

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

AFFIN HOLDINGS BERHAD <sup>(23218-W)</sup>  
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

**50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**Credit Risk (continued)**

**e) Private debt securities, treasury bills and derivatives (continued)**

The table below presents an analysis of debt securities, treasury bills and other eligible bills by rating agency (continued):-

Group	AAA RM'000	AA- to AA+ RM'000	A- to A+ RM'000	Lower than A- RM'000	Unrated RM'000	Impaired * RM'000	Total RM'000
<b>2012</b>							
Financial assets held-for-trading:-							
- Negotiable instruments of deposits	-	-	-	-	150,276	-	150,276
- Private debt securities	-	-	-	15,316	-	-	15,316
Financial investments available-for-sale:-							
- Malaysian Government Securities	-	-	-	-	35,574	-	35,574
- Malaysian Government Investment Issuance	-	-	-	-	2,441,659	-	2,441,659
- Cagamas Bonds	151,524	-	-	-	-	-	151,524
- Bank Negara Malaysia Notes	-	-	-	-	884,069	-	884,069
- Others	-	-	160,085	-	407,345	-	567,430
- Private debt securities	3,461,560	783,220	439,337	97,419	252,624	1,733	5,035,893
- Sukuk Perumahan Kerajaan	120,550	-	-	-	30,139	-	150,689
- Irredeemable Convertible Unsecured Loan Stock in Malaysia	-	-	-	-	-	93	93
Financial investments held-to-maturity:-							
- Private debt securities	-	-	-	-	462,774	85,550	548,324
<b>Total</b>	<b>3,733,634</b>	<b>783,220</b>	<b>599,422</b>	<b>112,735</b>	<b>4,664,460</b>	<b>87,376</b>	<b>9,980,847</b>

\* Net of allowance for impairment

Collateral is not generally obtained directly from the issuers of debt securities. Certain debt securities may be collateralised by specifically identified assets that would be obtainable in the event of default.

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**50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Market Risk**

Market risk is defined as the risk of losses to the Group's portfolio positions arising from movements in market factors such as interest rates, foreign exchange rates and changes in volatility. The Group is exposed to market risks from its trading and investment activities. The Group's market risk management objective is to ensure that market risk is appropriately identified, measured, controlled, managed and reported.

The Group's exposure to market risk stems primarily from interest rate risk and foreign exchange rate risk. Interest rate risk arises mainly from differences in timing between the maturities or re-pricing of assets, liabilities and derivatives. The Group is also exposed to basis risk when there is a mismatch between the change in price of a hedge and the change in price of the assets it hedges. Foreign exchange rate risk arises from unhedged positions of customers' requirements and proprietary positions.

The Group's market risk management control strategy is established based on its risk appetite, market liquidity and business strategies as well as macroeconomic conditions. These limits are reviewed at least on an annual basis.

Market risk arising from the Group's trading book is primarily controlled through the imposition of Cut-loss and Value-at-Risk ('VaR') limits.

The Group quantifies interest rate risk by analysing the repricing mismatch between the rate sensitive assets and rate sensitive liabilities. It also conducts Net Interest Income simulations to assess the variation in earnings under various rates scenarios. The potential long term effects of the Bank's overall exposure is also tracked by assessing the impact on Economic Value of Equity ('EVE').

The Group's interest rate risk is managed through Earnings-at-Risk ('EaR') and Economic Value-at-Risk ('EVAR') limits.

In addition, the Group conducts periodic stress test of its respective business portfolios to ascertain market risk under abnormal market conditions.

The Group's Management, ALCO and BRMC are regularly kept informed of its risk profile and positions.

**a) Value-at-Risk ('VaR')**

Value-at-Risk ('VaR') is used to compute the maximum potential loss amount over a specified holding period of a Trading Portfolio. It measures the risk of losses arising from potential adverse movements in interest rates and foreign exchange rates that could affect values of financial instruments.

The Variance-Covariance Parametric methodology is adopted to compute the potential loss amount. This is a statistically defined, probability-based approach that uses volatilities and correlations to quantify price risks. Under this methodology, a matrix of historical volatilities and correlations is computed from the past 100 business days' market data. VaR is then computed by applying these volatilities and correlations to the outstanding Trading Portfolio valued at current price levels

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**50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**Market Risk** (continued)

**a) Value-at-Risk ('VaR')** (continued)

The table below sets out a summary of the Group's VaR profile by financial instrument types and fixed income for the Trading Portfolio:-

<b>Group</b>	<b>Balance RM'000</b>	<b>Average for the year RM'000</b>	<b>Minimum RM'000</b>	<b>Maximum RM'000</b>
<b>2013</b>				
Instruments:-				
FX swap	713	607	252	1,375
FX sport (Metro Desk)	88	150	6	678
Government securities	2	-	-	2
Private debt securities	-	-	-	60
Fixed income:-				
Pass-through trade	-	1,798	-	29,307
<b>2012</b>				
Instruments:-				
FX swap	634	906	604	1,468
FX sport (Metro Desk)	34	144	9	672
Government securities	-	-	-	4
Private debt securities	60	48	-	329
Fixed income:-				
Proprietary trading	-	12,559	-	1,162,178
Primary subscription	-	18,697	-	988,251

**Other Risk Measures**

**i) Mark-to-Market**

Mark-to-Market valuation tracks the current market value of the outstanding financial instruments.

**ii) Stress testing**

Stress tests are conducted to attempt to quantify market risk arising from low probability, abnormal market movements. The stress tests measure the change in value arising from range of extreme movements in the interest rates and foreign exchange rates based on past experience and simulated stress scenarios.

**iii) Sensitivity/Dollar Duration**

Sensitivity/Dollar Duration is an additional measure of interest rate risk that is computed on a daily basis. It measures the change in value of a portfolio resulting from a 0.01% increase in interest rates. This measure identifies the Group's interest rate exposures that are most vulnerable to interest rate changes and it facilitates the implementation of hedging strategies.

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**50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (continued)

**Market Risk** (continued)

Net interest income sensitivity

The table below shows the pre-tax net interest income sensitivity for the non-trading financial assets and financial liabilities held as at reporting date. The sensitivity has been measured using the Repricing Gap Simulation methodology based on 100 basis points parallel shifts in the interest rate.

	2013		2012	
	+100 basis points RM million	-100 basis points RM million	+100 basis points RM million	-100 basis points RM million
<b>Group</b>				
Impact on net interest income	(22.8)	22.8	(13.7)	13.7
As percentage of net interest income	-2.0%	2.0%	-1.2%	1.2%

Foreign exchange risk sensitivity analysis

	Open position			
	US Dollar equivalent amount '000	Ringgit Malaysia equivalent amount '000	Ringgit Malaysia equivalent amount for 1% fall in US Dollar '000	Impact of 1% fall in US Dollar exchange rate '000
<b>Group</b>				
<b>2013</b>				
US Dollar	(406)	(1,332)	(1,319)	13
Others	(4,106)	(13,515)	(13,380)	135
<b>2012</b>				
US Dollar	(4,986)	(15,252)	(15,099)	153
Others	(4,334)	(13,255)	(13,123)	132

- a) The impact on the outstanding foreign exchange position as at 31 December 2013 for a one percent change in USD exchange rate from 3.2775 to 3.2447 was an increase of about RM148,474.
- b) The impact on the outstanding foreign exchange position as at 31 December 2012 for a one percent change in USD exchange rate from 3.0590 to 3.0284 was an increase of about RM285,500.

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**50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**Market Risk (continued)**

**b) Foreign exchange risk**

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table summarises the Group's exposure to foreign currency exchange rate risk as at reporting date. Included in the table are the Group's financial instruments at carrying amounts, categorised by currency.

Group	United States		Australian		Great Britain		Japanese		New Zealand		Total
	Euro RM'000	Dollar RM'000	Dollar RM'000	Dollar RM'000	Pound RM'000	Yen RM'000	Dollar RM'000	Others RM'000	Dollar RM'000	Others RM'000	
<b>2013</b>											
<b>Assets</b>											
Cash and short-term funds	7,594	245,259	16	16	4,637	1,399	-	31,534	-	-	290,439
Deposits and placements with banks and other financial institutions	-	67,299	29,289	29,289	-	-	-	26,969	-	-	123,557
Financial investments available-for-sale	46,552	304,943	86,216	86,216	-	-	25,636	160,378	-	-	623,725
Derivative financial assets	-	1,121	-	-	-	-	-	213	-	-	1,334
Loans, advances and financing	207	1,371,983	-	-	107,860	422	-	264,128	-	-	1,744,600
Other assets	-	892	-	-	-	-	-	928	-	-	1,820
<b>Total financial assets</b>	<b>54,353</b>	<b>1,991,497</b>	<b>115,521</b>	<b>115,521</b>	<b>112,497</b>	<b>1,821</b>	<b>25,636</b>	<b>484,150</b>	<b>25,636</b>	<b>484,150</b>	<b>2,785,475</b>
<b>Liabilities</b>											
Deposits from customers	77,562	221,478	6,010	6,010	14,962	9,839	-	16,520	-	-	346,371
Deposits and placements of banks and other financial institutions	-	127,415	40,569	40,569	-	-	26,936	13,008	-	-	207,928
Derivative financial liabilities	-	4,597	-	-	-	-	-	1,077	-	-	5,674
Other liabilities	-	3,388	-	-	-	-	-	-	-	-	3,388
<b>Total financial liabilities</b>	<b>77,562</b>	<b>356,878</b>	<b>46,579</b>	<b>46,579</b>	<b>14,962</b>	<b>9,839</b>	<b>26,936</b>	<b>30,605</b>	<b>26,936</b>	<b>30,605</b>	<b>563,361</b>
Net on-balance sheet financial position	(23,209)	1,634,619	68,942	68,942	97,535	(8,018)	(1,300)	453,545	(1,300)	(1,300)	2,222,114
Off-balance sheet credit commitments	285,323	3,695,618	87,955	87,955	57,795	9,932	-	54,566	-	-	4,191,189

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**50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

Market Risk (continued)

**b) Foreign exchange risk** (continued)

Group	Euro		United States		Australian		Great Britain		Japanese		Others		Total
	RM'000	Dollar	RM'000	Dollar	RM'000	Dollar	RM'000	Pound	RM'000	Yen	RM'000	RM'000	
<b>2012</b>													
<b>Assets</b>													
Cash and short-term funds	6,724	132,764	229	2,170	972	25,761	168,620						
Deposits and placements with banks and other financial institutions	-	129,692	79,833	-	-	-	209,525						
Financial assets held-for-trading	-	15,316	-	-	-	-	15,316						
Financial investments available-for-sale	-	281,278	225,188	-	-	112,966	618,432						
Derivative financial assets	-	1,811	1,155	-	-	231	3,197						
Loans, advances and financing	185	1,671,794	-	98,514	1,114	1,871	1,773,478						
Other assets	-	590	-	-	-	-	590						
<b>Total financial assets</b>	<b>6,909</b>	<b>2,233,245</b>	<b>306,405</b>	<b>100,684</b>	<b>2,086</b>	<b>140,829</b>	<b>2,790,158</b>						
<b>Liabilities</b>													
Deposits from customers	110,212	173,009	8,996	7,337	170	6,153	305,877						
Deposits and placements of banks and other financial institutions	-	762,293	88,780	-	-	12,521	863,594						
Derivative financial liabilities	-	6,940	596	-	-	2,457	9,993						
Other liabilities	-	9,440	265	-	-	-	9,705						
<b>Total financial liabilities</b>	<b>110,212</b>	<b>951,682</b>	<b>98,637</b>	<b>7,337</b>	<b>170</b>	<b>21,131</b>	<b>1,189,169</b>						
Net on-balance sheet financial position	(103,303)	1,281,563	207,768	93,347	1,916	119,698	1,600,989						
Off-balance sheet credit commitments	689,007	1,963,197	163,487	39,134	47,591	455,321	3,357,737						

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**50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**Market Risk** (continued)

**c) Interest/profit rate risk**

The tables below summarise the Group's and the Company's exposure to interest/profit rate risks. Included in the tables are the Group's and the Company's assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates. The off-balance sheet gap represents the interest/profit rate sensitive commitments and contingencies.

