

ALLIANCE FINANCIAL GROUP BERHAD

(Company Number : 6627-X)

(Incorporated in Malaysia)

CONDENSED FINANCIAL STATEMENTS

UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2016

	Note	Group		Company	
		30 September 2016 RM'000	31 March 2016 RM'000	30 September 2016 RM'000	31 March 2016 RM'000
ASSETS					
Cash and short-term funds		4,392,579	4,943,700	63,084	56,837
Deposits and placements with banks and other financial institutions		-	195,865	-	-
Balances due from clients and brokers	A13	124,007	104,659	-	-
Financial assets held-for-trading	A14	296,903	132,229	-	-
Financial investments available-for-sale	A15	8,027,625	8,565,696	-	-
Financial investments held-to-maturity	A16	1,132,071	1,129,307	-	-
Derivative financial assets	B10	66,782	133,651	-	-
Loans, advances and financing	A17	38,774,606	38,410,724	-	-
Other assets	A18	114,274	102,690	758	905
Tax recoverable		12,591	36,492	-	-
Statutory deposits		1,407,326	1,410,928	-	-
Investment in subsidiaries		-	-	1,779,710	1,781,579
Investment in joint venture		735	731	131	165
Property, plant and equipment		77,972	86,750	227	323
Deferred tax assets		8,771	10,639	223	435
Intangible assets		366,104	362,982	-	-
TOTAL ASSETS		54,802,346	55,627,043	1,844,133	1,840,244
LIABILITIES AND EQUITY					
Deposits from customers	B9(a), A19	46,230,088	46,024,939	-	-
Deposits and placements of banks and other financial institutions	B9(b), A20	1,003,107	1,157,250	-	-
Balances due to clients and brokers	A21	96,332	77,246	-	-
Derivative financial liabilities	B10	117,333	279,541	-	-
Amount due to Cagamas Berhad		502,736	502,725	-	-
Other liabilities	A22	513,537	882,054	1,593	2,623
Provision for taxation		2,614	322	424	271
Provision for zakat		96	123	-	-
Deferred tax liabilities		39,508	15,617	-	-
Other borrowings	B9(c)	5,071	5,071	-	-
Subordinated obligations	B9(d)	1,226,123	1,840,147	-	-
TOTAL LIABILITIES		49,736,545	50,785,035	2,017	2,894
Share capital		1,548,106	1,548,106	1,548,106	1,548,106
Reserves		3,592,669	3,373,799	368,984	369,141
Shares held for Employees' Share Scheme		(74,974)	(79,897)	(74,974)	(79,897)
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE ENTITY		5,065,801	4,842,008	1,842,116	1,837,350
TOTAL LIABILITIES AND EQUITY		54,802,346	55,627,043	1,844,133	1,840,244
COMMITMENTS AND CONTINGENCIES	A30	22,632,954	21,832,427	-	-
Net assets per share attributable to owners of the entity (RM)*		3.27	3.13	1.19	1.19

* The net assets per share attributable to owners of the entity is computed as total capital and reserves attributable to the owners of the entity divided by total number of ordinary shares in circulation.

(The Condensed Statements of Financial Position should be read in conjunction with the audited Annual Financial Statements for the financial year ended 31 March 2016)

ALLIANCE FINANCIAL GROUP BERHAD

(Company Number : 6627-X)

(Incorporated in Malaysia)

CONDENSED FINANCIAL STATEMENTS UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 2016

Group	Note	2nd Quarter Ended		Six Months Ended	
		30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Interest income	A23	463,544	471,314	938,485	935,079
Interest expense	A24	(259,311)	(258,191)	(522,139)	(514,190)
Net interest income		204,233	213,123	416,346	420,889
Net income from Islamic banking business	A25	78,454	61,052	145,789	119,604
		282,687	274,175	562,135	540,493
Fee and commission income		73,626	70,317	147,815	140,753
Fee and commission expense		(22,743)	(26,787)	(47,546)	(54,576)
Investment income		30,425	36,060	66,180	60,324
Other income		(4,278)	12,142	(5,053)	23,260
Other operating income	A26	77,030	91,732	161,396	169,761
Net income		359,717	365,907	723,531	710,254
Other operating expenses	A27	(167,340)	(166,029)	(336,416)	(333,379)
Operating profit before allowance		192,377	199,878	387,115	376,875
Allowance for losses on loans, advances and financing and other receivables	A28	(16,807)	(19,262)	(34,944)	(36,376)
(Allowance for)/write-back of impairment		-	-	(1,208)	676
Operating profit after allowance		175,570	180,616	350,963	341,175
Share of profit of equity-accounted joint venture, net of tax		19	17	38	120
Profit before taxation		175,589	180,633	351,001	341,295
Taxation	B5	(43,010)	(45,971)	(85,948)	(84,703)
Net profit for the financial period		132,579	134,662	265,053	256,592
Other comprehensive income/(expense):					
Items that may be reclassified subsequently to profit or loss:					
Revaluation reserve on financial investments available-for-sale					
- Net gain/(loss) from change in fair value		53,992	(59,158)	75,721	(60,123)
- Realised (gain)/loss transferred to statement of income on disposal and impairment		(2,563)	282	(3,412)	(1,036)
- Transfer (to)/from deferred tax		(12,343)	14,130	(17,354)	14,678
Other comprehensive income/(expense), net of tax		39,086	(44,746)	54,955	(46,481)
Total comprehensive income for the financial period		171,665	89,916	320,008	210,111
Net profit for the financial period attributable to: owners of the entity		132,579	134,662	265,053	256,592
Total comprehensive income attributable to: owners of the entity		171,665	89,916	320,008	210,111
Earnings per share attributable to owners of the entity:					
- Basic (sen)	B14(a)	8.7	8.8	17.4	16.8
- Diluted (sen)	B14(b)	8.7	8.8	17.3	16.8

(The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the audited Annual Financial Statements for the financial year ended 31 March 2016)

ALLIANCE FINANCIAL GROUP BERHAD

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CONDENSED FINANCIAL STATEMENTS UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 2016

Company	Note	2nd Quarter Ended		Six Months Ended	
		30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Interest income	A23	488	401	1,059	1,098
Other operating income	A26	676	649	102,132	68,716
		1,164	1,050	103,191	69,814
Other operating expenses	A27	(688)	(740)	(1,444)	(1,556)
Profit before taxation		476	310	101,747	68,258
Taxation	B5	(415)	(312)	(766)	(506)
Net profit/(loss) for the financial period		61	(2)	100,981	67,752

(The Condensed Statement of Comprehensive Income should be read in conjunction with the audited Annual Financial Statements for the financial year ended 31 March 2016)

ALLIANCE FINANCIAL GROUP BERHAD

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CONDENSED FINANCIAL STATEMENTS UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 2016

Group	← Attributable to Owners of the Parent →									
	Share Capital RM'000	Share Premium RM'000	Statutory Reserves RM'000	Capital Reserves RM'000	Revaluation Reserves RM'000	Regulatory Reserves RM'000	Employees' Share Scheme ("ESS") Reserves RM'000	Shares held for ESS RM'000	Retained Profits RM'000	Total Equity RM'000
30 September 2016										
At 1 April 2016	1,548,106	304,289	957,981	7,013	114,786	157,174	11,516	(79,897)	1,821,040	4,842,008
Net profit for the financial period	-	-	-	-	-	-	-	-	265,053	265,053
Other comprehensive income	-	-	-	-	54,955	-	-	-	-	54,955
Total comprehensive income for the financial period	-	-	-	-	54,955	-	-	-	265,053	320,008
Transfer to reserves	-	-	11,789	-	-	8,917	-	-	(20,706)	-
Share-based payment under ESS	-	-	-	-	-	-	1,705	-	-	1,705
Dividends paid to shareholders	-	-	-	-	-	-	-	-	(99,155)	(99,155)
ESS shares grant vested to:										
- employees of subsidiaries	-	-	-	-	-	-	(3,384)	3,384	-	-
- employees of joint venture	-	-	-	-	-	-	(92)	92	-	-
- own employees	-	-	-	-	-	-	(128)	128	-	-
ESS shares option exercised by:										
- employees of subsidiaries	-	-	-	-	-	-	(84)	84	-	-
Proceeds from share option exercised	-	-	-	-	-	-	-	1,235	-	1,235
Transfer of ESS shares purchase price difference on shares vested	-	-	-	-	-	-	(1,070)	-	1,070	-
At 30 September 2016	1,548,106	304,289	969,770	7,013	169,741	166,091	8,463	(74,974)	1,967,302	5,065,801
30 September 2015										
At 1 April 2015	1,548,106	304,289	827,627	7,013	78,232	-	11,944	(86,721)	1,804,615	4,495,105
Net profit for the financial period	-	-	-	-	-	-	-	-	256,592	256,592
Other comprehensive expense	-	-	-	-	(46,481)	-	-	-	-	(46,481)
Total comprehensive (expense)/income for the financial period	-	-	-	-	(46,481)	-	-	-	256,592	210,111
Transfer to reserves	-	-	64,318	-	-	-	-	-	(64,318)	-
Share-based payment under ESS	-	-	-	-	-	-	3,949	-	-	3,949
Transfer to retained profits on share lapsed:										
- employees of subsidiaries	-	-	-	-	-	-	(12)	-	12	-
Dividends paid to shareholders	-	-	-	-	-	-	-	-	(97,503)	(97,503)
ESS shares grant vested to:										
- employees of subsidiaries	-	-	-	-	-	-	(4,337)	4,337	-	-
- employees of joint venture	-	-	-	-	-	-	(87)	87	-	-
- own employees	-	-	-	-	-	-	(152)	152	-	-
ESS shares option exercised by:										
- employees of subsidiaries	-	-	-	-	-	-	(87)	87	-	-
Proceeds from share option exercised	-	-	-	-	-	-	-	1,041	-	1,041
Transfer of ESS shares purchase price difference on shares vested	-	-	-	-	-	-	(1,172)	-	1,172	-
At 30 September 2015	1,548,106	304,289	891,945	7,013	31,751	-	10,046	(81,017)	1,900,570	4,612,703

