

AFFIN HOLDINGS BERHAD

(Company no. 23218 - W)

Condensed Interim Financial Statements

Unaudited Statements of Financial Position As At 31 March 2017

		< ----- GROUP ----- >		< ----- COMPANY ----- >	
	Note	31/3/2017 RM'000	31/12/2016 RM'000	31/3/2017 RM'000	31/12/2016 RM'000
ASSETS					
Cash and short-term funds		5,417,173	4,836,222	51,890	32,176
Deposits and placements with banks and other financial institutions		171,875	172,871	-	-
Trade receivables	A9	694,035	529,728	-	-
Financial assets held-for-trading	A10	265,754	270,354	-	-
Financial investments available-for-sale	A10	14,065,873	14,108,523	-	-
Financial investments held-to-maturity	A10	408,126	407,087	-	-
Derivative financial assets		198,918	289,271	-	-
Loans, advances and financing	A11	44,701,687	43,747,427	-	-
Other assets	A12	238,625	216,012	295	299
Statutory deposits with Bank Negara Malaysia		1,633,030	1,659,740	-	-
Amount due from subsidiaries		-	-	1,001,858	1,304,592
Amount due from associates		102,386	45,096	102,386	45,096
Investment in subsidiaries		-	-	5,461,063	5,461,063
Investment in joint ventures		151,349	153,768	187,680	187,680
Investment in associates		346,768	339,887	36,288	35,242
Tax recoverable		39,560	46,838	3,013	2,515
Deferred tax assets		12,415	19,723	-	-
Property and equipment		446,428	437,301	81	87
Intangible assets		1,603,189	1,606,497	2	2
TOTAL ASSETS		70,497,191	68,886,345	6,844,556	7,068,752
LIABILITIES AND EQUITY					
Deposits from customers	B7	50,086,084	51,505,642	-	-
Investment accounts of customers		831	-	-	-
Deposits and placements of banks and other financial institutions	B7	5,782,262	3,894,037	-	-
Obligation on securities sold under repurchase agreements		1,152,496	1,145,618	-	-
Bills and acceptances payable		53,807	37,726	-	-
Trade payables		1,077,371	724,554	-	-
Derivative financial liabilities		448,926	552,942	-	-
Other liabilities	A13	605,478	656,194	3,092	4,258
Provision for taxation		102	2,488	-	-
Deferred tax liabilities		38,427	29,542	7	7
Amount due to subsidiaries		-	-	415,254	400,254
Borrowings	B7	2,369,305	1,606,597	1,361,392	1,606,597
TOTAL LIABILITIES		61,615,089	60,155,340	1,779,745	2,011,116

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

AFFIN HOLDINGS BERHAD

(Company no. 23218 - W)

Condensed Interim Financial Statements**Unaudited Statements of Financial Position As At 31 March 2017**

	< ----- GROUP ----- >		< ----- COMPANY ----- >	
Note	31/3/2017 RM'000	31/12/2016 RM'000	31/3/2017 RM'000	31/12/2016 RM'000
EQUITY				
Share capital	1,942,949	1,942,949	1,942,949	1,942,949
Reserves:-				
Share premium	2,185,712	2,185,712	2,185,712	2,185,712
Statutory reserves	1,806,731	1,806,731	-	-
AFS revaluation reserves	84,127	56,318	-	-
Regulatory reserves	293,504	289,871	-	-
Retained profits	2,517,457	2,400,913	936,150	928,975
Equity attributable to equity holders of the Company	8,830,480	8,682,494	5,064,811	5,057,636
Non-controlling interest	51,622	48,511	-	-
TOTAL EQUITY	8,882,102	8,731,005	5,064,811	5,057,636
TOTAL LIABILITIES AND EQUITY	70,497,191	68,886,345	6,844,556	7,068,752
COMMITMENTS AND CONTINGENCIES	28,489,713	26,952,318	-	-
NET ASSETS PER SHARE (RM)	4.54	4.47		

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

AFFIN HOLDINGS BERHAD
(Company no. 23218 - W)
Condensed Interim Financial Statements
Unaudited Income Statements For The Financial Quarter Ended 31 March 2017

<u>GROUP</u>	Note	<---Individual Quarter Ended ---->		<---Cumulative Quarter Ended --->	
		31/3/2017 RM'000	31/3/2016 RM'000	31/3/2017 RM'000	31/3/2016 RM'000
Interest income	A14	627,514	638,316	627,514	638,316
Interest expense	A15	(387,974)	(408,629)	(387,974)	(408,629)
Net interest income		239,540	229,687	239,540	229,687
Islamic banking income		76,983	58,930	76,983	58,930
Other operating income	A16	193,081	138,304	193,081	138,304
Net income		509,604	426,921	509,604	426,921
Other operating expenses	A17	(328,608)	(272,618)	(328,608)	(272,618)
Operating profit before allowance for impairment losses on loans, advances and financing		180,996	154,303	180,996	154,303
Allowance for impairment losses on loans, advances and financing	A18	(5,775)	1,575	(5,775)	1,575
Allowance for impairment losses on securities	A19	(712)	-	(712)	-
Operating profit		174,509	155,878	174,509	155,878
Finance cost		(14,127)	(14,337)	(14,127)	(14,337)
Share of results of a joint venture		(2,356)	(658)	(2,356)	(658)
Share of results of an associate		3,878	12,042	3,878	12,042
Profit before taxation and zakat		161,904	152,925	161,904	152,925
Zakat		(337)	(198)	(337)	(198)
Profit before taxation		161,567	152,727	161,567	152,727
Taxation	B5	(38,371)	(34,924)	(38,371)	(34,924)
Net profit for the financial period		123,196	117,803	123,196	117,803
Profit for the financial period attributable to :-					
- Equity holders of the Company		120,177	115,566	120,177	115,566
- Non-controlling interest		3,019	2,237	3,019	2,237
		123,196	117,803	123,196	117,803
Earnings per share attributable to the equity holders of the Company (sen)					
- Basic	B11	6.19	5.95	6.19	5.95

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

AFFIN HOLDINGS BERHAD
(Company no. 23218 - W)
Condensed Interim Financial Statements
Unaudited Statement of Comprehensive Income
For The Financial Quarter Ended 31 March 2017

GROUP	<----Individual Quarter Ended ---->		<---Cumulative Quarter Ended --->	
	31/3/2017 RM'000	31/3/2016 RM'000	31/3/2017 RM'000	31/3/2016 RM'000
Profit after taxation	123,196	117,803	123,196	117,803
Other comprehensive income/(loss):				
Items that may be reclassified subsequently to profit or loss :-				
- Net fair value change in financial investments available-for-sale	37,353	142,719	37,353	142,719
- Net gain on disposal of financial investments available-for-sale transferred to income statement	(3,230)	(4,509)	(3,230)	(4,509)
- Deferred tax on revaluation of financial investments available-for-sale	(8,116)	(33,165)	(8,116)	(33,165)
- Share of other comprehensive income/(loss) of an associated company	1,957	537	1,957	537
- Share of other comprehensive income/(loss) of a joint venture	(63)	574	(63)	574
Other comprehensive income/(loss) for the financial period, net of tax	27,901	106,156	27,901	106,156
Total comprehensive income/(loss) for the financial period	151,097	223,959	151,097	223,959
Total comprehensive income/(loss) for the financial period attributable to :-				
- Equity holders of the Company	147,986	222,038	147,986	222,038
- Non-controlling interest	3,111	1,921	3,111	1,921
	151,097	223,959	151,097	223,959

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

AFFIN HOLDINGS BERHAD
(Company no. 23218 - W)
Condensed Interim Financial Statements
Unaudited Income Statements For The Financial Quarter Ended 31 March 2017

<u>COMPANY</u>	<----Individual Quarter Ended ---->		<----Cumulative Quarter Ended ---->	
	31/3/2017 RM'000	31/3/2016 RM'000	31/3/2017 RM'000	31/3/2016 RM'000
Interest income	12,997	13,552	12,997	13,552
Interest expense	-	-	-	-
Net interest income	12,997	13,552	12,997	13,552
Other operating income	10,800	107,408	10,800	107,408
Net income	23,797	120,960	23,797	120,960
Other operating expenses	(2,360)	(2,474)	(2,360)	(2,474)
Operating profit before allowance for impairment losses on loans, advances and	21,437	118,486	21,437	118,486
Allowance for impairment losses on loans, advances and financing	-	-	-	-
Allowance for impairment losses on securities	-	-	-	-
Operating profit	21,437	118,486	21,437	118,486
Finance cost	(14,127)	(14,337)	(14,127)	(14,337)
Profit before taxation and zakat	7,310	104,149	7,310	104,149
Zakat	-	-	-	-
Profit before taxation	7,310	104,149	7,310	104,149
Taxation	(135)	(527)	(135)	(527)
Net profit for the financial period attributable to equity holders of the Company	7,175	103,622	7,175	103,622

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

AFFIN HOLDINGS BERHAD
 (Company no. 23218 - W)
Condensed Interim Financial Statements
Unaudited Statement of Comprehensive Income
Unaudited Income Statements For The Financial Quarter Ended 31 March 2017

<u>COMPANY</u>	<---Individual Quarter Ended ---->		<---Cumulative Quarter Ended --->	
	31/3/2017	31/3/2016	31/3/2017	31/3/2016
	RM'000	RM'000	RM'000	RM'000
Profit after taxation	7,175	103,622	7,175	103,622
Other comprehensive income	-	-	-	-
Total comprehensive income for the financial period attributable to equity holders of the Company	7,175	103,622	7,175	103,622

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

AFFIN HOLDINGS BERHAD
(Company no. 23218 - W)
Unaudited Condensed Consolidated Statement Of Changes In Equity
For The Financial Period Ended 31 March 2017

<-----Attributable to Equity Holders of the Company----->

GROUP	Issued and fully paid ordinary shares of RM1 each		Non-distributable				Distributable		Total Shareholders' Equity RM'000	Non- controlling Interest RM'000	Total Equity RM'000
	Number of shares '000	Nominal value RM'000	Share premium RM'000	Statutory reserves RM'000	AFS revaluation reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000				
At 1 January 2017	1,942,949	1,942,949	2,185,712	1,806,731	56,318	289,871	2,400,913	8,682,494	48,511	8,731,005	
Comprehensive income :											
- Net profit for the financial period	-	-	-	-	-	-	120,177	120,177	3,019	123,196	
Other comprehensive income (net of tax) of which:-											
- Financial investments available-for-sale	-	-	-	-	25,915	-	-	25,915	92	26,007	
- Share of other comprehensive loss of an associated company	-	-	-	-	1,957	-	-	1,957	-	1,957	
- Share of other comprehensive income of a joint venture	-	-	-	-	(63)	-	-	(63)	-	(63)	
Total comprehensive income for the financial period	-	-	-	-	27,809	-	120,177	147,986	3,111	151,097	
Transfer to regulatory reserves	-	-	-	-	-	3,633	(3,633)	-	-	-	
At 31 March 2017	1,942,949	1,942,949	2,185,712	1,806,731	84,127	293,504	2,517,457	8,830,480	51,622	8,882,102	
At 1 January 2016	1,942,949	1,942,949	2,185,712	1,626,175	64,833	284,141	2,178,629	8,282,439	44,646	8,327,085	
Comprehensive income :											
- Net profit for the financial period	-	-	-	-	-	-	115,566	115,566	2,237	117,803	
Other comprehensive income (net of tax) of which:-											
- Financial investments available-for-sale	-	-	-	-	105,361	-	-	105,361	(316)	105,045	
- Share of other comprehensive income of an associated company	-	-	-	-	537	-	-	537	-	537	
- Share of other comprehensive loss of a joint venture	-	-	-	-	574	-	-	574	-	574	
Total comprehensive income for the financial period	-	-	-	-	106,472	-	115,566	222,038	1,921	223,959	
Transfer to regulatory reserves	-	-	-	-	-	(5,543)	5,543	-	-	-	
Dividends declared and paid for the financial period	-	-	-	-	-	-	-	-	(3,000)	(3,000)	
At 31 March 2016	1,942,949	1,942,949	2,185,712	1,626,175	171,305	278,598	2,299,738	8,504,477	43,567	8,548,044	