Group	Non-trading Book					Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Weighted Average Rate %
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	> 1-5 years RM'000	Over 5 years RM'000				
<b>2013</b>									
<b>Assets</b>									
Cash and short-term funds	9,111,505	-	-	-	-	219,869	-	9,331,374	3.00
Deposits and placements with banks and other financial institutions	90,605	205,000	62,034	95,000	10,000	5,946	-	468,585	3.97
Financial assets held-for-trading	-	-	-	-	-	-	149,544	149,544	2.94
Financial investments available-for-sale	210,041	866,642	833,378	3,989,928	2,649,879	218,123	-	8,767,991	3.85
Financial investments held-to-maturity	1,525	268,102	89,000	168,020	24,293	73,093	-	624,033	4.63
Loans, advances and financing									
- non-impaired	20,097,625	2,113,938	3,518,593	8,652,979	2,336,402	(307,142)*	-	36,412,395	5.37
- impaired	-	-	-	-	-	496,989 <sup>A</sup>	-	496,989	
Other assets (1)	5	4	18	66,340	-	2,059,500	29,635	2,155,502	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	1,545,144	-	1,545,144	
<b>Total assets</b>	<b>29,511,306</b>	<b>3,453,686</b>	<b>4,503,023</b>	<b>12,972,267</b>	<b>5,020,574</b>	<b>4,311,522</b>	<b>179,179</b>	<b>59,951,557</b>	

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**50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**Market Risk (continued)**

**c) Interest/profit rate risk (continued)**

Group	Non-trading Book						Weighted Average Rate %
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	> 1-5 years RM'000	Over 5 years RM'000	Trading book RM'000	
2013							
<b>Liabilities</b>							
Deposits from customers	19,157,926	10,209,040	14,714,207	81,803	-	-	47,353,514
Deposits and placements of banks and other financial institutions	2,328,692	1,370,467	274,873	-	-	-	3,983,912
Bills and acceptances payable	-	-	-	-	-	-	90,208
Recourse obligation on loans sold to Cagamas Berhad	-	-	-	394,708	-	-	397,790
Other liabilities (2)	-	-	-	-	-	38,406	776,977
Borrowings	900,000	-	-	66,310	-	-	972,432
Total liabilities	22,386,618	11,579,507	14,989,080	542,821	-	38,406	53,574,833
Shareholders' funds	-	-	-	-	-	-	6,376,724
<b>Total liabilities and shareholders' funds</b>	<b>22,386,618</b>	<b>11,579,507</b>	<b>14,989,080</b>	<b>542,821</b>	<b>-</b>	<b>38,406</b>	<b>59,951,557</b>
On-balance sheet interest sensitivity gap	7,124,688	(8,125,821)	(10,486,057)	12,429,446	5,020,574	(6,103,603)	140,773
Off-balance sheet interest sensitivity gap	274,205	1,576,740	(642,495)	(1,502,538)	294,088	-	-
<b>Total interest sensitivity gap</b>	<b>7,398,893</b>	<b>(6,549,081)</b>	<b>(11,128,552)</b>	<b>10,926,908</b>	<b>5,314,662</b>	<b>(6,103,603)</b>	<b>140,773</b>

\* The negative balance represents collective allowance for loans, advances and financing in accordance with the Group's accounting policy on allowance for impaired loans, advances and financing.

^ Net of individual allowance.

(1) Other assets include derivative financial assets, investment in associate, amount due from associate, investment in jointly controlled entities, trade receivables, property and equipment, intangible assets, taxation recoverable and other assets.

(2) Other liabilities include derivative financial liabilities, trade payables, provision for taxation, deferred tax liabilities and other liabilities.



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**50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**Market Risk (continued)**

**c) Interest/profit rate risk (continued)**

Group	Non-trading Book						Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Weighted Average Rate %
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	----->				
<b>2012</b>										
<b>Assets</b>										
Cash and short-term funds	7,127,570	-	-	-	-	-	-	7,359,658	2.96	
Deposits and placements of banks and other financial institutions	88,649	297,150	8,473	40,000	55,000	3,084	-	492,356	3.59	
Reverse repurchase agreements with financial institutions	-	-	19,939	-	-	118	-	20,057	3.07	
Financial assets held-for-trading	-	-	-	-	-	-	165,592	165,592	3.09	
Financial investments available-for-sale	490,977	819,681	954,904	3,668,134	3,264,570	205,971	-	9,404,237	3.45	
Financial investments held-to-maturity	197,337	92,000	4,000	161,739	16	93,232	-	548,324	4.44	
Loans, advances and financing										
- non-impaired	18,166,870	2,693,714	2,746,711	8,127,401	2,199,437	(330,763)*	-	33,603,370	5.48	
- impaired	-	-	-	-	-	559,798 <sup>A</sup>	-	559,798		
Other assets (1)	9	2	2	66,344	-	2,085,355	21,707	2,173,419		
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	1,507,480	-	1,507,480		
<b>Total assets</b>	<b>26,071,412</b>	<b>3,902,547</b>	<b>3,734,029</b>	<b>12,063,618</b>	<b>5,519,023</b>	<b>4,356,363</b>	<b>187,299</b>	<b>55,834,291</b>		

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**50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**Market Risk (continued)**

**c) Interest/profit rate risk (continued)**

Group	Non-trading Book						Trading book RM'000	Total RM'000	Weighted Average Rate %
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000			
<b>2012</b>									
<b>Liabilities</b>									
Deposits from customers	17,283,216	10,197,132	12,200,549	338,510	-	2,925,579	-	42,944,986	3.17
Deposits and placements of banks and other financial institutions	2,218,902	2,358,549	10,144	-	-	614	-	4,588,209	2.75
Bills and acceptances payable	-	-	-	-	-	152,400	-	152,400	-
Recourse obligation on loans sold to Cagamas Berhad	-	-	-	410,345	-	3,204	-	413,549	4.77
Other liabilities (2)	-	-	-	-	-	685,232	33,068	718,300	-
Borrowings	900,000	-	-	66,310	-	6,033	-	972,343	4.25
<b>Total liabilities</b>	<b>20,402,118</b>	<b>12,555,681</b>	<b>12,210,693</b>	<b>815,165</b>	<b>-</b>	<b>3,773,062</b>	<b>33,068</b>	<b>49,789,787</b>	
Shareholders' funds	-	-	-	-	-	6,044,504	-	6,044,504	
<b>Total liabilities and shareholders' funds</b>	<b>20,402,118</b>	<b>12,555,681</b>	<b>12,210,693</b>	<b>815,165</b>	<b>-</b>	<b>9,817,566</b>	<b>33,068</b>	<b>55,834,291</b>	
On-balance sheet interest sensitivity gap	5,669,294	(8,653,134)	(8,476,664)	11,248,453	5,519,023	(5,461,203)	154,231	-	
Off-balance sheet interest sensitivity gap	502,354	602,790	(91,805)	(1,148,313)	134,974	-	-	-	
<b>Total interest sensitivity gap</b>	<b>6,171,648</b>	<b>(8,050,344)</b>	<b>(8,568,469)</b>	<b>10,100,140</b>	<b>5,653,997</b>	<b>(5,461,203)</b>	<b>154,231</b>	<b>-</b>	

\* The negative balance represents collective allowance for loans, advances and financing in accordance with the Group's accounting policy on allowance for impaired loans, advances and financing.

^ Net of individual allowance.

(1) Other assets include derivative financial assets, investment in associate, investment in jointly controlled entities, trade receivables, property and equipment, intangible assets, taxation recoverable, deferred tax assets and other assets.

(2) Other liabilities include derivative financial liabilities, trade payables, provision for taxation, deferred tax liabilities and other liabilities.

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**50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**Market Risk (continued)**

**c) Interest/profit rate risk (continued)**

Company	Non-trading Book					Trading book RM'000	Total RM'000	Weighted Average Rate %
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000			
<b>2013</b>								
<b>Assets</b>								
Cash and short-term funds	131,523	-	-	-	-	-	131,710	3.20
Deposits and placements with banks and other financial institutions	605	-	3,834	-	-	-	4,460	3.22
Other assets (1)	-	-	-	-	-	-	74,138	
Amount due from subsidiaries	900,000	-	-	-	-	-	904,972	4.59
Amount due from associate	-	-	-	66,310	-	-	67,257	8.00
Investment in subsidiaries	-	-	-	-	-	-	3,582,882	
Investment in jointly controlled entities	-	-	-	-	-	-	146,880	
Investment in associate	-	-	-	-	-	-	10,681	
<b>Total assets</b>	<b>1,032,128</b>	<b>-</b>	<b>3,834</b>	<b>66,310</b>	<b>-</b>	<b>3,820,708</b>	<b>4,922,980</b>	
<b>Liabilities</b>								
Other liabilities	-	-	-	-	-	-	19,634	
Deferred tax liabilities	-	-	-	-	-	-	108	
Amount due to subsidiaries	-	-	-	-	-	-	400,258	
Borrowings	900,000	-	-	66,310	-	-	972,432	4.41
<b>Total liabilities</b>	<b>900,000</b>	<b>-</b>	<b>-</b>	<b>66,310</b>	<b>-</b>	<b>426,122</b>	<b>1,392,432</b>	
Shareholders' funds	-	-	-	-	-	-	3,530,548	
<b>Total liabilities and shareholders' funds</b>	<b>900,000</b>	<b>-</b>	<b>-</b>	<b>66,310</b>	<b>-</b>	<b>3,956,670</b>	<b>4,922,980</b>	
On-balance sheet interest sensitivity gap	132,128	-	3,834	-	-	-	(135,962)	
<b>Total interest sensitivity gap</b>	<b>132,128</b>	<b>-</b>	<b>3,834</b>	<b>-</b>	<b>-</b>	<b>(135,962)</b>	<b>-</b>	

(1) Other assets include property and equipment, intangible assets, taxation recoverable and other assets.

