

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

(Incorporated in Malaysia)

Condensed Interim Financial Statements**Unaudited Statements of Financial Position as at 30 June 2017**

| | Note | <u>BANK</u> | | <u>GROUP</u> | |
|--|------|---------------------------|----------------------------|---------------------------|----------------------------|
| | | 30 June 2017 RM'000 | 31 March 2017 RM'000 | 30 June 2017 RM'000 | 31 March 2017 RM'000 |
| ASSETS | | | | | |
| Cash and short-term funds | | 1,330,134 | 1,618,617 | 2,223,902 | 1,368,636 |
| Balances due from clients and brokers | A12 | - | - | 118,650 | 113,022 |
| Financial assets held-for-trading | A13 | 68,232 | 259,701 | 141,128 | 335,260 |
| Financial investments available-for-sale | A14 | 8,678,642 | 8,099,450 | 10,512,892 | 10,239,557 |
| Financial investments held-to-maturity | A15 | 660,887 | 658,201 | 839,983 | 917,092 |
| Derivative financial assets | A31 | 73,581 | 86,345 | 73,581 | 86,345 |
| Loans, advances and financing | A16 | 31,111,187 | 31,371,907 | 38,644,600 | 38,991,689 |
| Other assets | A17 | 106,220 | 105,141 | 112,444 | 109,908 |
| Tax recoverable | | - | - | 8,307 | 9,726 |
| Statutory deposits with Bank Negara Malaysia | | 1,122,529 | 1,129,366 | 1,436,632 | 1,437,344 |
| Investments in subsidiaries | | 892,820 | 892,820 | - | - |
| Investment in associate | | 230 | 230 | 533 | 530 |
| Investment in joint venture | | - | - | 671 | 650 |
| Property, plant and equipment | | 70,585 | 71,883 | 72,308 | 73,789 |
| Deferred tax assets | | - | 4,088 | 8,020 | 14,033 |
| Intangible assets | | 271,788 | 261,986 | 387,111 | 377,361 |
| TOTAL ASSETS | | 44,386,835 | 44,559,735 | 54,580,762 | 54,074,942 |
| LIABILITIES AND EQUITY | | | | | |
| Deposits from customers | A18 | 35,844,941 | 36,112,501 | 44,296,986 | 44,547,899 |
| Deposits and placements of banks and other financial institutions | A19 | 677,458 | 649,729 | 1,209,719 | 862,904 |
| Financial liabilities designated at fair value | A20 | 436,790 | 402,734 | 436,790 | 402,734 |
| Balances due to clients and brokers | A21 | - | - | 85,597 | 69,066 |
| Derivative financial liabilities | A31 | 98,587 | 81,892 | 98,587 | 81,892 |
| Amount due to Cagamas Berhad | | 502,745 | 502,713 | 853,204 | 502,713 |
| Other liabilities | A22 | 1,216,460 | 1,201,606 | 1,318,981 | 1,345,888 |
| Provision for taxation | | 13,559 | 14,098 | 15,056 | 19,567 |
| Provision for zakat | | - | - | 175 | 206 |
| Deferred tax liabilities | | 5,716 | - | 17,891 | 9,960 |
| Other borrowings | | 5,011 | 5,070 | 5,011 | 5,070 |
| Subordinated obligations | | 1,208,591 | 1,225,664 | 1,208,970 | 1,226,078 |
| TOTAL LIABILITIES | | 40,009,858 | 40,196,007 | 49,546,967 | 49,073,977 |
| Share capital | | 796,517 | 796,517 | 796,517 | 796,517 |
| Reserves | | 3,580,460 | 3,567,211 | 4,237,278 | 4,204,448 |
| TOTAL EQUITY | | 4,376,977 | 4,363,728 | 5,033,795 | 5,000,965 |
| TOTAL LIABILITIES AND EQUITY | | 44,386,835 | 44,559,735 | 54,580,762 | 54,074,942 |
| COMMITMENTS AND CONTINGENCIES | A30 | 23,285,007 | 24,538,276 | 25,299,477 | 26,493,954 |

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 2017.

ALLIANCE BANK MALAYSIA BERHAD

(88103-W)

(Incorporated in Malaysia)

**Condensed Interim Financial Statements
Unaudited Statements of Comprehensive Income
for the Financial Period Ended 30 June 2017**

| | Note | 1st Quarter Ended | | Three Months Ended | |
|--|------|---------------------------|---------------------------|---------------------------|---------------------------|
| | | 30 June 2017 RM'000 | 30 June 2016 RM'000 | 30 June 2017 RM'000 | 30 June 2016 RM'000 |
| BANK | | | | | |
| Interest income | A23 | 468,698 | 464,309 | 468,698 | 464,309 |
| Interest expense | A24 | (252,160) | (259,149) | (252,160) | (259,149) |
| Net interest income | | 216,538 | 205,160 | 216,538 | 205,160 |
| Fee and commission income | A26 | 65,025 | 65,525 | 65,025 | 65,525 |
| Fee and commission expense | A26 | (21,252) | (21,697) | (21,252) | (21,697) |
| Investment income | A26 | 38,863 | 65,521 | 38,863 | 65,521 |
| Other income | A26 | 5,484 | (1,566) | 5,484 | (1,566) |
| Other operating income | A26 | 88,120 | 107,783 | 88,120 | 107,783 |
| Net income | | 304,658 | 312,943 | 304,658 | 312,943 |
| Other operating expenses | A27 | (136,925) | (130,821) | (136,925) | (130,821) |
| Operating profit before allowances | | 167,733 | 182,122 | 167,733 | 182,122 |
| Allowance for losses on loans, advances and financing and other receivables | A28 | (10,622) | (2,714) | (10,622) | (2,714) |
| Profit before taxation | | 157,111 | 179,408 | 157,111 | 179,408 |
| Taxation | | (37,496) | (36,155) | (37,496) | (36,155) |
| Net profit for the financial period | | 119,615 | 143,253 | 119,615 | 143,253 |
| Other comprehensive income: | | | | | |
| Items that may be reclassified subsequently to profit or loss: | | | | | |
| Revaluation reserve on financial investments available-for-sale | | | | | |
| - Net gain from change in fair value | | 20,197 | 15,533 | 20,197 | 15,533 |
| - Realised gain transferred to statement of income on disposal and impairment | | (2,561) | (577) | (2,561) | (577) |
| - Transfer to deferred tax | | (4,233) | (3,590) | (4,233) | (3,590) |
| Other comprehensive income, net of tax | | 13,403 | 11,366 | 13,403 | 11,366 |
| Total comprehensive income for the financial period | | 133,018 | 154,619 | 133,018 | 154,619 |
| Earnings per share attributable to Equity holder of the Bank | A29 | | | | |
| - Basic (sen) | | 15.0 | 18.0 | 15.0 | 18.0 |
| - Diluted (sen) | | 15.0 | 18.0 | 15.0 | 18.0 |

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 2017.

ALLIANCE BANK MALAYSIA BERHAD

(88103-W)

(Incorporated in Malaysia)

Condensed Interim Financial Statements

Unaudited Consolidated Statements of Comprehensive Income

for the Financial Period Ended 30 June 2017

| | Note | 1st Quarter Ended | | Three Months Ended | |
|--|------|---------------------------|---------------------------|---------------------------|---------------------------|
| | | 30 June 2017 RM'000 | 30 June 2016 RM'000 | 30 June 2017 RM'000 | 30 June 2016 RM'000 |
| GROUP | | | | | |
| Interest income | A23 | 476,428 | 474,864 | 476,428 | 474,864 |
| Interest expense | A24 | (259,897) | (263,714) | (259,897) | (263,714) |
| Net interest income | | 216,531 | 211,150 | 216,531 | 211,150 |
| Net income from Islamic banking business | A25 | 77,978 | 67,335 | 77,978 | 67,335 |
| | | 294,509 | 278,485 | 294,509 | 278,485 |
| Fee and commission income | A26 | 77,475 | 74,189 | 77,475 | 74,189 |
| Fee and commission expense | A26 | (24,974) | (24,803) | (24,974) | (24,803) |
| Investment income | A26 | 33,061 | 35,755 | 33,061 | 35,755 |
| Other income | A26 | 5,634 | (787) | 5,634 | (787) |
| Other operating income | A26 | 91,196 | 84,354 | 91,196 | 84,354 |
| Net income | | 385,705 | 362,839 | 385,705 | 362,839 |
| Other operating expenses | A27 | (176,488) | (168,922) | (176,488) | (168,922) |
| Operating profit before allowances | | 209,217 | 193,917 | 209,217 | 193,917 |
| Allowance for losses on loans, advances and financing and other receivables | A28 | (29,854) | (18,137) | (29,854) | (18,137) |
| Allowance for impairment on other assets | | - | (1,208) | - | (1,208) |
| Operating profit after allowances | | 179,363 | 174,572 | 179,363 | 174,572 |
| Share of results of associate | | 3 | 3 | 3 | 3 |
| Share of results of joint venture | | 21 | 19 | 21 | 19 |
| Profit before taxation | | 179,387 | 174,594 | 179,387 | 174,594 |
| Taxation | | (44,503) | (42,493) | (44,503) | (42,493) |
| Net profit for the financial period | | 134,884 | 132,101 | 134,884 | 132,101 |
| Other comprehensive income: | | | | | |
| Items that may be reclassified subsequently to profit or loss: | | | | | |
| Revaluation reserve on financial investments available-for-sale | | | | | |
| - Net gain from change in fair value | | 27,829 | 21,729 | 27,829 | 21,729 |
| - Realised gain transferred to statement of income on disposal and impairment | | (4,044) | (849) | (4,044) | (849) |
| - Transfer to deferred tax | | (5,708) | (5,011) | (5,708) | (5,011) |
| Other comprehensive income, net of tax | | 18,077 | 15,869 | 18,077 | 15,869 |
| Total comprehensive income for the financial period | | 152,961 | 147,970 | 152,961 | 147,970 |

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

(Incorporated in Malaysia)

Condensed Interim Financial Statements**Unaudited Consolidated Statements of Comprehensive Income****for the Financial Period Ended 30 June 2017 (contd.)**

| | 1st Quarter Ended | | Three Months Ended | |
|--|--------------------------|----------------|---------------------------|----------------|
| | 30 June | 30 June | 30 June | 30 June |
| | 2017 | 2016 | 2017 | 2016 |
| <u>GROUP</u> | RM'000 | RM'000 | RM'000 | RM'000 |
| Net profit for the financial period attributable to: | | | | |
| Equity holder of the Bank | 134,884 | 132,101 | 134,884 | 132,101 |
| Total comprehensive income for the financial period attributable to: | | | | |
| Equity holder of the Bank | 152,961 | 147,970 | 152,961 | 147,970 |
| Earnings per share attributable to | | | | |
| Equity holder of the Bank | A29 | | | |
| - Basic (sen) | 16.9 | 16.6 | 16.9 | 16.6 |
| - Diluted (sen) | 16.9 | 16.6 | 16.9 | 16.6 |

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 2017.