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

AFFIN HOLDINGS BERHAD
(Company no. 23218 - W)
Unaudited Condensed Statement Of Changes In Equity
For The Financial Period Ended 31 March 2017

<-----Attributable to Equity Holders of the Company----->

<u>COMPANY</u>	Issued and fully paid ordinary shares of RM1 each		Non-distributable	Distributable	Total Equity
	Number of shares '000	Nominal value RM'000	Share premium RM'000	Retained profits RM'000	
At 1 January 2017	1,942,949	1,942,949	2,185,712	928,975	5,057,636
Total comprehensive income for the financial period :					
- Net profit for the financial period	-	-	-	7,175	7,175
At 31 March 2017	1,942,949	1,942,949	2,185,712	936,150	5,064,811
At 1 January 2016	1,942,949	1,942,949	2,185,712	909,560	5,038,221
Total comprehensive income for the financial period :					
- Net profit for the financial period	-	-	-	103,622	103,622
At 31 March 2016	1,942,949	1,942,949	2,185,712	1,013,182	5,141,843

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

AFFIN HOLDINGS BERHAD
(Company no. 23218 - W)
Unaudited Condensed Consolidated Statement of Cash Flow
For The Financial Period Ended 31 March 2017

	31/3/2017	31/3/2016
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	161,567	152,727
Adjustment for items not involving the movement of cash and cash equivalents:-	(137,542)	(210,573)
Operating profit before changes in working capital	24,025	(57,846)
Net changes in operating assets	(439,449)	(504,096)
Net changes in operating liabilities	689,224	1,680,007
Tax and zakat paid	(582,717)	(43,664)
Net cash generated from/(used in) operating activities	(308,917)	1,074,401
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received from securities	115,129	111,833
Net (purchase)/disposal of:		
- securities	81,288	711,378
- property and equipment	(16,973)	(10,241)
- intangible assets	(767)	(1,352)
Dividend received from:		
- financial investments held-for-trading	94	436
- financial investments available-for-sale	4,746	1,710
Proceeds from disposal of foreclosed properties	-	394
Subscription of shares in a joint venture	-	(10,200)
Amount due from associate	(57,290)	84
Net cash used in investing activities	126,227	804,042
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in borrowings	762,708	(205)
Dividends paid to non-controlling interest	-	(3,000)
Net cash generated from financing activities	762,708	(3,205)
Net increase/(decrease) in cash and cash equivalents	580,018	1,875,238
Cash and cash equivalents at beginning of the year	4,789,132	4,393,076
Cash and cash equivalents at end of the year	5,369,150	6,268,314
<u>Analysis of cash & cash equivalent</u>		
Cash and short-term funds	5,417,173	6,316,342
Adjustment for money held in trust on behalf of remisiers	(48,023)	(48,028)
	5,369,150	6,268,314

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

Part A - Explanatory Notes pursuant to Malaysian Financial Reporting Standard ("MFRS") 134 and Policy Document on Financial Reporting issued by Bank Negara Malaysia

A1. BASIS OF PREPARATION

The unaudited condensed interim financial statements for the financial period under review have been prepared under the historical cost convention except for the following assets and liabilities which are stated at fair values :-

- (i) financial assets held-for-trading,
- (ii) financial investments available-for-sale, and
- (iii) derivative financial instruments.

The unaudited condensed financial statements have been prepared in accordance with MFRS134 Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB"), Chapter 9, part K of the Listing Requirements of the Bursa Malaysia Securities Berhad and Policy Document on Financial Reporting issued by Bank Negara Malaysia dated 28 June 2015.

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

A2. ACCOUNTING POLICIES AND METHODS OF COMPUTATIONS

The significant accounting policies and methods of computation applied in the condensed interim financial statements are consistent with those applied in the annual financial statements for the year ended 31 December 2016, except for the adoption of the following amendments to MFRS that are applicable to the Group and the Company effective for the financial year beginning on 1 January 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 these amendments is not expected to have any significant effect on the financial statements of the Group and the Company.

A3. AUDITOR'S REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

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

A4. SEASONAL OR CYCLICAL FACTORS

The operations of the Group are generally not affected by any seasonal or cyclical factors but are in tandem with the country's economic situation.

A5. ITEMS OF UNUSUAL NATURE, SIZE AND INCIDENCE AFFECTING NET ASSETS, EQUITY, NET INCOME OR CASH FLOWS

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and the Company during the financial period under review.

A6. CHANGES IN ESTIMATES

There were no material changes in estimates of amounts reported in prior financial years that have a material effect during the financial period under review.

A7. DEBT AND EQUITY SECURITIES

There were no shares issuance or cancellations, share buy-backs, resale of shares bought back and repayment of debts and equity securities by the Company during the financial period under review.

A8. DIVIDENDS PAID

No dividend has been paid during the financial period under review.

A9. TRADE RECEIVABLES

	Group	
	31/3/2017	31/12/2016
	RM'000	RM'000
Amount due from stock-broking clients		
- performing accounts	399,451	322,195
- impaired accounts	1,491	1,705
Amount due from brokers	118,991	114,092
Management fees receivable on fund management	175,256	93,104
	<hr/>	<hr/>
	695,189	531,096
Less: Allowance for impairment		
- Individual impairment	(1,154)	(1,368)
	<hr/>	<hr/>
	694,035	529,728

Movement in allowance for impairment on trade receivables :-

Collective impairment

Balance at the beginning of financial period/year	-	16
Amount written-back during the financial period/year	-	(16)
	<hr/>	<hr/>
Balance at the end of financial period/year	-	-

Individual impairment

Balance at the beginning of financial period/year	1,368	4,123
Allowance made during the financial period/year	32	1,781
Amount written-back during the financial period/year	(246)	(866)
Amount written-off during the financial period/year	-	(3,670)
	<hr/>	<hr/>
Balance at the end of financial period/year	1,154	1,368

A10. FINANCIAL ASSETS

	Group	
	31/3/2017 RM'000	31/12/2016 RM'000
(a) <u>Financial assets held-for-trading</u>		
At fair value		
Malaysian Government Securities	12	-
Malaysian Government Investment Issuance	9,895	-
Negotiable Instruments of Deposit	150,051	200,067
Quoted Securities :-		
- Shares in Malaysia	50,805	18,763
- Unit Trusts in Malaysia	23,518	4,864
Unquoted Securities :-		
- Corporate Bonds and/or Sukuk in Malaysia	17,660	31,218
- Corporate Bonds and/or Sukuk outside Malaysia	13,813	15,442
Total financial assets held-for-trading	265,754	270,354
(b) <u>Financial investments available-for-sale</u>		
At fair value		
Malaysian Government Securities	278,930	318,324
Malaysian Government Treasury Bills	12,208	-
Malaysian Government Investment Issuance	2,035,369	1,816,434
Cagamas Bonds	67,020	66,597
Sukuk Perumahan Kerajaan	484,922	485,574
Khazanah Bonds	444,295	439,219
Negotiable Instruments of Deposit and Islamic Debt Certificate	1,199,836	1,494,956
	4,522,580	4,621,104
Quoted Securities :-		
- Shares in Malaysia	31,721	32,134
- Unit Trusts in Malaysia	202,720	190,278
- REITs in Malaysia	52,256	50,266
- REITs outside Malaysia	83,155	78,540
Unquoted Securities :-		
- Shares in Malaysia	238,749	238,749
- Corporate Bonds and/or Sukuk in Malaysia	8,383,002	8,190,917
- Corporate Bonds and/or Sukuk outside Malaysia	575,822	730,129
	14,090,005	14,132,117
Allowance for impairment losses of securities	(24,132)	(23,594)
Total financial investments available-for-sale	14,065,873	14,108,523
(c) <u>Financial investments held-to-maturity</u>		
At amortised cost		
Unquoted Securities :-		
- Corporate Bonds and/or Sukuk in Malaysia	403,512	402,532
- Redeemable Convertible Secured Loan Stocks in Malaysia	15,101	15,042
	418,613	417,574
Allowance for impairment losses of securities	(10,487)	(10,487)
Total financial investments held-to-maturity	408,126	407,087
Total securities held	14,739,753	14,785,964

A11. LOANS, ADVANCES AND FINANCING

(a) BY TYPE

	Group	
	31/3/2017 RM'000	31/12/2016 RM'000
Overdrafts	2,020,897	1,919,668
Term loans/financing :-		
- Housing Loan/financing	7,287,891	6,964,223
- Syndicated term loans/financing	2,513,107	2,482,093
- Hire purchase receivables	12,146,828	11,920,683
- Business term loans/financing	14,027,805	13,440,419
- Other term loans/financing	359,073	356,509
Bills receivables	28,271	30,113
Trust receipts	153,318	297,955
Claims on customers under acceptance credits	1,136,933	1,082,209
Staff loans/financing (of which RM NIL to Directors)	163,452	160,732
Credit/charge cards	89,564	91,091
Revolving credit	4,746,202	5,123,539
Margin financing	325,395	241,772
Factoring	6,596	1,560
Other receivables	41,071	40,490
Gross loans, advances and financing	45,046,403	44,153,056
Less: Allowance for impairment losses		
- Collective impairment	(245,865)	(237,954)
- Individual impairment	(98,851)	(167,675)
Total net loans, advances and financing	44,701,687	43,747,427

(b) BY MATURITY STRUCTURE

Maturing within one year	8,969,937	9,204,328
One year to three years	5,098,037	4,969,834
Three years to five years	7,278,089	7,332,075
Over five years	23,700,340	22,646,819
	45,046,403	44,153,056

(c) BY TYPE OF CUSTOMER

Domestic banking institutions	4,666	3,033
Domestic non-banking institutions :-		
- Others	681,879	834,841
Domestic business enterprises :-		
- Small medium enterprises	12,344,892	12,553,872
- Others	12,087,788	10,998,242
Government and statutory bodies	977,112	1,467,488
Individuals	18,645,686	17,920,443
Foreign individuals	621	957
Other domestic entities	12,667	88,036
Foreign entities	291,092	286,144
	45,046,403	44,153,056

(d) BY INTEREST / PROFIT RATE SENSITIVITY

Fixed rate :-		
- Housing loans/financing	402,006	406,788
- Hire purchase receivables	12,149,244	11,923,338
- Other fixed rate loans/financing	3,836,710	3,546,700
- Margin financing	325,395	241,772
Variable rate :-		
- BLR plus	17,067,408	16,774,292
- Cost plus	11,222,259	11,195,608
- Other variable rates	43,381	64,558
	45,046,403	44,153,056

A11. LOANS, ADVANCES AND FINANCING (Cont.)

