

ALLIANCE BANK MALAYSIA BERHAD
(88103-W)

(Incorporated in Malaysia)

Condensed Interim Financial Statements
Unaudited Statements of Financial Position as at 31 December 2016

	Note	BANK		GROUP	
		31 December 2016 RM'000	31 March 2016 RM'000	31 December 2016 RM'000	31 March 2016 RM'000
ASSETS					
Cash and short-term funds		1,154,321	4,200,877	940,276	4,934,198
Deposits and placements with banks and other financial institutions		-	195,865	-	195,865
Balances due from clients and brokers	A12	-	-	71,326	104,659
Financial assets held-for-trading	A13	159,102	132,229	159,102	132,229
Financial investments available-for-sale	A14	9,038,225	7,252,922	10,642,654	8,565,696
Financial investments held-to-maturity	A15	669,757	719,324	928,417	1,129,307
Derivative financial assets	A29	150,300	133,651	150,300	133,651
Loans, advances and financing	A16	31,351,583	31,245,478	38,925,399	38,410,724
Other assets	A17	150,513	109,576	121,384	102,175
Tax recoverable		-	19,310	12,268	36,492
Statutory deposits with Bank Negara Malaysia		1,112,303	1,117,640	1,418,659	1,410,828
Investments in subsidiaries		892,820	892,820	-	-
Investment in associate		230	230	527	520
Investment in joint venture		-	-	623	566
Property, plant and equipment		73,659	84,625	75,714	86,427
Deferred tax assets		-	-	9,411	10,201
Intangible assets		254,390	247,299	369,868	362,982
TOTAL ASSETS		45,007,203	46,351,846	53,825,928	55,616,520
LIABILITIES AND EQUITY					
Deposits from customers	A18	37,609,211	37,836,569	45,458,311	46,120,487
Deposits and placements of banks and other financial institutions	A19	804,320	1,017,432	995,814	1,157,250
Balances due to clients and brokers	A20	-	-	41,469	77,246
Derivative financial liabilities	A29	84,200	279,541	84,200	279,541
Amount due to Cagamas Berhad		502,738	502,725	502,738	502,725
Other liabilities	A21	511,621	721,208	627,050	880,138
Provision for taxation		2,957	-	7,334	-
Provision for zakat		-	-	96	123
Deferred tax liabilities		5,603	3,887	15,707	15,617
Other borrowings		5,012	5,071	5,012	5,071
Subordinated obligations		1,208,635	1,839,613	1,209,060	1,840,147
TOTAL LIABILITIES		40,734,297	42,206,046	48,946,791	50,878,345
Share capital		796,517	796,517	796,517	796,517
Reserves		3,476,389	3,349,283	4,082,620	3,941,658
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNER OF THE PARENT		4,272,906	4,145,800	4,879,137	4,738,175
TOTAL LIABILITIES AND EQUITY		45,007,203	46,351,846	53,825,928	55,616,520
COMMITMENTS AND CONTINGENCIES	A28	22,109,560	19,787,255	24,123,532	21,832,427

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank and the Group for the financial year ended 31 March 2016.

ALLIANCE BANK MALAYSIA BERHAD

(88103-W)

(Incorporated in Malaysia)

**Condensed Interim Financial Statements
Unaudited Statements of Comprehensive Income
for the Financial Period Ended 31 December 2016**

	Note	3rd Quarter Ended		Nine Months Ended	
		31 December 2016 RM'000	31 December 2015 RM'000	31 December 2016 RM'000	31 December 2015 RM'000
BANK					
Interest income	A22	466,081	484,651	1,391,203	1,395,180
Interest expense	A23	(248,909)	(268,950)	(763,659)	(767,044)
Net interest income		217,172	215,701	627,544	628,136
Fee and commission income	A25	66,045	64,893	194,831	186,745
Fee and commission expense	A25	(21,645)	(24,068)	(63,654)	(70,403)
Investment income	A25	26,825	197	65,403	24,283
Other income	A25	29,933	33,788	77,282	97,920
Other operating income	A25	101,158	74,810	273,862	238,545
Net income		318,330	290,511	901,406	866,681
Other operating expenses	A26	(135,667)	(137,676)	(397,359)	(397,176)
Operating profit before allowance (Allowance for)/Write-back of losses on loans, advances and financing and other receivables	A27	(15,010)	2,500	(30,049)	(11,316)
Write-back of impairment		-	1,207	-	1,673
Profit before taxation		167,653	156,542	473,998	459,862
Taxation		(35,146)	(38,102)	(102,768)	(113,689)
Net profit for the financial period		132,507	118,440	371,230	346,173
Other comprehensive income/(expense):					
Items that may be reclassified subsequently to profit or loss:					
Revaluation reserve on financial investments available-for-sale					
- Net (loss)/gain from change in fair value		(63,326)	44,138	(10,139)	(861)
- Realised gain transferred to statement of income on disposal and impairment		(2,273)	(1,100)	(3,372)	(1,740)
- Transfer from/(to) deferred tax		15,744	(10,329)	3,243	624
Other comprehensive (expense)/income, net of tax		(49,855)	32,709	(10,268)	(1,977)
Total comprehensive income for the financial period		82,652	151,149	360,962	344,196
Earnings per share attributable to owner of the parent					
- Basic (sen)		16.6	14.9	46.6	43.5
- Diluted (sen)		16.6	14.9	46.6	43.5

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank and the Group for the financial year ended 31 March 2016.

ALLIANCE BANK MALAYSIA BERHAD

(88103-W)

(Incorporated in Malaysia)

Condensed Interim Financial Statements

Unaudited Consolidated Statements of Comprehensive Income

for the Financial Period Ended 31 December 2016

	Note	3rd Quarter Ended		Nine Months Ended	
		31 December 2016 RM'000	31 December 2015 RM'000	31 December 2016 RM'000	31 December 2015 RM'000
GROUP					
Interest income	A22	470,913	492,463	1,409,232	1,427,434
Interest expense	A23	(253,402)	(277,585)	(777,202)	(793,539)
Net interest income		217,511	214,878	632,030	633,895
Net income from Islamic banking business	A24	74,768	63,219	220,557	182,823
		292,279	278,097	852,587	816,718
Fee and commission income	A25	74,259	75,137	222,074	215,888
Fee and commission expense	A25	(23,640)	(28,024)	(71,186)	(82,600)
Investment income	A25	5,336	1,105	16,356	20,093
Other income	A25	29,954	33,917	79,956	98,500
Other operating income	A25	85,909	82,135	247,200	251,881
Net income		378,188	360,232	1,099,787	1,068,599
Other operating expenses	A26	(173,688)	(174,824)	(509,838)	(507,950)
Operating profit before allowance (Allowance for)/Write-back of losses on loans, advances and financing and other receivables	A27	(32,448)	(6,418)	(67,392)	(42,794)
Write-back of/(Allowance for) impairment		-	1,751	(1,208)	2,427
Operating profit after allowance		172,052	180,741	521,349	520,282
Share of results of associate		3	3	7	7
Share of profit of equity accounted joint venture, net of tax		19	19	57	139
Profit before taxation		172,074	180,763	521,413	520,428
Taxation		(41,952)	(45,128)	(126,951)	(129,524)
Net profit for the financial period		130,122	135,635	394,462	390,904
Other comprehensive income/(expense):					
Items that may be reclassified subsequently to profit or loss:					
Revaluation reserve on financial investments available-for-sale					
- Net (loss)/gain from change in fair value		(95,828)	58,431	(20,107)	(1,692)
- Realised gain transferred to statement of income on disposal and impairment		(2,272)	(1,301)	(5,684)	(2,337)
- Transfer from/(to) deferred tax		23,544	(13,711)	6,190	967
Other comprehensive (expense)/income, net of tax		(74,556)	43,419	(19,601)	(3,062)
Total comprehensive income for the financial period		55,566	179,054	374,861	387,842

ALLIANCE BANK MALAYSIA BERHAD**(88103-W)**

(Incorporated in Malaysia)

Condensed Interim Financial Statements**Unaudited Consolidated Statements of Comprehensive Income****for the Financial Period Ended 31 December 2016 (contd.)**

<u>GROUP</u>	3rd Quarter Ended		Nine Months Ended	
	31 December 2016 RM'000	31 December 2015 RM'000	31 December 2016 RM'000	31 December 2015 RM'000
Net profit for the financial period attributable to: Owner of the parent	130,122	135,635	394,462	390,904
Total comprehensive income for the financial period attributable to: Owner of the parent	55,566	179,054	374,861	387,842
Earnings per share attributable to owner of the parent				
- Basic (sen)	16.3	17.0	49.5	49.1
- Diluted (sen)	16.3	17.0	49.5	49.1

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank and the Group for the financial year ended 31 March 2016.

ALLIANCE BANK MALAYSIA BERHAD
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Condensed Interim Financial Statements
Unaudited Statements of Changes in Equity for the Financial Period Ended 31 December 2016

	← Non-distributable reserves →					Distributable reserves		Total equity RM'000
	Ordinary shares RM'000	Share premium RM'000	Statutory reserves RM'000	Regulatory reserves RM'000	Revaluation reserves RM'000	Equity contribution from parent RM'000	Retained profits RM'000	
<u>BANK</u>								
At 1 April 2016	796,517	401,517	835,401	140,864	73,152	10,064	1,888,285	4,145,800
Net profit after taxation	-	-	-	-	-	-	371,230	371,230
Other comprehensive expense	-	-	-	-	(10,268)	-	-	(10,268)
Total comprehensive (expense)/income for the financial period	-	-	-	-	(10,268)	-	371,230	360,962
Share-based payment under Employees' Share Scheme ("ESS")	-	-	-	-	-	1,834	-	1,834
Payment for ESS recharged from parent	-	-	-	-	-	(3,187)	-	(3,187)
Transfer of ESS recharged difference on shares vested	-	-	-	-	-	(1,041)	1,041	-
Transfer to regulatory reserves	-	-	-	4,942	-	-	(4,942)	-
Dividends paid	-	-	-	-	-	-	(232,503)	(232,503)
At 31 December 2016	796,517	401,517	835,401	145,806	62,884	7,670	2,023,111	4,272,906
At 1 April 2015	796,517	401,517	722,368	-	43,838	10,731	1,881,187	3,856,158
Net profit after taxation	-	-	-	-	-	-	346,173	346,173
Other comprehensive expense	-	-	-	-	(1,977)	-	-	(1,977)
Total comprehensive (expense)/income for the financial period	-	-	-	-	(1,977)	-	346,173	344,196
Share-based payment under ESS	-	-	-	-	-	5,008	-	5,008
Payment for ESS recharged from parent	-	-	-	-	-	(4,460)	-	(4,460)
Transfer of ESS recharged difference on shares vested	-	-	-	-	-	(1,129)	1,129	-
Transfer to statutory reserves	-	-	56,934	-	-	-	(56,934)	-
Transfer to regulatory reserves	-	-	-	113,832	-	-	(113,832)	-
Dividends paid	-	-	-	-	-	-	(192,439)	(192,439)
At 31 December 2015	796,517	401,517	779,302	113,832	41,861	10,150	1,865,284	4,008,463

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank and the Group for the financial year ended 31 March 2016.

