that the discount shall not be more than 10% from the 5-day weighted average market price of the shares of the Company transacted on Bursa Malaysia Securities Berhad immediately preceding the date on which an offer is made or at par value of the shares, whichever is higher.
- (iv) The ESPS Committee may at its discretion offer to any Director or employee of a corporation in the Group to participate in the ESS if the Director or employee:
 - (a) has attained the age of 18 years;
 - (b) in the case of a Director, is on the Board of Directors of a corporation in the Group;
 - (c) in the case of an employee, is employed by a corporation in the Group; and
 - (d) is not a participant of any other employee share option scheme implemented by any other corporation within the Group which is in force for the time being.

Provided that the Non-Executive Directors of the Group who are not employed by a corporation in the Group shall not be eligible to participate in the Share Save Plan.

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2017

28. EMPLOYEES' SHARE SCHEME ("ESS") (cont'd)

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

Group	Share Options					Share Grants						
	At beginning of financial year '000	Offered/ awarded '000	Transfer in/(out) '000	Vested/ exercised '000	Lapsed/ forfeited '000	At end of financial year '000	At beginning of financial year '000	Offered/ awarded '000	Transfer in/(out) '000	Vested '000	Lapsed/ forfeited '000	At end of financial year '000
2017												
2014 Share Scheme	6,693	-	-	-	(6,693)	-	187	-	-	(167)	(20)	-
2015 Share Scheme (1st grant)	-	-	-	-	-	-	903	-	-	(416)	(131)	356
2015 Share Scheme (2nd grant)	-	-	-	-	-	-	23	-	-	(11)	-	12
2016 Share Scheme	-	-	-	-	-	-	1,433	-	-	(443)	(217)	773
	6,693	-	-	-	(6,693)	-	2,546	-	-	(1,037)	(368)	1,141
WAEP (RM)	5.36	-	-	-	5.36	-	-	-	-	-	-	-
2016												
2013 Share Scheme (1st grant)	7,480	-	-	-	(7,480)	-	482	-	-	(454)	(28)	-
2013 Share Scheme (2nd grant)	1,050	-	-	-	(1,050)	-	37	-	-	(37)	-	-
2014 Share Scheme	10,330	-	-	-	(3,637)	6,693	534	-	-	(281)	(66)	187
2015 Share Scheme (1st grant)	-	-	-	-	-	-	1,911	-	-	(715)	(294)	902
2015 Share Scheme (2nd grant)	-	-	-	-	-	-	34	-	-	(11)	-	23
2016 Share Scheme	-	-	-	-	-	-	-	1,816	-	(113)	(270)	1,433
	18,860	-	-	-	(12,167)	6,693	2,998	1,816	-	(1,611)	(658)	2,545
WAEP (RM)	4.85	-	-	-	4.56	5.36	-	-	-	-	-	-

28. EMPLOYEES' SHARE SCHEME ("ESS") (cont'd)

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

Company	Share Options				Share Grants						
	At beginning of financial year '000	Offered/ awarded '000	Transfer in/(out) '000	Vested/ exercised '000	Lapsed/ forfeited '000	At end of financial year '000	Offered/ awarded '000	Transfer in/(out) '000	Vested '000	Lapsed/ forfeited '000	At end of financial year '000
2017											
2014 Share Scheme	363	-	-	-	(363)	-	8	-	-	(8)	-
2015 Share Scheme (1st grant)	-	-	-	-	-	34	-	-	-	(17)	17
2016 Share Scheme	-	-	-	-	-	40	-	-	-	(14)	26
	363	-	-	-	(363)	-	82	-	-	(39)	43
WAEP (RM)	5.36	-	-	-	5.36	-	-	-	-	-	-
2016											
2013 Share Scheme (1st grant)	301	-	-	-	(301)	-	16	-	-	(16)	-
2014 Share Scheme	399	-	(36)	-	-	363	20	-	(2)	(10)	8
2015 Share Scheme (1st grant)	-	-	-	-	-	-	59	-	(6)	(20)	33
2016 Share Scheme	-	-	-	-	-	-	-	40	-	-	40
	700	-	(36)	-	(301)	363	95	40	(8)	(46)	81
WAEP (RM)	4.87	-	5.36	-	4.22	5.36	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2017

28. EMPLOYEES' SHARE SCHEME ("ESS") (cont'd)

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

	WAEP RM	Exercise Period
2014 Share Options	5.36	16.08.2016 - 16.08.2017
	Vesting Schedule	Vesting Date
2014 Share Grants	- First 33.3% of the share grants	16.08.2014
	- Second 33.3% of the share grants	16.08.2015
	- Third 33.4% of the share grants	16.08.2016
2015 Share Grants (1st grant)	- First 33.3% of the share grants	23.06.2015
	- Second 33.3% of the share grants	23.06.2016
	- Third 33.4% of the share grants	23.06.2017
2015 Share Grants (2nd grant)	- First 33.3% of the share grants	26.01.2016
	- Second 33.3% of the share grants	26.01.2017
	- Third 33.4% of the share grants	26.11.2017
2016 Share Grants	- First 33.0% of the share grants	22.06.2016
	- Second 67.0% of the share grants	22.06.2017

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

- (i) The aggregate maximum allocation of shares options/grants to Executive Directors and senior management of the Group during the financial year and since commencement of the ESS is 50% of shares available under the ESS.
- (ii) There were no allocation of share grants to Executive Directors and senior management as at 31 March 2017. As for financial year ended 31 March 2016, the actual allocation of share grants to Executive Directors and senior management was 41.0%.

28. EMPLOYEES' SHARE SCHEME ("ESS") (cont'd)

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

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

Share Options		Share Grants			
2014		2014	2015	2015	2016
			(1st grant)	(2nd grant)	
Fair value of the shares as at grant date,					
- 06 July 2012 (RM)	-	-	-	-	-
- 31 January 2013 (RM)	-	-	-	-	-
- 16 August 2013 (RM)	0.7200	-	-	-	-
Weighted average share price (RM)	5.3600	5.3600	4.7400	4.7430	4.3700
Weighted average exercise price (RM)	5.3600	-	-	4.3500	-
Expected volatility (%)	0.2084	0.2084	0.2418	0.1884	0.1736
Expected life (years)	4	-	-	-	4.0600
Risk free rate (%)	3.09 to 3.83	3.09 to 3.83	3.17 to 4.43	3.36 to 4.39	2.99 to 4.29
Expected dividend yield (%)	3.90	3.90	4.36	4.31	4.31

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2017

29. INTEREST INCOME

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Loans, advances and financing	1,491,006	1,486,756	-	-
Money at call and deposit placements with financial institutions	23,975	17,417	2,237	2,092
Financial assets held-for-trading	6,178	4,242	-	-
Financial investments available-for-sale	246,536	306,319	-	-
Financial investments held-to-maturity	26,691	26,871	-	-
Others	11,881	10,684	-	-
	1,806,267	1,852,289	2,237	2,092
Accretion of discount less amortisation of premium	73,946	68,125	-	-
	1,880,213	1,920,414	2,237	2,092

Included in interest income on loans and advances for the current year is interest accrued on impaired loans of the Group of RM16,604,000 (2016 : RM20,283,000) .

30. INTEREST EXPENSE

	Group	
	2017 RM'000	2016 RM'000
Deposits and placements of banks and other financial institutions	15,572	51,545
Deposits from customers	893,890	936,314
Securities sold under repurchase agreements	-	272
Loans sold to Cagamas	21,770	2,725
Other borrowings	238	71
Subordinated obligations	69,366	56,861
Others	31,832	24,834
	1,032,668	1,072,622

31. NET INCOME FROM ISLAMIC BANKING BUSINESS

	Group	
	2017 RM'000	2016 RM'000
Income derived from investment of depositors' funds and others	471,698	425,912
Income derived from investment of Islamic Banking funds	47,429	37,872
Income attributable to depositors and financial institutions	(222,090)	(219,633)
	297,037	244,151

Note:

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

32. OTHER OPERATING INCOME

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
(a) Fee and commission income:				
Commissions	87,570	77,843	-	-
Service charges and fees	30,938	31,250	-	-
Corporate advisory fees	1,785	1,639	-	-
Underwriting commissions	85	375	-	-
Brokerage fees	29,795	33,793	-	-
Guarantee fees	18,427	15,430	-	-
Processing fees	12,857	8,061	-	-
Commitment fees	15,972	15,445	-	-
Cards related income	96,643	98,407	-	-
Other fee income	3,003	3,005	-	-
	297,075	285,248	-	-
(b) Fee and commission expense:				
Commissions expense	(1,965)	(2,050)	-	-
Brokerage fees expense	(11,420)	(15,778)	-	-
Guarantee fees expense	(1,047)	(898)	-	-
Cards related expense	(85,440)	(88,046)	-	-
	(99,872)	(106,772)	-	-
(c) Investment income:				
Gain/(loss) arising from sale/redemption of:				
- Financial assets held-for-trading	988	(281)	-	-
- Financial investments held-to-maturity	-	(34)	-	-
- Financial investments available-for-sale	5,239	6,125	-	-
Marked-to-market revaluation of:				
- Financial assets held-for-trading	(1,147)	1,253	-	-
- Derivative financial instruments	144,553	(166,215)	-	-
- Unrealised (loss)/gain arising from financial liabilities designated at fair value	(6,555)	26,728	-	-
Realised (loss)/gain on derivative financial instruments	(2,800)	221,532	-	-
Gross dividend income from:				
- Financial investments available-for-sale	3,218	3,190	-	-
- Subsidiary	-	-	232,503	192,439
	143,496	92,298	232,503	192,439
(d) Other income:				
Foreign exchange (loss)/gain	(43,706)	32,646	-	-
Loss on disposal of property, plant and equipment	(346)	(11)	-	-
Others	28,194	28,786	2,451	2,584
	(15,858)	61,421	2,451	2,584
Total other operating income	324,841	332,195	234,954	195,023

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2017

33. OTHER OPERATING EXPENSES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	337,104	334,317	524	505
- Contribution to EPF	53,839	53,289	82	79
- Share options/grants under ESS	2,154	6,566	119	217
- Others	34,611	36,550	221	110
	427,708	430,722	946	911
<u>Establishment costs</u>				
- Depreciation of property, plant and equipment	21,352	23,014	175	48
- Amortisation of computer software	22,397	21,750	-	-
- Rental of premises	30,660	30,810	229	229
- Water and electricity	7,799	8,210	3	3
- Repairs and maintenance	9,905	9,278	125	114
- Information technology expenses	48,140	41,529	3	-
- Others	13,146	14,268	91	112
	153,399	148,859	626	506
<u>Marketing expenses</u>				
- Promotion and advertisement	7,416	4,459	-	-
- Branding and publicity	10,727	13,984	-	-
- Others	7,463	7,758	-	-
	25,606	26,201	-	-
<u>Administration and general expenses</u>				
- Communication expenses	13,874	13,356	13	11
- Printing and stationery	3,176	3,455	2	1
- Insurance	10,959	20,410	-	-
- Professional fees	22,019	19,149	2,016	122
- Others	35,166	26,798	1,386	1,269
	85,194	83,168	3,417	1,403
Total other operating expenses	691,907	688,950	4,989	2,820

Included in the other operating expenses are the following:

Auditors' remuneration [Note (a)]	2,276	1,961	482	107
Hire of equipment	4,869	5,888	-	-
Property, plant and equipment written off	233	762	-	-
Computer software written off	213	74	-	-

33. OTHER OPERATING EXPENSES (cont'd)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Included in the other operating expenses are the following:				
(a) Auditors' remuneration				
Statutory audit fee	1,178	1,138	98	58
Audit related services	858	689	237	37
Tax compliance work	105	114	12	12
Tax related services	135	20	135	-
Total	2,276	1,961	482	107
(b) CEOs and Directors' remuneration				
<u>CEOs and Directors of Subsidiaries:</u>				
Chief Executive Officers				
- Salaries and allowances	5,669	5,774	-	-
- Bonuses	3,100	2,625	-	-
- Contribution to EPF	1,085	1,141	-	-
- Share options/grants under ESS	180	241	-	-
- Benefits-in-kind	37	52	-	-
	10,071	9,833	-	-
<u>Directors of the Company and Subsidiaries:</u>				
Non-Executive Directors				
- Allowances	829	1,305	119	246
- Fees	2,825	1,826	607	462
- Benefits-in-kind	21	57	21	26
	3,675	3,188	747	734
	13,746	13,021	747	734
<u>Past Chief Executive Officer/Past Non-Executive Directors of Company and Subsidiaries:</u>				
- Salaries and allowances including meeting allowance	95	159	24	85
- Fees	267	224	57	81
- Benefits-in-kind	10	-	-	-
	372	383	81	166
Total	14,118	13,404	828	900
Total CEOs and Directors' remuneration excluding benefits-in-kind	14,050	13,295	807	874

Note:

- (a) Other than Directors fees and allowances, there were no amount paid or payable for service rendered by any Directors of the Group and the Company during the financial year.
- (b) During the financial year, Directors of the Group and the Company 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 Group and the Company, 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 Group and the Company was RM104,000 and RM1,000.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2017

33. OTHER OPERATING EXPENSES (cont'd)

(b) CEOs and Directors' remuneration (cont'd)

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

Group	Salary and other remuneration RM'000	Bonuses RM'000	Contribution to EPF RM'000	Fees RM'000	Allowances RM'000	Share options/ grants under ESS RM'000	Benefits- in-kind RM'000	Total RM'000
2017								
<i>CEOs and Directors of Subsidiaries:</i>								
Joel Kornreich	3,638	2,300	699	-	-	-	37	6,674
Mahesh s/o Shri Pranalal Rupawalla	1,286	500	243	-	-	96	-	2,125
Foziakhatoon Binti Amanulla Khan	745	300	143	-	-	84	-	1,272
	5,669	3,100	1,085	-	-	180	37	10,071
<i>Non-Executive Directors of Company and Subsidiaries:</i>								
Datuk Oh Chong Peng	-	-	-	224	29	-	21	274
Tan Chian Khong	-	-	-	76	14	-	-	90
Tan Sri Dato' Ahmad Bin Mohd Don	-	-	-	37	5	-	-	42
Kung Beng Hong	-	-	-	441	126	-	-	567
Ou Shian Waei	-	-	-	326	94	-	-	420
Kuah Hun Liang	-	-	-	269	85	-	-	354
Lee Ah Boon	-	-	-	241	83	-	-	324
Datuk Wan Azhar Bin Wan Ahmad	-	-	-	280	90	-	-	370
Lee Boon Huat	-	-	-	157	64	-	-	221
Ho Hon Cheong	-	-	-	142	62	-	-	204
Thayaparan A/L S Sangarapillai	-	-	-	113	37	-	-	150
Dato' Majid Bin Mohammad	-	-	-	118	57	-	-	245
Mazidah Binti Abdul Malik	-	-	-	101	29	-	-	130
Dato' Yeoh Beow Tit	-	-	-	66	11	-	-	77
Hj Md Ali Bin Md Sarif	-	-	-	76	21	-	-	97
Ibrahim Bin Hassan	-	-	-	44	11	-	-	55
Shaharuddin Bin Zainuddin	-	-	-	44	11	-	-	55
Dato' Thomas Mun Lung Lee	-	-	-	70	27	-	10	107
Tan Yuen Fah	-	-	-	61	25	-	-	86
Premod Paul Thomas	-	-	-	4	-	-	-	4
Megat Dziauddin Bin Megat Mahmud	-	-	-	75	19	-	-	94
Stephen Geh Sim Whye	-	-	-	57	24	-	-	81
	5,669	3,100	1,085	3,092	924	180	31	4,047
Total Directors' remuneration				3,092	924	180	68	14,118

33. OTHER OPERATING EXPENSES (cont'd)

(b) CEOs and Directors' remuneration (cont'd)

The total remuneration (including benefits-in-kind) of the CEOs and Directors of the Group are as follows (cont'd):

Group 2016	Salary and other remuneration RM'000	Bonuses RM'000	Contribution to EPF		Fees RM'000	Allowances RM'000	Share options/ grants under ESS RM'000	Benefits- in-kind RM'000	Total RM'000
			RM'000	RM'000					
<u>CEOs and Directors of Subsidiaries:</u>									
Joel Kornreich	4,195	2,000	816	-	-	-	52	7,063	
Mahesh s/o Shri Pranal Rupawalla	959	400	201	-	-	89	-	1,649	
Foziakhatoon Binti Amanulla Khan	620	225	124	-	-	152	-	1,121	
	5,774	2,625	1,141	-	-	241	52	9,833	
<u>Non-Executive Directors of Company and Subsidiaries:</u>									
Datuk Oh Chong Peng	-	-	-	176	51	-	26	253	
Stephen Geh Sim Whye	-	-	-	88	63	-	-	151	
Dato' Thomas Mun Lung Lee	-	-	-	270	99	-	31	400	
Kung Beng Hong	-	-	-	238	238	-	-	476	
Tan Yuen Fah	-	-	-	97	68	-	-	165	
Ou Shian Waei	-	-	-	146	142	-	-	288	
Kuah Hun Liang	-	-	-	146	119	-	-	265	
Lee Ah Boon	-	-	-	146	136	-	-	282	
Datuk Wan Azhar Bin Wan Ahmad	-	-	-	103	89	-	-	192	
Lee Boon Huat	-	-	-	79	72	-	-	151	
Ho Hon Cheong	-	-	-	48	39	-	-	87	
Dato' Majid Bin Mohamad	-	-	-	132	62	-	-	194	
Mazidah Binti Abdul Malik	-	-	-	14	4	-	-	18	
Hj Md Ali Bin Md. Sarif	-	-	-	66	61	-	-	127	
Megat Dziauddin Bin Megat Mahmud	-	-	-	177	104	-	-	281	
Premod Paul Thomas	-	-	-	67	56	-	-	123	
Dr. Abdul Rahman Bin Awang	-	-	-	57	61	-	-	118	
	-	-	-	2,050	1,464	-	57	3,571	
Total Directors' remuneration	5,774	2,625	1,141	2,050	1,464	241	109	13,404	

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2017

33. OTHER OPERATING EXPENSES (cont'd)

- (b) CEOs and Directors' remuneration (cont'd)

The total remuneration (including benefits-in-kind) of the Directors of the Company are as follows:

Company	Salary and other remuneration RM'000	Bonuses RM'000	Contribution to EPF RM'000	Fees RM'000	Allowances RM'000	Share options/ grants under ESS RM'000	Benefits-in-kind RM'000	Total RM'000
2017								
<u>Non-Executive Directors:</u>								
Datuk Oh Chong Peng	-	-	-	224	29	-	21	274
Tan Chian Khong	-	-	-	76	14	-	-	90
Kung Beng Hong	-	-	-	105	30	-	-	135
Ou Shian Waei	-	-	-	114	26	-	-	140
Lee Ah Boon	-	-	-	88	20	-	-	108
Stephen Geh Sim Whye	-	-	-	57	24	-	-	81
Total Directors' remuneration	-	-	-	664	143	-	21	828
2016								
<u>Non-Executive Directors:</u>								
Datuk Oh Chong Peng	-	-	-	176	51	-	26	253
Stephen Geh Sim Whye	-	-	-	88	63	-	-	151
Dato' Thomas Mun Lung Lee	-	-	-	32	28	-	-	60
Kung Beng Hong	-	-	-	66	54	-	-	120
Tan Yuen Fah	-	-	-	17	14	-	-	31
Ou Shian Waei	-	-	-	66	42	-	-	108
Lee Ah Boon	-	-	-	66	36	-	-	102
Megat Dziauddin Bin Megat Mahmud	-	-	-	32	43	-	-	75
Total Directors' remuneration	-	-	-	543	331	-	26	900

34. ALLOWANCE FOR LOSSES ON LOANS, ADVANCES AND FINANCING AND OTHER RECEIVABLES

	Group	
	2017	2016
	RM'000	RM'000
Allowance for losses on loans, advances and financing and other receivables:		
(a) Individual assessment allowance		
- Made during the financial year, net	23,506	24,229
(b) Collective assessment allowance		
- Made during the financial year, net	80,408	40,577
(c) Bad debts on loans and financing		
- Recovered	(33,552)	(37,799)
- Written off	19,757	17,229
	90,119	44,236
Allowance for other receivables, net	2,570	4,095
Write-back of losses from balances due from clients	(2)	(3)
Allowance for commitment and contingencies	2,301	-
	94,988	48,328

35. WRITE-BACK OF IMPAIRMENT ON OTHER ASSETS

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Write-back of impairment on securities:				
- Financial investments available-for-sale	-	(6,050)	-	-
- Financial investments held-to-maturity	-	(1,715)	-	-
Write-back of impairment on subsidiaries	-	-	(10,833)	-
Allowance for impairment on goodwill	1,208	-	-	-
	1,208	(7,765)	(10,833)	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2017

36. TAXATION

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Taxation:				
- Income tax provision for current financial year	174,953	172,468	1,121	1,113
- (Over)/under provision in prior financial years	(817)	7,525	-	-
	174,136	179,993	1,121	1,113
Deferred tax [Note 16]	(4,855)	(7,250)	(268)	(101)
	169,281	172,743	853	1,012

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

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit before taxation	681,404	694,781	243,035	194,295
Taxation at Malaysian statutory tax rate of 24% (2016: 24%)	163,537	166,747	58,328	46,631
Effect of income not subject to tax	(482)	(674)	(58,401)	(46,185)
Effect of expenses not deductible for tax purposes	7,043	5,440	926	569
Over provision of deferred tax in prior financial years	-	(6,295)	-	(3)
(Over)/under provision of tax expense in prior financial years	(817)	7,525	-	-
Tax expense for the financial year	169,281	172,743	853	1,012

37. EARNINGS PER SHARE**(a) Basic**

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

	Group	
	2017	2016
Net profit for the financial year attributable to Equity holders of the Company (RM'000)	512,123	522,038
Weighted average number of ordinary shares in issue ('000)	1,548,106	1,548,106
Shared held for ESS ('000)	(21,195)	(22,927)
	1,526,911	1,525,179
Basic earnings per share (sen)	33.5	34.2

(b) Diluted

The calculation of the diluted earnings per share is based on the net profit attributable to Equity holders of the Company for the financial year divided by the weighted average number of ordinary shares of RM1.00 each in issue during the financial year, excluding the number of shares held for ESS after taking into account the Share Grants to employees under ESS which are assumed to be fully vested to the employees as at 31 March 2017.

	Group	
	2017	2016
Net profit for the financial year attributable to Equity holders of the Company (RM'000)	512,123	522,038
Weighted average number of ordinary shares in issue ('000)	1,548,106	1,548,106
Shares held for ESS ('000)	(21,195)	(22,927)
Share Grants held for ESS ('000)	1,141	2,546
	1,528,052	1,527,725
Diluted earnings per share (sen)	33.5	34.2

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2017

38. DIVIDENDS

	Dividend in respect of financial year		Net Dividends per Ordinary Share	
	2017	2016	2017	2016
	RM'000	RM'000	Sen	Sen
<u>Recognised during the financial year:</u>				
<u>First interim dividend</u>				
8.5 sen per share, on 1,548,105,929 ordinary shares of RM1.00 each, declared in the financial year ending 31 March 2017, was paid on 30 December 2016	131,589	-	8.50	-
8.0 sen per share, on 1,548,105,929 ordinary shares of RM1.00 each, declared in the financial year ending 31 March 2016, was paid on 30 December 2015	-	123,848	-	8.00
<u>Second interim dividend</u>				
6.5 sen per share, on 1,548,105,929 ordinary shares of RM1.00 each, declared in the financial year ended 31 March 2016, was paid on 30 June 2016	100,627	-	6.50	-
6.4 sen per share, on 1,548,105,929 ordinary shares of RM1.00 each, declared in the financial year ended 31 March 2015, was paid on 30 June 2015	-	99,079	-	6.40
	232,216	222,927	15.00	14.40

Dividends paid on the shares held in trust pursuant to the Company's ESS which are classified as shares held for ESS are not accounted for in the equity. An amount of RM1,818,000 (2016: RM1,854,000) for the first interim dividend and RM1,472,000 (2016: RM1,576,000) for the second interim dividend being dividends paid for those shares were added back to the appropriation of retained profits in respect of the dividends.