ALLIANCE BANK MALAYSIA BERHAD
(88103-W)

(Incorporated in Malaysia)

Condensed Interim Financial Statements
Unaudited Statements of Changes in Equity for the Financial Period Ended 30 June 2017

| | ← Non-distributable reserves → | | | | | Distributable reserves | | Total equity |
|---|--------------------------------|----------------|--------------------|---------------------|----------------------|--|------------------|------------------|
| | Ordinary shares | Share premium | Statutory reserves | Regulatory reserves | Revaluation reserves | Equity contribution from holding company | Retained profits | |
| <u>BANK</u> | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 April 2017 | 796,517 | 401,517 | 835,401 | 144,349 | 64,916 | 5,523 | 2,115,505 | 4,363,728 |
| Net profit after taxation | - | - | - | - | - | - | 119,615 | 119,615 |
| Other comprehensive income | - | - | - | - | 13,403 | - | - | 13,403 |
| Total comprehensive income for the financial period | - | - | - | - | 13,403 | - | 119,615 | 133,018 |
| Share-based payment under Employees' Share Scheme ("ESS") | - | - | - | - | - | 184 | - | 184 |
| Payment for ESS recharged from parent | - | - | - | - | - | (3,104) | - | (3,104) |
| Transfer of ESS recharged difference on shares vested | - | - | - | - | - | (990) | 990 | - |
| ESS on share options lapsed | - | - | - | - | - | (793) | 793 | - |
| Transfer to regulatory reserves | - | - | - | (782) | - | - | 782 | - |
| Transfer to retained profits | - | - | (835,401) | - | - | - | 835,401 | - |
| Dividends paid | - | - | - | - | - | - | (116,849) | (116,849) |
| At 30 June 2017 | 796,517 | 401,517 | - | 143,567 | 78,319 | 820 | 2,956,237 | 4,376,977 |
| 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 | - | - | - | - | - | - | 143,253 | 143,253 |
| Other comprehensive income | - | - | - | - | 11,366 | - | - | 11,366 |
| Total comprehensive income for the financial period | - | - | - | - | 11,366 | - | 143,253 | 154,619 |
| Share-based payment under ESS | - | - | - | - | - | 874 | - | 874 |
| Payment for ESS recharged from parent | - | - | - | - | - | (2,629) | - | (2,629) |
| Transfer of ESS recharged difference on shares vested | - | - | - | - | - | (762) | 762 | - |
| Transfer to regulatory reserves | - | - | - | 3,077 | - | - | (3,077) | - |
| Dividends paid | - | - | - | - | - | - | (100,839) | (100,839) |
| At 30 June 2016 | 796,517 | 401,517 | 835,401 | 143,941 | 84,518 | 7,547 | 1,928,384 | 4,197,825 |

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 2017.

ALLIANCE BANK MALAYSIA BERHAD
(88103-W)

(Incorporated in Malaysia)

Condensed Interim Financial Statements
Unaudited Statements of Changes in Equity for the Financial Period Ended 30 June 2017 (contd.)

←----- Attributable to Equity holder of the Bank -----→

| GROUP | 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 holding company RM'000 | Retained profits RM'000 | Total equity RM'000 |
|--|------------------------------|----------------------------|---------------------------------|----------------------------------|-------------------------------|-----------------------------------|---|-------------------------------|---------------------------|
| At 1 April 2017 | 796,517 | 401,517 | 1,223,525 | 157,900 | 10,018 | 99,268 | 6,062 | 2,306,158 | 5,000,965 |
| Net profit after taxation | - | - | - | - | - | - | - | 134,884 | 134,884 |
| Other comprehensive income | - | - | - | - | - | 18,077 | - | - | 18,077 |
| Total comprehensive income for the financial period | - | - | - | - | - | 18,077 | - | 134,884 | 152,961 |
| Share-based payment under ESS | - | - | - | - | - | - | 162 | - | 162 |
| Payment for ESS recharged from parent | - | - | - | - | - | - | (3,444) | - | (3,444) |
| Transfer of ESS recharged difference on shares vested | - | - | - | - | - | - | (1,069) | 1,069 | - |
| ESS on share options lapsed | - | - | - | - | - | - | (808) | 808 | - |
| Transfer to regulatory reserves | - | - | - | (7,404) | - | - | - | 7,404 | - |
| Transfer to retained profits | - | - | (1,223,525) | - | - | - | - | 1,223,525 | - |
| Dividends paid | - | - | - | - | - | - | - | (116,849) | (116,849) |
| At 30 June 2017 | 796,517 | 401,517 | - | 150,496 | 10,018 | 117,345 | 903 | 3,556,999 | 5,033,795 |
| 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 | - | - | - | - | - | - | - | 132,101 | 132,101 |
| Other comprehensive income | - | - | - | - | - | 15,869 | - | - | 15,869 |
| Total comprehensive income for the financial period | - | - | - | - | - | 15,869 | - | 132,101 | 147,970 |
| Share-based payment under ESS | - | - | - | - | - | - | 1,005 | - | 1,005 |
| Payment for ESS recharged from parent | - | - | - | - | - | - | (2,881) | - | (2,881) |
| Transfer of ESS recharged difference on shares vested | - | - | - | - | - | - | (811) | 811 | - |
| Transfer from statutory reserves | - | - | (301) | - | - | - | - | 301 | - |
| Transfer to regulatory reserves | - | - | - | 1,841 | - | - | - | (1,841) | - |
| Dividends paid | - | - | - | - | - | - | - | (100,839) | (100,839) |
| At 30 June 2016 | 796,517 | 401,517 | 1,199,718 | 159,015 | 10,018 | 130,655 | 8,209 | 2,077,781 | 4,783,430 |

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 2017.

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

(Incorporated in Malaysia)

Condensed Interim Financial Statements**Unaudited Condensed Statements of Cash Flows for the Financial Period Ended 30 June 2017**

| | <u>BANK</u> | | <u>GROUP</u> | |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| | 30 June 2017 RM'000 | 30 June 2016 RM'000 | 30 June 2017 RM'000 | 30 June 2016 RM'000 |
| Profit before taxation | 157,111 | 179,408 | 179,387 | 174,594 |
| Adjustments for non-cash items | (28,163) | (129,961) | (5,138) | (86,695) |
| Operating profit before changes in working capital | 128,948 | 49,447 | 174,249 | 87,899 |
| Changes in working capital | 253,689 | (100,150) | 620,650 | (407,692) |
| Taxation paid | (32,463) | (14,592) | (39,364) | (18,979) |
| Zakat paid | - | - | (27) | (7) |
| Net cash generated from/(used in) operating activities | 350,174 | (65,295) | 755,508 | (338,779) |
| Net cash (used in)/generated from investing activities | (478,881) | 461,365 | (90,585) | 604,962 |
| Net cash (used in)/generated from financing activities | (159,776) | (752,624) | 190,343 | (752,879) |
| Net changes in cash and cash equivalents | (288,483) | (356,554) | 855,266 | (486,696) |
| Cash and cash equivalents at beginning of the financial period | 1,618,617 | 4,200,877 | 1,368,636 | 4,934,198 |
| Cash and cash equivalents at end of the financial period | 1,330,134 | 3,844,323 | 2,223,902 | 4,447,502 |
| Cash and cash equivalents comprise: | | | | |
| Cash and short-term funds | 1,330,134 | 3,844,323 | 2,223,902 | 4,447,502 |

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 2017.

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 first financial quarter ended 30 June 2017 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 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 2017. 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 2017.

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 2017, and modified for the adoption of the following accounting standards applicable for financial periods beginning on or after 1 April 2017:

- Amendments to MFRS 107 "Statement of Cash Flows - Disclosure Initiative"
- Amendments to MFRS 112 "Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses"

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.

The following MFRS have been issued by the MASB and are effective for annual periods commencing on or after 1 April 2018, and have yet to be adopted by the Bank and the Group:

- IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration' (effective from 1 January 2018)
- MFRS 9 "Financial Instruments" (effective from 1 January 2018)
- MFRS 15 "Revenue from Contracts with Customers" (effective from 1 January 2018)
- MFRS 16 "Leases" (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 2017 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 first financial quarter ended 30 June 2017.

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 first financial quarter ended 30 June 2017.

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 first financial quarter ended 30 June 2017.

A6 Issuance and Repayment of Debt and Equity Securities

There were no issuance nor repayment of debt and equity securities during the first financial quarter ended 30 June 2017.

A7 Dividend Paid

A second interim dividend of 14.67 sen, tax exempt under the single tier tax system, on 796,517,043 ordinary shares amounting to approximately RM116,849,000 in respect of the financial year ended 31 March 2017, was paid on 20 June 2017.

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.

On 9 June 2017, AFG announced that BNM had via its letter dated 8 June 2017 informed that the MOF and BNM have approved the relevant proposals under the Proposed Corporate Reorganisation pursuant to the Financial Services Act 2013 and Islamic Financial Services Act 2013.

On 13 June 2017, AFG further announced that SC had via its letter dated 13 June 2017 approved the proposal for a change in the ultimate shareholder of Alliance Investment Bank Berhad and AllianceDBS Research Sdn Bhd pursuant to the Proposed Corporate Reorganisation.

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 first financial quarter ended 30 June 2017.

A12 Balances Due From Clients And Brokers

| | <u>GROUP</u> | |
|----------------------------|------------------------------------|----------------------------|
| | 30 June 2017 RM'000 | 31 March 2017 RM'000 |
| Due from clients | 119,485 | 96,499 |
| Due from brokers | - | 17,358 |
| | <u>119,485</u> | <u>113,857</u> |
| Less: | | |
| Allowance for other losses | <u>(835)</u> | <u>(835)</u> |
| | <u><u>118,650</u></u> | <u><u>113,022</u></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:

| | <u>GROUP</u> | |
|------------------------|------------------------------------|----------------------------|
| | 30 June 2017 RM'000 | 31 March 2017 RM'000 |
| Classified as doubtful | 33 | 101 |
| Classified as bad | 847 | 846 |
| | <u>880</u> | <u>947</u> |

The movements in allowance for other losses are as follows:

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

ALLIANCE BANK MALAYSIA BERHAD
(88103-W)
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A13 Financial Assets Held-for-trading

| | <u>BANK</u> | | <u>GROUP</u> | |
|--|---------------------------|----------------------------|---------------------------|----------------------------|
| | 30 June 2017 RM'000 | 31 March 2017 RM'000 | 30 June 2017 RM'000 | 31 March 2017 RM'000 |
| At fair value | | | | |
| <u>Money market instruments:</u> | | | | |
| Malaysian Government investment certificates | 9,963 | 20,049 | 9,963 | 20,049 |
| Commercial papers | - | 69,908 | 67,861 | 104,773 |
| Malaysia Government securities | - | 20,125 | - | 20,125 |
| | <u>9,963</u> | <u>110,082</u> | <u>77,824</u> | <u>144,947</u> |
| <u>Unquoted securities:</u> | | | | |
| Corporate bonds and sukuk | 58,269 | 149,619 | 63,304 | 190,313 |
| | <u>58,269</u> | <u>149,619</u> | <u>63,304</u> | <u>190,313</u> |
| Total financial assets held-for-trading | <u>68,232</u> | <u>259,701</u> | <u>141,128</u> | <u>335,260</u> |

A14 Financial Investments Available-for-sale

| | <u>BANK</u> | | <u>GROUP</u> | |
|--|---------------------------|----------------------------|---------------------------|----------------------------|
| | 30 June 2017 RM'000 | 31 March 2017 RM'000 | 30 June 2017 RM'000 | 31 March 2017 RM'000 |
| At fair value | | | | |
| <u>Money market instruments:</u> | | | | |
| Malaysian Government securities | 1,587,783 | 1,729,625 | 1,700,100 | 1,890,820 |
| Malaysian Government investment certificates | 1,138,603 | 1,166,584 | 1,751,274 | 1,849,621 |
| Negotiable instruments of deposits | 3,035,864 | 2,529,876 | 2,432,902 | 2,332,427 |
| Commercial papers | 107,805 | 49,491 | 156,996 | 49,491 |
| Khazanah bonds | 140,178 | 138,731 | 140,178 | 138,731 |
| | <u>6,010,233</u> | <u>5,614,307</u> | <u>6,181,450</u> | <u>6,261,090</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 | 111,377 | 166,719 | 166,719 |
| Accumulated impairment | - | - | (1,440) | (1,440) |
| | <u>111,377</u> | <u>111,377</u> | <u>165,279</u> | <u>165,279</u> |
| Unit Trust Funds | - | - | - | 4,960 |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>4,960</u> |
| Corporate bonds and sukuk | 2,692,701 | 2,509,432 | 4,398,062 | 4,040,124 |
| Accumulated impairment | (135,681) | (135,681) | (231,911) | (231,911) |
| | <u>2,557,020</u> | <u>2,373,751</u> | <u>4,166,151</u> | <u>3,808,213</u> |
| | <u>2,668,397</u> | <u>2,485,128</u> | <u>4,331,430</u> | <u>3,978,452</u> |
| Total financial investments available-for-sale | <u>8,678,642</u> | <u>8,099,450</u> | <u>10,512,892</u> | <u>10,239,557</u> |