ALLIANCE BANK MALAYSIA BERHAD
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(Incorporated in Malaysia)

Condensed Interim Financial Statements
Unaudited Statements of Changes in Equity for the Financial Period Ended 31 December 2016 (contd.)

	←----- Attributable to owner of the parent ----->								
	Ordinary shares RM'000	Share premium RM'000	Statutory reserves RM'000	Regulatory reserves RM'000	Capital reserves RM'000	Revaluation reserves RM'000	Equity contribution from parent RM'000	Retained profits RM'000	Total equity RM'000
GROUP									
At 1 April 2016	796,517	401,517	1,200,019	157,174	10,018	114,786	10,896	2,047,248	4,738,175
Net profit after taxation	-	-	-	-	-	-	-	394,462	394,462
Other comprehensive expense	-	-	-	-	-	(19,601)	-	-	(19,601)
Total comprehensive (expense)/income for the financial period	-	-	-	-	-	(19,601)	-	394,462	374,861
Share-based payment under ESS	-	-	-	-	-	-	2,074	-	2,074
Payment for ESS recharged from parent	-	-	-	-	-	-	(3,470)	-	(3,470)
Transfer of ESS recharged difference on shares vested	-	-	-	-	-	-	(1,109)	1,109	-
Transfer to retained profits on share options lapsed	-	-	-	-	-	-	-	-	-
Transfer to statutory reserves	-	-	11,789	-	-	-	-	(11,789)	-
Transfer to regulatory reserves	-	-	-	(553)	-	-	-	553	-
Dividends paid	-	-	-	-	-	-	-	(232,503)	(232,503)
At 31 December 2016	796,517	401,517	1,211,808	156,621	10,018	95,185	8,391	2,199,080	4,879,137
At 1 April 2015	796,517	401,517	1,069,665	-	10,018	78,232	11,405	2,005,815	4,373,169
Net profit after taxation	-	-	-	-	-	-	-	390,904	390,904
Other comprehensive expense	-	-	-	-	-	(3,062)	-	-	(3,062)
Total comprehensive (expense)/income for the financial period	-	-	-	-	-	(3,062)	-	390,904	387,842
Share-based payment under ESS	-	-	-	-	-	-	5,293	-	5,293
Payment for ESS recharged from parent	-	-	-	-	-	-	(4,637)	-	(4,637)
Transfer of ESS recharged difference on shares vested	-	-	-	-	-	-	(1,171)	1,171	-
Transfer to retained profits on share options lapsed	-	-	-	-	-	-	(12)	12	-
Transfer to statutory reserve	-	-	64,318	-	-	-	-	(64,318)	-
Transfer to regulatory reserves	-	-	-	135,619	-	-	-	(135,619)	-
Dividends paid	-	-	-	-	-	-	-	(192,439)	(192,439)
At 31 December 2015	796,517	401,517	1,133,983	135,619	10,018	75,170	10,878	2,005,526	4,569,228

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank and the Group for the financial year ended 31 March 2016.

ALLIANCE BANK MALAYSIA BERHAD**(88103-W)**

(Incorporated in Malaysia)

Condensed Interim Financial Statements**Unaudited Condensed Statements of Cash Flows for the Financial Period Ended 31 December 2016**

	BANK		GROUP	
	31 December	31 December	31 December	31 December
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	473,998	459,862	521,413	520,428
Adjustments for non-cash items	(374,336)	(208,042)	(290,556)	(187,073)
Operating profit before changes in working capital	99,662	251,820	230,857	333,355
Changes in working capital	(662,142)	(1,549,580)	(1,550,529)	(1,929,198)
Taxation and zakat paid	(75,543)	(111,616)	(87,920)	(142,138)
Net cash used in operating activities	(638,023)	(1,409,376)	(1,407,592)	(1,737,981)
Net cash used in investing activities	(1,489,742)	(1,084,351)	(1,666,926)	(726,587)
Net cash (used in)/generating from financing activities	(918,791)	991,778	(919,404)	982,440
Net changes in cash and cash equivalents	(3,046,556)	(1,501,949)	(3,993,922)	(1,482,128)
Cash and cash equivalents at beginning of the financial period	4,200,877	2,443,337	4,934,198	2,690,353
Cash and cash equivalents at end of the financial period	1,154,321	941,388	940,276	1,208,225
Cash and cash equivalents comprise:				
Cash and short-term funds	1,154,321	941,388	940,276	1,208,225

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank and the Group for the financial year ended 31 March 2016.

Explanatory Notes

PART A - Explanatory Notes Pursuant to Malaysian Financial Reporting Standard 134 ("MFRS 134") and Guidelines on Financial Reporting Issued by Bank Negara Malaysia ("BNM")

A1 Basis of Preparation

The unaudited condensed interim financial statements for the third financial quarter and nine months ended 31 December 2016 have been prepared under the historical cost convention, as modified by the available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit and loss.

The unaudited condensed interim financial statements have been prepared in accordance with MFRS 134 "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board ("MASB") and IAS 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB").

The unaudited condensed interim financial statements should be read in conjunction with the audited annual financial statements of Alliance Bank Malaysia Berhad ("the Bank") and the Group for the financial year ended 31 March 2016. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Bank and the Group since the financial year ended 31 March 2016.

The significant accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 March 2016, and modified for the adoption of the following accounting standards applicable for financial periods beginning on or after 1 April 2016:

- Amendment to MFRS 11 "Joint Arrangements"
 - Amendments to MFRS 116 "Property, Plant and Equipment" and MFRS 138 "Intangible Assets"
 - 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"
 - Amendment to MFRSs contained in the document entitled "Annual Improvements to MFRSs 2012 - 2014 Cycle"
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- MFRS 5 "Non-current Assets Held for Sale and Discontinued"
 - MFRS 7 "Financial Instruments: Disclosures"
 - MFRS 119 "Employee Benefits"
 - MFRS 134 "Interim Financial Reporting"

The adoption of the above standards, amendments to published standards and interpretation to existing standards are not anticipated to have any significant impact on the financial statements of the Bank and the Group.

A1 Basis of Preparation (contd.)

The following MFRS have been issued by the MASB and are effective for annual periods commencing on or after 1 April 2017, and have yet to be adopted by the Bank and the Group:

- Amendments to MFRS 107 "Statement of Cash Flows - Disclosure Initiative" (effective from 1 January 2017)
- Amendments to MFRS 112 "Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses" (effective from 1 January 2017)
- MFRS 15 "Revenue from Contracts with Customers" (effective from 1 January 2018)
- MFRS 9 "Financial Instruments" (effective from 1 January 2018)
- MFRS 16 "Leases" will supersede MFRS 117 "Leases" and the related interpretations (effective from 1 January 2019)

The preparation of unaudited condensed interim financial statements in conformity with the Malaysian Financial Reporting Standards 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 unaudited condensed interim financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Bank and Group's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ.

A2 Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the annual financial statements for the financial year ended 31 March 2016 was not subject to any qualification.

A3 Seasonality or Cyclicity of Operations

The operations of the Bank and the Group were not materially affected by any seasonal or cyclical fluctuations in the third financial quarter and nine months ended 31 December 2016.

A4 Unusual Items Due to Their Nature, Size or Incidence

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Bank and the Group in the third financial quarter and nine months ended 31 December 2016.

A5 Changes in Estimates

There were no material changes in estimates of amounts reported in prior financial years that have a material effect in the third financial quarter and nine months ended 31 December 2016.

A6 Issuance and Repayment of Debt and Equity Securities

On 8 April 2016, the Bank has fully redeemed its RM600 million Subordinated Medium Term Notes, which was issued on 8 April 2011 under the RM1.5 billion Subordinated Medium Term Notes Programme.

A7 Dividend Paid

During the nine months ended 31 December 2016:

- (a) A second interim dividend of 12.66 sen, tax exempt under the single tier tax system, on 796,517,043 ordinary shares amounting to approximately RM100,839,000 in respect of the financial year ended 31 March 2016, was paid on 17 June 2016.
- (b) A first interim dividend of 16.53 sen, tax exempt under the single tier tax system, on 796,517,043 ordinary shares amounting to approximately RM131,664,000 in respect of the financial year ended 31 March 2017, was paid on 21 December 2016.

A8 Significant Events

Status Of Corporate Proposals

On 21 September 2016, Alliance Financial Group ("AFG"), the holding company of the Bank announced that it proposes to undertake a corporate reorganisation exercise whereby the listing status of AFG will be assumed by the Bank.

The proposal will involve, among others, the shareholders of AFG exchanging their existing AFG shares for the Bank shares on a 1-for-1 basis, where their number of shares held and percentage shareholdings in AFG will be the same in the Bank. This will enable the existing shareholders of AFG to have direct participation in the equity and future growth of the Bank. The proposal is expected to improve cost and corporate efficiency, and enhance brand recognition for the Group.

The proposed corporate reorganisation is subject to the approvals being obtained from Bank Negara Malaysia ("BNM"), Bursa Malaysia Securities Berhad ("Bursa Malaysia"), Securities Commission Malaysia ("SC"), 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, AFG 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, AFG announced that it had submitted to Bursa Malaysia an application in relation to the proposed transfer of AFG's listing status to the 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.

A9 Material Event Subsequent to the End of the Financial Reporting Period

There was no material event subsequent to the end of financial reporting period that require disclosure or adjustment to the unaudited condensed interim financial statements.