(The Condensed Consolidated Statements of Changes In Equity should be read in conjunction with the audited Annual Financial Statements for the financial year ended 31 March 2016)

ALLIANCE FINANCIAL GROUP BERHAD

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CONDENSED FINANCIAL STATEMENTS UNAUDITED STATEMENT OF CHANGES IN EQUITY FOR THE SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 2016

		← Non-Distributable	→	<Distributable>		
Company	Share Capital	Share Premium	Employees' Share Scheme ("ESS") Reserves	Shares held for ESS	Retained Profits	Total Equity
30 September 2016	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 April 2016	1,548,106	304,289	11,516	(79,897)	53,336	1,837,350
Net profit for the financial period	-	-	-	-	100,981	100,981
Share-based payment under ESS	-	-	1,705	-	-	1,705
Dividends paid to shareholders	-	-	-	-	(99,155)	(99,155)
ESS shares grant vested to:						
- employees of subsidiaries	-	-	(3,384)	3,384	-	-
- employees of joint venture	-	-	(92)	92	-	-
- own employees	-	-	(128)	128	-	-
ESS shares option exercised by:						
- employees of subsidiaries	-	-	(84)	84	-	-
Proceeds from share option exercised	-	-	-	1,235	-	1,235
Transfer of ESS shares purchase price difference on shares vested	-	-	(1,070)	-	1,070	-
At 30 September 2016	1,548,106	304,289	8,463	(74,974)	56,232	1,842,116
30 September 2015						
At 1 April 2015	1,548,106	304,289	11,944	(86,721)	78,150	1,855,768
Net profit for the financial period	-	-	-	-	67,752	67,752
Share-based payment under ESS	-	-	3,949	-	-	3,949
Transfer to retained profits on share lapsed:						
- employees of subsidiaries	-	-	(12)	-	-	(12)
Dividends paid to shareholders	-	-	-	-	(97,503)	(97,503)
ESS recharge amount received from:						
- employees of subsidiaries	-	-	-	4,337	-	4,337
- employees of joint venture	-	-	-	87	-	87
ESS shares grant vested to:						
- employees of subsidiaries	-	-	(4,337)	-	-	(4,337)
- employees of joint venture	-	-	(87)	-	-	(87)
- own employees	-	-	(152)	152	-	-
ESS shares option exercised by:						
- employees of subsidiaries	-	-	(87)	87	-	-
Proceeds from share option exercised	-	-	-	1,041	-	1,041
Transfer of ESS shares purchase price difference on shares vested	-	-	(1,172)	-	1,172	-
At 30 September 2015	1,548,106	304,289	10,046	(81,017)	49,571	1,830,995

(The Condensed Statement of Changes In Equity should be read in conjunction with the audited Annual Financial Statements for the financial year ended 31 March 2016)

ALLIANCE FINANCIAL GROUP BERHAD

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CONDENSED FINANCIAL STATEMENTS UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 2016

Group	30 September 2016 RM'000	30 September 2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	351,001	341,295
Adjustments for:		
Accretion of discount less amortisation of premium of financial investments	(37,483)	(32,652)
Allowance for losses on loans, advances and financing	40,144	43,674
Allowance for other receivables	1,599	2,267
Amortisation of computer software	11,093	10,575
Computer software written off	56	-
Depreciation of property, plant and equipment	10,892	11,511
Deferral cash awards under long term incentive	2,043	-
Dividends from financial investments available-for-sale	(2,855)	(2,761)
Interest expense on subordinated obligations	35,013	14,786
Interest expense on other borrowings	119	-
Interest expense on loan sold to Cagamas	10,900	-
Interest income from financial investments held-to-maturity	(13,348)	(13,416)
Interest income from financial investments available-for-sale	(117,390)	(149,958)
Interest income from financial assets held-for-trading	(3,158)	(1,708)
Allowance for impairment	1,208	-
Loss on disposal of property, plant and equipment	347	12
Net (gain)/loss from sale of financial assets held-for-trading	(2,007)	1,466
Net gain from sale of financial investments available-for-sale	(2,967)	(1,036)
Net write-back of financial investments held-to-maturity	-	(469)
Net write-back of financial investments available-for-sale	-	(207)
Property, plant and equipment written off	69	28
Share options/grants under ESS	1,648	3,891
Share of results of joint venture	(38)	(120)
Unrealised loss/(gain) on revaluation of financial assets held-for-trading	638	422
Unrealised gain on revaluation of derivative financial instruments	(91,438)	(31,555)
Unrealised loss/(gain) arising from financial liabilities designated at fair value	2,513	(22,230)
Zakat	1	2
Operating profit before working capital changes	198,600	173,817
Changes in working capital:		
Amount due to Cagamas Berhad	11	(515)
Balances due (from)/to clients and brokers	(262)	5,523
Bills and acceptances payable	-	(801,578)
Deposits and placements of banks and other financial institutions	(154,143)	1,040,855
Deposits and placements with banks and other financial institutions	195,865	249,187
Deposits from customers	198,735	(519,677)
Financial assets held-for-trading	(163,011)	(97,259)
Loans, advances and financing	(404,026)	(1,084,650)
Other receivables	(13,178)	(52,892)
Other liabilities	(370,521)	(53,942)
Statutory deposits	3,602	(36,995)
Cash used in operations	(508,328)	(1,178,126)
Taxes paid	(51,354)	(95,922)
Zakat paid	(26)	(57)
Net cash used in operating activities	(559,708)	(1,274,105)

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CONDENSED FINANCIAL STATEMENTS UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 2016 (contd.)

Group	30 September 2016 RM'000	30 September 2015 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received from financial investments available-for-sale	2,855	2,761
ESS recharge amount received from joint venture for share grants	-	-
Interest received from financial investments held-to-maturity	13,385	13,416
Interest received from financial investments available-for-sale	114,227	149,958
Interest received from financial assets held-for-trading	3,158	1,708
Purchase of computer software	(15,478)	(13,577)
Purchase of property, plant and equipment	(2,806)	(6,567)
Proceeds from disposal of property, plant and equipment	269	62
Proceeds from disposal of financial investments held-to-maturity (net of purchase)	35,775	225,239
Proceeds from redemption/disposal of financial investments available-for-sale (net of purchase)	615,125	(147,164)
Net cash generated from investing activities	766,510	225,836
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to shareholders of the company	(99,155)	(97,503)
Interest paid on other borrowings	(119)	-
Interest paid on loan sold to Cagamas	(10,900)	-
Interest paid on subordinated obligations	(49,037)	(14,420)
Payment for deferral cash awards	(39)	-
Proceeds from ESS exercised by employees/joint venture	1,327	1,128
Redemption on subordinated notes	(600,000)	-
Net cash used in financing activities	(757,923)	(110,795)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(551,121)	(1,159,064)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	4,943,700	2,696,183
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	4,392,579	1,537,119
Cash and cash equivalents comprise the following:		
Cash and short-term funds	4,392,579	1,537,119

(The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the audited Annual Financial Statements for the financial year ended 31 March 2016)

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CONDENSED FINANCIAL STATEMENTS UNAUDITED STATEMENT OF CASH FLOWS FOR THE SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 2016

Company	30 September 2016 RM'000	30 September 2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	101,747	68,258
Adjustments for:		
Depreciation of property, plant and equipment	97	25
Deferral cash awards under long term incentive	40	-
Gross dividend income from a subsidiary	(100,839)	(67,386)
Interest income from money at call and deposit placements with financial institutions	(1,059)	(1,098)
Share options/grants under ESS	80	131
Operating profit/(loss) before working capital changes	66	(70)
Changes in working capital:		
Payables	(1,045)	(402)
Receivables	81	(115)
Cash used in operations	(898)	(587)
Taxes paid	(401)	(473)
Net cash used in operating activities	(1,299)	(1,060)
CASH FLOWS FROM INVESTING ACTIVITIES		
Amount due from joint venture	1	(24)
Amount due from subsidiaries	63	(764)
ESS recharge amount received from joint venture for share grants	92	87
ESS recharge amount received from subsidiaries for share options	84	87
ESS recharge amount received from subsidiaries for share grants	3,384	4,337
Dividends received	100,839	67,386
Interest received from deposits and placements with banks and other financial institutions	1,059	1,098
Net cash generated from investing activities	105,522	72,207
CASH FLOWS FROM FINANCING ACTIVITIES		
Amount due to subsidiaries	(56)	630
Dividends paid	(99,155)	(97,503)
Proceeds from share option exercised	1,235	1,041
Net cash used in financing activities	(97,976)	(95,832)
NET CHANGE IN CASH AND CASH EQUIVALENTS	6,247	(24,685)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	56,837	75,357
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	63,084	50,672
Cash and cash equivalents comprise the following:		
Cash and short-term funds	63,084	50,672

(The Condensed Statement of Cash Flows should be read in conjunction with the audited Annual Financial Statements for the financial year ended 31 March 2016)

[A] Explanatory Notes Pursuant To Malaysian Financial Reporting Standard ("MFRS") 134: Interim Financial Reporting

A1. Basis Of Preparation

The unaudited condensed interim financial statements for the second financial quarter ended 30 September 2016 have been prepared under the historical cost convention, as modified by the available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit and loss.