(e) BY ECONOMIC PURPOSE

	Group	
	31/3/2017 RM'000	31/12/2016 RM'000
Construction	3,155,935	3,280,772
Purchase of landed property of which :-		
- Residential	7,388,485	7,095,192
- Non-residential	6,396,793	6,012,752
Purchase of securities	1,322,828	1,200,510
Purchase of transport vehicles	12,550,541	12,343,573
Fixed assets other than land and building	317,889	325,485
Personal use	789,179	691,257
Credit card	89,563	91,091
Consumer durable	814	879
Merger and acquisition	96,648	97,992
Working capital	12,143,821	12,452,407
Others	793,907	561,146
	45,046,403	44,153,056

(f) BY SECTOR

Primary agriculture	963,656	896,922
Mining and quarrying	861,257	915,756
Manufacturing	2,030,863	2,225,082
Electricity, gas and water supply	131,695	202,818
Construction	2,879,963	2,571,019
Real estate	8,435,093	8,027,575
Wholesale and retail trade and restaurants and hotels	2,880,577	2,855,690
Transport, storage and communication	2,563,453	2,233,611
Finance, insurance and business services	2,778,276	2,912,749
Education, health and others	2,622,989	3,137,788
Household	18,778,062	18,052,061
Others	120,519	121,985
	45,046,403	44,153,056

(g) BY GEOGRAPHICAL DISTRIBUTION

Perlis	179,066	195,079
Kedah	1,349,795	1,434,432
Pulau Pinang	2,407,526	2,386,830
Perak	1,540,211	1,444,400
Selangor	12,892,695	12,825,140
Wilayah Persekutuan	13,910,434	13,516,182
Negeri Sembilan	1,248,115	1,216,853
Melaka	1,023,057	1,030,549
Johor	4,396,348	4,117,630
Pahang	921,976	897,686
Terengganu	847,532	743,413
Kelantan	221,334	216,290
Sarawak	1,828,998	1,750,219
Sabah	1,660,562	1,626,943
Labuan	525,424	664,510
Outside Malaysia	93,330	86,900
	45,046,403	44,153,056

A11. LOANS, ADVANCES AND FINANCING (Cont.)

(h) IMPAIRED LOANS, ADVANCES AND FINANCING

(i) Movements of impaired loans, advances and financing

	Group	
	31/3/2017	31/12/2016
	RM'000	RM'000
Balance at the beginning of financial period/year	737,253	834,222
Classified as impaired during the financial period/year	361,850	679,669
Reclassified as non-impaired during the financial period/year	(96,260)	(383,917)
Amount recovered during the financial period/year	(28,068)	(199,772)
Amount written-off during the financial period/year	(78,078)	(184,899)
Amount converted to financial investments held-for-maturity	-	(8,050)
	896,697	737,253

(ii) Impaired loans, advances and financing by economic purpose

Construction	53,010	39,998
Purchase of landed property of which :-		
- Residential	391,294	203,075
- Non-residential	85,080	76,002
Purchase of securities	8,749	158
Purchase of transport vehicles	94,397	86,062
Fixed assets other than land and building	726	878
Personal use	24,825	28,441
Credit card	659	408
Consumer durable	17	17
Working capital	234,359	295,207
Others	3,581	7,007
	896,697	737,253

(iii) Impaired loans, advances and financing by sector

Primary agriculture	14,056	14,331
Mining and quarrying	107	120
Manufacturing	32,297	27,934
Electricity, gas and water supply	178	207
Construction	102,997	102,416
Real estate	279,459	71,195
Wholesale and retail trade and restaurants and hotels	66,421	57,706
Transport, storage and communication	2,833	2,106
Finance, insurance and business services	81,199	145,544
Education, health and others	864	732
Household	316,286	314,962
	896,697	737,253

A11. LOANS, ADVANCES AND FINANCING (Cont.)

(h) IMPAIRED LOANS, ADVANCES AND FINANCING (Cont.)

(iv) Impaired loans, advances and financing by geographical distribution

	Group	
	31/3/2017 RM'000	31/12/2016 RM'000
Perlis	5,449	5,245
Kedah	56,129	48,834
Pulau Pinang	53,091	41,022
Perak	18,531	18,490
Selangor	260,156	314,005
Wilayah Persekutuan	278,504	79,564
Negeri Sembilan	78,879	79,423
Melaka	15,411	16,091
Johor	26,079	27,974
Pahang	9,033	9,574
Terengganu	6,752	6,245
Kelantan	5,522	5,337
Sarawak	7,061	7,951
Sabah	45,260	45,914
Outside Malaysia	30,840	31,584
	896,697	737,253

(v) Movements in allowance for impairment on loans, advances and financing

Collective impairment

Balance at beginning of financial period/year	237,954	238,868
Allowance (net of write-back) made during the financial period/year	8,677	43,748
Amount written-off during the financial period/year	(766)	(44,662)
Balance at the end of financial period/year	245,865	237,954

Individual impairment

Balance at the beginning of financial period/year	167,675	295,263
Allowance made during the financial period/year	20,124	81,349
Amount recovered during the financial period/year	(12,568)	(59,431)
Amount written-off during the financial period/year	(74,699)	(132,589)
Amount converted to financial investments held-to-maturity	-	(6,950)
Unwinding discount of allowance	(1,449)	(10,324)
Exchange difference	(232)	357
Balance at the end of financial period/year	98,851	167,675

A12. OTHER ASSETS

Cheque clearing accounts	29,687	10,721
Foreclosed properties	12,377	7,970
Other debtors, deposits and prepayments	69,855	73,535
Amount due from joint ventures	49,189	46,725
Collaterals pledged for derivative transactions	77,017	76,561
Amount due from associates	500	500
	238,625	216,012

A13. OTHER LIABILITIES

	Group	
	31/3/2017 RM'000	31/12/2016 RM'000
Bank Negara Malaysia and Credit Guarantee Corporation Funding Programmes	37,973	38,563
Margin and collateral deposits	133,577	149,616
Commissioned dealer's representative trust balances	48,023	47,090
Defined contribution plan	16,414	15,662
Accrued employee benefits	41,877	85,606
Other creditors and accruals	147,107	137,136
Collaterals pledged for derivative transactions	12,763	8,761
Amount payable to commissioned and salaried dealers's representatives	34,465	22,174
Cheque clearing accounts	26,460	19,272
Provision for zakat	3,722	3,447
Sundry creditors	103,097	128,867
	605,478	656,194

A14. INTEREST INCOME

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/3/2017 RM'000	31/3/2016 RM'000	31/3/2017 RM'000	31/3/2016 RM'000
Loans, advances and financing	454,035	477,119	454,035	477,119
Money at call and deposits with financial institutions	28,055	14,895	28,055	14,895
Financial assets held-for-trading	1,998	2,856	1,998	2,856
Financial investments available-for-sale	111,710	108,813	111,710	108,813
Financial investments held-to-maturity	3,419	4,284	3,419	4,284
Derivatives	27,068	29,463	27,068	29,463
Subordinated term loan	1,131	1,433	1,131	1,433
Others	98	(547)	98	(547)
	627,514	638,316	627,514	638,316
of which :-				
Interest income earned on impaired loans, advances and financing	24	268	24	268

A15. INTEREST EXPENSE

Deposits and placements of banks and other financial institutions	14,047	15,752	14,047	15,752
Deposits from customers	334,428	352,221	334,428	352,221
Derivatives	25,957	27,047	25,957	27,047
Subordinated medium term notes	7,914	-	7,914	-
Loans sold to Cagamas Berhad	-	1,442	-	1,442
Others	5,628	12,167	5,628	12,167
	387,974	408,629	387,974	408,629

A16. OTHER OPERATING INCOME

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/3/2017	31/3/2016	31/3/2017	31/3/2016
	RM'000	RM'000	RM'000	RM'000
<u>Fee income</u>				
Gross brokerage	28,206	24,356	28,206	24,356
Underwriting fees	3,783	445	3,783	445
Portfolio management fees	50,886	43,355	50,886	43,355
Corporate advisory fees	1,550	2,511	1,550	2,511
Commission	4,884	3,649	4,884	3,649
Service charges and fees	14,692	12,756	14,692	12,756
Guarantee fees	5,492	7,588	5,492	7,588
Arrangement fees/Co-ordinating fees	450	2,895	450	2,895
Agency fees	485	385	485	385
Initial service charges	28,441	8,914	28,441	8,914
Other fee income	3,265	1,158	3,265	1,158
	142,134	108,012	142,134	108,012
<u>Income from financial instruments</u>				
Gains/(losses) arising on financial assets held-for-trading :-				
- net gains on disposal	23,429	4,795	23,429	4,795
- unrealised gains/(losses)	(206)	2,006	(206)	2,006
- gross dividend income	94	436	94	436
Gains/(losses) on derivatives :-				
- realised	103	1,063	103	1,063
- unrealised	(1,178)	(8,458)	(1,178)	(8,458)
Gains arising on financial investments available-for-sale :-				
- net gains on disposal	7,312	5,683	7,312	5,683
- gross dividend income	4,746	1,710	4,746	1,710
	34,300	7,235	34,300	7,235
<u>Other income</u>				
Foreign exchange gains/(losses)				
- realised	(1,681)	(85,347)	(1,681)	(85,347)
- unrealised	14,026	104,057	14,026	104,057
Rental income	628	461	628	461
Gains on disposal of property and equipment	179	99	179	99
Gains on disposal of foreclosed properties	-	104	-	104
Other non-operating income	3,495	3,683	3,495	3,683
	16,647	23,057	16,647	23,057
Total other operating income	193,081	138,304	193,081	138,304