A10 Related Party Transactions

All related party transactions within the Group have been entered into in the normal course of business and were carried out on normal commercial terms.

A11 Proposed Dividends

No dividend has been proposed or declared for the third financial quarter and nine months ended 31 December 2016.

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A12 Balances Due From Clients And Brokers

	GROUP	
	31 December	31 March
	2016	2016
	RM'000	RM'000
Due from clients	72,161	97,680
Due from brokers	-	7,816
	<u>72,161</u>	<u>105,496</u>
Less:		
Allowance for other losses	<u>(835)</u>	<u>(837)</u>
	<u>71,326</u>	<u>104,659</u>

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	
	31 December	31 March
	2016	2016
	RM'000	RM'000
Classified as doubtful	3	52
Classified as bad	846	848
	<u>849</u>	<u>900</u>

The movements in allowance for other losses are as follows:

At beginning of financial period/year	837	840
Write-back during the financial period/year (net)	(2)	(3)
At end of financial period/year	<u>835</u>	<u>837</u>

A13 Financial Assets Held-for-trading

	BANK		GROUP	
	31 December	31 March	31 December	31 March
	2016	2016	2016	2016
	RM'000	RM'000	RM'000	RM'000
At fair value				
<u>Money market instruments:</u>				
Malaysian Government investment certificates	-	40,441	-	40,441
Commercial papers	22,960	-	22,960	-
	<u>22,960</u>	<u>40,441</u>	<u>22,960</u>	<u>40,441</u>
<u>Unquoted securities:</u>				
Medium term notes	136,142	91,788	136,142	91,788
	<u>136,142</u>	<u>91,788</u>	<u>136,142</u>	<u>91,788</u>
Total financial assets held-for-trading	<u>159,102</u>	<u>132,229</u>	<u>159,102</u>	<u>132,229</u>

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A14 Financial Investments Available-for-sale

	<u>BANK</u>		<u>GROUP</u>	
	31 December 2016 RM'000	31 March 2016 RM'000	31 December 2016 RM'000	31 March 2016 RM'000
At fair value				
<u>Money market instruments:</u>				
Malaysian Government securities	1,746,765	1,165,857	1,858,753	1,277,948
Malaysian Government investment certificates	1,166,684	1,489,465	1,800,009	2,338,432
Negotiable instruments of deposits	3,500,228	2,344,756	2,950,408	1,684,516
Commercial papers	59,079	-	59,079	-
Khazanah bonds	137,163	202,673	137,163	202,673
	<u>6,609,919</u>	<u>5,202,751</u>	<u>6,805,412</u>	<u>5,503,569</u>
<u>Quoted securities in Malaysia:</u>				
Shares	23	26	23	26
Accumulated impairment	(11)	(11)	(11)	(11)
	<u>12</u>	<u>15</u>	<u>12</u>	<u>15</u>
<u>Unquoted securities:</u>				
Shares	111,377	102,657	166,719	153,781
Accumulated impairment	-	-	(1,440)	(1,440)
	<u>111,377</u>	<u>102,657</u>	<u>165,279</u>	<u>152,341</u>
Unit Trust Funds	-	-	4,999	4,992
	<u>-</u>	<u>-</u>	<u>4,999</u>	<u>4,992</u>
Debt securities and medium term notes	2,452,598	2,083,180	3,898,863	3,136,690
Accumulated impairment	(135,681)	(135,681)	(231,911)	(231,911)
	<u>2,316,917</u>	<u>1,947,499</u>	<u>3,666,952</u>	<u>2,904,779</u>
	<u>2,428,294</u>	<u>2,050,156</u>	<u>3,837,230</u>	<u>3,062,112</u>
Total financial investments available-for-sale	<u>9,038,225</u>	<u>7,252,922</u>	<u>10,642,654</u>	<u>8,565,696</u>

A15 Financial Investments Held-to-maturity

	<u>BANK</u>		<u>GROUP</u>	
	31 December 2016 RM'000	31 March 2016 RM'000	31 December 2016 RM'000	31 March 2016 RM'000
At amortised cost				
<u>Money market instruments:</u>				
Malaysian Government securities	580,519	578,740	702,801	700,570
Malaysian Government investment certificates	-	-	80,219	233,390
Khazanah bonds	88,901	140,247	140,652	190,602
	<u>669,420</u>	<u>718,987</u>	<u>923,672</u>	<u>1,124,562</u>
At cost				
<u>Unquoted securities:</u>				
Debt securities	1,631	1,631	18,938	18,938
Accumulated impairment	(1,294)	(1,294)	(14,193)	(14,193)
	<u>337</u>	<u>337</u>	<u>4,745</u>	<u>4,745</u>
Total financial investments held-to-maturity	<u>669,757</u>	<u>719,324</u>	<u>928,417</u>	<u>1,129,307</u>

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A16 Loans, Advances and Financing

	<u>BANK</u>		<u>GROUP</u>	
	31 December 2016 RM'000	31 March 2016 RM'000	31 December 2016 RM'000	31 March 2016 RM'000
Overdrafts	2,172,458	2,187,943	2,655,252	2,641,243
Term loans/financing				
- Housing loans/financing	12,127,541	12,284,139	14,593,441	14,842,860
- Syndicated term loans/financing	215,552	260,515	261,497	261,668
- Hire purchase receivables	766,063	734,007	1,302,799	1,351,475
- Other term loans/financing	10,761,017	10,342,136	13,808,627	13,039,019
Bills receivables	524,122	303,895	535,795	306,143
Trust receipts	171,140	150,244	205,003	179,935
Claims on customers under acceptance credits	1,964,384	1,989,818	2,493,360	2,519,809
Staff loans [include loans to Directors of a subsidiary of RM99,000 (31.03.16: RM123,000)]	10,743	12,116	30,685	34,395
Credit/charge card receivables	648,130	646,321	648,130	646,321
Revolving credits	1,421,265	1,475,415	1,713,626	1,660,665
Share margin financing	836,259	1,118,646	1,023,771	1,264,135
Gross loans, advances and financing	<u>31,618,674</u>	<u>31,505,195</u>	<u>39,271,986</u>	<u>38,747,668</u>
Add: Sales commissions and handling fees	27,046	34,845	35,033	38,365
Less: Allowance for impairment on loans, advances and financing				
- Individual assessment allowance	(61,254)	(58,061)	(67,766)	(68,331)
- Collective assessment allowance	(232,883)	(236,501)	(313,854)	(306,978)
Total net loans, advances and financing	<u>31,351,583</u>	<u>31,245,478</u>	<u>38,925,399</u>	<u>38,410,724</u>

A16a By type of customers:

	<u>BANK</u>		<u>GROUP</u>	
	31 December 2016 RM'000	31 March 2016 RM'000	31 December 2016 RM'000	31 March 2016 RM'000
Domestic non-bank financial institutions	284,273	339,935	364,465	375,434
Domestic business enterprises				
- Small and medium enterprises	7,485,274	7,170,303	9,547,209	8,956,673
- Others	6,402,348	5,959,540	7,618,114	7,058,880
Government and statutory bodies	5,679	6,816	5,679	6,816
Individuals	16,556,192	17,096,520	20,742,720	21,306,301
Other domestic entities	183,763	196,851	191,126	201,401
Foreign entities	701,145	735,230	802,673	842,163
Gross loans, advances and financing	<u>31,618,674</u>	<u>31,505,195</u>	<u>39,271,986</u>	<u>38,747,668</u>

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A16 Loans, Advances and Financing (contd.)

A16b By interest/profit rate sensitivity:

	<u>BANK</u>		<u>GROUP</u>	
	31 December 2016 RM'000	31 March 2016 RM'000	31 December 2016 RM'000	31 March 2016 RM'000
Fixed rate				
- Housing loans/financing	5,992	7,106	42,002	46,476
- Hire purchase receivables	727,104	689,079	1,263,840	1,306,547
- Other fixed rate loans/financing	955,610	1,195,668	2,376,283	2,379,044
Variable rate				
- Base lending rate plus	22,329,374	23,025,701	26,872,558	27,543,664
- Base rate plus	1,590,890	762,987	1,700,013	847,853
- Cost plus	5,639,755	5,583,485	6,643,235	6,350,612
- Other variable rates loans/financing	369,949	241,169	374,055	273,472
Gross loans, advances and financing	31,618,674	31,505,195	39,271,986	38,747,668

A16c By economic purposes:

	<u>BANK</u>		<u>GROUP</u>	
	31 December 2016 RM'000	31 March 2016 RM'000	31 December 2016 RM'000	31 March 2016 RM'000
Purchase of securities	845,738	1,140,290	1,033,250	1,285,780
Purchase of transport vehicles	582,083	597,735	1,110,506	1,218,632
Purchase of landed property	18,930,440	18,976,106	22,599,090	22,624,255
of which: - Residential	13,153,657	13,289,744	15,629,807	15,846,729
- Non-residential	5,776,783	5,686,362	6,969,283	6,777,526
Purchase of fixed assets excluding land & buildings	238,609	183,680	256,087	192,901
Personal use	1,425,113	1,459,164	2,652,894	2,560,230
Credit card	648,130	646,321	648,130	646,321
Construction	677,049	653,792	686,200	663,866
Mergers and acquisitions	117,704	117,688	117,704	117,688
Working capital	6,107,514	5,946,276	7,650,129	7,186,477
Others	2,046,294	1,784,143	2,517,996	2,251,518
Gross loans, advances and financing	31,618,674	31,505,195	39,271,986	38,747,668

A16d By geographical distribution:

	<u>BANK</u>		<u>GROUP</u>	
	31 December 2016 RM'000	31 March 2016 RM'000	31 December 2016 RM'000	31 March 2016 RM'000
Northern region	2,052,275	2,110,739	2,610,316	2,569,926
Central region	22,918,610	22,900,089	28,243,048	27,917,362
Southern region	3,586,010	3,480,489	4,653,805	4,581,547
Sabah region	2,046,105	2,092,217	2,578,759	2,586,488
Sarawak region	1,015,674	921,661	1,186,058	1,092,345
Gross loans, advances and financing	31,618,674	31,505,195	39,271,986	38,747,668

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A16 Loans, Advances and Financing (contd.)