ALLIANCE BANK MALAYSIA BERHAD
(88103-W)
(Incorporated in Malaysia)

A15 Financial Investments Held-to-maturity

| | <u>BANK</u> | | <u>GROUP</u> | |
|--|------------------------------------|----------------------------|------------------------------------|----------------------------|
| | 30 June 2017 RM'000 | 31 March 2017 RM'000 | 30 June 2017 RM'000 | 31 March 2017 RM'000 |
| At amortised cost | | | | |
| <u>Money market instruments:</u> | | | | |
| Malaysian Government securities | 570,026 | 568,160 | 692,024 | 689,470 |
| Malaysian Government investment certificates | - | - | - | 80,957 |
| Khazanah bonds | 90,524 | 89,704 | 143,214 | 141,920 |
| | 660,550 | 657,864 | 835,238 | 912,347 |
| At cost | | | | |
| <u>Unquoted securities:</u> | | | | |
| Corporate bonds and sukuk | 1,631 | 1,631 | 18,938 | 18,938 |
| Accumulated impairment | (1,294) | (1,294) | (14,193) | (14,193) |
| | 337 | 337 | 4,745 | 4,745 |
| Total financial investments held-to-maturity | 660,887 | 658,201 | 839,983 | 917,092 |

A16 Loans, Advances and Financing

| | <u>BANK</u> | | <u>GROUP</u> | |
|---|------------------------------------|----------------------------|------------------------------------|----------------------------|
| | 30 June 2017 RM'000 | 31 March 2017 RM'000 | 30 June 2017 RM'000 | 31 March 2017 RM'000 |
| Overdrafts | 2,213,933 | 2,248,119 | 2,740,676 | 2,763,678 |
| Term loans/financing | | | | |
| - Housing loans/financing | 11,893,463 | 12,015,876 | 14,270,195 | 14,437,368 |
| - Syndicated term loans/financing | 195,117 | 217,224 | 340,509 | 363,508 |
| - Hire purchase receivables | 747,471 | 764,163 | 1,264,715 | 1,299,638 |
| - Other term loans/financing | 10,728,762 | 10,680,430 | 13,661,683 | 13,674,780 |
| Bills receivables | 430,532 | 494,267 | 439,548 | 502,836 |
| Trust receipts | 176,134 | 172,842 | 203,929 | 199,515 |
| Claims on customers under acceptance credits | 1,999,407 | 2,060,637 | 2,539,804 | 2,616,395 |
| Staff loans | 10,490 | 10,123 | 30,332 | 29,864 |
| Credit/charge card receivables | 598,263 | 604,197 | 598,263 | 604,197 |
| Revolving credits | 1,423,384 | 1,480,339 | 1,724,428 | 1,745,060 |
| Share margin financing | 953,647 | 898,084 | 1,175,977 | 1,098,842 |
| Gross loans, advances and financing | 31,370,603 | 31,646,301 | 38,990,059 | 39,335,681 |
| Add: Sales commissions and handling fees | 31,352 | 24,390 | 35,059 | 35,963 |
| Less: Allowance for impairment on loans, advances and financing | | | | |
| - Individual assessment allowance | (58,591) | (64,147) | (63,900) | (66,627) |
| - Collective assessment allowance | (232,177) | (234,637) | (316,618) | (313,328) |
| Total net loans, advances and financing | 31,111,187 | 31,371,907 | 38,644,600 | 38,991,689 |

ALLIANCE BANK MALAYSIA BERHAD
(88103-W)
(Incorporated in Malaysia)

A16 Loans, Advances and Financing (contd.)

A16a By type of customers:

| | <u>BANK</u> | | <u>GROUP</u> | |
|--|---------------------------|----------------------------|---------------------------|----------------------------|
| | 30 June 2017 RM'000 | 31 March 2017 RM'000 | 30 June 2017 RM'000 | 31 March 2017 RM'000 |
| Domestic non-bank financial institutions | 315,574 | 300,971 | 376,017 | 351,484 |
| Domestic business enterprises | | | | |
| - Small and medium enterprises | 7,629,106 | 7,641,456 | 9,755,531 | 9,786,917 |
| - Others | 6,105,468 | 6,345,144 | 7,423,220 | 7,632,297 |
| Government and statutory bodies | 4,891 | 5,287 | 5,515 | 5,952 |
| Individuals | 16,405,658 | 16,428,669 | 20,413,002 | 20,523,924 |
| Other domestic entities | 176,719 | 181,071 | 183,712 | 188,394 |
| Foreign entities | 733,187 | 743,703 | 833,062 | 846,713 |
| Gross loans, advances and financing | 31,370,603 | 31,646,301 | 38,990,059 | 39,335,681 |

A16b By interest/profit rate sensitivity:

| | <u>BANK</u> | | <u>GROUP</u> | |
|--|---------------------------|----------------------------|---------------------------|----------------------------|
| | 30 June 2017 RM'000 | 31 March 2017 RM'000 | 30 June 2017 RM'000 | 31 March 2017 RM'000 |
| Fixed rate | | | | |
| - Housing loans/financing | 5,257 | 5,541 | 38,769 | 40,638 |
| - Hire purchase receivables | 712,513 | 727,180 | 1,229,757 | 1,262,655 |
| - Other fixed rate loans/financing | 1,078,885 | 990,381 | 2,455,682 | 2,417,180 |
| Variable rate | | | | |
| - Base lending rate plus | 21,929,323 | 22,182,402 | 26,475,164 | 26,754,482 |
| - Base rate plus | 1,820,518 | 1,693,697 | 1,950,542 | 1,807,725 |
| - Cost plus | 5,508,321 | 5,715,865 | 6,524,359 | 6,721,766 |
| - Other variable rates loans/financing | 315,786 | 331,235 | 315,786 | 331,235 |
| Gross loans, advances and financing | 31,370,603 | 31,646,301 | 38,990,059 | 39,335,681 |

A16c By economic purposes:

| | <u>BANK</u> | | <u>GROUP</u> | |
|-------------------------------------|---------------------------|----------------------------|---------------------------|----------------------------|
| | 30 June 2017 RM'000 | 31 March 2017 RM'000 | 30 June 2017 RM'000 | 31 March 2017 RM'000 |
| Purchase of securities | 947,391 | 908,430 | 1,169,721 | 1,109,188 |
| Purchase of transport vehicles | 540,823 | 563,845 | 1,029,596 | 1,078,821 |
| Purchase of landed property | 18,686,979 | 18,825,353 | 22,294,000 | 22,487,331 |
| of which: - Residential | 12,956,321 | 13,066,242 | 15,354,581 | 15,506,791 |
| - Non-residential | 5,730,658 | 5,759,111 | 6,939,419 | 6,980,540 |
| Purchase of fixed assets | | | | |
| excluding land & buildings | 256,998 | 254,742 | 301,241 | 291,617 |
| Personal use | 1,562,733 | 1,457,449 | 2,726,255 | 2,656,823 |
| Credit card | 598,263 | 604,197 | 598,263 | 604,197 |
| Construction | 651,237 | 641,281 | 668,258 | 655,891 |
| Mergers and acquisitions | 117,688 | 117,688 | 117,688 | 117,688 |
| Working capital | 6,197,662 | 6,277,761 | 7,832,601 | 7,844,844 |
| Others | 1,810,829 | 1,995,555 | 2,252,436 | 2,489,281 |
| Gross loans, advances and financing | 31,370,603 | 31,646,301 | 38,990,059 | 39,335,681 |

ALLIANCE BANK MALAYSIA BERHAD
(88103-W)
(Incorporated in Malaysia)

A16 Loans, Advances and Financing (contd.)

A16d By geographical distribution:

| | BANK | | GROUP | |
|-------------------------------------|------------------------------------|-------------------------------------|------------------------------------|-------------------------------------|
| | 30 June 2017 RM'000 | 31 March 2017 RM'000 | 30 June 2017 RM'000 | 31 March 2017 RM'000 |
| Northern region | 2,037,981 | 2,082,450 | 2,622,437 | 2,652,319 |
| Central region | 22,640,987 | 22,856,016 | 27,941,867 | 28,237,847 |
| Southern region | 3,556,437 | 3,584,358 | 4,620,761 | 4,652,964 |
| Sabah region | 2,037,488 | 2,029,525 | 2,543,399 | 2,530,304 |
| Sarawak region | 1,097,710 | 1,093,952 | 1,261,595 | 1,262,247 |
| Gross loans, advances and financing | 31,370,603 | 31,646,301 | 38,990,059 | 39,335,681 |

A16e By maturity structure:

| | BANK | | GROUP | |
|-------------------------------------|------------------------------------|-------------------------------------|------------------------------------|-------------------------------------|
| | 30 June 2017 RM'000 | 31 March 2017 RM'000 | 30 June 2017 RM'000 | 31 March 2017 RM'000 |
| Within one year | 7,855,214 | 7,993,587 | 9,508,468 | 9,595,942 |
| One year to three years | 1,097,552 | 1,149,354 | 1,415,382 | 1,480,000 |
| Three years to five years | 1,837,288 | 1,862,734 | 2,450,861 | 2,467,214 |
| Over five years | 20,580,549 | 20,640,626 | 25,615,348 | 25,792,525 |
| Gross loans, advances and financing | 31,370,603 | 31,646,301 | 38,990,059 | 39,335,681 |

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

| | BANK | | GROUP | |
|--|------------------------------------|-------------------------------------|------------------------------------|-------------------------------------|
| | 30 June 2017 RM'000 | 31 March 2017 RM'000 | 30 June 2017 RM'000 | 31 March 2017 RM'000 |
| At beginning of financial year | 339,580 | 373,199 | 393,349 | 487,868 |
| Impaired during the financial period/year | 145,822 | 446,621 | 210,547 | 600,685 |
| Reclassified as unimpaired during the financial period/year | (60,795) | (284,275) | (77,705) | (419,465) |
| Recoveries | (46,985) | (142,857) | (58,646) | (176,471) |
| Amount written-off | (21,673) | (53,108) | (32,668) | (99,268) |
| At end of financial period/year | 355,949 | 339,580 | 434,877 | 393,349 |
| Individual allowance for impairment | (58,591) | (64,147) | (63,900) | (66,627) |
| Collective allowance for impairment (impaired portion) | (71,250) | (74,410) | (95,169) | (94,714) |
| Net impaired loans, advances and financing | 226,108 | 201,023 | 275,808 | 232,008 |
| Gross impaired loans as % of gross loans, advances and financing | 1.1% | 1.1% | 1.1% | 1.0% |

ALLIANCE BANK MALAYSIA BERHAD
(88103-W)
(Incorporated in Malaysia)

A16 Loans, Advances and Financing (contd.)