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**50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**Market Risk (continued)**

**d) Interest/profit rate risk (continued)**

Company	Non-trading Book					Non- Interest sensitive RM'000	Trading book RM'000	Total RM'000	Weighted Average Rate %
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000				
<b>2012</b>									
<b>Assets</b>									
Cash and short-term funds	33,109	-	-	-	-	100	-	33,209	3.20
Deposits and placements with banks and other financial institutions	585	97,520	3,773	-	-	80	-	101,958	3.22
Other assets (1)	-	-	-	-	-	6,030	-	6,030	
Amount due from subsidiaries	900,000	-	-	-	-	4,960	-	904,960	4.49
Amount due from associate	-	-	-	66,310	-	930	-	67,240	8.00
Investment in subsidiaries	-	-	-	-	-	3,582,882	-	3,582,882	
Investment in jointly controlled entities	-	-	-	-	-	146,880	-	146,880	
Investment in associate	-	-	-	-	-	10,597	-	10,597	
<b>Total assets</b>	<b>933,694</b>	<b>97,520</b>	<b>3,773</b>	<b>66,310</b>	<b>-</b>	<b>3,752,459</b>	<b>-</b>	<b>4,853,756</b>	
<b>Liabilities</b>									
Other liabilities	-	-	-	-	-	5,829	-	5,829	
Deferred tax liabilities	-	-	-	-	-	143	-	143	
Amount due to subsidiaries	-	-	-	-	-	400,258	-	400,258	
Borrowings	900,000	-	-	66,310	-	6,033	-	972,343	4.25
<b>Total liabilities</b>	<b>900,000</b>	<b>-</b>	<b>-</b>	<b>66,310</b>	<b>-</b>	<b>412,263</b>	<b>-</b>	<b>1,378,573</b>	
<b>Shareholders' funds</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,475,183</b>	<b>-</b>	<b>3,475,183</b>	
<b>Total liabilities and shareholders' funds</b>	<b>900,000</b>	<b>-</b>	<b>-</b>	<b>66,310</b>	<b>-</b>	<b>3,887,446</b>	<b>-</b>	<b>4,853,756</b>	
On-balance sheet interest sensitivity gap	33,694	97,520	3,773	-	-	(134,987)	-	-	
<b>Total interest sensitivity gap</b>	<b>33,694</b>	<b>97,520</b>	<b>3,773</b>	<b>-</b>	<b>-</b>	<b>(134,987)</b>	<b>-</b>	<b>-</b>	

(1) Other assets include property and equipment, intangible assets, taxation recoverable and other assets.

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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

**50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****Operational Risk**

Operational risk is the risk of loss arising from inadequate or failed internal processes, action on or by people, infrastructure or technology or events which are beyond the bank's immediate control which have an operational impact, including natural disaster, fraudulent activities and money laundering/financing of terrorism.

The Group manages operational risk through a control based environment in which policies and procedures are formulated after taking into account individual unit's business activities, the market in which it is operating and regulatory requirement in force.

The Group adopts the Basic Indicator Approach for the purpose of calculating the capital requirement for operational risk. The capital requirement is calculated by taking 15% of the Bank's average annual gross income over the previous three years.

Risk is identified through the use of assessment tools and measured using threshold/limits mapped against risk matrix. Monitoring and control procedures include the use of key control standards, independent tracking of risk, back-up procedures and contingency plans, including disaster recovery and business continuity plans. This is supported by periodic reviews undertaken by Group Internal Audit to ensure adequacy and effectiveness of the Group Operational Risk Management process.

The Group gathers, analyses and reports operational risk loss and 'near miss' events to Group Operational Risk Management Committee and Board Risk Management Committee. Appropriate preventive and remedial actions are reviewed for effectiveness and implemented to minimize the recurrence of such events.

As a matter of requirement, all Operational Risk Coordinators must satisfy an Internal Operational Risk (including anti-money laundering/counter financing of terrorism and business continuity management) Certification Program. These coordinators will first go through an on-line self-learning exercise before attempting on-line assessments to measure their skills and knowledge level. This will enable Group Risk Management to prescribe appropriate training and development activities for the coordinators.

**Liquidity Risk**

Liquidity risk is the risk of loss due to failure to access funds at reasonable cost to fund the Group's operations and meet its liabilities when they fall due. Liquidity risk arises from the Group's funding activities and the management of its assets.

To measure and manage net funding requirements, the Group adopts BNM's New Liquidity Framework ('NLF'). The NLF ascertains the liquidity condition based on the contractual and behavioural cash-flow of assets, liabilities and off-balance sheet commitments, taking into consideration the realisable cash value of the eligible liquefiable assets.

The Group employs liquidity risk indicators as an early alert of any structural change for liquidity risk management. The risk is measured monthly using internal and external qualitative and quantitative liquidity risk indicators. The Group also conducts liquidity stress tests to gauge the Group's resilience in the event of a funding crisis. In addition, the Group has in place the Contingency Funding Plan to deal with liquidity crisis and emergencies.

The liquidity positions in the major currencies are being closely monitored by tracking the availability of medium to long-term foreign currency funding and adhering to the guiding principles for foreign currency assets creations.

**Basel III Liquidity Standards**

The Basel Committee developed the Liquidity Coverage Ratio ('LCR') and Net Stable Funding Ratio ('NSFR') with the goal of strengthening the resilience of the banking systems. The LCR and NSFR are tracked monthly to assess the short term and long term liquidity risk profile of the Group.

The BRMC is responsible for the Group's liquidity policy although the strategic management of liquidity has been delegated to the ALCO. The BRMC is however, informed regularly liquidity situation in the Group.

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**50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**Liquidity Risk (continued)**

The table below provides analysis of cash flow payables for financial liabilities based on remaining contractual maturities on undiscounted basis. The balances in the table below do not agree directly to the balances reported in the statement of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments.

i) Liquidity risk disclosure table based on contractual undiscounted cash flow:-

Group	Up to 1 month RM'000	>1-3 month RM'000	>3-12 month RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
<b>2013</b>						
Deposits from customers	22,084,267	10,385,696	15,138,432	155,798	11,033	47,775,226
Deposits and placements of banks and other financial institutions	2,427,120	1,380,607	279,553	-	-	4,087,280
Bills and acceptances payable	90,208	-	-	-	-	90,208
Trade payables	179,078	-	-	-	-	179,078
Recourse obligation on loans sold to Cagamas Berhad	2,791	5,312	263,436	150,442	-	421,981
Other liabilities	423,880	26,835	7,997	8,741	-	467,453
Borrowings	3,369	7,330	32,098	1,049,374	-	1,092,171
<b>Total financial liabilities</b>	<b>25,210,713</b>	<b>11,805,780</b>	<b>15,721,516</b>	<b>1,364,355</b>	<b>11,033</b>	<b>54,113,397</b>
<b>2012</b>						
Deposits from customers	19,997,495	10,361,509	12,599,289	396,903	-	43,355,196
Deposits and placements of banks and other financial institutions	2,200,690	2,367,346	33,479	-	-	4,601,515
Bills and acceptances payable	152,400	-	-	-	-	152,400
Trade payables	213,690	-	-	-	-	213,690
Recourse obligation on loans sold to Cagamas Berhad	3,165	5,525	26,109	422,077	-	456,876
Other liabilities	325,939	21,877	6,597	10,551	-	364,964
Borrowings	3,361	7,285	31,941	1,048,826	-	1,091,413
<b>Total financial liabilities</b>	<b>22,896,740</b>	<b>12,763,542</b>	<b>12,697,415</b>	<b>1,878,357</b>	<b>-</b>	<b>50,236,054</b>

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**50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**Liquidity Risk (continued)**

i) Liquidity risk disclosure table based on contractual undiscounted cash flow (continued):-

Company	Up to 1 month RM'000	>1-3 month RM'000	>3-12 month RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
<b>2013</b>						
Other liabilities	14,278	458	1,296	3,600	-	19,632
Amount due to subsidiaries	-	-	-	-	400,258	400,258
Borrowings	3,369	7,330	32,098	1,049,374	-	1,092,171
<b>Total financial liabilities</b>	<b>17,647</b>	<b>7,788</b>	<b>33,394</b>	<b>1,052,974</b>	<b>400,258</b>	<b>1,512,061</b>
<b>2012</b>						
Other liabilities	286	618	1,325	3,600	-	5,829
Amount due to subsidiaries	-	-	-	-	400,258	400,258
Borrowings	3,361	7,285	31,941	1,048,826	-	1,091,413
<b>Total financial liabilities</b>	<b>3,647</b>	<b>7,903</b>	<b>33,266</b>	<b>1,052,426</b>	<b>400,258</b>	<b>1,497,500</b>

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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**50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

Liquidity Risk (continued)

ii) Derivatives financial liabilities based on contractual undiscounted cash flow:-

Group	Up to 1 month RM'000	>1-3 month RM'000	>3-12 month RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
2013						
Derivatives settled on a net basis						
Interest rate derivatives	(1,204)	(1,472)	(3,275)	2,242	6,142	2,433
Derivatives settled on a gross basis						
Foreign exchange derivatives:						
Outflow	(509,833)	(674,028)	(911,963)	(594,154)	(96,030)	(2,786,008)
Inflow	509,931	673,695	909,002	594,154	96,030	2,782,812
	98	(333)	(2,961)	-	-	(3,196)
2012						
Derivatives settled on a net basis						
Interest rate derivatives	(1,374)	(1,986)	(5,662)	(13,565)	2,062	(20,525)
Derivatives settled on a gross basis						
Foreign exchange derivatives:						
Outflow	(523,356)	(648,351)	(352,435)	(126,927)	-	(1,651,069)
Inflow	522,534	643,932	347,851	124,546	-	1,638,863
	(822)	(4,419)	(4,584)	(2,381)	-	(12,206)

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**50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**Liquidity Risk** (continued)

iii) 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 and Company by remaining contractual maturities profile are as follows:-

Group	Up to 1 month RM'000	>1-3 month RM'000	>3-12 month RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
<b>2013</b>						
<b>Assets</b>						
Cash and short-term funds	9,331,374	-	-	-	-	9,331,374
Deposits and placements with banks and other financial institutions	608	72,150	9,298	324,607	61,922	468,585
Reverse repurchase agreements with financial institutions	-	-	-	-	-	-
Financial assets held-for-trading	149,544	-	-	-	-	149,544
Financial investments available-for-sale	219,411	897,061	965,331	4,029,488	2,656,700	8,767,991
Financial investments held-to-maturity	70,913	1,075	20,067	245,218	286,760	624,033
Derivative financial assets	8,965	22,884	8,136	4,068	11,723	55,776
Loans, advances and financing	1,688,609	1,516,105	2,148,811	8,196,180	23,359,679	36,909,384
Other assets (1)	365,355	1,171	104,015	8,016	1,621,169	2,099,726
Statutory deposit with Bank Negara Malaysia	1,545,144	-	-	-	-	1,545,144
<b>Total assets</b>	<b>13,379,923</b>	<b>2,510,446</b>	<b>3,255,658</b>	<b>12,807,577</b>	<b>27,997,953</b>	<b>59,951,557</b>

(1) Other assets include investment in associate, amount due from associate, investment in jointly controlled entities, trade receivables, property and equipment, intangible assets, taxation recoverable, deferred tax assets and other assets.