Subsequent to the financial year end, on 31 May 2017, the Directors declared a second interim dividend of 7.5 sen per share, on 1,548,105,929 ordinary shares amounting to approximately RM116,108,000 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.

39. CAPITAL COMMITMENTS

	Group	
	2017	2016
	RM'000	RM'000
Capital expenditure:		
Authorised and contracted for	43,956	15,864
	43,956	15,864

40. FINANCIAL RISK MANAGEMENT POLICIES

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

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

(a) Credit Risk

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

Credit risk arises from loans/financing, advances, investment in securities, amongst others. The amount of credit exposure is represented by the carrying amount of loans/financing, advances and investment securities in the statements of financial position. The lending/financing activities in the Group are guided by the Group's Credit Risk Management Framework, in line with regulatory 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 42 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2017

40. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(a) Credit Risk (cont'd)

(i) Maximum exposure to credit risk

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

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

	Group	
	2017 RM'000	2016 RM'000
Credit risk exposure of on-balance sheet:		
Cash and short-term funds (exclude cash in hand)	1,114,086	4,650,111
Deposits and placements with banks and other financial institutions	-	195,865
Balances due from clients and brokers	113,022	104,659
Financial assets held-for-trading	335,260	132,229
Financial investments available-for-sale (exclude equity securities)	10,074,263	8,413,340
Financial investments held-to-maturity	917,092	1,129,307
Derivative financial assets	86,345	133,651
Loans, advances and financing (exclude sales commissions and handling fees)	38,955,726	38,372,359
Statutory deposits	1,437,444	1,410,928
Other assets (exclude prepayment)	90,811	87,705
	53,124,049	54,630,154
Credit risk exposure of off-balance sheet:		
Financial guarantees	620,666	568,644
Credit related commitments and contingencies	10,208,969	11,176,607
	10,829,635	11,745,251
Total maximum exposure	63,953,684	66,375,405

	Company	
	2017 RM'000	2016 RM'000
Credit risk exposure of on-balance sheet:		
Cash and short-term funds (exclude cash in hand)	66,044	56,836
Deposits and placements with banks and other financial institutions	44,345	-
Other assets (exclude prepayment)	417	790
Total maximum exposure	110,806	57,626

40. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(a) Credit Risk (cont'd)

(ii) Credit risk concentrations

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

Group	2017	Government	Financial,	Transport,	Agriculture,	Household	Others	Total
		and Central	Insurance,	Storage and	Manufacturing,			
		Bank	Business	Communication	Wholesale &	Construction	RM'000	RM'000
		RM'000	Real Estate	Services	Retail Trade	RM'000	RM'000	RM'000
Cash and short-term funds (exclude cash in hand)		971,784	142,302	-	-	-	-	1,114,086
Balances due from clients and brokers		-	17,358	-	-	-	95,664	113,022
Financial assets held-for-trading		40,159	193,889	101,212	-	-	-	335,260
Financial investments available-for-sale (exclude equity securities)		3,841,396	4,672,634	999,537	304,556	256,140	-	10,074,263
Financial investments held-to-maturity		770,427	146,665	-	-	-	-	917,092
Derivative financial assets		675	25,249	-	-	-	60,421	86,345
Loans, advances and financing (exclude sales commissions and handling fees)		-	5,166,846	366,667	10,749,144	979,757	455,536	38,955,726
Statutory deposits		1,437,444	-	-	-	-	-	1,437,444
Other assets (exclude prepayment)		-	387	-	-	-	90,424	90,811
		7,061,885	10,365,330	1,467,416	11,053,700	1,235,897	702,045	53,124,049
Financial guarantees		-	79,098	23,502	440,327	47,378	4,985	620,666
Credit related commitments and contingencies		-	1,347,539	120,834	4,296,222	1,328,052	793,780	10,208,969
		-	1,426,637	144,336	4,736,549	1,375,430	819,156	10,829,635
Total credit risk		7,061,885	11,791,967	1,611,752	15,790,249	2,611,327	1,521,201	63,953,684

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2017

40. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(a) Credit Risk (cont'd)

(ii) Credit risk concentrations (cont'd)

Group	Government and Central Bank		Financial, Insurance, Business Services, and Real Estate		Transport, Storage and Communication Services		Agriculture, Manufacturing, Wholesale & Retail Trade		Construction	Household	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000				
2016												
Cash and short-term funds (exclude cash in hand)	2,712,615	1,937,496	-	-	-	-	-	-	-	-	-	4,650,111
Deposits and placements with banks and other financial institutions	-	195,865	-	-	-	-	-	-	-	-	-	195,865
Balances due from clients and brokers	-	7,816	-	-	-	-	-	-	-	96,843	-	104,659
Financial assets held-for-trading	40,441	40,805	-	-	50,983	-	-	-	-	-	-	132,229
Financial investments available-for-sale (exclude equity securities)	3,717,205	3,529,144	-	-	780,619	-	226,243	-	160,129	-	-	8,413,340
Financial investments held-to-maturity	933,960	195,347	-	-	-	-	-	-	-	-	-	1,129,307
Derivative financial assets	13,175	92,277	-	-	-	-	-	-	-	28,199	-	133,651
Loans, advances and financing (exclude sales commissions and handling fees)	-	4,803,788	-	-	293,280	-	10,097,638	-	696,967	22,013,944	466,742	38,372,359
Statutory deposits	1,410,928	-	-	-	-	-	-	-	-	-	-	1,410,928
Other assets (exclude prepayment)	-	198	-	-	-	-	-	-	-	-	87,507	87,705
	8,828,324	10,802,736	1,124,882	10,323,881	857,096	22,013,944	679,291	54,630,154				
Financial guarantees	-	69,812	20,954	392,414	59,909	2,676	22,879	568,644				
Credit related commitments and contingencies	-	1,019,751	86,904	4,033,902	1,131,450	4,486,937	417,663	11,176,607				
	-	1,089,563	107,858	4,426,316	1,191,359	4,489,613	440,542	11,745,251				
Total credit risk	8,828,324	11,892,299	1,232,740	14,750,197	2,048,455	26,503,557	1,119,833	66,375,405				

40. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(a) Credit Risk (cont'd)

(ii) Credit risk concentrations (cont'd)

Company 2017	Financial, Insurance, Business Services, and Real Estate RM'000	Others RM'000	Total RM'000
Cash and short-term funds (exclude cash in hand)	66,044	-	66,044
Deposits and placements with banks and other financial institutions	44,345	-	44,345
Other assets (exclude prepayment)	233	184	417
Total credit risk	110,622	184	110,806
2016			
Cash and short-term funds (exclude cash in hand)	56,836	-	56,836
Other assets (exclude prepayment)	611	179	790
Total credit risk	57,447	179	57,626

(iii) Collaterals

The main types of collateral obtained by the Group are as follows:

- For personal housing loans/financing, mortgages over residential properties;
- For commercial property loans/financing, charges over the properties being financed;
- For hire purchase, ownership claimed over the vehicles or equipment financed; and
- For other loans/financing, charges over business assets such as premises, financial/trade receivables or deposits.

(iv) Credit quality - Loans, advances and financing

All loans, advances and financing are categorised as either:

- neither past due nor impaired;
- past due but not impaired; or
- impaired.

Past due loans/financing, advances and financing refer to loans that are overdue by one day or more. Impaired loans/financing are classified in accordance to the BNM guideline "Classification and Impairment Provision for Loan/Financing".

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2017

40. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(a) Credit Risk (cont'd)

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

Distribution of loans, advances and financing by credit quality

	2017 RM'000	Group 2016 RM'000
Neither past due nor impaired	37,672,110	37,029,553
Past due but not impaired	1,270,222	1,230,247
Impaired	393,349	487,868
Gross loans, advances and financing	39,335,681	38,747,668
Less: Allowance for impairment		
- Individual assessment	(66,627)	(68,331)
- Collective assessment	(313,328)	(306,978)
Net loans, advances and financing	38,955,726	38,372,359
Financial effect of collateral held for loans, advances and financing	73.7%	76.3%

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

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

	2017 RM'000	Group 2016 RM'000
Grading classification		
- Good	36,188,329	35,167,665
- Fair	1,483,781	1,861,888
	37,672,110	37,029,553

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.

40. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)**(a) Credit Risk (cont'd)****(iv) Credit quality - Loans, advances and financing (cont'd)****Loans, advances and financing that are past due but not impaired**

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

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

	Group	
	2017	2016
	RM'000	RM'000
Past due up to 1 month	1,016,032	1,008,966
Past due > 1 - 2 months	219,448	193,473
Past due > 2 - 3 months	34,742	27,808
	1,270,222	1,230,247

Loans, advances and financing assessed as impaired

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

	Group	
	2017	2016
	RM'000	RM'000
Gross impaired loans/financing	393,349	487,868
Gross individually assessed impaired loans/financing [Note]	129,176	127,479
Less: Allowance for impairment individual impaired	(66,627)	(68,331)
Net individually assessed impaired loans	62,549	59,148

Note:

Exclude individually assessed impaired loans which were fully collateralised and subsequently assessed under collective allowance for the Group (2017: RM37,345,000; 2016: RM106,867,000).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2017

40. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(a) Credit Risk (cont'd)

(v) Credit quality - financial instruments and financial assets

Financial instrument include cash and short term funds, deposits and placements with other financial institutions, balances due from clients and brokers, debt securities, derivative financial assets, 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:

Group	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
2017					
Cash and short-term funds (exclude cash in hand)	1,114,086	-	-	-	1,114,086
Balances due from clients and brokers	112,910	-	947	(835)	113,022
Financial assets held-for-trading	335,260	-	-	-	335,260
Financial investments available-for-sale (exclude equity securities)	10,074,263	-	231,911	(231,911)	10,074,263
Financial investments held-to-maturity	912,720	-	18,565	(14,193)	917,092
Derivative financial assets	86,345	-	-	-	86,345
Statutory deposits	1,437,444	-	-	-	1,437,444
Other assets (exclude prepayment)	90,811	-	29,535	(29,535)	90,811
	14,163,839	-	280,958	(276,474)	14,168,323
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)	4,650,111	-	-	-	4,650,111
Deposits and placements with bank and other financial institutions	195,865	-	-	-	195,865
Balances due from clients and brokers	104,596	-	900	(837)	104,659
Financial assets held-for-trading	132,229	-	-	-	132,229
Financial investments available-for-sale (exclude equity securities)	8,413,340	-	231,911	(231,911)	8,413,340
Financial investments held-to-maturity	1,124,935	-	18,565	(14,193)	1,129,307
Derivative financial assets	133,651	-	-	-	133,651
Statutory deposits	1,410,928	-	-	-	1,410,928
Other assets (exclude prepayment)	87,705	-	27,073	(27,073)	87,705
	16,253,360	-	278,449	(274,014)	16,257,795

40. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(a) Credit Risk (cont'd)

(v) Credit quality - financial instruments and financial assets (cont'd)

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

	Cash and 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	Derivative financial assets RM'000	Statutory deposits RM'000	Total RM'000
Group							
2017							
<i>By rating agencies</i>							
RAM							
AAA	61,042	-	615,122	-	18,830	-	694,994
AA1	-	-	1,028,787	-	1,311	-	1,030,098
AA2	1,959	-	1,164,113	-	2,864	-	1,168,936
AA3	-	-	696,887	-	-	-	696,887
A1	7,395	2,849	58,835	-	-	-	69,079
A2	-	-	-	-	125	-	125
P1	-	79,815	49,491	-	-	-	129,306
MARC							
AA	-	-	127,092	-	-	-	127,092
AAA	-	61,045	1,011,773	-	-	-	1,072,818
AA-	-	-	280,875	-	-	-	280,875
MARC-1	-	24,972	-	-	-	-	24,972
FITCH							
AA	305	-	-	-	-	-	305
MOODY'S							
AA1	1,052	-	-	-	-	-	1,052
AA2	2,663	-	-	-	153	-	2,816
AA3	1,641	-	-	-	558	-	2,199
A1	434	-	-	-	234	-	668
BAA3	354	-	-	-	-	-	354
S&P							
AA-	170	-	-	-	-	-	170
BBB+	54	-	-	-	-	-	54
Government backed	971,784	166,579	5,036,328	912,347	675	1,437,444	8,525,157
Unrated [Note]	65,233	-	4,960	4,745	61,595	-	136,533
	1,114,086	335,260	10,074,263	917,092	86,345	1,437,444	13,964,490

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2017

40. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(a) Credit Risk (cont'd)

(v) Credit quality - financial instruments and financial assets (cont'd)

	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Financial assets held-for- trading RM'000	Financial investments available- for-sale RM'000	Financial investments held-to- maturity RM'000	Derivative financial assets RM'000	Statutory deposits RM'000	Total RM'000
Group								
2016								
<i>By rating agencies</i>								
RAM								
AAA	947,996	-	61,256	691,709	-	43,538	-	1,744,499
AA1	-	-	-	1,253,070	-	9,231	-	1,262,301
AA2	259,405	-	-	204,533	-	38,017	-	501,955
AA3	50,076	-	-	450,682	-	-	-	500,758
A1	2,542	-	-	-	-	-	-	2,542
A3	150,143	-	-	-	-	4	-	150,147
MARC								
AAA	-	-	10,280	922,122	-	13,175	-	945,577
AA-	310,064	-	-	326,688	-	-	-	636,752
FITCH								
AA	1,019	-	-	-	-	-	-	1,019
MOODY'S								
AA1	634	-	-	-	-	-	-	634
AA2	2,139	-	-	-	-	4	-	2,143
AA3	1,164	-	-	-	-	60	-	1,224
A1	-	-	-	-	-	29	-	29
A2	2,888	-	-	-	-	-	-	2,888
A3	1,954	-	-	-	-	-	-	1,954
S&P								
A	340	-	-	-	-	-	-	340
AA-	759	-	-	-	-	2	-	761
BBB+	157	-	-	-	-	-	-	157
Government backed	2,712,615	-	60,693	4,559,544	1,124,562	-	1,410,928	9,868,342
Unrated [Note]	206,216	195,865	-	4,992	4,745	29,591	-	441,409
	4,650,111	195,865	132,229	8,413,340	1,129,307	133,651	1,410,928	16,065,431

Note:

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

40. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(a) Credit Risk (cont'd)

(v) Credit quality - financial instruments and financial assets (cont'd)

Company	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Total RM'000
2017			
<i>By rating agency</i>			
RAM			
AAA	13,142	-	13,142
A1	52,902	44,345	97,247
	66,044	44,345	110,389
		Cash and short-term funds RM'000	Total RM'000
2016			
<i>By rating agency</i>			
RAM			
AAA		9,501	9,501
A1		21	21
Unrated		47,314	47,314
		56,836	56,836

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2017

40. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(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 rate/profit rate risk

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

40. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(b) Market Risk (cont'd)

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

Group	Non-trading book							Non-interest/profit sensitive	Trading book	Total
	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 years	Over 5 years	RM'000			
2017	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Assets										
Cash and short-term funds	750,424	-	-	-	-	-	631,355	-	1,381,779	
Balances due from clients and brokers	3,561	-	-	-	-	-	109,461	-	113,022	
Financial assets held-for-trading	-	-	-	-	-	-	-	335,260	335,260	
Financial investments available-for-sale	1,259,455	1,203,276	143,948	760,579	4,887,652	1,874,448	110,199	-	10,239,557	
Financial investments held-to-maturity	-	80,030	265,429	280,223	281,518	-	9,892	-	917,092	
Derivative financial assets	-	-	-	-	-	-	-	86,345	86,345	
Loans, advances and financing	31,831,875	1,728,327	352,462	368,454	2,818,711	1,878,466	13,394*	-	38,991,689	
Other financial assets [^]	-	-	-	-	-	-	1,547,784	-	1,547,784	
Total assets	33,845,315	3,011,633	761,839	1,409,256	7,987,881	3,752,914	2,422,085	421,605	53,612,528	
Liabilities										
Deposits from customers	21,377,353	5,889,459	3,433,575	7,661,060	425,110	463,122	5,978,757	-	45,228,436	
Deposits and placements of banks and other financial institutions	93,041	182,862	7,400	18,220	553,341	-	8,040	-	862,904	
Balances due to clients and brokers	-	-	-	-	-	-	69,066	-	69,066	
Derivative financial liabilities	-	-	-	-	-	-	-	81,892	81,892	
Amount due to Cagamas Berhad	-	-	-	200,010	300,009	-	2,694	-	502,713	
Other borrowings	-	-	-	5,000	-	-	70	-	5,070	
Total liabilities carried forward	21,470,394	6,072,321	3,440,975	7,884,290	1,278,460	463,122	6,058,627	81,892	46,750,081	

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

[^] Includes statutory deposits and other assets.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2017

40. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(b) Market Risk (cont'd)

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

Group 2017	Non-trading book						Non- interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000			
Total liabilities brought forward	21,470,394	6,072,321	3,440,975	7,884,290	1,278,460	463,122	6,058,627	81,892	46,750,081
Subordinated obligations	-	-	-	-	1,199,177	-	26,901	-	1,226,078
Other liabilities	-	-	-	-	-	-	968,788	-	968,788
Total liabilities	21,470,394	6,072,321	3,440,975	7,884,290	2,477,637	463,122	7,054,316	81,892	48,944,947
On-balance sheet interest sensitivity gap	12,374,921	(3,060,688)	(2,679,136)	(6,475,034)	5,510,244	3,289,792	(4,632,231)	339,713	4,667,581

40 FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(b) Market Risk (cont'd)

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

Group	Non-trading book										Trading book	Total	
	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 years	Over 5 years	Non-interest/profit sensitive	RM'000	RM'000	RM'000			RM'000
Assets													
Cash and short-term funds	4,314,977	-	-	-	-	-	-	-	-	-	628,723	-	4,943,700
Deposits and placements with banks and other financial institutions	-	195,675	-	-	-	-	-	-	-	-	190	-	195,865
Balances due from clients and brokers	1,752	-	-	-	-	-	-	-	-	-	102,907	-	104,659
Financial assets held-for-trading	-	-	-	-	-	-	-	-	-	-	-	132,229	132,229
Financial investments available-for-sale	814,808	889,933	45,201	349,345	4,273,267	1,972,452	220,690	-	-	-	-	-	8,565,696
Financial investments held-to-maturity	-	-	-	213,885	903,291	-	12,131	-	-	-	-	-	1,129,307
Derivative financial assets	-	-	-	-	-	-	-	-	-	-	-	133,651	133,651
Loans, advances and financing	31,447,934	1,666,201	411,177	423,615	2,424,167	1,925,071	112,559*	-	-	-	-	-	38,410,724
Other financial assets [^]	-	-	-	-	-	-	1,513,618	-	-	-	-	-	1,513,618
Total assets	36,579,471	2,751,809	456,378	986,845	7,600,725	3,897,523	2,590,818	265,880	55,129,449	265,880	265,880	265,880	55,129,449
Liabilities													
Deposits from customers	22,003,638	6,298,146	5,001,031	5,508,456	529,535	16,953	6,667,180	-	-	-	-	-	46,024,939
Deposits and placements of banks and other financial institutions	119,978	200,244	10,300	431,279	390,496	-	4,953	-	-	-	-	-	1,157,250
Balances due to clients and brokers	-	-	-	-	-	-	77,246	-	-	-	-	-	77,246
Derivative financial liabilities	-	-	-	-	-	-	-	-	-	-	-	279,541	279,541
Amount due to Cagamas Berhad	-	-	-	-	500,000	-	2,725	-	-	-	-	-	502,725
Other borrowings	-	-	-	-	5,000	-	71	-	-	-	-	-	5,071
Total liabilities carried forward	22,123,616	6,498,390	5,011,331	5,939,735	1,425,031	16,953	6,752,175	279,541	48,046,772	279,541	279,541	279,541	48,046,772

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

[^] Includes statutory deposits and other assets.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2017

40. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(b) Market Risk (cont'd)

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

Group 2016	Non-trading book							Non- interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000				
Total liabilities brought forward	22,123,616	6,498,390	5,011,331	5,939,735	1,425,031	16,953	6,752,175	279,541	48,046,772	
Subordinated obligations	599,982	-	-	-	1,199,085	-	41,080	-	1,840,147	
Other liabilities	-	-	-	-	-	-	882,054	-	882,054	
Total liabilities	22,723,598	6,498,390	5,011,331	5,939,735	2,624,116	16,953	7,675,309	279,541	50,768,973	
On-balance sheet interest sensitivity gap	13,855,873	(3,746,581)	(4,554,953)	(4,952,890)	4,976,609	3,880,570	(5,084,491)	(13,661)	4,360,476	

40. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(b) Market Risk (cont'd)

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

Company 2017	Non-trading book							Non- interest sensitive RM'000	Total RM'000
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	interest sensitive RM'000		
Assets									
Cash and short-term funds	65,900	-	-	-	-	-	145	66,045	
Deposits and placements with banks and other financial institutions	-	44,223	-	-	-	-	122	44,345	
Other financial assets	-	-	-	-	-	-	526	526	
Total assets	65,900	44,223	-	-	-	-	793	110,916	
Liabilities									
Other liabilities	-	-	-	-	-	-	3,347	3,347	
Total liabilities	-	-	-	-	-	-	3,347	3,347	
On-balance sheet interest sensitivity gap	65,900	44,223	-	-	-	-	(2,554)	107,569	
2016									
Assets									
Cash and short-term funds	56,730	-	-	-	-	-	107	56,837	
Other financial assets	-	-	-	-	-	-	905	905	
Total assets	56,730	-	-	-	-	-	1,012	57,742	
Liabilities									
Other liabilities	-	-	-	-	-	-	2,623	2,623	
Total liabilities	-	-	-	-	-	-	2,623	2,623	
On-balance sheet interest sensitivity gap	56,730	-	-	-	-	-	(1,611)	55,119	

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2017

40. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(b) Market Risk (cont'd)

(ii) Foreign currency exchange risk

Foreign currency exchange risk refers to the risk that fair value of future cash flows of a financial instrument will fluctuate because of the movements in the exchange rates for foreign currency exchange positions taken by the Group from time to time. For the Group, foreign exchange risk is concentrated in its commercial banking. Foreign currency exchange risk is managed via approved risk limits and open positions are regularly revalued against current exchange rates and reported to Management. The Company is not exposed to any foreign currency exchange risk.

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

Group	US Dollars RM'000	Pound Sterling RM'000	Euro Dollars RM'000	Australian Dollars RM'000	Singapore Dollars RM'000	Others RM'000	Total RM'000
2017							
Assets							
Cash and short-term funds	107,019	1,641	-	1,666	1,273	6,476	118,075
Loans, advances and financing	738,782	-	8,281	-	101	2,089	749,253
Other financial assets	22,206	4	-	2	-	5	22,217
Total financial assets	868,007	1,645	8,281	1,668	1,374	8,570	889,545
Liabilities							
Deposits from customers	493,526	60,538	23,068	140,056	33,809	40,415	791,412
Deposits and placements of banks and other financial institutions	267,483	-	2,608	-	160	1,074	271,325
Other financial liabilities	316	15	474	3	2	8	818
Total financial liabilities	761,325	60,553	26,150	140,059	33,971	41,497	1,063,555
On-balance sheet open position	106,682	(58,908)	(17,869)	(138,391)	(32,597)	(32,927)	(174,010)
Off-balance sheet open position	(157,562)	57,334	14,957	129,672	22,442	38,950	105,793
Net open position	(50,880)	(1,574)	(2,912)	(8,719)	(10,155)	6,023	(68,217)

40. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(b) Market Risk (cont'd)

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

Group	US Dollars RM'000	Pound Sterling RM'000	Euro Dollars RM'000	Australian Dollars RM'000	Singapore Dollars RM'000	Others RM'000	Total RM'000
2016							
Assets							
Cash and short-term funds	301,249	1,954	2,888	121,867	4,550	10,944	443,452
Deposits and placements with banks and other financial institutions	195,865	-	-	-	-	-	195,865
Loans, advances and financing	565,178	19,917	25,493	-	-	1,843	612,431
Other financial assets	23,566	-	10	-	-	-	23,576
Total financial assets	1,085,858	21,871	28,391	121,867	4,550	12,787	1,275,324
Liabilities							
Deposits from customers	535,189	74,338	30,676	148,448	37,248	38,834	864,733
Deposits and placements of banks and other financial institutions	707,618	-	-	-	-	198	707,816
Other financial liabilities	152	9	1	3	3	23	191
Total financial liabilities	1,242,959	74,347	30,677	148,451	37,251	39,055	1,572,740
On-balance sheet open position	(157,101)	(52,476)	(2,286)	(26,584)	(32,701)	(26,268)	(297,416)
Off-balance sheet open position	148,950	50,664	8,497	28,364	26,112	35,307	297,894
Net open position	(8,151)	(1,812)	6,211	1,780	(6,589)	9,039	478

(iii) Value at risk ('VaR')

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2017

40. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(b) Market Risk (cont'd)

(iii) Value at risk ('VaR') (cont'd)

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

Group 2017	Balance RM'000	Average for the year RM'000	Minimum RM'000	Maximum RM'000
Instruments:				
FX related derivatives	(2,183)	(9,803)	(773)	(372,076)
Government securities	(41,610)	(27,976)	(3,218)	(42,152)
Private debt securities	(14,010)	(12,190)	(3,279)	(16,298)
2016				
Instruments:				
FX related derivatives	(1,108)	(10,444)	(163)	(324,920)
Government securities	(15,702)	(18,527)	(4,069)	(24,907)
Private debt securities	(4,541)	(6,140)	(1,646)	(7,902)

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

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

Group	2017		2016	
	- 100 bps	+ 100 bps	- 100 bps	+ 100 bps
	Increase/(Decrease) RM'000		Increase/(Decrease) RM'000	
Impact on net profit after tax	(77,078)	77,078	(69,044)	69,044
Impact on equity	197,914	(187,315)	181,229	(172,433)

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

Other risk measures

(i) 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.

40. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(b) Market Risk (cont'd)

Other risk measures (cont'd)

(ii) 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 commitment when due.

The Group's liquidity risk profile is managed using Bank Negara Malaysia's Liquidity Coverage Ratio Guideline, other internal policies and GALCO 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.

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

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

Group	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1 year	Total
2017	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets						
Cash and short-term funds	1,381,779	-	-	-	-	1,381,779
Balances due from clients and brokers	113,022	-	-	-	-	113,022
Financial investments	1,339,769	1,495,091	430,151	905,122	7,321,776	11,491,909
Loans, advances and financing	6,919,500	1,798,614	653,263	154,309	29,466,003	38,991,689
Other financial and non financial assets	81,259	26,298	28,035	15,253	1,959,820	2,110,665
Total assets	9,835,329	3,320,003	1,111,449	1,074,684	38,747,599	54,089,064
Liabilities						
Deposits from customers	27,214,076	5,945,241	3,472,116	7,703,906	893,097	45,228,436
Deposits and placements of banks and other financial institutions	98,792	185,151	7,400	18,220	553,341	862,904
Balances due to clients and brokers	69,066	-	-	-	-	69,066
Amount due to Cagamas Berhad	-	2,695	-	200,010	300,008	502,713
Other borrowings	-	70	-	5,000	-	5,070
Subordinated obligations	22,118	4,783	-	-	1,199,177	1,226,078
Other financial and non financial liabilities	584,303	100,081	11,901	16,552	367,762	1,080,599
Total liabilities	27,988,355	6,238,021	3,491,417	7,943,688	3,313,385	48,974,866
Equity	-	-	-	-	5,114,198	5,114,198
Total liabilities and equity	27,988,355	6,238,021	3,491,417	7,943,688	8,427,583	54,089,064
Net maturity mismatch	(18,153,026)	(2,918,018)	(2,379,968)	(6,869,004)	30,320,016	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2017

40. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(c) Liquidity risk (cont'd)

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

Group 2016	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1 year RM'000	Total RM'000
Assets						
Cash and short-term funds	4,943,700	-	-	-	-	4,943,700
Deposits and placements with banks and other financial institutions	-	195,865	-	-	-	195,865
Balances due from clients and brokers	104,659	-	-	-	-	104,659
Financial investments	841,010	927,493	60,181	560,213	7,438,335	9,827,232
Loans, advances and financing	7,671,645	1,783,082	956,625	756,060	27,243,312	38,410,724
Other financial and non financial assets	106,911	28,456	18,944	19,111	1,971,441	2,144,863
Total assets	13,667,925	2,934,896	1,035,750	1,335,384	36,653,088	55,627,043
Liabilities						
Deposits from customers	28,527,819	6,352,952	5,063,709	5,534,045	546,414	46,024,939
Deposits and placements of banks and other financial institutions	118,923	202,393	10,160	423,679	402,095	1,157,250
Balances due to clients and brokers	77,246	-	-	-	-	77,246
Amount due to Cagamas Berhad	-	2,725	-	-	500,000	502,725
Other borrowings	-	71	-	-	5,000	5,071
Subordinated obligations	636,186	4,876	-	-	1,199,085	1,840,147
Other financial and non financial liabilities	555,099	95,809	84,687	145,217	296,845	1,177,657
Total liabilities	29,915,273	6,658,826	5,158,556	6,102,941	2,949,439	50,785,035
Equity	-	-	-	-	4,842,008	4,842,008
Total liabilities and equity	29,915,273	6,658,826	5,158,556	6,102,941	7,791,447	55,627,043
Net maturity mismatch	(16,247,348)	(3,723,930)	(4,122,806)	(4,767,557)	28,861,641	-

40. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(c) Liquidity risk (cont'd)

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

Company 2017	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1 year RM'000	Total RM'000
Assets						
Cash and short-term funds	66,045	-	-	-	-	66,045
Deposits and placements with banks and other financial institutions	-	44,345	-	-	-	44,345
Other financial and non financial assets	274	29	25	17	1,745,806	1,746,151
Total assets	66,319	44,374	25	17	1,745,806	1,856,541
Liabilities						
Other financial and non financial liabilities	193	341	-	-	2,991	3,525
Total liabilities	193	341	-	-	2,991	3,525
Equity	-	-	-	-	1,853,016	1,853,016
Total liabilities and equity	193	341	-	-	1,856,007	1,856,541
Net maturity mismatch	66,126	44,033	25	17	(110,201)	-
Company 2016						
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1 year RM'000	Total RM'000
Assets						
Cash and short-term funds	56,837	-	-	-	-	56,837
Other financial and non financial assets	582	60	29	57	1,782,679	1,783,407
Total assets	57,419	60	29	57	1,782,679	1,840,244
Liabilities						
Other financial and non financial liabilities	694	431	479	959	331	2,894
Total liabilities	694	431	479	959	331	2,894
Equity	-	-	-	-	1,837,350	1,837,350
Total liabilities and equity	694	431	479	959	1,837,681	1,840,244
Net maturity mismatch	56,725	(371)	(450)	(902)	(55,002)	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2017

40. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(c) Liquidity risk (cont'd)

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

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

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	Total RM'000
Non derivative financial liabilities							
Deposits from customers	27,231,612	5,999,317	3,546,835	7,853,859	494,613	509,349	45,635,585
Deposits and placements of banks and other financial institutions	98,883	187,979	7,400	22,507	574,346	-	891,115
Balances due to clients and brokers	69,066	-	-	-	-	-	69,066
Amount due to Cagamas Berhad	-	5,450	5,450	210,900	313,200	-	535,000
Other borrowings	-	119	-	5,119	-	-	5,238
Subordinated obligations	25,875	8,475	-	34,350	1,406,100	-	1,474,800
Other financial liabilities	568,539	100,172	12,020	16,785	353,615	-	1,051,131
	27,993,975	6,301,512	3,571,705	8,143,520	3,141,874	509,349	49,661,935
<u>Items not recognised in the statement of financial position</u>							
Financial guarantees	72,101	141,686	114,034	218,164	74,557	124	620,666
Credit related commitments and contingencies	9,265,178	38,650	60,219	300,677	505,971	38,274	10,208,969
	9,337,279	180,336	174,253	518,841	580,528	38,398	10,829,635
Derivatives financial liabilities							
<u>Derivatives settled on a net basis</u>							
Interest rate derivatives and equity option	(603)	(797)	(1,673)	(3,756)	(14,234)	(2,613)	(23,676)
Net outflow	(603)	(797)	(1,673)	(3,756)	(14,234)	(2,613)	(23,676)
<u>Derivatives settled on a gross basis</u>							
Outflow	(4,342,913)	(1,307,582)	(243,192)	(531,461)	(75,190)	-	(6,500,338)
Inflow	4,326,600	1,298,768	237,886	520,030	72,537	-	6,455,821
	(16,313)	(8,814)	(5,306)	(11,431)	(2,653)	-	(44,517)

40. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(c) Liquidity risk (cont'd)

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

Group	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 years	Over 5 years	Total
2016	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non derivative financial liabilities							
Deposits from customers	28,546,889	6,395,570	5,142,564	5,700,114	586,071	17,543	46,388,751
Deposits and placements of banks and other financial institutions	120,448	204,097	10,300	440,983	406,483	-	1,182,311
Balances due to clients and brokers	77,246	-	-	-	-	-	77,246
Amount due to Cagamas Berhad	-	5,450	5,450	10,900	535,000	-	556,800
Other borrowings	-	119	-	119	5,238	-	5,476
Subordinated obligations	614,460	34,350	-	34,350	1,474,800	-	2,157,960
Other financial liabilities	555,099	95,938	84,808	145,427	281,234	-	1,162,506
	29,914,142	6,735,524	5,243,122	6,331,893	3,288,826	17,543	51,531,050
<u>Items not recognised in the statement of financial position</u>							
Financial guarantees	88,110	78,605	73,722	226,529	101,656	22	568,644
Credit related commitments and contingencies	10,242,592	53,089	56,077	268,906	552,929	3,014	11,176,607
	10,330,702	131,694	129,799	495,435	654,585	3,036	11,745,251
Derivatives financial liabilities							
<u>Derivatives settled on a net basis</u>							
Interest rate derivatives and equity option	(145)	(777)	(6,848)	(10,078)	(10,766)	-	(28,614)
Net outflow	(145)	(777)	(6,848)	(10,078)	(10,766)	-	(28,614)
<u>Derivatives settled on a gross basis</u>							
Outflow	(1,087,979)	(929,712)	(838,185)	(847,127)	-	-	(3,703,003)
Inflow	1,061,062	867,657	781,293	776,282	-	-	3,486,294
	(26,917)	(62,055)	(56,892)	(70,845)	-	-	(216,709)

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2017

40. FINANCIAL RISK MANAGEMENT POLICIES (cont'd)

(c) Liquidity risk (cont'd)

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

Company	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-5 years	Over 5 years	Total
2017	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Liabilities							
Other financial liabilities	193	341	-	-	2,813	-	3,347
Total financial liabilities	193	341	-	-	2,813	-	3,347
2016							
Liabilities							
Other financial liabilities	694	431	479	959	60	-	2,623
Total financial liabilities	694	431	479	959	60	-	2,623

(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 include Shariah non-compliance risk which arises 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 implement of operational risk framework within the Group while the line of businesses are responsible for the management of their day to day operational and Shariah 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 Group applies the Basic Indicator Approach for operational risk capital charge computation.

41. CAPITAL ADEQUACY

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

41. CAPITAL ADEQUACY (cont'd)

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

	Group	
	2017	2016
<u>Before deducting proposed dividends</u>		
CET I capital ratio	12.891%	12.070%
Tier I capital ratio	12.891%	12.070%
Total capital ratio	17.518%	17.657%
<u>After deducting proposed dividends</u>		
CET I capital ratio	12.548%	11.775%
Tier I capital ratio	12.548%	11.775%
Total capital ratio	17.175%	17.362%

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

	Group	
	2017	2016
	RM'000	RM'000
<u>CET I Capital</u>		
Paid-up share capital	796,517	796,517
Share premium	401,517	401,517
Retained profits	2,306,158	2,047,248
Statutory reserves	1,223,525	1,200,019
Revaluation reserves	99,268	114,786
Capital reserves	10,018	10,018
	4,837,003	4,570,105
Less: Regulatory adjustments		
- Goodwill and other intangibles	(377,361)	(362,982)
- Deferred tax assets	(14,033)	(10,201)
- 55% of revaluation reserves	(54,597)	(63,132)
- Investment in subsidiaries, associates and joint venture	(3,840)	(2,824)
Total CET I Capital/Total Tier I Capital	4,387,172	4,130,966
<u>Tier II Capital</u>		
Subordinated obligations	1,199,178	1,559,074
Collective assessment allowance and regulatory reserves	376,514	354,805
Less: Regulatory adjustment		
- Investment in subsidiaries, associates and joint venture	(960)	(1,882)
Total Tier II Capital	1,574,732	1,911,997
Total Capital	5,961,904	6,042,963

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2017

41. CAPITAL ADEQUACY (cont'd)

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

	2017 RM'000	Group 2016 RM'000
Credit risk	30,958,088	31,241,896
Market risk	126,042	123,843
Operational risk	2,947,948	2,858,987
Total RWA and capital requirements	34,032,078	34,224,726

Detailed information on the risk exposures above is presented in the Group's Pillar 3 Report.

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

	Alliance Bank Malaysia Berhad	Alliance Islamic Bank Berhad	Alliance Investment Bank Berhad
2017			
<u>Before deducting proposed dividends</u>			
CET I capital ratio	11.558%	13.430%	84.804%
Tier I capital ratio	11.558%	13.430%	84.804%
Total capital ratio	16.347%	14.509%	85.516%
<u>After deducting proposed dividends</u>			
CET I capital ratio	11.136%	13.430%	83.729%
Tier I capital ratio	11.136%	13.430%	83.729%
Total capital ratio	15.924%	14.509%	84.441%
2016			
<u>Before deducting proposed dividends</u>			
CET I capital ratio	11.237%	13.375%	103.287%
Tier I capital ratio	11.237%	13.375%	103.287%
Total capital ratio	16.528%	14.399%	103.641%
<u>After deducting proposed dividends</u>			
CET I capital ratio	10.880%	13.044%	101.292%
Tier I capital ratio	10.880%	13.044%	101.292%
Total capital ratio	16.170%	14.068%	101.646%

42. COMMITMENTS AND CONTINGENCIES

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

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

	2017 RM'000	2016 RM'000
Group		
<u>Credit-related exposures</u>		
Direct credit substitutes	757,816	717,319
Transaction-related contingent items	710,106	677,126
Short-term self-liquidating trade-related contingencies	138,588	137,524
Irrevocable commitments to extend credit:		
- maturity exceeding one year	1,111,249	2,287,572
- maturity not exceeding one year	6,527,092	6,327,855
Unutilised credit card lines	1,584,784	1,597,855
	10,829,635	11,745,251
<u>Derivative financial instruments</u>		
Foreign exchange related contracts:		
- one year or less	11,082,789	7,255,690
- over one year to three years	116,546	39,135
- over three years	37,817	-
Interest rate related contracts:		
- one year or less	750,000	380,000
- over one year to three years	1,988,572	809,755
- over three years	1,605,860	1,490,776
Equity related contracts:		
- one year or less	52,405	92,940
- over one year to three years	30,330	18,880
	15,664,319	10,087,176
	26,493,954	21,832,427

Included in direct credit substitutes and transaction-related contingent item are financial guarantee contracts of RM620,666,000 (2016: RM568,644,000) for the Group respectively, of which the fair value at the time of issuance is RM Nil.

43. CAPITAL

The Group's capital management objectives are:

- to maintain sufficient capital resources to meet the regulatory capital requirements as set forth by Bank Negara Malaysia,
- to maintain sufficient capital resources to support the Group's risk appetite and to enable future business growth, and
- to meet the expectations of key stakeholders, including shareholders, investors, regulators and rating agencies.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2017

43. CAPITAL (cont'd)

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

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

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

44. LEASE COMMITMENTS

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Within one year	18,481	22,768	163	326
Between one and five years	12,071	13,629	-	163
	30,552	36,397	163	489

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

45. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

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 Company and the Group, directly or indirectly, including Executive Directors and Non-Executive Directors of the Company and the Group (including close members of their families). Other members of key management personnel of the Company and the Group are the Business Support Heads who report directly to Group Chief Executive Officer or to the Board Committees (including close members of their families).
- Subsidiaries	Subsidiaries of the Company as disclosed in note 13.
- Joint venture	Joint venture of the Company as disclosed in note 14.

45. SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

(a) Transactions

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Interest income				
- subsidiaries	-	-	(1,882)	(1,846)
- key management personnel	(2)	(63)	-	-
Dividend income				
- subsidiary	-	-	(232,503)	(192,439)
Overhead expenses recharged				
- subsidiaries	-	-	(6,083)	(6,123)
- joint venture	(240)	(257)	(55)	(72)
Interest expenses				
- key management personnel	176	132	-	-
Other overhead expenses				
- subsidiaries	-	-	1,418	904

(b) Balances

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Amount due to deposits from customers				
- key management personnel	(12,239)	(9,668)	-	-
- joint venture	(1,859)	(351)	-	-
Money at call and deposit placements with financial institutions				
- subsidiaries	-	-	97,246	47,335
Loans, advances and financing				
- key management personnel	3,042	3,955	-	-
Other assets				
- subsidiaries	-	-	224	94
- joint venture	387	198	9	8
Other liabilities				
- subsidiaries	-	-	(191)	-
- joint venture	(260)	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2017

45. SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

(c) Compensation of key management personnel

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Short-term employee benefits				
Fees	2,825	1,820	607	462
Salary and other remuneration, including meeting allowances	27,657	23,598	927	944
Contribution to EPF	3,544	3,079	106	99
Share options/grants under ESS	1,031	2,180	104	199
Benefits-in-kind	241	124	21	26
	35,298	30,801	1,765	1,730

Included in the total key management personnel are:

CEO and Directors' remuneration, excluding past CEO and Directors [Note 33(b)]	13,746	13,021	747	734
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	Share Options		Share Grants	
	2017 '000	2016 '000	2017 '000	2016 '000

Group

At beginning of financial year	2,782	6,176	911	971
Directors/key management personnel appointed during the financial year	154	-	27	-
Offered/awarded	-	-	-	664
Vested	-	-	(411)	(621)
Lapsed	(2,936)	(3,394)	(112)	(103)
At end of financial year	-	2,782	415	911

Company

At beginning of financial year	361	633	79	76
Offered/awarded	-	-	-	40
Vested	-	-	(37)	(37)
Lapsed	(361)	(272)	-	-
At end of financial year	-	361	42	79

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

45. SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

(c) Compensation of key management personnel (cont'd)

Group

Total value of remuneration and number of officers with variable remuneration for the financial year are as follows:

	2017			2016		
	Number	Unrestricted RM'000	Deferred RM'000	Number	Unrestricted RM'000	Deferred RM'000
Fixed remuneration						
Cash		24,125	-		20,642	-
		24,125	-		20,642	-
Variable remuneration						
Cash	18	8,877	1,265	17	7,979	-
Shares and share-linked instruments	10	-	1,031	11	-	2,180
		8,877	2,296		7,979	2,180
		33,002	2,296		28,621	2,180

Company

	2017			2016		
	Number	Unrestricted RM'000	Deferred RM'000	Number	Unrestricted RM'000	Deferred RM'000
Fixed remuneration						
Cash		1,305	-		1,251	-
		1,305	-		1,251	-
Variable remuneration						
Cash	1	300	56	1	280	-
Shares and share-linked instruments	1	-	104	1	-	199
		300	160		280	199
		1,605	160		1,531	199

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2017

46. FAIR VALUE MEASUREMENTS

(a) Determination of fair value and fair value hierarchy

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

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

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

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

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

(i) Financial instruments in Level 1

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

(ii) Financial instruments in Level 2

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

(iii) Financial instruments in Level 3

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

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

46. FAIR VALUE MEASUREMENTS (cont'd)**(b) Financial instruments measured at fair value and the fair value hierarchy**

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

Group	Level 1	Level 2	Level 3	Total
2017	RM'000	RM'000	RM'000	RM'000
Assets				
Financial assets held-for-trading				
- Money market instruments	-	144,947	-	144,947
- Unquoted securities	-	190,313	-	190,313
Financial investments available-for-sale				
- Money market instruments	-	6,261,090	-	6,261,090
- Quoted securities in Malaysia	15	-	-	15
- Unquoted securities	-	3,808,213	170,239	3,978,452
Derivative financial assets	-	86,345	-	86,345
Liabilities				
Derivative financial liabilities	-	81,892	-	81,892
Group				
2016	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
Assets				
Financial assets held-for-trading				
- Money market instruments	-	40,441	-	40,441
- Unquoted securities	-	91,788	-	91,788
Financial investments available-for-sale				
- Money market instruments	-	5,503,569	-	5,503,569
- Quoted securities in Malaysia	15	-	-	15
- Unquoted securities	-	2,904,779	157,333	3,062,112
Derivative financial assets	-	133,651	-	133,651
Liabilities				
Derivative financial liabilities	-	279,541	-	279,541

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2017

46. FAIR VALUE MEASUREMENTS (cont'd)

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

Reconciliation of movements in level 3 financial instruments:

Group	2017 RM'000	2016 RM'000
At beginning of financial year	157,333	140,211
Purchase of Unit Trust Funds	-	5,000
Total (losses)/gains recognised in:		
- Statement of comprehensive income loss arising from sales of financial investments available-for-sale	-	(549)
- Other comprehensive income - Revaluation reserves	12,906	12,697
Disposal	-	(26)
At end of financial year	170,239	157,333

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

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

Group	Fair value				Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	
Financial assets					
Financial investments held-to-maturity	-	924,614	-	924,614	917,092
Loans, advances and financing	-	-	39,496,789	39,496,789	38,991,689
Financial liabilities					
Deposits from customers	-	45,332,674	-	45,332,674	45,228,436
Deposits and placements of banks and other financial institutions	-	832,353	-	832,353	862,904
Amount due to Cagamas Berhad	-	500,583	-	500,583	502,713
Other borrowings	-	4,870	-	4,870	5,070
Subordinated obligations	-	1,170,346	-	1,170,346	1,226,078

46. FAIR VALUE MEASUREMENTS (cont'd)

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

Group 2016	Fair value				Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	
Financial assets					
Financial investments held-to-maturity	-	1,148,526	-	1,148,526	1,129,307
Loans, advances and financing	-	-	38,798,310	38,798,310	38,410,724
Financial liabilities					
Deposits from customers	-	46,122,698	-	46,122,698	46,024,939
Deposits and placements of banks and other financial institutions	-	1,133,927	-	1,133,927	1,157,250
Amount due to Cagamas Berhad	-	500,840	-	500,840	502,725
Other borrowings	-	5,015	-	5,015	5,071
Subordinated obligations	-	1,820,493	-	1,820,493	1,840,147

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

(i) Financial investments held-to-maturity

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

(ii) Loans, advances and financing

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

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

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

(iv) Amount due to Cagamas Berhad

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

(v) Other borrowings and subordinated obligations

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2017

47. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

(a) Financial assets

Group	Gross amounts of recognised financial assets RM'000	Gross amounts of recognised financial liabilities set off in the balance sheet RM'000	Net amounts of financial assets presented in the balance sheet RM'000	Related amounts not set off in the balance sheet		Net Amount RM'000
				Financial Instruments RM'000	Cash collateral received RM'000	
2017						
Derivative financial assets	86,345	-	86,345	(18,681)	-	67,664
Balances due from clients and brokers	213,368	(100,346)	113,022	-	-	113,022
Total	299,713	(100,346)	199,367	(18,681)	-	180,686
2016						
Derivative financial assets	133,651	-	133,651	(61,231)	-	72,420
Balances due from clients and brokers	189,714	(85,055)	104,659	-	-	104,659
Total	323,365	(85,055)	238,310	(61,231)	-	177,079

(b) Financial liabilities

Group	Gross amounts of recognised financial liabilities RM'000	Gross amounts of recognised financial assets set off in the balance sheet RM'000	Net amounts of financial liabilities presented in the balance sheet RM'000	Related amounts not set off in the balance sheet		Net Amount RM'000
				Financial Instruments RM'000	Cash collateral received RM'000	
2017						
Derivative financial liabilities	81,892	-	81,892	(18,681)	(22,381)	40,830
Balances due to clients and brokers	169,412	(100,346)	69,066	-	-	69,066
Total	251,304	(100,346)	150,958	(18,681)	(22,381)	109,896
2016						
Derivative financial liabilities	279,541	-	279,541	(61,231)	(29,052)	189,258
Balances due to clients and brokers	162,301	(85,055)	77,246	-	-	77,246
Total	441,842	(85,055)	356,787	(61,231)	(29,052)	266,504

47. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (cont'd)

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

48. SEGMENT INFORMATION

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

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

The Group is organised into the following key operating segments:

(i) Consumer Banking

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

(ii) Business Banking

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

(iii) Financial Markets

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

(iv) Stockbroking and Corporate Advisory

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

(v) Others

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

for the financial year ended 31 March 2017

49. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Status Of Corporate Proposals

On 21 September 2016, the Company announced that it proposes to undertake a corporate reorganisation exercise whereby the listing status of the Company will be assumed by its wholly-owned core subsidiary, Alliance Bank Malaysia Berhad ("Alliance Bank").