The unaudited condensed interim financial statements have been prepared in accordance with MFRS 134 "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board ("MASB"), IAS 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB") and Appendix 9B of the Bursa Malaysia Securities Berhad's ("Bursa Securities") Listing Requirements.

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

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

- Amendments to MFRS 11 "Joint Arrangements"
- Amendments to MFRS 116 "Property, Plant and Equipment" and MFRS 138 "Intangible Assets"
- Amendments to MFRS 127 "Equity Method in Separate Financial Statements"
- Amendments to MFRS 10, 12 & 128 "Investment entities - Applying the Consolidation Exception"
- Amendments to MFRS 101 "Presentation of financial statements - Disclosure Initiative"
- Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRSs 2012 - 2014 Cycle"
 - MFRS 5 "Non-current Assets Held for Sale and Discontinued Operations"
 - MFRS 7 "Financial Instruments: Disclosures"
 - MFRS 119 "Employee Benefits"
 - MFRS 134 "Interim Financial Reporting"

The adoption of the above amendments to MFRSs and annual improvements to MFRSs do not have any material impact on financial statements of the Group and the Company.

A1. Basis Of Preparation (contd.)

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

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

The preparation of unaudited condensed interim financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the 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 Group's and the Company's accounting policies. Although these estimates and judgements are based on the Directors' best knowledge of current events and actions, actual results may differ.

A2. Declaration Of Audit Confirmation

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

A3. Seasonal And Cyclical Factors

The operations of the Group and the Company were not materially affected by any seasonal or cyclical fluctuations during the second financial quarter ended 30 September 2016.

A4. Nature And Amount Of Items Affecting Assets, Liabilities, Equity, Net Income Or Cash Flows That Are Unusual Because Of Their Nature, Size Or Incidence

The assets, liabilities, equity, net income and cash flows of the Group and the Company in the second financial quarter ended 30 September 2016 were not substantially affected by any item of a material and unusual nature.

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 second financial quarter ended 30 September 2016.

A6. Changes In Debt And Equity Securities

There were no issuance or repayment of debts and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for second financial quarter ended 30 September 2016, other than disclosed on Note B9(d).

A7. Dividends Paid

A second single tier interim dividend of 6.5 sen per share, in respect of the financial year ended 31 March 2016, on 1,548,105,929 ordinary shares amounting to RM100,627,000 was paid on 30 June 2016.

Dividends paid on the shares held in Trust pursuant to the Company's ESS which are classified as shares held for ESS are not accounted for in the total equity. An amount of RM1,472,000 being dividends paid for those shares were added back to the appropriation of retained profits in respect of the second interim dividend.

A8. 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 customer including family-owned businesses. Business Banking provides a wide range of products and services including loans, trade finance, cash management, treasury and structured solutions.

(iii) Financial Markets

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

(iv) Investment Banking

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

(v) Others

Others refer to mainly other business operations such as unit trust, asset management, alternative distribution channels, trustee services and holding company operations.

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A8. Segment Information (contd.)

Group 2nd Financial Quarter Ended 30 September 2016	Consumer Banking RM'000	Business Banking RM'000	Financial Markets RM'000	Investment Banking RM'000	Others RM'000	Total Operations RM'000	Inter- segment Elimination RM'000	Total RM'000
Net interest income/(expense)								
- external income	111,791	77,518	19,459	2,757	2,899	214,424	(10,191)	204,233
- inter-segment	(30,606)	20,959	11,223	(1,576)	-	-	-	-
	81,185	98,477	30,682	1,181	2,899	214,424	(10,191)	204,233
Net income from Islamic banking business	27,691	22,577	12,908	-	-	63,176	15,278	78,454
Other operating income	27,872	38,656	184	8,562	6,756	82,030	(5,000)	77,030
Net income	136,748	159,710	43,774	9,743	9,655	359,630	87	359,717
Other operating expenses	(72,557)	(63,019)	(10,153)	(8,858)	(3,273)	(157,860)	1,408	(156,452)
Depreciation and amortisation	(5,753)	(4,030)	(805)	(214)	(86)	(10,888)	-	(10,888)
Operating profit	58,438	92,661	32,816	671	6,296	190,882	1,495	192,377
(Allowance for)/write-back of impairment losses on loans, advances and financing and other receivables	(16,579)	(4,622)	20	(26)	4,400	(16,807)	-	(16,807)
Segment result	41,859	88,039	32,836	645	10,696	174,075	1,495	175,570
Share of profit of equity-accounted joint venture, net of tax								19
Taxation								(43,010)
Net profit for the financial period								132,579
Segment assets	21,668,383	16,843,623	17,577,821	358,063	1,918,616	58,366,506	(4,030,333)	54,336,173
Reconciliation of segment assets to consolidated assets:								
Investment in joint venture								735
Property, plant and equipment								77,972
Unallocated assets								21,362
Intangible assets								366,104
Total assets								54,802,346
Segment liabilities	21,426,683	21,848,117	7,613,264	120,310	12,336	51,020,710	(1,326,383)	49,694,327
Unallocated liabilities								42,218
Total liabilities								49,736,545

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A8. Segment Information (contd.)

Group	Consumer Banking	Business Banking	Financial Markets	Investment Banking	Others	Total Operations	Inter-segment Elimination	Total
Six months ended 30 September 2016	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net interest income/(expense)								
- external income	222,705	157,563	37,756	5,227	3,886	427,137	(10,791)	416,346
- inter-segment	(61,073)	37,574	26,586	(3,087)	-	-	-	-
	161,632	195,137	64,342	2,140	3,886	427,137	(10,791)	416,346
Net income from Islamic banking business	55,357	42,250	25,689	-	-	123,296	22,493	145,789
Other operating income	56,566	80,375	8,567	14,240	13,922	173,670	(12,274)	161,396
Net income	273,555	317,762	98,598	16,380	17,808	724,103	(572)	723,531
Other operating expenses	(147,265)	(123,910)	(20,656)	(17,927)	(7,869)	(317,627)	3,196	(314,431)
Depreciation and amortisation	(11,752)	(8,127)	(1,608)	(401)	(97)	(21,985)	-	(21,985)
Operating profit	114,538	185,725	76,334	(1,948)	9,842	384,491	2,624	387,115
(Allowance for)/write-back of impairment losses on loans, advances and financing and other receivables	(33,265)	(1,675)	1	(5)	-	(34,944)	-	(34,944)
Allowance for impairment	-	-	-	(1,208)	-	(1,208)	-	(1,208)
Segment result	81,273	184,050	76,335	(3,161)	9,842	348,339	2,624	350,963
Share of profit of equity-accounted, net of tax joint venture								38
Taxation								(85,948)
Net profit for the financial period								265,053
Segment assets	21,668,383	16,843,623	17,577,821	358,063	1,918,616	58,366,506	(4,030,333)	54,336,173
Reconciliation of segment assets to consolidated assets:								
Investment in joint venture								735
Property, plant and equipment								77,972
Unallocated assets								21,362
Intangible assets								366,104
Total assets								54,802,346
Segment liabilities	21,426,683	21,848,117	7,613,264	120,310	12,336	51,020,710	(1,326,383)	49,694,327
Unallocated liabilities								42,218
Total liabilities								49,736,545

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A8. Segment Information (contd.)