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**50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**Liquidity Risk (continued)**

iii) Liquidity risk for assets and liabilities based on remaining contractual maturities (continued):-

Group	Up to 1 month RM'000	>1-3 month RM'000	>3-12 month RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
<b>2013</b>						
<b>Liabilities</b>						
Deposits from customers	22,068,361	10,331,290	14,832,730	111,133	10,000	47,353,514
Deposits and placements of banks and other financial institutions	2,333,495	1,374,363	276,054	-	-	3,983,912
Bills and acceptances payable	90,208	-	-	-	-	90,208
Derivative financial liabilities	9,234	22,725	21,284	23,847	16,778	93,868
Recourse obligation on loans sold to Cagamas Berhad	1,297	1,786	123,243	271,464	-	397,790
Other liabilities (2)	591,506	38,223	44,575	8,741	64	683,109
Borrowings	2,881	3,241	300,000	666,310	-	972,432
<b>Total liabilities</b>	<b>25,096,982</b>	<b>11,771,628</b>	<b>15,597,886</b>	<b>1,081,495</b>	<b>26,842</b>	<b>53,574,833</b>
On-balance sheet gap	(11,717,059)	(9,261,182)	(12,342,228)	11,726,082	27,971,111	6,376,724
Off-balance sheet credit commitments	(1,509,030)	-	(11,589,431)	-	-	(13,098,461)
Derivatives	226,284	901,165	389,122	686,530	-	2,203,101
<b>Net maturity mismatch</b>	<b>(12,999,805)</b>	<b>(8,360,017)</b>	<b>(23,542,537)</b>	<b>12,412,612</b>	<b>27,971,111</b>	<b>(4,518,636)</b>

(2) Other liabilities include trade payables, provision for taxation, deferred tax liabilities and other liabilities.

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**50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

Liquidity Risk (continued)

iii) Liquidity risk for assets and liabilities based on remaining contractual maturities (continued):-

Group	Up to 1 month RM'000	>1-3 month RM'000	>3-12 month RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
<b>2012</b>						
<b>Assets</b>						
Cash and short-term funds	7,359,658	-	-	-	-	7,359,658
Deposits and placements with banks and other financial institutions	8,654	236,537	14,185	101,746	131,234	492,356
Reverse repurchase agreements with financial institutions	-	-	20,057	-	-	20,057
Financial assets held-for-trading	165,592	-	-	-	-	165,592
Financial investments available-for-sale	488,890	741,874	1,052,706	4,521,097	2,599,670	9,404,237
Financial investments held-to-maturity	88,623	1,076	20,003	241,269	197,353	548,324
Derivative financial assets	11,209	26,370	18,534	3,836	6,066	66,015
Loans, advances and financing	1,894,114	1,741,946	1,669,939	11,096,734	17,760,435	34,163,168
Other assets (1)	474,256	1,479	27,736	11,421	1,592,512	2,107,404
Statutory deposit with Bank Negara Malaysia	1,507,480	-	-	-	-	1,507,480
<b>Total assets</b>	<b>11,998,476</b>	<b>2,749,282</b>	<b>2,823,160</b>	<b>15,976,103</b>	<b>22,287,270</b>	<b>55,834,291</b>

(1) Other assets include investment in associate, amount due from associate, investment in jointly controlled entities, trade receivables, property and equipment, intangible assets, taxation recoverable, deferred tax assets and other assets.

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**50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

Liquidity Risk (continued)

iii) Liquidity risk for assets and liabilities based on remaining contractual maturities (continued):-

Group	Up to 1 month RM'000	>1-3 month RM'000	>3-12 month RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
<b>2012</b>						
<b>Liabilities</b>						
Deposits from customers	19,993,962	10,294,209	12,317,834	338,981	-	42,944,986
Deposits and placements of banks and other financial institutions	2,211,548	2,371,526	5,135	-	-	4,588,209
Bills and acceptances payable	152,400	-	-	-	-	152,400
Derivative financial liabilities	9,769	19,817	11,512	17,247	1,215	59,560
Recourse obligation on loans sold to Cagamas Berhad	1,364	1,840	-	410,345	-	413,549
Other liabilities (2)	542,396	24,734	67,625	10,550	13,435	658,740
Borrowings	2,842	3,191	-	966,310	-	972,343
<b>Total liabilities</b>	<b>22,914,281</b>	<b>12,715,317</b>	<b>12,402,106</b>	<b>1,743,433</b>	<b>14,650</b>	<b>49,789,787</b>
On-balance sheet gap	(10,915,805)	(9,966,035)	(9,578,946)	14,232,670	22,272,620	6,044,504
Off-balance sheet credit commitments	(21,095)	-	(12,032,058)	(53,133)	-	(12,106,286)
Derivatives	142,971	331,915	1,041,996	125,150	-	1,642,032
<b>Net maturity mismatch</b>	<b>(10,793,929)</b>	<b>(9,634,120)</b>	<b>(20,569,008)</b>	<b>14,304,687</b>	<b>22,272,620</b>	<b>(4,419,750)</b>

(2) Other liabilities include trade payables, provision for taxation, deferred tax liabilities and other liabilities.

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**50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**Liquidity Risk (continued)**

iii) Liquidity risk for assets and liabilities based on remaining contractual maturities (continued):-

Company	Up to 1 month RM'000	>1-3 month RM'000	>3-12 month RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
<b>2013</b>						
<b>Assets</b>						
Cash and short-term funds	131,710	-	-	-	-	131,710
Deposits and placements with banks and other financial institutions	608	-	3,852	-	-	4,460
Other assets (1)	-	-	73,329	-	809	74,138
Amount due from subsidiaries	2,763	302,209	-	-	600,000	904,972
Amount due from associate	947	-	-	-	66,310	67,257
Investment in subsidiaries	-	-	-	-	3,582,882	3,582,882
Investment in jointly controlled entities	-	-	-	-	146,880	146,880
Investment in associates	-	-	-	-	10,681	10,681
<b>Total assets</b>	<b>136,028</b>	<b>302,209</b>	<b>77,181</b>	<b>-</b>	<b>4,407,562</b>	<b>4,922,980</b>
<b>Liabilities</b>						
Other liabilities	2,870	11,348	1,816	3,600	-	19,634
Deferred tax liabilities	-	-	108	-	-	108
Amount due to subsidiaries	-	-	-	-	400,258	400,258
Borrowings	2,880	3,242	300,000	666,310	-	972,432
<b>Total liabilities</b>	<b>5,750</b>	<b>14,590</b>	<b>301,924</b>	<b>669,910</b>	<b>400,258</b>	<b>1,392,432</b>
On-balance sheet gap	130,278	287,619	(224,743)	(669,910)	4,007,304	3,530,548
Off-balance sheet credit commitments	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-
<b>Net maturity mismatch</b>	<b>130,278</b>	<b>287,619</b>	<b>(224,743)</b>	<b>(669,910)</b>	<b>4,007,304</b>	<b>3,530,548</b>

(1) Other assets include property and equipment, intangible assets, taxation recoverable and other assets.

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

**AFFIN HOLDINGS BERHAD** (23218-W)  
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

**50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

Liquidity Risk (continued)

iii) Liquidity risk for assets and liabilities based on remaining contractual maturities (continued):-

Company	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
<b>2012</b>						
<b>Assets</b>						
Cash and short-term funds	33,209	-	-	-	-	33,209
Deposits and placements with banks and other financial institutions	589	97,578	3,791	-	-	101,958
Other assets (1)	-	-	5,021	-	1,009	6,030
Amount due from subsidiaries	2,755	2,205	-	-	900,000	904,960
Amount due from associate	930	-	-	-	66,310	67,240
Investment in subsidiaries	-	-	-	-	3,582,882	3,582,882
Investment in jointly controlled entities	-	-	-	-	146,880	146,880
Investment in associates	-	-	-	-	10,597	10,597
<b>Total assets</b>	<b>37,483</b>	<b>99,783</b>	<b>8,812</b>	<b>-</b>	<b>4,707,678</b>	<b>4,853,756</b>
<b>Liabilities</b>						
Other liabilities	286	618	1,325	3,600	-	5,829
Deferred tax liabilities	-	-	143	-	-	143
Amount due to subsidiaries	-	-	-	-	400,258	400,258
Borrowings	2,842	3,191	-	966,310	-	972,343
<b>Total liabilities</b>	<b>3,128</b>	<b>3,809</b>	<b>1,468</b>	<b>969,910</b>	<b>400,258</b>	<b>1,378,573</b>
On-balance sheet gap	34,355	95,974	7,344	(969,910)	4,307,420	3,475,183
Off-balance sheet credit commitments	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-
<b>Net maturity mismatch</b>	<b>34,355</b>	<b>95,974</b>	<b>7,344</b>	<b>(969,910)</b>	<b>4,307,420</b>	<b>3,475,183</b>

(1) Other assets include property and equipment, intangible assets, taxation recoverable and other assets.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

**AFFIN HOLDINGS BERHAD** (23218-W)  
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

**51 FAIR VALUE OF FINANCIAL INSTRUMENTS**

Financial instruments comprise financial assets, financial liabilities and also off-balance sheet financial instruments. The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents estimates of fair values as at reporting date.

Fair value information for non-financial assets and liabilities are excluded as they do not fall within the scope of FRS 132 which requires the fair values to be disclosed. These include property and equipment, statutory deposits with Bank Negara Malaysia, investment in subsidiaries, other assets, tax recoverable, deferred tax and intangible assets.

The fair value of the financial assets and financial liabilities of the Group and the Company approximated to their respective carrying value as at reporting date, except for the following:-

	<b>Group</b>		<b>Company</b>	
	Carrying value	Fair value	Carrying value	Fair value
	RM'000	RM'000	RM'000	RM'000
<b>2013</b>				
<b>Financial assets</b>				
Deposits and placement with bank and other financial institutions	468,585	495,632	-	-
Financial investments held-to-maturity	624,033	614,826	-	-
Loans, advances and financing	36,909,384	36,613,829	-	-
<b>Financial liabilities</b>				
Deposits from customers	47,353,514	47,253,987	-	-
Deposits and placements of banks and other financial institutions	3,983,912	3,984,399	-	-
Recourse obligation on loans sold to Cagamas Berhad	397,790	406,113	-	-
Borrowings	972,432	973,177	972,432	973,177
<b>2012</b>				
<b>Financial assets</b>				
Deposits and placement with bank and other financial institutions	492,356	522,818	-	-
Financial investments held-to-maturity	548,324	538,370	-	-
Loans, advances and financing	34,163,168	33,863,596	-	-
<b>Financial liabilities</b>				
Deposits from customers	42,944,986	42,870,501	-	-
Deposits and placements of banks and other financial institutions	4,588,209	4,595,246	-	-
Recourse obligation on loans sold to Cagamas Berhad	413,549	426,331	-	-
Borrowings	972,343	972,227	972,343	972,227

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

**AFFIN HOLDINGS BERHAD** (23218-W)  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013****51 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

The fair values of the financial assets and liabilities are based on the following methodologies and assumptions:-

Short-term funds and placements with banks and other financial institutions

For short-term funds and placements with banks and other financial institutions with maturities of less than six months, the carrying amount is a reasonable estimate of the fair value.

For amounts with maturities of six months or more, fair values have been estimated by reference to current rates at which similar deposits and placements would be made with similar credit ratings and maturities.

