

# AFFIN HOLDINGS BERHAD

(Company no. 23218 - W)

## Condensed Interim Financial Statements

### Unaudited Statements of Financial Position As At 31 December 2016

		< ----- GROUP ----- >		< ----- COMPANY ----- >	
	Note	31/12/2016 RM'000	31/12/2015 RM'000	31/12/2016 RM'000	31/12/2015 RM'000
<b>ASSETS</b>					
Cash and short-term funds		4,836,222	4,441,700	32,176	45,393
Deposits and placements with banks and other financial institutions		172,871	497,161	-	-
Trade receivables	A9	529,728	551,579	-	-
Financial assets held-for-trading	A10	270,354	122,016	-	-
Financial investments available-for-sale	A10	14,108,523	13,085,556	-	-
Financial investments held-to-maturity	A10	407,087	459,368	-	-
Derivative financial assets		289,271	293,864	-	-
Loans, advances and financing	A11	43,747,427	43,345,290	-	-
Other assets	A12	216,012	237,726	299	305
Statutory deposits with Bank Negara Malaysia		1,659,740	1,782,450	-	-
Amount due from subsidiaries		-	-	1,304,592	1,004,446
Amount due from associates		45,096	58,560	45,096	58,560
Investment in subsidiaries		-	-	5,461,063	5,461,063
Investment in joint ventures		153,768	129,396	187,680	159,630
Investment in associates		339,887	269,774	35,242	15,623
Tax recoverable		46,838	75,994	2,515	2,459
Deferred tax assets		19,723	16,339	-	-
Property and equipment		437,301	434,639	87	128
Intangible assets		1,606,497	1,612,462	2	3
<b>TOTAL ASSETS</b>		<b>68,886,345</b>	<b>67,413,874</b>	<b>7,068,752</b>	<b>6,747,610</b>
<b>LIABILITIES AND EQUITY</b>					
Deposits from customers	B7	51,505,642	50,548,747	-	-
Deposits and placements of banks and other financial institutions	B7	3,894,037	3,385,439	-	-
Obligation on securities sold under repurchase agreements		1,145,618	1,740,946	-	-
Bills and acceptances payable		37,726	77,114	-	-
Trade payables		724,554	642,483	-	-
Derivative financial liabilities		552,942	555,867	-	-
Recourse obligation on loans sold to Cagamas Berhad		-	134,585	-	-
Other liabilities	A13	656,242	652,293	4,258	3,098
Provision for taxation		2,440	11,799	-	-
Deferred tax liabilities		29,542	31,505	7	27
Amount due to subsidiaries		-	-	400,254	400,253
Borrowings	B7	1,606,597	1,306,011	1,606,597	1,306,011
<b>TOTAL LIABILITIES</b>		<b>60,155,340</b>	<b>59,086,789</b>	<b>2,011,116</b>	<b>1,709,389</b>

*The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2015.*

**AFFIN HOLDINGS BERHAD**

(Company no. 23218 - W)

**Condensed Interim Financial Statements****Unaudited Statements of Financial Position As At 31 December 2016**

	<b>&lt; ----- GROUP ----- &gt;</b>		<b>&lt; ----- COMPANY ----- &gt;</b>	
Note	<b>31/12/2016 RM'000</b>	<b>31/12/2015 RM'000</b>	<b>31/12/2016 RM'000</b>	<b>31/12/2015 RM'000</b>
<b>EQUITY</b>				
Share capital	<b>1,942,949</b>	1,942,949	<b>1,942,949</b>	1,942,949
Reserves:-				
Share premium	<b>2,185,712</b>	2,185,712	<b>2,185,712</b>	2,185,712
Statutory reserves	<b>1,806,731</b>	1,626,175	-	-
AFS revaluation reserves	<b>56,318</b>	64,833	-	-
Regulatory reserves	<b>289,871</b>	284,141	-	-
Retained profits	<b>2,400,913</b>	2,178,629	<b>928,975</b>	909,560
<b>Equity attributable to equity holders of the Company</b>	<b>8,682,494</b>	8,282,439	<b>5,057,636</b>	5,038,221
Non-controlling interest	<b>48,511</b>	44,646	-	-
<b>TOTAL EQUITY</b>	<b>8,731,005</b>	8,327,085	<b>5,057,636</b>	5,038,221
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>68,886,345</b>	67,413,874	<b>7,068,752</b>	6,747,610
<b>COMMITMENTS AND CONTINGENCIES</b>	<b>26,952,318</b>	27,995,755	-	-
<b>NET ASSETS PER SHARE (RM)</b>	<b>4.47</b>	4.26		

*The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2015.*

**AFFIN HOLDINGS BERHAD**  
(Company no. 23218 - W)  
**Condensed Interim Financial Statements**  
**Unaudited Income Statements For The Financial Quarter Ended 31 December 2016**

<u>GROUP</u>	Note	<---Individual Quarter Ended ---->		<---Cumulative Quarter Ended --->	
		31/12/2016 RM'000	31/12/2015 RM'000	31/12/2016 RM'000	31/12/2015 RM'000
Interest income	A15	624,203	640,972	2,553,111	2,534,695
Interest expense	A16	(377,294)	(399,565)	(1,582,569)	(1,586,868)
<b>Net interest income</b>		<b>246,909</b>	241,407	<b>970,542</b>	947,827
Islamic banking income		79,493	64,803	272,806	238,921
Other operating income	A17	201,441	158,624	692,526	615,744
<b>Net income</b>		<b>527,843</b>	464,834	<b>1,935,874</b>	1,802,492
Other operating expenses	A18	(294,618)	(280,488)	(1,142,921)	(1,085,718)
<b>Operating profit before allowance for impairment losses on loans, advances and financing</b>		<b>233,225</b>	184,346	<b>792,953</b>	716,774
Allowance for impairment losses on loans, advances and financing	A19	(14,345)	(20,797)	(18,420)	(188,378)
Allowance for impairment losses on securities	A20	(6,217)	166	(24,930)	23,758
<b>Operating profit</b>		<b>212,663</b>	163,715	<b>749,603</b>	552,154
Finance cost		(14,217)	(10,106)	(56,641)	(40,947)
Share of results of a joint venture		401	(16,917)	(4,275)	(18,908)
Share of results of an associate		18,477	6,516	53,137	26,963
<b>Profit before taxation and zakat</b>		<b>217,324</b>	143,208	<b>741,824</b>	519,262
Zakat		(430)	(4,048)	(4,111)	(4,853)
<b>Profit before taxation</b>		<b>216,894</b>	139,160	<b>737,713</b>	514,409
Taxation	B5	(39,894)	(38,421)	(157,903)	(132,236)
<b>Net profit for the financial year</b>		<b>177,000</b>	100,739	<b>579,810</b>	382,173
<b>Profit for the financial period attributable to :-</b>					
- Equity holders of the Company		171,394	97,407	564,005	369,269
- Non-controlling interest		5,606	3,332	15,805	12,904
		<b>177,000</b>	100,739	<b>579,810</b>	382,173
Earnings per share attributable to the equity holders of the Company (sen)					
- Basic	B11	8.82	5.01	29.03	19.01

*The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2015.*

**AFFIN HOLDINGS BERHAD**  
(Company no. 23218 - W)  
**Condensed Interim Financial Statements**  
**Unaudited Statement of Comprehensive Income**  
**For The Financial Quarter Ended 31 December 2016**

<u>GROUP</u>	<----Individual Quarter Ended ---->		<---Cumulative Quarter Ended --->	
	31/12/2016 RM'000	31/12/2015 RM'000	31/12/2016 RM'000	31/12/2015 RM'000
<b>Profit after taxation</b>	<b>177,000</b>	100,739	<b>579,810</b>	382,173
<b>Other comprehensive income/(loss):</b>				
Items that may be reclassified subsequently to profit or loss :-				
- Net fair value change in financial investments available-for-sale	(282,222)	196,859	7,123	61,757
- Impairment losses on financial investments available-for-sale transferred to income statement	-	-	15,176	-
- Net gain on disposal of financial investments available-for-sale transferred to income statement	(10,080)	(2,247)	(30,076)	(10,230)
- Deferred tax on revaluation of financial investments available-for-sale	69,966	(47,845)	2,118	(12,672)
- Share of other comprehensive income/(loss) of an associated company	(6,702)	3,149	(3,393)	1,354
- Share of other comprehensive income/(loss) of a joint venture	(686)	559	597	(654)
<b>Other comprehensive income/(loss) for the financial year, net of tax</b>	<b>(229,724)</b>	150,475	<b>(8,455)</b>	39,555
<b>Total comprehensive income/(loss) for the financial year</b>	<b>(52,724)</b>	251,214	<b>571,355</b>	421,728
<b>Total comprehensive income/(loss) for the financial year attributable to :-</b>				
- Equity holders of the Company	(58,096)	247,741	555,490	408,911
- Non-controlling interest	5,372	3,473	15,865	12,817
	<b>(52,724)</b>	251,214	<b>571,355</b>	421,728

*The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2015.*

**AFFIN HOLDINGS BERHAD**  
(Company no. 23218 - W)  
**Condensed Interim Financial Statements**  
**Unaudited Income Statements For The Financial Quarter Ended 31 December 2016**

<u>COMPANY</u>	<----Individual Quarter Ended ---->		<----Cumulative Quarter Ended ---->	
	31/12/2016 RM'000	31/12/2015 RM'000	31/12/2016 RM'000	31/12/2015 RM'000
Interest income	13,381	9,615	53,801	38,043
Interest expense	-	-	-	-
<b>Net interest income</b>	<b>13,381</b>	<b>9,615</b>	<b>53,801</b>	<b>38,043</b>
Other operating income	83,373	72,063	190,781	138,094
<b>Net income</b>	<b>96,754</b>	<b>81,678</b>	<b>244,582</b>	<b>176,137</b>
Other operating expenses	(4,406)	(3,749)	(11,310)	(9,898)
<b>Operating profit before allowance for impairment losses on loans, advances and</b>	<b>92,348</b>	<b>77,929</b>	<b>233,272</b>	<b>166,239</b>
Allowance for impairment losses on loans, advances and financing	-	-	-	-
Allowance for impairment losses on securities	-	-	-	-
<b>Operating profit</b>	<b>92,348</b>	<b>77,929</b>	<b>233,272</b>	<b>166,239</b>
Finance cost	(14,217)	(10,106)	(56,641)	(40,947)
<b>Profit before taxation and zakat</b>	<b>78,131</b>	<b>67,823</b>	<b>176,631</b>	<b>125,292</b>
Zakat	-	-	-	-
<b>Profit before taxation</b>	<b>78,131</b>	<b>67,823</b>	<b>176,631</b>	<b>125,292</b>
Taxation	(254)	(738)	(1,781)	(1,585)
<b>Net profit for the financial year attributable to equity holders of the Company</b>	<b>77,877</b>	<b>67,085</b>	<b>174,850</b>	<b>123,707</b>