A16e By maturity structure:

	<u>BANK</u>		<u>GROUP</u>	
	31 December 2016 RM'000	31 March 2016 RM'000	31 December 2016 RM'000	31 March 2016 RM'000
Within one year	7,773,108	7,817,151	9,345,251	9,201,769
One year to three years	1,093,262	1,080,775	1,413,553	1,318,284
Three years to five years	1,959,613	1,474,458	2,533,906	2,050,419
Over five years	20,792,691	21,132,811	25,979,276	26,177,196
Gross loans, advances and financing	<u>31,618,674</u>	<u>31,505,195</u>	<u>39,271,986</u>	<u>38,747,668</u>

A16f Movements in impaired loans, advances and financing ("impaired loans") are as follows:

	<u>BANK</u>		<u>GROUP</u>	
	31 December 2016 RM'000	31 March 2016 RM'000	31 December 2016 RM'000	31 March 2016 RM'000
At beginning of financial year	373,199	321,497	487,868	380,712
Impaired during the financial period/year	321,977	504,902	429,808	688,435
Reclassified as unimpaired during the financial period/year	(212,111)	(274,846)	(323,597)	(342,996)
Recoveries	(108,630)	(127,829)	(132,738)	(157,779)
Amount written-off	(38,755)	(50,525)	(68,860)	(80,504)
At end of financial period/year	335,680	373,199	392,481	487,868
Individual allowance for impairment	(61,254)	(58,061)	(67,766)	(68,331)
Collective allowance for impairment (impaired portion)	(73,525)	(85,540)	(94,395)	(109,347)
Net impaired loans, advances and financing	<u>200,901</u>	<u>229,598</u>	<u>230,320</u>	<u>310,190</u>
Gross impaired loans as % of gross loans, advances and financing	<u>1.1%</u>	<u>1.2%</u>	<u>1.0%</u>	<u>1.3%</u>

A16g Impaired loans analysed by economic purposes are as follows:

	<u>BANK</u>		<u>GROUP</u>	
	31 December 2016 RM'000	31 March 2016 RM'000	31 December 2016 RM'000	31 March 2016 RM'000
Purchase of securities	7	-	7	-
Purchase of transport vehicles	7,847	9,583	12,604	14,742
Purchase of landed property	209,809	247,620	233,100	307,795
of which: - Residential	171,611	192,500	193,272	220,145
- Non-residential	38,198	55,120	39,828	87,650
Purchase of fixed assets excluding land & buildings	725	651	725	651
Personal use	26,165	22,783	46,000	37,029
Credit card	10,863	9,421	10,863	9,421
Construction	3,681	3,837	3,681	3,892
Working capital	56,052	61,879	64,174	96,211
Others	20,531	17,425	21,327	18,127
Gross impaired loans	<u>335,680</u>	<u>373,199</u>	<u>392,481</u>	<u>487,868</u>

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A16 Loans, Advances and Financing (contd.)

A16h Impaired loans by geographical distribution:

	<u>BANK</u>		<u>GROUP</u>	
	31 December 2016 RM'000	31 March 2016 RM'000	31 December 2016 RM'000	31 March 2016 RM'000
Northern region	34,095	42,935	37,022	46,072
Central region	235,809	272,288	276,015	372,422
Southern region	42,048	33,365	51,497	40,279
Sabah region	20,842	21,662	24,372	25,088
Sarawak region	2,886	2,949	3,575	4,007
Gross impaired loans	<u>335,680</u>	<u>373,199</u>	<u>392,481</u>	<u>487,868</u>

A16i Movements in the allowance for impairment on loans, advances and financing are as follows:

	<u>BANK</u>		<u>GROUP</u>	
	31 December 2016 RM'000	31 March 2016 RM'000	31 December 2016 RM'000	31 March 2016 RM'000
Individual assessment allowance				
At beginning of financial year	58,061	46,191	68,331	56,303
Allowance made during the financial period/year (net)	14,130	18,795	15,510	24,229
Amount written-off	(9,245)	(8,662)	(14,302)	(14,060)
Transfers (to)/from collective assessment allowance	(1,692)	1,737	(1,773)	1,859
At end of financial period/year	<u>61,254</u>	<u>58,061</u>	<u>67,766</u>	<u>68,331</u>

	<u>BANK</u>		<u>GROUP</u>	
	31 December 2016 RM'000	31 March 2016 RM'000	31 December 2016 RM'000	31 March 2016 RM'000
Collective assessment allowance				
At beginning of financial year	236,501	278,599	306,978	334,704
Allowance made during the financial period/year (net)	24,200	1,502	59,661	40,577
Amount written-off	(29,510)	(41,863)	(54,558)	(66,444)
Transfers from/(to) individual assessment allowance	1,692	(1,737)	1,773	(1,859)
At end of financial period/year	<u>232,883</u>	<u>236,501</u>	<u>313,854</u>	<u>306,978</u>

A17 Other Assets

	<u>BANK</u>		<u>GROUP</u>	
	31 December 2016 RM'000	31 March 2016 RM'000	31 December 2016 RM'000	31 March 2016 RM'000
Other receivables	116,740	96,584	125,419	104,253
Deposits	8,458	8,388	9,133	9,089
Prepayment	13,759	13,712	14,454	14,871
Amount due from holding company	453	105	453	105
Amount due from subsidiaries and related companies	35,183	12,906	422	239
	<u>174,593</u>	<u>131,695</u>	<u>149,881</u>	<u>128,557</u>
Less:				
Allowance for other losses	(24,080)	(22,119)	(28,497)	(26,382)
	<u>150,513</u>	<u>109,576</u>	<u>121,384</u>	<u>102,175</u>

A18 Deposits from Customers

	<u>BANK</u>		<u>GROUP</u>	
	31 December 2016 RM'000	31 March 2016 RM'000	31 December 2016 RM'000	31 March 2016 RM'000
A18a By type of deposits:				
Amortised cost				
Demand deposits	11,236,787	10,929,997	13,471,212	12,984,517
Savings deposits	1,472,796	1,467,810	1,806,339	1,787,163
Fixed/investment deposits	18,476,277	18,185,230	22,696,883	22,984,461
Money market deposits	1,362,397	1,684,628	2,123,877	2,596,081
Negotiable instruments of deposits	4,543,313	5,069,583	4,842,359	5,268,944
Structured deposits	183,223	260,185	183,223	260,185
	37,274,793	37,597,433	45,123,893	45,881,351
At fair value through profit and loss				
Structured deposits	334,418	239,136	334,418	239,136
	37,609,211	37,836,569	45,458,311	46,120,487

Note

- (a) Structured deposits issued by the Bank include foreign currency time deposits with embedded foreign exchange, equity linked options and interest rate index linked placements.
- (b) The Bank and the Group has undertaken a fair value hedge on the interest rate risk of certain structured deposits amounting to RM111,745,000 (31.03.16: RM200,913,000) using interest rate swaps.

	<u>BANK/GROUP</u>	
	31 December 2016 RM'000	31 March 2016 RM'000
Structured deposits	111,745	200,913
Fair value changes arising from fair value hedges	(4,638)	(5,832)
	107,107	195,081

The fair value loss of the interest rate swap in this hedge transaction as at financial period ended 31 December 2016 was RM4,638,000 (31.03.16: RM5,832,000). There were no ineffectiveness.

- (c) The Bank 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 significantly reduces accounting mismatch. These instruments are managed by the Bank and the Group on the basis of its fair value and includes embedded derivatives that are not closely related to its underlying deposits. The structured deposits are recorded at fair value. The carrying amount of the structured deposits were RM11,232,000 lower than the contractual amount at maturity.

	<u>BANK/GROUP</u>	
	31 December 2016 RM'000	31 March 2016 RM'000
Structured deposits	361,582	269,601
Fair value changes arising from designation at fair value through profit or loss	(27,164)	(30,465)
	334,418	239,136

The fair value changes of the structured deposits that are attributable to the changes in own credit risk are not significant.

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A18 Deposits from Customers (contd.)

A18b By type of customers:

	<u>BANK</u>		<u>GROUP</u>	
	31 December 2016 RM'000	31 March 2016 RM'000	31 December 2016 RM'000	31 March 2016 RM'000
Domestic financial institutions	4,569,482	5,168,192	4,851,025	5,349,252
Domestic non-bank financial institutions	1,843,409	1,835,191	2,526,406	2,724,792
Government and statutory bodies	1,649,510	1,814,137	3,663,856	3,962,637
Business enterprises	11,801,722	11,717,603	14,869,258	14,773,608
Individuals	16,764,414	16,361,415	18,455,832	18,221,964
Foreign entities	579,912	533,915	636,527	593,398
Others	400,762	406,116	455,407	494,836
	<u>37,609,211</u>	<u>37,836,569</u>	<u>45,458,311</u>	<u>46,120,487</u>

A18c The maturity structure of fixed/investment deposits, money market deposits and negotiable instruments of deposits are as follow:

	<u>BANK</u>		<u>GROUP</u>	
	31 December 2016 RM'000	31 March 2016 RM'000	31 December 2016 RM'000	31 March 2016 RM'000
Due within six months	18,543,638	20,297,177	23,024,564	25,199,911
Six months to one year	5,751,692	4,583,847	6,425,814	5,464,888
One year to three years	54,703	52,640	57,985	53,992
Three years to five years	31,954	5,777	154,756	130,695
	<u>24,381,987</u>	<u>24,939,441</u>	<u>29,663,119</u>	<u>30,849,486</u>

A19 Deposits and Placements of Banks and Other Financial Institutions

	<u>BANK</u>		<u>GROUP</u>	
	31 December 2016 RM'000	31 March 2016 RM'000	31 December 2016 RM'000	31 March 2016 RM'000
Licensed banks	426,697	708,074	426,697	708,074
Bank Negara Malaysia	377,623	309,358	569,117	449,176
	<u>804,320</u>	<u>1,017,432</u>	<u>995,814</u>	<u>1,157,250</u>

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A20 Balances Due To Clients And Brokers

	<u>GROUP</u>	
	31 December	31 March
	2016	2016
	RM'000	RM'000
Due to clients	31,545	77,246
Due to brokers	9,924	-
	<u>41,469</u>	<u>77,246</u>

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 RM68,318,000 (31.3.16: RM83,067,000) have been excluded accordingly.