Financial assets held-for-trading, financial investments available-for-sale and financial investments held-to-maturity

The fair values of financial assets held-for-trading, financial investments available-for-sale and financial investments held-to-maturity are reasonable estimates based on quoted market prices. In the absence of such quoted prices, the fair values are based on the expected cash flows of the instruments discounted by indicative market yields for the similar instruments as at reporting date or the audited net tangible asset of the invested company.

Loans, advances and financing

Loans and advances of the Group comprise of floating rate loans and fixed rate loans. For performing floating rate loans, the carrying amount is a reasonable estimate of their fair values.

The fair values of performing fixed rate loans are arrived at using the discounted cash flows based on the prevailing market rates of loans and advances with similar credit ratings and maturities.

The fair values of impaired loans and advances, whether fixed or floating are represented by their carrying values, net of individual and collective allowances, being the reasonable estimate of recoverable amount.

Other assets and liabilities

The carrying value less any estimated allowance for financial assets and liabilities included in other assets and other liabilities are assumed to approximate their fair values as these items are not materially sensitive to the shift in market interest rates.

Deposits from customers, banks and other financial institutionsBills and acceptances payable

The carrying values of deposits and liabilities with maturities of six months or less are assumed to be reasonable estimates of their fair values. Where the remaining maturities of deposits and liabilities are above six months, their estimated fair values are arrived at using the discounted cash flows based on prevailing market rates currently offered for similar remaining maturities.

The estimated fair value of deposits with no stated maturity, which include non-interest bearing deposits, approximates carrying amount which represents the amount repayable on demand.

Recourse obligation on loans sold to Cagamas Berhad

For floating rate loans sold to Cagamas Berhad, the carrying value is generally a reasonable estimate of their fair values.

The fair values of fixed rate loans sold to Cagamas Berhad are arrived at using the discounted cash flow methodology at prevailing market rates of similarly profiled loans.



**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

**AFFIN HOLDINGS BERHAD** (23218-W)  
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

**51 FAIR VALUE OF FINANCIAL INSTRUMENTS** (continued)

The fair values of the financial assets and liabilities are based on the following methodologies and assumptions (continued):-

Borrowings

For fixed rate borrowings, the estimate of fair value is based on discounted cash flow model using prevailing lending rates for borrowings with similar risks and remaining term to maturity.

For floating rate borrowings, the carrying value is generally a reasonable estimate of their fair values.

Derivative financial instruments

The fair value of exchange rate and interest rate contracts is the estimated amount the Group would receive or pay to terminate the contracts at the reporting date.

Fair value measurements

The following table analyse within the fair value hierarchy the assets and liabilities not measured at fair value at 31 December 2013 but for which fair value is disclosed:-

- Level 1 - quoted price (unadjusted) in active markets for identical assets and liabilities;
- Level 2 - inputs other than quoted price included within level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - inputs for the asset and liability that are not based on observable market data (unobservable inputs).

<b>Group</b>	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>2013</b>				
<b>Financial Assets</b>				
Deposits and placement with bank and other financial institutions	-	495,632	-	495,632
Financial investments held-to-maturity	-	614,826	-	614,826
Loans, advances and financing	-	36,613,829	-	36,613,829
<b>Financial Liabilities</b>				
Deposits from customers	-	47,253,987	-	47,253,987
Deposits and placements of banks and other financial institutions	-	3,984,399	-	3,984,399
Recourse obligation on loans sold to Cagamas Berhad	-	406,113	-	406,113
Borrowings	-	973,177	-	973,177

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

**AFFIN HOLDINGS BERHAD** (23218-W)  
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

**51 FAIR VALUE OF FINANCIAL INSTRUMENTS** (continued)

Fair value measurements (continued)

<b>Group</b>	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>2012</b>				
<b>Financial Assets</b>				
Deposits and placement with bank and other financial institutions	-	522,818	-	522,818
Financial investments held-to-maturity	-	538,370	-	538,370
Loans, advances and financing	-	33,863,596	-	33,863,596
<b>Financial Liabilities</b>				
Deposits from customers	-	42,870,501	-	42,870,501
Deposits and placements of banks and other financial institutions	-	4,595,246	-	4,595,246
Recourse obligation on loans sold to Cagamas Berhad	-	426,331	-	426,331
Borrowings	-	972,227	-	972,227
<b>Company</b>				
<b>2013</b>				
<b>Financial Liabilities</b>				
Borrowings	-	973,177	-	973,177
<b>2012</b>				
<b>Financial Liabilities</b>				
Borrowings	-	972,227	-	972,227

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

**AFFIN HOLDINGS BERHAD** (23218-W)  
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

**51 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

Fair value measurements (continued)

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

<b>Group</b>	Level 1 RM'000	Level 2 RM'000	Level 3 <sup>#</sup> RM'000	Total RM'000
<b>2013</b>				
<b>Assets</b>				
Financial assets held-for-trading	-	149,544	-	149,544
Financial investments available-for-sale *				
- Private debt securities	-	4,623,344	-	4,623,344
- Equity securities	14,177	-	134,312	148,489
- BNM and government securities	-	3,996,158	-	3,996,158
Derivative financial assets	-	55,776	-	55,776
<b>Liabilities</b>				
Derivative financial liabilities	-	93,868	-	93,868
<b>2012</b>				
<b>Assets</b>				
Financial assets held-for-trading	-	165,592	-	165,592
Financial investments available-for-sale *				
- Private debt securities	-	5,035,878	-	5,035,878
- Equity securities	16,721	-	120,604	137,325
- BNM and government securities	-	4,231,034	-	4,231,034
Derivative financial assets	-	66,015	-	66,015
<b>Liabilities</b>				
Derivative financial liabilities	-	59,560	-	59,560

\* Net of allowance for impairment

# The Group have determined that the net asset value of unquoted equity securities represents fair value at the financial year ended 31 December 2013, therefore there is no unobservable input used for these financial investments classified.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

**AFFIN HOLDINGS BERHAD** (23218-W)  
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NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

**51 FAIR VALUE OF FINANCIAL INSTRUMENTS** (continued)

Fair value measurements (continued)

Financial instruments that are valued using quoted prices in active market are classified as Level 1 of the valuation hierarchy. These would include listed equities which are actively traded.

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

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

The Group may also use valuation models or discounted cash flow technique to determine the fair value.

Most of the OTC derivatives are priced using valuation models. Where derivative products have been established in the markets for some time, the Group uses models that are widely accepted by the industry.

The valuation techniques and inputs used generally depend on the contractual terms and the risks inherent in the instrument as well as the availability of pricing information in the market. Principal techniques used include discounted cash flows, and other appropriate valuation models. OTC derivatives which are valued using unobservable inputs that are supported by little or no market activity which are significant to the fair value of the assets or liabilities are classified as Level 3.

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

<b>Group</b>	2013 RM'000	2012 RM'000
Opening	120,604	120,916
Purchases	-	527
Total gains/(losses) recognised in Other Comprehensive Income	13,708	(839)
Closing	134,312	120,604

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.

In estimating its significance, the Group used an approach that is currently based on methodologies used for fair value adjustments. These adjustments reflect the values that the Group estimates are appropriate to adjust from the valuations produced to reflect for uncertainties in the inputs used. The methodologies used can be statistical or other relevant approved techniques.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

**AFFIN HOLDINGS BERHAD** (23218-W)  
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

**52 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)**

(a) Financial assets

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements.

Group	Gross amounts of recognised financial assets RM'000	Gross amounts of recognised financial liabilities set off in the balance sheet RM'000	Net amounts of financial assets presented in the balance sheet RM'000
<b>2013</b>			
Trade receivables			
- Amount due from Bursa Securities Clearing Sdn Bhd	1,185,902	(1,185,902)	-
<b>2012</b>			
Trade receivables			
- Amount due from Bursa Securities Clearing Sdn Bhd	203,387	(116,531)	86,856

(b) Financial liabilities

The following financial liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements.

Group	Gross amounts of recognised financial liabilities RM'000	Gross amounts of recognised financial assets set off in the balance sheet RM'000	Net amounts of financial liabilities presented in the balance sheet RM'000
<b>2013</b>			
Trade payables			
- Amount due to Bursa Securities Clearing Sdn Bhd	1,206,707	(1,185,902)	20,805
<b>2012</b>			
Trade payables			
- Amount due to Bursa Securities Clearing Sdn Bhd	116,531	(116,531)	-

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

**AFFIN HOLDINGS BERHAD** (23218-W)  
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2013

**53 SUPPLEMENTARY INFORMATION DISCLOSED PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS**

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 and Company into realised and unrealised profits as at reporting date is disclosed as follows:-

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<u>Total retained profits of AFFIN Holdings Berhad and its's subsidiaries:-</u>				
- Realised	1,675,523	1,450,553	635,670	580,340
- Unrealised				
- deferred tax recognised in the income statement	14,676	14,579	(108)	(143)
- other items of income and expenses	40,596	45,250	-	-
	1,730,795	1,510,382	635,562	580,197
<u>Total share of retained profits in associate:-</u>				
- Realised	187,712	167,302	-	-
- Unrealised	3,527	2,452	-	-
<u>Total share of retained profits/(losses) in jointly controlled entities:-</u>				
- Realised	(19,690)	(20,511)	-	-
- Unrealised	4,610	-	-	-
	1,906,954	1,659,625	635,562	580,197
Add: Consolidation adjustments	90,588	87,465	-	-
Total Group retained profits as per consolidated financial statements	1,997,542	1,747,090	635,562	580,197

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.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

**AFFIN HOLDINGS BERHAD** (23218-W)  
(Incorporated in Malaysia)

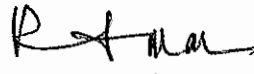
STATEMENT BY DIRECTORS  
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Tan Sri Dato' Seri Lodin bin Wok Kamaruddin and Raja Dato' Seri Aman bin Raja Haji Ahmad, two of the directors of AFFIN Holdings Berhad, state that, in the opinion of the directors, the accompanying financial statements set out on pages 7 to 135 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2013 and of the results and cash flows of the Group and the Company for the financial year ended on that date in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution dated 26 February 2014.



TAN SRI DATO' SERI LODIN BIN WOK  
KAMARUDDIN  
DIRECTOR



RAJA DATO' SERI AMAN BIN RAJA  
HAJI AHMAD  
DIRECTOR

Kuala Lumpur  
26 February 2014

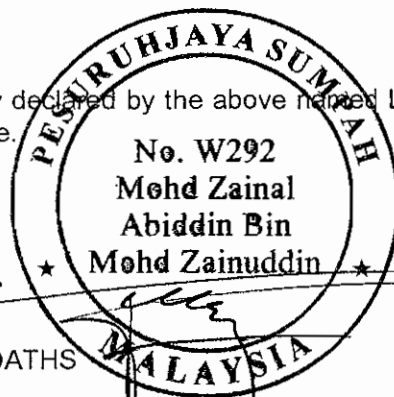
DECLARATION  
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Lee Yoke Kiow, the officer primarily responsible for the financial management of AFFIN Holdings Berhad, do solemnly and sincerely declare that in my opinion, the financial statements set out on pages 7 to 135 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.



LEE YOKE KIW

Subscribed and solemnly declared by the above named Lee Yoke Kiow at Kuala Lumpur in Malaysia on 26 February 2014, before me.