A16g Impaired loans analysed by economic purposes are as follows:

| | BANK | | GROUP | |
|--|------------------------------------|-------------------------------------|------------------------------------|-------------------------------------|
| | 30 June 2017 RM'000 | 31 March 2017 RM'000 | 30 June 2017 RM'000 | 31 March 2017 RM'000 |
| Purchase of securities | - | 7 | - | 7 |
| Purchase of transport vehicles | 8,008 | 7,695 | 12,525 | 11,497 |
| Purchase of landed property | 231,190 | 207,435 | 272,530 | 231,786 |
| of which: - Residential | 158,592 | 158,701 | 181,248 | 176,996 |
| - Non-residential | 72,598 | 48,734 | 91,282 | 54,790 |
| Purchase of fixed assets excluding land & buildings | 1,146 | 1,206 | 1,146 | 1,206 |
| Personal use | 27,035 | 25,390 | 50,148 | 43,475 |
| Credit card | 10,083 | 10,201 | 10,083 | 10,201 |
| Construction | 3,834 | 3,888 | 3,834 | 3,888 |
| Working capital | 60,859 | 66,453 | 65,976 | 71,965 |
| Others | 13,794 | 17,305 | 18,635 | 19,324 |
| Gross impaired loans | 355,949 | 339,580 | 434,877 | 393,349 |

A16h Impaired loans by geographical distribution:

| | BANK | | GROUP | |
|----------------------|------------------------------------|-------------------------------------|------------------------------------|-------------------------------------|
| | 30 June 2017 RM'000 | 31 March 2017 RM'000 | 30 June 2017 RM'000 | 31 March 2017 RM'000 |
| Northern region | 27,128 | 28,290 | 29,895 | 30,552 |
| Central region | 259,727 | 238,742 | 319,244 | 277,515 |
| Southern region | 45,842 | 49,829 | 59,134 | 58,562 |
| Sabah region | 20,155 | 20,245 | 23,119 | 23,737 |
| Sarawak region | 3,097 | 2,474 | 3,485 | 2,983 |
| Gross impaired loans | 355,949 | 339,580 | 434,877 | 393,349 |

ALLIANCE BANK MALAYSIA BERHAD
(88103-W)
(Incorporated in Malaysia)

A16 Loans, Advances and Financing (contd.)

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

| | <u>BANK</u> | | <u>GROUP</u> | |
|---|------------------------------------|----------------------------|------------------------------------|----------------------------|
| | 30 June 2017 RM'000 | 31 March 2017 RM'000 | 30 June 2017 RM'000 | 31 March 2017 RM'000 |
| Individual assessment allowance | | | | |
| At beginning of financial year | 64,147 | 58,061 | 66,627 | 68,331 |
| Net allowance made during the financial period/year | 5,139 | 21,344 | 7,763 | 23,506 |
| Amount written-off | (11,202) | (12,003) | (11,202) | (21,875) |
| Transfers from/(to) collective assessment allowance | 507 | (3,255) | 712 | (3,335) |
| At end of financial period/year | 58,591 | 64,147 | 63,900 | 66,627 |

| | <u>BANK</u> | | <u>GROUP</u> | |
|---|------------------------------------|----------------------------|------------------------------------|----------------------------|
| | 30 June 2017 RM'000 | 31 March 2017 RM'000 | 30 June 2017 RM'000 | 31 March 2017 RM'000 |
| Collective assessment allowance | | | | |
| At beginning of financial year | 234,637 | 236,501 | 313,328 | 306,978 |
| Net allowance made during the financial period/year | 8,518 | 35,986 | 25,468 | 80,408 |
| Amount written-off | (10,471) | (41,105) | (21,466) | (77,393) |
| Transfers (to)/from individual assessment allowance | (507) | 3,255 | (712) | 3,335 |
| At end of financial period/year | 232,177 | 234,637 | 316,618 | 313,328 |

A17 Other Assets

| | <u>BANK</u> | | <u>GROUP</u> | |
|-----------------------------------|------------------------------------|----------------------------|------------------------------------|----------------------------|
| | 30 June 2017 RM'000 | 31 March 2017 RM'000 | 30 June 2017 RM'000 | 31 March 2017 RM'000 |
| Other receivables | 45,030 | 42,173 | 55,507 | 52,270 |
| Derivative margin | 19,628 | 22,381 | 19,628 | 22,381 |
| Settlement account | 30,031 | 34,923 | 30,031 | 34,923 |
| Deposits | 8,525 | 8,464 | 9,211 | 9,141 |
| Prepayment | 24,454 | 18,498 | 25,668 | 19,420 |
| Amount due from holding company | - | 191 | 7 | 191 |
| Amount due from subsidiaries | 3,183 | 2,505 | - | - |
| Amount due from related companies | 25 | 37 | 25 | 37 |
| Amount due from associate | 1 | - | 1 | - |
| Amount due from joint venture | 402 | 378 | 402 | 378 |
| | 131,279 | 129,550 | 140,480 | 138,741 |
| Less: | | | | |
| Allowance for other receivables | (25,059) | (24,409) | (28,036) | (28,833) |
| | 106,220 | 105,141 | 112,444 | 109,908 |

ALLIANCE BANK MALAYSIA BERHAD
(88103-W)
(Incorporated in Malaysia)

A18 Deposits from Customers

| | BANK | | GROUP | |
|---|------------------------------------|-------------------------------------|------------------------------------|-------------------------------------|
| | 30 June 2017 RM'000 | 31 March 2017 RM'000 | 30 June 2017 RM'000 | 31 March 2017 RM'000 |
| A18a <u>By type of deposits:</u> | | | | |
| Amortised cost | | | | |
| Demand deposits | 11,097,886 | 11,347,501 | 13,747,607 | 13,605,286 |
| Savings deposits | 1,527,874 | 1,523,658 | 1,867,899 | 1,864,445 |
| Fixed/investment deposits | 19,006,858 | 19,355,858 | 23,688,806 | 24,332,656 |
| Money market deposits | 1,524,195 | 1,142,226 | 2,254,568 | 1,413,839 |
| Negotiable instruments of deposits | 2,688,128 | 2,743,258 | 2,738,106 | 3,331,673 |
| | 35,844,941 | 36,112,501 | 44,296,986 | 44,547,899 |

A18b By type of customers:

| | BANK | | GROUP | |
|--|------------------------------------|-------------------------------------|------------------------------------|-------------------------------------|
| | 30 June 2017 RM'000 | 31 March 2017 RM'000 | 30 June 2017 RM'000 | 31 March 2017 RM'000 |
| Domestic financial institutions | 2,769,139 | 2,845,588 | 2,798,731 | 3,401,239 |
| Domestic non-bank financial institutions | 1,643,027 | 2,069,893 | 2,242,406 | 2,292,516 |
| Government and statutory bodies | 1,601,362 | 1,265,071 | 3,786,286 | 3,647,891 |
| Business enterprises | 12,242,479 | 11,979,574 | 16,170,844 | 15,562,716 |
| Individuals | 16,610,556 | 16,964,325 | 18,163,544 | 18,553,298 |
| Foreign entities | 562,169 | 584,019 | 620,240 | 638,800 |
| Others | 416,209 | 404,031 | 514,935 | 451,439 |
| | 35,844,941 | 36,112,501 | 44,296,986 | 44,547,899 |

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

| | BANK | | GROUP | |
|---------------------------|------------------------------------|-------------------------------------|------------------------------------|-------------------------------------|
| | 30 June 2017 RM'000 | 31 March 2017 RM'000 | 30 June 2017 RM'000 | 31 March 2017 RM'000 |
| Due within six months | 18,825,467 | 16,533,626 | 23,102,033 | 21,291,929 |
| Six months to one year | 4,307,740 | 6,611,177 | 5,259,950 | 7,566,156 |
| One year to three years | 72,699 | 64,464 | 50,472 | 32,637 |
| Three years to five years | 13,275 | 32,075 | 269,025 | 187,446 |
| | 23,219,181 | 23,241,342 | 28,681,480 | 29,078,168 |

A19 Deposits and Placements of Banks and Other Financial Institutions

| | BANK | | GROUP | |
|------------------------------|------------------------------------|-------------------------------------|------------------------------------|-------------------------------------|
| | 30 June 2017 RM'000 | 31 March 2017 RM'000 | 30 June 2017 RM'000 | 31 March 2017 RM'000 |
| Licensed banks | 293,159 | 273,325 | 493,176 | 273,325 |
| Licensed Investment banks | - | - | 80,007 | - |
| Bank Negara Malaysia | 384,299 | 376,404 | 606,533 | 589,579 |
| Other financial institutions | - | - | 30,003 | - |
| | 677,458 | 649,729 | 1,209,719 | 862,904 |

A20 Financial Liabilities Designated at Fair Value

Structured investments designated at fair value for the Bank and the Group include investments with embedded equity linked options and interest rate linked index investment.

During the financial period/year, the Bank and the Group designated certain structured investments 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 investments. The structured investments are recorded at fair value.

| | <u>BANK/GROUP</u> | |
|---|--------------------------|----------------|
| | 30 June | 31 March |
| | 2017 | 2017 |
| | RM'000 | RM'000 |
| Structured investments | 462,314 | 426,644 |
| Fair value changes arising from designation at fair value through profit or loss | (25,524) | (23,910) |
| | <u>436,790</u> | <u>402,734</u> |

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

A21 Balances Due To Clients And Brokers

| | <u>GROUP</u> | |
|----------------|----------------------|---------------|
| | 30 June | 31 March |
| | 2017 | 2017 |
| | RM'000 | RM'000 |
| Due to clients | 44,086 | 69,066 |
| Due to brokers | 41,511 | - |
| | <u>85,597</u> | <u>69,066</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 RM70,095,000 (31.3.17: RM75,447,000) have been excluded accordingly.

ALLIANCE BANK MALAYSIA BERHAD
(88103-W)
(Incorporated in Malaysia)

A22 Other Liabilities

| | BANK | | GROUP | |
|--|------------------------------------|-------------------------------------|------------------------------------|-------------------------------------|
| | 30 June 2017 RM'000 | 31 March 2017 RM'000 | 30 June 2017 RM'000 | 31 March 2017 RM'000 |
| Other payables | 188,239 | 189,311 | 227,275 | 243,725 |
| Bills payable | 167,199 | 194,225 | 178,172 | 203,663 |
| Settlement account | 40,771 | 30,116 | 40,771 | 30,116 |
| Clearing account | 233,403 | 253,267 | 293,859 | 331,384 |
| Sundry deposits | 43,881 | 35,835 | 51,099 | 43,340 |
| Provision and accruals | 61,024 | 89,426 | 53,043 | 96,855 |
| Remisiers account | - | - | 23,242 | 8,279 |
| Allowance for commitment and contingencies | 2,301 | 2,301 | 2,301 | 2,301 |
| Finance lease liabilities | 5,200 | 5,805 | 5,200 | 5,805 |
| Structured investments | 440,602 | 379,982 | 440,602 | 379,982 |
| Amount due to subsidiaries | 30,865 | 21,338 | - | - |
| Amount due to joint venture | - | - | 211 | 260 |
| Amount due to holding company | 2,975 | - | 3,206 | 178 |
| | 1,216,460 | 1,201,606 | 1,318,981 | 1,345,888 |

A23 Interest Income

| | 1st Quarter Ended | | Three Months Ended | |
|---|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| | 30 June 2017 RM'000 | 30 June 2016 RM'000 | 30 June 2017 RM'000 | 30 June 2016 RM'000 |
| BANK | | | | |
| Loans, advances and financing | 368,284 | 368,157 | 368,284 | 368,157 |
| Money at call and deposit placements with financial institutions | 2,307 | 8,899 | 2,307 | 8,899 |
| Financial assets held-for-trading | 1,796 | 1,407 | 1,796 | 1,407 |
| Financial investments available-for-sale | 68,711 | 59,289 | 68,711 | 59,289 |
| Financial investments held-to-maturity | 5,296 | 5,384 | 5,296 | 5,384 |
| Others | 4,058 | 2,654 | 4,058 | 2,654 |
| | 450,452 | 445,790 | 450,452 | 445,790 |
| Accretion of discount less amortisation of premium | 18,246 | 18,519 | 18,246 | 18,519 |
| | 468,698 | 464,309 | 468,698 | 464,309 |
| GROUP | | | | |
| Loans, advances and financing | 374,321 | 378,079 | 374,321 | 378,079 |
| Money at call and deposit placements with financial institutions | 1,181 | 6,762 | 1,181 | 6,762 |
| Financial assets held-for-trading | 1,796 | 1,407 | 1,796 | 1,407 |
| Financial investments available-for-sale | 69,659 | 60,730 | 69,659 | 60,730 |
| Financial investments held-to-maturity | 6,558 | 6,642 | 6,558 | 6,642 |
| Others | 4,058 | 2,654 | 4,058 | 2,654 |
| | 457,573 | 456,274 | 457,573 | 456,274 |
| Accretion of discount less amortisation of premium | 18,855 | 18,590 | 18,855 | 18,590 |
| | 476,428 | 474,864 | 476,428 | 474,864 |