A21 Other Liabilities

	<u>BANK</u>		<u>GROUP</u>	
	31 December	31 March	31 December	31 March
	2016	2016	2016	2016
	RM'000	RM'000	RM'000	RM'000
Other payables	435,858	631,078	526,526	756,515
Provision and accruals	68,098	82,005	71,456	93,172
Remisiers and dealers account	-	-	21,574	22,165
Finance lease liabilities	7,095	8,125	7,095	8,125
Amount due to subsidiaries and related companies	570	-	208	-
Amount due to holding company	-	-	191	161
	<u>511,621</u>	<u>721,208</u>	<u>627,050</u>	<u>880,138</u>

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A22 Interest Income

	3rd Quarter Ended		Nine Months Ended	
	31 December	31 December	31 December	31 December
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
<u>BANK</u>				
Loans, advances and financing	370,545	375,802	1,104,499	1,087,464
Money at call and deposit placements with financial institutions	6,368	1,628	24,271	8,437
Financial assets held-for-trading	1,746	1,476	4,904	3,184
Financial investments available-for-sale	60,776	79,975	177,281	221,781
Financial investments held-to-maturity	5,492	5,516	16,316	16,402
Others	2,903	2,509	8,406	8,002
	447,830	466,906	1,335,677	1,345,270
Accretion of discount less amortisation of premium	18,251	17,745	55,526	49,910
	466,081	484,651	1,391,203	1,395,180
<u>GROUP</u>				
Loans, advances and financing	376,047	378,246	1,121,024	1,104,205
Money at call and deposit placements with financial institutions	4,805	1,507	21,264	7,292
Financial assets held-for-trading	1,746	1,508	4,904	3,216
Financial investments available-for-sale	60,258	84,463	177,648	234,421
Financial investments held-to-maturity	6,760	6,781	20,108	20,197
Others	2,903	2,510	8,407	8,003
	452,519	475,015	1,353,355	1,377,334
Accretion of discount less amortisation of premium	18,394	17,448	55,877	50,100
	470,913	492,463	1,409,232	1,427,434

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A23 Interest Expense

	3rd Quarter Ended		Nine Months Ended	
	31 December	31 December	31 December	31 December
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
<u>BANK</u>				
Deposits and placements of banks and other financial institutions	3,386	16,655	10,764	34,443
Deposits from customers	215,751	228,327	662,156	682,372
Securities sold under repurchase agreements	-	26	-	26
Loan sold to Cagamas	5,450	-	16,350	-
Other borrowings	60	31	179	31
Subordinated obligations	17,370	17,448	52,456	32,234
Others	6,892	6,463	21,754	17,938
	<u>248,909</u>	<u>268,950</u>	<u>763,659</u>	<u>767,044</u>
<u>GROUP</u>				
Deposits and placements of banks and other financial institutions	4,031	18,634	12,290	42,660
Deposits from customers	219,634	234,993	674,281	700,660
Securities sold under repurchase agreements	-	26	-	26
Loan sold to Cagamas	5,450	-	16,350	-
Other borrowings	60	31	179	31
Subordinated obligations	17,335	17,438	52,348	32,224
Others	6,892	6,463	21,754	17,938
	<u>253,402</u>	<u>277,585</u>	<u>777,202</u>	<u>793,539</u>

A24 Net Income from Islamic Banking Business

	3rd Quarter Ended		Nine Months Ended	
	31 December	31 December	31 December	31 December
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
<u>GROUP</u>				
Income derived from investment of depositors' funds and others	114,593	109,740	343,594	319,109
Income derived from investment of Islamic Banking funds	12,017	9,784	33,996	27,811
Income attributable to the depositors and financial institutions	(61,881)	(63,233)	(189,565)	(184,829)
	<u>64,729</u>	<u>56,291</u>	<u>188,025</u>	<u>162,091</u>
Add: Income due to head office eliminated at Group level	10,039	6,928	32,532	20,732
	<u>74,768</u>	<u>63,219</u>	<u>220,557</u>	<u>182,823</u>

A25 Other Operating Income

	3rd Quarter Ended		Nine Months Ended	
	31 December 2016 RM'000	31 December 2015 RM'000	31 December 2016 RM'000	31 December 2015 RM'000
<u>BANK</u>				
(a) <u>Fee and commission income:</u>				
Commissions	21,705	19,766	65,046	59,316
Service charges and fees	8,785	8,984	23,361	22,979
Guarantee fees	4,900	3,786	14,179	10,746
Processing fees	2,187	1,465	7,091	4,892
Commitment fees	4,027	3,846	11,836	11,633
Other fee income	24,441	27,046	73,318	77,179
	<u>66,045</u>	<u>64,893</u>	<u>194,831</u>	<u>186,745</u>
(b) <u>Fee and commission expense:</u>				
Commissions expense	(469)	(644)	(1,520)	(1,435)
Guarantee fees expense	(155)	(255)	(650)	(888)
Other fee expense	(21,021)	(23,169)	(61,484)	(68,080)
	<u>(21,645)</u>	<u>(24,068)</u>	<u>(63,654)</u>	<u>(70,403)</u>
(c) <u>Investment income:</u>				
Gain/(loss) arising from sale/redemption of:				
- Financial assets held-for-trading	549	(276)	2,556	(1,742)
- Financial investments available-for-sale	2,272	1,100	3,154	1,740
Marked-to-market revaluation of:				
- Financial assets held-for-trading	(3,046)	895	(3,684)	473
- Derivative instruments	4,036	333	10,766	(11,615)
- Unrealised (loss)/gain arising from financial liabilities designated at fair value	(788)	(3,075)	(3,301)	19,155
Realised gain on derivative instruments	2,003	1,061	1,615	7,858
Gross dividend income from:				
- Financial investments available-for-sale	159	159	2,440	2,440
- Subsidiaries	21,640	-	51,857	5,974
	<u>26,825</u>	<u>197</u>	<u>65,403</u>	<u>24,283</u>
(d) <u>Other income:</u>				
Foreign exchange gain	23,193	25,554	57,711	75,962
Rental income	200	98	527	283
Loss on disposal of property, plant and equipment	1	1	(346)	(11)
Others	6,539	8,135	19,390	21,686
	<u>29,933</u>	<u>33,788</u>	<u>77,282</u>	<u>97,920</u>
Total other operating income	<u>101,158</u>	<u>74,810</u>	<u>273,862</u>	<u>238,545</u>

A25 Other Operating Income (contd.)

GROUP	3rd Quarter Ended		Nine Months Ended	
	31 December	31 December	31 December	31 December
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
(a) <u>Fee and commission income:</u>				
Commissions	21,705	19,766	65,046	59,316
Service charges and fees	8,931	9,130	23,802	23,449
Corporate advisory fees	660	620	2,005	1,300
Underwriting commissions	-	375	85	375
Brokerage fees	5,837	8,495	20,132	25,591
Guarantee fees	4,900	3,793	14,311	11,014
Processing fees	3,752	2,060	11,518	6,012
Commitment fees	4,033	3,852	11,857	11,652
Other fee income	24,441	27,046	73,318	77,179
	74,259	75,137	222,074	215,888
(b) <u>Fee and commission expense:</u>				
Commissions expense	(465)	(639)	(1,516)	(1,430)
Brokerage fees expense	(1,999)	(3,961)	(7,536)	(12,202)
Guarantee fees expense	(155)	(255)	(650)	(888)
Other fee expense	(21,021)	(23,169)	(61,484)	(68,080)
	(23,640)	(28,024)	(71,186)	(82,600)
(c) <u>Investment income:</u>				
Gain/(loss) arising from sale/redemption of:				
- Financial assets held-for-trading	549	206	2,556	(1,260)
- Financial investments available-for-sale	2,272	1,301	5,239	2,337
Marked-to-market revaluation of:				
- Financial assets held-for-trading	(3,046)	895	(3,684)	473
- Derivative instruments	4,036	333	10,766	(11,615)
- Unrealised (loss)/gain arising from financial liabilities designated at fair value	(788)	(3,075)	(3,301)	19,155
Realised gain on derivative instruments	2,003	1,061	1,615	7,858
Gross dividend income from:				
- Financial investments available-for-sale	310	384	3,165	3,145
	5,336	1,105	16,356	20,093
(d) <u>Other income :</u>				
Foreign exchange gain	23,296	25,614	58,043	76,194
Loss on disposal of property, plant and equipment	1	1	(346)	(11)
Others	6,657	8,302	22,259	22,317
	29,954	33,917	79,956	98,500
Total other operating income	85,909	82,135	247,200	251,881

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A26 Other Operating Expenses

	3rd Quarter Ended		Nine Months Ended	
	31 December 2016 RM'000	31 December 2015 RM'000	31 December 2016 RM'000	31 December 2015 RM'000
<u>BANK</u>				
Personnel costs				
- Salaries, allowances and bonuses	63,774	67,105	192,771	190,623
- Contribution to EPF	10,838	10,545	31,916	30,685
- Share options/grants under ESS	453	1,414	1,834	5,008
- Others	5,617	7,729	21,756	21,574
	80,682	86,793	248,277	247,890
Establishment costs				
- Depreciation of property, plant and equipment	4,967	5,577	15,479	16,821
- Amortisation of computer software	5,451	5,411	16,290	15,843
- Rental of premises	5,927	5,889	17,749	17,719
- Water and electricity	1,532	1,429	4,314	4,568
- Repairs and maintenance	1,959	1,784	5,501	4,817
- Information technology expenses	10,066	7,305	27,466	24,065
- Others	830	1,091	2,703	2,623
	30,732	28,486	89,502	86,456
Marketing expenses				
- Promotion and advertisement	1,088	854	3,394	2,301
- Branding and publicity	3,234	2,490	4,770	5,916
- Others	1,083	1,264	3,304	3,678
	5,405	4,608	11,468	11,895
Administration and general expenses				
- Communication expenses	2,984	2,578	8,050	7,538
- Printing and stationery	625	461	1,891	1,711
- Insurance	2,552	4,578	7,406	15,508
- Professional fees	4,038	4,286	11,715	10,228
- Others	8,649	5,886	19,050	15,950
	18,848	17,789	48,112	50,935
Total other operating expenses	135,667	137,676	397,359	397,176

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A26 Other Operating Expenses (contd.)