The proposal will involve, among others, the shareholders of AFG exchanging their existing AFG shares for Alliance Bank shares on a 1-for-1 basis, where their number of shares held and percentage shareholdings in AFG will be the same in Alliance Bank. This will enable the existing shareholders of AFG to have direct participation in the equity and future growth of Alliance Bank. The proposal is expected to improve cost and corporate efficiency, and enhance brand recognition for the Alliance Bank Group.

The proposed corporate reorganisation is subject to the approvals being obtained from BNM, Bursa Malaysia Securities Berhad ("Bursa Malaysia"), Securities Commission ("SC") Malaysia, Ministry of Finance ("MOF"), High Court of Malaya, shareholders of AFG, and any other relevant authorities and/or parties (if required).

On 22 September 2016, the Company announced that it had submitted an application to BNM to seek the approval of BNM and/or its recommendations to MOF for approval by MOF of the proposed corporate reorganisation.

On 10 November 2016, the Company announced that it had submitted to Bursa Malaysia an application in relation to the proposed transfer of AFG's listing status to Alliance Bank, and an application to cease to be the "Ultimate Controller" of Alliance Investment Bank Berhad to the SC pursuant to Chapter 4.02(8) of the SC Licensing Handbook.

50. SUBSEQUENT EVENTS

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

51. REALISED AND UNREALISED PROFITS

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

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

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Total retained profits				
- Realised	2,344,721	2,039,388	67,311	52,901
- Unrealised	101,624	132,310	703	435
	2,446,345	2,171,698	68,014	53,336
Total share of (losses)/profits from joint venture				
- Realised	(71)	15	-	-
- Unrealised	155	141	-	-
	2,446,429	2,171,854	68,014	53,336
Less: Consolidation adjustments	(362,901)	(350,814)	-	-
Total retained profits	2,083,528	1,821,040	68,014	53,336

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

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

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

BASEL II PILLAR 3 REPORT DISCLOSURE



ALLIANCE BANK
MALAYSIA BERHAD (81103-W)

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BASEL II PILLAR 3

REPORT DISCLOSURE

for the financial year ended 31 March 2017

OVERVIEW

Bank Negara Malaysia's ("BNM") guidelines on capital adequacy require Alliance Bank Malaysia Berhad ("the Bank") and its subsidiaries ("the Group") to maintain an adequate level of capital to withstand potential losses arising from its operations. BNM's capital adequacy guidelines cover 3 main aspects:

- (a) Pillar 1 - covers the calculation of risk-weighted assets for credit risk, market risk and operational risk.
- (b) Pillar 2 - involves assessment of other risks (e.g. interest rate risk in the banking book, liquidity risk and concentration risk) not covered under Pillar 1. This promotes adoption of forward-looking approaches to capital management and stress testing/risk simulation techniques.
- (c) Pillar 3 - covers disclosure and external communication of risk and capital information by banks.

The Group maintains a strong capital base to support its current activities and future growth, to meet regulatory capital requirements at all times and to buffer against potential losses.

To ensure that risks and returns are appropriately balanced, the Group has implemented a Group-wide Integrated Risk Management Framework, with guidelines for identifying, measuring, and managing risks. This process includes quantifying and aggregating various risks in order to ensure the Group and each entity has sufficient capital to cushion unexpected losses and remain solvent.

In summary, the capital management process involves the following:

- (i) Monitoring of regulatory capital and ensuring that the minimum regulatory requirements and approved internal ratios are adhered to.
- (ii) Estimation of capital requirements based on ongoing forecasting and budgeting process.
- (iii) Regular reporting of regulatory and internal capital ratios to senior management and the Board.

In addition, the Group's capital adequacy under extreme but plausible stress scenarios are periodically assessed via a Group-wide stress test exercise. The results of the stress tests are reported to senior management, to provide them with an assessment of the financial impact of such events on the Group's earnings and capital.

The Group's Pillar 3 Disclosure is governed by the Bank Disclosure Policy on Basel II Risk-Weighted Capital Adequacy Framework - Pillar 3 which sets out the minimum disclosure standards, the approach for determining the appropriateness of information disclosed and the internal controls over the disclosure process which covers the verification and review of the accuracy of information disclosed.

BASEL II PILLAR 3

REPORT DISCLOSURE

for the financial year ended 31 March 2017

1.0 SCOPE OF APPLICATION

The Pillar 3 Disclosure was prepared on a consolidated basis and comprises information on Alliance Bank Malaysia Berhad (“the Bank”), its subsidiaries and associate companies. The Group offers Conventional and Islamic banking services. The latter includes acceptance of deposits and granting of financing under Shariah principles via the Bank’s wholly-owned subsidiary, Alliance Islamic Bank Berhad.

The basis of consolidation for the use of regulatory capital purposes is similar to that for financial accounting purposes. Investments in subsidiaries are deducted from regulatory capital.

There were no significant restrictions or other major impediments on transfer of funds or regulatory capital within the Group.

There were no capital deficiencies in any of the subsidiaries of the Group that were not included in the consolidation for regulatory purposes as at the financial year end.

The capital adequacy information was computed in accordance with BNM’s Capital Adequacy Framework. The Group has adopted the Standardised Approach for credit risk and market risk; and the Basic Indicator Approach for operational risk.

2.0 CAPITAL

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

- (i) To maintain sufficient capital to meet the regulatory capital requirements as set forth by BNM;
- (ii) To maintain sufficient capital to support the Group’s risk appetite and facilitate future business growth; and
- (iii) To meet the expectations of key stakeholders, including shareholders, investors, regulators and rating agencies.

In line with this, the Group aims to maintain capital adequacy ratios that are above the regulatory requirements, while balancing shareholders’ desire for sustainable returns and prudential standards.

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 contingency plan(s) where warranted. The results of the stress tests are tabled to the Group Risk Management Committee for approval.

2.0 CAPITAL (cont'd)

2.1 Capital Adequacy Ratios

(a) The capital adequacy ratios of the Bank and the Group are as follows:

	Bank		Group	
	2017	2016	2017	2016
<u>Before deducting proposed dividends</u>				
CET I capital ratio	11.558%	11.237%	12.891%	12.070%
Tier I capital ratio	11.558%	11.237%	12.891%	12.070%
Total capital ratio ¹	16.347%	16.528%	17.518%	17.657%
<u>After deducting proposed dividends</u>				
CET I capital ratio	11.136%	10.880%	12.548%	11.775%
Tier I capital ratio	11.136%	10.880%	12.548%	11.775%
Total capital ratio ¹	15.924%	16.170%	17.175%	17.362%

Note:

¹ The Bank had issued a new subordinated medium term notes programme of up to RM1.2 billion. There was a redemption of RM600 million from the previous subordinated medium term notes programme on 8 April 2016.

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

	Alliance Islamic Bank Berhad	Alliance Investment Bank Berhad
2017		
<u>Before deducting proposed dividends</u>		
CET I capital ratio	13.430%	84.804%
Tier I capital ratio	13.430%	84.804%
Total capital ratio	14.509%	85.516%
<u>After deducting proposed dividends</u>		
CET I capital ratio	13.430%	83.729%
Tier I capital ratio	13.430%	83.729%
Total capital ratio	14.509%	84.441%
2016		
<u>Before deducting proposed dividends</u>		
CET I capital ratio	13.375%	103.287%
Tier I capital ratio	13.375%	103.287%
Total capital ratio	14.399%	103.641%
<u>After deducting proposed dividends</u>		
CET I capital ratio	13.044%	101.292%
Tier I capital ratio	13.044%	101.292%
Total capital ratio	14.068%	101.646%

The Group's and the Bank's capital ratios comply with the prescribed capital adequacy ratios under BNM's Capital Adequacy Framework.

BASEL II PILLAR 3

REPORT DISCLOSURE

for the financial year ended 31 March 2017

2.0 CAPITAL (cont'd)

2.2 Capital Structure

The following tables present the components of Common Equity Tier I ("CET I"), Tier I and Tier II capital.

	Bank		Group	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
CET I Capital				
Paid-up share capital	796,517	796,517	796,517	796,517
Share premium	401,517	401,517	401,517	401,517
Retained profits	2,115,505	1,888,285	2,306,158	2,047,248
Statutory reserves	835,401	835,401	1,223,525	1,200,019
Revaluation reserves	64,916	73,152	99,268	114,786
Capital reserves	-	-	10,018	10,018
	4,213,856	3,994,872	4,837,003	4,570,105
Less: Regulatory adjustment				
- Goodwill and other intangibles	(261,986)	(247,299)	(377,361)	(362,982)
- Deferred tax assets	(4,088)	-	(14,033)	(10,201)
- 55% of revaluation reserves	(35,704)	(40,234)	(54,597)	(63,132)
- Investment in subsidiaries, associate and joint venture	(714,440)	(535,830)	(3,840)	(2,824)
Total CET I capital/Total Tier I capital	3,197,638	3,171,509	4,387,172	4,130,966
Tier II Capital				
Subordinated obligations	1,198,764	1,558,540	1,199,178	1,559,074
Collective assessment allowance and regulatory reserves	304,576	291,825	376,514	354,805
Less: Regulatory adjustment				
- Investment in subsidiaries, associate and joint venture	(178,610)	(357,220)	(960)	(1,882)
Total Tier II Capital	1,324,730	1,493,145	1,574,732	1,911,997
Total Capital	4,522,368	4,664,654	5,961,904	6,042,963

2.0 CAPITAL (cont'd)

2.3 Risk-Weighted Assets ("RWA") and Capital Requirements

Regulatory Capital Requirements

The following tables present the minimum regulatory capital requirement of the Bank and the Group:

BANK 2017 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000
(i) Credit Risk				
On-balance sheet exposures:				
Sovereigns/Central banks	5,352,766	5,352,766	-	-
Public sector entities	105,293	105,293	21,059	1,685
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	3,280,378	3,280,378	883,469	70,678
Insurance companies, securities firms and fund managers	27,568	27,467	27,467	2,197
Corporates	12,282,183	11,546,927	9,772,227	781,778
Regulatory retail	8,873,425	7,951,918	6,012,381	480,990
Residential mortgages	12,149,938	12,139,614	5,603,518	448,281
Higher risk assets	3,182	3,176	4,764	381
Other assets	501,191	501,191	232,244	18,580
Equity exposures	111,392	111,392	111,393	8,911
Defaulted exposures	201,335	198,167	230,510	18,441
Total on-balance sheet exposures	42,888,651	41,218,289	22,899,032	1,831,922
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	2,762,616	2,395,557	2,133,275	170,662
Derivative financial instruments	313,294	313,294	120,420	9,634
Defaulted exposures	6,394	6,364	9,463	757
Total off-balance sheet exposures	3,082,304	2,715,215	2,263,158	181,053
Total on and off-balance sheet exposures	45,970,955	43,933,504	25,162,190	2,012,975
(ii) Market Risk (Note 4.0)				
	Long Position	Short Position		
Interest rate risk	317,765	(90,830)	29,792	2,383
Foreign currency risk	8,583	(74,523)	74,523	5,962
	326,348	(165,353)		
Option risk			175	14
Total			104,490	8,359
(iii) Operational Risk				
	-	-	2,398,898	191,912
Total	45,970,955	43,933,504	27,665,578	2,213,246

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2.0 CAPITAL (cont'd)

2.3 RWA and Capital Requirements (cont'd)

Regulatory Capital Requirements (cont'd)

The following tables present the minimum regulatory capital requirement of the Bank and the Group (cont'd):

GROUP 2017 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000
(i) Credit Risk				
On-balance sheet exposures:				
Sovereigns/Central banks	7,090,438	7,090,438	-	-
Public sector entities	175,816	175,816	35,163	2,813
Banks, DFIs and MDBs	2,655,245	2,655,245	535,115	42,809
Insurance companies, securities firms and fund managers	38,061	37,960	37,960	3,037
Corporates	15,689,245	14,694,080	11,857,205	948,576
Regulatory retail	11,840,659	10,814,866	8,304,851	664,388
Residential mortgages	14,544,792	14,533,347	6,685,735	534,859
Higher risk assets	3,182	3,176	4,764	381
Other assets	682,915	682,915	415,223	33,218
Equity exposures	165,294	165,294	165,295	13,224
Defaulted exposures	232,514	228,563	265,264	21,221
Total on-balance sheet exposures	53,118,161	51,081,700	28,306,575	2,264,526
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	3,309,125	2,877,659	2,517,031	201,362
Derivative financial instruments	313,294	313,294	120,420	9,634
Defaulted exposures	9,461	9,430	14,062	1,125
Total off-balance sheet exposures	3,631,880	3,200,383	2,651,513	212,121
Total on and off-balance sheet exposures	56,750,041	54,282,083	30,958,088	2,476,647
(ii) Market Risk (Note 4.0)				
	Long Position	Short Position		
Interest rate risk	393,324	(90,830)	51,344	4,108
Foreign currency risk	8,583	(74,523)	74,523	5,962
	401,907	(165,353)		
Option risk			175	14
Total			126,042	10,083
(iii) Operational Risk				
	-	-	2,947,948	235,836
Total	56,750,041	54,282,083	34,032,078	2,722,566

2.0 CAPITAL (cont'd)

2.3 RWA and Capital Requirements (cont'd)

Regulatory Capital Requirements (cont'd)

The following tables present the minimum regulatory capital requirement of the Bank and the Group (cont'd):

BANK 2016 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000
(i) Credit Risk				
On-balance sheet exposures:				
Sovereigns/Central banks	6,172,862	6,172,862	-	-
Public sector entities	40,547	40,547	8,109	649
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	4,782,172	4,782,172	1,181,925	94,554
Insurance companies, securities firms and fund managers	27,540	27,540	27,540	2,203
Corporates	11,415,764	10,749,864	9,155,530	732,442
Regulatory retail	9,471,017	8,408,449	6,338,200	507,056
Residential mortgages	11,998,907	11,990,064	5,804,400	464,352
Higher risk assets	2,910	2,904	4,357	349
Other assets	538,790	538,790	236,581	18,926
Equity exposures	102,672	102,672	102,681	8,214
Defaulted exposures	243,444	241,410	291,138	23,291
Total on-balance sheet exposures	44,796,625	43,057,274	23,150,461	1,852,036
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	3,200,025	2,853,459	2,477,960	198,237
Derivative financial instruments	285,304	285,304	103,267	8,261
Defaulted exposures	8,205	8,187	12,246	980
Total off-balance sheet exposures	3,493,534	3,146,950	2,593,473	207,478
Total on and off-balance sheet exposures	48,290,159	46,204,224	25,743,934	2,059,514
(ii) Market Risk (Note 4.0)				
	Long Position	Short Position		
Interest rate risk	148,267	(13,312)	100,975	8,078
Foreign currency risk	17,038	(16,530)	17,038	1,363
Total	165,305	(29,842)	118,013	9,441
(iii) Operational Risk				
Operational Risk	-	-	2,361,359	188,909
Total	48,290,159	46,204,224	28,223,306	2,257,864

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2.0 CAPITAL (cont'd)

2.3 RWA and Capital Requirements (cont'd)

Regulatory Capital Requirements (cont'd)

The following tables present the minimum regulatory capital requirement of the Bank and the Group (cont'd):

GROUP 2016 Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000
(i) Credit Risk				
On-balance sheet exposures:				
Sovereigns/Central banks	8,814,847	8,814,847	-	-
Public sector entities	71,126	71,126	14,225	1,138
Banks, DFIs and MDBs	3,838,402	3,838,402	771,314	61,705
Insurance companies, securities firms and fund managers	37,997	37,997	37,997	3,040
Corporates	14,035,293	13,199,772	10,831,852	866,548
Regulatory retail	12,382,876	11,231,008	8,567,997	685,440
Residential mortgages	14,472,085	14,462,098	6,988,970	559,118
Higher risk assets	2,910	2,904	4,357	349
Other assets	715,993	715,993	422,405	33,792
Equity exposures	152,355	152,355	152,364	12,189
Defaulted exposures	323,095	321,061	396,992	31,759
Total on-balance sheet exposures	54,846,979	52,847,563	28,188,473	2,255,078
Off-balance sheet exposures:				
Credit-related off-balance sheet exposures	3,786,783	3,384,969	2,911,993	232,959
Derivative financial instruments	285,304	285,304	103,267	8,261
Defaulted exposures	25,532	25,514	38,163	3,053
Total off-balance sheet exposures	4,097,619	3,695,787	3,053,423	244,273
Total on and off-balance sheet exposures	58,944,598	56,543,350	31,241,896	2,499,351
(ii) Market Risk (Note 4.0)				
	Long Position	Short Position		
Interest rate risk	148,267	(13,312)	100,975	8,078
Foreign currency risk	17,038	(16,530)	17,038	1,363
	165,305	(29,842)		
Option risk			5,830	466
Total			123,843	9,907
(iii) Operational Risk				
		-	2,858,987	228,719
Total	58,944,598	56,543,350	34,224,726	2,737,977

Note:

Under Islamic banking, the Group does not use Profit-sharing Investment Account ("PSIA") as a risk absorbent mechanism.

The Bank and the Group do not have exposure to any Large Exposure Risk for equity holdings as specified under BNM's Guidelines on Investment in Shares, Interest-in-Shares and Collective Investment Schemes.

3.0 CREDIT RISK

Credit risk is the risk of financial loss resulting from the failure of the Bank's borrowers or counterparties to fulfil their contractual obligations to repay their loans or to settle financial commitments.

Credit Risk Management

The Board, via the Group Risk Management Committee ("GRMC"), established a Credit Risk Management Framework ("CRMF") which outlines the broad principles for managing credit risk of the Group.

Credit approval is under the purview of the Executive Committee, Group Management Credit Committee and Credit Underwriters, depending on the size and complexity of the loans.

Retail loans are subject to portfolio reviews and corporate loans are subject to periodic individual borrower or group reviews. The Portfolio Review Committee for the respective lines of business, assisted by embedded risk units, helps to manage the portfolio quality. The process also ensures alignment of business strategy with the Bank's risk appetite.

Potential problematic loans are identified through our Early Warning Framework and thematic reviews, where applicable. Recovery of impaired loans are carried out internally or through authorised agents.

The Portfolio Review Committees for the respective lines of business, assisted by embedded risk units, helps to manage the portfolio quality. Portfolio risk reports are reviewed and action plans are formulated to manage identified risks.

Entity level Risk Dashboards are escalated to the Group Risk Management Committee and the Board for deliberation and strategic direction.

Group Risk Management is responsible to assess adequacy and effectiveness of the risk management framework, policies and guidelines. Embedded risk units are responsible for monitoring business activities and ensuring that they are carried out within the approved policies and business models.

Stress testing is used to identify potential vulnerable risk areas of the Bank's portfolios to stress events and the impact to earnings and capital. Stress tests are performed using a variety of market and economic assumptions to assess possible vulnerability and effective mitigating actions when required.

Group Internal Audit reviews the Bank's credit processes regularly and recommends corrective measures or enhancements. These reviews provide senior management with assurance that the policies, processes and guidelines are adhered to.

Impaired Loans and Provisions

Past due accounts are loan accounts with any payment of principal and/or interest due and not paid, but are not classified as impaired. Loans are classified as impaired if the mandatory impairment thresholds are exceeded or judgmentally impaired when there are reasonable grounds to believe that the borrower may not be able to repay the entire loan amount.

Individual assessments are performed on impaired accounts with principal outstanding exceeding RM1 million. The discounted cashflow method will be used to determine the recoverable amounts. The remaining loan portfolios are then collectively assessed for impairment allowance provision.

Please refer to Note 2(i)(i) of the audited financial statements for accounting policies on impaired loans, advances and financing.

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for the financial year ended 31 March 2017

3.0 CREDIT RISK (cont'd)

3.1 Distribution of Credit Exposures

(a) Geographical Distribution

The following tables represent the Bank's and the Group's major types of gross credit exposure by geographical distribution. Exposures are allocated to the region in which the customer is located and are disclosed before taking into account of any collateral held or other credit enhancements and after allowance for impairment, where appropriate.

BANK 2017	Geographical region					Total RM'000
	Northern RM'000	Central RM'000	Southern RM'000	Sabah RM'000	Sarawak RM'000	
Cash and short-term funds	-	1,350,926	-	-	-	1,350,926
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-
Financial assets held-for-trading	-	259,701	-	-	-	259,701
Financial investments available-for-sale	-	7,988,058	-	-	-	7,988,058
Financial investments held-to-maturity	-	658,201	-	-	-	658,201
Derivative financial assets	-	86,345	-	-	-	86,345
Loans, advances and financing	2,065,878	22,761,665	3,563,878	2,023,196	1,093,127	31,507,744
Statutory deposits with Bank Negara Malaysia	-	1,129,366	-	-	-	1,129,366
Total on-balance sheet	2,065,878	34,234,262	3,563,878	2,023,196	1,093,127	42,980,341
Financial guarantees	37,503	363,046	37,839	37,179	12,970	488,537
Credit related commitments and contingencies	849,608	5,779,710	872,365	626,127	257,610	8,385,420
Total off-balance sheet	887,111	6,142,756	910,204	663,306	270,580	8,873,957
Total credit exposure	2,952,989	40,377,018	4,474,082	2,686,502	1,363,707	51,854,298

GROUP 2017	Geographical region					Total RM'000
	Northern RM'000	Central RM'000	Southern RM'000	Sabah RM'000	Sarawak RM'000	
Cash and short-term funds	-	1,100,945	-	-	-	1,100,945
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-
Balances due from clients and brokers	27,259	79,327	6,436	-	-	113,022
Financial assets held-for-trading	-	335,260	-	-	-	335,260
Financial investments available-for-sale	-	10,074,263	-	-	-	10,074,263
Financial investments held-to-maturity	-	917,092	-	-	-	917,092
Derivative financial assets	-	86,345	-	-	-	86,345
Loans, advances and financing	2,634,711	28,127,395	4,628,523	2,522,495	1,261,217	39,174,341
Statutory deposits with Bank Negara Malaysia	-	1,437,344	-	-	-	1,437,344
Total on-balance sheet	2,661,970	42,157,971	4,634,959	2,522,495	1,261,217	53,238,612
Financial guarantees	47,110	470,502	50,466	39,605	12,983	620,666
Credit related commitments and contingencies	1,063,100	6,716,395	1,082,173	1,055,538	291,763	10,208,969
Total off-balance sheet	1,110,210	7,186,897	1,132,639	1,095,143	304,746	10,829,635
Total credit exposure	3,772,180	49,344,868	5,767,598	3,617,638	1,565,963	64,068,247

3.0 CREDIT RISK (cont'd)

3.1 Distribution of Credit Exposures (cont'd)

(a) Geographical Distribution (cont'd)

The following tables represent the Bank's and the Group's major types of gross credit exposure by geographical distribution. Exposures are allocated to the region in which the customer is located and are disclosed before taking into account of any collateral held or other credit enhancements and after allowance for impairment, where appropriate. (cont'd)

BANK 2016	Geographical region					Total RM'000
	Northern RM'000	Central RM'000	Southern RM'000	Sabah RM'000	Sarawak RM'000	
Cash and short-term funds	-	3,907,289	-	-	-	3,907,289
Deposits and placements with banks and other financial institutions	-	195,865	-	-	-	195,865
Financial assets held-for-trading	-	132,229	-	-	-	132,229
Financial investments available-for-sale	-	7,150,250	-	-	-	7,150,250
Financial investments held-to-maturity	-	719,324	-	-	-	719,324
Derivative financial assets	-	133,651	-	-	-	133,651
Loans, advances and financing	2,088,220	22,799,375	3,467,860	2,085,342	920,797	31,361,594
Statutory deposits with Bank Negara Malaysia	-	1,117,640	-	-	-	1,117,640
Total on-balance sheet	2,088,220	36,155,623	3,467,860	2,085,342	920,797	44,717,842
Financial guarantees	68,162	307,616	37,388	28,030	12,142	453,338
Credit related commitments and contingencies	899,550	6,642,606	808,085	640,581	255,919	9,246,741
Total off-balance sheet	967,712	6,950,222	845,473	668,611	268,061	9,700,079
Total credit exposure	3,055,932	43,105,845	4,313,333	2,753,953	1,188,858	54,417,921

GROUP 2016	Geographical region					Total RM'000
	Northern RM'000	Central RM'000	Southern RM'000	Sabah RM'000	Sarawak RM'000	
Cash and short-term funds	-	4,640,610	-	-	-	4,640,610
Deposits and placements with banks and other financial institutions	-	195,865	-	-	-	195,865
Balances due from clients and brokers	14,459	86,236	3,964	-	-	104,659
Financial assets held-for-trading	-	132,229	-	-	-	132,229
Financial investments available-for-sale	-	8,413,340	-	-	-	8,413,340
Financial investments held-to-maturity	-	1,129,307	-	-	-	1,129,307
Derivative financial assets	-	133,651	-	-	-	133,651
Loans, advances and financing	2,546,034	27,787,466	4,566,723	2,578,472	1,091,296	38,569,991
Statutory deposits with Bank Negara Malaysia	-	1,410,828	-	-	-	1,410,828
Total on-balance sheet	2,560,493	43,929,532	4,570,687	2,578,472	1,091,296	54,730,480
Financial guarantees	82,372	395,582	48,602	29,893	12,195	568,644
Credit related commitments and contingencies	1,120,094	7,637,513	998,094	1,093,973	326,933	11,176,607
Total off-balance sheet	1,202,466	8,033,095	1,046,696	1,123,866	339,128	11,745,251
Total credit exposure	3,762,959	51,962,627	5,617,383	3,702,338	1,430,424	66,475,731

BASEL II PILLAR 3 REPORT DISCLOSURE

for the financial year ended 31 March 2017

3.0 CREDIT RISK (cont'd)

3.1 Distribution of Credit Exposures (cont'd)

(b) Industry Distribution

The following tables represent the Bank's and the Group's major types of gross credit exposure by sector. The analysis is based on the sector in which the customers are engaged.