COMMISSIONER FOR OATHS

Lot 1.68, 1<sup>st</sup> Floor,  
Wisma Cosway, Jalan Raja Chulan,  
50200 Kuala Lumpur.  
Tel: 03-91725900  
H/P: 012-3766796

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF AFFIN HOLDINGS BERHAD  
(Company No. 23218-W)  
(Incorporated in Malaysia)****REPORT ON THE FINANCIAL STATEMENTS**

We have audited the financial statements of AFFIN Holdings Berhad, which comprise the statements of financial position as at 31 December 2013 of the Group and of the Company, and the statements of income, comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Note 1 to Note 52 on pages 7 to 136.

**Directors' Responsibility for the Financial Statements**

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia, and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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*PricewaterhouseCoopers (AF 1146), Chartered Accountants,  
Level 10, 1 Sentral, Jalan Travers, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia  
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, [www.pwc.com/my](http://www.pwc.com/my)*



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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31 DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF AFFIN HOLDINGS BERHAD (CONTINUED)**  
(Company No. 23218-W)  
(Incorporated in Malaysia)

**REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)**

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2013 and of their financial performance and cash flows for the year then ended.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- c) Our audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

**OTHER REPORTING RESPONSIBILITIES**

The supplementary information set out in Note 53 on page 137 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on 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, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 31  
DECEMBER 2013 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)**

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INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF AFFIN HOLDINGS BERHAD (CONTINUED)  
(Company No. 23218-W)  
(Incorporated in Malaysia)

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

A handwritten signature in black ink, appearing to read 'Roni KabeCom', written over a horizontal line.

PRICEWATERHOUSECOOPERS  
(No. AF: 1146)  
Chartered Accountants

A handwritten signature in black ink, appearing to read 'Soo Hoo Khoo Yean', written over a horizontal line.

SOO HOO KHOON YEAN  
(No. 2682/10/15 (J))  
Chartered Accountant

Kuala Lumpur  
26 February 2014

**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE 3-MONTH  
FPE 31 MARCH 2014**

CERTIFIED TRUE COPY

**AFFIN HOLDINGS BERHAD**

(Company no. 23218 - W)

**Condensed Interim Financial Statements****Unaudited Statements of Financial Position As At 31 March 2014**

  
NIMMA SAFIRA KHALID  
Company Secretary  
AFFIN HOLDINGS BERHAD

	Note	<----- GROUP ----->		<----- COMPANY ----->	
		31/3/2014 RM'000	31/12/2013 RM'000	31/3/2014 RM'000	31/12/2013 RM'000
<b>ASSETS</b>					
Cash and short-term funds		6,592,076	9,331,374	243,189	131,710
Deposits and placements with banks and other financial institutions		347,068	468,585	4,496	4,460
Trade receivables	A9	297,129	176,706	-	-
Financial assets held-for-trading	A10	5,019	149,544	-	-
Financial investments available-for-sale	A10	9,558,223	8,767,991	-	-
Financial investments held-to-maturity	A10	622,263	624,033	-	-
Derivative financial assets		59,157	55,776	-	-
Loans, advances and financing	A11	37,766,169	36,909,384	-	-
Other assets	A12	302,134	309,011	68,502	68,494
Statutory deposits with Bank Negara Malaysia		1,633,712	1,545,144	-	-
Amount due from subsidiaries		-	-	603,929	904,972
Amount due from associate		67,226	67,257	67,226	67,257
Investment in subsidiaries		-	-	3,882,882	3,582,882
Investment in jointly controlled entities		137,504	135,539	146,880	146,880
Investment in associate		211,122	208,396	10,681	10,681
Tax recoverable		16,804	11,316	5,585	5,173
Deferred tax assets		5,193	14,475	-	-
Property and equipment		161,539	167,038	422	470
Intangible assets		1,008,387	1,009,988	-	1
<b>TOTAL ASSETS</b>		<b>58,790,725</b>	<b>59,951,557</b>	<b>5,033,792</b>	<b>4,922,980</b>
<b>LIABILITIES AND EQUITY</b>					
Deposits from customers	B8	46,304,101	47,353,514	-	-
Deposits and placements of banks and other financial institutions	B8	3,502,636	3,983,912	-	-
Bills and acceptances payable		98,932	90,208	-	-
Trade payables		311,427	179,078	-	-
Derivative financial liabilities		70,062	93,868	-	-
Recourse obligation on loans sold to Cagamas Berhad		394,007	397,790	-	-
Other liabilities	A13	576,101	467,454	17,156	19,634
Provision for taxation		32,465	36,405	-	-
Deferred tax liabilities		1,612	172	108	108
Amount due to subsidiaries		-	-	400,258	400,258
Borrowings	B8	972,238	972,432	972,238	972,432
<b>TOTAL LIABILITIES</b>		<b>52,263,581</b>	<b>53,574,833</b>	<b>1,389,760</b>	<b>1,392,432</b>
<b>EQUITY</b>					
Share capital		1,494,576	1,494,576	1,494,576	1,494,576
Reserves:-					
Share premium		1,400,410	1,400,410	1,400,410	1,400,410
Statutory reserves		1,469,048	1,469,048	-	-
AFS revaluation reserves		22,840	15,148	-	-
Retained profits		2,140,270	1,997,542	749,046	635,562
<b>TOTAL EQUITY</b>		<b>6,527,144</b>	<b>6,376,724</b>	<b>3,644,032</b>	<b>3,530,548</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>58,790,725</b>	<b>59,951,557</b>	<b>5,033,792</b>	<b>4,922,980</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		<b>23,489,905</b>	<b>22,222,815</b>	<b>-</b>	<b>-</b>
<b>NET ASSETS PER SHARE (RM)</b>		<b>4.37</b>	<b>4.27</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 2013.*

**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE 3-MONTH  
FPE 31 MARCH 2014 (Cont'd)**
**AFFIN HOLDINGS BERHAD**

(Company no. 23218 - W)

**Condensed Interim Financial Statements**
**Unaudited Income Statements For The Financial Period Ended 31 March 2014**

GROUP	Note	<---Individual Quarter Ended --->		<---Cumulative Quarter Ended --->	
		31/3/2014 RM'000	31/3/2013 RM'000	31/3/2014 RM'000	31/3/2013 RM'000
<b>Revenue</b>		<b>764,893</b>	<b>732,762</b>	<b>764,893</b>	<b>732,762</b>
Interest income	A14	558,983	530,549	558,983	530,549
Interest expense	A15	(340,001)	(309,071)	(340,001)	(309,071)
<b>Net interest income</b>		<b>218,982</b>	<b>221,478</b>	<b>218,982</b>	<b>221,478</b>
Net Islamic banking income		56,733	54,967	56,733	54,967
Other operating income	A16	95,381	95,718	95,381	95,718
<b>Net income</b>		<b>371,096</b>	<b>372,163</b>	<b>371,096</b>	<b>372,163</b>
Other operating expenses	A17	(180,399)	(172,435)	(180,399)	(172,435)
<b>Operating profit before allowance for impairment on loans, advances and financing</b>		<b>190,697</b>	<b>199,728</b>	<b>190,697</b>	<b>199,728</b>
Allowance for impairment on loans, advances and financing	A18	6,271	13,118	6,271	13,118
Allowance for impairment on other assets	A19	207	155	207	155
<b>Operating profit</b>		<b>197,175</b>	<b>213,001</b>	<b>197,175</b>	<b>213,001</b>
Finance cost		(10,579)	(10,501)	(10,579)	(10,501)
Share of results of jointly controlled entities		(3,190)	491	(3,190)	491
Share of results of associate		2,412	534	2,412	534
<b>Profit before taxation and zakat</b>		<b>185,818</b>	<b>203,525</b>	<b>185,818</b>	<b>203,525</b>
Zakat		(164)	(217)	(164)	(217)
<b>Profit before taxation</b>		<b>185,654</b>	<b>203,308</b>	<b>185,654</b>	<b>203,308</b>
Taxation	B6	(42,926)	(52,474)	(42,926)	(52,474)
<b>Net profit for the financial period attributable to equity holders of the Company</b>		<b>142,728</b>	<b>150,834</b>	<b>142,728</b>	<b>150,834</b>
Earnings per share attributable to the equity holders of the Company (sen)					
- Basic and fully diluted	B12	9.55	10.09	9.55	10.09

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2013.

**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE 3-MONTH  
FPE 31 MARCH 2014 (Cont'd)**

**AFFIN HOLDINGS BERHAD**  
(Company no. 23218 - W)  
**Condensed Interim Financial Statements**  
**Unaudited Statement of Comprehensive Income**  
**For The Financial Period Ended 31 March 2014**

<b>GROUP</b>	<---Individual Quarter Ended --->		<---Cumulative Quarter Ended -->	
	31/3/2014 RM'000	31/3/2013 RM'000	31/3/2014 RM'000	31/3/2013 RM'000
<b>Profit after taxation</b>	<b>142,728</b>	150,834	<b>142,728</b>	150,834
<b>Other comprehensive income:</b>				
- Net fair value change in financial investments available-for-sale	8,939	(11,302)	8,939	(11,302)
- Deferred tax on revaluation of financial investments available-for-sale	(1,247)	3,404	(1,247)	3,404
<b>Other comprehensive income for the period, net of tax</b>	<b>7,692</b>	(7,898)	<b>7,692</b>	(7,898)
<b>Total comprehensive income for the financial period attributable to the equity holders of the Company</b>	<b>150,420</b>	142,936	<b>150,420</b>	142,936

*The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2013.*

**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE 3-MONTH  
FPE 31 MARCH 2014 (Cont'd)**

**AFFIN HOLDINGS BERHAD**  
(Company no. 23218 - W)  
**Condensed Interim Financial Statements**  
**Unaudited Income Statements For The Financial Period Ended 31 March 2014**

COMPANY	<---Individual Quarter Ended --->		<---Cumulative Quarter Ended --->	
	31/3/2014 RM'000	31/3/2013 RM'000	31/3/2014 RM'000	31/3/2013 RM'000
<b>Revenue</b>	<b>128,415</b>	46,591	<b>128,415</b>	46,591
Interest income	11,757	12,586	11,757	12,586
Interest expense	-	-	-	-
<b>Net interest income</b>	<b>11,757</b>	12,586	<b>11,757</b>	12,586
Net Islamic banking income	-	-	-	-
Other operating income	116,658	34,005	116,658	34,005
<b>Net income</b>	<b>128,415</b>	46,591	<b>128,415</b>	46,591
Other operating expenses	(4,006)	(1,949)	(4,006)	(1,949)
<b>Operating profit before allowance for impairment on loans, advances and financing</b>	<b>124,409</b>	44,642	<b>124,409</b>	44,642
Allowance for impairment on loans, advances and financing	-	-	-	-
Allowance for impairment on other assets	-	-	-	-
<b>Operating profit</b>	<b>124,409</b>	44,642	<b>124,409</b>	44,642
Finance cost	(10,579)	(10,501)	(10,579)	(10,501)
<b>Profit before taxation and zakat</b>	<b>113,830</b>	34,141	<b>113,830</b>	34,141
Zakat	-	-	-	-
<b>Profit before taxation</b>	<b>113,830</b>	34,141	<b>113,830</b>	34,141
Taxation	(346)	(8,471)	(346)	(8,471)
<b>Net profit for the financial period attributable to equity holders of the Company</b>	<b>113,484</b>	25,670	<b>113,484</b>	25,670