	3rd Quarter Ended		Nine Months Ended	
	31 December 2016 RM'000	31 December 2015 RM'000	31 December 2016 RM'000	31 December 2015 RM'000
GROUP				
Personnel costs				
- Salaries, allowances and bonuses	82,960	85,851	250,977	248,421
- Contribution to EPF	13,941	13,535	41,187	39,760
- Share options/grants under ESS	506	1,533	2,074	5,293
- Others	8,341	10,670	28,320	28,237
	105,748	111,589	322,558	321,711
Establishment costs				
- Depreciation of property, plant and equipment	5,140	5,713	15,935	17,199
- Amortisation of computer software	5,606	5,491	16,699	16,066
- Rental of premises	7,593	7,559	22,798	22,951
- Water and electricity	2,058	2,024	5,906	6,180
- Repairs and maintenance	2,600	2,429	7,318	6,521
- Information technology expenses	12,607	9,848	35,371	31,097
- Others	3,165	3,456	9,725	10,543
	38,769	36,520	113,752	110,557
Marketing expenses				
- Promotion and advertisement	1,556	1,760	4,386	4,621
- Branding and publicity	3,484	2,612	5,165	6,269
- Others	1,886	2,099	5,736	6,055
	6,926	6,471	15,287	16,945
Administration and general expenses				
- Communication expenses	3,763	3,102	10,315	9,525
- Printing and stationery	770	600	2,354	2,201
- Insurance	2,771	5,056	8,024	17,242
- Professional fees	5,121	5,208	15,144	12,754
- Others	9,820	6,278	22,404	17,015
	22,245	20,244	58,241	58,737
Total other operating expenses	173,688	174,824	509,838	507,950

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A27 Allowance for/(Write-back of) Losses on Loans, Advances and Financing and Other Receivables

	3rd Quarter Ended		Nine Months Ended	
	31 December 2016 RM'000	31 December 2015 RM'000	31 December 2016 RM'000	31 December 2015 RM'000
<u>BANK</u>				
Allowance for impaired loans and financing and other receivables:				
(a) Individual assessment allowance - made during the period (net)	4,253	4,363	14,130	9,374
(b) Collective assessment allowance - made/(write-back) during the period (net)	13,054	(1,176)	24,200	14,378
(c) Bad debts on loans and financing - Recovered	(5,687)	(8,581)	(18,337)	(21,515)
- Written-off	2,824	2,276	8,095	7,092
	14,444	(3,118)	28,088	9,329
Allowance for other receivables	566	618	1,961	1,987
	15,010	(2,500)	30,049	11,316
<u>GROUP</u>				
Allowance for impaired loans and financing and other receivables:				
(a) Individual assessment allowance - made during the period (net)	5,179	4,616	15,510	14,556
(b) Collective assessment allowance - made during the period (net)	29,848	7,814	59,661	41,548
(c) Bad debts on loans and financing - Recovered	(7,979)	(11,146)	(24,650)	(28,727)
- Written-off	4,777	4,425	14,649	12,441
	31,825	5,709	65,170	39,818
Allowance for other receivables	623	709	2,222	2,976
	32,448	6,418	67,392	42,794

A28 Commitments and Contingencies

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

	<u>BANK</u>		<u>GROUP</u>	
	31 December 2016 RM'000	31 March 2016 RM'000	31 December 2016 RM'000	31 March 2016 RM'000
<u>Credit-related exposures</u>				
Direct credit substitutes	623,964	625,635	736,407	717,319
Transaction-related contingent items	667,925	618,043	720,640	677,126
Short-term self-liquidating trade-related contingencies	153,921	113,621	174,243	137,524
Irrevocable commitments to extend credit:				
- maturity exceeding one year	1,177,099	1,940,980	1,422,178	2,287,572
- maturity not exceeding one year	5,269,622	4,803,945	6,853,035	6,327,855
Unutilised credit card lines	1,591,626	1,597,855	1,591,626	1,597,855
	9,484,157	9,700,079	11,498,129	11,745,251
<u>Derivative financial instruments</u>				
Foreign exchange related contracts:				
- one year or less	8,874,487	7,255,690	8,874,487	7,255,690
- over one year to three years	101,525	39,135	101,525	39,135
- over three years	44,411	-	44,411	-
Interest rate related contracts:				
- one year or less	600,000	380,000	600,000	380,000
- over one year to three years	1,650,672	809,755	1,650,672	809,755
- over three years	1,259,608	1,490,776	1,259,608	1,490,776
Equity related contracts				
- one year or less	37,080	92,940	37,080	92,940
- over one year to three years	57,620	18,880	57,620	18,880
	12,625,403	10,087,176	12,625,403	10,087,176
	22,109,560	19,787,255	24,123,532	21,832,427

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A29 Derivative Financial Assets/(Liabilities)

Derivative financial instruments measured at fair values together with their corresponding contract/notional amounts:

<u>BANK/GROUP</u>	As at 31 December 2016			As at 31 March 2016		
	Principal RM'000	Fair value		Principal RM'000	Fair value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
Foreign exchange and commodity contracts						
Currency forwards						
- one year or less	1,399,169	70,464	(12,458)	1,316,549	25,079	(53,190)
- over one year to three years	56,665	422	(51)	-	-	-
- over three years	44,411	269	(8)	-	-	-
Currency swaps						
- one year or less	7,177,142	66,187	(31,076)	5,520,405	90,660	(174,450)
- over one year to three years	44,860	-	(13,339)	39,135	-	(7,656)
Currency spots						
- one year or less	130,725	101	(70)	258,309	646	(615)
Currency options						
- one year or less	167,451	886	(233)	160,427	1,349	(404)
	9,020,423	138,329	(57,235)	7,294,825	117,734	(236,315)
Interest rate derivatives						
Interest rate swap	3,398,902	11,813	(11,333)	2,480,312	15,917	(10,333)
- one year or less	600,000	49	(982)	380,000	136	(87)
- over one year to three years	1,564,874	6,673	(5,136)	763,000	1,813	(3,410)
- over three years	1,234,028	5,091	(5,215)	1,337,312	13,968	(6,836)
Equity related derivatives						
- one year or less	37,080	158	(3,181)	92,940	-	(23,782)
- over one year to three years	57,620	-	(7,813)	18,880	-	(3,279)
Hedging Derivatives						
Interest rate swap						
- over one year to three years	85,798	-	(3,134)	46,755	-	(1,592)
- over three years	25,580	-	(1,504)	153,464	-	(4,240)
Total derivatives assets/(liabilities)	12,625,403	150,300	(84,200)	10,087,176	133,651	(279,541)

The credit risk, market risk and liquidity risk associated with the derivatives and the policies in place for mitigating or controlling the risks with these derivatives are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 March 2016.

Forwards

Forwards are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market.

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A29 Derivative Financial Assets/(Liabilities) (Contd.)

Swaps

Swaps are contractual agreements between two parties to exchange exposures in foreign currency or interest rates.

Spots

Spots refer to the buying and selling of the currency where the settlement date is two business days.

Options

Options are contractual agreements under which the seller grants the purchaser the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date during a set period, a specific amount of an underlying asset at a predetermined price. The seller receives a premium from the purchaser in consideration of risk. Options may be either exchange-traded or negotiated between the purchaser and the seller in the over-the-counter market.

Related accounting policies

Derivative financial instruments are initially recognised at fair value, which is normally zero or negligible at inception except for options and subsequently re-measured at their fair value. The fair value of options at inception is normally equivalent to the premium received (for options written) or paid (for options purchased). All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value are recognised in the statement of comprehensive income.

Interest income and expenses associated with interest rate swaps are recognised over the life of the swap agreement as a component of interest income or interest expense.

A30 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, 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 customers including family-owned businesses. Business Banking provides a wide range of products and services including loans, trade finance, cash management, treasury and structured solutions.

(iii) Financial Markets

Financial Markets provide foreign exchange, money market, hedging and investment (capital market instruments) solutions for banking customers. It also manages the assets and liabilities, liquidity and statutory reserve requirements of the banking entities in the Group.

(iv) Investment Banking

Investment Banking covers stockbroking activities and corporate advisory which includes initial public offering, equity fund raising, debt fund raising, mergers and acquisitions and corporate restructuring.

(v) Others

Others refer to mainly other business operations such as alternative distribution channels, trustee services and head office.

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A30 Segment information (contd.)

Group	Consumer Banking RM'000	Business Banking RM'000	Financial Markets RM'000	Investment Banking RM'000	Others RM'000	Total Operations RM'000	Inter-segment Elimination RM'000	Total RM'000
3rd Quarter ended 31 December 2016								
Net interest income								
- External income	107,773	82,649	30,746	2,599	48	223,815	(6,304)	217,511
- inter-segment	(24,276)	21,663	4,177	(1,564)	-	-	-	-
	83,497	104,312	34,923	1,035	48	223,815	(6,304)	217,511
Net income from Islamic banking business	29,402	22,656	12,671	-	-	64,729	10,039	74,768
Other operating income	29,923	41,935	9,065	8,002	8,349	97,274	(11,365)	85,909
Net income	142,822	168,903	56,659	9,037	8,397	385,818	(7,630)	378,188
Other operating expenses	(75,470)	(63,955)	(11,360)	(9,610)	(3,974)	(164,369)	1,427	(162,942)
Depreciation and amortisation	(5,782)	(3,954)	(765)	(245)	-	(10,746)	-	(10,746)
Operating profit/(loss)	61,570	100,994	44,534	(818)	4,423	210,703	(6,203)	204,500
(Allowance for)/write-back of impairment on loans, advances and financing and other receivables	(20,154)	(12,332)	(16)	54	-	(32,448)	-	(32,448)
Segment result	41,416	88,662	44,518	(764)	4,423	178,255	(6,203)	172,052
Share of results of associate								3
Share of profit of equity accounted joint venture, net of tax								19
Taxation								(41,952)
Net profit for the financial period								130,122
Segment assets	21,487,200	17,083,526	16,802,363	282,669	19,704	55,675,462	(2,317,945)	53,357,517
Reconciliation of segment assets to consolidated assets:								
Investments in associate								527
Investments in joint venture								623
Property, plant and equipment								75,714
Unallocated assets								21,679
Intangible assets								369,868
Total assets								53,825,928
Segment Liabilities	23,019,092	20,304,083	6,929,485	58,121	3,658	50,314,439	(1,390,785)	48,923,654
Unallocated liabilities								23,137
Total liabilities								48,946,791

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A30 Segment information (contd.)