BANK 2017	Government and Central bank	Financial, insurance, business services and real estate	Transport, storage & communication	Agriculture, manufacturing, wholesale & retail trade	Construction	Household	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	801,475	549,451	-	-	-	-	-	1,350,926
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	-
Financial assets held-for-trading	40,159	118,330	101,212	-	-	-	-	259,701
Financial investments available-for-sale	2,977,001	4,003,013	675,032	237,846	95,166	-	-	7,988,058
Financial investments held-to-maturity	568,160	90,041	-	-	-	-	-	658,201
Derivative financial assets	675	25,249	-	-	-	-	60,421	86,345
Loans, advances and financing	-	4,238,985	293,167	8,658,982	850,771	17,112,724	353,115	31,507,744
Statutory deposits with Bank Negara Malaysia	1,129,366	-	-	-	-	-	-	1,129,366
Total on-balance sheet	5,516,836	9,025,069	1,069,411	8,896,828	945,937	17,112,724	413,536	42,980,341
Financial guarantees	-	76,039	23,391	318,115	40,949	4,944	25,099	488,537
Credit related commitments and contingencies	-	1,108,015	113,699	3,410,715	1,246,506	2,032,265	474,220	8,385,420
Total off-balance sheet	-	1,184,054	137,090	3,728,830	1,287,455	2,037,209	499,319	8,873,957
Total credit risk	5,516,836	10,209,123	1,206,501	12,625,658	2,233,392	19,149,933	912,855	51,854,298

3.0 CREDIT RISK (cont'd)

3.1 Distribution of Credit Exposures (cont'd)

(b) Industry Distribution (cont'd)

The following tables represent the Bank's and the Group's major types of gross credit exposure by sector. The analysis is based on the sector in which the customers are engaged. (cont'd)

GROUP	2017	Government and Central bank	Financial, insurance, business services and real estate	Transport, storage & communication	Agriculture, manufacturing, wholesale & retail trade	Construction	Household	Others	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	971,784	129,161	-	-	-	-	-	-	1,100,945
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	-	-
Balances due from clients and brokers	-	17,358	-	-	-	-	-	95,664	113,022
Financial assets held-for-trading	40,159	193,889	101,212	-	-	-	-	-	335,260
Financial investments available-for-sale	3,841,396	4,672,634	999,537	304,556	256,140	-	-	-	10,074,263
Financial investments held-to-maturity	770,427	146,665	-	-	-	-	-	-	917,092
Derivative financial assets	675	25,249	-	-	-	-	-	60,421	86,345
Loans, advances and financing	-	5,200,321	370,645	10,864,148	988,008	21,292,417	458,802	-	39,174,341
Statutory deposits with Bank Negara Malaysia	1,437,344	-	-	-	-	-	-	-	1,437,344
Total on-balance sheet	7,061,785	10,385,277	1,471,394	11,168,704	1,244,148	21,292,417	614,887	53,238,612	
Financial guarantees	-	79,098	23,502	440,327	47,378	4,985	25,376	-	620,666
Credit related commitments and contingencies	-	1,347,539	120,834	4,296,222	1,328,052	2,322,542	793,780	-	10,208,969
Total off-balance sheet	-	1,426,637	144,336	4,736,549	1,375,430	2,327,527	819,156	10,829,635	
Total credit risk	7,061,785	11,811,914	1,615,730	15,905,253	2,619,578	23,619,944	1,434,043	64,068,247	

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3.0 CREDIT RISK (cont'd)

3.1 Distribution of Credit Exposures (cont'd)

(b) Industry Distribution (cont'd)

The following tables represent the Bank's and the Group's major types of gross credit exposure by sector. The analysis is based on the sector in which the customers are engaged. (cont'd)

BANK 2016	Government and Central bank	Financial, insurance, business services and real estate	Transport, storage & communication	Agriculture, manufacturing, wholesale & retail trade	Construction	Household	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	1,698,304	2,208,985	-	-	-	-	-	3,907,289
Deposits and placements with banks and other financial institutions	-	195,865	-	-	-	-	-	195,865
Financial assets held-for-trading	40,441	40,805	50,983	-	-	-	-	132,229
Financial investments available-for-sale	2,736,023	3,623,301	501,473	204,742	84,711	-	-	7,150,250
Financial investments held-to-maturity	578,740	140,584	-	-	-	-	-	719,324
Derivative financial assets	13,175	92,277	-	-	-	-	28,199	133,651
Loans, advances and financing	-	4,209,676	254,941	8,144,805	573,458	17,764,953	413,761	31,361,594
Statutory deposits with Bank Negara Malaysia	1,117,640	-	-	-	-	-	-	1,117,640
Total on-balance sheet	6,184,323	10,511,493	807,397	8,349,547	658,169	17,764,953	441,960	44,717,842
Financial guarantees	-	67,078	20,914	314,252	25,715	2,675	22,704	453,338
Credit related commitments and contingencies	-	726,807	81,692	3,136,796	1,058,712	4,157,877	84,857	9,246,741
Total off-balance sheet	-	793,885	102,606	3,451,048	1,084,427	4,160,552	107,561	9,700,079
Total credit risk	6,184,323	11,305,378	910,003	11,800,595	1,742,596	21,925,505	549,521	54,417,921

3.0 CREDIT RISK (cont'd)

3.1 Distribution of Credit Exposures (cont'd)

(b) Industry Distribution (cont'd)

The following tables represent the Bank's and the Group's major types of gross credit exposure by sector. The analysis is based on the sector in which the customers are engaged. (cont'd)

GROUP	2016	Government and Central bank	Financial, insurance, business services and real estate	Transport, storage & communication	Agriculture, manufacturing, wholesale & retail trade	Construction	Household	Others	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	2,712,615	1,927,995	-	-	-	-	-	-	4,640,610
Deposits and placements with banks and other financial institutions	-	195,865	-	-	-	-	-	-	195,865
Balances due from clients and brokers	-	7,816	-	-	-	-	-	96,843	104,659
Financial assets held-for-trading	40,441	40,805	50,983	-	-	-	-	-	132,229
Financial investments available-for-sale	3,717,205	3,529,144	780,619	226,243	160,129	-	-	-	8,413,340
Financial investments held-to-maturity	933,960	195,347	-	-	-	-	-	-	1,129,307
Derivative financial assets	13,175	92,277	-	-	-	-	-	28,199	133,651
Loans, advances and financing	-	4,831,141	296,740	10,204,495	703,636	22,064,081	469,898	-	38,569,991
Statutory deposits with Bank Negara Malaysia	1,410,828	-	-	-	-	-	-	-	1,410,828
Total on-balance sheet	8,828,224	10,820,390	1,128,342	10,430,738	863,765	22,064,081	594,940	594,940	54,730,480
Financial guarantees	-	69,812	20,954	392,415	59,909	2,675	22,879	-	568,644
Credit related commitments and contingencies	-	1,019,751	86,904	4,033,902	1,131,450	4,486,937	417,663	-	11,176,607
Total off-balance sheet	-	1,089,563	107,858	4,426,317	1,191,359	4,489,612	440,542	-	11,745,251
Total credit risk	8,828,224	11,909,953	1,236,200	14,857,055	2,055,124	26,553,693	1,035,482	-	66,475,731

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3.0 CREDIT RISK (cont'd)

3.1 Distribution of Credit Exposures (cont'd)

(c) Residual Contractual Maturity

The following tables represent the residual contractual maturity for major types of gross credit exposure for on-balance sheet exposures of financial assets of the Bank and the Group:

BANK	Up to	>1-3	>3-6	>6-12	>1 year	Total
2017	1 month	months	months	months	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	1,350,926	-	-	-	-	1,350,926
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-
Financial assets held-for-trading	45,323	146,162	215	-	68,001	259,701
Financial investments available-for-sale	1,052,054	909,695	215,958	625,282	5,185,069	7,988,058
Financial investments held-to-maturity	2,226	446	236,134	209,943	209,452	658,201
Loans, advances and financing	5,780,293	1,511,393	536,870	135,823	23,543,365	31,507,744
Statutory deposits with Bank Negara Malaysia	-	-	-	-	1,129,366	1,129,366
Derivative financial assets	20,678	10,878	24,414	6,118	24,257	86,345
Total on-balance sheet exposure	8,251,500	2,578,574	1,013,591	977,166	30,159,510	42,980,341

GROUP

2017

Cash and short-term funds	1,100,945	-	-	-	-	1,100,945
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-
Balances due from clients and brokers	113,022	-	-	-	-	113,022
Financial assets held-for-trading	45,323	181,602	215	-	108,120	335,260
Financial investments available-for-sale	1,292,220	1,231,788	163,257	624,899	6,762,099	10,074,263
Financial investments held-to-maturity	2,226	81,701	266,680	280,223	286,262	917,092
Loans, advances and financing	6,934,846	1,816,636	660,369	153,855	29,608,635	39,174,341
Statutory deposits with Bank Negara Malaysia	-	-	-	-	1,437,344	1,437,344
Derivative financial assets	20,678	10,878	24,414	6,118	24,257	86,345
Total on-balance sheet exposure	9,509,260	3,322,605	1,114,935	1,065,095	38,226,717	53,238,612

3.0 CREDIT RISK (cont'd)

3.1 Distribution of Credit Exposures (cont'd)

(c) Residual Contractual Maturity (cont'd)

The following tables represent the residual contractual maturity for major types of gross credit exposure for on-balance sheet exposures of financial assets of the Bank and the Group (cont'd):

BANK 2016	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1 year RM'000	Total RM'000
Cash and short-term funds	3,907,289	-	-	-	-	3,907,289
Deposits and placements with banks and other financial institutions	-	195,865	-	-	-	195,865
Financial assets held-for-trading	911	213	226	-	130,879	132,229
Financial investments available-for-sale	829,986	829,141	46,357	607,061	4,837,705	7,150,250
Financial investments held-to-maturity	2,229	447	813	63,775	652,060	719,324
Loans, advances and financing	6,514,246	1,412,124	714,970	522,005	22,198,249	31,361,594
Statutory deposits with Bank Negara Malaysia	-	-	-	-	1,117,640	1,117,640
Derivative financial assets	77,729	13,523	15,131	11,486	15,782	133,651
Total on-balance sheet exposure	11,332,390	2,451,313	777,497	1,204,327	28,952,315	44,717,842
GROUP						
2016						
Cash and short-term funds	4,640,610	-	-	-	-	4,640,610
Deposits and placements with banks and other financial institutions	-	195,865	-	-	-	195,865
Balances due from clients and brokers	104,659	-	-	-	-	104,659
Financial assets held-for-trading	911	213	226	-	130,879	132,229
Financial investments available-for-sale	837,870	923,432	58,646	346,312	6,247,080	8,413,340
Financial investments held-to-maturity	2,229	3,848	1,309	213,901	908,020	1,129,307
Loans, advances and financing	7,671,645	1,783,082	956,625	756,060	27,402,579	38,569,991
Statutory deposits with Bank Negara Malaysia	-	-	-	-	1,410,828	1,410,828
Derivative financial assets	77,729	13,523	15,131	11,486	15,782	133,651
Total on-balance sheet exposure	13,335,653	2,919,963	1,031,937	1,327,759	36,115,168	54,730,480

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for the financial year ended 31 March 2017

3.0 CREDIT RISK (cont'd)

3.2 Past Due Loans, Advances and Financing Analysis

Past due but not impaired loans, advances and financing are loans where the customers have failed to make a principal and/or interest payment when contractually due, and include loans which are due one or more days after the contractual due date but not more than 3 months.

Past due loans, advances and financing are analysed as follows:

	Bank		Group	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Past due up to 1 month	779,123	762,974	1,016,032	1,008,966
Past due > 1 - 2 months	148,204	137,024	219,448	193,473
Past due > 2 - 3 months	16,635	16,145	34,742	27,808
	943,962	916,143	1,270,222	1,230,247

Past due loans, advances and financing analysed by sector:

	Bank		Group	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Financial, insurance & business services and real estate	133,581	17,662	145,767	28,005
Transport, storage & communication	6,105	4,986	10,243	6,055
Agriculture, manufacturing, wholesale & retail trade	116,896	107,859	151,050	138,804
Construction	25,899	19,364	28,350	23,280
Household	654,809	761,291	925,857	1,026,723
Others	6,672	4,981	8,955	7,380
	943,962	916,143	1,270,222	1,230,247

Past due loans, advances and financing analysed by significant geographical areas:

	Bank		Group	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Northern region	75,522	67,568	101,809	92,948
Central region	649,386	604,936	853,407	803,554
Southern region	121,395	149,468	191,784	210,949
Sabah region	76,589	81,210	97,562	103,421
Sarawak region	21,070	12,961	25,660	19,375
	943,962	916,143	1,270,222	1,230,247

3.0 CREDIT RISK (cont'd)

3.3 Impaired Loans, Advances and Financing Analysis

Impaired loans, advances and financing analysed by sectors:

	Bank		Group	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Financial, insurance & business services and real estate	17,284	30,035	17,284	32,104
Transport, storage & communication	11,281	11,167	11,531	11,191
Agriculture, manufacturing, wholesale & retail trade	86,840	87,922	98,235	152,619
Construction	16,504	13,593	18,699	13,806
Household	201,235	227,009	241,163	274,109
Others	6,436	3,473	6,437	4,039
	339,580	373,199	393,349	487,868

Impairment allowances on impaired loans, advances and financing analysed by sectors:

	Individual impairment allowance RM'000	Collective impairment allowance RM'000	Individual impairment write-back/ made for during the year (net) RM'000	Individual impairment write-off for the year RM'000
BANK				
2017				
Financial, insurance & business services and real estate	735	28,754	296	-
Transport, storage & communication	10,141	3,463	(5)	-
Agriculture, manufacturing, wholesale & retail trade	38,902	110,237	17,104	(7,694)
Construction	7,197	8,524	38	-
Household	6,174	80,967	3,356	(3,344)
Others	998	2,692	555	(965)
	64,147	234,637	21,344	(12,003)

GROUP **2017**

Financial, insurance & business services and real estate	735	34,594	296	(2,031)
Transport, storage & communication	10,141	4,273	(5)	-
Agriculture, manufacturing, wholesale & retail trade	40,254	134,650	18,381	(14,278)
Construction	7,761	10,036	602	-
Household	6,738	126,126	3,681	(4,041)
Others	998	3,649	551	(1,525)
	66,627	313,328	23,506	(21,875)

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3.0 CREDIT RISK (cont'd)

3.3 Impaired Loans, Advances and Financing Analysis (cont'd)

Impairment allowances on impaired loans, advances and financing analysed by sectors (cont'd):

BANK	Individual impairment allowance	Collective impairment allowance	Individual impairment made for/ write-back during the year (net)	Individual impairment write-off for the year
2016	RM'000	RM'000	RM'000	RM'000
Financial, insurance & business services and real estate	720	25,375	267	(1,519)
Transport, storage & communication	10,146	3,119	(155)	-
Agriculture, manufacturing, wholesale & retail trade	29,605	111,555	18,692	(4,162)
Construction	7,158	6,577	(1,411)	(27)
Household	9,044	86,651	1,823	(2,884)
Others	1,388	3,224	(421)	(70)
	58,061	236,501	18,795	(8,662)
GROUP				
2016				
Financial, insurance & business services and real estate	2,751	29,401	2,298	(1,561)
Transport, storage & communication	10,146	3,501	(155)	-
Agriculture, manufacturing, wholesale & retail trade	36,264	137,728	21,408	(7,487)
Construction	7,158	8,035	(1,411)	(2,058)
Household	10,060	124,461	2,505	(2,884)
Others	1,952	3,852	(416)	(70)
	68,331	306,978	24,229	(14,060)

3.0 CREDIT RISK (cont'd)

3.3 Impaired Loans, Advances and Financing Analysis (cont'd)

Impaired loans, advances and financing and impairment allowances analysed by significant geographical areas:

BANK	Impaired loans, advances and financing	Individual impairment allowance	Collective impairment allowance
2017	RM'000	RM'000	RM'000
Northern region	28,290	5,347	31,509
Central region	238,742	50,918	148,047
Southern region	49,829	7,725	27,785
Sabah region	20,245	157	20,306
Sarawak region	2,474	-	6,990
	339,580	64,147	234,637
GROUP			
2017			
Northern region	30,552	5,347	38,829
Central region	277,515	51,184	203,818
Southern region	58,562	9,434	37,522
Sabah region	23,737	662	24,711
Sarawak region	2,983	-	8,448
	393,349	66,627	313,328
BANK			
2016	RM'000	RM'000	RM'000
Northern region	42,935	7,702	34,867
Central region	272,288	49,188	148,845
Southern region	33,365	923	27,021
Sabah region	21,662	248	19,822
Sarawak region	2,949	-	5,946
	373,199	58,061	236,501
GROUP			
2016			
Northern region	46,072	7,702	41,079
Central region	372,422	59,052	198,203
Southern region	40,279	1,329	35,683
Sabah region	25,088	248	24,768
Sarawak region	4,007	-	7,245
	487,868	68,331	306,978

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for the financial year ended 31 March 2017

3.0 CREDIT RISK (cont'd)

3.3 Impaired Loans, Advances and Financing Analysis (cont'd)

Movements in loan impairment allowances are analysed as follows:

	Bank		Group	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Individual assessment allowance:				
At beginning of year	58,061	46,191	68,331	56,303
Allowance made during the year (net)	21,344	18,795	23,506	24,229
Amount written-off	(12,003)	(8,662)	(21,875)	(14,060)
Transfers (to)/from collective assessment allowance	(3,255)	1,737	(3,335)	1,859
At end of year	64,147	58,061	66,627	68,331
Collective assessment allowance:				
At beginning of year	236,501	278,599	306,978	334,704
Allowance made during the year (net)	35,986	1,502	80,408	40,577
Amount written-off	(41,105)	(41,863)	(77,393)	(66,444)
Transfers from/(to) individual assessment allowance	3,255	(1,737)	3,335	(1,859)
At end of year	234,637	236,501	313,328	306,978

3.0 CREDIT RISK (cont'd)

3.4 Assignment of Risk-Weights for Portfolio Under the Standardised Approach (cont'd)

For the purpose of determining counterparty risk-weights, the Group uses external credit assessments from Rating Agency Malaysia (“RAM”), Malaysian Rating Corporation (“MARC”), Standard and Poor’s (“S&P”), Moody’s, and Fitch. In the context of the Group’s portfolio, external credit assessments are mainly applicable to banks/financial institutions and rated corporations. The Group follows the process prescribed under BNM’s Capital Adequacy Framework to map the ratings to the relevant risk-weights. The ratings are monitored and updated regularly to ensure that the latest and most appropriate risk-weights are applied in the capital computation.