ALLIANCE BANK MALAYSIA BERHAD
(88103-W)
(Incorporated in Malaysia)

A24 Interest Expense

| | 1st Quarter Ended | | Three Months Ended | |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| | 30 June 2017 RM'000 | 30 June 2016 RM'000 | 30 June 2017 RM'000 | 30 June 2016 RM'000 |
| <u>BANK</u> | | | | |
| Deposits and placements of banks and other financial institutions | 4,070 | 3,864 | 4,070 | 3,864 |
| Deposits from customers | 212,606 | 222,864 | 212,606 | 222,864 |
| Loan sold to Cagamas | 5,481 | 5,450 | 5,481 | 5,450 |
| Other borrowings | 59 | 59 | 59 | 59 |
| Subordinated obligations | 17,183 | 17,682 | 17,183 | 17,682 |
| Others | 12,761 | 9,230 | 12,761 | 9,230 |
| | 252,160 | 259,149 | 252,160 | 259,149 |
| <u>GROUP</u> | | | | |
| Deposits and placements of banks and other financial institutions | 6,792 | 4,258 | 6,792 | 4,258 |
| Deposits from customers | 217,656 | 227,099 | 217,656 | 227,099 |
| Loan sold to Cagamas | 5,481 | 5,450 | 5,481 | 5,450 |
| Other borrowings | 59 | 59 | 59 | 59 |
| Subordinated obligations | 17,148 | 17,618 | 17,148 | 17,618 |
| Others | 12,761 | 9,230 | 12,761 | 9,230 |
| | 259,897 | 263,714 | 259,897 | 263,714 |

A25 Net Income from Islamic Banking Business

| | 1st Quarter Ended | | Three Months Ended | |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| | 30 June 2017 RM'000 | 30 June 2016 RM'000 | 30 June 2017 RM'000 | 30 June 2016 RM'000 |
| <u>GROUP</u> | | | | |
| Income derived from investment of depositors' funds and others | 119,776 | 112,443 | 119,776 | 112,443 |
| Income derived from investment of Islamic Banking funds | 12,726 | 10,589 | 12,726 | 10,589 |
| Income attributable to the depositors and financial institutions | (54,524) | (55,697) | (54,524) | (55,697) |
| | 77,978 | 67,335 | 77,978 | 67,335 |

A26 Other Operating Income

| | 1st Quarter Ended | | Three Months Ended | |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| | 30 June 2017 RM'000 | 30 June 2016 RM'000 | 30 June 2017 RM'000 | 30 June 2016 RM'000 |
| <u>BANK</u> | | | | |
| (a) <u>Fee and commission income:</u> | | | | |
| Commissions | 23,100 | 20,788 | 23,100 | 20,788 |
| Service charges and fees | 8,099 | 8,104 | 8,099 | 8,104 |
| Guarantee fees | 4,369 | 4,697 | 4,369 | 4,697 |
| Processing fees | 824 | 2,820 | 824 | 2,820 |
| Commitment fees | 4,017 | 3,918 | 4,017 | 3,918 |
| Cards related income | 23,866 | 24,449 | 23,866 | 24,449 |
| Other fee income | 750 | 749 | 750 | 749 |
| | <u>65,025</u> | <u>65,525</u> | <u>65,025</u> | <u>65,525</u> |
| (b) <u>Fee and commission expense:</u> | | | | |
| Commissions expense | (394) | (537) | (394) | (537) |
| Guarantee fees expense | (255) | (358) | (255) | (358) |
| Cards related expense | (20,603) | (20,802) | (20,603) | (20,802) |
| | <u>(21,252)</u> | <u>(21,697)</u> | <u>(21,252)</u> | <u>(21,697)</u> |
| (c) <u>Investment income:</u> | | | | |
| Gain arising from sale/redemption of: | | | | |
| - Financial assets held-for-trading | 115 | 1,601 | 115 | 1,601 |
| - Financial investments available-for-sale | 2,561 | 350 | 2,561 | 350 |
| Marked-to-market revaluation of: | | | | |
| - Financial assets held-for-trading | (31) | (970) | (31) | (970) |
| - Derivative instruments | (29,465) | 44,170 | (29,465) | 44,170 |
| - Unrealised gain arising from financial liabilities designated at fair value | 1,614 | 3,676 | 1,614 | 3,676 |
| Realised gain/(loss) on derivative instruments | 56,491 | (15,612) | 56,491 | (15,612) |
| Gross dividend income from: | | | | |
| - Financial investments available-for-sale | 679 | 2,089 | 679 | 2,089 |
| - Subsidiaries | 6,899 | 30,217 | 6,899 | 30,217 |
| | <u>38,863</u> | <u>65,521</u> | <u>38,863</u> | <u>65,521</u> |
| (d) <u>Other income:</u> | | | | |
| Foreign exchange loss | (1,335) | (8,593) | (1,335) | (8,593) |
| Rental income | 113 | 163 | 113 | 163 |
| Others | 6,706 | 6,864 | 6,706 | 6,864 |
| | <u>5,484</u> | <u>(1,566)</u> | <u>5,484</u> | <u>(1,566)</u> |
| Total other operating income | <u>88,120</u> | <u>107,783</u> | <u>88,120</u> | <u>107,783</u> |

ALLIANCE BANK MALAYSIA BERHAD
(88103-W)
(Incorporated in Malaysia)

A26 Other Operating Income (contd.)

| GROUP | 1st Quarter Ended | | Three Months Ended | |
|---|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| | 30 June 2017 RM'000 | 30 June 2016 RM'000 | 30 June 2017 RM'000 | 30 June 2016 RM'000 |
| (a) <u>Fee and commission income:</u> | | | | |
| Commissions | 23,100 | 20,788 | 23,100 | 20,788 |
| Service charges and fees | 8,365 | 8,247 | 8,365 | 8,247 |
| Corporate advisory fees | 726 | 560 | 726 | 560 |
| Underwriting commissions | 168 | 85 | 168 | 85 |
| Brokerage fees | 10,785 | 7,076 | 10,785 | 7,076 |
| Guarantee fees | 4,369 | 4,829 | 4,369 | 4,829 |
| Processing fees | 1,323 | 3,480 | 1,323 | 3,480 |
| Commitment fees | 4,023 | 3,926 | 4,023 | 3,926 |
| Cards related income | 23,866 | 24,449 | 23,866 | 24,449 |
| Other fee income | 750 | 749 | 750 | 749 |
| | 77,475 | 74,189 | 77,475 | 74,189 |
| (b) <u>Fee and commission expense:</u> | | | | |
| Commissions expense | (394) | (537) | (394) | (537) |
| Brokerage fees expense | (3,722) | (3,106) | (3,722) | (3,106) |
| Guarantee fees expense | (255) | (358) | (255) | (358) |
| Cards related expense | (20,603) | (20,802) | (20,603) | (20,802) |
| | (24,974) | (24,803) | (24,974) | (24,803) |
| (c) <u>Investment income:</u> | | | | |
| Gain arising from sale/redemption of: | | | | |
| - Financial assets held-for-trading | 115 | 1,601 | 115 | 1,601 |
| - Financial investments available-for-sale | 3,249 | 394 | 3,249 | 394 |
| Marked-to-market revaluation of: | | | | |
| - Financial assets held-for-trading | (52) | (970) | (52) | (970) |
| - Derivative instruments | (29,465) | 44,170 | (29,465) | 44,170 |
| - Unrealised gain arising from financial liabilities designated at fair value | 1,614 | 3,676 | 1,614 | 3,676 |
| Realised gain/(loss) on derivative instruments | 56,491 | (15,612) | 56,491 | (15,612) |
| Gross dividend income from: | | | | |
| - Financial investments available-for-sale | 1,109 | 2,496 | 1,109 | 2,496 |
| | 33,061 | 35,755 | 33,061 | 35,755 |
| (d) <u>Other income :</u> | | | | |
| Foreign exchange loss | (1,271) | (8,513) | (1,271) | (8,513) |
| Others | 6,905 | 7,726 | 6,905 | 7,726 |
| | 5,634 | (787) | 5,634 | (787) |
| Total other operating income | 91,196 | 84,354 | 91,196 | 84,354 |

ALLIANCE BANK MALAYSIA BERHAD
(88103-W)
(Incorporated in Malaysia)

A27 Other Operating Expenses

| | 1st Quarter Ended | | Three Months Ended | |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| | 30 June 2017 RM'000 | 30 June 2016 RM'000 | 30 June 2017 RM'000 | 30 June 2016 RM'000 |
| <u>BANK</u> | | | | |
| Personnel costs | | | | |
| - Salaries, allowances and bonuses | 67,372 | 65,980 | 67,372 | 65,980 |
| - Contribution to EPF | 10,512 | 10,834 | 10,512 | 10,834 |
| - Share options/grants under ESS | 184 | 874 | 184 | 874 |
| - Others | 9,564 | 6,548 | 9,564 | 6,548 |
| | 87,632 | 84,236 | 87,632 | 84,236 |
| Establishment costs | | | | |
| - Depreciation of property, plant and equipment | 5,102 | 5,424 | 5,102 | 5,424 |
| - Amortisation of computer software | 5,858 | 5,416 | 5,858 | 5,416 |
| - Rental of premises | 5,737 | 5,935 | 5,737 | 5,935 |
| - Water and electricity | 808 | 1,524 | 808 | 1,524 |
| - Repairs and maintenance | 1,966 | 1,767 | 1,966 | 1,767 |
| - Information technology expenses | 8,974 | 8,297 | 8,974 | 8,297 |
| - Others | 1,813 | 1,073 | 1,813 | 1,073 |
| | 30,258 | 29,436 | 30,258 | 29,436 |
| Marketing expenses | | | | |
| - Promotion and advertisement | 1,370 | 1,404 | 1,370 | 1,404 |
| - Branding and publicity | 910 | 630 | 910 | 630 |
| - Others | 881 | 1,187 | 881 | 1,187 |
| | 3,161 | 3,221 | 3,161 | 3,221 |
| Administration and general expenses | | | | |
| - Communication expenses | 2,319 | 2,809 | 2,319 | 2,809 |
| - Printing and stationery | 579 | 699 | 579 | 699 |
| - Insurance | 2,544 | 2,224 | 2,544 | 2,224 |
| - Professional fees | 3,735 | 3,748 | 3,735 | 3,748 |
| - Others | 6,697 | 4,448 | 6,697 | 4,448 |
| | 15,874 | 13,928 | 15,874 | 13,928 |
| Total other operating expenses | 136,925 | 130,821 | 136,925 | 130,821 |

ALLIANCE BANK MALAYSIA BERHAD
(88103-W)
(Incorporated in Malaysia)

A27 Other Operating Expenses (contd.)