Group 2nd Financial Quarter Ended 30 September 2015	Consumer Banking RM'000	Business Banking RM'000	Financial Markets RM'000	Investment Banking RM'000	Others RM'000	Total Operations RM'000	Inter- segment Elimination RM'000	Total RM'000
Net interest income/(expense)								
- external income	109,076	81,861	19,798	976	810	212,521	602	213,123
- inter-segment	(34,694)	14,277	21,268	(851)	-	-	-	-
	74,382	96,138	41,066	125	810	212,521	602	213,123
Net income from Islamic banking business	21,588	19,206	13,315	-	-	54,109	6,943	61,052
Other operating income	26,005	39,270	21,949	4,852	5,804	97,880	(6,148)	91,732
Net income	121,975	154,614	76,330	4,977	6,614	364,510	1,397	365,907
Other operating expenses	(72,461)	(57,449)	(13,477)	(8,738)	(4,417)	(156,542)	1,601	(154,941)
Depreciation and amortisation	(5,975)	(4,021)	(930)	(150)	(12)	(11,088)	-	(11,088)
Operating profit	43,539	93,144	61,923	(3,911)	2,185	196,880	2,998	199,878
(Allowance for)/write-back of impairment losses on loans, advances and financing and other receivables	(6,212)	(12,804)	(247)	1	-	(19,262)	-	(19,262)
Segment result	37,327	80,340	61,676	(3,910)	2,185	177,618	2,998	180,616
Share of profit of equity-accounted joint venture, net of tax								17
Taxation								(45,971)
Net profit for the financial period								134,662
Segment assets	22,131,547	15,328,500	16,688,278	147,475	1,900,455	56,196,255	(3,709,643)	52,486,612
Reconciliation of segment assets to consolidated assets:								
Investment in joint venture								619
Property, plant and equipment								92,664
Unallocated assets								59,795
Intangible assets								362,937
Total assets								53,002,627
Segment liabilities	20,939,320	18,448,376	10,004,883	77,873	15,372	49,485,824	(1,105,694)	48,380,130
Unallocated liabilities								9,794
Total liabilities								48,389,924

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A8. Segment Information (contd.)

Group	Consumer Banking	Business Banking	Financial Markets	Investment Banking	Others	Total Operations	Inter-segment Elimination	Total
Six months ended 30 September 2015	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net interest income/(expense)								
- external income	210,876	161,406	49,243	2,261	1,912	425,698	(4,809)	420,889
- inter-segment	(54,262)	30,491	25,618	(1,847)	-	-	-	-
	156,614	191,897	74,861	414	1,912	425,698	(4,809)	420,889
Net income from Islamic banking business	44,757	36,475	24,568	-	-	105,800	13,804	119,604
Other operating income	52,823	74,683	31,572	11,105	11,138	181,321	(11,560)	169,761
Net income	254,194	303,055	131,001	11,519	13,050	712,819	(2,565)	710,254
Other operating expenses	(145,148)	(114,099)	(27,721)	(18,795)	(9,418)	(315,181)	3,888	(311,293)
Depreciation and amortisation	(11,856)	(8,038)	(1,877)	(290)	(25)	(22,086)	-	(22,086)
Operating profit	97,190	180,918	101,403	(7,566)	3,607	375,552	1,323	376,875
(Allowance for)/write-back of impairment losses on loans, advances and financing and other receivables	(20,935)	(15,458)	(5)	22	-	(36,376)	-	(36,376)
Write-back of impairment on securities	-	3	673	-	-	676	-	676
Segment result	76,255	165,463	102,071	(7,544)	3,607	339,852	1,323	341,175
Share of profit of equity-accounted, net of tax joint venture								120
Taxation								(84,703)
Net profit for the financial period								256,592
Segment assets	22,131,547	15,328,500	16,688,278	147,475	1,900,455	56,196,255	(3,709,643)	52,486,612
Reconciliation of segment assets to consolidated assets:								
Investment in joint venture								619
Property, plant and equipment								92,664
Unallocated assets								59,795
Intangible assets								362,937
Total assets								53,002,627
Segment liabilities	20,939,320	18,448,376	10,004,883	77,873	15,372	49,485,824	(1,105,694)	48,380,130
Unallocated liabilities								9,794
Total liabilities								48,389,924

A9. Material Event During The Financial Reporting Period

Shares Purchased pursuant to ESS

During the six months ended 30 September 2016, the Trustee of the ESS had not purchased any shares in the Company from the open market.

In the six months ended 30 September 2016, 1,409,500 shares have been vested and transferred from the Trustee to the eligible employees of the Company and its subsidiaries in accordance with the terms under the Share Grant Plan and Share Option Plan of the ESS. As at 30 September 2016, the Trustee of the ESS held 21,517,000 ordinary shares representing 1.39% of the issued and paid-up capital of the Company.

A10. Material Events Subsequent To The End Of The Financial Reporting Period

There was no material event subsequent to the end of the financial reporting period that require disclosure or adjustment to the unaudited condensed interim financial statements other than the Status of Corporate Proposals disclosed in Note B8.

A11. Changes In The Composition Of The Group

There was no change in the composition of the Group during the second financial quarter ended 30 September 2016.

A12. Changes In Contingent Liabilities Since The Last Annual Financial Reporting Date

Please refer to Note A30.

A13. Balances Due From Clients And Brokers

	Group	
	30 September 2016 RM'000	31 March 2016 RM'000
Due from clients	124,844	97,680
Due from brokers	-	7,816
	124,844	105,496
Less: Allowance for other losses	(837)	(837)
	124,007	104,659

These represent amounts receivable by Alliance Investment Bank Berhad ("AIBB") from non-margin clients and outstanding contracts entered into on behalf of clients where settlement via the Bursa Malaysia Securities Clearing Sdn. Bhd. has yet to be made.

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

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

	Group	
	30 September 2016 RM'000	31 March 2016 RM'000
Classified as doubtful	51	52
Classified as bad	862	848
	913	900

The movements in allowance for other losses are as follows:

	Group	
	30 September 2016 RM'000	31 March 2016 RM'000
At beginning of financial year	837	840
Write-back during the financial period/year (net)	-	(3)
At end of financial period/year	837	837

A14. Financial Assets Held-for-trading

	Group	
	30 September 2016 RM'000	31 March 2016 RM'000
At fair value		
<u>Money market instruments</u>		
Malaysian Government investment certificates	21,011	40,441
Commercial papers	20,984	-
<u>Unquoted securities</u>		
Medium term notes	254,908	91,788
	296,903	132,229

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A15. Financial Investments Available-for-sale

	Group	
	30 September 2016 RM'000	31 March 2016 RM'000
At fair value		
<u>Money market instruments</u>		
Malaysian Government securities	1,262,033	1,277,948
Malaysian Government investment certificates	1,744,029	2,338,432
Negotiable instruments of deposits	795,392	1,684,516
Commercial papers	68,640	-
Khazanah bonds	206,672	202,673
	4,076,766	5,503,569
<u>Quoted securities in Malaysia</u>		
Shares	23	26
Accumulated impairment	(11)	(11)
	12	15
<u>Unquoted securities</u>		
Shares	166,719	153,781
Accumulated impairment	(1,440)	(1,440)
	165,279	152,341
Unit Trust Funds	4,988	4,992
	4,988	4,992
Debt securities and medium term notes	4,012,491	3,136,690
Accumulated impairment	(231,911)	(231,911)
	3,780,580	2,904,779
	3,950,847	3,062,112
	8,027,625	8,565,696

A16. Financial Investments Held-to-maturity

	Group	
	30 September 2016 RM'000	31 March 2016 RM'000
At amortised cost		
<u>Money market instruments</u>		
Malaysian Government securities	700,081	700,570
Malaysian Government investment certificates	233,218	233,390
Khazanah bonds	194,027	190,602
	1,127,326	1,124,562
At cost		
<u>Unquoted securities</u>		
Debt securities	18,938	18,938
Accumulated impairment	(14,193)	(14,193)
	4,745	4,745
	1,132,071	1,129,307

A17. Loans, Advances And Financing

	Group	
	30 September 2016 RM'000	31 March 2016 RM'000
Overdrafts	2,722,848	2,641,243
Term loans/financing		
- Housing loans/financing	14,694,410	14,842,860
- Syndicated term loans/financing	231,248	261,668
- Hire purchase receivables/financing	1,314,049	1,351,475
- Other term loans/financing	13,502,218	13,039,019
Bills receivables/financing	484,647	306,143
Trust receipts	206,924	179,935
Claims on customers under acceptance credits	2,489,721	2,519,809
Staff loans/financing [including loans/financing to Director of a banking subsidiary of RM107,000 (31.03.16: RM123,000)]	31,996	34,395
Credit/charge card receivables	641,019	646,321
Revolving credits	1,749,705	1,660,665
Share margin financing	1,044,036	1,264,135
Gross loans, advances and financing	39,112,821	38,747,668
Add: Sales commissions and handling fees	36,539	38,365
Less: Allowance for impairment on loans, advances and financing		
- Individual assessment allowance	(72,360)	(68,331)
- Collective assessment allowance	(302,394)	(306,978)
Total net loans, advances and financing	38,774,606	38,410,724

(a) By type of customer

	Group	
	30 September 2016 RM'000	31 March 2016 RM'000
Domestic non-bank financial institutions	391,446	375,434
Domestic business enterprises		
- Small and medium enterprises	9,298,983	8,956,673
- Others	7,528,110	7,058,880
Government and statutory bodies	6,063	6,816
Individuals	20,882,083	21,306,301
Other domestic entities	195,301	201,401
Foreign entities	810,835	842,163
Gross loans, advances and financing	39,112,821	38,747,668

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A17. Loans, Advances And Financing (contd.)