The following tables show the rated credit exposures according to ratings by approved Eligible Credit Assessment Institutions (“ECAIs”):

BANK 2017

Exposure Class	Ratings by Approved ECAIs*					Total
	Moody's	Aaa to Aa3/ P-1	A1 to A3/ P-2	Baa1 to Ba3/P-3	B1 to C/ Others	Unrated
	S&P	AAA to AA/ A-1	A+ to A-/ A-2	BBB+ to BB-/A-3	B+ to D/ Others	Unrated
	Fitch	AAA to AA-/ F1+, F1	A+ to A-/ A-2	BBB+ to BB-/F3	B+ to D	Unrated
	RAM	AAA to AA3/ P-1	A+ to A3/ P-2	BBB1+ to BB3/P-3	B to D/ NP	Unrated
	MARC	AAA to AA-/ MARC-1	A+ to A-/ MARC-2	BBB+ to BB-/MARC-3	B+ to D/ MARC-4	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off Balance-Sheet Exposures						
(i) Exposures risk weighted using Sovereigns and Central Banks rating						
Sovereigns and Central Banks (See Note 1)	-	5,380,642	-	-	-	5,380,642
Corporates	-	419,198	-	-	-	419,198
	-	5,799,840	-	-	-	5,799,840
(ii) Exposures risk weighted using Banking Institutions long term rating						
Banks, MDBs and FDIs	892,473	2,456,085	5,694	-	110,633	3,464,885
Exposures risk weighted using Banking Institutions short term rating						
Banks, MDBs and FDIs	-	-	-	-	-	-
	892,473	2,456,085	5,694	-	110,633	3,464,885
(iii) Exposures risk weighted using Corporate long term rating						
Public Sector Entities	55,802	-	-	-	53,695	109,497
Corporates	1,678,213	44,126	-	-	11,722,431	13,444,770
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	39,572	39,572
Exposures risk weighted using Corporate short term rating						
Public Sector Entities	49,491	-	-	-	-	49,491
Corporates	-	-	-	-	-	-
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	-	-
	1,783,506	44,126	-	-	11,815,698	13,643,330

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3.0 CREDIT RISK (cont'd)

3.4 Assignment of Risk-Weights for Portfolio Under the Standardised Approach (cont'd)

The following tables show the rated credit exposures according to ratings by approved ECAIs (cont'd):

GROUP
2017

Exposure Class	Ratings by Approved ECAIs*						Total
	Moody's	Aaa to Aa3/ P-1	A1 to A3/ P-2	Baa1 to Ba3/P-3	B1 to C/ Others	Unrated	
	S&P	AAA to AA/ A-1	A+ to A-/ A-2	BBB+ to BB-/A-3	B+ to D/ Others	Unrated	
	Fitch	AAA to AA-/ F1+, F1	A+ to A-/ A-2	BBB+ to BB-/F3	B+ to D	Unrated	
	RAM	AAA to AA3/ P-1	A+ to A3/ P-2	BBB1+ to BB3/P-3	B to D/ NP	Unrated	
	MARC	AAA to AA-/ MARC-1	A+ to A-/ MARC-2	BBB+ to BB-/MARC-3	B+ to D/ MARC-4	Unrated	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
On and Off Balance-Sheet Exposures							
(i) Exposures risk weighted using Sovereigns and Central Banks rating							
Sovereigns and Central Banks (See Note 1)	-	7,178,314	-	-	-	-	7,178,314
Corporates	-	952,999	-	-	-	-	952,999
	-	8,131,313	-	-	-	-	8,131,313
(ii) Exposures risk weighted using Banking Institutions long term rating							
Banks, MDBs and FDIs	1,642,670	1,080,633	5,694	-	110,633	-	2,839,630
Exposures risk weighted using Banking Institutions short term rating							
Banks, MDBs and FDIs	-	-	-	-	-	-	-
	1,642,670	1,080,633	5,694	-	110,633	-	2,839,630
(iii) Exposures risk weighted using Corporate long term rating							
Public Sector Entities	86,321	-	-	-	103,699	-	190,020
Corporates	2,329,489	58,835	-	-	14,273,940	-	16,662,264
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	50,065	-	50,065
Exposures risk weighted using Corporate short term rating							
Public Sector Entities	49,491	-	-	-	-	-	49,491
Corporates	-	-	-	-	-	-	-
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	-	-	-
	2,465,301	58,835	-	-	14,427,704	-	16,951,840

3.0 CREDIT RISK (cont'd)

3.4 Assignment of Risk-Weights for Portfolio Under the Standardised Approach (cont'd)

The following tables show the rated credit exposures according to ratings by approved ECAIs (cont'd):

BANK 2016

Exposure Class	Ratings by Approved ECAIs*						Total
	Moody's	Aaa to Aa3/ P-1	A1 to A3/ P-2	Baa1 to Ba3/P-3	B1 to C/ Others	Unrated	
	S&P	AAA to AA/ A-1	A+ to A-/ A-2	BBB+ to BB-/A-3	B+ to D/ Others	Unrated	
	Fitch	AAA to AA-/ F1+, F1	A+ to A-/ A-2	BBB+ to BB-/F3	B+ to D	Unrated	
	RAM	AAA to AA3/ P-1	A+ to A3/ P-2	BBB1+ to BB3/P-3	B to D/ NP	Unrated	
	MARC	AAA to AA-/ MARC-1	A+ to A-/ MARC-2	BBB+ to BB-/MARC-3	B+ to D/ MARC-4	Unrated	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
On and Off Balance-Sheet Exposures							
(i) Exposures risk weighted using Sovereigns and Central Banks rating							
Sovereigns and Central Banks (See Note 1)	-	6,186,036	-	-	-	-	6,186,036
Corporates	-	425,119	-	-	-	-	425,119
	-	6,611,155	-	-	-	-	6,611,155
(ii) Exposures risk weighted using Banking Institutions long term rating							
Banks, MDBs and FDIs	1,754,265	1,721,371	13,241	-	1,509,820	-	4,998,697
Exposures risk weighted using Banking Institutions short term rating							
Banks, MDBs and FDIs	-	-	-	-	-	-	-
	1,754,265	1,721,371	13,241	-	1,509,820	-	4,998,697
(iii) Exposures risk weighted using Corporate long term rating							
Public Sector Entities	40,547	-	-	-	24,420	-	64,967
Corporates	1,461,519	72	-	-	11,199,566	-	12,661,157
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	37,510	-	37,510
Exposures risk weighted using Corporate short term rating							
Public Sector Entities	-	-	-	-	-	-	-
Corporates	-	-	-	-	-	-	-
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	-	-	-
	1,502,066	72	-	-	11,261,496	-	12,763,634

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3.0 CREDIT RISK (cont'd)

3.4 Assignment of Risk-Weights for Portfolio Under the Standardised Approach (cont'd)

The following tables show the rated credit exposures according to ratings by approved ECAIs (cont'd):

GROUP
2016

Exposure Class	Ratings by Approved ECAIs*						Total
	Moody's	Aaa to Aa3/ P-1	A1 to A3/ P-2	Baa1 to Ba3/P-3	B1 to C/ Others	Unrated	
	S&P	AAA to AA/ A-1	A+ to A-/ A-2	BBB+ to BB-/A-3	B+ to D/ Others	Unrated	
	Fitch	AAA to AA-/ F1+, F1	A+ to A-/ A-2	BBB+ to BB-/F3	B+ to D	Unrated	
	RAM	AAA to AA3/ P-1	A+ to A3/ P-2	BBB1+ to BB3/P-3	B to D/ NP	Unrated	
	MARC	AAA to AA-/ MARC-1	A+ to A-/ MARC-2	BBB+ to BB-/MARC-3	B+ to D/ MARC-4	Unrated	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
On and Off Balance-Sheet Exposures							
(i) Exposures risk weighted using Sovereigns and Central Banks rating							
Sovereigns and Central Banks (See Note 1)	-	8,888,021	-	-	-	-	8,888,021
Corporates	-	709,642	-	-	-	-	709,642
	-	9,597,663	-	-	-	-	9,597,663
(ii) Exposures risk weighted using Banking Institutions long term rating							
Banks, MDBs and FDIs	1,934,797	1,721,597	13,241	-	385,162	-	4,054,797
Exposures risk weighted using Banking Institutions short term rating							
Banks, MDBs and FDIs	-	-	-	-	-	-	-
	1,934,797	1,721,597	13,241	-	385,162	-	4,054,797
(iii) Exposures risk weighted using Corporate long term rating							
Public Sector Entities	71,126	-	-	-	24,421	-	95,547
Corporates	2,072,848	72	-	-	13,357,317	-	15,430,237
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	48,158	-	48,158
Exposures risk weighted using Corporate short term rating							
Public Sector Entities	-	-	-	-	-	-	-
Corporates	-	-	-	-	-	-	-
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	-	-	-
	2,143,974	72	-	-	13,429,896	-	15,573,942

Note 1: The Federal Government and Central Bank of Malaysia are accorded 0% risk-weight as provided under the Capital Adequacy Framework.

*Upper Range = Long Term Rating, Lower Range = Short Term Rating

Note:

There is no outstanding securitisation contract at the Bank that required disclosure of ratings and short term rating of securitisation by approved ECAIs.

3.0 CREDIT RISK (cont'd)

3.5 Credit Risk Mitigation ("CRM")

As a practical approach towards mitigating credit risk, the Group accepts a wide range of collaterals. Main types of collateral acceptable to the Group include cash, guarantees, commercial and residential real estate, and physical collateral/financial collateral, e.g. motor vehicles or shares. Guarantees are accepted only when the financial standing of the guarantors have been ascertained.

However, for capital computation purposes, the Bank guidelines apply more restrictive rules on collaterals that qualify as credit mitigants. As a result, not all of the collaterals accepted by the Group can be used to reduce our capital adequacy requirement.

The following tables represent the Bank's/Group's credit exposure including off-balance sheet items under the standardised approach, the total exposure (after, where applicable, eligible netting benefits) that is covered by eligible guarantees and credit derivatives; and eligible collateral after haircuts, allowed under the Capital Adequacy Framework.

BANK 2017 Exposure Class	Exposures before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000	Exposures covered by other eligible collateral RM'000
Credit Risk				
On-balance sheet exposures:				
Sovereigns/Central banks	5,352,766	-	-	-
Public sector entities	105,293	-	-	-
Banks, DFIs and MDBs	3,280,378	-	-	-
Insurance companies, securities firms and fund managers	27,568	-	101	-
Corporates	12,282,183	-	735,255	-
Regulatory retail	8,873,425	-	921,507	-
Residential mortgages	12,149,938	-	10,324	-
Higher risk assets	3,182	-	6	-
Other assets	501,191	-	-	-
Equity exposures	111,392	-	-	-
Defaulted exposures	201,335	-	3,168	-
Total on-balance sheet exposures	42,888,651	-	1,670,361	-
Off-balance sheet exposures:				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	3,075,910	-	367,061	-
Defaulted exposures	6,394	-	29	-
Total off-balance sheet exposures	3,082,304	-	367,090	-
Total on and off-balance sheet exposures	45,970,955	-	2,037,451	-

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for the financial year ended 31 March 2017

3.0 CREDIT RISK (cont'd)

3.5 Credit Risk Mitigation ("CRM") (cont'd)

GROUP 2017 Exposure Class	Exposures before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000	Exposures covered by other eligible collateral RM'000
Credit Risk				
On-balance sheet exposures:				
Sovereigns/Central banks	7,090,438	-	-	-
Public sector entities	175,816	-	-	-
Banks, DFIs and MDBs	2,655,245	-	-	-
Insurance companies, securities firms and fund managers	38,061	-	101	-
Corporates	15,689,245	-	995,165	-
Regulatory retail	11,840,659	-	1,025,793	-
Residential mortgages	14,544,792	-	11,445	-
Higher risk assets	3,182	-	6	-
Other assets	682,915	-	-	-
Equity exposures	165,294	-	-	-
Defaulted exposures	232,514	-	3,950	-
Total on-balance sheet exposures	53,118,161	-	2,036,460	-
Off-balance sheet exposures:				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	3,622,419	-	431,467	-
Defaulted exposures	9,461	-	31	-
Total off-balance sheet exposures	3,631,880	-	431,498	-
Total on and off-balance sheet exposures	56,750,041	-	2,467,958	-

3.0 CREDIT RISK (cont'd)

3.5 Credit Risk Mitigation ("CRM") (cont'd)

BANK 2016 Exposure Class	Exposures before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000	Exposures covered by other eligible collateral RM'000
Credit Risk				
On-balance sheet exposures:				
Sovereigns/Central banks	6,172,862	-	-	-
Public sector entities	40,547	-	-	-
Banks, DFIs and MDBs	4,782,172	-	-	-
Insurance companies, securities firms and fund managers	27,540	-	-	-
Corporates	11,415,764	-	665,900	-
Regulatory retail	9,471,017	-	1,062,568	-
Residential mortgages	11,998,907	-	8,843	-
Higher risk assets	2,910	-	5	-
Other assets	538,790	-	-	-
Equity exposures	102,672	-	-	-
Defaulted exposures	243,444	-	2,034	-
Total on-balance sheet exposures	44,796,625	-	1,739,350	-
Off-balance sheet exposures:				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	3,485,329	-	346,567	-
Defaulted exposures	8,205	-	18	-
Total off-balance sheet exposures	3,493,534	-	346,585	-
Total on and off-balance sheet exposures	48,290,159	-	2,085,935	-

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REPORT DISCLOSURE

for the financial year ended 31 March 2017

3.0 CREDIT RISK (cont'd)

3.5 Credit Risk Mitigation ("CRM") (cont'd)

GROUP 2016 Exposure Class	Exposures before CRM RM'000	Exposures covered by guarantees/ credit derivatives RM'000	Exposures covered by eligible financial collateral RM'000	Exposures covered by other eligible collateral RM'000
Credit Risk				
On-balance sheet exposures:				
Sovereigns/Central banks	8,814,847	-	-	-
Public sector entities	71,126	-	-	-
Banks, DFIs and MDBs	3,838,402	-	-	-
Insurance companies, securities firms and fund managers	37,997	-	-	-
Corporates	14,035,293	-	835,521	-
Regulatory retail	12,382,876	-	1,151,869	-
Residential mortgages	14,472,085	-	9,987	-
Higher risk assets	2,910	-	5	-
Other assets	715,993	-	-	-
Equity exposures	152,355	-	-	-
Defaulted exposures	323,095	-	2,034	-
Total on-balance sheet exposures	54,846,979	-	1,999,416	-
Off-balance sheet exposures:				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	4,072,087	-	401,814	-
Defaulted exposures	25,532	-	18	-
Total off-balance sheet exposures	4,097,619	-	401,832	-
Total on and off-balance sheet exposures	58,944,598	-	2,401,248	-

3.6 Off-Balance Sheet Exposures and Counterparty Credit Risk

Counterparty Credit Risk ("CCR") is the risk that the counterparty to a transaction involving financial instruments such as foreign exchange and derivatives, could default before the final settlement of the transaction's cash flows. Unlike a loan where the credit risk is unilateral i.e. only the lending bank faces the risk of loss, CCR on derivatives creates bilateral risk of loss. This means either party of the transaction can incur losses depending on the market value of the derivative, which can vary over time with the movement of underlying market factors.

For derivatives, the Group is not exposed to credit risk for the full face value of the contracts. The CCR is limited to the potential cost of replacing the cash-flow if the counterparty defaults. As such, the credit equivalent amount will depend, inter alia, on the maturity of the contract and on the volatility of the rates underlying that type of instrument.

Derivatives are mainly utilised for hedging purposes with minimal trading exposures. CCR is managed via counterparty limits, which is set based on the counterparty's size and credit rating. These limits are monitored daily by Group Risk Management.

3.0 CREDIT RISK (cont'd)

3.6 Off-Balance Sheet Exposures and Counterparty Credit Risk (cont'd)

CCR is further mitigated via netting agreements, e.g. under the International Swaps and Derivatives Association ("ISDA") master agreement. The ISDA agreement contractually binds both parties to apply close-out netting across all outstanding transactions covered by this agreement should either party default or other such predetermined credit events occur.

CCR is measured via the current exposure method whereby the credit equivalent exposure for derivatives is the sum of the positive mark-to-market exposure plus the potential future exposure which is equivalent to an add-on factor multiplied by the notional amount. The add-on factors are as stipulated by BNM.

BANK 2017	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
<u>Credit-related exposures</u>				
Direct credit substitutes	649,782	-	649,782	563,934
Transaction-related contingent items	653,885	-	326,943	238,065
Short-term self-liquidating trade-related contingencies	114,249	-	22,850	18,836
Irrevocable commitments to extend credit:				
- maturity exceeding one year	927,426	-	463,713	388,228
- maturity not exceeding one year	4,943,831	-	988,766	692,205
Unutilised credit card lines	1,584,784	-	316,957	241,470
	8,873,957	-	2,769,010	2,142,738
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
- one year or less	11,082,789	61,802	161,111	52,284
- over one year to three years	116,546	73	6,462	5,135
- over three years	37,817	43	3,433	3,433
Interest rate related contracts:				
- one year or less	750,000	227	1,277	270
- over one year to three years	1,988,572	8,336	44,924	15,343
- over three years	1,605,860	15,775	90,428	41,136
Equity related contracts:				
- one year or less	52,405	59	3,203	1,591
- over one year to three years	30,330	30	2,456	1,228
	15,664,319	86,345	313,294	120,420
	24,538,276	86,345	3,082,304	2,263,158

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REPORT DISCLOSURE

for the financial year ended 31 March 2017

3.0 CREDIT RISK (cont'd)

3.6 Off-Balance Sheet Exposures and Counterparty Credit Risk (cont'd)

GROUP 2017	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
<u>Credit-related exposures</u>				
Direct credit substitutes	757,816	-	757,816	660,814
Transaction-related contingent items	710,106	-	355,053	255,570
Short-term self-liquidating trade-related contingencies	138,588	-	27,718	23,152
Irrevocable commitments to extend credit:				
- maturity exceeding one year	1,111,249	-	555,625	471,495
- maturity not exceeding one year	6,527,092	-	1,305,418	878,592
Unutilised credit card lines	1,584,784	-	316,957	241,470
	10,829,635	-	3,318,586	2,531,093
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
- one year or less	11,082,789	61,802	161,111	52,284
- over one year to three years	116,546	73	6,462	5,135
- over three years	37,817	43	3,433	3,433
Interest rate related contracts:				
- one year or less	750,000	227	1,277	270
- over one year to three years	1,988,572	8,336	44,924	15,343
- over three years	1,605,860	15,775	90,428	41,136
Equity related contracts:				
- one year or less	52,405	59	3,203	1,591
- over one year to three years	30,330	30	2,456	1,228
	15,664,319	86,345	313,294	120,420
	26,493,954	86,345	3,631,880	2,651,513

3.0 CREDIT RISK (cont'd)

3.6 Off-Balance Sheet Exposures and Counterparty Credit Risk (cont'd)

BANK 2016	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
<u>Credit-related exposures</u>				
Direct credit substitutes	625,635	-	625,635	548,598
Transaction-related contingent items	618,043	-	309,021	226,748
Short-term self-liquidating trade-related contingencies	113,621	-	22,724	20,084
Irrevocable commitments to extend credit:				
- maturity exceeding one year	1,940,980	-	970,490	776,394
- maturity not exceeding one year	4,803,945	-	960,789	675,332
Unutilised credit card lines	1,597,855	-	319,571	243,050
	9,700,079	-	3,208,230	2,490,206
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
- one year or less	7,255,690	117,734	192,432	70,702
- over one year to three years	39,135	-	3,522	1,761
- over three years	-	-	-	-
Interest rate related contracts:				
- one year or less	380,000	136	741	291
- over one year to three years	809,755	1,813	13,009	3,199
- over three years	1,490,776	13,968	68,514	23,771
Equity related contracts:				
- one year or less	92,940	-	5,576	2,788
- over one year to three years	18,880	-	1,510	755
	10,087,176	133,651	285,304	103,267
	19,787,255	133,651	3,493,534	2,593,473

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REPORT DISCLOSURE

for the financial year ended 31 March 2017

3.0 CREDIT RISK (cont'd)

3.6 Off-Balance Sheet Exposures and Counterparty Credit Risk (cont'd)

GROUP 2016	Principal Amount RM'000	Positive Fair Value of Derivative Contracts: RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
<u>Credit-related exposures</u>				
Direct credit substitutes	717,319	-	717,319	628,662
Transaction-related contingent items	677,126	-	338,563	244,244
Short-term self-liquidating trade-related contingencies	137,524	-	27,505	24,375
Irrevocable commitments to extend credit:				
- maturity exceeding one year	2,287,572	-	1,143,786	936,985
- maturity not exceeding one year	6,327,855	-	1,265,571	872,840
Unutilised credit card lines	1,597,855	-	319,571	243,050
	11,745,251	-	3,812,315	2,950,156
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
- one year or less	7,255,690	117,734	192,432	70,702
- over one year to three years	39,135	-	3,522	1,761
- over three years	-	-	-	-
Interest rate related contracts:				
- one year or less	380,000	136	741	291
- over one year to three years	809,755	1,813	13,009	3,199
- over three years	1,490,776	13,968	68,514	23,771
Equity related contracts:				
- one year or less	92,940	-	5,576	2,788
- over one year to three years	18,880	-	1,510	755
	10,087,176	133,651	285,304	103,267
	21,832,427	133,651	4,097,619	3,053,423

4.0 MARKET RISK

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

Market Risk Management

The Board, via the GRMC provides oversight on market risk management activities. Its responsibilities include reviewing and approving risk management policies, risk exposures and limits whilst ensuring the necessary infrastructure and resources are in place.

At senior management level, the Group Assets and Liabilities Management Committee (“GALCO”) manages the Group’s market risk by reviewing and recommending market risk frameworks and policies; ensuring that market risk limits and parameters are within the approved thresholds; and aligning market risk management with business strategy and planning.

Organisationally, market risks are managed collectively via the Three Lines of Defence concept. Group Financial Markets, as the risk taking unit assumes ownership of the risk and manages the risk within the approved policies, risk limits and parameters as set by the GRMC or GALCO. The risk control function is undertaken by Group Risk Management which provides independent monitoring, valuation and reporting of the market exposures. This is supplemented by periodic review by Group Internal Audit.

For the Group, market risk is managed on an integrated approach which involves the following processes:

- (i) Identification of market risk in new products and changes in risk profiles of existing exposures.
- (ii) Assessment of the type and magnitude of market risks which takes into account the activity and market role undertaken.
- (iii) Adoption of various market risk measurement tools and techniques to quantify market risk exposures.
- (iv) Scheduled and exception reporting on market risk exposures.

Market risk exists in the Group’s activities in fixed income securities, foreign exchange and financial derivatives, which are transacted primarily by Group Financial Markets (treasury) department. Trading positions are held intentionally for short-term resale and with the intent of benefiting from actual or expected short-term price movements while banking book positions are held until maturity or as available-for-sale. Hence, these positions are susceptible to market movements.

These exposures are governed by approved policies, risk limits and parameters which are set vis-a-vis the Group’s risk appetite and strategy. Besides that, treasury activities are monitored and reported independently by Group Market Risk on a daily basis. Any limit breaches or exceptions are reported to GALCO and GRMC.

Hedging Policies and Strategies

The Group had established a hedging policy which outlines the broad principles and policies governing hedging activities by the Group. Generally, the Group enters into hedges to manage or reduce risk exposures. All hedging strategies are approved by the GALCO and monitored independently by Group Market Risk. Further, all hedging strategies are designated upfront and recorded separately under the hedging portfolios. Hedging positions and effectiveness, if any, are monitored and reported monthly to senior management.

Market risk capital charge

For the Group, the market risk charge is computed on the standardised approach and the capital charges are mainly on the fixed income securities, foreign exchange and financial derivatives portfolios if any.

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REPORT DISCLOSURE

for the financial year ended 31 March 2017

4.0 MARKET RISK (cont'd)

Regulatory capital requirements

The risk-weighted assets and capital requirements for the various categories of risk under market risk are as follows:

	Bank		Group	
	Risk-Weighted Assets RM'000	Capital Requirements RM'000	Risk-Weighted Assets RM'000	Capital Requirements RM'000
2017				
Interest rate risk				
- General interest rate risk	26,405	2,112	36,819	2,946
- Specific interest rate risk	3,387	271	14,525	1,162
	29,792	2,383	51,344	4,108
Option risk	175	14	175	14
Foreign exchange risk	74,523	5,962	74,523	5,962
	104,490	8,359	126,042	10,083
2016				
Interest rate risk				
- General interest rate risk	76,062	6,085	76,062	6,085
- Specific interest rate risk	24,913	1,993	24,913	1,993
	100,975	8,078	100,975	8,078
Option risk	-	-	5,830	466
Foreign exchange risk	17,038	1,363	17,038	1,363
	118,013	9,441	123,843	9,907

5.0 OPERATIONAL RISK

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes legal risk but excludes strategic and reputation risks.

Operational Risk Management

Management, escalation and reporting of operational risks are instituted through the Group Operational Risk Management Committee, Group Risk Management Committee as well as the Board.

The Board, via the GRMC provides oversight on operational risk management activities.

5.0 OPERATIONAL RISK (cont'd)

On a senior management level, Group Operational Risk Management (GORMC) manages the day-to-day operational risk exposures. Amongst the roles and responsibilities of GORMC include:

- (i) Provide strategic guidance on operational issues and monitor implementation of ORM framework
- (ii) Review and monitor operational risk issues, reports and action plans
- (iii) Evaluate and agree on initiatives to strengthen operational processes or infrastructure
- (iv) Promote risk awareness and operational risk management culture

The Group practices operational risk management as outlined in the ORM Framework, in accordance with Basel and regulatory guidelines. The Group applies operational risk tools and methodologies in the identification, assessment, measurement, control and monitoring of operational risks. Other efforts by the Group include the ORM awareness training which is given to all staff, and regular business continuity and disaster recovery plans.

The Group adopts the Basic Indicator Approach for computation of operational RWA.

6.0 EQUITY EXPOSURES IN BANKING BOOK

The Bank and the Group holds equity positions in the banking book as a result of debt to equity conversion, for social-economic purposes, or to maintain strategic relationships. All equities are held at fair value. For quoted equities, fair value is estimated based on quoted or observable market price at the end of the reporting period. For unquoted equities, the fair value is estimated using approved valuation techniques.

The returns from these equities holdings are credited to the Statement of Comprehensive Income and any gains or losses arising from a change in fair value are recognised directly in other comprehensive income or in equity through the Statement of Changes in Equity.