| | 1st Quarter Ended | | Three Months Ended | |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| | 30 June 2017 RM'000 | 30 June 2016 RM'000 | 30 June 2017 RM'000 | 30 June 2016 RM'000 |
| GROUP | | | | |
| Personnel costs | | | | |
| - Salaries, allowances and bonuses | 88,593 | 85,449 | 88,593 | 85,449 |
| - Contribution to EPF | 13,708 | 13,927 | 13,708 | 13,927 |
| - Share options/grants under ESS | 162 | 1,005 | 162 | 1,005 |
| - Others | 11,173 | 8,487 | 11,173 | 8,487 |
| | 113,636 | 108,868 | 113,636 | 108,868 |
| Establishment costs | | | | |
| - Depreciation of property, plant and equipment | 5,279 | 5,566 | 5,279 | 5,566 |
| - Amortisation of computer software | 6,018 | 5,520 | 6,018 | 5,520 |
| - Rental of premises | 7,456 | 7,616 | 7,456 | 7,616 |
| - Water and electricity | 1,987 | 2,114 | 1,987 | 2,114 |
| - Repairs and maintenance | 2,488 | 2,342 | 2,488 | 2,342 |
| - Information technology expenses | 11,356 | 10,923 | 11,356 | 10,923 |
| - Others | 3,480 | 3,662 | 3,480 | 3,662 |
| | 38,064 | 37,743 | 38,064 | 37,743 |
| Marketing expenses | | | | |
| - Promotion and advertisement | 1,513 | 1,573 | 1,513 | 1,573 |
| - Branding and publicity | 1,422 | 652 | 1,422 | 652 |
| - Others | 1,576 | 2,030 | 1,576 | 2,030 |
| | 4,511 | 4,255 | 4,511 | 4,255 |
| Administration and general expenses | | | | |
| - Communication expenses | 3,262 | 3,691 | 3,262 | 3,691 |
| - Printing and stationery | 724 | 891 | 724 | 891 |
| - Insurance | 2,857 | 2,405 | 2,857 | 2,405 |
| - Professional fees | 4,806 | 5,151 | 4,806 | 5,151 |
| - Others | 8,628 | 5,918 | 8,628 | 5,918 |
| | 20,277 | 18,056 | 20,277 | 18,056 |
| Total other operating expenses | 176,488 | 168,922 | 176,488 | 168,922 |

ALLIANCE BANK MALAYSIA BERHAD
(88103-W)
(Incorporated in Malaysia)

A28 Allowance for Losses on Loans, Advances and Financing and Other Receivables

| | 1st Quarter Ended | | Three Months Ended | |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| | 30 June 2017 RM'000 | 30 June 2016 RM'000 | 30 June 2017 RM'000 | 30 June 2016 RM'000 |
| <u>BANK</u> | | | | |
| Allowance for impaired loans and financing and other receivables: | | | | |
| (a) Individual assessment allowance - made during the period (net) | 5,139 | 5,565 | 5,139 | 5,565 |
| (b) Collective assessment allowance - made/(write-back) during the period (net) | 8,518 | (40) | 8,518 | (40) |
| (c) Bad debts on loans and financing | | | | |
| - Recovered | (6,546) | (6,217) | (6,546) | (6,217) |
| - Written-off | 2,861 | 2,706 | 2,861 | 2,706 |
| | <u>9,972</u> | <u>2,014</u> | <u>9,972</u> | <u>2,014</u> |
| Allowance for other receivables, net | 650 | 700 | 650 | 700 |
| | <u>10,622</u> | <u>2,714</u> | <u>10,622</u> | <u>2,714</u> |
| <u>GROUP</u> | | | | |
| Allowance for impaired loans and financing and other receivables: | | | | |
| (a) Individual assessment allowance - made during the period (net) | 7,763 | 5,679 | 7,763 | 5,679 |
| (b) Collective assessment allowance - made during the period (net) | 25,468 | 14,560 | 25,468 | 14,560 |
| (c) Bad debts on loans and financing | | | | |
| - Recovered | (9,604) | (7,958) | (9,604) | (7,958) |
| - Written-off | 5,459 | 5,098 | 5,459 | 5,098 |
| | <u>29,086</u> | <u>17,379</u> | <u>29,086</u> | <u>17,379</u> |
| Allowance for other receivables, net | 768 | 760 | 768 | 760 |
| Write-back of losses from balances due from clients | - | (2) | - | (2) |
| | <u>29,854</u> | <u>18,137</u> | <u>29,854</u> | <u>18,137</u> |

ALLIANCE BANK MALAYSIA BERHAD
(88103-W)
(Incorporated in Malaysia)

A29 Earnings Per Share

Basic/Diluted

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

| | 1st Quarter Ended | | Three Months Ended | |
|---|--------------------------|---------|---------------------------|---------|
| | 30 June | 30 June | 30 June | 30 June |
| | 2017 | 2016 | 2017 | 2016 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>BANK</u> | | | | |
| Net profit for the financial period attributable to Equity holder of the Bank | 119,615 | 143,253 | 119,615 | 143,253 |
| Weighted average numbers of ordinary shares in issue ('000) | 796,517 | 796,517 | 796,517 | 796,517 |
| Basic earnings per share (sen) | 15.0 | 18.0 | 15.0 | 18.0 |
| <u>GROUP</u> | | | | |
| Net profit for the financial period attributable to Equity holder of the Bank | 134,884 | 132,101 | 134,884 | 132,101 |
| Weighted average numbers of ordinary shares in issue ('000) | 796,517 | 796,517 | 796,517 | 796,517 |
| Basic earnings per share (sen) | 16.9 | 16.6 | 16.9 | 16.6 |

ALLIANCE BANK MALAYSIA BERHAD
(88103-W)
(Incorporated in Malaysia)

A30 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> | |
|---|------------------------------------|----------------------------|------------------------------------|----------------------------|
| | 30 June 2017 RM'000 | 31 March 2017 RM'000 | 30 June 2017 RM'000 | 31 March 2017 RM'000 |
| <u>Credit-related exposures</u> | | | | |
| Direct credit substitutes | 617,861 | 649,782 | 732,438 | 757,816 |
| Transaction-related contingent items | 678,344 | 653,885 | 739,280 | 710,106 |
| Short-term self-liquidating trade-related contingencies | 152,611 | 114,249 | 182,364 | 138,588 |
| Irrevocable commitments to extend credit: | | | | |
| - maturity exceeding one year | 824,012 | 927,426 | 1,030,779 | 1,111,249 |
| - maturity not exceeding one year | 5,478,845 | 4,943,831 | 7,081,282 | 6,527,092 |
| Unutilised credit card lines | 1,603,438 | 1,584,784 | 1,603,438 | 1,584,784 |
| | 9,355,111 | 8,873,957 | 11,369,581 | 10,829,635 |
| <u>Derivative financial instruments</u> | | | | |
| Foreign exchange related contracts: | | | | |
| - one year or less | 9,118,540 | 11,082,789 | 9,118,540 | 11,082,789 |
| - over one year to three years | 107,191 | 116,546 | 107,191 | 116,546 |
| - over three years | 30,920 | 37,817 | 30,920 | 37,817 |
| Interest rate related contracts: | | | | |
| - one year or less | 750,000 | 750,000 | 750,000 | 750,000 |
| - over one year to three years | 2,060,230 | 1,988,572 | 2,060,230 | 1,988,572 |
| - over three years | 1,771,833 | 1,605,860 | 1,771,833 | 1,605,860 |
| Equity related contracts | | | | |
| - one year or less | 52,582 | 52,405 | 52,582 | 52,405 |
| - over one year to three years | 38,600 | 30,330 | 38,600 | 30,330 |
| | 13,929,896 | 15,664,319 | 13,929,896 | 15,664,319 |
| | 23,285,007 | 24,538,276 | 25,299,477 | 26,493,954 |

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

(Incorporated in Malaysia)

A31 Derivative Financial Assets/(Liabilities)

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

| BANK/GROUP | As at 30 June 2017 | | | As at 31 March 2017 | | |
|--|-------------------------------|---|-------------------------------|--------------------------------|---|-------------------------------|
| | Principal RM'000 | Fair value Assets RM'000 | Liabilities RM'000 | Principal RM'000 | Fair value Assets RM'000 | Liabilities RM'000 |
| Foreign exchange and commodity contracts | | | | | | |
| Currency forwards | | | | | | |
| - one year or less | 1,252,086 | 16,699 | (11,875) | 1,282,544 | 45,673 | (4,340) |
| - over one year to three years | 64,246 | 1 | (2,405) | 72,316 | 73 | (569) |
| - over three years | 30,920 | - | (869) | 37,817 | 42 | (200) |
| Currency swaps | | | | | | |
| - one year or less | 7,584,111 | 31,199 | (44,178) | 9,631,122 | 15,809 | (34,170) |
| - over one year to three years | 42,945 | - | (11,410) | 44,230 | - | (12,700) |
| Currency spots | | | | | | |
| - one year or less | 171,510 | 155 | (44) | 40,255 | 56 | (60) |
| Currency options | | | | | | |
| - one year or less | 110,833 | 256 | (291) | 128,868 | 265 | (24) |
| | 9,256,651 | 48,310 | (71,072) | 11,237,152 | 61,918 | (52,063) |
| Interest rate derivatives | | | | | | |
| Interest rate swap | 4,582,063 | 25,153 | (20,319) | 4,344,432 | 24,339 | (24,455) |
| - one year or less | 750,000 | 168 | (325) | 750,000 | 227 | (697) |
| - over one year to three years | 2,060,230 | 8,345 | (8,294) | 1,988,572 | 8,336 | (8,937) |
| - over three years | 1,771,833 | 16,640 | (11,700) | 1,605,860 | 15,776 | (14,821) |
| Equity related derivatives | | | | | | |
| - one year or less | 52,582 | 118 | (4,370) | 52,405 | 58 | (4,005) |
| - over one year to three years | 38,600 | - | (2,826) | 30,330 | 30 | (1,369) |
| Total derivatives assets/(liabilities) | 13,929,896 | 73,581 | (98,587) | 15,664,319 | 86,345 | (81,892) |

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 2017.

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.

ALLIANCE BANK MALAYSIA BERHAD

(88103-W)

(Incorporated in Malaysia)

A31 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.

A32 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) 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 alternative distribution channels, trustee services and head office.

ALLIANCE BANK MALAYSIA BERHAD
(88103-W)
(Incorporated in Malaysia)

A32 Segment information (contd.)

| Group | Consumer Banking | Business Banking | Financial Markets | Stockbroking and Corporate Advisory | Others | Total Operations | Inter-segment Elimination | Total |
|---|---------------------|---------------------|----------------------|--|---------|---------------------|------------------------------|------------|
| 1st Quarter ended 30 June 2017 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Net interest income | | | | | | | | |
| - External income | 93,274 | 88,695 | 39,496 | 2,905 | 35 | 224,405 | (7,874) | 216,531 |
| - inter-segment | (12,125) | 13,519 | 387 | (1,781) | - | - | - | - |
| | 81,149 | 102,214 | 39,883 | 1,124 | 35 | 224,405 | (7,874) | 216,531 |
| Net income from Islamic banking business | 28,281 | 23,571 | 14,838 | - | - | 66,690 | 11,288 | 77,978 |
| Other operating income | 31,428 | 36,894 | 13,931 | 8,969 | 5,362 | 96,584 | (5,388) | 91,196 |
| Net income | 140,858 | 162,679 | 68,652 | 10,093 | 5,397 | 387,679 | (1,974) | 385,705 |
| Other operating expenses | (76,224) | (63,825) | (12,430) | (9,484) | (4,316) | (166,279) | 1,088 | (165,191) |
| Depreciation and amortisation | (6,566) | (3,819) | (656) | (256) | - | (11,297) | - | (11,297) |
| Operating profit/(loss) | 58,068 | 95,035 | 55,566 | 353 | 1,081 | 210,103 | (886) | 209,217 |
| (Allowance for)/write-back of impairment on loans, advances and financing and other receivables | (20,827) | (9,014) | 6 | (19) | - | (29,854) | - | (29,854) |
| Segment result | 37,241 | 86,021 | 55,572 | 334 | 1,081 | 180,249 | (886) | 179,363 |
| Share of results of associate | | | | | | | | 3 |
| Share of results of joint venture | | | | | | | | 21 |
| Taxation | | | | | | | | (44,503) |
| Net profit for the financial period | | | | | | | | 134,884 |
| Segment assets | 21,183,171 | 17,058,074 | 17,797,051 | 62,745 | 20,020 | 56,121,061 | (2,017,249) | 54,103,812 |
| Reconciliation of segment assets to consolidated assets: | | | | | | | | |
| Investment in associate | | | | | | | | 533 |
| Investment in joint venture | | | | | | | | 671 |
| Property, plant and equipment | | | | | | | | 72,308 |
| Tax recoverable and deferred tax assets | | | | | | | | 16,327 |
| Intangible assets | | | | | | | | 387,111 |
| Total assets | | | | | | | | 54,580,762 |
| Segment Liabilities | 24,326,884 | 21,451,497 | 4,639,088 | 185,000 | 5,097 | 50,607,566 | (1,093,721) | 49,513,845 |
| Provision for taxation and zakat and deferred tax liabilities | | | | | | | | 33,122 |
| Total liabilities | | | | | | | | 49,546,967 |