*The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2015.*

**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 December 2016**

<u>COMPANY</u>	<---Individual Quarter Ended ---->		<---Cumulative Quarter Ended --->	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
	RM'000	RM'000	RM'000	RM'000
<b>Profit after taxation</b>	<b>77,877</b>	67,085	<b>174,850</b>	123,707
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the financial year attributable to equity holders of the Company</b>	<b>77,877</b>	67,085	<b>174,850</b>	123,707

*The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2015.*

**AFFIN HOLDINGS BERHAD**  
(Company no. 23218 - W)  
**Unaudited Condensed Consolidated Statement Of Changes In Equity**  
**For The Financial Year Ended 31 December 2016**

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

<b>GROUP</b>	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			
<b>At 1 January 2016</b>	1,942,949	1,942,949	2,185,712	1,626,175	64,833	284,141	2,178,629	<b>8,282,439</b>	44,646	<b>8,327,085</b>
Comprehensive income :										
- Net profit for the financial year	-	-	-	-	-	-	564,005	<b>564,005</b>	15,805	<b>579,810</b>
Other comprehensive income (net of tax) of which:-										
- Financial investments available-for-sale	-	-	-	-	(5,719)	-	-	<b>(5,719)</b>	60	<b>(5,659)</b>
- Share of other comprehensive loss of an associated company	-	-	-	-	(3,393)	-	-	<b>(3,393)</b>	-	<b>(3,393)</b>
- Share of other comprehensive income of a joint venture	-	-	-	-	597	-	-	<b>597</b>	-	<b>597</b>
Total comprehensive income for the financial year	-	-	-	-	(8,515)	-	564,005	<b>555,490</b>	15,865	<b>571,355</b>
Transfer to statutory reserves	-	-	-	180,556	-	-	(180,556)	-	-	-
Transfer to regulatory reserves	-	-	-	-	-	5,730	(5,730)	-	-	-
Dividends declared and paid during the financial year	-	-	-	-	-	-	(155,435)	<b>(155,435)</b>	(12,000)	<b>(167,435)</b>
<b>At 31 December 2016</b>	<b>1,942,949</b>	<b>1,942,949</b>	<b>2,185,712</b>	<b>1,806,731</b>	<b>56,318</b>	<b>289,871</b>	<b>2,400,913</b>	<b>8,682,494</b>	<b>48,511</b>	<b>8,731,005</b>
<b>At 1 January 2015</b>	1,942,949	1,942,949	2,185,712	1,502,616	25,191	187,922	2,087,232	<b>7,931,622</b>	40,829	<b>7,972,451</b>
Comprehensive income :										
- Net profit for the financial year	-	-	-	-	-	-	369,269	<b>369,269</b>	12,904	<b>382,173</b>
Other comprehensive income (net of tax) of which:-										
- Financial investments available-for-sale	-	-	-	-	38,942	-	-	<b>38,942</b>	(87)	<b>38,855</b>
- Share of other comprehensive income of an associated company	-	-	-	-	1,354	-	-	<b>1,354</b>	-	<b>1,354</b>
- Share of other comprehensive loss of a joint venture	-	-	-	-	(654)	-	-	<b>(654)</b>	-	<b>(654)</b>
Total comprehensive income for the financial year	-	-	-	-	39,642	-	369,269	<b>408,911</b>	12,817	<b>421,728</b>
Transfer to statutory reserves	-	-	-	123,559	-	-	(123,559)	-	-	-
Transfer to regulatory reserves	-	-	-	-	-	96,219	(96,219)	-	-	-
Dividends declared and paid for the financial year	-	-	-	-	-	-	(58,094)	<b>(58,094)</b>	(9,000)	<b>(67,094)</b>
<b>At 31 December 2015</b>	<b>1,942,949</b>	<b>1,942,949</b>	<b>2,185,712</b>	<b>1,626,175</b>	<b>64,833</b>	<b>284,141</b>	<b>2,178,629</b>	<b>8,282,439</b>	<b>44,646</b>	<b>8,327,085</b>

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2015.

**AFFIN HOLDINGS BERHAD**  
(Company no. 23218 - W)  
**Unaudited Condensed Statement Of Changes In Equity**  
**For The Financial Year Ended 31 December 2016**

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

<u>COMPANY</u>	<b>Issued and fully paid ordinary shares of RM1 each</b>		<b>Non-distributable</b>	<b>Distributable</b>	<b>Total Equity</b>
	Number of shares '000	Nominal value RM'000	Share premium RM'000	Retained profits RM'000	
<b>At 1 January 2016</b>	1,942,949	1,942,949	2,185,712	909,560	<b>5,038,221</b>
Total comprehensive income for the financial year :					
- Net profit for the financial year	-	-	-	174,850	<b>174,850</b>
Dividends declared and paid during the financial year	-	-	-	(155,435)	<b>(155,435)</b>
<b>At 31 December 2016</b>	<b>1,942,949</b>	<b>1,942,949</b>	<b>2,185,712</b>	<b>928,975</b>	<b>5,057,636</b>
<b>At 1 January 2015</b>	1,942,949	1,942,949	2,185,712	843,947	<b>4,972,608</b>
Total comprehensive income for the financial year :					
- Net profit for the financial year	-	-	-	123,707	<b>123,707</b>
Dividends declared and paid for the financial year	-	-	-	(58,094)	<b>(58,094)</b>
<b>At 31 December 2015</b>	<b>1,942,949</b>	<b>1,942,949</b>	<b>2,185,712</b>	<b>909,560</b>	<b>5,038,221</b>

*The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2015.*



**AFFIN HOLDINGS BERHAD**  
(Company no. 23218 - W)  
**Unaudited Condensed Consolidated Statement of Cash Flow**  
**For The Financial Year Ended 31 December 2016**

	31/12/2016 RM'000	31/12/2015 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	737,713	514,409
Adjustment for items not involving the movement of cash and cash equivalents:-	<b>(507,974)</b>	(289,319)
Operating profit before changes in working capital	<b>229,739</b>	225,090
Net changes in operating assets	<b>(42,198)</b>	(3,210,801)
Net changes in operating liabilities	<b>776,710</b>	51,229
Tax and zakat paid	<b>(150,334)</b>	(220,641)
Tax refund	<b>5,459</b>	1,364
Net cash generated from/(used in) operating activities	<b>819,376</b>	(3,153,759)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received from securities	<b>452,753</b>	434,516
Net (purchase)/disposal of:		
- securities	<b>(947,799)</b>	(175,288)
- property and equipment	<b>(41,843)</b>	(303,415)
- intangible assets	<b>(4,769)</b>	(6,932)
Dividend received from:		
- financial investments held-to-maturity	-	1,780
- financial investments held-for-trading	<b>614</b>	-
- financial investments available-for-sale	<b>18,190</b>	16,487
Proceeds from disposal of foreclosed properties	<b>588</b>	4,877
Subscription of shares in a joint venture	<b>(28,050)</b>	(12,750)
Purchase of shares in associate	<b>(19,619)</b>	-
Repayment of subordinated loan and other receivables by associate	<b>13,464</b>	8,696
Net cash used in investing activities	<b>(556,471)</b>	(32,029)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in borrowings	<b>300,586</b>	333,553
Dividends paid to shareholders	<b>(155,435)</b>	(58,094)
Dividends paid to non-controlling interest	<b>(12,000)</b>	(9,000)
Net cash generated from financing activities	<b>133,151</b>	266,459
Net increase/(decrease) in cash and cash equivalents	<b>396,056</b>	(2,919,329)
Cash and cash equivalents at beginning of the year	<b>4,393,076</b>	7,312,405
Cash and cash equivalents at end of the year	<b>4,789,132</b>	4,393,076
<u>Analysis of cash &amp; cash equivalent</u>		
Cash and short-term funds	<b>4,836,222</b>	4,441,700
Adjustment for money held in trust on behalf of remisers	<b>(47,090)</b>	(48,624)
	<b>4,789,132</b>	4,393,076

*The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2015.*

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

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### **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 2015. 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 2015.

### **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 2015, 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 2016:-

- Amendments to MFRS 11 'Joint arrangements' - Accounting for acquisition of interests in joint operations
- Amendments to MFRS 101 'Presentation of financial statements' - Disclosure initiative
- Amendments to MFRS 127 'Equity method in separate financial statements'
- Amendments to MFRS 10, 12 & 128 'Investment entities - Applying the consolidation exception'
- Annual Improvements to MFRSs 2012-2014 Cycle

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 2015 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**

- (i) A final single-tier dividend of 5.0 sen per share in respect of the previous financial year ended 31 December 2015 amounting to RM97,147,427.35 was paid on 8 June 2016.
- (ii) An interim single-tier dividend of 3.0 sen per share in respect of the current financial year ended 31 December 2016 amounting to RM58,288,456.41 was paid on 29 December 2016.

**A9. TRADE RECEIVABLES**

	<b>Group</b>	
	<b>31/12/2016</b>	<b>31/12/2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Amount due from stock-broking clients		
- performing accounts	322,195	290,256
- impaired accounts	1,705	4,460
Amount due from brokers	114,092	141,493
Amount due from Bursa Securities Clearing Sdn Bhd	-	51,033
Management fees receivable on fund management	93,104	68,476
	<hr/>	<hr/>
	531,096	555,718
Less: Allowance for impairment		
- Collective impairment	-	(16)
- Individual impairment	(1,368)	(4,123)
	<hr/>	<hr/>
	<b>529,728</b>	<b>551,579</b>

**Movement in allowance for impairment on trade receivables :-**

**Collective impairment**

Balance at the beginning of financial year	16	19
Allowance made during the financial year	-	31
Amount written-back during the financial year	(16)	(34)
	<hr/>	<hr/>
Balance at the end of financial year	<b>-</b>	<b>16</b>

**Individual impairment**

Balance at the beginning of financial year	4,123	4,083
Allowance made during the financial year	1,781	108
Amount written-back during the financial year	(866)	(68)
Amount written-off during the financial year	(3,670)	-
	<hr/>	<hr/>
Balance at the end of financial year	<b>1,368</b>	<b>4,123</b>