A17. OTHER OPERATING EXPENSES

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/3/2017	31/3/2016	31/3/2017	31/3/2016
	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs</u>				
Wages, salaries and bonus	134,959	111,244	134,959	111,244
Defined contribution plan	21,047	18,558	21,047	18,558
Other personnel costs	20,321	17,339	20,321	17,339
	<u>176,327</u>	<u>147,141</u>	<u>176,327</u>	<u>147,141</u>
<u>Promotion and marketing-related expenses</u>				
Business promotion and advertisement	3,539	4,491	3,539	4,491
Entertainment	1,332	1,083	1,332	1,083
Travelling and accommodation	1,698	1,653	1,698	1,653
Dealers' handling fees	2,893	2,208	2,893	2,208
Commission and brokerage expenses	38,781	18,304	38,781	18,304
Dealers representative performance incentive	1,644	1,722	1,644	1,722
Others	1,706	1,871	1,706	1,871
	<u>51,593</u>	<u>31,332</u>	<u>51,593</u>	<u>31,332</u>
<u>Establishment-related expenses</u>				
Rental of premises	10,097	10,532	10,097	10,532
Equipment rental	413	742	413	742
Repair and maintenance	11,818	12,873	11,818	12,873
Depreciation of property and equipment	5,946	6,039	5,946	6,039
Amortisation of intangible assets	6,133	5,958	6,133	5,958
IT consultancy fee	15,265	16,076	15,265	16,076
Dataline rental	1,807	1,702	1,807	1,702
Security services	4,549	4,564	4,549	4,564
Electricity, water and sewerage	3,065	3,601	3,065	3,601
Insurance and indemnities	5,869	4,942	5,869	4,942
Others	1,250	1,441	1,250	1,441
	<u>66,212</u>	<u>68,470</u>	<u>66,212</u>	<u>68,470</u>
<u>General and administrative expenses</u>				
Telecommunication expenses	3,125	3,696	3,125	3,696
Directors' remuneration	890	633	890	633
Auditors' remuneration :-				
(i) Statutory audit fees				
- current year	653	601	653	601
(ii) Regulatory related fees	8	-	8	-
(iii) Tax fees	51	-	51	-
(iv) Non-audit fees	323	106	323	106
Professional fees	10,855	1,309	10,855	1,309
Property and equipment written-off	21	1,033	21	1,033
Intangible asset written-off	-	17	-	17
Postage and courier charges	588	1,148	588	1,148
Stationery and consumables	2,171	3,132	2,171	3,132
Donations	745	852	745	852
Settlement, clearing and bank charges	3,441	3,071	3,441	3,071
Stamp duties	102	47	102	47
Operational and litigation write-off expenses	-	19	-	19
Subscription fees	1,940	1,775	1,940	1,775
Transaction levy	2,305	1,898	2,305	1,898
Subsidies and allowances	710	849	710	849
SCORE fees	819	654	819	654
Others	5,723	4,835	5,723	4,835
	<u>34,476</u>	<u>25,675</u>	<u>34,476</u>	<u>25,675</u>
Total other operating expenses	<u>328,608</u>	<u>272,618</u>	<u>328,608</u>	<u>272,618</u>

**A18. ALLOWANCE FOR IMPAIRMENT LOSSES ON LOANS,
 ADVANCES, FINANCING AND TRADE RECEIVABLES**

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/3/2017	31/3/2016	31/3/2017	31/3/2016
	RM'000	RM'000	RM'000	RM'000
Collective impairment				
- made during the financial period	8,677	11,254	8,677	11,254
Individual impairment				
- made during the financial period	20,156	5,570	20,156	5,570
- written-back during the financial period	(12,814)	(3,945)	(12,814)	(3,945)
Bad debts				
- recovered	(10,585)	(14,714)	(10,585)	(14,714)
- written-off	293	221	293	221
Additional allowance for impairment losses				
- other debtors	48	39	48	39
	5,775	(1,575)	5,775	(1,575)

**A19. ALLOWANCE FOR IMPAIRMENT LOSSES
 ON SECURITIES**

Allowance for impairment losses				
- Financial investments available-for-sale	712	-	712	-
	712	-	712	-

A20. SEGMENTAL INFORMATION ON REVENUE AND PROFIT

The segment analysis by activity for the individual and cumulative quarters ended 31 March 2017 and 31 March 2016 are as follows:-

	<----- Individual and cumulative quarter ended 31 March 2017 ----->					
	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Eliminations RM'000	Group RM'000
Revenue						
External revenue	328,316	177,438	-	3,850	-	509,604
Intersegment revenue	(6,284)	(4,838)	-	23,056	(11,934)	-
Segment revenue	<u>322,032</u>	<u>172,600</u>	<u>-</u>	<u>26,906</u>	<u>(11,934)</u>	<u>509,604</u>
Operating expenses	(189,980)	(134,883)	-	(4,879)	1,134	(328,608)
of which :-						
Depreciation of property and equipment	(3,729)	(2,143)	-	(74)	-	(5,946)
Amortisation of intangible assets	(2,453)	(3,665)	-	(15)	-	(6,133)
(Additional)/write-back of allowance for impairment losses on loans, advances and financing/securities	(6,720)	233	-	-	-	(6,487)
Segment results	<u>125,332</u>	<u>37,950</u>	<u>-</u>	<u>22,027</u>	<u>(10,800)</u>	<u>174,509</u>
Finance costs	-	-	-	(14,127)	-	(14,127)
Share of results of a joint venture (net of tax)	-	-	(2,356)	-	-	(2,356)
Share of results of an associate (net of tax)	-	-	3,878	-	-	3,878
Profit before taxation and zakat	<u>125,332</u>	<u>37,950</u>	<u>1,522</u>	<u>7,900</u>	<u>(10,800)</u>	<u>161,904</u>
Zakat	-	(337)	-	-	-	(337)
Profit before taxation	<u>125,332</u>	<u>37,613</u>	<u>1,522</u>	<u>7,900</u>	<u>(10,800)</u>	<u>161,567</u>
Taxation	-	-	-	-	-	(38,371)
Net profit for the cumulative quarter	-	-	-	-	-	<u>123,196</u>

	<----- Individual and cumulative quarter ended 31 March 2016 ----->					
	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Eliminations RM'000	Group RM'000
Revenue						
External revenue	299,484	123,140	-	4,297	-	426,921
Intersegment revenue	(6,329)	(5,735)	-	120,044	(107,980)	-
Segment revenue	<u>293,155</u>	<u>117,405</u>	<u>-</u>	<u>124,341</u>	<u>(107,980)</u>	<u>426,921</u>
Operating expenses	(171,750)	(96,320)	-	(5,120)	572	(272,618)
of which :-						
Depreciation of property and equipment	(3,829)	(2,101)	-	(109)	-	(6,039)
Amortisation of intangible assets	(2,019)	(3,924)	-	(15)	-	(5,958)
(Additional)/write-back of allowance for impairment losses on loans, advances and financing/securities	1,656	(81)	-	-	-	1,575
Segment results	<u>123,061</u>	<u>21,004</u>	<u>-</u>	<u>119,221</u>	<u>(107,408)</u>	<u>155,878</u>
Finance costs	-	-	-	(14,337)	-	(14,337)
Share of results of a joint venture (net of tax)	-	-	(658)	-	-	(658)
Share of results of an associate (net of tax)	-	-	12,042	-	-	12,042
Profit before taxation and zakat	<u>123,061</u>	<u>21,004</u>	<u>11,384</u>	<u>104,884</u>	<u>(107,408)</u>	<u>152,925</u>
Zakat	-	(198)	-	-	-	(198)
Profit before taxation	<u>123,061</u>	<u>20,806</u>	<u>11,384</u>	<u>104,884</u>	<u>(107,408)</u>	<u>152,727</u>
Taxation	-	-	-	-	-	(34,924)
Net profit for the cumulative quarter	-	-	-	-	-	<u>117,803</u>

A21. SUBSEQUENT MATERIAL EVENT

There were no material events subsequent to the balance sheet date that require disclosure or adjustments to the unaudited condensed interim financial statements.

A22. CHANGES IN THE COMPOSITION OF THE GROUP

Save as disclosed below, there were no other significant changes in the composition of the Group during the financial period under review:-

a) Acquisition of Additional 154,570 ordinary shares of RM1.00 each, representing 0.13% Equity Interest in AXA AFFIN General Insurance Berhad ("AAGI")

During the period under review, the Company acquired additional 154,570 ordinary shares of RM1.00 each representing 0.13% equity interest in AAGI at a price of RM6.77 per share. As at 31 March 2017, the Company's equity interest in AAGI stood at 37.07% as compared to 36.94% as at 31 December 2016.

b) Acquisition of entire share capital of ABB Trustee Berhad ("ABBT") by AFFIN Hwang Investment Bank Berhad and its subsidiaries

On 25 January 2017, AFFIN Hwang Investment Bank Berhad and its subsidiaries, namely, AFFIN Hwang Nominees (Tempatan) Sdn Bhd, AFFIN Hwang Nominees (Asing) Sdn Bhd, AHC Global Sdn Bhd (formerly known as Classic Uptrend Sdn Bhd) and AHC Associates Sdn Bhd (formerly known as Sole Delta Sdn Bhd) had completed the acquisition of 100,000 ordinary shares of RM10 each, of which RM5 is fully paid-up, representing 100% equity interest in ABB Trustee Berhad ("ABBT") from AFFIN Bank Berhad and the other four shareholders of ABBT shares, for a total cash consideration of approximately RM630,000.00, based on the audited net asset value of ABBT as at 31 December 2015.

A23. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group makes various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions. The commitments and contingencies are not secured over the assets of the Group.

The notional amounts of the commitments and contingencies of the Group are as follows :-

	Principal Amount	
	31/3/2017 RM'000	31/12/2016 RM'000
Direct credit substitutes	664,148	533,615
Transaction related contingent items	2,198,382	2,252,924
Short-term self-liquidating trade-related contingencies	516,189	496,339
Obligation under underwriting commitments	-	19,481
Foreign exchange related contracts #		
- Less than one year	10,569,516	9,668,916
- One year to less than five years	746,058	603,046
- Five years and above	42,485	42,485
Interest rate related contracts #		
- Less than one year	700,313	893,125
- One year to less than five years	1,967,148	1,457,148
- Five years and above	865,000	830,000
Irrevocable commitments to extend credit		
- Maturity less than one year	7,860,667	7,842,971
- Maturity more than one year	1,385,613	1,515,422
Commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in borrowers' creditworthiness	710,423	566,296
Unutilised credit card lines	263,771	230,550
	28,489,713	26,952,318

The fair value of these derivatives has been recognised as "derivative financial assets" and "derivative financial liabilities" in the statement of financial position.

A24. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts and classified by remaining period to maturity/repricing date (whichever is earlier) as at reporting date are as follows:-

GROUP

	< ----- Contract/Notional Amount ----- >				< ----- Positive Fair Value ----- >				< ----- Negative Fair Value ----- >			
	Up To 1 Year	> 1 - 3 Years	> 3 Years	Total	Up To 1 Year	> 1 - 3 Years	> 3 Years	Total	Up To 1 Year	> 1 - 3 Years	> 3 Years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 31 March 2017												
Trading derivatives												
Foreign exchange contracts												
- Currency forwards	3,779,831	147,469	33,415	3,960,715	100,310	5,284	-	105,594	14,200	488	735	15,423
- Cross currency swaps	6,789,685	435,697	171,962	7,397,344	69,419	1,608	3,533	74,560	258,194	117,200	40,392	415,786
- Currency options	-	-	-	-	(71)	-	-	(71)	43	-	-	43
Interest rate contracts												
- Interest rate swaps	700,313	1,277,000	1,555,148	3,532,461	2,592	2,701	13,542	18,835	2,865	5,246	9,563	17,674
	11,269,829	1,860,166	1,760,525	14,890,520	172,250	9,593	17,075	198,918	275,302	122,934	50,690	448,926

As at 31 December 2016

Trading derivatives

Foreign exchange contracts												
- Currency forwards	3,141,660	109,426	-	3,251,086	161,539	7,137	-	168,676	17,632	-	-	17,632
- Cross currency swaps	6,527,256	397,590	138,515	7,063,361	98,867	1,220	1,754	101,841	351,158	124,379	42,514	518,051
- Currency options	-	-	-	-	-	-	-	-	-	-	-	-
Interest rate contracts												
- Interest rate swaps	893,125	1,137,000	1,150,148	3,180,273	2,477	3,897	12,380	18,754	2,987	6,187	8,085	17,259
	10,562,041	1,644,016	1,288,663	13,494,720	262,883	12,254	14,134	289,271	371,777	130,566	50,599	552,942

A24. DERIVATIVE FINANCIAL INSTRUMENTS (Cont.)