(b) By interest/profit rate sensitivity

	Group	
	30 September 2016 RM'000	31 March 2016 RM'000
Fixed rate		
- Housing loans/financing	43,221	46,476
- Hire purchase receivables/financing	1,273,269	1,306,547
- Other fixed rate loans/financing	2,292,312	2,379,044
Variable rate		
- Base lending rate plus	27,003,415	27,543,664
- Base rate plus	1,647,774	847,853
- Cost plus	6,495,174	6,350,612
- Other variable rate loans/financing	357,656	273,472
Gross loans, advances and financing	39,112,821	38,747,668

(c) By economic purposes

	Group	
	30 September 2016 RM'000	31 March 2016 RM'000
Purchase of securities	1,054,691	1,285,780
Purchase of transport vehicles	1,152,795	1,218,632
Purchase of landed property	22,629,533	22,624,255
of which: - Residential	15,727,123	15,846,729
- Non-residential	6,902,410	6,777,526
Purchase of fixed assets excluding land and buildings	215,435	192,901
Personal use	2,617,350	2,560,230
Credit card	641,018	646,321
Construction	657,363	663,866
Merger and acquisition	117,688	117,688
Working capital	7,544,713	7,186,477
Others	2,482,235	2,251,518
Gross loans, advances and financing	39,112,821	38,747,668

(d) By geographical distribution

	Group	
	30 September 2016 RM'000	31 March 2016 RM'000
Northern region	2,579,523	2,569,926
Central region	28,164,947	27,917,362
Southern region	4,606,197	4,581,547
Sabah region	2,607,915	2,586,488
Sarawak region	1,154,239	1,092,345
Gross loans, advances and financing	39,112,821	38,747,668

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A17. Loans, Advances And Financing (contd.)

(e) By maturity structure

	Group	
	30 September 2016 RM'000	31 March 2016 RM'000
Within one year	9,376,080	9,201,769
One year to three years	1,394,182	1,318,284
Three years to five years	2,359,389	2,050,419
Over five years	25,983,170	26,177,196
Gross loans, advances and financing	39,112,821	38,747,668

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

	Group	
	30 September 2016 RM'000	31 March 2016 RM'000
At beginning of financial year	487,868	380,712
Impaired during the financial period/year	254,160	688,435
Reclassified as unimpaired during the financial period/year	(249,290)	(342,996)
Recoveries	(84,228)	(157,779)
Amount written off	(40,699)	(80,504)
Gross impaired loans, advances and financing	367,811	487,868
Individual allowance for impairment	(72,360)	(68,331)
Collective allowance for impairment (impaired portion)	(87,945)	(109,347)
Net impaired loans, advances and financing	207,506	310,190
Gross impaired loans as percentage of gross loans, advances and financing	0.9%	1.3%

(g) Impaired loans by economic purposes

	Group	
	30 September 2016 RM'000	31 March 2016 RM'000
Purchase of securities	7	-
Purchase of transport vehicles	11,669	14,742
Purchase of landed property	221,016	307,795
of which: - Residential	178,595	220,145
- Non-residential	42,421	87,650
Purchase of fixed assets excluding land and buildings	756	651
Personal use	36,961	37,029
Credit card	9,248	9,421
Construction	3,647	3,892
Working capital	60,600	96,211
Others	23,907	18,127
Gross impaired loans	367,811	487,868

A17. Loans, Advances And Financing (contd.)

(h) Impaired loans by geographical distribution

	Group	
	30 September	31 March
	2016	2016
	RM'000	RM'000
Northern region	42,760	46,072
Central region	249,732	372,422
Southern region	47,678	40,279
Sabah region	21,190	25,088
Sarawak region	6,451	4,007
Gross impaired loans	367,811	487,868

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

	Group	
	30 September	31 March
	2016	2016
	RM'000	RM'000
Individual assessment allowance		
At beginning of financial year	68,331	56,303
Allowance made during the financial period/year (net)	10,331	24,229
Amount written off	(4,666)	(14,060)
Transfers (to)/from collective assessment allowance	(1,636)	1,859
At end of financial period/year	72,360	68,331

	Group	
	30 September	31 March
	2016	2016
	RM'000	RM'000
Collective assessment allowance		
At beginning of financial year	306,978	334,704
Allowance made during the financial period/year (net)	29,813	40,577
Amount written-off	(36,033)	(66,444)
Transfers from/(to) individual assessment allowance	1,636	(1,859)
At end of financial period/year	302,394	306,978

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A18. Other Assets

	Group		Company	
	30 September 2016 RM'000	31 March 2016 RM'000	30 September 2016 RM'000	31 March 2016 RM'000
Other receivables	118,393	105,339	35	76
Deposits	9,227	9,192	103	103
Prepayment	14,895	14,985	73	115
Trade receivables	47	49	-	-
Amounts due from subsidiaries	-	-	540	603
Amounts due from joint venture	384	198	7	8
	142,946	129,763	758	905
Less: Allowance for other receivables	(28,672)	(27,073)	-	-
	114,274	102,690	758	905

A19. Deposits From Customers

	Group	
	30 September 2016 RM'000	31 March 2016 RM'000
<u>By type of deposits</u>		
Amortised cost		
Demand deposits	13,416,952	12,984,455
Savings deposits	1,812,860	1,787,163
Fixed/investment deposits	22,785,545	22,890,873
Money market deposits	2,653,559	2,594,183
Negotiable instruments of deposits	5,054,026	5,268,944
Structured deposits	191,280	260,185
	45,914,222	45,785,803
At fair value through profit and loss		
Structured deposits	315,866	239,136
	46,230,088	46,024,939

Note:

- (a) Structured deposits issued by the Group include foreign currency time deposits with embedded foreign exchange, equity linked options and interest rate index linked placements.
- (b) The Group has undertaken a fair value hedge on the interest rate risk of certain the structured deposits amounting to RM107,753,000 (31 March 2016: RM200,913,000) using interest rate swaps.

	Group	
	30 September 2016 RM'000	31 March 2016 RM'000
Structured deposits	107,753	200,913
Fair value changes arising from fair value hedges	(1,894)	(5,832)
	105,859	195,081

The fair value gain of the interest rate swap in this hedge transaction for the second financial quarter ended 30 September 2016 was RM1,894,000 (31 March 2016: RM5,832,000). There were no ineffectiveness.

A19. Deposits From Customers (contd.)

- (c) The Group designated certain structured deposits at fair value through profit or loss. This designation is permitted under MFRS 139 "Financial Instruments: Recognition and Measurement" as it significantly reduces accounting mismatch. These instruments are managed by the Bank on the basis of its fair value and includes embedded derivatives that are not closely related to its underlying deposits. The structured deposits are recorded at fair value. The carrying amount of the structured deposits were RM11,678,000 lower than the contractual amount at maturity.

	Group	
	30 September	31 March
	2016	2016
	RM'000	RM'000
Structured deposits	343,818	269,601
Fair value changes arising from designation at fair value through profit or loss	(27,952)	(30,465)
	315,866	239,136

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

(i) By type of customers

	Group	
	30 September	31 March
	2016	2016
	RM'000	RM'000
Domestic financial institutions	5,067,988	5,349,252
Domestic non-bank financial institutions	2,941,906	2,724,792
Government and statutory bodies	4,092,886	3,962,637
Business enterprises	15,954,583	14,678,060
Individuals	17,112,440	18,221,964
Foreign entities	605,311	593,398
Others	454,974	494,836
	46,230,088	46,024,939

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

	Group	
	30 September	31 March
	2016	2016
	RM'000	RM'000
Due within six months	26,353,580	25,104,425
Six months to one year	3,942,347	5,464,888
One year to three years	44,253	53,992
Three years to five years	152,950	130,695
	30,493,130	30,754,000

A20. Deposits And Placements Of Banks And Other Financial Institutions

	Group	
	30 September	31 March
	2016	2016
	RM'000	RM'000
Licensed banks	470,562	708,074
Bank Negara Malaysia	532,545	449,176
	1,003,107	1,157,250

A21. Balances Due To Clients And Brokers

	Group	
	30 September	31 March
	2016	2016
	RM'000	RM'000
Due to clients	75,585	77,246
Due to brokers	20,747	-
	96,332	77,246

These mainly relate to amounts payable to non-margin clients and outstanding contracts entered into on behalf of clients where settlement via the Bursa Malaysia Securities Clearing Sdn. Bhd. has yet to be made.

The Group's normal trade credit terms for non-margin client 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 RM72,480,000 (31 March 2016: RM83,067,000) have been excluded accordingly.