#### A10. FINANCIAL ASSETS

	Group	
	31/12/2016 RM'000	31/12/2015 RM'000
<b>(a) <u>Financial assets held-for-trading</u></b>		
<b>At fair value</b>		
Negotiable Instruments of Deposit	200,067	79,807
Quoted Securities :-		
- Shares in Malaysia	18,763	33,564
- Unit Trusts in Malaysia	4,864	8,645
Unquoted Securities :-		
- Corporate Bonds and/or Sukuk in Malaysia	31,218	-
- Corporate Bonds and/or Sukuk outside Malaysia	15,442	-
Total financial assets held-for-trading	270,354	122,016
<b>(b) <u>Financial investments available-for-sale</u></b>		
<b>At fair value</b>		
Malaysian Government Securities	318,324	59,892
Malaysian Government Investment Issuance	1,816,434	2,538,871
Cagamas Bonds	66,597	20,102
Sukuk Perumahan Kerajaan	485,574	753,385
Khazanah Bonds	439,219	437,819
Negotiable Instruments of Deposit and Islamic Debt Certificate	1,494,956	1,004,703
	4,621,104	4,814,772
Quoted Securities :-		
- Shares in Malaysia	32,134	18,896
- Unit Trusts in Malaysia	190,278	240,850
- REITs in Malaysia	50,266	40,219
- REITs outside Malaysia	78,540	39,618
Unquoted Securities :-		
- Shares in Malaysia	238,749	227,133
- Corporate Bonds and/or Sukuk in Malaysia	8,190,917	7,051,910
- Corporate Bonds and/or Sukuk outside Malaysia	730,129	655,651
	14,132,117	13,089,049
Allowance for impairment losses of securities	(23,594)	(3,493)
Total financial investments available-for-sale	14,108,523	13,085,556
<b>(c) <u>Financial investments held-to-maturity</u></b>		
<b>At amortised cost</b>		
Unquoted Securities :-		
- Corporate Bonds and/or Sukuk in Malaysia	402,532	459,546
- Redeemable Convertible Secured Loan Stocks in Malaysia	15,042	-
	417,574	459,546
Allowance for impairment losses of securities	(10,487)	(178)
Total financial investments held-to-maturity	407,087	459,368
<b>Total securities held</b>	<b>14,785,964</b>	<b>13,666,940</b>

## A11. LOANS, ADVANCES AND FINANCING

### (a) BY TYPE

	Group	
	31/12/2016 RM'000	31/12/2015 RM'000
Overdrafts	1,919,668	1,960,022
Term loans/financing :-		
- Housing Loan/financing	6,964,223	6,172,180
- Syndicated term loans/financing	2,482,093	2,079,497
- Hire purchase receivables	11,920,683	12,000,990
- Business term loans/financing	13,440,419	13,416,080
- Other term loans/financing	356,509	702,427
Bills receivables	30,113	321,091
Trust receipts	297,955	298,417
Claims on customers under acceptance credits	1,082,209	1,016,613
Staff loans/financing (of which RM NIL to Directors)	160,732	154,076
Credit/charge cards	91,091	83,769
Revolving credit	5,123,539	5,420,534
Margin financing	241,772	157,979
Factoring	1,560	4,369
Other receivables	40,490	91,377
<b>Gross loans, advances and financing</b>	<b>44,153,056</b>	<b>43,879,421</b>
Less: Allowance for impairment losses		
- Collective impairment	(237,954)	(238,868)
- Individual impairment	(167,675)	(295,263)
<b>Total net loans, advances and financing</b>	<b>43,747,427</b>	<b>43,345,290</b>

### (b) BY MATURITY STRUCTURE

Maturing within one year	9,204,328	10,067,237
One year to three years	4,969,834	4,726,084
Three years to five years	7,332,075	6,937,257
Over five years	22,646,819	22,148,843
	<b>44,153,056</b>	<b>43,879,421</b>

### (c) BY TYPE OF CUSTOMER

Domestic banking institutions	3,033	-
Domestic non-banking institutions :-		
- Stock-broking companies	-	221
- Others	834,841	1,575,279
Domestic business enterprises :-		
- Small medium enterprises	12,553,872	9,135,776
- Others	10,998,242	14,016,404
Government and statutory bodies	1,467,488	1,137,674
Individuals	17,920,443	17,066,575
Foreign individuals	957	966
Other domestic entities	88,036	109,263
Foreign entities	286,144	837,263
	<b>44,153,056</b>	<b>43,879,421</b>

### (d) BY INTEREST / PROFIT RATE SENSITIVITY

Fixed rate :-		
- Housing loans/financing	406,788	404,928
- Hire purchase receivables	11,923,338	12,003,958
- Other fixed rate loans/financing	3,546,700	4,143,970
- Margin financing	241,772	157,978
Variable rate :-		
- BLR plus	16,774,292	16,027,827
- Cost plus	11,195,608	11,071,899
- Other variable rates	64,558	68,861
	<b>44,153,056</b>	<b>43,879,421</b>

**A11. LOANS, ADVANCES AND FINANCING (Cont.)**

**(e) BY ECONOMIC PURPOSE**

	Group	
	31/12/2016 RM'000	31/12/2015 RM'000
Construction	3,280,772	3,264,042
Purchase of landed property of which :-		
- Residential	7,095,192	6,427,607
- Non-residential	6,012,752	5,913,754
Purchase of securities	1,200,510	904,800
Purchase of transport vehicles	12,343,573	12,509,416
Fixed assets other than land and building	325,485	240,609
Personal use	691,257	745,582
Credit card	91,091	83,769
Consumer durable	879	852
Merger and acquisition	97,992	299,085
Working capital	12,452,407	13,000,464
Others	561,146	489,441
	<b>44,153,056</b>	<b>43,879,421</b>

**(f) BY SECTOR**

Primary agriculture	896,922	692,126
Mining and quarrying	915,756	789,889
Manufacturing	2,225,082	2,341,341
Electricity, gas and water supply	202,818	244,682
Construction	2,571,019	3,576,344
Real estate	8,027,575	7,114,834
Wholesale and retail trade and restaurants and hotels	2,855,690	2,552,553
Transport, storage and communication	2,233,611	2,279,071
Finance, insurance and business services	2,912,749	4,399,043
Education, health and others	3,137,788	2,650,162
Household	18,052,061	17,185,511
Others	121,985	53,865
	<b>44,153,056</b>	<b>43,879,421</b>

**(g) BY GEOGRAPHICAL DISTRIBUTION**

Perlis	195,079	155,914
Kedah	1,434,432	1,362,682
Pulau Pinang	2,386,830	2,156,877
Perak	1,444,400	1,304,444
Selangor	12,825,140	13,424,739
Wilayah Persekutuan	13,516,182	13,750,878
Negeri Sembilan	1,216,853	995,346
Melaka	1,030,549	1,003,701
Johor	4,117,630	3,557,500
Pahang	897,686	845,284
Terengganu	743,413	803,862
Kelantan	216,290	229,607
Sarawak	1,750,219	1,584,176
Sabah	1,626,943	1,622,166
Labuan	664,510	684,220
Outside Malaysia	86,900	398,025
	<b>44,153,056</b>	<b>43,879,421</b>

**A11. LOANS, ADVANCES AND FINANCING (Cont.)**

**(h) IMPAIRED LOANS, ADVANCES AND FINANCING**

**(i) Movements of impaired loans, advances and financing**

	<b>Group</b>	
	<b>31/12/2016</b>	<b>31/12/2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Balance at the beginning of financial year	834,222	747,776
Classified as impaired during the financial year	679,669	904,886
Reclassified as non-impaired during the financial year	(383,917)	(394,738)
Amount recovered during the financial year	(199,772)	(150,230)
Amount written-off during the financial year	(184,899)	(273,472)
Amount converted to financial investments held-for-maturity	(8,050)	-
Balance at the end of financial year	<b>737,253</b>	<b>834,222</b>

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

Construction	39,998	98,031
Purchase of landed property of which :-		
- Residential	203,075	180,137
- Non-residential	76,002	46,742
Purchase of securities	158	804
Purchase of transport vehicles	86,062	82,026
Fixed assets other than land and building	878	164
Personal use	28,441	20,539
Credit card	408	389
Consumer durable	17	16
Working capital	295,207	338,087
Others	7,007	67,287
	<b>737,253</b>	<b>834,222</b>

**(iii) Impaired loans, advances and financing by sector**

Primary agriculture	14,331	14,388
Mining and quarrying	120	15
Manufacturing	27,934	58,035
Electricity, gas and water supply	207	148
Construction	102,416	81,302
Real estate	71,195	103,532
Wholesale and retail trade and restaurants and hotels	57,706	48,914
Transport, storage and communication	2,106	3,314
Finance, insurance and business services	145,544	234,604
Education, health and others	732	2,602
Household	314,962	287,368
	<b>737,253</b>	<b>834,222</b>

#### A11. LOANS, ADVANCES AND FINANCING (Cont.)

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

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

	Group	
	31/12/2016 RM'000	31/12/2015 RM'000
Perlis	5,245	680
Kedah	48,834	19,972
Pulau Pinang	41,022	42,525
Perak	18,490	18,793
Selangor	314,005	484,346
Wilayah Persekutuan	79,564	89,094
Negeri Sembilan	79,423	13,949
Melaka	16,091	7,231
Johor	27,974	25,596
Pahang	9,574	8,262
Terengganu	6,245	5,307
Kelantan	5,337	5,068
Sarawak	7,951	6,918
Sabah	45,914	20,614
Outside Malaysia	31,584	85,867
	<b>737,253</b>	<b>834,222</b>

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

###### Collective impairment

Balance at beginning of financial year	238,868	301,601
Allowance (net of write-back) made during the financial year	43,748	17,649
Amount written-off during the financial year	(44,662)	(80,382)
Balance at the end of financial year	<b>237,954</b>	<b>238,868</b>

###### Individual impairment

Balance at the beginning of financial year	295,263	263,498
Allowance made during the financial year	81,349	258,654
Amount recovered during the financial year	(59,431)	(7,293)
Amount written-off during the financial year	(132,589)	(193,087)
Amount converted to financial investments held-to-maturity	(6,950)	-
Unwinding discount of allowance	(10,324)	(33,004)
Exchange difference	357	6,495
Balance at the end of financial year	<b>167,675</b>	<b>295,263</b>

#### A12. OTHER ASSETS

Cheque clearing accounts	10,721	6,803
Foreclosed properties	7,970	4,906
Other debtors, deposits and prepayments	73,535	110,310
Amount due from joint ventures	46,725	39,936
Collaterals pledged for derivative transactions	76,561	75,771
Amount due from associates	500	-
	<b>216,012</b>	<b>237,726</b>

#### A13. OTHER LIABILITIES

Bank Negara Malaysia and Credit Guarantee Corporation Funding Programmes	38,563	38,536
Margin and collateral deposits	149,616	131,678
Commissioned dealer's representative trust balances	47,090	48,624
Defined contribution plan	15,662	18,401
Accrued employee benefits	85,606	68,747
Other creditors and accruals	137,184	159,721
Collaterals pledged for derivative transactions	8,761	12,109
Amount payable to commissioned and salaried dealers's representatives	22,174	22,457
Cheque clearing accounts	19,272	50,363
Provision for zakat	3,447	3,493
Sundry creditors	128,867	98,164
	<b>656,242</b>	<b>652,293</b>



#### A14. RESERVES

	Group	
	31/12/2016 RM'000	31/12/2015 RM'000
Retained profits	2,400,913	2,178,629
AFS revaluation reserves (a)	56,318	64,833
Statutory reserves (b)	1,806,731	1,626,175
Regulatory reserves (c)	289,871	284,141
	<b>4,553,833</b>	<b>4,153,778</b>

- (a) AFS revaluation reserves represent the unrealised gains or losses arising from the change in fair value of investments classified as financial investments available-for-sale. The gains or losses are transferred in the income statement upon disposal or when the securities become impaired.
- (b) The statutory reserves of the Group are maintained in compliance with Section 47(2)(f) of the Financial Services Act 2013 and Section 57(2)(f) Islamic Financial Services Act 2013 and are not distributable as cash dividends.
- (c) The banking subsidiaries are required to maintain in aggregate collective impairment allowances and regulatory reserves of no less than 1.2% of the total outstanding loans, advances and financing, net of individual impairment allowances.