The following table shows the equity exposures in banking book:

	Bank		Group	
	Gross credit exposures RM'000	Risk-weighted assets RM'000	Gross credit exposures RM'000	Risk-weighted assets RM'000
2017				
Publicly traded				
Holding of equity investments	15	15	15	15
Privately held				
For socio-economic purposes	111,374	111,374	165,276	165,276
Not for socio-economic purposes	3	4	3	4
	111,392	111,393	165,294	165,295
2016				
Publicly traded				
Holding of equity investments	15	23	15	23
Privately held				
For socio-economic purposes	102,654	102,654	152,338	152,338
Not for socio-economic purposes	3	5	3	5
	102,672	102,682	152,356	152,366

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for the financial year ended 31 March 2017

6.0 EQUITY EXPOSURES IN BANKING BOOK (cont'd)

Gains and losses on equity exposures in the banking book

The table below present the gains and losses on equity exposures in banking book:

	Bank		Group	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Realised gains/(losses) recognised in the statement of comprehensive income				
- Privately held equity investments	-	(549)	-	(549)
	-	(549)	-	(549)
Unrealised gains/(losses) recognised in revaluation reserve				
- Publicly traded equity investments	-	4	-	4
- Privately held equity investments	8,720	8,856	12,938	12,705
	8,720	8,860	12,938	12,709

7.0 INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK

Interest rate risk/rate of return risk in the banking book ("IRR/RORBB") arises from exposure of banking book positions to interest rate/profit rate movements. Changes in interest rate/profit rate affects the Group's earnings by changing its net interest/profit income and the level of other interest/profit rate sensitive income and expenses. It also affects the underlying value of banking assets, liabilities and off-balance sheet instruments as the present value of future cash flows change when interest rate/profit rate change.

Risk Governance

IRR/RORBB is managed collectively by GALCO, Group Financial Markets, Group Finance and Group Risk Management. Each of the above parties has clearly defined roles and responsibilities to provide oversight and manage IRR/RORBB within the defined framework and structure as approved by the GRMC/Board. GALCO assumes the overall responsibility in managing IRR/RORBB by setting the directions, strategy and risk limits/parameters for the Bank/Group. Group Financial Markets is tasked to execute the approved strategy by managing the assets/liabilities as well as the funding and liquidity needs of the Bank/Group. Group Finance and Group Risk Management provide support in respect of risk monitoring and reporting of the banking book exposures; and ensuring regulatory as well as accounting requirements are met.

IRR/RORBB Management

The guiding principles in managing IRR/RORBB include:

- (i) Adopting a prudent approach to manage IRR/RORBB in ways that commensurate with the Group's size and business activities. This is achieved via establishing robust IRR/RORBB policies, measures and strategies which is complemented by regular monitoring and reporting.
- (ii) Checking to ensure that IRR/RORBB are accurately measured and any mismatches identified, reviewed and reported monthly to GALCO.
- (iii) Setting of proper gapping limits and the limits monitored closely.
- (iv) Practicing comprehensive IRR/RORBB reporting and review process, with aggregated information and supporting details to facilitate assessment of the Group's sensitivity to changes in market conditions.

7.0 INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK (cont'd)

IRR/RORBB Management (cont'd)

The Bank uses a range of tools, including the following primary measures to quantify and monitor IRR/RORBB:

- (i) Repricing gap analysis to measure interest rate/profit rate from the earnings perspective i.e. impact of interest rate/profit rate changes to earnings in the short-term.
- (ii) Net interest income/profit income simulation to assess the impact of interest rate/profit rate changes on short term earnings volatility.
- (iii) Economic value of equity ("EVE") simulation which measures long term interest rate/profit rate exposure through deterioration in capital base based on adverse interest rate/profit rate movements.

Group Risk Management performs independent monitoring of the interest rate/profit rate benchmarks to ensure compliance. Any exceptions are reported and appropriate remedial actions are taken, where necessary. Schedule reporting via risk dashboards are provided to senior management, GRMC and Board. The risk dashboards provide a gauge on the IRR/RORBB of the Group.

The Group is guided by BNM's guidelines and Basel standards on management of IRR/RORBB.

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

	Bank + 100 bps RM'000	Group + 100 bps RM'000
2017		
Impact on net interest income ("NII")		
Ringgit Malaysia	96,418	101,418
Impact on Economic Value ("EV")		
Ringgit Malaysia	49,770	139,520
2016		
Impact on net interest income ("NII")		
Ringgit Malaysia	84,907	90,847
Impact on Economic Value ("EV")		
Ringgit Malaysia	42,334	125,659

Note:

The foreign currency impact on NII/EV are considered insignificant as the exposure is less than 5% of the respective total Banking Book assets and liabilities.

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for the financial year ended 31 March 2017

8.0 SHARIAH GOVERNANCE DISCLOSURES

Shariah Non-Compliance Risk arises from the risk of failure to comply with Shariah rules and principles as determined by Shariah Advisory Council of Bank Negara Malaysia and Alliance Islamic Bank's (AIS) Shariah Committee. To manage the risks, AIS has adopted the following guiding principles:

- (i) A sound Shariah Compliance Framework which governs the operations of AIS and outlines the roles of key functionalities within AIS, including but not limited to the Shariah risk management process. This is in line with the Shariah Governance Framework issued by BNM.
- (ii) The Board of Directors, assisted by the Shariah Committee and senior management, provide oversight on Shariah compliance aspects of AIS' overall operations. This amongst others include:
 - Oversight and implementation of the Shariah Compliance Framework.
 - Regular review of non-Shariah compliant income and issues.
 - Addressing non-Shariah compliance findings.
 - Ensuring compliance with regulatory and internal requirements including disclosures.
- (iii) Appointment of qualified Shariah Committee member who also serves as AIS' Board member; serving as a 'bridge' between the Board and the Shariah Committee.
- (iv) Ongoing Shariah reviews and training to raise risk awareness and ensure compliance to Shariah rules and principles. This includes:
 - Regular assessment on Shariah compliance in the activities and operations of AIS. The findings of the review are reported to the Shariah Committee for deliberation and decision.
 - Performing research and studies on Shariah issues, including providing day-to-day Shariah advice and consultancy to relevant parties.
 - Conducting Shariah-related training and ongoing engagement with relevant parties to raise awareness on Shariah non-compliance risk.
- (v) Escalation and reporting processes of non-Shariah compliance income and issues governed through designated escalation channels, which include the Board and the Shariah Committee.

Non-Shariah Compliant Income And Events

During the financial period, there were 3 Shariah non-compliance events detected from the ongoing reviews of AIS' operational processes. Necessary efforts had been taken to rectify each Shariah non-compliant event, which was escalated to and tracked by the Board and the Shariah Committee. The Shariah non-compliant income of RM729,164 had been disposed of in accordance with Shariah Committee's decision, except for a sum of RM2,051 which is pending disposal.

LIST OF PROPERTIES

as at 31 March 2017

Location	Current Use	Year of Purchase ¹	Tenure	Remaining Lease Period (Expiry Year)	Age of Property (Years) ²	Built-Up Area (Sq Ft) ³	Net Book Value (RM'000) ⁴
1, Jalan Tembaga SD5/2A Bandar Sri Damansara 52100 Kepong, Kuala Lumpur	Alliance Bank's branch/office premises	1991	Freehold	-	24	9,305	679
150 - 152, Jalan Cerdas Taman Connaught 56000 Kuala Lumpur	Alliance Bank's branch/office premises	1997	Leasehold 99 years	61 years 2078	38	11,704	2,234
43 & 45, Jalan Bunga Tanjung 6A Taman Putra 68000 Ampang, Selangor	Alliance Bank's branch/office premises	1998	Leasehold 99 years	64 years 2081	35	8,120	1,116
1960 E & F, Jalan Stadium 05100 Alor Setar, Kedah	Alliance Bank's branch/office premises	1979	Leasehold 60 years	22 years 2039	38	5,814	406
Ground & Mezzanine Floor Wisma Malvest 20 & 20A Jalan Tun Dr Awang Sungai Nibong Kecil 11900 Bayan Lepas Pulau Pinang	Alliance Bank's branch/office premises	1994	Freehold	-	23	6,103	1,498
70 & 71, Block 10 Jalan Laksamana Cheng Ho 93200 Kuching, Sarawak	Alliance Bank's branch/office premises	2007	Leasehold 60 years	52 years 2069	11	9,405	2,010
B-400, Jalan Beserah 25300 Kuantan, Pahang	Alliance Bank's branch/office premises	1996	Freehold	-	26	6,689	379
LG134/LG135/G128/F89 Holiday Plaza Jalan Dato Sulaiman 80250 Johor Bahru, Johor	Alliance Bank's branch/office premises	1984	Freehold	-	33	5,414	798
Lot 1 & 3, Jalan Permas Jaya 10/2 Bandar Baru Permas Jaya 81750 Johor Bahru, Johor	Alliance Bank's branch/office premises	1994	Freehold	-	24	24,334	1,464
3 & 5, Jalan Bentara 1 Tun Aminah 81300 Johor Bahru, Johor	Alliance Bank's branch/office premises	1996	Freehold	-	34	5,412	872

LIST OF PROPERTIES (Cont'd)

as at 31 March 2017

Location	Current Use	Year of Purchase ¹	Tenure	Remaining Lease Period (Expiry Year)	Age of Property (Years) ²	Built-Up Area (Sq Ft) ³	Net Book Value (RM'000) ⁴
Unit 01-G & 01-1 Seremban City Centre Jalan Tunku Munawir 70000 Seremban, Negeri Sembilan	Alliance Bank's branch/office premises	1997	Freehold	-	18	7,277	1,500
101 & 103, Jalan Melaka Raya 24 Taman Melaka Raya 75000 Melaka	Alliance Bank's branch/office premises	1995	Leasehold 99 years	77 years 2094	20	8,640	550
Lot 7 & 9, Block D Nountun Industrial Estate 89350 Inanam Kota Kinabalu, Sabah	Alliance Bank's branch/office premises	1995	Leasehold 999 years	906 years 2923	17	7,495	894
Lot 4-6, Block K Sinsuran Complex 88000 Kota Kinabalu, Sabah	Alliance Bank's branch/office premises	1980	Leasehold 99 years	54 years 2071	39	13,979	456
Lot 1086, Jalan Utara W.D.T. 127 91009 Tawau, Sabah	Alliance Bank's branch/office premises	1981	Leasehold 99 years	43 years 2060	54	14,948	505
Lot 8, Block A Beaufort Jaya Commercial Centre 89808 Beaufort, Sabah	Alliance Bank's branch/office premises	1984	Leasehold 999 years	884 years 2901	31	4,500	220
Lot 1, Block C Mile 4 1/2 Jalan Utara Bandar Kim Fung 90307 Sandakan, Sabah	Alliance Bank's branch/office premises	1992	Leasehold 99 years	63 years 2080	32	4,800	383
1 & 2, Block A, Jalan Jungkat Pangie Light Industrial Complex 89909 Tenom, Sabah	Alliance Bank's branch/office premises	1993	Leasehold 999 years	907 years 2924	23	7,085	289
17, 19 & 21, Jalan USJ 9/5N 47620 Subang Jaya, Selangor	Alliance Bank's branch/office premises	1996	Freehold	-	21	13,860	2,268
2 & 3 Block A, Phase III Luyang Commercial Centre Damai Plaza, Jalan Damai 88300 Kota Kinabalu, Sabah	Alliance Bank's branch/office premises	1992	Leasehold 99 years	64 years 2081	21	9,667	843

Location	Current Use	Year of Purchase ¹	Tenure	Remaining Lease Period (Expiry Year)	Age of Property (Years) ²	Built-Up Area (Sq Ft) ³	Net Book Value (RM'000) ⁴
59-61, Jalan Tiga 90702 Sandakan, Sabah	Alliance Bank's branch/office premises	1963	Leasehold 999 years	872 years 2889	59	9,900	686
MPWPL U0072 & U0073 Jalan Merdeka 87008 Labuan	Alliance Bank's branch/office premises	1979	Leasehold 99 years	40, 46 years 2057, 2063	51 51	5,800	627
Lot 84, Jalan Gaya 88000 Kota Kinabalu, Sabah	Alliance Bank's branch/office premises	1985	Leasehold 999 years	865 years 2882	59	10,040	1,706
45, Jalan Sungai Besi Indah 1/21 43300 Balakong, Selangor	Alliance Bank's branch/office premises	2001	Leasehold 99 years	74 years 2091	16	9,706	1,278
3, Jalan SS 15/2A Wisma Projass (3 Alliance) 47500 Subang Jaya, Selangor	Alliance Bank's branch/office premises	2005	Freehold	-	32	35,926	6,440

Note:

- ¹ The Year of Purchase is based on Sale & Purchase Agreement. In the event that Sale & Purchase Agreement is not available, it is based on the date of registration of ownership specified in the title document.
- ² The Age of Property is based on Certificate of Fitness for Occupation. In the event that the Certificate of Fitness for Occupation is not available, it is based on the issuance date of the title document.
- ³ The Built-Up Area is based on the valuation report conducted in March 2012.
- ⁴ Net Book Value as at 31 March 2017.

DIRECTORY

as at 31 May 2017



ALLIANCE BANK

ALLIANCE BANK MALAYSIA BERHAD

HEAD OFFICE

3rd Floor, Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel : 03-2604 3333
Fax : 03-2694 6200

www.alliancebank.com.my



ALLIANCE ISLAMIC BANK

ALLIANCE ISLAMIC BANK BERHAD

HEAD OFFICE

22nd Floor, Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel : 03-2604 3333
Fax : 03-2698 4691

www.allianceislamicbank.com.my

Butterworth

4105-4107, Jalan Bagan Luar
12000 Butterworth, Pulau Pinang
Tel : 04-331 4863/64
Fax : 04-323 2824

Sungai Nibong Kecil

Ground & Mezzanine Floor
Wisma Malvest, 20 & 20A
Jalan Tun Dr Awang
Sungai Nibong Kecil
11900 Bayan Lepas, Pulau Pinang
Tel : 04-642 5918
Fax : 04-642 5924

PERAK

Ipoh

40 & 42, Persiaran Greenhill
30450 Ipoh, Perak
Tel : 05-241 2342/3
05-241 2346/8
Fax : 05-241 2355

Sitiawan

23 & 24, Jalan Raja Omar
Taman Selamat
32000 Sitiawan, Perak
Tel : 05-691 1212
Fax : 05-691 7975

BRANCHES

KEDAH

Alor Setar

1960 E & F, Jalan Stadium
05100 Alor Setar, Kedah
Tel : 04-731 0744
Fax : 04-733 8055

Lunas, Kulim

888 & 889, Jalan Aman
Taman Sejahtera
09600 Lunas, Kulim, Kedah
Tel : 04-484 3275/76/78
Fax : 04-484 3277

Sejati Indah, Sungai Petani

Ground Floor, Wisma Uni-Green
18, Jalan Permatang Gedong
Taman Sejati Indah
08000 Sungai Petani, Kedah
Tel : 04-431 1673/81
04-431 2139
Fax : 04-431 1687

PULAU PINANG

Bandar Baru Air Itam

No. 37, Jalan Angsana
Bandar Baru Air Itam
11500 Pulau Pinang
Tel : 04-827 3288
Fax : 04-827 3688

Beach Street

Ground Floor, Bangunan Barkath
21, Beach Street
10300 Georgetown, Pulau Pinang
Tel : 04-262 8100
Fax : 04-261 3300

Bukit Mertajam

Ground & 1st Floor
Wisma Ng Ah Yan
42, Lebuhr Nangka 2
Taman Mutiara
14000 Bukit Mertajam, Pulau Pinang
Tel : 04-530 3130
Fax : 04-530 7433

SELANGOR

Aman Suria Damansara

J-G-23 & J-G-25, Block J
Jalan PJU 1/43, PJU1
Aman Suria Damansara
47301 Petaling Jaya, Selangor
Tel : 03-7880 8842
Fax : 03-7880 4299

Ampang Point

Ground & Mezzanine Floor
65, Jalan Mamanda 9
Ampang Point
Taman Dato Ahmad Razali
68000 Ampang, Selangor
Tel : 03-4252 3822
Fax : 03-4252 3877

Balakong

45, Jalan Sungai Besi Indah 1/21
Taman Sungai Besi Indah
43300 Seri Kembangan, Selangor
Tel : 03-8948 6972
Fax : 03-8948 9530

SELANGOR (cont'd)**Bandar Bukit Tinggi**

56, Lorong Batu Nilam 4B
Bandar Bukit Tinggi
41200 Klang, Selangor
Tel : 03-3324 1122
Fax : 03-3324 3311

Bandar Puteri Puchong

11 & 13, Jalan Puteri 2/1
Bandar Puteri Puchong
47100 Puchong, Selangor
Tel : 03-8063 2833
Fax : 03-8063 2711

CP Tower, Petaling Jaya

Unit 1-2, Right Wing
Level 1, CP Tower
11, Jalan 16/11
Off Jalan Damansara
46350 Petaling Jaya, Selangor
Tel : 03-7957 3366
Fax : 03-7957 3360

Damansara Uptown

Unit 102 & 103
Level 1, Uptown 2
2, Jalan SS21/37
Damansara Uptown
47400 Petaling Jaya, Selangor
Tel : 03-7660 9798
Fax : 03-7660 9799

Kajang

Lot 4 & 5, Jalan Jeloh 3
Off Jalan Bukit
43000 Kajang, Selangor
Tel : 03-8733 5966
Fax : 03-8733 5415

Klang

Ground Floor
1, Lorong Kasawari 4B
Taman Eng Ann
41150 Klang, Selangor
Tel : 03-3345 3700
Fax : 03-3345 3733

Kota Damansara

7-G & 9-G, Jalan PJU 5/20
Pusat Perdagangan Kota Damansara
PJU5 Kota Damansara
47810 Petaling Jaya, Selangor
Tel : 03-6142 8632
Fax : 03-6142 8732

Pandan Indah

Ground & Mezzanine Floor
11 & 13, Jalan Pandan Indah 4/34
Pandan Indah, 55100 Selangor
Tel : 03-4295 7300
Fax : 03-4296 4107

Puchong Jaya

11, Jalan Kenari 5
Bandar Puchong Jaya
47100 Puchong Jaya, Selangor
Tel : 03-8075 9185
Fax : 03-8075 9200

Rawang

71, Jalan Bandar Rawang 2
Bandar Baru Rawang
48000 Rawang, Selangor
Tel : 03-6091 7622
Fax : 03-6091 7922

Seri Kembangan

31-1 & 31-2
Jalan Serdang Perdana 2/1
Taman Serdang Perdana
43300 Seri Kembangan, Selangor
Tel : 03-8941 6610
Fax : 03-8941 6620

Shah Alam

Ground & 1st Floor
2, Jalan Murni 25/61
Taman Sri Muda, Seksyen 25
40400 Shah Alam, Selangor
Tel : 03-5121 9336
Fax : 03-5121 9373

Sri Damansara

1, Jalan Tembaga SD 5/2A
Bandar Sri Damansara
52100 Selangor
Tel : 03-6275 0144/0529/0684
Fax : 03-6275 0457
03-6272 1732

SS2, Petaling Jaya

53 & 55, Jalan SS2/55
47300 Petaling Jaya, Selangor
Tel : 03-7875 8255
Fax : 03-7874 0973

Subang Jaya

3 Alliance
3, Jalan SS15/2A
47500 Subang Jaya, Selangor
Tel : 03-5634 2870
Fax : 03-5634 1128

Taman Putra

43-45, Jalan Bunga Tanjung 6A
Taman Putra
68000 Ampang, Selangor
Tel : 03-4291 7740
Fax : 03-4296 1250

USJ, Subang Jaya

Ground & 1st Floor
17, 19 & 21, Jalan USJ 9/5N
47620 UEP Subang Jaya, Selangor
Tel : 03-8024 1300
Fax : 03-8023 4379

KUALA LUMPUR**Bangsar**

No. 1, Jalan Telawi 5
Bangsar Baru
59100 Kuala Lumpur
Tel : 03-2284 8633
Fax : 03-2284 9616

Capital Square

Ground Floor
Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel : 03-2604 3333
Fax : 03-2694 6867

GTower, Jalan Tun Razak

Lot No. G-06, Ground Floor
GTower, No. 199, Jalan Tun Razak
50400 Kuala Lumpur
Tel : 03-2164 8240
Fax : 03-2168 8390

Jalan Ipoh

41 & 43, Jalan Sultan Azlan Shah
51200 Kuala Lumpur
Tel : 03-4041 2288
Fax : 03-4041 3868

Jalan Sultan Ismail

Mezzanine Floor
Menara Prudential
10, Jalan Sultan Ismail
50250 Kuala Lumpur
Tel : 03-2070 4477
Fax : 03-2070 4900

DIRECTORY

(Cont'd)

as at 31 May 2017

KUALA LUMPUR (cont'd)

Kepong

Ground Floor, 52, Jalan Prima
Vista Magna, Metro Prima Kepong
52100 Kuala Lumpur
Tel : 03-6257 9997
Fax : 03-6257 9996

Kuchai Entrepreneurs Park

1, Jalan 1/116B
Kuchai Entrepreneurs Park
58200 Kuala Lumpur
Tel : 03-7984 8800
Fax : 03-7981 6486

Mid Valley

15-G & 15-1
The Boulevard Offices
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel : 03-2283 1849
Fax : 03-2282 4430

Mont'Kiara

Unit A-0G-02, Block A
Plaza Mont'Kiara
2, Jalan Kiara, Mont'Kiara
50480 Kuala Lumpur
Tel : 03-6203 1543
Fax : 03-6201 2607

Segambut

Ground Floor
22, Wisma Sin Hoh Huat
Persiaran Segambut Tengah
51200 Kuala Lumpur
Tel : 03-6257 2105
Fax : 03-6257 6186

Selayang

71 & 73, Jalan 2/3A
Pusat Bandar Utara Selayang
KM 12, Jalan Ipoh
68100 Batu Caves, Kuala Lumpur
Tel : 03-6135 1800
Fax : 03-6135 1787

Setapak

No. D-1-2, D-2-2 & D-3-2
StarParc Point
Taman Danau Ibu Kota
Jalan Genting Klang, Setapak
53300 Kuala Lumpur
Tel : 03-4143 9643
Fax : 03-4143 9568

Taman Connaught

150-152, Jalan Cerdas
Taman Connaught
56000 Kuala Lumpur
Tel : 03-9102 3973
Fax : 03-9102 3740

Taman Maluri

254 & 254A, Jalan Mahkota
Taman Maluri, Cheras
55100 Kuala Lumpur
Tel : 03-9285 4133
Fax : 03-9283 1397

Taman Tun Dr Ismail

No. 6-3-0 & 6-3-1
Sinaran TTDI
Jalan Tun Mohd Fuad 3
Taman Tun Dr Ismail
60000 Kuala Lumpur
Tel : 03-7729 8239
Fax : 03-7729 8237

PUTRAJAYA

Putrajaya

Ground Floor, Menara Ikhlas
(Boulevard Plaza)
No. 17, Persiaran Perdana
Presint 3
62100 Putrajaya
Wilayah Persekutuan Putrajaya
Tel : 03-8889 1788
Fax : 03-8889 1799

JOHOR

Batu Pahat

Ground, 1st & 2nd Floor
2 & 4, Jalan Kundang 3
Taman Bukit Pasir
83000 Batu Pahat, Johor
Tel : 07-431 4088
Fax : 07-434 0033

Bukit Bakri, Muar

88, Jalan Tepi Pasar
Bukit Bakri
84200 Muar, Johor
Tel : 06-986 7633
Fax : 06-986 6721

Holiday Plaza, Johor Bahru

Unit G128, Holiday Plaza
Jalan Dato Sulaiman
Century Garden
80250 Johor Bahru, Johor
Tel : 07-331 1200
Fax : 07-331 1207

Johor Jaya

50 & 52, Jalan Dedap 13
Taman Johor Jaya
81100 Johor Bahru, Johor
Tel : 07-353 5388
Fax : 07-355 7377

Kelapa Sawit, Kulai

16 & 17, Jalan Susur Satu
26th Mile, Jalan Air Hitam
Kelapa Sawit
81030 Kulai, Johor
Tel : 07-652 3704/5/7
Fax : 07-652 3706

Kluang

No. 73, Ground Floor
Jalan Rambutan
86000 Kluang, Johor
Tel : 07-772 9911
Fax : 07-772 6611

Permas Jaya

1 & 3, Jalan Permas Jaya 10/2
Bandar Baru Permas Jaya
81750 Johor Bahru, Johor
Tel : 07-386 2480
Fax : 07-386 2478

Segamat

No. 109A & 109B
Jalan Genuang
85000 Segamat, Johor
Tel : 07-931 1170
Fax : 07-931 2727

Sri Gading, Batu Pahat

1 & 2, Jalan Ria 1
Taman Ria Jaya, Sri Gading
83000 Batu Pahat, Johor
Tel : 07-455 9406
Fax : 07-455 9411