A22. Other Liabilities

	Group		Company	
	30 September	31 March	30 September	31 March
	2016	2016	2016	2016
	RM'000	RM'000	RM'000	RM'000
Other payables	417,025	756,653	14	137
Provision and accruals	67,254	95,111	1,126	1,977
Remisers and dealers accounts	22,088	22,165	-	-
Finance lease liabilities	6,984	8,125	-	-
Amount due to subsidiaries	-	-	453	509
Amount due to joint venture	186	-	-	-
	513,537	882,054	1,593	2,623

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A23. Interest Income

Group	2nd Quarter Ended		Six Months Ended	
	30 September 2016	30 September 2015	30 September 2016	30 September 2015
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing	366,898	368,392	744,977	725,959
Money at call and deposit placements with financial institutions	9,786	2,550	16,625	5,893
Financial assets held-for-trading	1,751	889	3,158	1,708
Financial investments available-for-sale	56,660	74,205	117,390	149,958
Financial investments held-to-maturity	6,706	6,705	13,348	13,416
Others	2,850	2,435	5,504	5,493
	444,651	455,176	901,002	902,427
Accretion of discount less amortisation of premium of financial investments	18,893	16,138	37,483	32,652
	463,544	471,314	938,485	935,079
Company				
Money at call and deposit placements with financial institutions	488	401	1,059	1,098

A24. Interest Expense

Group	2nd Quarter Ended		Six Months Ended	
	30 September 2016	30 September 2015	30 September 2016	30 September 2015
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	4,001	13,494	8,259	24,026
Deposits from customers	224,915	231,243	452,986	463,903
Loan sold to Cagamas	10,900	-	10,900	-
Other borrowings	60	-	119	-
Subordinated obligations	17,395	7,472	35,013	14,786
Others	2,040	5,982	14,862	11,475
	259,311	258,191	522,139	514,190

A25. Net Income From Islamic Banking Business

Group	2nd Quarter Ended		Six Months Ended	
	30 September 2016	30 September 2015	30 September 2016	30 September 2015
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	116,532	107,497	229,001	209,369
Income derived from investment of Islamic Banking funds	11,388	9,089	21,979	18,027
Income attributable to depositors and financial institutions	(64,744)	(62,477)	(127,684)	(121,596)
	63,176	54,109	123,296	105,800
Add: Income due to head office eliminated at Group level	15,278	6,943	22,493	13,804
	78,454	61,052	145,789	119,604

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A26. Other Operating Income

Group	2nd Quarter Ended		Six Months Ended	
	30 September 2016	30 September 2015	30 September 2016	30 September 2015
	RM'000	RM'000	RM'000	RM'000
Fee and commission income:				
Commissions	22,553	21,702	43,341	39,550
Service charges and fees	6,624	6,707	14,871	14,319
Corporate advisory fees	785	194	1,345	680
Underwriting commissions	-	-	85	-
Brokerage fees	7,219	8,066	14,295	17,096
Guarantee fees	4,582	3,261	9,411	7,221
Processing fees	4,286	1,394	7,766	3,952
Commitment fees	3,898	4,053	7,824	7,800
Other fee income	23,679	24,940	48,877	50,135
	73,626	70,317	147,815	140,753
Fee and commission expense:				
Commissions expense	(514)	(566)	(1,051)	(788)
Brokerage fees expense	(2,431)	(4,048)	(5,537)	(8,244)
Guarantee fees expense	(137)	(126)	(495)	(633)
Other fee expense	(19,661)	(22,047)	(40,463)	(44,911)
	(22,743)	(26,787)	(47,546)	(54,576)
Investment income:				
Gain/(loss) arising from sale/redemption of:				
- Financial assets held-for-trading	406	(908)	2,007	(1,466)
- Financial investments available-for-sale	2,573	(282)	2,967	1,036
Marked-to-market revaluation of:				
- Financial assets held-for-trading	332	(523)	(638)	(422)
- Derivative financial instruments	47,268	77,721	91,438	31,555
- Unrealised (loss)/gain arising from financial liabilities designated at fair value	(6,189)	19,070	(2,513)	22,230
Realised (loss)/gain on derivative financial instruments	(14,324)	(59,018)	(29,936)	4,630
Gross dividend income from:				
- Financial investments available-for-sale	359	-	2,855	2,761
	30,425	36,060	66,180	60,324
Other income:				
Foreign exchange (loss)/gain	(11,900)	5,555	(20,413)	9,244
Loss on disposal of property, plant and equipment	(347)	-	(347)	(12)
Others	7,969	6,587	15,707	14,028
	(4,278)	12,142	(5,053)	23,260
Total other operating income	77,030	91,732	161,396	169,761

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A26. Other Operating Income (contd.)

Company	2nd Quarter Ended		Six Months Ended	
	30 September 2016	30 September 2015	30 September 2016	30 September 2015
	RM'000	RM'000	RM'000	RM'000
<u>Investment income:</u>				
Gross dividend income from:				
- Subsidiary	-	-	100,839	67,386
<u>Other income:</u>				
Others	676	649	1,293	1,330
Total other operating income	676	649	102,132	68,716

A27. Other Operating Expenses

Group	2nd Quarter Ended		Six Months Ended	
	30 September 2016	30 September 2015	30 September 2016	30 September 2015
	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs</u>				
Salaries, allowances and bonuses	82,690	80,557	168,289	162,838
Contribution to EPF	13,340	13,010	27,287	26,271
Share options/grants under ESS	590	1,725	1,648	3,891
Others	10,995	9,257	18,912	16,144
	107,615	104,549	216,136	209,144
<u>Establishment costs</u>				
Depreciation of property, plant and equipment	5,315	5,680	10,892	11,511
Amortisation of computer software	5,573	5,408	11,093	10,575
Rental of premises	7,646	7,623	15,319	15,413
Water and electricity	1,734	2,110	3,849	4,158
Repairs and maintenance	2,406	2,646	4,780	4,113
Information technology expenses	11,841	10,629	22,766	21,249
Others	2,918	3,080	6,609	7,156
	37,433	37,176	75,308	74,175
<u>Marketing expenses</u>				
Promotion and advertisement	1,257	1,087	2,830	2,861
Branding and publicity	1,029	2,482	1,681	3,657
Others	1,820	2,086	3,850	3,956
	4,106	5,655	8,361	10,474
<u>Administration and general expenses</u>				
Communication expenses	2,861	3,182	6,559	6,409
Printing and stationery	693	870	1,585	1,601
Insurance	2,848	5,221	5,253	12,186
Professional fees	4,895	3,111	10,058	7,606
Others	6,889	6,265	13,156	11,784
	18,186	18,649	36,611	39,586
Total other operating expenses	167,340	166,029	336,416	333,379

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A27. Other Operating Expenses (contd.)

Company	2nd Quarter Ended		Six Months Ended	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
<u>Personnel costs</u>				
Salaries, allowances and bonuses	122	81	272	268
Contribution to EPF	21	18	41	46
Share options/grants under ESS	27	68	80	131
Others	86	32	121	53
	256	199	514	498
<u>Establishment costs</u>				
Depreciation of property, plant and equipment	86	12	97	25
Rental of premises	57	57	114	114
Water and electricity	-	1	1	2
Repairs and maintenance	30	26	62	57
Information technology expenses	-	-	2	-
Others	20	32	49	69
	193	128	325	267
<u>Administration and general expenses</u>				
Communication expenses	-	2	7	7
Printing and stationery	-	-	1	-
Professional fees	20	35	29	52
Others	219	376	568	732
	239	413	605	791
Total other operating expenses	688	740	1,444	1,556

A28. Allowance for Losses On Loans, Advances And Financing And Other Receivables

Group	2nd Quarter Ended		Six Months Ended	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Allowance for losses on loans, advances and financing and other receivables:				
(a) Individual assessment allowance				
- made during the financial period (net)	4,652	5,716	10,331	9,940
(b) Collective assessment allowance				
- made during the financial period (net)	15,253	16,328	29,813	33,734
(c) Bad debts on loans, advances and financing				
- Recovered	(8,713)	(8,804)	(16,671)	(17,581)
- Written off	4,774	4,674	9,872	8,016
	15,966	17,914	33,345	34,109
Allowance for other receivables	841	1,348	1,599	2,267
	16,807	19,262	34,944	36,376

A29. Capital Adequacy

The capital adequacy ratios of the Banking 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 Banking Group are computed using the Standardised Approach for credit risk and market risk, and the Basic Indicator Approach for operational risk.

On 13 October 2015, BNM issued the revised Capital Adequacy Framework (Capital Components and Basel II - Risk-weighted Assets) ("Revised Framework") which became effective from 1 January 2016 for all banking institutions and will take effect for all financial holding companies on 1 January 2019.

The minimum regulatory capital adequacy ratios before including capital conservation buffer and countercyclical capital buffer for CET I capital ratio, Tier I capital ratio and total capital ratio are 4.5%, 6.0% and 8.0% respectively.

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

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

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

The capital adequacy ratios of the Banking Group are as follows:

	Group	
	30 September 2016 RM'000	31 March 2016 RM'000
<u>Before deducting proposed dividends</u>		
CET I capital ratio	12.555%	12.070%
Tier I capital ratio	12.555%	12.070%
Total capital ratio	17.151%	17.657%
<u>After deducting proposed dividends</u>		
CET I capital ratio	12.171%	11.775%
Tier I capital ratio	12.171%	11.775%
Total capital ratio	16.768%	17.362%

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A29. **Capital Adequacy** (contd.)

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

	Group	
	30 September 2016 RM'000	31 March 2016 RM'000
<u>CET I Capital</u>		
Paid-up share capital	796,517	796,517
Share premium	401,517	401,517
Retained profits	2,191,059	2,047,248
Statutory reserves	1,211,808	1,200,019
Revaluation reserves	169,741	114,786
Capital reserves	10,018	10,018
	4,780,660	4,570,105
Less: Regulatory adjustments		
- Goodwill and other intangibles	(366,104)	(362,982)
- Deferred tax assets	(8,546)	(10,201)
- 55% of revaluation reserves	(93,358)	(63,132)
- Investment in subsidiaries, associates and joint venture	(2,849)	(2,824)
Total CET I Capital/Total Tier I Capital	4,309,803	4,130,966
<u>Tier II Capital</u>		
Subordinated obligations	1,199,080	1,559,074
Collective assessment allowance and regulatory reserves	380,540	354,805
Less: Regulatory adjustment		
- Investment in subsidiaries and associates	(1,899)	(1,882)
Total Tier II Capital	1,577,721	1,911,997
Total Capital	5,887,524	6,042,963

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A29. **Capital Adequacy** (contd.)