Group	Consumer Banking	Business Banking	Financial Markets	Investment Banking	Others	Total Operations	Inter-segment Elimination	Total
Nine months ended 31 December 2016	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net interest income								
- External income	330,478	240,212	68,502	7,826	2,107	649,125	(17,095)	632,030
- inter-segment	(85,349)	59,237	30,763	(4,651)	-	-	-	-
	245,129	299,449	99,265	3,175	2,107	649,125	(17,095)	632,030
Net income from Islamic banking business	84,759	64,906	38,360	-	-	188,025	32,532	220,557
Other operating income	86,489	122,310	17,632	22,242	22,166	270,839	(23,639)	247,200
Net income	416,377	486,665	155,257	25,417	24,273	1,107,989	(8,202)	1,099,787
Other operating expenses	(222,735)	(187,865)	(32,016)	(27,537)	(11,674)	(481,827)	4,623	(477,204)
Depreciation and amortisation	(17,534)	(12,081)	(2,373)	(646)	-	(32,634)	-	(32,634)
Operating profit/(loss)	176,108	286,719	120,868	(2,766)	12,599	593,528	(3,579)	589,949
(Allowance for)/write-back of impairment on loans, advances and financing and other receivables	(53,419)	(14,007)	(15)	49	-	(67,392)	-	(67,392)
Allowance for impairment	-	-	-	(1,208)	-	(1,208)	-	(1,208)
Segment result	122,689	272,712	120,853	(3,925)	12,599	524,928	(3,579)	521,349
Share of results of associate								7
Share of profit of equity accounted joint venture, net of tax								57
Taxation								(126,951)
Net profit for the financial period								394,462
Segment assets	21,487,200	17,083,526	16,802,363	282,669	19,704	55,675,462	(2,317,945)	53,357,517
Reconciliation of segment assets to consolidated assets:								
Investments in associate								527
Investments in joint venture								623
Property, plant and equipment								75,714
Unallocated assets								21,679
Intangible assets								369,868
Total assets								53,825,928
Segment Liabilities	23,019,092	20,304,083	6,929,485	58,121	3,658	50,314,439	(1,390,785)	48,923,654
Unallocated liabilities								23,137
Total liabilities								48,946,791

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A30 Segment information (contd.)

Group	Consumer Banking	Business Banking	Financial Markets	Investment Banking	Others	Total Operations	Inter-segment Elimination	Total
3rd Quarter ended 31 December 2015	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net interest income								
- External income	123,861	87,060	9,291	1,069	41	221,322	(6,444)	214,878
- inter-segment	(39,263)	13,087	27,022	(846)	-	-	-	-
	84,598	100,147	36,313	223	41	221,322	(6,444)	214,878
Net income from Islamic banking business	22,661	19,964	13,666	-	-	56,291	6,928	63,219
Other operating income	25,247	36,232	14,175	6,525	2,194	84,373	(2,238)	82,135
Net income	132,506	156,343	64,154	6,748	2,235	361,986	(1,754)	360,232
Other operating expenses	(76,176)	(60,479)	(13,696)	(9,829)	(5,321)	(165,501)	1,881	(163,620)
Depreciation and amortisation	(6,098)	(4,045)	(895)	(166)	-	(11,204)	-	(11,204)
Operating profit/(loss)	50,232	91,819	49,563	(3,247)	(3,086)	185,281	127	185,408
(Allowance for)/write-back of impairment on loans, advances and financing and other receivables	(7,542)	3,219	(80)	(15)	-	(4,418)	(2,000)	(6,418)
Write-back of impairment on securities	-	-	1,751	-	-	1,751	-	1,751
Segment result	42,690	95,038	51,234	(3,262)	(3,086)	182,614	(1,873)	180,741
Share of results of associate								3
Share of profit of equity accounted joint venture, net of tax								19
Taxation								(45,128)
Net profit for the financial period								135,635
Segment assets	22,455,548	15,795,025	17,265,177	246,205	17,361	55,779,316	(1,885,369)	53,893,947
Reconciliation of segment assets to consolidated assets:								
Investments in associate								518
Investments in joint venture								549
Property, plant and equipment								90,262
Unallocated assets								52,855
Intangible assets								365,307
Total assets								54,403,438
Segment Liabilities	20,964,637	18,556,103	11,057,250	189,264	13,659	50,780,913	(961,928)	49,818,985
Unallocated liabilities								15,225
Total liabilities								49,834,210

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A30 Segment information (contd.)

Group	Consumer Banking	Business Banking	Financial Markets	Investment Banking	Others	Total Operations	Inter-segment Elimination	Total
Nine months ended 31 December 2015	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net interest income								
- External income	334,737	248,466	58,534	3,330	81	645,148	(11,253)	633,895
- inter-segment	(93,525)	43,578	52,640	(2,693)	-	-	-	-
	241,212	292,044	111,174	637	81	645,148	(11,253)	633,895
Net income from Islamic banking business	67,418	56,439	38,234	-	-	162,091	20,732	182,823
Other operating income	78,070	110,915	45,747	17,630	13,317	265,679	(13,798)	251,881
Net income	386,700	459,398	195,155	18,267	13,398	1,072,918	(4,319)	1,068,599
Other operating expenses	(221,324)	(174,578)	(41,417)	(28,624)	(14,511)	(480,454)	5,769	(474,685)
Depreciation and amortisation	(17,954)	(12,083)	(2,772)	(456)	-	(33,265)	-	(33,265)
Operating profit/(loss)	147,422	272,737	150,966	(10,813)	(1,113)	559,199	1,450	560,649
(Allowance for)/write-back of impairment on loans, advances and financing and other receivables	(28,477)	(12,239)	(85)	7	-	(40,794)	(2,000)	(42,794)
Write-back of impairment on securities	-	3	2,424	-	-	2,427	-	2,427
Segment result	118,945	260,501	153,305	(10,806)	(1,113)	520,832	(550)	520,282
Share of results of associate								7
Share of profit of equity accounted joint venture, net of tax								139
Taxation								(129,524)
Net profit for the financial period								390,904
Segment assets	22,455,548	15,795,025	17,265,177	246,205	17,361	55,779,316	(1,885,369)	53,893,947
Reconciliation of segment assets to consolidated assets:								
Investments in associate								518
Investments in joint venture								549
Property, plant and equipment								90,262
Unallocated assets								52,855
Intangible assets								365,307
Total assets								54,403,438
Segment Liabilities	20,964,637	18,556,103	11,057,250	189,264	13,659	50,780,913	(961,928)	49,818,985
Unallocated liabilities								15,225
Total liabilities								49,834,210

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A31 Capital Adequacy

The capital adequacy ratios of the Bank and the Group are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework. The Framework sets out the approach for computing regulatory capital adequacy ratios, as well as the levels of those ratios at which banking institutions are required to operate. The framework is to strengthen capital adequacy standards, in line with the requirements set forth under Basel III. The risk-weighted assets of the Bank and the Group are computed using the Standardised Approach for credit risk and market risk, and the Basic Indicator Approach for operational risk.

On 13 October 2015, BNM issued the revised Capital Adequacy Framework (Capital Components and Basel II - Risk-weighted Assets) ("Revised Framework") which is effective from 1 January 2016. The minimum regulatory capital adequacy ratios before including capital conservation buffer and countercyclical capital buffer for CET I capital ratio, Tier I capital ratio and total capital ratio are 4.5%, 6.0% and 8.0% respectively.

Banking institutions are also required to maintain a capital conservation buffer of up to 2.5% and a countercyclical capital buffer above the minimum regulatory capital adequacy ratios. Under the transition arrangements, capital conservation buffer will be phased-in as follows:

Calendar Year	Capital Conservation Buffer
2016	0.625%
2017	1.250%
2018	1.875%
2019 onwards	2.500%

Under the Revised Framework, a countercyclical capital buffer is required to be maintained if this buffer is applied by regulators in countries which the Bank has exposures to, determined based on the weighted average of prevailing countercyclical capital buffer rates applied in that jurisdictions. The countercyclical buffer which is in a range of between 0% and 2.5% is not a requirement for exposures in Malaysia but may be applied by regulators in the future.

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

	<u>BANK</u>		<u>GROUP</u>	
	31 December 2016	31 March 2016	31 December 2016	31 March 2016
<u>Before deducting proposed dividends</u>				
CET I capital ratio	11.206%	11.237%	12.044%	12.070%
Tier I capital ratio	11.206%	11.237%	12.044%	12.070%
Total capital ratio	15.269%	16.528%	16.611%	17.657%
<u>After deducting proposed dividends</u>				
CET I capital ratio	11.206%	10.880%	12.044%	11.775%
Tier I capital ratio	11.206%	10.880%	12.044%	11.775%
Total capital ratio	15.269%	16.170%	16.611%	17.362%

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A31 Capital Adequacy (contd.)

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

	<u>BANK</u>		<u>GROUP</u>	
	31 December 2016 RM'000	31 March 2016 RM'000	31 December 2016 RM'000	31 March 2016 RM'000
<u>CET I Capital/Tier I Capital</u>				
Paid-up share capital	796,517	796,517	796,517	796,517
Share premium	401,517	401,517	401,517	401,517
Retained profits	1,890,517	1,888,285	2,068,865	2,047,248
Statutory reserves	835,401	835,401	1,211,808	1,200,019
Revaluation reserves	62,884	73,152	95,185	114,786
Capital reserves	-	-	10,018	10,018
	3,986,836	3,994,872	4,583,910	4,570,105
Less: Regulatory adjustment				
- Goodwill and other intangibles	(254,390)	(247,299)	(369,868)	(362,982)
- Deferred tax assets	-	-	(9,411)	(10,201)
- 55% of revaluation reserves	(34,586)	(40,234)	(52,352)	(63,132)
- Investment in subsidiaries, associate and joint venture	(535,830)	(535,830)	(2,862)	(2,824)
Total CET I Capital/Total Tier I Capital	3,162,030	3,171,509	4,149,417	4,130,966
<u>Tier II Capital</u>				
Subordinated obligations	1,198,673	1,558,540	1,199,099	1,559,074
Collective assessment allowance and regulatory reserves	305,164	291,825	376,080	354,805
Less: Regulatory adjustment				
- Investment in subsidiaries and associate	(357,220)	(357,220)	(1,908)	(1,882)
Total Tier II Capital	1,146,617	1,493,145	1,573,271	1,911,997
Total Capital	4,308,647	4,664,654	5,722,688	6,042,963

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

	<u>BANK</u>		<u>GROUP</u>	
	31 December 2016 RM'000	31 March 2016 RM'000	31 December 2016 RM'000	31 March 2016 RM'000
Credit risk	25,714,962	25,743,934	31,416,073	31,241,896
Market risk	112,319	118,013	112,319	123,843
Operational risk	2,390,282	2,361,359	2,923,768	2,858,987
Total RWA and capital requirements	28,217,563	28,223,306	34,452,160	34,224,726

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A31 Capital Adequacy (contd.)