Foreign exchange and interest rate related contracts are subject to market risk, credit risk and liquidity risk.

Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at the reporting date, the notional amount of foreign exchange exposure which was not hedged and hence, exposed to market risk was RM43.8 million (FYE 31/12/2016: RM54.1 million), while the notional amount of interest rate contract was RM660.5 million (FYE 31/12/2016: RM843.3 million).

Credit risk

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the commercial bank has a gain position. As at the reporting date, the amounts of foreign exchange and interest rate credit risk, measured in terms of the cost to replace the profitable contracts, was RM373.6 million (FYE 31/12/2016: RM478.1 million) and RM110.3 million (FYE 31/12/2016: RM92.7 million) respectively. This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

Liquidity risk

Liquidity risk on derivatives is the risk that the derivative position cannot be closed out promptly. The exposure to liquidity risk is mitigated by entering into transactions where the underlying financial instruments are widely traded and also easily closed out through alternative markets.

Cash Requirement of the Derivatives

Cash requirements of the derivatives may arise from margin requirements to post cash collateral with counterparties as the fair value moves beyond the agreed upon threshold limits in the counterparties' favour, or upon downgrade in the Bank's credit ratings. As at the reporting date, there is no requirement for the Group to post any additional cash collateral on its derivative contracts.

Related Accounting Policies

The related accounting policies for off-balance sheet financial instruments applied in the condensed interim financial statements are consistent with those applied in the annual financial statements for the year ended 31 December 2016.

A25. FAIR VALUE MEASUREMENTS

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:-

- (a) Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities
- (b) Level 2 - quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- (c) Level 3 - valuations derived from valuation techniques in which one or more significant inputs are not based on observable market data.

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31 March 2017				
Assets				
Financial assets held-for-trading	74,323	191,431	-	265,754
Financial investments available-for-sale *				
- Corporate Bonds and/or Sukuk	-	8,928,328	30,496	8,958,824
- Equity securities	348,268	81	236,120	584,469
- Money market instruments	-	4,522,580	-	4,522,580
Derivative financial assets	-	198,918	-	198,918
	422,591	13,841,338	266,616	14,530,545
Liabilities				
Derivative financial liabilities	-	448,926	-	448,926
31 December 2016				
Assets				
Financial assets held-for-trading	23,627	246,727	-	270,354
Financial investments available-for-sale *				
- Corporate Bonds and/or Sukuk	-	8,891,001	30,045	8,921,046
- Equity securities	330,172	81	236,120	566,373
- Money market instruments	-	4,621,104	-	4,621,104
Derivative financial assets	-	289,271	-	289,271
	353,799	14,048,184	266,165	14,668,148
Liabilities				
Derivative financial liabilities	-	552,942	-	552,942

* Net of allowance for impairment losses

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. These would include actively traded listed equities and actively exchange-traded derivatives.

Where fair value is determined using unquoted market 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.

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Such inputs are generally determined based on observable inputs of a similar nature, historical observations on the level of the input or other analytical techniques.

A25. FAIR VALUE MEASUREMENTS (Cont.)

This category includes unquoted shares held for socio economic reasons. Fair values for shares held for socio economic reasons are based on the net tangible assets of the affected companies. The Group exposure to financial instruments classified as Level 3 comprised a small number of financial instruments which constitute an insignificant component of the Group's portfolio of financial instruments. Hence, changing one or more of the inputs to reasonable alternative assumptions would not change the value significantly for the financial assets in Level 3 of the fair value hierarchy.

The Group recognise transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. Transfers between fair value hierarchy primarily due to change in the level of trading activity, change in observable market activity related to an input, reassessment of available pricing information and change in the significance of the unobservable input. There were no transfers between Level 1, 2 and 3 of the fair value hierarchy during the financial period (2016: Nil).

The following table present the changes in Level 3 instruments for the financial year ended:-

Group	31/3/2017 RM'000	31/12/2016 RM'000
As at beginning of the financial period/year	266,165	223,554
Purchases	-	30,045
Sales	-	(25)
Interest income recognised in income statements	451	-
Total gains recognised in other comprehensive income	-	13,409
Allowance for impairment losses	-	(318)
Reclassified to investment in associate	-	(500)
As at end of the financial period/year	<u>266,616</u>	<u>266,165</u>

Effect of changes in significant unobservable assumptions to reasonably possible alternative

As at reporting date, financial instruments measured with valuation techniques using significant unobservable inputs (Level 3) mainly include unquoted shares held for socio economic purposes.

A26. CAPITAL ADEQUACY

With effect from 1 January 2013, the total capital and capital adequacy ratios of the Group are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework (Capital Components) dated 28 November 2012. The Group and the Bank are currently adopting Standardised Approach for Credit Risk and Market Risk, the Basic Indicator Approach for Operational Risk. In line with the transitional arrangements under the Bank Negara Malaysia's Capital Adequacy Framework (Capital Components), the minimum capital adequacy requirement for Common Equity Tier I ("CET I") Capital Ratio, Tier I Capital Ratio and Total Capital Ratio are 5.750% (2016: 5.125%), 7.250% (2016: 6.625%) and 9.250% (2016: 8.625%) respectively for year 2017.

All banking subsidiaries namely, AFFIN Bank, AFFIN Islamic Bank, AFFIN Hwang Investment Bank have complied with the above minimum regulatory capital adequacy requirement as at 31 March 2017. The components of CET I, Tier I and Tier II capital, breakdown of risk-weighted assets and capital adequacy ratios of the banking subsidiaries as at the reporting date are summarised below :-

	AFFIN Bank		AFFIN Islamic Bank		AFFIN Hwang Investment Bank	
	31/3/2017 RM'000	31/12/2016 RM'000	31/3/2017 RM'000	31/12/2016 RM'000	31/3/2017 RM'000	31/12/2016 RM'000
a) The components of CET I, Tier I						
Tier II capital :-						
<u>CET I/Tier I capital</u>						
Paid-up share capital	1,688,770	1,688,770	760,000	560,000	780,000	780,000
Share premium	858,904	858,904	-	-	219,800	219,800
Statutory reserves	1,416,621	1,416,621	305,016	305,016	251,343	251,343
Retained profits	920,074	913,359	229,260	237,777	261,646	274,279
Less: Proposed dividend	(76,300)	-	-	-	-	-
Unrealised gains and losses on AFS	142,323	122,753	(15,054)	(23,768)	(22,696)	(26,901)
	<u>4,950,392</u>	<u>5,000,407</u>	<u>1,279,222</u>	<u>1,079,025</u>	<u>1,490,093</u>	<u>1,498,521</u>
Less Regulatory adjustments:-						
- Goodwill and other intangibles	(168,125)	(167,982)	-	-	(316,332)	(316,645)
- Investments in subsidiaries/joint ventures	(619,779)	(345,134)	(1,120)	(840)	(107,592)	(108,692)
- Deferred tax assets	-	-	(5,621)	(8,056)	(5,946)	(6,291)
- 55% of cumulative unrealised gains of AFS	(78,278)	(67,514)	-	-	-	-
Total CET I Capital	<u>4,084,210</u>	<u>4,419,777</u>	<u>1,272,481</u>	<u>1,070,129</u>	<u>1,060,223</u>	<u>1,066,893</u>
Total Tier I Capital (a)	<u>4,084,210</u>	<u>4,419,777</u>	<u>1,272,481</u>	<u>1,070,129</u>	<u>1,060,223</u>	<u>1,066,893</u>
<u>Tier II capital</u>						
Subordinated MTNs/loans	2,000,000	1,180,000	-	-	-	-
Regulatory adjustments	200,311	207,026	81,696	73,178	11,039	9,667
Collective impairment #	104,334	109,362	27,816	28,541	2,586	2,858
Less : Investment in subsidiaries/joint ventures	(154,945)	(230,090)	(280)	(560)	(13,625)	(12,525)
Total Tier II Capital (b)	<u>2,149,700</u>	<u>1,266,298</u>	<u>109,232</u>	<u>101,159</u>	<u>-</u>	<u>-</u>
Total Tier I & II Capital (a) + (b)	<u>6,233,910</u>	<u>5,686,075</u>	<u>1,381,713</u>	<u>1,171,288</u>	<u>1,060,223</u>	<u>1,066,893</u>
Capital base before proposed dividends	6,233,910	5,686,075	1,381,713	1,171,288	1,060,223	1,066,893
Proposed dividends	-	(76,300)	-	-	-	(10,800)
Capital base after proposed dividends	<u>6,233,910</u>	<u>5,609,775</u>	<u>1,381,713</u>	<u>1,171,288</u>	<u>1,060,223</u>	<u>1,056,093</u>
b) The breakdown of risk-weighted assets :-						
Credit risk	32,778,408	32,838,523	9,018,484	8,124,441	2,292,923	2,400,616
Market risk	279,979	296,191	46,165	37,254	304,083	196,766
Operational risk	1,948,403	1,956,481	468,971	451,894	413,010	394,323
Total risk-weighted assets	<u>35,006,790</u>	<u>35,091,195</u>	<u>9,533,620</u>	<u>8,613,589</u>	<u>3,010,016</u>	<u>2,991,705</u>
c) Capital adequacy ratios :-						
<u>Before deducting proposed dividends:-</u>						
CET I Capital Ratio	11.667%	12.595%	13.347%	12.424%	35.223%	35.662%
Tier I Capital Ratio	11.667%	12.595%	13.347%	12.424%	35.223%	35.662%
Total Capital Ratio	<u>17.808%</u>	<u>16.204%</u>	<u>14.493%</u>	<u>13.598%</u>	<u>35.223%</u>	<u>35.662%</u>
<u>After deducting proposed dividends:-</u>						
CET I Capital Ratio	11.667%	12.378%	13.347%	12.424%	35.223%	35.301%
Tier I Capital Ratio	11.667%	12.378%	13.347%	12.424%	35.223%	35.301%
Total Capital Ratio	<u>17.808%</u>	<u>15.986%</u>	<u>14.493%</u>	<u>13.598%</u>	<u>35.223%</u>	<u>35.301%</u>

Qualifying collective impairment is restricted to allowances on the unimpaired loans, advances and financing.