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

	Alliance Bank Malaysia Berhad	Alliance Islamic Bank Berhad	Alliance Investment Bank Berhad
30 September 2016			
<u>Before deducting proposed dividends</u>			
CET I capital ratio	11.818%	13.453%	85.114%
Tier I capital ratio	11.818%	13.453%	85.114%
Total capital ratio	15.901%	14.618%	85.608%
<u>After deducting proposed dividends</u>			
CET I capital ratio	11.349%	13.212%	84.017%
Tier I capital ratio	11.349%	13.212%	84.017%
Total capital ratio	15.433%	14.377%	84.511%
31 March 2016			
<u>Before deducting proposed dividends</u>			
CET I capital ratio	11.237%	13.375%	103.287%
Tier I capital ratio	11.237%	13.375%	103.287%
Total capital ratio	16.528%	14.399%	103.641%
<u>After deducting proposed dividends</u>			
CET I capital ratio	10.880%	13.044%	101.292%
Tier I capital ratio	10.880%	13.044%	101.292%
Total capital ratio	16.170%	14.068%	101.646%

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

	Group	
	30 September 2016 RM'000	31 March 2016 RM'000
Credit risk	31,245,020	31,241,896
Market risk	194,647	123,843
Operational risk	2,887,782	2,858,987
Total RWA and capital requirements	34,327,449	34,224,726

A30. Commitments And Contingencies

The off-balance sheet exposures of the Group are as follows:

	Group	
	30 September 2016 RM'000	31 March 2016 RM'000
<u>Credit-related exposures</u>		
Direct credit substitutes	794,284	717,319
Transaction-related contingent items	717,079	677,126
Short-term self-liquidating trade-related contingencies	256,067	137,524
Irrevocable commitments to extend credit:		
- maturity exceeding one year	1,605,530	2,287,572
- maturity not exceeding one year	6,519,922	6,327,855
Unutilised credit card lines	1,604,860	1,597,855
	11,497,742	11,745,251
<u>Derivative financial instruments</u>		
Foreign exchange related contracts:		
- one year or less	7,740,938	7,255,690
- over one year to three years	82,750	39,135
Interest rate related contracts:		
- one year or less	700,000	380,000
- over one year to three years	1,370,419	809,755
- over three years	1,087,855	1,490,776
Equity related contracts:		
- one year or less	103,570	92,940
- over one year to three years	49,680	18,880
	11,135,212	10,087,176
	22,632,954	21,832,427

A31. Fair Value Measurements

(a) Determination of fair value and fair value hierarchy

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

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

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

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

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

(i) Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting 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.

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A31. 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:

Group	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
30 September 2016	RM'000	RM'000	RM'000	RM'000
<u>Assets</u>				
Financial assets held-for-trading				
- Money market instruments	-	41,995	-	41,995
- Unquoted securities	-	254,908	-	254,908
Financial investments available-for-sale				
- Money market instruments	-	4,076,766	-	4,076,766
- Quoted securities in Malaysia	12	-	-	12
- Unquoted securities	-	3,780,580	170,267	3,950,847
Derivative financial assets	-	66,782	-	66,782
<u>Liabilities</u>				
Derivative financial liabilities	-	117,333	-	117,333
31 March 2016	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000
<u>Assets</u>				
Financial assets held-for-trading				
- Money market instruments	-	40,441	-	40,441
- Unquoted securities	-	91,788	-	91,788
Financial investments available-for-sale				
- Money market instruments	-	5,503,569	-	5,503,569
- Quoted securities in Malaysia	15	-	-	15
- Unquoted securities	-	2,904,779	157,333	3,062,112
Derivative financial assets	-	133,651	-	133,651
<u>Liabilities</u>				
Derivative financial liabilities	-	279,541	-	279,541

Reconciliation of movements in level 3 financial instruments:

	Group	
	30 September	31 March
	2016	2016
	RM'000	RM'000
At beginning of financial year	157,333	140,211
Purchase of Unit Trust Funds	-	5,000
Total (losses)/gains recognised in:		
- Statement of comprehensive income		
Loss in arising from sales financial investments available-for-sale	-	(549)
- Other comprehensive income		
Revaluation reserves	12,934	12,697
Disposal	-	(26)
At end of financial period/year	170,267	157,333

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

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A32. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

In accordance with MFRS 132 Financial Instruments: Presentation, the Group reports financial assets and financial liabilities on a net basis on the balance sheet, only if there is a legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The following table shows the impact of netting arrangements on:

- (i) all financial assets and liabilities that are reported net on the balance sheet; and
- (ii) all financial assets and liabilities that are subject to enforceable master netting arrangements or similar

(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	
Group						
30 September 2016						
Derivative financial assets	66,782	-	66,782	(40,401)	-	26,381
Balances due from clients and brokers	195,588	(71,581)	124,007	-	-	124,007
Total	262,370	(71,581)	190,789	(40,401)	-	150,388
31 March 2016						
Derivative financial assets	133,651	-	133,651	(61,231)	-	72,420
Balances due from clients and brokers	189,714	(85,055)	104,659	-	-	104,659
Total	323,365	(85,055)	238,310	(61,231)	-	177,079

(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	
Group						
30 September 2016						
Derivative financial liabilities	117,333	-	117,333	(40,401)	(25,767)	51,165
Balances due to clients and brokers	167,913	(71,581)	96,332	-	-	96,332
Total	285,246	(71,581)	213,665	(40,401)	(25,767)	147,497
31 March 2016						
Derivative financial liabilities	279,541	-	279,541	(61,231)	(29,052)	189,258
Balances due to clients and brokers	162,301	(85,055)	77,246	-	-	77,246
Total	441,842	(85,055)	356,787	(61,231)	(29,052)	266,504

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

[B] Explanatory Notes Pursuant To Appendix 9B Of Bursa Securities' Listing Requirements

B1. Review Of Performance

Current Year-to-Date vs. Previous Year-to-Date

For the 6 months ended 30 September 2016, the Group's net profit after taxation was RM265.1 million, an increase of RM8.5 million or 3.3% compared to corresponding period last year primarily due to increase in revenue.

Revenue grew by RM13.3 million or 1.9%, primarily from higher net interest income.

Net interest income including Islamic banking income grew by RM19.4 million due to total gross loans growth of RM1.1 billion. Net Interest Margin recorded at 222bps, a 5bps increase.

Other operating income including Islamic Banking Income dropped by RM6.1 million or 3.5% mainly from lower realized and unrealized gain from derivative and FX income.

Gross impaired loan was recorded at 0.9%, while the loan loss coverage was at 147.0%, reflecting a healthy book.

Operating expenses increased by RM3.0 million or 0.9% mainly on higher personnel costs.

The Current Account Savings Account ratio stood at 32.9%, while the loans-to-deposits ratio rose to 84.6% as at 30 September 2016, from 84.2% in 31 March 2016.

The Group's total capital ratio stood healthy at 16.8%, with a Common Equity Tier 1 Capital ratio of 12.2% as at 30 September 2016.

Performance by business segment:

The Group's businesses are presented in the following business segments: Consumer Banking, Business Banking, Financial Markets and Investment Banking. Please refer to Note A8 on Segment Information for the composition of each business segment.

Consumer Banking profit before tax was higher by RM5.0 million or 6.6% compared to corresponding period last year. The revenue was RM19.4 million or 7.6% higher compared to corresponding period last year. Operating profit was higher by RM17.3 million or 17.8% mainly due to higher revenue. Allowance for loans, advances and financing was higher by RM12.3 million or 58.9%. Segment asset was RM0.5 billion or 2.1% lower, while liabilities registered growth of RM0.5 billion or 2.3% higher.

Business Banking profit before tax was higher by RM18.6 million or 11.2% compared to corresponding period last year, mainly due to increase revenue by RM14.7 million or 4.9% coupled with lower allowances for losses on loans, advances and financing by RM13.8 million compared to corresponding period last year. Segment asset growth was RM1.5 billion or 9.9%, while liabilities registered growth of RM3.4 billion or 18.4%.

Financial Markets profit before tax was RM25.7 million or 25.2% lower compared to corresponding period last year mainly due to lower revenue by RM32.4 million or 24.7%.

Investment Banking segment covers stockbroking, capital market activities and corporate advisory services. Investment Banking segment improved RM4.4 million or 58.1% compared to a corresponding period last year.

B2. Comparison With Immediate Preceding Quarter (2Q FY2017 vs. 1Q FY2017)

The Group's profit after taxation of RM132.6 million for the second quarter ended 30 September 2016 was RM0.1 million or 0.1% higher than the immediate preceding quarter ended 30 June 2016.