*The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2013.*

**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE 3-MONTH  
FPE 31 MARCH 2014 (Cont'd)**

**AFFIN HOLDINGS BERHAD**  
(Company no. 23218 - W)  
**Condensed Interim Financial Statements**  
**Unaudited Statement of Comprehensive Income**  
**Unaudited Income Statements For The Financial Period Ended 31 March 2014**

<u>COMPANY</u>	<----Individual Quarter Ended ---->		<---Cumulative Quarter Ended --->	
	31/3/2014 RM'000	31/3/2013 RM'000	31/3/2014 RM'000	31/3/2013 RM'000
Profit after taxation	113,484	25,670	113,484	25,670
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the financial period attributable to equity holders of the Company</b>	<b>113,484</b>	<b>25,670</b>	<b>113,484</b>	<b>25,670</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 2013.*

**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE 3-MONTH FPE 31 MARCH 2014 (Cont'd)**

**AFFIN HOLDINGS BERHAD**  
(Company no. 23218 - W)  
**Unaudited Condensed Consolidated Statement Of Changes In Equity**  
**For The Financial Period Ended 31 March 2014**

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

<b>GROUP</b>	<b>Issued and fully paid ordinary shares of RM1 each</b>		<b>Share premium RM'000</b>	<b>Statutory reserves RM'000</b>	<b>AFS revaluation reserves RM'000</b>	<b>Retained profits RM'000</b>	<b>Total Equity RM'000</b>
	<b>Number of shares '000</b>	<b>Nominal value RM'000</b>					
<b>At 1 January 2014</b>	1,494,576	1,494,576	1,400,410	1,469,048	15,148	1,997,542	6,376,724
<b>Comprehensive income:</b>							
- Net profit for the financial period	-	-	-	-	-	142,728	142,728
<b>Other comprehensive income (net of tax):</b>							
- Financial investments available-for-sale	-	-	-	-	7,692	-	7,692
<b>Total comprehensive income for the financial period</b>							
	-	-	-	-	7,692	142,728	150,420
<b>At 31 March 2014</b>	<b>1,494,576</b>	<b>1,494,576</b>	<b>1,400,410</b>	<b>1,469,048</b>	<b>22,840</b>	<b>2,140,270</b>	<b>6,527,144</b>
<b>At 1 January 2013</b>	1,494,576	1,494,576	1,400,410	1,293,665	108,763	1,747,090	6,044,504
<b>Comprehensive income:</b>							
- Net profit for the financial period	-	-	-	-	-	150,834	150,834
<b>Other comprehensive income (net of tax):</b>							
- Financial investments available-for-sale	-	-	-	-	(7,898)	-	(7,898)
<b>Total comprehensive income for the financial period</b>							
	-	-	-	-	(7,898)	150,834	142,936
<b>At 31 March 2013</b>	<b>1,494,576</b>	<b>1,494,576</b>	<b>1,400,410</b>	<b>1,293,665</b>	<b>100,865</b>	<b>1,897,924</b>	<b>6,187,440</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 2013.*



**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE 3-MONTH FPE 31 MARCH 2014 (Cont'd)**

**AFFIN HOLDINGS BERHAD**  
(Company no. 23218 - W)  
**Unaudited Condensed Statement Of Changes In Equity**  
**For The Financial Period Ended 31 March 2014**

	<-----Attributable to Equity Holders of the Company----->				Total Equity RM'000
	Issued and fully paid ordinary shares of RM1 each	Nominal value RM'000	Non-distributable Share premium RM'000	Distributable Retained profits RM'000	
<b>COMPANY</b>					
<b>At 1 January 2014</b>	1,494,576	1,494,576	1,400,410	635,562	3,530,548
Total comprehensive income for the financial period:					
- Net profit for the financial period	-	-	-	113,484	113,484
<b>At 31 March 2014</b>	<b>1,494,576</b>	<b>1,494,576</b>	<b>1,400,410</b>	<b>749,046</b>	<b>3,644,032</b>
<b>At 1 January 2013</b>	1,494,576	1,494,576	1,400,410	580,197	3,475,183
Total comprehensive income for the financial period:					
- Net profit for the financial period	-	-	-	25,670	25,670
<b>At 31 March 2013</b>	<b>1,494,576</b>	<b>1,494,576</b>	<b>1,400,410</b>	<b>605,867</b>	<b>3,500,853</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 2013.*

**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE 3-MONTH  
FPE 31 MARCH 2014 (Cont'd)**
**AFFIN HOLDINGS BERHAD**

(Company no. 23218 - W)

**Unaudited Condensed Consolidated Statement of Cash Flow  
For The Financial Period Ended 31 March 2014**

	< ----- 3 months Ended ----- >	
	31/3/2014	31/3/2013
	RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	185,654	203,308
Adjustment for non-operating and non-cash items	(90,158)	(70,002)
Operating profit before changes in working capital	<u>95,496</u>	<u>133,306</u>
Net changes in operating assets	(784,214)	433,766
Net changes in operating liabilities	(1,308,800)	134,227
Payment of tax and zakat	(47,499)	(52,912)
Tax refund	354	30
Net cash (used in)/generated from operating activities	<u>(2,044,663)</u>	<u>648,417</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received from securities	68,564	69,526
Net (purchase)/disposal of:		
- securities	(774,366)	(134,082)
- property and equipment	5,648	(5,372)
- intangible assets	(150)	(864)
Dividend received from:		
- financial investments available-for-sale	838	9
Proceeds from disposal of property and equipment	-	4,147
Proceeds from disposal of foreclosed properties	4,916	6,572
Amount due from associate	31	29
Net cash used in investing activities	<u>(694,519)</u>	<u>(60,035)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in borrowings	(194)	(228)
Net cash used in financing activities	<u>(194)</u>	<u>(228)</u>
Net (decrease)/increase in cash and cash equivalents	(2,739,376)	588,154
Cash and cash equivalents at beginning of the period	<u>9,321,506</u>	<u>7,359,658</u>
Cash and cash equivalents at end of the period	<u>6,582,130</u>	<u>7,947,812</u>
<b>Analysis of cash &amp; cash equivalent</b>		
Cash and short-term funds	6,592,076	7,957,161
Adjustment for money held in trust on behalf of remisers	(9,946)	(9,349)
	<u>6,582,130</u>	<u>7,947,812</u>

*The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2013.*

## UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE 3-MONTH FPE 31 MARCH 2014 (Cont'd)

AFFIN HOLDINGS BERHAD (Company No. 23218-W)  
Condensed Interim Financial Statements  
Explanatory Notes - Financial Period Ended 31 March 2014

### Part A - Explanatory Notes pursuant to Malaysian Financial Reporting Standard ("MFRS 134") and Revised Financial Reporting for Banking Institutions ("BNM/GP8") issued by Bank Negara Malaysia

#### A1. BASIS OF PREPARATION

The unaudited condensed interim financial statements for the 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 has been prepared in accordance with MFRS134 Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and Chapter 9, part K of the Listing Requirements of the Bursa Malaysia Securities Berhad.

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 2013. 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 2013.

#### 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 2013 except for the adoption of the following new and revised Malaysian Financial Reporting Standards ("MFRS"), Amendments to MFRSs that are applicable and effective to the Group for the financial year beginning 1 January 2014 :-

- Amendment to MFRS 10 "Consolidated Financial Statements"
- Amendment to MFRS 12 "Disclosures of Interest in Other Entities"
- Amendment to MFRS 127 "Separate Financial Statements"
- Amendment to MFRS 132 "Financial Instruments: Presentation"
- Amendment to MFRS 136 "Impairment of Assets"
- Amendment to MFRS 139 "Financial Instrument: Recognition and Measurement"

The adoption of the above new and revised standards and amendments does not have any impact to the results of the Group and the Company for the quarter under review.

#### Classification and Impairment Provisions for Loans/Financing - Maintenance of Regulatory Reserve

Pursuant to Paragraph 13 of the Policy Document on Classification and Impairment Provisions for Loans/Financing, Bank Negara Malaysia ("BNM") had issued a letter on 4 February 2014, which requires banking institutions to maintain, in aggregate collective impairment provisions and regulatory reserves of no less than 1.2% of total outstanding loans/financing (excluding loans/financing with an explicit guarantee from the Federal Government of Malaysia), net of individual impairment provisions. The regulatory reserves is to be maintained in addition to the impairment provisions as required under the MFRS and it will be set aside from the retained profits to a separate reserve within the equity to further strengthen buffers against potential losses.

Banking institutions are required to comply with the requirement by 31 December 2015. The adoption of the above 1.2% collective impairment provisions is not expected to have any impact to the profit or loss of the Banking subsidiaries. As the regulatory reserves does not qualified as common equity Tier I (CET I) Capital and Tier I Capital under the BNM's Capital Adequacy Framework (Capital Components), the adoption of this requirement will however result in a drop in CET I and Tier I capital ratios of the banking subsidiaries accordingly.

#### A3. AUDITOR'S REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the audited financial statements for the financial year ended 31 December 2013 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.

**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE 3-MONTH FPE 31 MARCH 2014 (Cont'd)**

AFFIN HOLDINGS BERHAD (Company No. 23218-W)  
Condensed Interim Financial Statements  
Explanatory Notes - Financial Period Ended 31 March 2014

**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 quarter 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 quarter under review.

**A7. DEBT AND EQUITY SECURITIES**

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

**A8. DIVIDENDS PAID**

No dividend has been paid during the quarter under review.