A27. OPERATIONS OF ISLAMIC BANKING

(i) Unaudited Islamic Statements of Financial Position

	Group	
	31/3/2017	31/12/2016
	RM'000	RM'000
ASSETS		
Cash and short-term funds	1,646,144	1,057,844
Financial investments available-for-sale	1,920,423	1,833,408
Financial investments held-to-maturity	73,396	72,122
Derivative financial assets	10,912	8,987
Financing, advances and other financing	12,755,307	11,914,943
Other assets	76,883	55,126
Statutory deposit with Bank Negara Malaysia	309,640	332,000
Investment in associate	750	750
Deferred tax assets	5,621	8,056
Property and equipment	2,379	2,347
TOTAL ASSETS	16,801,455	15,285,583
LIABILITIES, ISLAMIC BANKING FUNDS		
Deposits from customers	10,936,358	10,528,698
Investment accounts of customers	831	-
Deposits and placements of banks and other financial institutions	2,075,454	1,248,993
Investment accounts due to designated financial institutions	2,129,988	2,110,049
Derivative financial liabilities	8,145	1,412
Other liabilities	257,544	233,159
Provision for taxation	5,186	6,015
Total Liabilities	15,413,506	14,128,326
SHAREHOLDERS' EQUITY		
Share capital	760,000	560,000
Reserves	627,949	597,257
Total Equity	1,387,949	1,157,257
TOTAL LIABILITIES AND EQUITY	16,801,455	15,285,583
COMMITMENTS AND CONTINGENCIES	3,795,066	3,317,468

A27. OPERATIONS OF ISLAMIC BANKING (Cont.)

(ii) Unaudited Islamic Income Statements

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/3/2017	31/3/2016	31/3/2017	31/3/2016
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	148,082	129,905	148,082	129,905
Income derived from investment of investment account funds	28,394	19,181	28,394	19,181
Allowance for losses on financing, advances and other financing	(5,392)	(2,535)	(5,392)	(2,535)
	171,084	146,551	171,084	146,551
Income attributable to depositors	(115,502)	(100,893)	(115,502)	(100,893)
Income attributable to shareholders	55,582	45,658	55,582	45,658
Income derived from investment of Shareholders' funds	15,638	11,290	15,638	11,290
Net Income	71,220	56,948	71,220	56,948
Other operating expenses	(38,470)	(31,455)	(38,470)	(31,455)
Profit before taxation and zakat	32,750	25,493	32,750	25,493
Zakat	-	-	-	-
Profit before taxation	32,750	25,493	32,750	25,493
Taxation	(8,681)	(6,512)	(8,681)	(6,512)
Net profit for the financial period attributable to the equity holders of the Company	24,069	18,981	24,069	18,981

(iii) Unaudited Statements of Comprehensive Islamic Income

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/3/2017	31/3/2016	31/3/2017	31/3/2016
	RM'000	RM'000	RM'000	RM'000
Profit after taxation	24,069	18,981	24,069	18,981
Other comprehensive income :-				
- Net fair value change in financial investments available-for-sale	8,714	15,750	8,714	15,750
- Deferred tax on revaluation of financial investments available-for-sale	(2,091)	(3,780)	(2,091)	(3,780)
Other comprehensive income/(loss) for the financial period, net of tax	6,623	11,970	6,623	11,970
Total comprehensive income for the financial period attributable to the equity holders of the Company	30,692	30,951	30,692	30,951

A27. OPERATIONS OF ISLAMIC BANKING (Cont.)

(iv) Financing

	Group	
	31/3/2017	31/12/2016
	RM'000	RM'000
<u>By type</u>		
Cash line	289,262	278,880
Term financing		
- Housing financing	3,184,155	2,857,530
- Syndicated term financing	683,934	582,739
- Hire purchase receivables	3,408,055	3,181,358
- Business term financing	3,799,239	3,541,779
Bills receivables	9,594	21,376
Trust receipts	5,945	6,938
Interest-free accepted bills	173,737	174,623
Staff financing	16,516	13,109
Revolving credit	1,252,947	1,319,609
	12,823,384	11,977,941
Less : Allowance for impairment losses		
- Collective impairment	(48,734)	(44,995)
- Individual impairment	(19,343)	(18,003)
Total net financing	12,755,307	11,914,943

(v) Impaired financing

(a) Movements of impaired financing

Balance at the beginning of financial period/year	97,497	141,708
Classified as impaired during the financial period/year	240,663	164,338
Reclassified as non-impaired during the financial period/year	(20,972)	(111,591)
Amount recovered during the financial period/year	(4,173)	(87,213)
Amount written-off during the financial period/year	-	(9,745)
Balance at the end of financial period/year	313,015	97,497

(b) Movements in the allowance for impairment on financing

Collective impairment

Balance at the beginning of financial period/year	44,995	36,671
Allowance (net of write-back) made during the financial period/year	3,739	13,897
Amount written-off during the financial period/year	-	(5,573)
Balance at the end of financial period/year	48,734	44,995

Individual impairment

Balance at the beginning of financial period/year	18,003	38,516
Allowance made during the financial period/year	5,748	19,340
Amount recovered during the financial period/year	(3,831)	(35,863)
Amount written-off during the financial period/year	-	(4,149)
Unwinding discount of allowance	(345)	(198)
Exchange difference	(232)	357
Balance at the end of financial period/year	19,343	18,003

A27. OPERATIONS OF ISLAMIC BANKING (Cont.)

(vi) Deposits from customers

	Group	
	31/3/2017	31/12/2016
	RM'000	RM'000
<u>Wadiah</u>		
Demand deposits	2,711,238	2,572,559
Savings deposits	502,076	477,284
	3,213,314	3,049,843
<u>Mudharabah</u>		
General investment deposits	103,400	104,047
	103,400	104,047
<u>Tawarruq</u>		
Murabahah term deposits	6,845,252	6,606,396
Commodity Murabahah Deposit (CMD)	774,392	768,412
	7,619,644	7,374,808
Total deposits from customers	10,936,358	10,528,698

Part B - Explanatory Notes pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad

B1. REVIEW OF PERFORMANCE OF THE COMPANY AND ITS PRINCIPAL SUBSIDIARIES

The Group reported a higher profit before tax ("PBT") of RM161.6 million for the current financial quarter as compared to RM152.7 million for the preceding year's corresponding quarter. This was mainly due to the increase in other operating income, Islamic banking income and net interest income totaling RM82.7 million, net of higher overhead expenses of RM56.0 million and lower share of profits in associate of RM8.2 million. For the period under review, there was an allowance for loan impairment loss of RM5.8 million as compared to a write-back of RM1.6 million in the previous year.

Commercial Banking

The results of the commercial banking segment was mainly attributable to the AFFIN Bank Berhad ("ABB") Group which reported a PBT of RM125.3 million for the current financial quarter ended 31 March 2017 as compared to RM123.1 million for the preceding year's corresponding quarter. This was mainly due to the increase in Islamic banking income, net interest income and other operating totaling RM28.9 million, net of the allowance for loan impairment of RM6.7 million as compared to a write-back of RM1.7 million in the previous year. For the period under review, the overhead expenses however increased by RM18.2 million mainly attributable to higher personnel cost and higher professional fees of RM12.1 million and RM7.3 million respectively.

The wholly-owned subsidiary, namely AFFIN Islamic Bank Berhad registered a higher PBT of RM32.8 million as compared to RM25.5 million for the preceding year's corresponding quarter, mainly due to higher operating income of RM17.1 million in line with the financing growth of 7.1%, net of higher overhead expenses and higher allowance for loan impairment of RM7.0 million and RM2.9 million respectively.

Investment Banking

The results of the investment banking segment was attributed to AFFIN Hwang Investment Bank Berhad ["AFFIN Hwang IB"] Group which reported a higher PBT of RM37.6 million for the current financial quarter 31 March 2017 as compared to RM20.8 million for the preceding year's corresponding quarter, mainly due to higher other operating income of RM52.2 million net of higher overhead expenses of RM38.6 million. The increase in other operating income was mainly due to the increase in initial service charges, net income on financial instruments, management fee income and net brokerage income of RM19.5 million, RM28.2 million, RM7.6 million and RM4.1 million respectively, net of lower foreign exchange gains RM8.6 million. Whereas, the increase in overhead expenses was largely due to higher commission and brokerage expenses and higher personnel cost of RM19.9 million and RM17.2 million respectively.

For the quarter ended 31 March 2017, the 70%-owned subsidiary namely AFFIN Hwang Asset Management Berhad, contributed a higher PBT of RM13.2 million as compared to RM8.9 million reported in the previous year. The improve performance was mainly due to higher initial service income and higher management fee income of RM19.5 million and RM7.5 million respectively, net of higher overhead expenses of RM23.8 million mainly attributed to higher commission and brokerage expenses of RM19.9 million.

Insurance

The results of the insurance segment was made up of the results of AXA AFFIN Life Insurance Berhad ("AALI") and AXA AFFIN General Insurance Berhad ("AAGI") as follows:-

AXA AFFIN Life Insurance Berhad ("AALI") reported a lower pre-tax loss of RM5.3 million for the current financial quarter ended 31 March 2017 as compared to pre-tax loss of RM11.6 million for the preceding year's corresponding quarter. This was mainly due to higher investment income and lower reserves for future policyholders' liabilities as a result of movement in MGS rate, net of higher expenses.

AXA AFFIN General Insurance Berhad ("AAGI") reported a lower pre-tax profit of RM15.5 million for the current financial quarter as compared to RM35.7 million for the preceding year's corresponding quarter. This was mainly due to higher net claims and higher overhead expenses of RM20.5 million and RM3.4 million respectively, net of lower net commission incurred of RM5.7 million. Included in the share of results in AAGI of RM3.9 million for the period under review was an adjustment of RM0.3 million on over-recognition of the Group's share of profits for the previous financial year.

B1. REVIEW OF PERFORMANCE OF THE COMPANY AND ITS PRINCIPAL SUBSIDIARIES (Cont.)

Other business segment

The results of the other business segment was mainly attributable to AFFIN Holdings Berhad ("AHB"), AFFIN Moneybrokers Sdn Bhd ("AMB") and AFFIN-ACF Holdings Sdn Bhd ("AACH").

AHB registered a lower pre-tax profit of RM7.3 million for the current financial quarter ended 31 March 2017 as compared to a pre-tax profit of RM104.1 million for the preceding year's corresponding quarter, mainly attributed to the dividend income from subsidiaries.

Similar to the same quarter last year, AMB reported a pre-tax profit of RM0.5 million for the quarter under review.

AACH reported a lower PBT of RM77,000 for the quarter ended 31 March 2017 as compared to RM194,000 for the preceding year's corresponding quarter.

B2. COMMENTS ON CURRENT PERFORMANCE AGAINST THE PRECEDING QUARTER'S RESULTS

The Group's pretax profit of RM161.6 million for the current financial quarter indicated a decrease of RM55.3 million or 25.5% as compared to RM216.9 million achieved in the preceding quarter. This was mainly due to lower share of profits in associate of RM14.6 million and the reduction other operating income, net interest income and Islamic banking income totaling RM18.2 million. The overhead expenses also increased by RM34.0 million, mainly due to the increase in personnel cost, repair and maintenance, professional fees, commission and brokerage expenses of RM18.8 million, RM7.0 million, RM6.6 million and RM3.5 million respectively. These were partially cushioned by the reduction in both allowances for loan impairment and securities impairment of RM8.6 million and RM5.5 million respectively.