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

	Alliance Islamic Bank Berhad	Alliance Investment Bank Berhad
31 December 2016		
<u>Before deducting proposed dividends</u>		
CET I capital ratio	13.011%	92.098%
Tier I capital ratio	13.011%	92.098%
Total capital ratio	14.090%	92.831%
<u>After deducting proposed dividends</u>		
CET I capital ratio	13.011%	92.098%
Tier I capital ratio	13.011%	92.098%
Total capital ratio	14.090%	92.831%
31 March 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%

A32 Fair Value Measurements

(a) Determination of fair value and fair value hierarchy

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

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

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

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

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

(i) Financial instruments in Level 1

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

(ii) Financial instruments in Level 2

Where fair value is determined using quoted prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group then determine fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high. These would include government securities, corporate private debt securities, corporate notes, repurchase agreements and most of the Group's derivatives.

(iii) Financial instruments in Level 3

The Group classifies financial instruments as Level 3 when there is reliance on unobservable inputs to the valuation model attributing to a significant contribution to the instrument value. Valuation reserves or pricing adjustments where applicable will be used to converge to fair value.

The valuation techniques and inputs used generally depend on the contractual terms and the risks inherent in the instrument as well as the availability of pricing information in the market. Principal techniques used include net tangible assets, discounted cash flows, and other appropriate valuation models. These includes private equity investments.

A32 Fair Value Measurements (contd.)

(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:

<u>BANK</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
31 December 2016	RM'000	RM'000	RM'000	RM'000
<u>Assets</u>				
Financial assets held-for-trading				
- Money market instruments	-	22,960	-	22,960
- Unquoted securities	-	136,142	-	136,142
Financial investments available-for-sale				
- Money market instruments	-	6,609,919	-	6,609,919
- Quoted securities in Malaysia	12	-	-	12
- Unquoted securities	-	2,316,917	111,377	2,428,294
Derivative financial assets	-	150,300	-	150,300
<u>Liabilities</u>				
Derivative financial liabilities	-	84,200	-	84,200
<u>GROUP</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
31 December 2016	RM'000	RM'000	RM'000	RM'000
<u>Assets</u>				
Financial assets held-for-trading				
- Money market instruments	-	22,960	-	22,960
- Unquoted securities	-	136,142	-	136,142
Financial investments available-for-sale				
- Money market instruments	-	6,805,412	-	6,805,412
- Quoted securities in Malaysia	12	-	-	12
- Unquoted securities	-	3,666,952	170,278	3,837,230
Derivative financial assets	-	150,300	-	150,300
<u>Liabilities</u>				
Derivative financial liabilities	-	84,200	-	84,200

A32 Fair Value Measurements (contd.)

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

The following tables show the Group's financial instruments which are measured at fair value at the reporting date analyzed by the various levels within the fair value hierarchy (contd.):

<u>BANK</u> 31 March 2016	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000
<u>Assets</u>				
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	-	5,202,751	-	5,202,751
- Quoted securities in Malaysia	15	-	-	15
- Unquoted securities	-	1,947,499	102,657	2,050,156
Derivative financial assets	-	133,651	-	133,651
<u>Liabilities</u>				
Derivative financial liabilities	-	279,541	-	279,541

<u>GROUP</u> 31 March 2016	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000
<u>Assets</u>				
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
<u>Liabilities</u>				
Derivative financial liabilities	-	279,541	-	279,541

A32 Fair Value Measurements (contd.)

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

Reconciliation of movements in Level 3 financial instruments:

	<u>BANK</u>		<u>GROUP</u>	
	31 December 2016 RM'000	31 March 2016 RM'000	31 December 2016 RM'000	31 March 2016 RM'000
At beginning of financial period/year	102,657	94,376	157,333	140,211
Purchase of Unit Trust Funds	-	-		5,000
Total (losses)/gains recognised in:				
- Statement of comprehensive income				
(i) Loss arising from sales financial investments available-for-sales	-	(549)	-	(549)
- Other comprehensive income				
(i) Revaluation reserves	8,720	8,856	12,945	12,697
Disposal	-	(26)	-	(26)
At end of financial period/year	<u>111,377</u>	<u>102,657</u>	<u>170,278</u>	<u>157,333</u>

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

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A34 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

In accordance with MFRS 132 Financial Instruments: Presentation, the Bank and 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

	Gross amounts of recognised financial assets RM'000	Gross amounts of recognised 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	
<u>BANK</u>						
December 2016						
Derivative financial assets	150,300	-	150,300	(32,547)	(14,860)	117,753
<u>GROUP</u>						
December 2016						
Derivative financial assets	150,300	-	150,300	(32,547)	(14,860)	117,753
Balances due from clients and brokers	117,995	(46,669)	71,326	-	-	71,326
Total	268,295	(46,669)	221,626	(32,547)	(14,860)	189,079
<u>BANK</u>						
March 2016						
Derivative financial assets	133,651	-	133,651	(61,231)	-	72,420
<u>GROUP</u>						
March 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

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A34 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTD.)

(b) Financial liabilities

	Gross amounts of recognised financial liabilities RM'000	Gross amounts of recognised financial assets set off in the balance sheet RM'000	Net amounts of financial liabilities presented in the balance sheet RM'000	Related amounts not set off in the balance sheet		Net Amount RM'000
				Financial Instruments RM'000	Cash collateral received RM'000	
BANK						
December 2016						
Derivative financial liabilities	84,200	-	84,200	(32,547)	(17,989)	33,664
GROUP						
December 2016						
Derivative financial liabilities	84,200	-	84,200	(32,547)	(17,989)	33,664
Balances due to clients and brokers	88,138	(46,669)	41,469	-	-	41,469
Total	172,338	(46,669)	125,669	(32,547)	(17,989)	75,133
BANK						
March 2016						
Derivative financial liabilities	279,541	-	279,541	(61,231)	(29,052)	189,258
GROUP						
March 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

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.

PART B - Review of Performance & Current Year Prospect

B1 Review of Performance

For the 9 months ended 31 December 2016, the Group's net profit after taxation was RM394.5 million, an increase of RM3.6 million or 0.9% compared to corresponding period last year primarily due to increase in revenue.

Revenue grew by RM31.2 million or 2.9%, primarily from higher net interest income.

Net interest income including Islamic banking income grew by RM33.2 million supported by 1.6% loan growth and improvement in Net Interest Margin ("NIM") by 8bps.

Other operating income including Islamic Banking Income dropped by RM2.0 million or 0.8% due to lower gain from derivative and foreign exchange trading.

Gross impaired loan was recorded at 1.0%, while the loan loss coverage was at 137.1%, reflecting a healthy book.

Operating expenses only increased marginally by RM1.9 million or 0.4% attributable to tight cost management discipline.

The Current Account Savings Account ratio stood at 33.6%, while the loans-to-deposits ratio rose to 86.4% as at 31 December 2016, from 84.0% in 31 March 2016.

The Group's total capital ratio stood healthy at 16.6%, with a Common Equity Tier 1 Capital ratio of 12.0% as at 31 December 2016.

Performance by business segment:

The Group's businesses are presented in the following business segments: Consumer Banking, Business Banking, Financial Markets and Investment Banking. Please refer to Note A30 on Segment Information for the composition of each business segment.

Consumer Banking profit before tax was higher by RM3.7 million or 3.1% compared to corresponding period last year. The revenue was RM29.7 million or 7.7% higher compared to corresponding period last year. Operating profit was higher by RM28.7 million or 19.5% mainly due to higher revenue. Allowance for loans, advances and financing was higher by RM24.9 million or 87.6%. Segment asset was RM1.0 billion or 4.3% lower, while liabilities registered growth of RM2.1 billion or 9.8% higher.

Business Banking profit before tax was higher by RM12.2 million or 4.7% compared to corresponding period last year, mainly due to increase in revenue of RM27.3 million or 5.9% partially offset by higher other operating expenses by RM13.3 million or 7.6% compared to corresponding period last year. Segment asset and liabilities registered growth of RM1.3 billion or 8.2% and RM1.7 billion or 9.4%.

Financial Markets profit before tax was RM32.5 million or 21.2% lower compared to corresponding period last year mainly due to lower revenue of RM39.9 million or 20.4% partially offset by lower other operating expenses by RM9.4 million or 22.7%.

Investment Banking segment covers stockbroking, capital market activities and corporate advisory services. Investment Banking segment improved RM8.1 million or 74.9% compared to a corresponding period last year.

PART B - Review of Performance & Current Year Prospect (contd.)

B2 Current Year Prospect

The Malaysian economy registered a gross domestic product growth of 4.3% in 3Q'16 and is expected to continue growing at a moderate pace of 4.2% to 4.5% in 2017.

The Group will continue to improve its balance sheet efficiency and Risk Adjusted Returns, and focus on loan origination efforts in Small Medium Enterprise, commercial, and consumer unsecured loans as well as to optimize the funding cost and mix.

The Group will also focus on our strategy to fulfill the financial needs of business owners (and their families) as well as their other stakeholders such as their employees, customers, and business partners.

We have embarked on our transformation program to deploy new and differentiated value propositions to our customers. We are investing in the required Information Technology enablers to support the Bank's strategic initiatives and are focusing on streamlining to improve the efficiency of our operations.

We are also building strategic alliances and maximizing our franchise linkages with joint collaboration between line-of-businesses across Consumer Banking, Small Medium Enterprise, Commercial and Corporate, Financial Markets, Investment Banking and Islamic Banking to provide a full suite of product offerings to our clients.

The Group expects that these actions will position its businesses for sustainable revenue. Profitability for the financial year 2017 is expected to remain broadly consistent with the previous financial year.