Taman Molek

1 & 1-01, Jalan Molek 1/29
Taman Molek
81100 Johor Bahru, Johor
Tel : 07-355 6577
Fax : 07-355 4677

JOHOR (cont'd)**Taman Nusa Bestari**

1-G & 1-01, Jalan Bestari 6/2
Taman Nusa Bestari
81300 Skudai, Johor
Tel : 07-237 8301
Fax : 07-237 8621

Taman Pelangi

Ground Floor, Shoplot Nos. 1 & 3
Jalan Perang, Taman Pelangi
80400 Johor Bahru, Johor
Tel : 07-332 4050/1/4
Fax : 07-333 7411

Tun Aminah

3 & 5, Jalan Bentara 1
Taman Ungku Tun Aminah
81300 Skudai, Johor
Tel : 07-554 0031
Fax : 07-554 2494

Ulu Tiram

Ground Floor, Lots 34 & 36
Jalan Johar 3, Desa Cemerlang
81800 Ulu Tiram, Johor
Tel : 07-861 5143
Fax : 07-861 5157

MELAKA**Melaka**

101 & 103
Jalan Melaka Raya 24
Taman Melaka Raya
75000 Melaka
Tel : 06-284 9249
Fax : 06-284 9248

Taman Desa Cheng Perdana

G-1, Ground Floor, Bangunan KK
Jalan Cheng Perdana 1/1A
Taman Desa Cheng Perdana 1
75260 Melaka
Tel : 06-336 5111
Fax : 06-336 5110

NEGERI SEMBILAN**Seremban**

1G & 1-1, Seremban City Centre
Jalan Tuanku Munawir
70000 Seremban, Negeri Sembilan
Tel : 06-762 5610/21
Fax : 06-762 5612

PAHANG**Kuantan**

B400, Jalan Beserah
25300 Kuantan, Pahang
Tel : 09-567 2508
Fax : 09-567 9044

TERENGGANU**Kuala Terengganu**

Ground & Mezzanine Floor
Wisma Kam Choon
101, Jalan Kampong Tiang
20100 Kuala Terengganu, Terengganu
Tel : 09-623 5244
Fax : 09-623 6379

SABAH**Bandar Kim Fung, Sandakan**

Lot 1, Block C, Bandar Kim Fung
Mile 41/2, Jalan Utara P.O. Box 163
Post Office, Mile 11/2, Jalan Utara
90307 Sandakan, Sabah
Tel : 089-275 020/21/25
Fax : 089-275 027

Beaufort

Lot B, Block A, Beaufort Jaya
Commercial Centre, P.O. Box 220
89808 Beaufort, Sabah
Tel : 087-211 721
Fax : 087-212 392

Donggongan

Wisma PPS
Donggongan New Township
W.D.T. No. 56
80509 Penampang, Sabah
Tel : 088-713 411/2
088-718 980
Fax : 088-718 634

Federal House, Kingfisher's Park, KK (Service Centre)

Aras 1, Blok A
Kompleks Pentadbiran Kerajaan
Persekutuan Sabah, Jalan UMS
88400 Kota Kinabalu, Sabah
Tel : 088-484 718
Fax : 088-484 712

Inanam, Kota Kinabalu

Ground, 1st & 2nd Floor
Lot 7 & 9, Block D
Nountun Industrial Estate
89350 Inanam, Kota Kinabalu, Sabah
Tel : 088-435 761
Fax : 088-435 770

Jalan Gaya

82 & 84, Jalan Gaya
88000 Kota Kinabalu, Sabah
Tel : 088-251 177
Fax : 088-223 629

Keningau

Lot No. 1, Block B-8
Jalan Arusap
89000 Keningau, Sabah
Tel : 087-330 301
Fax : 087-330 294

Kota Marudu

Shoplot No. 8, Block E
Sedco Shophouses
P.O. Box 260
89108 Kota Marudu, Sabah
Tel : 088-661 104
Fax : 088-661 106

Kudasang

Shoplot No. 6, Block B
Sedco Shophouses
P.O. Box 152
89308 Ranau, Sabah
Tel : 088-889 679
Fax : 088-889 676

Lahad Datu

Lot 1 MDLD 4709
Jalan Kastam Lama
91100 Lahad Datu, Sabah
Tel : 089-883 911/5
Fax : 089-883 916

Luyang Damai

Ground & 1st Floor, Shoplot No. 2 & 3
Block A, Luyang Commercial Centre
Damai Plaza, Phase III, Jalan Damai
88300 Kota Kinabalu, Sabah
Tel : 088-249 073/084/085/109
Fax : 088-249 064

Sandakan

59-61 Block 20
Jalan Tiga, Bandar Sandakan
90000 Sandakan, Sabah
Tel : 089-275 193
Fax : 089-271 641

DIRECTORY

(Cont'd)

as at 31 May 2017

SABAH (cont'd)

Sinsuran

Lot 4, 5, & 6, Block K
Sinsuran Complex
88000 Kota Kinabalu, Sabah
Tel : 088-237 762
Fax : 088-212 511

Tambunan

Lot 1, Block B
Sedco Shophouses, W.D.T. 55
89659 Tambunan, Sabah
Tel : 087-771 171
Fax : 087-771 157

Tawau

1086, Jalan Utara, W.D.T. 127
91009 Tawau, Sabah
Tel : 089-776 000
Fax : 089-763 287

Tenom

Ground & Mezzanine Floor
Shoplot Nos 1 & 2, Block A
Pangie Light Industrial Complex
Jalan Jungkat, Tenom New Township
P.O. Box 379
89909 Tenom, Sabah
Tel : 087-737 757
Fax : 087-737 762

SARAWAK

Bintulu

No. 24, Bintulu Parkcity Commerce Square
Phase 1, Jalan Tun Ahmad Zaidi
97000 Bintulu, Sarawak
Tel : 086-318 626
Fax : 086-318 621

Kuching

178, Jalan Chan Chin Ann
93100 Kuching, Sarawak
Tel : 082-257 129
Fax : 082-257 275

Laksamana

70 & 71, Block 10
Jalan Laksamana Cheng Ho
93200 Kuching, Sarawak
Tel : 082-230 888
Fax : 082-235 567

Miri

Ground & 1st Floor
Lot 353, Block 7
Miri Concession Land District
(Pelita Commercial Centre)
Jalan Miri Pujut
98000 Miri, Sarawak
Tel : 085-427 535
Fax : 085-425 362

Sibu

Ground Floor
32, Jalan Bako
Brooke Drive 3
96000 Sibu, Sarawak
Tel : 084-317 628
Fax : 084-317 148

LABUAN

Labuan

MPWPL U 0072 & 0073
Jalan Merdeka, P.O. Box 396
87008 Labuan FT
Tel : 087-412 826
Fax : 087-415 446



ALLIANCE INVESTMENT BANK

ALLIANCE INVESTMENT BANK BERHAD

(A participating organisation of
Bursa Malaysia Securities Berhad)

HEAD OFFICE

19th Floor, Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel : 03-2604 3333
Fax : 03-2692 8787

www.allianceinvestmentbank.com.my

BRANCHES

KEDAH

Alor Setar

Lot T-30, 2nd Floor
Wisma PKNK
Jalan Sultan Badlishah
05000 Alor Setar, Kedah
Tel : 04-731 7088
Fax : 04-731 8428

PULAU PINANG

Pulau Pinang

Ground & Mezzanine Floor
Bangunan Barkath
21, Lebuhr Pantai
10300 Pulau Pinang
Tel : 04-261 1688
Fax : 04-261 6363

KUALA LUMPUR

Kuala Lumpur

17th Floor, Menara Multi-Purpose
Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel : 03-2604 3333
Fax : 03-2697 2929

JOHOR

Kluang

No. 73, Ground Floor
Jalan Rambutan
86000 Kluang, Johor
Tel : 07-771 7922
Fax : 07-777 1079

PAHANG

Kuantan

Ground, Mezzanine & 1st Floor
B-400, Jalan Beserah
25300 Kuantan, Pahang
Tel : 09-566 0800
Fax : 09-566 0801

TERENGGANU

Kuala Terengganu

Ground & Mezzanine Floor
Wisma Kam Choon
101, Jalan Kampong Tiong
20100 Kuala Terengganu, Terengganu
Tel : 09-631 7922
Fax : 09-631 3255



**ALLIANCEDBS
RESEARCH**

**ALLIANCEDBS
RESEARCH SDN BHD**

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ALLIANCE TRUSTEE

**ALLIANCE TRUSTEE
BERHAD**

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ANALYSIS OF SHAREHOLDINGS

as at 25 May 2017

Class of securities : Ordinary shares

Issued and paid-up share capital : RM1,548,105,929

Voting rights : One vote per ordinary share

Shareholdings Distribution Schedule

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Shares
Less than 100	1,856	11.36	36,671	0.01
100 – 1,000	3,893	23.84	3,037,688	0.19
1,001 – 10,000	7,957	48.73	33,638,310	2.17
10,001 – 100,000	2,071	12.68	63,425,421	4.10
100,001 – less than 5% of issued shares	552	3.38	820,438,324	53.00
5% and above of issued shares	2	0.01	627,529,515	40.53
Total	16,331	100.00	1,548,105,929	100.00

Thirty (30) Largest Shareholders

Name	No. of Shares Held	% of Issued Shares
1. CIMB Group Nominees (Tempatan) Sdn Bhd – Exempt AN for DBS Bank Ltd (SFS)	449,857,775	29.06
2. Citigroup Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board	177,671,740	11.48
3. Focus Asia Strategies Ltd	73,528,700	4.75
4. Medimetro (M) Sdn Bhd	56,000,000	3.62
5. HSBC Nominees (Asing) Sdn Bhd – Exempt AN for Bank Julius Baer & Co. Ltd (Singapore BCH)	40,980,900	2.65
6. Malaysia Nominees (Tempatan) Sendirian Berhad – Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	34,811,000	2.25
7. Cartaban Nominees (Asing) Sdn Bhd – Exempt AN for State Street Bank & Trust Company (West CLTOD67)	33,807,100	2.18
8. Citigroup Nominees (Tempatan) Sdn Bhd – Exempt AN for AIA Bhd	31,600,700	2.04
9. HSBC Nominees (Asing) Sdn Bhd – BBH and Co Boston for Vanguard Emerging Markets Stock Index Fund	21,079,317	1.36
10. Public Nominees (Tempatan) Sdn Bhd – PB Trustee Services Berhad (AFG ESS)	21,045,000	1.36
11. Eden Engineering Sdn Bhd	19,700,000	1.27
12. Cartaban Nominees (Tempatan) Sdn Bhd – PAMB for Prulink Equity Fund	18,417,300	1.19
13. Citigroup Nominees (Asing) Sdn Bhd – CBNY for Dimensional Emerging Markets Value Fund	15,784,300	1.02
14. Maybank Nominees (Tempatan) Sdn Bhd – Maybank Trustees Berhad for Public Regular Savings Fund (N14011940100)	15,044,700	0.97
15. Citigroup Nominees (Asing) Sdn Bhd – Exempt AN for Citibank New York (Norges Bank 9)	14,032,800	0.91

Name	No. of Shares Held	% of Issued Shares
16. Citigroup Nominees (Tempatan) Sdn Bhd – Kumpulan Wang Persaraan (Diperbadankan) (Aberdeen)	13,728,000	0.89
17. HSBC Nominees (Asing) Sdn Bhd – JPMCB NA for Vanguard Total International Stock Index Fund	13,462,100	0.87
18. Cartaban Nominees (Asing) Sdn Bhd – GIC Private Limited for Government of Singapore (C)	12,547,200	0.81
19. Citigroup Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board (Aberdeen)	11,400,000	0.74
20. Citigroup Nominees (Asing) Sdn Bhd – Exempt AN for Citibank New York (Norges Bank 12)	11,064,000	0.71
21. HSBC Nominees (Asing) Sdn Bhd – BNP Paribas Secs SVS Lux for Aberdeen Global	10,506,900	0.68
22. Malaysia Nominees (Tempatan) Sendirian Berhad – Great Eastern Life Assurance (Malaysia) Berhad (Par 3)	8,011,200	0.52
23. Citigroup Nominees (Asing) Sdn Bhd – CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	7,621,300	0.49
24. Malaysia Nominees (Tempatan) Sendirian Berhad – Great Eastern Life Assurance (Malaysia) Berhad (LSF)	6,722,600	0.43
25. Citigroup Nominees (Asing) Sdn Bhd – UBS AG	6,449,687	0.42
26. Kumpulan Wang Persaraan (Diperbadankan)	6,086,300	0.39
27. Maybank Nominees (Tempatan) Sdn Bhd – Etiqa Insurance Berhad (Life Non-Par FD)	5,000,000	0.32
28. HSBC Nominees (Asing) Sdn Bhd – HSBC BK Plc for Abu Dhabi Investment Authority (TRANG)	4,681,000	0.30
29. Cartaban Nominees (Asing) Sdn Bhd – BBH (Lux) Sca for Fidelity Funds Asean	4,465,700	0.29
30. CIMB Commerce Trustee Berhad – Public Focus Select Fund	4,462,400	0.29
Total	1,149,569,719	74.26

SUBSTANTIAL SHAREHOLDERS

as at 25 May 2017

Name of Substantial Shareholder	Direct Interest	% of Issued Shares	No. of Ordinary Shares		Total	% of Issued Shares
			Indirect Interest	% of Issued Shares		
Vertical Theme Sdn Bhd	449,857,775	29.06	-	-	449,857,775	29.06
Langkah Bahagia Sdn Bhd	-	-	449,857,775 ¹	29.06	449,857,775	29.06
Duxton Investments Pte Ltd	-	-	449,857,775 ¹	29.06	449,857,775	29.06
Ong Beng Seng	-	-	449,857,775 ²	29.06	449,857,775	29.06
Ong Tiong Sin	-	-	449,857,775 ²	29.06	449,857,775	29.06
Seow Lun Hoo	-	-	449,857,775 ²	29.06	449,857,775	29.06
Fullerton Financial Holdings Pte Ltd	-	-	449,857,775 ³	29.06	449,857,775	29.06
Fullerton Management Pte Ltd	-	-	449,857,775 ⁴	29.06	449,857,775	29.06
Temasek Holdings (Private) Limited	-	-	449,993,675 ⁵	29.07	449,993,675	29.07
Minister for Finance of Singapore	-	-	449,993,675 ⁶	29.07	449,993,675	29.07
Employees Provident Fund Board	190,201,040	12.29	-	-	190,201,040	12.29

Notes:

¹ Deemed interested by virtue of Section 8 of the Companies Act 2016 held through Vertical Theme Sdn Bhd.

² Deemed interested by virtue of Section 8 of the Companies Act 2016 held through Langkah Bahagia Sdn Bhd.

³ Deemed interested by virtue of Section 8 of the Companies Act 2016 held through Duxton Investments Pte Ltd.

⁴ Deemed interested by virtue of Section 8 of the Companies Act 2016 held through Fullerton Financial Holdings Pte Ltd.

⁵ Deemed interested by virtue of Section 8 of the Companies Act 2016 held through Fullerton Management Pte Ltd and Standard Chartered Bank (Singapore) Limited.

⁶ Deemed interested by virtue of Section 8 of the Companies Act 2016 held through Temasek Holdings (Private) Limited.

DIRECTORS' SHAREHOLDINGS

as at 25 May 2017

None of the Directors and Chief Executive Officer have any interests in the securities of the Company or in any of the Company's related corporation.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 51st Annual General Meeting of Alliance Financial Group Berhad will be held at the Grand Ballroom, Level 2, InterContinental Kuala Lumpur, 165 Jalan Ampang, 50450 Kuala Lumpur on Wednesday, 12 July 2017 at 10.30 a.m. for the following purposes:

AGENDA

As Ordinary Business

- | | | |
|----|---|---|
| 1. | To receive the Audited Financial Statements for the financial year ended 31 March 2017 together with the Reports of the Directors and Auditors thereon. | Please refer to Explanatory Note (i) |
| 2. | To approve the payment of Directors' fees and Board Committees' fees amounting to RM663,563 in respect of the financial year ended 31 March 2017. | Ordinary Resolution 1 |
| 3. | To approve Directors' benefits (other than Directors' fees and Board Committees' fees) up to an amount of RM320,000 from 31 January 2017 to the next Annual General Meeting of the Company. | Ordinary Resolution 2 |
| 4. | To re-elect Mr Lee Ah Boon who retires by rotation pursuant to Article 82 of the Company's Articles of Association. | Ordinary Resolution 3 |
| 5. | To re-elect Mr Tan Chian Khong who retires pursuant to Article 89 of the Company's Articles of Association. | Ordinary Resolution 4 |
| 6. | To re-appoint Mr Kung Beng Hong as a Director of the Company. | Ordinary Resolution 5 |
| 7. | To re-appoint Datuk Oh Chong Peng as a Director of the Company. | Ordinary Resolution 6 |
| 8. | To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and authorise the Directors to fix their remuneration. | Ordinary Resolution 7 |

As Special Business

To consider and, if thought fit, to pass the following resolution as Ordinary Resolution:

- | | | |
|-----|---|------------------------------|
| 9. | Retention of Independent Director

"THAT Datuk Oh Chong Peng who has served as an Independent Director of the Company for a cumulative term of more than 9 years be and is hereby retained as an Independent Director of the Company." | Ordinary Resolution 8 |
| 10. | To transact any other business for which due notice shall have been given in accordance with the Company's Articles of Association and/or the Companies Act 2016. | |

BY ORDER OF THE BOARD

LEE WEI YEN (MAICSA 7001798)
Group Company Secretary

Kuala Lumpur
19 June 2017

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

Notes:

1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a Member of the Company.
2. To be valid, the Form of Proxy, duly completed must be deposited at the registered office of the Company at 3rd Floor, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur, not less than 48 hours before the time set for holding the meeting.
3. A Member who is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
4. A Member other than an Exempt Authorised Nominee shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting.
5. Where a Member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
6. If the appointor is a corporation, the Form of Proxy must be executed under its common seal or under the hand of an officer or attorney duly authorised.
7. A Member whose name appears in the General Meeting Record of Depositors as at 3 July 2017 shall be regarded as a Member entitled to attend, speak and vote at the meeting or appoint a proxy or proxies to attend and/or vote in his stead.
8. By submitting the duly executed Form of Proxy, the member and his/her proxy consent to the Company (and/or its agents/service providers) collecting, using and disclosing the personal data therein in accordance with the Personal Data Protection Act 2010 for the purposes of this Annual General Meeting and any adjournment thereof.

EXPLANATORY NOTES

(i) Item 1 on the Agenda – Audited Financial Statements for the financial year ended 31 March 2017

This Agenda item is laid before the Annual General Meeting pursuant to Section 340(1) of the Companies Act 2016, and does not require a formal approval of the shareholders. As such, it is meant for discussion only and not put forward for voting.

(ii) Ordinary Resolution 2 – Directors' Benefits (other than Directors' Fees and Board Committees' Fees)

The Directors' benefits (other than Directors' fees and Board Committees' fees) comprise attendance allowances and other benefits for Non-Executive Directors, as set out below:

- (a) Attendance allowance – RM1,100 per meeting
- (b) Company car and driver allowance (for Chairman only) – RM31,500 per annum
- (c) Other benefits - Insurance coverage, retirement farewell gift and other claimable benefits

In determining the estimated total amount of Directors' benefits, the Board has considered various factors including the estimated number of meetings for the Board and Board Committees in the financial year ending 31 March 2018 and assuming that the Company continues to be listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") until the next Annual General Meeting.

(iii) Ordinary Resolution 5 – To re-appoint Mr Kung Beng Hong as a Director of the Company

Mr Kung Beng Hong who was re-appointed as a Director pursuant to Section 129 of the Companies Act, 1965 at the last Annual General Meeting to hold office until the conclusion of the forthcoming Annual General Meeting has, being eligible, offered himself for re-appointment as a Director.

(iv) Ordinary Resolution 6 – To re-appoint Datuk Oh Chong Peng as a Director of the Company

Datuk Oh Chong Peng who was re-appointed as a Director pursuant to Section 129 of the Companies Act, 1965 at the last Annual General Meeting to hold office until the conclusion of the forthcoming Annual General Meeting has, being eligible, offered himself for re-appointment as a Director.

(v) Ordinary Resolution 8 – Retention of Independent Director

Datuk Oh Chong Peng, who was first appointed to the Board as an Independent Director on 21 April 2006, has served the Board for 11 years. The Nomination Committee has assessed the independence of Datuk Oh Chong Peng and was satisfied that he met the criteria for independence as stipulated in the Main Market Listing Requirements of Bursa Securities and Bank Negara Malaysia's Policy Document on Corporate Governance.

Being an Independent Director who does not hold any other directorship within the Group, Datuk Oh Chong Peng is independent in character and judgment, and free from associations or circumstances that may impair the exercise of his independent judgment. He consistently demonstrates the values and principles associated with independence during Board and Board Committees' discussions. His independent judgment is not compromised by amongst others, familiarity or close relationship with Management or other Board Members. On recommendation of the Nomination Committee, the Board has approved the retention of Datuk Oh Chong Peng as an Independent Director subject to shareholders' approval at the forthcoming Annual General Meeting of the Company.

The proposed resolution which is in line with Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012, will enable Datuk Oh Chong Peng to hold office as an Independent Director until the conclusion of the next Annual General Meeting.

**Statement Accompanying Notice of 51st Annual General Meeting
(Pursuant to Paragraph 8.27(2) of Bursa Securities Main Market Listing Requirements)**

The profiles of the Directors who are standing for re-election/re-appointment at the 51st Annual General Meeting are provided in the Profiles of Directors as set out on pages 17 to 25 of this Annual Report. None of the said Directors have any interests in the securities of the Company or in any of the Company's related corporation.

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ALLIANCE FINANCIAL GROUP

Alliance Financial Group Berhad (6627-X)

FORM OF PROXY

Shareholding represented by Proxy

I/We (full name in block letters) _____

identity card no./company registration no. _____

of _____

being a Member/Members of ALLIANCE FINANCIAL GROUP BERHAD hereby appoint _____

(NRIC No.) _____

of _____

or failing him _____ (NRIC No.) _____

of _____

as my/our proxy/proxies to vote for me/us on my/our behalf at the 51st Annual General Meeting of the Company to be held at Grand Ballroom, Level 2, InterContinental Kuala Lumpur, 165 Jalan Ampang, 50450 Kuala Lumpur on Wednesday, 12 July 2017 at 10.30 a.m. and at any adjournment thereof.

NO.	ORDINARY RESOLUTIONS	*FOR	*AGAINST
1.	To approve the payment of Directors' fees and Board Committees' fees amounting to RM663,563 in respect of the financial year ended 31 March 2017		
2.	To approve Directors' benefits (other than Directors' fees and Board Committees' fees) up to an amount of RM320,000 from 31 January 2017 to the next Annual General Meeting of the Company		
3.	To re-elect Mr Lee Ah Boon who retires by rotation pursuant to Article 82 of the Company's Articles of Association		
4.	To re-elect Mr Tan Chian Khong who retires pursuant to Article 89 of the Company's Articles of Association		
5.	To re-appoint Mr Kung Beng Hong as a Director of the Company		
6.	To re-appoint Datuk Oh Chong Peng as a Director of the Company		
7.	To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and authorise the Directors to fix their remuneration		
8.	To retain Datuk Oh Chong Peng as an Independent Director		

* Please indicate with an "X" on how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his discretion.

As witness my/our hand(s) this _____ day of _____ 2017.

Signature(s) of Member(s)

Seal of Corporation

Notes:

1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a Member of the Company.
2. To be valid, the Form of Proxy, duly completed must be deposited at the registered office of the Company at 3rd Floor, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur, not less than 48 hours before the time set for holding the meeting.
3. A Member who is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
4. A Member other than an Exempt Authorised Nominee shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting.
5. Where a Member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
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8. By submitting the duly executed Form of Proxy, the member and his/her proxy consent to the Company (and/or its agents/service providers) collecting, using and disclosing the personal data therein in accordance with the Personal Data Protection Act 2010 for the purposes of this Annual General Meeting and any adjournment thereof.

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Affix Stamp

**GROUP COMPANY SECRETARY
ALLIANCE FINANCIAL GROUP BERHAD**

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

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