B3. PROSPECTS FOR FINANCIAL YEAR 2017

Commercial Banking

Malaysia's Gross Domestic Product (GDP) is projected to expand from 4.3% to 4.8% in 2017. The recovery momentums for 1Q17 were strengthen by domestic demand as the main driver, supported by the private sector activity and the positive expectation of General Election. The private consumption growth is sustainable with the continued wage growth and increase in disposable income; reflecting the government measures and higher global commodity prices despite the higher inflation. Inflation is expected to be manageable but on higher trending (3.0% - 4.0%) due to higher fuel prices and sustained food price inflation.

For 2017, the Bank's strategic objectives will be focusing on strengthening its fee-based income from digital banking, unit trust and credit card to mitigate the impact of margin compression on net interest income. The Bank's current asset quality is in a good position. However, the Bank will cautiously grow its assets through prudent underwriting standards, active recovery efforts and manage its resources with effective operational costs.

The Bank will continue to enhance its Islamic financing portfolio to 40% by year 2020. The Bank is targeting moderate loan growth of 6% to 7% and to focus on the two sectors, household and SME loans in generating sustainable returns. Priority is also placed on increasing deposits to further strengthen the Bank's liquidity and funding profile.

The Bank remains optimistic for year 2017, and will continue to support AFFIN Group's strategic vision in providing excellent banking services to meet its customer needs and expectation.

Investment Banking

Malaysia's underlying economic fundamentals have improved further in 2017, supported by lower fiscal deficit, healthy current account surplus and ample international reserves, where the economy is in a better position to weather external challenges. With the Group's diversified business profile, supported by sound financial and banking system in the country, the Group's investment banking, securities and asset management businesses should benefit from the overall improved market sentiments, especially when the economic activity is projected to improve in 2017. Despite improving market sentiments and business opportunities in 2017, the Group will continue to build resilience across its businesses, and drive efficiency savings in its business operations, with collaborative efforts to better serve its clientele.

B3. PROSPECTS FOR FINANCIAL YEAR 2017 (Cont.)

Insurance

The Malaysian life insurance industry continued to grow at a moderate rate. AXA AFFIN Life Insurance Berhad expects to continue its growth trajectory on relative low insurance penetration. Customer segmentation is in its infancy with growing potentials. Priority segments of the population continue to be mass affluent established families and mass affluent young professionals. This continuous growth is to be achieved through expanding reach of consumers through multi distribution channels and platforms as well as product development to cater to different needs.

The general insurance sector is expected to be challenging for 2017 as the phased liberalisation of Motor and Fire tariffs being set in motion. After five years of significant profitable development, AXA AFFIN General Insurance Berhad's strategy is to consolidate its operations by focusing on selective growth (diversification) and efficiency projects to enhance the level of profitability and investing in transformation projects to prepare the Company for future industry challenges.

B4. VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

There were no profit forecast and profit guarantee issued by the Company.

B5. TAXATION

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/3/2017	31/3/2016	31/3/2017	31/3/2016
	RM'000	RM'000	RM'000	RM'000
Malaysian Taxation :-				
- Income tax based on profit for the financial period	30,255	30,023	30,255	30,023
Deferred tax :-				
- Relating to originating temporary differences	8,076	4,674	8,076	4,674
Under provision in prior years :-				
- Current taxation	40	227	40	227
	38,371	34,924	38,371	34,924

For the current and preceding year's corresponding quarter, the Group's effective tax rate were lower than the statutory tax rate, mainly due to certain expenses not deductible for tax purposes, net of certain income not subject to tax or subject to lower tax rate.

B6. STATUS OF CORPORATE PROPOSALS

a) Proposed acquisition of additional equity interest in AXA AFFIN General Insurance Berhad ("AAGI") ("Proposed Acquisition")

AFFIN Holdings Berhad (the "Company" or "AHB") had on 25 March 2016 announced that Bank Negara Malaysia ("BNM") had vide its letter dated 25 March 2016 stated that it had no objection in principle for AHB to commence negotiations with Felda Marketing Services Sdn Bhd, AXA Asia and subsequently with the minority shareholders to acquire additional shares in AAGI in relation to the Proposed Acquisition, subject to all parties concluding negotiations within 6 months from the date of the said letter. The said approval should not be construed as approval for the Proposed Acquisition. Upon concluding negotiations, AHB would be required to obtain prior approval from BNM pursuant to the Financial Services Act 2013, before entering into any agreement to affect the Proposed Acquisition.

AAGI is principally engaged in the underwriting of all classes of general insurance business and AHB holds approximately 36.94% equity interest in AAGI as at 31 December 2016.

On 23 September 2016, AFFIN Hwang Investment Bank Berhad ("AHIB") had on behalf of the Board of Directors of AHB announced that the negotiations between AHB, AXA Asia and Felda Marketing Services Sdn Bhd were still on-going as at the date of announcement. AHB had on the same day submitted an application to Bank Negara Malaysia for an extension of time from 24 September 2016 to 31 December 2016 for AHB and AXA Asia to conclude negotiations with Felda Marketing Services Sdn Bhd to the Proposed Acquisition.

On 28 October 2016, AHIB had on behalf of the Board of Directors of AHB announced that BNM had in its letter dated 28 October 2016 informed that it has no objection for an extension of 3 months from 28 October 2016 for AHB to complete its negotiations with Felda Marketing Services Sdn Bhd and AXA Asia in relation to the Proposed Acquisition.

AHB had on 27 January 2017 submitted an application to BNM to seek BNM's approval for an extension of time of a further six months for AHB to conclude negotiations with Felda Marketing Services Sdn Bhd to the Proposed Acquisition.

On 23 February 2017, AHIB had on behalf of the Board of Directors of AHB announced that BNM had informed that it has no objection for an extension of 6 months up to 5 August 2017 for AHB to complete its negotiations with Felda Marketing Services Sdn Bhd and AXA Asia in relation to the Proposed Acquisition.

Further announcements will be made to Bursa Malaysia Securities Berhad as and when there are material developments pertaining to the Proposed Acquisition.

b) Proposed reorganisation of the AFFIN Holdings Berhad Group of Companies

On 16 February 2017, AFFIN Hwang Investment Bank Berhad ("AHIB") had on behalf of the Board of Directors of AFFIN Holdings Berhad (the "Company" or "AHB") announced that AHB and AFFIN Bank Berhad ("ABB") intend to undertake the Proposed Reorganisation of the AHB Group of companies as follows:-

(i) Proposed transfer by AHB of the following identified companies to ABB:

- AHIB, a wholly-owned subsidiary of AHB;
- AFFIN Moneybrokers Sdn Bhd, a wholly-owned subsidiary of AHB ("AMB");
- AXA AFFIN Life Insurance Berhad, a 51.00%-owned joint venture company of AHB ("AALI"); and
- AXA AFFIN General Insurance Berhad, a 37.07%-owned associate company of AHB ("AAGI"),

(AHIB, AMB, AALI and AAGI shall collectively be referred to as the "Identified Companies" and item (i) above shall be referred to as the "Proposed Reorganisation");

(ii) Proposed distribution of the entire shareholdings in ABB held by AHB to the entitled shareholders of AHB whose names appear in AHB's Record of Depositors on an entitlement date to be determined and announced by the Board at a later date ("Entitlement Date") ("Entitled Shareholders"), after the completion of the Proposed Reorganisation, on the Entitlement Date by way of a distribution-in-specie via a reduction of the following:

- the entire consolidated capital of AHB (which includes the entire issued and paid-up share capital of AHB and the entire share premium account of AHB); and
- the retained profits of AHB,

(item (ii) above shall be referred to as the "Proposed Distribution");

(iii) Proposed subscription by ABB of 2 new ordinary shares in AHB ("AHB Shares") which will be undertaken simultaneously with the Proposed Distribution ("Proposed Subscription");

B6. STATUS OF CORPORATE PROPOSALS (Cont.)

b) Proposed reorganisation of the AFFIN Holdings Berhad Group of Companies (Cont.)

- (iv) Proposed amendments of the Memorandum and Articles of Association ("M&A") of AHB and ABB to facilitate the Proposed Transfer of Listing Status ("Proposed Amendments");
 - (v) Proposed transfer of the listing status from AHB to ABB on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Proposed Transfer of Listing Status"); and
 - (vi) Proposed members' voluntary winding-up of AHB in accordance with the Companies Act, 2016 ("Act") ("Proposed Winding-up"),
- (the above shall collectively be referred to as the "Proposals").

(1) Details of the Proposed Reorganisation

AHB will enter into a conditional share sale agreement ("SSA") with ABB to undertake the Proposed Reorganisation where the entire shareholdings held by AHB in the Identified Companies at a cut-off date to be determined later ("Cut-Off Date") will be transferred from AHB to ABB. The SSA will be entered into between the transacting parties after the approval of Bank Negara Malaysia ("BNM") has been obtained.

The Cut-Off Date shall be the last day of the calendar month immediately prior to the calendar month in which the conditions precedents are fulfilled in accordance with the terms of the SSA.

(2) Transfer consideration and mode of satisfaction

The transfer consideration for each of the Identified Companies shall be based on their respective carrying value recorded by AHB in its management accounts as at the Cut-Off Date ("Transfer Consideration"). Carrying value comprised AHB's cost of investment in the said Identified Companies and its share of post-acquisition profits recorded by the respective Identified Companies.

The mode of satisfaction for the Transfer Consideration are proposed to be as follows:

- for AHIB, AMB, and AALI - issuance of 254,178,931 new ordinary shares in ABB ("ABB Shares"); and
- for AAGI - to be fully satisfied in cash to be paid by ABB to AHB

AHB and ABB have decided to fix the number of new ABB Shares the ABB will issue to AHB to satisfy part of the Transfer Consideration to facilitate the exchange ratio for the Proposed Distribution. As at the date of announcement, ABB has 1,688,769,616 ABB Shares in issue whilst AHB has 1,942,948,547 AHB Shares in issue. ABB intends to issue 254,178,931 new ABB Shares for the Transfer Consideration of AHIB, AMB and AALI. This will result in both AHB and ABB having the same resultant number of shares in issue, being 1,942,948,547 shares.

With the equal amount number of shares in issue, AHB will be able to undertake a distribution-in-specie of 1 ABB Share for each existing AHB Share held pursuant to the Proposed Distribution, minimising the incidence of odd lots for its shareholders when undertaking the Proposed Distribution.

(3) Approvals required

The Proposals are subject to the following approvals being obtained:

- (a) BNM and the Ministry of Finance, Malaysia (on recommendation of BNM) for the Proposed Reorganisation, Proposed Distribution and Proposed Subscription.
- (b) SC for the following:-
 - (i) change in controller of AHIB, AFFIN Hwang Asset Management Berhad ("AHAM") and AIIMAN Asset Management Sdn Bhd ("AIIMAN"), being holders of the Capital Markets and Services License issued by the SC, pursuant to the proposed transfer of AHIB under the Proposed Reorganisation; and
 - (ii) exemption to LTAT and its persons acting in concert under Paragraph 4.13(1)(c) of the Rules from the obligation to make a mandatory take-over offer to acquire all the ABB Shares not held by LTAT and its persons acting in concert upon completion of the Proposed Distribution.
- (c) Bursa Malaysia Securities Berhad ("Bursa Securities") for the following:-
 - (i) the withdrawal of AHB's listing status from the Main Market of Bursa Securities, pursuant to the Proposed Transfer of Listing Status; and
 - (ii) admission to the Official List and the listing of and quotation for the entire enlarged issued and paid-up share capital of ABB on the Main Market of Bursa Securities, pursuant to the Proposed Transfer of Listing Status;

B6. STATUS OF CORPORATE PROPOSALS (Cont.)

b) Proposed reorganisation of the AFFIN Holdings Berhad Group of Companies (Cont.)