Key quarter-on-quarter performance highlights:

- NPAT increased by 0.1% mainly from lower operating expenses and lower net bad debts.
- Net Interest Margin recorded at 2.22%.
- Other operating income decreased by RM8.7 million, mainly from realized and unrealized gain from financial instruments and derivative and FX income.
- Other operating expenses decreased by RM1.7 million, mainly from personal cost and establishment costs.

B3. Prospect for the Current Financial Period

The Malaysian economy registered a gross domestic product growth of 4.0% in 2Q'16 and is expected to continue growing at a moderate pace of 4.0% to 4.2% in 2016.

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

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

We are embarking on our transformation program to deploy new and differentiated value propositions to our customers. We will be investing in the required Information Technology enablers to support the Bank's strategic initiatives and focus on fixing the present with tactical short term solutions by streamlining to improve the efficiency of our operations.

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

The Group expects that these actions will position its businesses for sustainable revenue and profitability for the financial year 2017.

B4. Profit Forecast

There was no profit forecast issued by the Group and the Company.

B5. Taxation

	2nd Quarter Ended		Six Months Ended	
	30 September 2016	30 September 2015	30 September 2016	30 September 2015
Group	RM'000	RM'000	RM'000	RM'000
Taxation				
- Income tax	46,409	44,966	77,449	76,915
- Under provision in prior financial period	103	-	103	-
- Deferred tax	(3,502)	1,005	8,396	7,788
	43,010	45,971	85,948	84,703
Company				
Taxation				
- Income tax	271	349	554	583
- Deferred tax	144	(37)	212	(77)
	415	312	766	506

The Group's effective tax rate for the second quarters ended 30 September 2016 was higher than the current statutory tax rate of 24% due to certain expenses being disallowed for tax purpose.

B6. Profit/(Loss) On Sale Of Unquoted Investments Or Properties

There was no material profit/(loss) on sale of unquoted investments or properties for the second financial quarter ended 30 September 2016 other than in the ordinary course of business.

B7. Purchase And Disposal Of Quoted Securities

There was no purchase or disposal of quoted securities for the second financial quarter ended 30 September 2016 other than investments held by the Group and the Company whose activities are regulated by law relating to banking companies and are subject to supervision by Bank Negara Malaysia ("BNM").

B8. Status Of Corporate Proposals

On 21 September 2016, the Company announced that it proposes to undertake a corporate reorganisation exercise whereby the listing status of the Company will be assumed by its wholly-owned core subsidiary, Alliance Bank Malaysia Berhad ("Alliance Bank").

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

The proposed corporate reorganisation is subject to the approvals being obtained from Bank Negara Malaysia ("BNM"), Bursa Malaysia Securities Berhad, Securities Commission Malaysia, Ministry of Finance ("MOF"), High Court of Malaya, shareholders of AFG, and any other relevant authorities and/or parties (if required).

B8. Status Of Corporate Proposals (contd.)

On 22 September 2016, the Company announced that it had submitted an application to BNM to seek the approval of BNM and/or its recommendations to MOF for approval by MOF of the proposed corporate reorganisation.

B9. Deposits From Customers, Deposits And Placements Of Banks And Other Financial Institutions And Debts Securities

	Group	
	30 September	31 March
	2016	2016
	RM'000	RM'000
(a) Deposits from customers		
Fixed deposits, negotiable instruments of deposits and money market deposits:		
- One year or less (short term)	30,295,927	30,569,313
- More than one year (medium/long term)	197,203	184,687
	30,493,130	30,754,000
Others	15,736,958	15,270,939
	46,230,088	46,024,939
(b) Deposits and placements of banks and other financial institutions		
- One year or less (short term)	527,804	766,754
- More than one year (medium/long term)	475,303	390,496
	1,003,107	1,157,250
(c) Other borrowings		
Unsecured and more than one year (medium/long term)		
- Senior Medium Term Notes	5,071	5,071
(d) Subordinated obligations		
Unsecured and more than one year (medium/long term)		
- Tier II Subordinated Medium Term Notes	1,226,123	1,840,147

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

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B10. Derivative Financial Assets/(Liabilities)

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

	As at 30 September 2016			As at 31 March 2016		
	Contract/ Notional Amount RM'000	Fair value		Contract/ Notional Amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
Trading derivatives						
Foreign exchange and commodity contracts:						
Currency forwards						
- one year or less	1,405,116	18,939	(16,586)	1,316,549	25,079	(53,190)
Currency swaps						
- one year or less	5,905,607	25,237	(49,233)	5,520,405	90,660	(174,450)
- over one year to three years	82,750	-	(9,984)	39,135	-	(7,656)
Currency spots						
- one year or less	220,966	485	(354)	258,309	646	(615)
Currency options						
- one year or less	209,249	654	(357)	160,427	1,349	(404)
	7,823,688	45,315	(76,514)	7,294,825	117,734	(236,315)
Interest rate related contracts:						
Interest rate swap						
- one year or less	3,050,855	21,362	(14,690)	2,480,312	15,917	(10,333)
- over one year to three years	700,000	3	(1,290)	380,000	136	(87)
- over three years	1,263,000	11,862	(4,747)	763,000	1,813	(3,410)
	1,087,855	9,497	(8,653)	1,337,312	13,968	(6,836)
Equity related contracts:						
- one year or less	103,570	105	(19,692)	92,940	-	(23,782)
- over one year to three years	49,680	-	(4,543)	18,880	-	(3,279)
Hedging derivatives						
Interest rate swap						
- over one year to three years	107,419	-	(1,894)	46,755	-	(1,592)
- over three years	-	-	-	153,464	-	(4,240)
Total derivatives assets/(liabilities)	11,135,212	66,782	(117,333)	10,087,176	133,651	(279,541)

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

Forwards

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

B10. 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.

B11. Changes in Material Litigation

The Group and the Company do not have any material litigation which would materially and adversely affect the financial position of the Group and the Company for the second financial quarter ended 30 September 2016.

B12. Dividend Declared

The Board of Directors has declared a first single tier interim dividend of 8.5 sen per share, in respect of the financial year ending 31 March 2017 (previously corresponding period: 8.0 sen) to be paid on 30 December 2016. The entitlement date for the first single tier interim dividend payment is on 16 December 2016.

B13. 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.

B14. Earnings Per Share (EPS)

(a) Basic

The calculation of the basic earnings per share is based on the net profit attributable to owners of the parent divided by the weighted average number of ordinary shares of RM1.00 each in issue during the period excluding the weighted average shares held for ESS.

	2nd Quarter Ended		Six Months Ended	
	30 September 2016	30 September 2015	30 September 2016	30 September 2015
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period attributable to owners of the parent (RM'000)	132,579	134,662	265,053	256,592
Weighted average number of ordinary shares in issue ('000)	1,548,106	1,548,106	1,548,106	1,548,106
Effect of shares bought back for ESS ('000)	(21,517)	(23,244)	(21,517)	(23,244)
	1,526,589	1,524,862	1,526,589	1,524,862
Basic earnings per share (sen)	8.7	8.8	17.4	16.8

(b) Diluted

The calculation of the diluted earnings per share is based on the net profit attributable to owners of the parent divided by the weighted average number of ordinary shares of RM1.00 each in issue during the period, excluding the weighted average shares held for ESS and taken into account the assumed Share Grants to employees under ESS were vested to the employees as at 30 September 2016.

	2nd Quarter Ended		Six Months Ended	
	30 September 2016	30 September 2015	30 September 2016	30 September 2015
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period attributable to owners of the parent (RM'000)	132,579	134,662	265,053	256,592
Weighted average number of ordinary shares in issue ('000)	1,548,106	1,548,106	1,548,106	1,548,106
Effect of shares bought back for ESS ('000)	(21,517)	(23,244)	(21,517)	(23,244)
Effect of Share Grants under ESS ('000)	1,331	3,255	1,331	3,255
	1,527,920	1,528,117	1,527,920	1,528,117
Diluted earnings per share (sen)	8.7	8.8	17.3	16.8

B15. Realised And Unrealised Unappropriated Profits Disclosure

The breakdown of retained profits of the Group and the Company as at the reporting date, into realised and unrealised profits, pursuant to the directive issued by Bursa Malaysia Securities Berhad (“Bursa Malaysia”) on 25 March 2010, is as follows:

	Group		Company	
	30 September 2016 RM'000	31 March 2016 RM'000	30 September 2016 RM'000	31 March 2016 RM'000
Total retained profits				
- Realised	2,245,005	2,039,388	56,009	52,901
- Unrealised	74,094	132,310	223	435
	2,319,099	2,171,698	56,232	53,336
Total share of profits from joint venture				
- Realised	38	15	-	-
- Unrealised	-	141	-	-
	2,319,137	2,171,854	56,232	53,336
Less: Consolidation adjustments	(351,835)	(350,814)	-	-
Total retained profits	1,967,302	1,821,040	56,232	53,336

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

Accordingly, the unrealised retained profits of the Group and the Company as disclosed above excludes translation gains and losses on monetary items denominated in a currency other than the functional currency and foreign exchange contracts, as these gains and losses are incurred in the ordinary course of business of the Group and the Company, and are hence deemed as realised.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

By Order of the Board

LEE WEI YEN (MAICSA 7001798)

Group Company Secretary

Kuala Lumpur

29 November 2016