ALLIANCE BANK MALAYSIA BERHAD
(88103-W)

(Incorporated in Malaysia)

A32 Segment information (contd.)

| Group | Consumer Banking RM'000 | Business Banking RM'000 | Financial Markets RM'000 | Stockbroking and Corporate Advisory RM'000 | Others RM'000 | Total Operations RM'000 | Inter-segment Elimination RM'000 | Total RM'000 |
|---|-------------------------------|-------------------------------|--------------------------------|--|------------------|-------------------------------|--|-----------------|
| Three months ended 30 June 2017 | | | | | | | | |
| Net interest income | | | | | | | | |
| - External income | 93,274 | 88,695 | 39,496 | 2,905 | 35 | 224,405 | (7,874) | 216,531 |
| - inter-segment | (12,125) | 13,519 | 387 | (1,781) | - | - | - | - |
| | 81,149 | 102,214 | 39,883 | 1,124 | 35 | 224,405 | (7,874) | 216,531 |
| Net income from Islamic banking business | 28,281 | 23,571 | 14,838 | - | - | 66,690 | 11,288 | 77,978 |
| Other operating income | 31,428 | 36,894 | 13,931 | 8,969 | 5,362 | 96,584 | (5,388) | 91,196 |
| Net income | 140,858 | 162,679 | 68,652 | 10,093 | 5,397 | 387,679 | (1,974) | 385,705 |
| Other operating expenses | (76,224) | (63,825) | (12,430) | (9,484) | (4,316) | (166,279) | 1,088 | (165,191) |
| Depreciation and amortisation | (6,566) | (3,819) | (656) | (256) | - | (11,297) | - | (11,297) |
| Operating profit/(loss) | 58,068 | 95,035 | 55,566 | 353 | 1,081 | 210,103 | (886) | 209,217 |
| (Allowance for)/write-back of impairment on loans, advances and financing and other receivables | (20,827) | (9,014) | 6 | (19) | - | (29,854) | - | (29,854) |
| Segment result | 37,241 | 86,021 | 55,572 | 334 | 1,081 | 180,249 | (886) | 179,363 |
| Share of results of associate | | | | | | | | 3 |
| Share of results of joint venture | | | | | | | | 21 |
| Taxation | | | | | | | | (44,503) |
| Net profit for the financial period | | | | | | | | 134,884 |
| Segment assets | 21,183,171 | 17,058,074 | 17,797,051 | 62,745 | 20,020 | 56,121,061 | (2,017,249) | 54,103,812 |
| Reconciliation of segment assets to consolidated assets: | | | | | | | | |
| Investment in associate | | | | | | | | 533 |
| Investment in joint venture | | | | | | | | 671 |
| Property, plant and equipment | | | | | | | | 72,308 |
| Tax recoverable and deferred tax assets | | | | | | | | 16,327 |
| Intangible assets | | | | | | | | 387,111 |
| Total assets | | | | | | | | 54,580,762 |
| Segment Liabilities | 24,326,884 | 21,451,497 | 4,639,088 | 185,000 | 5,097 | 50,607,566 | (1,093,721) | 49,513,845 |
| Provision for taxation and zakat and deferred tax liabilities | | | | | | | | 33,122 |
| Total liabilities | | | | | | | | 49,546,967 |

ALLIANCE BANK MALAYSIA BERHAD
(88103-W)
(Incorporated in Malaysia)

A32 Segment information (contd.)

| Group | Consumer Banking RM'000 | Business Banking RM'000 | Financial Markets RM'000 | Stockbroking and Corporate Advisory RM'000 | Others RM'000 | Total Operations RM'000 | Inter-segment Elimination RM'000 | Total RM'000 |
|---|-------------------------------|-------------------------------|--------------------------------|--|------------------|-------------------------------|--|-----------------|
| 1st Quarter ended 30 June 2016 | | | | | | | | |
| Net interest income | | | | | | | | |
| - External income | 110,914 | 80,045 | 18,297 | 2,470 | 24 | 211,750 | (600) | 211,150 |
| - inter-segment | (30,467) | 16,615 | 15,363 | (1,511) | - | - | - | - |
| | 80,447 | 96,660 | 33,660 | 959 | 24 | 211,750 | (600) | 211,150 |
| Net income from Islamic banking business | 27,666 | 19,673 | 12,781 | - | - | 60,120 | 7,215 | 67,335 |
| Other operating income | 28,694 | 41,719 | 8,383 | 5,678 | 7,153 | 91,627 | (7,273) | 84,354 |
| Net income | 136,807 | 158,052 | 54,824 | 6,637 | 7,177 | 363,497 | (658) | 362,839 |
| Other operating expenses | (74,708) | (60,891) | (10,503) | (9,069) | (3,847) | (159,018) | 1,182 | (157,836) |
| Depreciation and amortisation | (5,999) | (4,097) | (803) | (187) | - | (11,086) | - | (11,086) |
| Operating profit/(loss) | 56,100 | 93,064 | 43,518 | (2,619) | 3,330 | 193,393 | 524 | 193,917 |
| (Allowance for)/write-back of impairment on loans, advances and financing and other receivables | (16,686) | 2,947 | (19) | 21 | (4,400) | (18,137) | - | (18,137) |
| Allowance for impairment on other assets | - | - | - | (1,208) | - | (1,208) | - | (1,208) |
| Segment result | 39,414 | 96,011 | 43,499 | (3,806) | (1,070) | 174,048 | 524 | 174,572 |
| Share of results of associate | | | | | | | | 3 |
| Share of results of joint venture | | | | | | | | 19 |
| Taxation | | | | | | | | (42,493) |
| Net profit for the financial period | | | | | | | | 132,101 |
| Segment assets | 21,882,589 | 16,036,447 | 18,066,190 | 264,666 | 26,114 | 56,276,006 | (2,291,935) | 53,984,071 |
| Reconciliation of segment assets to consolidated assets: | | | | | | | | |
| Investment in associate | | | | | | | | 523 |
| Investment in joint venture | | | | | | | | 585 |
| Property, plant and equipment | | | | | | | | 82,069 |
| Tax recoverable and deferred tax assets | | | | | | | | 33,866 |
| Intangible assets | | | | | | | | 362,774 |
| Total assets | | | | | | | | 54,463,888 |
| Segment Liabilities | 21,434,752 | 20,180,585 | 9,275,103 | 104,383 | 16,301 | 51,011,124 | (1,362,333) | 49,648,791 |
| Provision for taxation and zakat and deferred tax liabilities | | | | | | | | 31,667 |
| Total liabilities | | | | | | | | 49,680,458 |

ALLIANCE BANK MALAYSIA BERHAD
(88103-W)

(Incorporated in Malaysia)

A32 Segment information (contd.)

| Group | Consumer Banking RM'000 | Business Banking RM'000 | Financial Markets RM'000 | Stockbroking and Corporate Advisory RM'000 | Others RM'000 | Total Operations RM'000 | Inter-segment Elimination RM'000 | Total RM'000 |
|---|-------------------------------|-------------------------------|--------------------------------|--|------------------|-------------------------------|--|-----------------|
| Three months ended 30 June 2016 | | | | | | | | |
| Net interest income | | | | | | | | |
| - External income | 110,914 | 80,045 | 18,297 | 2,470 | 24 | 211,750 | (600) | 211,150 |
| - inter-segment | (30,467) | 16,615 | 15,363 | (1,511) | - | - | - | - |
| | 80,447 | 96,660 | 33,660 | 959 | 24 | 211,750 | (600) | 211,150 |
| Net income from Islamic banking business | 27,666 | 19,673 | 12,781 | - | - | 60,120 | 7,215 | 67,335 |
| Other operating income | 28,694 | 41,719 | 8,383 | 5,678 | 7,153 | 91,627 | (7,273) | 84,354 |
| Net income | 136,807 | 158,052 | 54,824 | 6,637 | 7,177 | 363,497 | (658) | 362,839 |
| Other operating expenses | (74,708) | (60,891) | (10,503) | (9,069) | (3,847) | (159,018) | 1,182 | (157,836) |
| Depreciation and amortisation | (5,999) | (4,097) | (803) | (187) | - | (11,086) | - | (11,086) |
| Operating profit/(loss) | 56,100 | 93,064 | 43,518 | (2,619) | 3,330 | 193,393 | 524 | 193,917 |
| (Allowance for)/write-back of impairment on loans, advances and financing and other receivables | (16,686) | 2,947 | (19) | 21 | (4,400) | (18,137) | - | (18,137) |
| Allowance for impairment on other assets | - | - | - | (1,208) | - | (1,208) | - | (1,208) |
| Segment result | 39,414 | 96,011 | 43,499 | (3,806) | (1,070) | 174,048 | 524 | 174,572 |
| Share of results of associate | | | | | | | | 3 |
| Share of results of joint venture | | | | | | | | 19 |
| Taxation | | | | | | | | (42,493) |
| Net profit for the financial period | | | | | | | | 132,101 |
| Segment assets | 21,882,589 | 16,036,447 | 18,066,190 | 264,666 | 26,114 | 56,276,006 | (2,291,935) | 53,984,071 |
| Reconciliation of segment assets to consolidated assets: | | | | | | | | |
| Investment in associate | | | | | | | | 523 |
| Investment in joint venture | | | | | | | | 585 |
| Property, plant and equipment | | | | | | | | 82,069 |
| Tax recoverable and deferred tax assets | | | | | | | | 33,866 |
| Intangible assets | | | | | | | | 362,774 |
| Total assets | | | | | | | | 54,463,888 |
| Segment Liabilities | 21,434,752 | 20,180,585 | 9,275,103 | 104,383 | 16,301 | 51,011,124 | (1,362,333) | 49,648,791 |
| Provision for taxation and zakat and deferred tax liabilities | | | | | | | | 31,667 |
| Total liabilities | | | | | | | | 49,680,458 |

A33 Capital Adequacy

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

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

| | <u>BANK</u> | | <u>GROUP</u> | |
|--|-----------------|------------------|-----------------|------------------|
| | 30 June 2017 | 31 March 2017 | 30 June 2017 | 31 March 2017 |
| <u>Before deducting proposed dividends</u> | | | | |
| CET I capital ratio | 11.138% | 11.558% | 12.597% | 12.891% |
| Tier I capital ratio | 11.138% | 11.558% | 12.597% | 12.891% |
| Total capital ratio | 15.925% | 16.347% | 17.216% | 17.518% |
| <u>After deducting proposed dividends</u> | | | | |
| CET I capital ratio | 11.138% | 11.136% | 12.597% | 12.548% |
| Tier I capital ratio | 11.138% | 11.136% | 12.597% | 12.548% |
| Total capital ratio | 15.925% | 15.924% | 17.216% | 17.175% |