#### A15. INTEREST INCOME

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2016 RM'000	31/12/2015 RM'000	31/12/2016 RM'000	31/12/2015 RM'000
Loans, advances and financing	453,337	477,422	1,873,752	1,875,301
Money at call and deposits with financial institutions	22,967	7,408	92,366	71,612
Financial assets held-for-trading	3,044	5,213	13,793	11,735
Financial investments available-for-sale	114,670	109,926	432,505	408,336
Financial investments held-to-maturity	2,084	9,249	20,248	26,180
Derivatives	26,741	30,007	115,290	134,836
Subordinated term loan	1,264	1,548	5,404	6,033
Others	96	199	(247)	662
	<b>624,203</b>	<b>640,972</b>	<b>2,553,111</b>	<b>2,534,695</b>
of which :-				
Interest income earned on impaired loans, advances and financing	1,972	(9,480)	9,575	16,677

#### A16. INTEREST EXPENSE

Deposits and placements of banks and other financial institutions	13,844	14,734	78,763	48,459
Deposits from customers	330,786	342,638	1,356,798	1,377,907
Loans sold to Cagamas Berhad	630	1,460	4,931	5,917
Derivatives	25,503	27,339	107,802	120,785
Others	6,531	13,394	34,275	33,800
	<b>377,294</b>	<b>399,565</b>	<b>1,582,569</b>	<b>1,586,868</b>

**A17. OTHER OPERATING INCOME**

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
	RM'000	RM'000	RM'000	RM'000
<u>Fee income</u>				
Gross brokerage	21,466	24,899	89,937	100,858
Underwriting fees	1,467	2,044	4,445	6,423
Portfolio management fees	50,052	46,035	184,766	171,357
Corporate advisory fees	2,176	484	7,460	3,788
Commission	4,615	3,989	17,156	15,846
Service charges and fees	18,738	14,487	64,589	57,359
Guarantee fees	6,451	6,788	25,037	23,950
Arrangement fees	2,620	740	7,749	3,657
Agency fees	740	838	2,107	2,184
Initial service charges	29,929	14,198	84,356	67,893
Other fee income	2,908	3,054	8,498	6,960
	<b>141,162</b>	<b>117,556</b>	<b>496,100</b>	<b>460,275</b>
<u>Income from financial instruments</u>				
Gains/(losses) arising on financial assets held-for-trading :-				
- net gains on disposal	3,960	10,240	26,480	28,237
- unrealised gains/(losses)	1,961	97	5,217	(37)
- gross dividend income	-	45	614	1,780
Gains/(losses) on derivatives :-				
- realised	581	557	2,452	4,596
- unrealised	3,747	78	292	(13,882)
Gains arising on financial investments available-for-sale :-				
- net gains on disposal	13,573	4,262	56,344	23,990
- gross dividend income	4,429	5,112	18,190	16,487
	<b>28,251</b>	<b>20,391</b>	<b>109,589</b>	<b>61,171</b>
<u>Other income</u>				
Foreign exchange gains/(losses)				
- realised	71,223	(222,013)	41,887	6,997
- unrealised	(41,366)	238,985	34,069	74,143
Rental income	379	572	1,556	1,726
Gains on disposal of property and equipment	(42)	267	106	431
Gains on disposal of foreclosed properties	-	97	153	684
Other non-operating income	1,834	2,769	9,066	10,317
	<b>32,028</b>	<b>20,677</b>	<b>86,837</b>	<b>94,298</b>
<b>Total other operating income</b>	<b>201,441</b>	<b>158,624</b>	<b>692,526</b>	<b>615,744</b>

## A18. OTHER OPERATING EXPENSES

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs</u>				
Wages, salaries and bonus	119,731	127,449	456,079	453,991
Defined contribution plan	19,605	20,514	75,554	74,496
Other personnel costs	18,226	8,198	72,007	67,248
	<u>157,562</u>	<u>156,161</u>	<u>603,640</u>	<u>595,735</u>
<u>Promotion and marketing-related expenses</u>				
Business promotion and advertisement	2,829	(677)	16,538	12,848
Entertainment	518	977	4,527	4,093
Travelling and accommodation	2,249	1,990	7,479	6,886
Dealers' handling fees	2,345	4,544	8,108	11,444
Commission and brokerage expenses	35,316	20,278	107,449	83,103
Dealers representative performance incentive	1,318	295	5,434	6,137
Others	2,093	2,179	7,484	8,440
	<u>46,668</u>	<u>29,586</u>	<u>157,019</u>	<u>132,951</u>
<u>Establishment-related expenses</u>				
Rental of premises	10,036	10,822	40,995	43,102
Equipment rental	90	726	2,298	3,207
Repair and maintenance	4,791	11,489	42,509	43,728
Depreciation of property and equipment	5,666	5,549	23,329	21,216
Amortisation of intangible assets	6,458	5,505	25,561	21,448
IT consultancy fee	16,498	15,940	65,111	64,245
Dataline rental	1,958	2,337	7,732	6,380
Security services	4,412	4,082	17,706	16,560
Electricity, water and sewerage	3,353	2,912	14,200	13,472
Insurance and indemnities	6,030	5,431	26,053	17,468
Others	1,127	1,060	4,999	5,001
	<u>60,419</u>	<u>65,853</u>	<u>270,493</u>	<u>255,827</u>
<u>General and administrative expenses</u>				
Telecommunication expenses	2,733	3,937	15,090	14,825
Directors' remuneration	1,431	1,107	4,000	2,884
Auditors' remuneration :-				
(i) Statutory audit fees				
- current year	124	45	1,844	1,632
- over provision in prior year	(30)	(42)	(30)	(42)
(ii) Regulatory related fees	474	456	575	551
(iii) Tax fees	38	(43)	197	95
(iv) Non-audit fees	88	219	289	479
Professional fees	4,249	3,533	14,232	16,512
Property and equipment written-off	20	33	1,114	182
Intangible asset written-off	-	-	17	6
Postage and courier charges	921	473	4,046	3,251
Stationery and consumables	1,576	3,029	10,908	10,598
Donations	1,023	1,129	3,333	2,822
Settlement, clearing and bank charges	3,453	2,885	12,451	9,935
Stamp duties	364	45	823	384
Operational and litigation write-off expenses	1,623	4,752	1,876	4,922
Subscription fees	1,986	2,234	7,946	6,083
Transaction levy	1,849	1,079	7,662	7,722
Subsidies and allowances	626	709	3,167	2,980
SCORE fees	556	424	2,516	2,686
Others	6,865	2,884	19,713	12,698
	<u>29,969</u>	<u>28,888</u>	<u>111,769</u>	<u>101,205</u>
<b>Total other operating expenses</b>	<b><u>294,618</u></b>	<b><u>280,488</u></b>	<b><u>1,142,921</u></b>	<b><u>1,085,718</u></b>

**A19. ALLOWANCE FOR IMPAIRMENT LOSSES ON LOANS,  
 ADVANCES AND FINANCING**

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
	RM'000	RM'000	RM'000	RM'000
Collective impairment				
- made/(written-back) during the financial year	13,203	12,351	43,732	17,646
Individual impairment				
- made during the financial year	35,316	30,394	83,130	258,762
- written-back during the financial year	(26,623)	(2,820)	(60,297)	(7,361)
Bad debts				
- recovered	(8,647)	(19,859)	(51,358)	(84,515)
- written-off	1,195	816	2,840	3,603
Additional allowance for impairment losses				
- other debtors	(99)	(85)	373	243
	<b>14,345</b>	<b>20,797</b>	<b>18,420</b>	<b>188,378</b>

**A20. ALLOWANCE FOR IMPAIRMENT LOSSES  
 ON SECURITIES**

Additional/(write-back of) allowance for impairment losses				
- Financial investments available-for-sale	6,217	(121)	21,393	(167)
- Financial investments held-to-maturity	-	(45)	3,537	(23,591)
	<b>6,217</b>	<b>(166)</b>	<b>24,930</b>	<b>(23,758)</b>

## A21. SEGMENTAL INFORMATION ON REVENUE AND PROFIT

The segment analysis by activity for the individual and cumulative quarters ended 31 December 2016 and 31 December 2015 are as follows:-

	<----- Current year's individual quarter ended 31 December 2016 ----->					
	<b>Commercial Banking RM'000</b>	<b>Investment Banking RM'000</b>	<b>Insurance RM'000</b>	<b>Others RM'000</b>	<b>Eliminations RM'000</b>	<b>Group RM'000</b>
<b>Revenue</b>						
External revenue	364,287	160,068	-	3,488	-	527,843
Intersegment revenue	(5,602)	(5,852)	-	96,074	(84,620)	-
Segment revenue	<b>358,685</b>	<b>154,216</b>	<b>-</b>	<b>99,562</b>	<b>(84,620)</b>	<b>527,843</b>
Overhead expenses	(172,394)	(116,774)	-	(6,697)	1,247	(294,618)
of which :-						
Depreciation of property and equipment	(3,417)	(2,176)	-	(73)	-	(5,666)
Amortisation of intangible assets	(2,452)	(3,988)	-	(18)	-	(6,458)
(Additional)/write-back of allowance for impairment on loans, advances and financing/securities	(18,979)	(1,583)	-	-	-	(20,562)
<b>Segment results</b>	<b>167,312</b>	<b>35,859</b>	<b>-</b>	<b>92,865</b>	<b>(83,373)</b>	<b>212,663</b>
Finance costs	-	-	-	(14,217)	-	(14,217)
Share of results of a joint venture (net of tax)	-	-	401	-	-	401
Share of results of an associate (net of tax)	-	-	18,477	-	-	18,477
Profit before taxation and zakat	167,312	35,859	18,878	78,648	(83,373)	217,324
Zakat	-	(430)	-	-	-	(430)
Profit before taxation	167,312	35,429	18,878	78,648	(83,373)	216,894
Taxation						(39,894)
Net profit for the individual quarter						<b>177,000</b>