(3) Approvals required (Cont.)

- (d) sanction of the High Court of Malaya under Section 116(4) of the Act for the Proposed Distribution;
- (e) shareholders of AHB at an EGM to be convened for the Proposed Distribution, Proposed Subscription, Proposed Amendments and Proposed Transfer of Listing Status;
- (f) shareholder of ABB for the Proposed Reorganisation, proposed issuance of new ABB Shares to settle the transfer consideration for AHIB, AMB and AALI under the Proposed Reorganisation, Proposed Subscription, Proposed Amendments and Proposed Winding-Up;
- (g) approvals of the lenders of AHB Group and the Identified Companies, if required; and
- (h) approval, waiver and/or consent of any other relevant authority or party, if required.

(4) Inter-conditionality of the Proposals

The Proposed Reorganisation is not conditional upon any of the other Proposals.

The Proposed Distribution, Proposed Subscription, Proposed Amendments and Proposed Transfer of Listing Status are inter-conditional upon each other and are also conditional upon the Proposed Reorganisation.

The Proposed Winding-Up is conditional upon all the other Proposals.

Save as disclosed above, the Proposals are not conditional upon any other proposal undertaken or to be undertaken by AHB or ABB.

On 20 February 2017, AHB had submitted an application to Bank Negara Malaysia ("BNM") to seek the approval of BNM and/or its recommendations to Ministry of Finance, Malaysia for approval for the Proposed Reorganisation, Proposed Distribution and Proposed Subscription. AHB had on the same day submitted an application to the Securities Commission Malaysia ("SC") to seek the approval of the SC for the change in controller of AHIB, AHAM and AIIMAN pursuant to the Proposed Reorganisation.

Further announcements will be made to Bursa Malaysia Securities Berhad as and when there are material developments pertaining to the Proposed Reorganisation.

B7. GROUP BORROWINGS AND DEBT SECURITIES

(i) Deposits from Customers

	Group	
	31/3/2017 RM'000	31/12/2016 RM'000
<u>By Type of Deposits:-</u>		
Money Market Deposits	1,011,777	518,016
Demand Deposits	7,095,477	7,608,593
Savings Deposits	2,176,506	2,043,157
Fixed Deposits	31,604,289	30,045,975
Negotiable Instruments of Deposits ('NIDs')	7,316,063	10,279,492
Commodity Murabahah Deposit (CMD)	774,392	768,412
Other deposits	107,580	241,997
	50,086,084	51,505,642
Maturity structure of fixed deposits and NIDs are as follows:-		
Due within six months	30,194,553	33,143,123
Six months to one year	7,872,162	6,533,358
One year to three years	688,077	477,883
Three years to five years	165,560	171,103
	38,920,352	40,325,467
<u>By Type of Customers:-</u>		
Government and statutory bodies	7,859,781	7,481,350
Business enterprises	14,560,796	13,999,473
Individuals	12,872,865	12,991,518
Domestic banking institutions	5,958,820	7,479,171
Domestic non-banking financial institutions	7,712,185	8,376,495
Foreign Entities	469,847	504,612
Others	651,790	673,023
	50,086,084	51,505,642

(ii) Deposits and Placements of Banks and Other Financial Institutions

<u>By Type of Institutions:-</u>		
Licensed banks	3,896,072	2,638,076
Licensed investment banks	185,014	93,725
Bank Negara Malaysia	264,767	63,235
Other financial institutions	1,436,409	1,099,001
	5,782,262	3,894,037
<u>By Maturity Structure:-</u>		
Due within six months	5,726,211	3,846,498
Six months to one year	56,051	47,539
	5,782,262	3,894,037

(iii) Borrowings

<u>Unsecured :-</u>		
One year or less (short-term)	-	302,662
More than one year (medium/long-term)	2,369,305	1,303,935
	2,369,305	1,606,597

B8. REALISED AND UNREALISED UNAPPROPRIATED PROFITS

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses into realised and unrealised profits or losses as at the end of the reporting period. On 20 December 2010, Bursa Malaysia had also issued a guide to all listed issuers on the disclosure requirement for the realised and unrealised unappropriated profits and losses.

Pursuant to the above directives, the breakdown of retained profits of the Group into realised and unrealised profits as at the reporting date is disclosed as follows :-

	Group	
	31/3/2017	31/12/2016
	RM'000	RM'000
<u>Total retained profits of AFFIN Holdings Berhad and its subsidiaries :-</u>		
- Realised	2,384,014	2,204,118
- Unrealised		
- deferred tax recognised in the income statement	13,214	22,034
- other items of income and expense	90,425	150,434
	<u>2,487,653</u>	<u>2,376,586</u>
<u>Total share of retained profits in an associate:-</u>		
- Realised	301,498	299,893
- Unrealised	2,998	726
<u>Total share of retained losses in a joint venture :-</u>		
- Realised	(64,729)	(7,582)
- Unrealised	24,352	(679)
	<u>2,751,772</u>	<u>2,668,944</u>
Add: Consolidation adjustments	(234,315)	(268,031)
Total Group retained profits as per consolidated financial statements	<u><u>2,517,457</u></u>	<u><u>2,400,913</u></u>

The breakdown of realised and unrealised retained profits is determined based on the Guidance of Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad listing Requirements" issued by the Malaysian Institute of Accountants on 20 December 2010.

The unrealised retained profits of the Group as disclosed above does not include translation gains and losses on monetary items denominated in a currency other than the functional currency and foreign exchange contracts. These translation gains and losses are incurred in the ordinary course of business of the Group and hence deemed as realised.

The above disclosure of realised and unrealised unappropriated profits and losses is strictly for the compliance of the disclosure requirements stipulated in the directive issued by Bursa Malaysia and should not be used for any other purposes.

B9. MATERIAL LITIGATION

- a) A claim by the Plaintiff against AFFIN Bank Berhad ("ABB") vide Writ of Summons and Statement of Claim dated 22 January 2016 ("Writ") for the following:-
- RM56,885,317.82 together with interest at 5% per annum from 1999 till full settlement as alleged damages;
 - SGD9,928,473.75 together with interest at 5% per annum from 2013 till full settlement as alleged losses;
 - RM776,331.00 being alleged losses of Plaintiff's shares in Berlian Ferries Pte. Ltd which was transferred out as a result of his in 2013 with interest at 5% per annum from 2013 till full settlement as alleged losses;
 - RM500,000 as cost in respect of legal proceedings in Singapore.

ABB had on 25 January 1996 given Suria Barisan (M) Sdn Bhd ("Suria") a credit facility of RM21.6 million ("Facility") against security of unquoted shares belonging to Naval Dockyard Sdn Bhd and guaranteed by the Plaintiff and Puan Norashikin Binti Abdul Latiff ("Guarantor").

Suria, the Plaintiff and the Guarantor ("All") defaulted in the Facility which led to ABB filing a debt recovery action against All of them in 1999. Judgement was obtained against All on 8 July 2004.

The Plaintiff was made bankrupt on 17 January 2013. The bankruptcy was set aside in September 2015 on the grounds that he was solvent due to a third party, Chenet Finance Ltd ("Chenet") being ordered by a Singapore Court to pay damages to the Director General of Insolvency Malaysia ("DGI") as receiver of Plaintiff's Estate. ABB has appealed and Case Management ("CM") has been fixed on 24 June 2016.

The Plaintiff's claim ("Claim") is premised on alleged wrongful acts by ABB as follows:-

- failure to sell 7.2 million shares in Naval Dockyard Sdn Bhd ("NDSB shares") which was pledged by Suria to the Bank as security for the Facility on a timely basis. On this claim, Plaintiff claims damages under (i) above;
- allowed the release of the Guarantor from her liability upon payment of a certain sum pursuant to her Guarantee without giving the same opportunity to the Plaintiff;
- ABB had corresponded with the opponent of Plaintiff in Singapore to prevent the Plaintiff from claiming his assets in Singapore. Plaintiff has alleged conspiracy between ABB and the opponent of the Plaintiff in Singapore. On this claim, Plaintiff claims losses under (ii) above;
- ABB had wrongfully made Plaintiff a bankrupt in 2013 which bankruptcy was set aside in 2015. On this claim, Plaintiff claims losses under (iii) above;
- The Plaintiff is also claiming the amount of (iv) above being cost of proceedings incurred by him in Singapore.

ABB has a good defence ("Defence") on the merits with regard to each of the alleged wrongful act as follows:-

- the sale of NDSB Shares was subject to the approval from the relevant authorities as per the terms of the Facility Agreement and the price has to be based on the offer from the approved prospective buyer;
- the release of the Guarantor is the prerogative of ABB pursuant to the terms of the Guarantee Agreement;
- the Plaintiff's bankruptcy is based on a judgement of Court;
- ABB's legal firm has corresponded with the legal firm of the Plaintiff's opponent in Singapore only to inform the status of the Plaintiff proceedings in Malaysia and any alleged conspiracy is denied;
- The claim for cost is unreasonable as ABB was not in any way involved in the Singapore proceedings.

The above Claim against ABB by the Plaintiff is as a result of the Debt Recovery Action against the Plaintiff which was commenced in the ordinary course of business.

The Board of Directors of ABB are of the view that save for the orders, cost and other relief sought by the Plaintiff, which will only materialize if the Court rules in the Plaintiff's favour, the Writ and Statement of Claim is not expected to result in any immediate losses, material financial and operational impact on ABB for the current financial year ending 31 December 2016.

- b) Other than the above, there are various legal suits against AFFIN Bank Berhad ("ABB") in respect of claims and counter claims of approximately RM70.9 million (31 December 2016: RM71.8 million). Based on legal advice, the Directors of the Bank are of the opinion that no provision for damages need to be made in the financial statements, as the probability of adverse adjudication against ABB is remote.

B10. DIVIDENDS

No dividend has been proposed for the quarter under review.

B11. EARNINGS PER SHARE

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/3/2017	31/3/2016	31/3/2017	31/3/2016
Net profit attributable to equity holders of the Company (RM'000)	<u>120,177</u>	115,566	<u>120,177</u>	115,566
Weighted average number of ordinary shares in issue	<u>1,942,948,547</u>	1,942,948,547	<u>1,942,948,547</u>	1,942,948,547
Basic earnings per share (sen)	<u>6.19</u>	5.95	<u>6.19</u>	5.95

The basic earnings per share of the Group for the current financial quarter ended 31 March 2017 has been calculated based on the net profit attributable to the equity holders of the company of RM120,177,000 (2016: RM115,566,000) divided by the weighted average number of ordinary shares in issue during the current financial quarter of 1,942,948,547 (2016: 1,942,948,547).