(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> | |
|--|---------------------------|----------------------------|---------------------------|----------------------------|
| | 30 June 2017 RM'000 | 31 March 2017 RM'000 | 30 June 2017 RM'000 | 31 March 2017 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 | 2,834,839 | 2,115,505 | 3,420,238 | 2,306,158 |
| Statutory reserves | - | 835,401 | - | 1,223,525 |
| Revaluation reserves | 78,319 | 64,916 | 117,345 | 99,268 |
| Capital reserves | - | - | 10,018 | 10,018 |
| | 4,111,192 | 4,213,856 | 4,745,635 | 4,837,003 |
| Less: Regulatory adjustment | | | | |
| - Goodwill and other intangibles | (271,788) | (261,986) | (387,111) | (377,361) |
| - Deferred tax assets | - | (4,088) | (8,020) | (14,033) |
| - 55% of revaluation reserves | (43,075) | (35,704) | (64,540) | (54,597) |
| - Investment in subsidiaries, associate and joint venture | (714,440) | (714,440) | (3,859) | (3,840) |
| Total CET I Capital/Total Tier I Capital | 3,081,889 | 3,197,638 | 4,282,105 | 4,387,172 |
| <u>Tier II Capital</u> | | | | |
| Subordinated obligations | 1,198,818 | 1,198,764 | 1,199,197 | 1,199,178 |
| Collective assessment allowance and regulatory reserves | 304,494 | 304,576 | 371,945 | 376,514 |
| Less: Regulatory adjustment | | | | |
| - Investment in subsidiaries, associate and joint venture | (178,610) | (178,610) | (965) | (960) |
| Total Tier II Capital | 1,324,702 | 1,324,730 | 1,570,177 | 1,574,732 |
| Total Capital | 4,406,591 | 4,522,368 | 5,852,282 | 5,961,904 |

ALLIANCE BANK MALAYSIA BERHAD
(88103-W)
(Incorporated in Malaysia)

A33 Capital Adequacy (Contd.)

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

| | BANK | | GROUP | |
|------------------------------------|------------------------------------|----------------------------|------------------------------------|----------------------------|
| | 30 June 2017 RM'000 | 31 March 2017 RM'000 | 30 June 2017 RM'000 | 31 March 2017 RM'000 |
| Credit risk | 25,171,560 | 25,162,190 | 30,924,160 | 30,958,088 |
| Market risk | 90,001 | 104,490 | 94,184 | 126,042 |
| Operational risk | 2,409,232 | 2,398,898 | 2,974,318 | 2,947,948 |
| Total RWA and capital requirements | 27,670,793 | 27,665,578 | 33,992,662 | 34,032,078 |

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

| | Alliance Islamic Bank Berhad | Alliance Investment Bank Berhad |
|--|---------------------------------------|--|
| 30 June 2017 | | |
| <u>Before deducting proposed dividends</u> | | |
| CET I capital ratio | 13.893% | 81.310% |
| Tier I capital ratio | 13.893% | 81.310% |
| Total capital ratio | 14.919% | 82.021% |
| <u>After deducting proposed dividends</u> | | |
| CET I capital ratio | 13.893% | 81.310% |
| Tier I capital ratio | 13.893% | 81.310% |
| Total capital ratio | 14.919% | 82.021% |
| 31 March 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% |

A34 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.

A34 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> 30 June 2017 | <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 | - | 9,963 | - | 9,963 |
| - Unquoted securities | - | 58,269 | - | 58,269 |
| Financial investments available-for-sale | | | | |
| - Money market instruments | - | 6,010,233 | - | 6,010,233 |
| - Quoted securities in Malaysia | 12 | - | - | 12 |
| - Unquoted securities | - | 2,557,020 | 111,377 | 2,668,397 |
| Derivative financial assets | - | 73,581 | - | 73,581 |
| <u>Liabilities</u> | | | | |
| Derivative financial liabilities | - | 98,587 | - | 98,587 |
| | | | | |
| <u>GROUP</u> 30 June 2017 | <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 | - | 77,824 | - | 77,824 |
| - Unquoted securities | - | 63,304 | - | 63,304 |
| Financial investments available-for-sale | | | | |
| - Money market instruments | - | 6,181,450 | - | 6,181,450 |
| - Quoted securities in Malaysia | 12 | - | - | 12 |
| - Unquoted securities | - | 4,166,151 | 165,279 | 4,331,430 |
| Derivative financial assets | - | 73,581 | - | 73,581 |
| <u>Liabilities</u> | | | | |
| Derivative financial liabilities | - | 98,587 | - | 98,587 |

A34 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> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--|----------------|----------------|----------------|--------------|
| 31 March 2017 | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>Assets</u> | | | | |
| Financial assets held-for-trading | | | | |
| - Money market instruments | - | 110,082 | - | 110,082 |
| - Unquoted securities | - | 149,619 | - | 149,619 |
| Financial investments available-for-sale | | | | |
| - Money market instruments | - | 5,614,307 | - | 5,614,307 |
| - Quoted securities in Malaysia | 15 | - | - | 15 |
| - Unquoted securities | - | 2,373,751 | 111,377 | 2,485,128 |
| Derivative financial assets | - | 86,345 | - | 86,345 |
| <u>Liabilities</u> | | | | |
| Derivative financial liabilities | - | 81,892 | - | 81,892 |

| <u>GROUP</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--|----------------|----------------|----------------|--------------|
| 31 March 2017 | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>Assets</u> | | | | |
| 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 |
| <u>Liabilities</u> | | | | |
| Derivative financial liabilities | - | 81,892 | - | 81,892 |

A34 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> | |
|---|------------------------------------|----------------------------|------------------------------------|----------------------------|
| | 30 June 2017 RM'000 | 31 March 2017 RM'000 | 30 June 2017 RM'000 | 31 March 2017 RM'000 |
| At beginning of financial period/year | 111,377 | 102,657 | 170,239 | 157,333 |
| Disposal | - | - | (4,970) | - |
| Total (losses)/gains recognised in: | | | | |
| - Other comprehensive income | | | | |
| (i) Revaluation reserves | - | 8,720 | 40 | 12,906 |
| - Statement of comprehensive income | | | | |
| (i) Loss arising from sales of financial investments available-for-sales | - | - | (30) | - |
| At end of financial period/year | 111,377 | 111,377 | 165,279 | 170,239 |

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.

A35 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 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 | |
| BANK | | | | | | |
| June 2017 | | | | | | |
| Derivative financial assets | 73,581 | - | 73,581 | (30,841) | 4,630 | 42,740 |
| GROUP | | | | | | |
| June 2017 | | | | | | |
| Derivative financial assets | 73,581 | - | 73,581 | (30,841) | 4,630 | 42,740 |
| Balances due from clients and brokers | 185,799 | (67,149) | 118,650 | - | - | 118,650 |
| Total | 259,380 | (67,149) | 192,231 | (30,841) | 4,630 | 161,390 |
| BANK | | | | | | |
| March 2017 | | | | | | |
| Derivative financial assets | 86,345 | - | 86,345 | (18,681) | - | 67,664 |
| GROUP | | | | | | |
| March 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 |

ALLIANCE BANK MALAYSIA BERHAD
(88103-W)
(Incorporated in Malaysia)

A35 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 | | | | | | |
| June 2017 | | | | | | |
| Derivative financial liabilities | 98,587 | - | 98,587 | (30,841) | (19,628) | 48,118 |
| GROUP | | | | | | |
| June 2017 | | | | | | |
| Derivative financial liabilities | 98,587 | - | 98,587 | (30,841) | (19,628) | 48,118 |
| Balances due to clients and brokers | 152,746 | (67,149) | 85,597 | - | - | 85,597 |
| Total | 251,333 | (67,149) | 184,184 | (30,841) | (19,628) | 133,715 |
| BANK | | | | | | |
| March 2017 | | | | | | |
| Derivative financial liabilities | 81,892 | - | 81,892 | (18,681) | (22,381) | 40,830 |
| GROUP | | | | | | |
| March 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 |

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.

A36 Comparatives

The following comparatives were reclassified to conform with Bank Negara Malaysia's Classification and Regulatory Treatment for Structured Products under the Financial Services Act 2013 and Islamic Financial Services Act 2013 presentation. This does not have any impact on the financial results and earnings per share of the comparative financial year.

| <u>Unaudited Statements of Financial Position as at</u> <u>31 March 2017</u> | As previously stated RM'000 | Restatement RM'000 | As restated RM'000 |
|---|-----------------------------------|-----------------------|--------------------------|
| BANK | | | |
| Deposits from customers | 36,895,217 | (782,716) | 36,112,501 |
| Financial liabilities designated at fair value | - | 402,734 | 402,734 |
| Other liabilities | 821,624 | 379,982 | 1,201,606 |
| GROUP | | | |
| Deposits from customers | 45,330,615 | (782,716) | 44,547,899 |
| Financial liabilities designated at fair value | - | 402,734 | 402,734 |
| Other liabilities | 965,906 | 379,982 | 1,345,888 |

PART B - Review of Performance & Current Year Prospect

B1 Review of Performance

For 3 months ended 30 June 2017, the Group's net profit after taxation was RM134.9 million, an increase of RM2.8 million or 2.1% compared to corresponding period last year primarily due to increase in revenue.

Revenue grew by RM22.9 million or 6.3%, primarily from higher net interest income inclusive Islamic Banking Income which increased by RM16.0 million or 5.8% due to expansion of total gross loans and investments portfolios. Net Interest Margin recorded at 232bps.

Other operating income improved by RM6.8 million or 8.1% mainly from higher brokerage fees, commission income and treasury income.

Operating expenses increased by RM7.6 million or 4.5% on higher personnel costs and administration expenses. Cost to income ratio stood at 45.8%.

Gross impaired loans ratio increased moderately to 1.1%. While loan loss coverage stood at 122.1%, reflecting a healthy book.

The Current Account/Savings Account ratio improved to 35.3% from 34.7% last year. Loans-to-deposits ratio stood at 88.0%, while loan-to-fund ratio stood at 84.1%.

The Group's total capital ratio stood healthy at 17.2%, with a Common Equity Tier 1 Capital ratio of 12.6% as at 30 June 2017.

Performance by business segment:

The Group's businesses are presented in the following business segments: Consumer Banking, Business Banking, Financial Markets and Stockbroking and Corporate Advisory Services. Please refer to Note A32 on Segment Information for the composition of each business segment.

Consumer Banking profit before tax was at RM37.2 million where the operating profit was higher by RM2.0 million or 3.5% mainly due to increased in the revenue RM4.1 million or 3.0% compared to last corresponding period. Allowance for loans, advances and financing was higher by RM4.1 million. Segment asset was RM0.7 billion or 3.2% lower, while liabilities registered growth of RM2.9 billion or 13.5% higher.

Business Banking profit before tax stood at RM86.0 million where the operating profit was higher by RM1.9 million or 2.1% mainly due to increased in the revenue RM4.6 million or 2.9% compared to last corresponding period. Allowance for loans, advances and financing was higher by RM12.0 million. Segment asset and liabilities registered growth of RM1.0 billion or 6.4% and RM1.3 billion or 6.3%.

Financial Markets profit before tax was RM12.1 million or 27.8% higher compared to last corresponding period mainly due to higher net interest income and higher other operating income.

Stockbroking and Corporate Advisory Services improved RM4.1 million compared to last corresponding period mainly due to higher brokerage income.

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

B2 Current Year Prospect

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 strategic intent is to be the most important relationship for the financial success of business owners, through our vision of 'Building Alliances to Improve Lives'.

This year, we have launched a number of new and differentiated value propositions and will continue to scale them up 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 Bank that provides innovative solutions that are fast, simple, and responsive and 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 current financial year to be somewhat impacted.