	<----- Preceding year's individual quarter ended 31 December 2015 ----->					
	<b>Commercial Banking RM'000</b>	<b>Investment Banking RM'000</b>	<b>Insurance RM'000</b>	<b>Others RM'000</b>	<b>Eliminations RM'000</b>	<b>Group RM'000</b>
<b>Revenue</b>						
External revenue	330,163	131,117	-	3,554	-	464,834
Intersegment revenue	(5,676)	(1,964)	-	80,696	(73,056)	-
Segment revenue	<b>324,487</b>	<b>129,153</b>	<b>-</b>	<b>84,250</b>	<b>(73,056)</b>	<b>464,834</b>
Overhead expenses	(164,891)	(110,692)	-	(5,914)	1,009	(280,488)
of which :-						
Depreciation of property and equipment	(3,776)	(1,668)	-	(105)	-	(5,549)
Amortisation of intangible assets	(1,616)	(3,878)	-	(11)	-	(5,505)
(Additional)/write-back of allowance for impairment on loans, advances and financing/securities	(19,666)	(965)	-	-	-	(20,631)
<b>Segment results</b>	<b>139,930</b>	<b>17,496</b>	<b>-</b>	<b>78,336</b>	<b>(72,047)</b>	<b>163,715</b>
Finance costs	-	-	-	(10,106)	-	(10,106)
Share of results of a joint venture (net of tax)	-	-	(16,917)	-	-	(16,917)
Share of results of an associate (net of tax)	-	-	6,516	-	-	6,516
Profit before taxation and zakat	139,930	17,496	(10,401)	68,230	(72,047)	143,208
Zakat	(3,779)	(269)	-	-	-	(4,048)
Profit before taxation	136,151	17,227	(10,401)	68,230	(72,047)	139,160
Taxation						(38,421)
Net profit for the individual quarter						<b>100,739</b>

## A21. SEGMENTAL INFORMATION ON REVENUE AND PROFIT

The segment analysis by activity for the individual and cumulative quarters ended 31 December 2016 and 31 December 2015 are as follows:-

	<----- Current year's cumulative quarter ended 31 December 2016 ----->					
	<b>Commercial Banking RM'000</b>	<b>Investment Banking RM'000</b>	<b>Insurance RM'000</b>	<b>Others RM'000</b>	<b>Eliminations RM'000</b>	<b>Group RM'000</b>
<b>Revenue</b>						
External revenue	1,345,264	575,157	-	15,453	-	1,935,874
Intersegment revenue	(20,834)	(26,086)	-	241,190	(194,270)	-
<b>Segment revenue</b>	<b>1,324,430</b>	<b>549,071</b>	<b>-</b>	<b>256,643</b>	<b>(194,270)</b>	<b>1,935,874</b>
Operating expenses	(694,116)	(431,256)	-	(21,038)	3,489	(1,142,921)
of which :-						
Depreciation of property and equipment	(14,724)	(8,262)	-	(343)	-	(23,329)
Amortisation of intangible assets	(9,681)	(15,816)	-	(64)	-	(25,561)
(Additional)/write-back of allowance for impairment losses on loans, advances and financing/securities	(27,556)	(15,794)	-	-	-	(43,350)
<b>Segment results</b>	<b>602,758</b>	<b>102,021</b>	<b>-</b>	<b>235,605</b>	<b>(190,781)</b>	<b>749,603</b>
Finance costs	-	-	-	(56,641)	-	(56,641)
Share of results of a joint venture (net of tax)	-	-	(4,275)	-	-	(4,275)
Share of results of an associate (net of tax)	-	-	53,137	-	-	53,137
Profit before taxation and zakat	602,758	102,021	48,862	178,964	(190,781)	741,824
Zakat	(2,887)	(1,224)	-	-	-	(4,111)
Profit before taxation	599,871	100,797	48,862	178,964	(190,781)	737,713
Taxation						(157,903)
Net profit for the cumulative quarter						<b>579,810</b>

	<----- Preceding year's cumulative quarter ended 31 December 2015 ----->					
	<b>Commercial Banking RM'000</b>	<b>Investment Banking RM'000</b>	<b>Insurance RM'000</b>	<b>Others RM'000</b>	<b>Eliminations RM'000</b>	<b>Group RM'000</b>
<b>Revenue</b>						
External revenue	1,276,961	507,860	-	17,671	-	1,802,492
Intersegment revenue	(22,418)	(9,466)	-	172,008	(140,124)	-
<b>Segment revenue</b>	<b>1,254,543</b>	<b>498,394</b>	<b>-</b>	<b>189,679</b>	<b>(140,124)</b>	<b>1,802,492</b>
Operating expenses	(628,358)	(438,952)	-	(20,312)	1,904	(1,085,718)
of which :-						
Depreciation of property and equipment	(15,044)	(5,763)	-	(409)	-	(21,216)
Amortisation of intangible assets	(6,200)	(15,214)	-	(34)	-	(21,448)
(Additional)/write-back of allowance for impairment losses on loans, advances and financing/securities	(164,950)	330	-	-	-	(164,620)
<b>Segment results</b>	<b>461,235</b>	<b>59,772</b>	<b>-</b>	<b>169,367</b>	<b>(138,220)</b>	<b>552,154</b>
Finance costs	-	-	-	(40,947)	-	(40,947)
Share of results of a joint venture (net of tax)	-	-	(18,908)	-	-	(18,908)
Share of results of an associate (net of tax)	-	-	26,963	-	-	26,963
Profit before taxation and zakat	461,235	59,772	8,055	128,420	(138,220)	519,262
Zakat	(3,779)	(1,074)	-	-	-	(4,853)
Profit before taxation	457,456	58,698	8,055	128,420	(138,220)	514,409
Taxation						(132,236)
Net profit for the cumulative quarter						<b>382,173</b>

## A22. 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.

## A23. 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 year under review:-

### **Acquisition of Additional 2,897,962 ordinary shares of RM1.00 each, representing 2.43% Equity Interest in AXA AFFIN General Insurance Berhad ("AAGI")**

During the year under review, the Company acquired additional 2,897,962 ordinary shares of RM1.00 each representing 2.43% equity interest in AAGI at a price of RM6.77 per share. As at 31 December 2016, the Company's equity interest in AAGI stood at 36.94% as compared to 34.51% as at 31 December 2015.

## A24. 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 :-

	<b>Principal Amount</b>	
	<b>31/12/2016</b>	<b>31/12/2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Direct credit substitutes	533,615	507,168
Transaction related contingent items	2,252,924	2,027,954
Short-term self-liquidating trade-related contingencies	496,339	470,476
Obligation under underwriting commitments	19,481	25,500
Foreign exchange related contracts #		
- Less than one year	9,668,916	10,585,763
- One year to less than five years	603,046	1,256,815
- Five years and above	42,485	-
Interest rate related contracts #		
- Less than one year	893,125	652,116
- One year to less than five years	1,457,148	1,662,023
- Five years and above	830,000	597,000
Irrevocable commitments to extend credit		
- Maturity less than one year	7,842,971	7,687,062
- Maturity more than one year	1,515,422	1,717,346
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 a borrower's creditworthiness	566,296	618,204
Unutilised credit card lines	230,550	188,328
	<b>26,952,318</b>	<b>27,995,755</b>

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

## A25. 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
<b>As at 31 December 2016</b>												
<b>Trading derivatives</b>												
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
	<b>10,562,041</b>	<b>1,644,016</b>	<b>1,288,663</b>	<b>13,494,720</b>	<b>262,883</b>	<b>12,254</b>	<b>14,134</b>	<b>289,271</b>	<b>371,777</b>	<b>130,566</b>	<b>50,599</b>	<b>552,942</b>

### As at 31 December 2015

#### Trading derivatives

Foreign exchange contracts												
- Currency forwards	3,575,202	193,014	-	3,768,216	104,250	35,560	-	139,810	18,252	47	-	18,299
- Cross currency swaps	6,971,431	967,771	96,030	8,035,232	89,195	47,019	341	136,555	286,778	199,590	33,659	520,027
- Currency options	39,130	-	-	39,130	(12)	-	-	(12)	-	-	-	-
Interest rate contracts												
- Interest rate swaps	652,116	1,327,875	931,148	2,911,139	3,430	7,595	6,486	17,511	2,677	5,798	9,066	17,541
	<b>11,237,879</b>	<b>2,488,660</b>	<b>1,027,178</b>	<b>14,753,717</b>	<b>196,863</b>	<b>90,174</b>	<b>6,827</b>	<b>293,864</b>	<b>307,707</b>	<b>205,435</b>	<b>42,725</b>	<b>555,867</b>



## **A25. 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 RM54.1 million (FYE 31/12/2015: RM98.5 million), while the notional amount of interest rate contract was RM843.3 million (FYE 31/12/2015: RM854.9 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 RM478.1 million (FYE 31/12/2015: RM524.0 million) and RM92.7 million (FYE 31/12/2015: RM82.6 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 2015.

## A26. 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:-

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities
- 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.
- Level 3 - valuations derived from valuation techniques in which one or more significant inputs are not based on observable market data.

<b>Group</b>	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>31 December 2016</b>				
<b>Assets</b>				
Financial assets held-for-trading	23,627	246,727	-	270,354
Financial investments available-for-sale *				
- Corporate Bonds and/or Sukuk	-	8,891,082	30,045	8,921,127
- Equity securities	330,172	-	236,120	566,292
- Money market instruments	-	4,621,104	-	4,621,104
Derivative financial assets	-	289,271	-	289,271
	<b>353,799</b>	<b>14,048,184</b>	<b>266,165</b>	<b>14,668,148</b>
<b>Liabilities</b>				
Derivative financial liabilities	-	552,942	-	552,942
<b>31 December 2015</b>				
<b>Assets</b>				
Financial assets held-for-trading	33,564	88,452	-	122,016
Financial investments available-for-sale *				
- Corporate Bonds and/or Sukuk	-	7,707,647	-	7,707,647
- Equity securities	98,733	-	223,554	322,287
- Money market instruments	-	5,055,622	-	5,055,622
Derivative financial assets	-	293,864	-	293,864
	<b>132,297</b>	<b>13,145,585</b>	<b>223,554</b>	<b>13,501,436</b>
<b>Liabilities</b>				
Derivative financial liabilities	-	555,867	-	555,867

\* 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.

**A26. 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 year (2015: Nil).

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

<b>Group</b>	<b>31/12/2016</b>	<b>31/12/2015</b>
	<u>RM'000</u>	<u>RM'000</u>
As at beginning of the financial year	223,554	147,486
Purchases	30,045	500
Sales	(25)	-
Total gains recognised in other comprehensive income	13,409	75,568
Allowance for impairment losses	(318)	-
Reclassified to investment in associate	(500)	-
As at end of the financial year	<u>266,165</u>	<u>223,554</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.

## A27. 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 and Tier I Capital Ratio are 5.125% (2015: 4.5%) and 6.625% (2015: 6.0%) respectively for year 2016. The minimum regulatory capital adequacy requirement remains at 8.625% (2015: 8.0%) for total capital ratio.

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 December 2016. 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	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>a) The components of CET I, Tier I</b>						
<b>Tier II capital :-</b>						
<u>CET I/Tier I capital</u>						
Share capital	1,688,770	1,688,770	560,000	460,000	780,000	780,000
Share premium	858,904	858,904	-	-	219,800	219,800
Statutory reserves	1,416,621	1,328,792	305,016	248,717	251,343	214,915
Retained profit	913,359	805,289	237,777	196,256	274,279	274,498
Unrealised gains/(losses) on AFS	122,753	101,388	(23,768)	(10,405)	(26,901)	(14,762)
	<u>5,000,407</u>	<u>4,783,143</u>	<u>1,079,025</u>	<u>894,568</u>	<u>1,498,521</u>	<u>1,474,451</u>
Less Regulatory adjustments:-						
- Goodwill and other intangibles	(167,982)	(156,604)	-	(426)	(316,645)	(320,046)
- Investments in subsidiaries/joint ventures	(345,134)	(195,630)	(840)	(260)	(108,692)	(106,200)
- Deferred tax assets	-	-	(8,056)	(3,598)	(6,291)	(7,770)
- 55% of cumulative unrealised gains of AFS	(67,514)	(55,763)	-	-	-	-
Total CET I Capital	<u>4,419,777</u>	<u>4,375,146</u>	<u>1,070,129</u>	<u>890,284</u>	<u>1,066,893</u>	<u>1,040,435</u>
Total Tier I Capital (a)	<u>4,419,777</u>	<u>4,375,146</u>	<u>1,070,129</u>	<u>890,284</u>	<u>1,066,893</u>	<u>1,040,435</u>
<u>Tier II capital</u>						
Subordinated loans	1,180,000	820,000	-	-	-	-
Regulatory adjustments	207,026	220,148	73,178	58,400	9,667	5,594
Collective impairment #	109,362	110,058	28,541	23,750	2,858	9,423
Less : Investment in subsidiaries/joint ventures	(230,090)	(293,444)	(560)	(390)	(12,525)	(15,017)
Total Tier II Capital (b)	<u>1,266,298</u>	<u>856,762</u>	<u>101,159</u>	<u>81,760</u>	<u>-</u>	<u>-</u>
Total Tier I & II Capital (a) + (b)	<u>5,686,075</u>	<u>5,231,908</u>	<u>1,171,288</u>	<u>972,044</u>	<u>1,066,893</u>	<u>1,040,435</u>
Capital base before proposed dividends	5,686,075	5,231,908	1,171,288	972,044	1,066,893	1,040,435
Proposed dividends	-	(104,366)	-	-	-	(3,042)
<b>Capital base after proposed dividends</b>	<b><u>5,686,075</u></b>	<b><u>5,127,542</u></b>	<b><u>1,171,288</u></b>	<b><u>972,044</u></b>	<b><u>1,066,893</u></b>	<b><u>1,037,393</u></b>
<b>b) The breakdown of risk-weighted assets :-</b>						
Credit risk	32,838,523	33,498,227	8,124,441	6,336,026	2,400,616	2,589,933
Market risk	296,191	323,855	37,254	3,650	196,766	279,305
Operational risk	1,956,481	1,951,219	451,894	403,377	394,323	365,105
<b>Total risk-weighted assets</b>	<b><u>35,091,195</u></b>	<b><u>35,773,301</u></b>	<b><u>8,613,589</u></b>	<b><u>6,743,053</u></b>	<b><u>2,991,705</u></b>	<b><u>3,234,343</u></b>
<b>c) Capital adequacy ratios :-</b>						
<u>Before deducting proposed dividends:-</u>						
CET I Capital Ratio	12.595%	12.230%	12.424%	13.203%	35.662%	32.168%
Tier I Capital Ratio	12.595%	12.230%	12.424%	13.203%	35.662%	32.168%
Total Capital Ratio	<u>16.204%</u>	<u>14.625%</u>	<u>13.598%</u>	<u>14.415%</u>	<u>35.662%</u>	<u>32.168%</u>
<u>After deducting proposed dividends:-</u>						
CET I Capital Ratio	12.595%	11.938%	12.424%	13.203%	35.662%	32.074%
Tier I Capital Ratio	12.595%	11.938%	12.424%	13.203%	35.662%	32.074%
Total Capital Ratio	<u>16.204%</u>	<u>14.333%</u>	<u>13.598%</u>	<u>14.415%</u>	<u>35.662%</u>	<u>32.074%</u>

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

## A28. LIQUIDITY RISK

Liquidity risk for assets and liabilities based on remaining contractual maturities :-

The maturities of on-balance sheet assets and liabilities as well as other off-balance sheet assets and liabilities, commitments and counter-guarantees are important factors in assessing the liquidity of the Group. The table below provides analysis of assets and liabilities into relevant maturity tenures based on remaining contractual maturities.

Maturities of assets and liabilities of the Group by remaining contractual maturities profile are as follows :-

<b>Group</b>	<b>Up to 1 month RM'000</b>	<b>&gt; 1-3 months RM'000</b>	<b>&gt; 3-12 months RM'000</b>	<b>&gt; 1-5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>No specific maturity RM'000</b>	<b>Total RM'000</b>
<b>31/12/2016</b>							
<b>Assets</b>							
Cash and short-term funds	4,818,762	17,460	-	-	-	-	4,836,222
Deposits and placements with banks and other financial institutions	-	-	-	122,144	50,727	-	172,871
Trade receivables	528,518	1,032	178	-	-	-	529,728
Financial assets held-for-trading	-	-	200,068	35,872	10,788	23,626	270,354
Financial investments available-for-sale	854,047	838,739	801,705	4,045,093	6,921,104	647,835	14,108,523
Financial investments held-to-maturity	-	-	8,798	112,478	265,909	19,902	407,087
Derivative financial assets	42,573	46,796	182,170	10,022	7,710	-	289,271
Loans, advances and financing	4,103,266	2,364,733	1,885,871	11,894,296	23,499,261	-	43,747,427
Other assets	85,702	4,669	49,147	46,969	5,180	24,345	216,012
Statutory deposits with Bank Negara Malaysia	1,659,740	-	-	-	-	-	1,659,740
Amount due from associate	889	-	-	44,207	-	-	45,096
Other non-financial assets (Note 1)	-	-	-	-	-	2,604,014	2,604,014
<b>Total assets</b>	<b>12,093,497</b>	<b>3,273,429</b>	<b>3,127,937</b>	<b>16,311,081</b>	<b>30,760,679</b>	<b>3,319,722</b>	<b>68,886,345</b>

Note 1 : Other non-financial assets include investment in joint ventures, investment in associates, taxation recoverable, deferred tax assets, property and equipment and intangible assets.

## A28. LIQUIDITY RISK (Cont.)

Maturities of assets and liabilities of the Group by remaining contractual maturities profile are as follows (Cont.) :-

<b>Group</b>	<b>Up to 1 month RM'000</b>	<b>&gt; 1-3 months RM'000</b>	<b>&gt; 3-12 months RM'000</b>	<b>&gt; 1-5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>No specific maturity RM'000</b>	<b>Total RM'000</b>
<b>31/12/2016</b>							
<b>Liabilities</b>							
Deposits from customers	22,954,480	12,928,966	14,917,585	704,611	-	-	51,505,642
Deposits and placements with banks and other financial institutions	2,318,463	1,307,301	268,273	-	-	-	3,894,037
Obligations on securities sold under repurchase agreement	975,394	170,224	-	-	-	-	1,145,618
Bills and acceptances payable	37,726	-	-	-	-	-	37,726
Trade payables	724,554	-	-	-	-	-	724,554
Derivatives financial liabilities	56,177	37,716	286,023	167,708	5,318	-	552,942
Recourse obligation on loans sold to Cagamas	-	-	-	-	-	-	-
Other liabilities	536,166	17,893	99,843	1,944	-	396	656,242
Other non-financial liabilities (Note 2)	-	-	-	-	-	31,982	31,982
Borrowings	304,853	1,744	-	1,300,000	-	-	1,606,597
<b>Total liabilities</b>	<b>27,907,813</b>	<b>14,463,844</b>	<b>15,571,724</b>	<b>2,174,263</b>	<b>5,318</b>	<b>32,378</b>	<b>60,155,340</b>
<b>Net liquidity gap</b>	<b>(15,814,316)</b>	<b>(11,190,415)</b>	<b>(12,443,787)</b>	<b>14,136,818</b>	<b>30,755,361</b>	<b>3,287,344</b>	<b>8,731,005</b>

Note 2 : Other non-financial liabilities include provision for taxation and deferred tax liabilities.

## A28. LIQUIDITY RISK (Cont.)

Maturities of assets and liabilities of the Group by remaining contractual maturities profile are as follows (Cont.) :-

<b>Group</b>	<b>Up to 1</b>	<b>&gt; 1-3</b>	<b>&gt; 3-12</b>	<b>&gt; 1-5</b>	<b>Over 5</b>	<b>No specific</b>	<b>Total</b>
<b>31/12/2015</b>	<b>month</b>	<b>months</b>	<b>months</b>	<b>years</b>	<b>years</b>	<b>maturity</b>	<b>RM'000</b>
<b>Assets</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Cash and short-term funds	4,441,700	-	-	-	-	-	4,441,700
Deposits and placements with banks and other financial institutions	-	35,034	-	432,093	30,034	-	497,161
Trade receivables	544,760	6,715	104	-	-	-	551,579
Financial assets held-for-trading	8,645	5,114	74,693	-	-	33,564	122,016
Financial investments available-for-sale	168,107	974,812	963,796	4,653,514	5,780,603	544,724	13,085,556
Financial investments held-to-maturity	-	-	71,342	74,191	290,381	23,454	459,368
Derivative financial assets	24,667	85,319	96,102	85,198	2,578	-	293,864
Loans, advances and financing	3,799,165	1,543,279	2,311,423	11,650,951	24,040,472	-	43,345,290
Other assets	101,396	2,152	30,521	97,066	1,685	4,906	237,726
Statutory deposits with Bank Negara Malaysia	1,782,450	-	-	-	-	-	1,782,450
Amount due from associate	1,092	-	13,262	44,206	-	-	58,560
Other non-financial assets (Note 1)	-	-	-	-	-	2,538,604	2,538,604
<b>Total assets</b>	<b>10,871,982</b>	<b>2,652,425</b>	<b>3,561,243</b>	<b>17,037,219</b>	<b>30,145,753</b>	<b>3,145,252</b>	<b>67,413,874</b>

Note 1 : Other non-financial assets include investment in joint ventures, investment in associates, taxation recoverable, deferred tax assets, property and equipment and intangible assets.

## A28. LIQUIDITY RISK (Cont.)

Maturities of assets and liabilities of the Group by remaining contractual maturities profile are as follows (Cont.) :-

<b>Group</b>	<b>Up to 1 month RM'000</b>	<b>&gt; 1-3 months RM'000</b>	<b>&gt; 3-12 months RM'000</b>	<b>&gt; 1-5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>No specific maturity RM'000</b>	<b>Total RM'000</b>
<b>31/12/2015</b>							
<b>Liabilities</b>							
Deposits from customers	21,735,151	12,733,069	14,932,551	1,147,976	-	-	50,548,747
Deposits and placements with banks and other financial institutions	2,230,823	897,088	257,528	-	-	-	3,385,439
Obligation on securities sold under repurchase agreements	95,370	1,645,576	-	-	-	-	1,740,946
Bills and acceptances payable	77,114	-	-	-	-	-	77,114
Trade payables	642,483	-	-	-	-	-	642,483
Derivatives financial liabilities	63,796	94,227	157,746	235,368	4,730	-	555,867
Recourse obligation on loans sold to Cagamas	-	806	-	133,779	-	-	134,585
Other liabilities (Note 2)	503,223	39,894	107,714	766	7	689	652,293
Other non-financial liabilities	-	-	-	-	-	43,304	43,304
Borrowings	2,890	3,121	300,000	1,000,000	-	-	1,306,011
<b>Total liabilities</b>	<b>25,350,850</b>	<b>15,413,781</b>	<b>15,755,539</b>	<b>2,517,889</b>	<b>4,737</b>	<b>43,993</b>	<b>59,086,789</b>
<b>Net liquidity gap</b>	<b>(14,478,868)</b>	<b>(12,761,356)</b>	<b>(12,194,296)</b>	<b>14,519,330</b>	<b>30,141,016</b>	<b>3,101,259</b>	<b>8,327,085</b>

Note 2 : Other non-financial liabilities include provision for taxation and deferred tax liabilities.



## A29. OPERATIONS OF ISLAMIC BANKING

### (i) Unaudited Islamic Statements of Financial Position

	Group	
	31/12/2016	31/12/2015
	RM'000	RM'000
<b>ASSETS</b>		
Cash and short-term funds	1,057,844	1,918,570
Deposits and placements with banks and other financial institutions	-	35,034
Financial investments available-for-sale	1,833,408	1,475,373
Financial investments held-to-maturity	72,122	76,283
Derivative financial assets	8,987	132
Financing, advances and other financing	11,914,943	9,201,909
Other assets	55,126	410,867
Statutory deposit with Bank Negara Malaysia	332,000	259,600
Investment in associate	750	-
Deferred tax assets	8,056	3,598
Property and equipment	2,347	2,613
Intangible assets	-	426
<b>TOTAL ASSETS</b>	<b>15,285,583</b>	<b>13,384,405</b>
<b>LIABILITIES, ISLAMIC BANKING FUNDS</b>		
Deposits from customers	10,528,698	10,001,695
Deposits and placements of banks and other financial institutions	1,248,993	1,041,392
Investment accounts due to designated financial institutions	2,110,049	1,331,318
Derivative financial liabilities	1,412	1,035
Other liabilities	233,159	44,119
Provision for taxation	6,015	10,031
<b>Total Liabilities</b>	<b>14,128,326</b>	<b>12,429,590</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	560,000	460,000
Reserves	597,257	494,815
<b>Total Equity</b>	<b>1,157,257</b>	<b>954,815</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>15,285,583</b>	<b>13,384,405</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	<b>3,317,468</b>	<b>2,499,754</b>

**A29. OPERATIONS OF ISLAMIC BANKING (Cont.)**

**(ii) Unaudited Islamic Income Statements**

	<-----Group----->			
	<b>Individual Quarter Ended</b>	<b>31/12/2015</b>	<b>Cumulative Quarter Ended</b>	<b>31/12/2015</b>
	<b>31/12/2016</b>	<b>RM'000</b>	<b>31/12/2016</b>	<b>RM'000</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Income derived from investment of depositors' funds and others	147,849	131,892	563,363	489,929
Income derived from investment of investment account funds	27,390	15,779	99,644	66,608
Allowance for losses on financing, advances and other financing	1,989	(3,569)	3,761	(8,512)
	177,228	144,102	666,768	548,025
Income attributable to depositors	(109,429)	(93,615)	(438,943)	(356,017)
Income attributable to shareholders	67,799	50,487	227,825	192,008
Income derived from investment of Shareholders' funds	13,951	11,209	51,286	39,774
Net Income	81,750	61,696	279,111	231,782
Other operating expenses	(35,490)	(28,008)	(132,822)	(114,407)
Profit before taxation and zakat	46,260	33,688	146,289	117,375
Zakat	-	(3,779)	(2,887)	(3,779)
Profit before taxation	46,260	29,909	143,402	113,596
Taxation	(9,087)	(7,960)	(30,804)	(28,811)
Net profit for the financial year attributable to the equity holders of the Company	37,173	21,949	112,598	84,785

**(iii) Unaudited Statements of Comprehensive Islamic Income**

	<-----Group----->			
	<b>Individual Quarter Ended</b>	<b>31/12/2015</b>	<b>Cumulative Quarter Ended</b>	<b>31/12/2015</b>
	<b>31/12/2016</b>	<b>RM'000</b>	<b>31/12/2016</b>	<b>RM'000</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Profit after taxation	37,173	21,949	112,598	84,785
Other comprehensive income :-				
- Net fair value change in financial investments available-for-sale	(45,240)	13,447	(13,363)	(2,674)
- Deferred tax on revaluation of financial investments available-for-sale	10,857	(3,228)	3,207	642
Other comprehensive income/(loss) for the financial period, net of tax	(34,383)	10,219	(10,156)	(2,032)
<b>Total comprehensive income for the financial year attributable to the equity holders of the Company</b>	<b>2,790</b>	<b>32,168</b>	<b>102,442</b>	<b>82,753</b>

**A29. OPERATIONS OF ISLAMIC BANKING (Cont.)**

**(iv) Financing**

	<b>Group</b>	
	<b>31/12/2016</b>	<b>31/12/2015</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>By type</u>		
Cash line	278,880	314,426
Term financing		
- Housing financing	2,857,530	2,096,258
- Syndicated term financing	582,739	490,723
- Hire purchase receivables	3,181,358	2,710,393
- Business term financing	3,541,779	2,860,153
Bills receivables	21,376	36,637
Trust receipts	6,938	12,600
Interest-free accepted bills	174,623	123,897
Staff financing	13,109	9,536
Revolving credit	1,319,609	622,473
	<b>11,977,941</b>	<b>9,277,096</b>
Less : Allowance for impairment losses		
- Collective impairment	(44,995)	(36,671)
- Individual impairment	(18,003)	(38,516)
<b>Total net financing</b>	<b>11,914,943</b>	<b>9,201,909</b>

**(v) Impaired financing**

**(a) Movements of impaired financing**

Balance at the beginning of financial year	141,708	129,157
Classified as impaired during the financial year	164,338	108,375
Reclassified as non-impaired during the financial year	(111,591)	(67,897)
Amount recovered during the financial year	(87,213)	(18,862)
Amount written-off during the financial year	(9,745)	(9,065)
Balance at the end of financial year	<b>97,497</b>	<b>141,708</b>

**(b) Movements in the allowance for impairment on financing**

**Collective impairment**

Balance at the beginning of financial year	36,671	37,393
Allowance (net of write-back) made during the financial year	13,897	5,958
Amount written-off during the financial year	(5,573)	(6,680)
Balance at the end of financial year	<b>44,995</b>	<b>36,671</b>

**Individual impairment**

Balance at the beginning of financial year	38,516	31,519
Allowance made during the financial year	19,340	3,560
Amount recovered during the financial year	(35,863)	(47)
Amount written-off during the financial year	(4,149)	(2,383)
Unwinding discount of allowance	(198)	(628)
Exchange difference	357	6,495
Balance at the end of financial year	<b>18,003</b>	<b>38,516</b>

**A29. OPERATIONS OF ISLAMIC BANKING (Cont.)**

**(vi) Deposits from customers**

	<b>Group</b>	
	<b>31/12/2016</b>	<b>31/12/2015</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Wadiah</u>		
Demand deposits	2,572,559	2,435,998
Savings deposits	477,284	412,394
	<hr/> 3,049,843	<hr/> 2,848,392
<u>Mudharabah</u>		
General investment deposits	104,047	109,796
	<hr/>	<hr/>
<u>Tawarruq</u>		
Murabahah term deposits	6,606,396	6,413,389
Commodity Murabahah Deposit (CMD)	768,412	630,118
	<hr/> 7,374,808	<hr/> 7,043,507
Total deposits from customers	<hr/> <b>10,528,698</b>	<hr/> <b>10,001,695</b>

## **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 profit before tax ("PBT") of RM216.9 million for the current financial quarter ended 31 December 2016, a substantial increase of RM77.7 million or 55.8% as compared to RM139.2 million for the preceding year's corresponding quarter. For the year ended 31 December 2016, the Group's PBT of RM737.7 million also indicated a significant improvement of RM223.3 million or 43.4% as compared to RM514.4 million achieved in the previous year. The improved performance was mainly due to lower allowance for loan impairment (net of lower recoveries) of RM170.0 million as well as the increase in other operating income, Islamic banking income and net interest income totalling RM133.4 million. The share of profits in associate was also up by RM26.2 million while the share of losses in joint venture was lower by RM14.6 million. For the year under review, both the overhead expenses and finance cost were higher by RM57.2 million and RM15.7 million respectively, and there was a allowance for impairment loss on securities of RM24.9 million as compared to a write-back of RM23.8 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 higher PBT of RM167.3 million for the current financial quarter as compared to RM136.2 million for the preceding year's corresponding quarter. For the year ended 31 December 2016, the ABB Group's PBT of RM599.9 million also indicated a significant increase of RM142.4 million or 31.1% as compared to RM457.5 million achieved in the previous year. The improved performance was mainly due to lower allowance for loan impairment (net of lower recoveries) of RM163.3 million, higher other operating income and higher Islamic banking income of RM35.0 million and RM33.9 million respectively. The overhead expenses however increased by RM65.8 million mainly attributable to higher personnel cost and higher PIDM insurance premium incurred during the year. In addition, there was an allowance for impairment loss on securities of RM3.9 million for the year under review as compared to a write-back of RM22.0 million in the previous year.

The wholly-owned subsidiary, namely AFFIN Islamic Bank Berhad registered a higher PBT of RM46.3 million as compared to RM29.9 million for the preceding year's corresponding quarter. For the year ended 31 December 2016, the Bank's PBT of RM143.4 million also signifying an increase of 26.2% or RM29.8 million as compared to RM113.6 million achieved last year. The improved performance was mainly due to higher operating income of RM35.1 million in line with the financing growth of 29.1% and the write-back of allowance for loan impairment of RM3.8 million as compared to a charge of RM8.5 million in the previous year. The overhead expenses however increased by RM18.4 million.

#### 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 RM35.4 million for the current financial quarter as compared to RM17.2 million for the preceding year's corresponding quarter. For the year ended 31 December 2016, the AFFIN Hwang IB Group's PBT of RM100.8 million also indicated a significant improvement of RM42.1 million or 71.7% as compared to RM58.7 million achieved in the previous year. For the year under review, the other operating income increased by RM44.8 million mainly attributable to the increase in both initial service charges and management fee income of RM16.5 million and RM13.4 million respectively from asset management business. The increase in net income on financial instruments of RM19.3 million was partially offset by the reduction in both net brokerage income and foreign exchange gains of RM9.4 million and RM3.7 million respectively.

The 70%-owned subsidiary namely AFFIN Hwang Asset Management Berhad, contributed a higher PBT of RM62.3 million for the year ended 31 December 2016 as compared to RM56.7 million achieved in the previous year. The improve performance was mainly due to higher initial service income and higher management fee income of RM16.5 million and RM13.6 million respectively, net of higher overhead expenses of RM24.4 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 pre-tax profit of RM0.3 million for the current financial quarter as compared to pre-tax loss of RM26.2 million for the preceding year's corresponding quarter. AALI reported a lower pre-tax loss of RM20.2 million for the current financial year as compared to RM28.4 million for the previous year, mainly due to higher investment income and lower expenses.

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

### Insurance

AXA AFFIN General Insurance Berhad ("AAGI") reported a pre-tax profit of RM58.3 million for the current financial quarter, a significant increase of RM25.2 million or 76.1% as compared to RM33.1 million for the preceding year's corresponding quarter. For the year ended 31 December 2016, the Company's pre-tax profit of RM181.2 million also indicated a significant improvement of RM66.4 million or 57.8% as compared to RM114.8 million achieved in the previous year. The improved performance was mainly due to higher earned premium of RM161.4 million attributable to health and motor businesses, higher investment income of RM12.6 million and higher gain on disposal of investment securities of RM9.2 million. These were partially offset by higher net claims and higher net commission incurred of RM107.7 million and RM18.8 million respectively. Included in the share of results in AAGI of RM53.1 million for the period under review was an adjustment of RM3.4 million on under-recognition of the Group's share of profits for the previous financial year.

### 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 higher pre-tax profit of RM78.1 million for the current financial quarter as compared to a pre-tax profit of RM67.8 million for the preceding year's corresponding quarter. For the year ended 31 December 2016, AHB also reported a higher PBT of RM176.6 million as compared to RM125.3 million reported in the previous year, mainly due to higher dividend income and interest income of RM123.1 million of RM15.8 million respectively, net of higher finance cost of RM15.7 million. In 2015, there was a gain on winding-up of a subsidiary of RM70.4 million at company level.

Similar to the same quarter last year, AMB reported a pre-tax profit of RM0.2 million for the quarter under review. The Company's PBT of RM1.6 million for the year ended 31 December 2016 however indicated a decrease of RM0.7 million as compared to RM2.3 million achieved in the previous year, mainly due to lower net brokerage income net of lower overhead expenses.

For the year ended 31 December 2016, AACH reported a slightly lower PBT of RM776,000 as compared to RM880,000 achieved in the previous year.

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

The Group reported a higher profit before tax ("PBT") of RM216.9 million for the current financial quarter, an increase of RM31.4 million or 16.9% as compared to RM185.5 million achieved in the preceding quarter. The improved performance was mainly due to the increase in other operating income and Islamic banking income totalling of RM23.2 million, higher share of profits in associate of RM11.0 million and lower impairment loss on securities of RM12.5 million. The allowance for loan impairment and overhead expenses however increased by RM10.9 million and RM6.3 million respectively for the quarter under review.

## **B3. PROSPECTS FOR FINANCIAL YEAR 2017**

### Commercial Banking

For 2017, despite the economic recovery continues to move at a slow pace, the national real GDP's growth is expected to edge up moderately at 4.0% - 5.0%. Meanwhile the export sector is expected to experience positive movement from a higher external demand on Electrical and Electronic sector. Likewise, private investment is projected to continue drive economic growth (albeit moderately) at 5.8%.

Bank Negara Malaysia (BNM) maintains its accommodative stance in supporting economic growth with the Overnight Policy Rate (OPR) stable at 3.00% and the Statutory Reserve Rate (SRR) remains at 3.5%. Nevertheless, the cost-push inflation is projected to be at the 2.0% - 3.0% range. Although the economy is rebounding, it has been a slow and uneven recovery for businesses and individuals alike. The banking industry in Malaysia is expected to remain operating in challenging environment as the dragging down of asset quality and profitability continues. However, the Bank is optimistic in retaining its competitive edge and business growth by prioritizing on business efficiency, brand visibility and customer experience.

The Bank is currently in the process of enhancing its digital banking positioning and innovation to elevate its competitiveness in the industry, in line with its aspiration to become the preferred bank for the Small and Medium Enterprise (SME) segment and the millennials. After solidifying its sales and services foundation, the Bank is in the midst of enhancing its banking process through system automation to improve productivity and turnaround time. The Bank has embarked on the Group Strategic Transformation Program known as 'AFFINITY' that aims for better tangible benefits in the form of lower cost-to-income ratio, robust fee income generation and efficient business operations in the near future.

AFFIN Bank Berhad will continue its best efforts in serving its customers' interest by managing liquidity, safeguarding asset quality, preserving margins and maintain its strong capital levels.

### B3. PROSPECTS FOR FINANCIAL YEAR 2017 (Cont.)

#### Investment Banking

The Investment Banking Group remains cautiously optimistic of the business prospects for 2017. Malaysia's real GDP growth is expected to improve to 4.4% in 2017 from an estimated growth of 4.2% in 2016. The business environment will nevertheless continue to be clouded by uncertainties from the Brexit event, China growth normalisation and tensions in the U.S. politics. Further growth is also expected from the strategic alliances with leading securities houses in Japan, Thailand and Indonesia.

The asset management business will continue to capitalise on the growth potential in the retail and high net worth business categories to further increase its assets under administration and clientele.

#### 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. The lower automotive sales and private consumption in 2016, underpinned by the slowdown in economy, will continue to be taxing for the industry. AXA AFFIN General Insurance Berhad will remain focused on growing its key business lines whilst driving its transformation journey into becoming a customer centric organisation.

### B4. VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

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

### B5. TAXATION

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
	RM'000	RM'000	RM'000	RM'000
Malaysian Taxation :-				
- Income tax based on profit for the financial period	48,680	35,651	161,850	123,668
Deferred tax :-				
- Relating to originating temporary differences	(8,850)	(7,620)	(3,229)	(3,431)
Under provision in prior years :-				
- Current taxation	64	10,390	(718)	11,999
	<b>39,894</b>	<b>38,421</b>	<b>157,903</b>	<b>132,236</b>

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

For the preceding year, the Group's effective tax rate were slightly higher 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")**

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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**

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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.)**

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- (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.)**

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#### **(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	
	31/12/2016 RM'000	31/12/2015 RM'000
<u>By Type of Deposits:-</u>		
Money Market Deposits	518,016	1,637,103
Demand Deposits	7,608,593	7,740,255
Savings Deposits	2,043,157	1,951,353
Fixed Deposits	30,045,975	31,816,220
Negotiable Instruments of Deposits ('NIDs')	10,279,492	6,581,758
Commodity Murabahah Deposit (CMD)	768,412	630,118
Other deposits	241,997	191,940
	<u>51,505,642</u>	<u>50,548,747</u>
Maturity structure of fixed deposits and NIDs are as follows:-		
Due within six months	33,143,123	31,832,375
Six months to one year	6,533,358	5,417,628
One year to three years	477,883	1,142,315
Three years to five years	171,103	5,660
	<u>40,325,467</u>	<u>38,397,978</u>
<u>By Type of Customers:-</u>		
Government and statutory bodies	7,481,350	8,724,822
Business enterprises	13,999,473	15,654,194
Individuals	12,991,518	12,284,299
Domestic banking institutions	7,479,171	6,556,250
Domestic non-banking financial institutions	8,376,495	5,888,596
Foreign Entities	504,612	431,589
Others	673,023	1,008,997
	<u>51,505,642</u>	<u>50,548,747</u>

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

<u>By Type of Institutions:-</u>		
Licensed banks	2,638,076	2,333,764
Licensed investment banks	93,725	3,680
Bank Negara Malaysia	63,235	-
Other financial institutions	1,099,001	1,047,995
	<u>3,894,037</u>	<u>3,385,439</u>
<u>By Maturity Structure:-</u>		
Due within six months	3,846,498	3,385,439
Six months to one year	47,539	-
	<u>3,894,037</u>	<u>3,385,439</u>

### (iii) Borrowings

<u>Unsecured :-</u>		
One year or less (short-term)	302,662	301,306
More than one year (medium/long-term)	1,303,935	1,004,705
	<u>1,606,597</u>	<u>1,306,011</u>

## 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 :-

	<b>Group</b>	
	<b>31/12/2016</b>	<b>31/12/2015</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Total retained profits of AFFIN Holdings Berhad and its subsidiaries :-</u>		
- Realised	2,203,098	2,018,252
- Unrealised		
- deferred tax recognised in the income statement	23,054	18,469
- other items of income and expense	150,434	157,623
	2,376,586	2,194,344
<u>Total share of retained profits in associate:-</u>		
- Realised	300,677	242,070
- Unrealised	(58)	5,412
<u>Total share of retained losses in joint ventures :-</u>		
- Realised	(7,582)	(32,540)
- Unrealised	(679)	(1,206)
	2,668,944	2,408,080
Add: Consolidation adjustments	(268,031)	(229,451)
Total Group retained profits as per consolidated financial statements	2,400,913	2,178,629

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 Write 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 RM71.8 million (31 December 2015: RM68.1 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

- a) The final dividend for the current financial year ended 31 December 2016 is still subject to Bank Negara Malaysia's approval as at today.

Amount per share	:	To be announced at a later date
Previous corresponding period	:	Single-tier dividend of 5.0 sen per share
Date payable	:	To be announced at a later date
Date of entitlement	:	To be announced at a later date

- b) Total dividends for the current financial year : Single-tier interim dividend of 3.0 sen per share

- c) Total dividends for the previous financial year : 7.99 sen per share, comprising of a single-tier interim dividend of 2.99 sen per share and the proposed single-tier final dividend of 5.0 sen per share

## B11. EARNINGS PER SHARE

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Net profit attributable to equity holders of the Company (RM'000)	<u>171,394</u>	97,407	<u>564,005</u>	369,269
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>8.82</u>	5.01	<u>29.03</u>	19.01

The basic earnings per share of the Group for the current financial quarter ended 31 December 2016 has been calculated based on the net profit attributable to the equity holders of the company of RM171,394,000 (2015: RM97,407,000) divided by the weighted average number of ordinary shares in issue during the current financial quarter of 1,942,948,547 (2015: 1,942,948,547).

The basic earnings per share of the Group for the cumulative quarter ended 31 December 2015 has been calculated based on the net profit attributable to the equity holders of the company of RM564,005,000 (2015: RM369,269,000) divided by the weighted average number of ordinary shares in issue during the current financial quarter of 1,942,948,547 (2015: 1,942,948,547).