**A9. TRADE RECEIVABLES**

	Group	
	31/3/2014	31/12/2013
	RM'000	RM'000
Amount due from stock-broking clients	254,988	178,701
Amount due from Bursa Securities Clearing Sdn Bhd	44,352	-
Management fees receivable on fund management	1,459	1,657
	<u>300,799</u>	<u>180,358</u>
Less: Allowance for impairment		
- Collective impairment	(63)	(19)
- Individual impairment	(3,607)	(3,633)
	<u>297,129</u>	<u>176,706</u>

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

Balance at the beginning of financial period/year	19	21
Allowance made during the financial period/year	45	134
Amount recovered during the financial period/year	(1)	(136)
	<u>63</u>	<u>19</u>

**Individual impairment**

Balance at the beginning of financial period/year	3,633	3,575
Allowance made during the financial period/year	8	232
Amount recovered during the financial period/year	(34)	(174)
	<u>3,607</u>	<u>3,633</u>

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AFFIN HOLDINGS BERHAD (Company No. 23218-W)  
Condensed Interim Financial Statements  
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**A10. FINANCIAL ASSETS**

	Group	
	31/3/2014 RM'000	31/12/2013 RM'000
<b>(a) <u>Financial assets held-for-trading</u></b>		
<b>At fair value</b>		
Bank Negara Malaysia Notes	-	149,544
Unquoted Securities		
- Private Debt Securities in Malaysia	5,019	-
Total financial assets held-for-trading	5,019	149,544
<b>(b) <u>Financial investments available-for-sale</u></b>		
<b>At fair value</b>		
Malaysian Government Treasury Bills	29,549	-
Malaysian Government Investment Issuance	2,474,781	2,361,979
Cagamas Bonds	85,309	85,228
Sukuk Perumahan Kerajaan	388,003	385,742
Khazanah Bonds	291,138	237,441
Bankers' Acceptance and Islamic Acceptance Bills	208,805	196,522
Bank Negara Malaysia Notes	697,992	629,674
Negotiable Instruments of Deposit and Islamic Debt Certificate	297,722	99,572
	4,473,299	3,996,158
Quoted Securities		
- Shares in Malaysia	31,237	27,631
- Private Debt Securities in Malaysia	8,868	2,167
Unquoted Securities		
- Shares in Malaysia	174,723	165,656
- Private Debt Securities in Malaysia	4,296,118	4,039,105
- Private Debt Securities outside Malaysia	666,349	623,725
	9,650,594	8,854,442
Allowance for impairment of securities	(92,371)	(86,451)
Total financial investments available-for-sale	9,558,223	8,767,991
<b>(c) <u>Financial investments held-to-maturity</u></b>		
<b>At amortised cost</b>		
Quoted Securities		
- Private Debt Securities in Malaysia	31,781	31,781
Unquoted Securities		
- Private Debt Securities in Malaysia	643,942	648,616
- Redeemable Convertible Unsecured Loan Stock in Malaysia	1,554	1,554
	677,277	681,951
Allowance for impairment of securities	(55,014)	(57,918)
Total financial investments held-to-maturity	622,263	624,033
<b>Total securities held</b>	<b>10,185,505</b>	<b>9,541,568</b>

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**A11. LOANS, ADVANCES AND FINANCING**
**(a) BY TYPE**

	Group	
	31/3/2014 RM'000	31/12/2013 RM'000
Overdrafts	1,839,566	1,752,882
Term loans/financing		
- Housing loans/financing	5,598,264	5,510,534
- Syndicated term loans/financing	1,942,952	1,826,170
- Hire purchase receivables	10,642,533	10,524,044
- Business term loans/financing	12,503,570	12,825,062
Bills receivables	896,020	318,677
Trust receipts	367,234	435,591
Claims on customers under acceptance credits	1,113,717	986,666
Staff loans/financing (of which RM NIL to Directors)	144,707	146,065
Credit/charge cards	77,523	82,137
Revolving credit	3,133,420	2,988,889
Margin financing	63,235	56,705
Factoring	2,750	7,073
<b>Gross loans, advances and financing</b>	<b>38,325,491</b>	<b>37,460,495</b>
Less: Allowance for impairment		
- Collective impairment	(316,720)	(307,142)
- Individual impairment	(242,602)	(243,969)
<b>Total net loans, advances and financing</b>	<b>37,766,169</b>	<b>36,909,384</b>

**(b) BY MATURITY STRUCTURE**

Maturing within one year	8,243,416	7,427,643
One year to three years	5,464,910	5,109,102
Three years to five years	5,851,474	6,709,415
Over five years	18,765,691	18,214,335
	<b>38,325,491</b>	<b>37,460,495</b>

**(c) BY TYPE OF CUSTOMER**

Domestic non-banking institutions		
- Stock-broking companies	239	241
- Others	1,590,646	1,622,525
Domestic business enterprises		
- Small medium enterprises	6,391,914	5,932,508
- Others	13,545,774	13,847,266
Government and statutory bodies	124,517	162,591
Individuals	15,207,325	15,003,354
Other domestic entities	237,122	251,166
Foreign entities	1,227,954	640,844
	<b>38,325,491</b>	<b>37,460,495</b>

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

Fixed rate		
- Housing loans/financing	324,133	314,506
- Hire purchase receivables	10,642,532	10,524,043
- Other fixed rate loans/financing	4,080,120	4,181,013
- Margin financing	63,235	56,705
Variable rate		
- BLR plus	15,131,079	14,098,831
- Cost plus	8,084,392	8,285,397
	<b>38,325,491</b>	<b>37,460,495</b>

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**A11. LOANS, ADVANCES AND FINANCING (cont.)**
**(e) BY ECONOMIC PURPOSE**

	Group	
	31/3/2014 RM'000	31/12/2013 RM'000
Construction	2,190,888	2,082,699
Purchase of landed property of which :-		
- Residential	6,014,909	5,985,909
- Non-residential	5,345,887	5,009,095
Purchase of securities	432,757	433,206
Purchase of transport vehicles	11,320,848	11,232,452
Fixed assets other than land and building	240,254	238,059
Personal use	953,757	941,023
Credit card	77,523	82,137
Consumer durable	869	868
Merger and acquisition	330,171	370,192
Working capital	10,312,223	10,230,340
Others	1,105,405	854,515
	<b>38,325,491</b>	<b>37,460,495</b>

**(f) BY SECTOR**

Primary agriculture	508,582	478,281
Mining and quarrying	624,951	649,621
Manufacturing	2,396,520	2,538,773
Electricity, gas and water supply	342,011	359,796
Construction	3,708,638	3,467,735
Real estate	4,866,762	4,702,439
Wholesale and retail trade and restaurants and hotels	2,055,785	2,166,051
Transport, storage and communication	2,022,964	2,069,268
Finance, insurance and business services	5,114,877	4,465,887
Education, health and others	1,104,051	1,408,839
Household	15,348,758	15,146,265
Others	231,592	7,540
	<b>38,325,491</b>	<b>37,460,495</b>

**(g) BY GEOGRAPHICAL DISTRIBUTION**

Perlis	98,457	85,125
Kedah	1,169,816	1,088,305
Pulau Pinang	1,902,616	1,825,875
Perak	1,127,997	1,163,213
Selangor	11,965,362	11,557,789
Wilayah Persekutuan	10,757,074	10,924,938
Negeri Sembilan	823,020	813,316
Melaka	888,038	869,233
Johor	3,232,840	3,224,541
Pahang	753,926	755,143
Terengganu	974,666	989,295
Kelantan	242,290	244,022
Sarawak	1,177,646	1,137,113
Sabah	1,661,353	1,692,677
Labuan	534,534	553,770
Outside Malaysia	1,015,856	536,140
	<b>38,325,491</b>	<b>37,460,495</b>

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**A11. LOANS, ADVANCES AND FINANCING (cont.)**
**(h) IMPAIRED LOANS, ADVANCES AND FINANCING**
**(i) Movements of impaired loans, advances and financing**

	Group	
	31/3/2014 RM'000	31/12/2013 RM'000
Balance at the beginning of financial period/year	740,958	790,438
Classified as impaired during the financial period/year	116,799	432,629
Reclassified as non-impaired during the financial period/year	(70,905)	(298,268)
Amount recovered during the financial period/year	(49,720)	(132,998)
Amount written-off during the financial period/year	(974)	(50,843)
	<b>736,158</b>	<b>740,958</b>

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

Construction	141	65,797
Purchase of landed property of which :-		
- Residential	270,213	272,103
- Non-residential	21,261	23,707
Purchase of securities	46,291	46,292
Purchase of transport vehicles	78,883	75,350
Fixed assets other than land and building	282	282
Personal use	8,054	7,937
Credit card	449	476
Consumer durable	65,422	14
Working capital	230,658	234,888
Others	14,504	14,112
	<b>736,158</b>	<b>740,958</b>

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

Primary agriculture	13,209	6,335
Manufacturing	62,814	62,914
Electricity, gas and water supply	190	118
Construction	198,056	193,447
Real estate	190	190
Wholesale and retail trade and restaurants and hotels	43,406	43,373
Transport, storage and communication	9,006	9,542
Finance, insurance and business services	43,810	60,065
Education, health and others	1,834	1,868
Household	363,643	363,106
	<b>736,158</b>	<b>740,958</b>



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AFFIN HOLDINGS BERHAD (Company No. 23218-W)  
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**A11. LOANS, ADVANCES AND FINANCING (cont.)**
**(h) IMPAIRED LOANS, ADVANCES AND FINANCING (cont.)**
**(iv) Impaired loans, advances and financing by geographical distribution**

	Group	
	31/3/2014 RM'000	31/12/2013 RM'000
Perlis	339	472
Kedah	22,609	23,005
Pulau Pinang	17,846	18,781
Perak	15,505	14,081
Selangor	350,572	352,921
Wilayah Persekutuan	126,348	117,927
Negeri Sembilan	28,535	28,827
Melaka	8,733	8,368
Johor	45,873	46,552
Pahang	11,360	12,038
Terengganu	5,970	5,465
Kelantan	4,288	4,124
Sarawak	13,554	6,290
Sabah	11,759	11,298
Outside Malaysia	72,867	90,809
	<b>736,158</b>	<b>740,958</b>

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

Balance at the beginning of financial period/year	307,142	330,797
Allowance (net of write-back) made during the financial period/year	11,779	13,913
Amount written-off during the financial period/year	(2,201)	(37,568)
Balance at the end of financial period/year	<b>316,720</b>	<b>307,142</b>

**Individual impairment**

Balance at the beginning of financial period/year	243,969	230,640
Transfer to debt conversion	(6,279)	-
Allowance made during the financial period/year	7,531	49,053
Amount recovered during the financial period/year	(2,087)	(5,181)
Amount written-off during the financial period/year	-	(12,974)
Unwinding discount of allowance	(563)	(17,825)
Exchange difference	31	256
Balance at the end of financial period/year	<b>242,602</b>	<b>243,969</b>

**A12. OTHER ASSETS**

Cheque clearing accounts	167,644	169,141
Foreclosed properties	12,445	15,825
Other debtors, deposits and prepayments	110,222	119,858
Amount due from jointly controlled entities	11,823	4,187
	<b>302,134</b>	<b>309,011</b>

**A13. OTHER LIABILITIES**

Bank Negara Malaysia and Credit Guarantee Corporation Funding Programmes	28,991	27,897
Margin and collateral deposits	123,997	108,258
Trust accounts for remisers	9,946	9,868
Defined contribution plan	9,772	13,912
Accrued employee benefits	1,012	1,060
Other creditors and accruals	392,390	295,057
Provision for zakat	9,993	11,402
	<b>576,101</b>	<b>467,454</b>

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**A14. INTEREST INCOME**

	-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/3/2014	31/3/2013	31/3/2014	31/3/2013
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing	412,952	399,822	412,952	399,822
Money at call and deposit with financial institutions	34,227	36,327	34,227	36,327
Reverse repurchase agreements with financial institutions	-	151	-	151
Financial assets held-for-trading	50	129	50	129
Financial investments available-for-sale	63,329	64,458	63,329	64,458
Financial investments held-to-maturity	5,235	5,068	5,235	5,068
Derivatives	34,896	19,873	34,896	19,873
Subordinated term loan	1,308	1,308	1,308	1,308
Others	23	21	23	21
	<b>552,020</b>	<b>527,157</b>	<b>552,020</b>	<b>527,157</b>
Amortisation of premium less accretion of discount	6,963	3,392	6,963	3,392
	<b>558,983</b>	<b>530,549</b>	<b>558,983</b>	<b>530,549</b>
The above interest income includes interest/income earned on impaired loans, advances and financing - Unwinding discount of allowance (Net)	(1,310)	(405)	(1,310)	(405)

**A15. INTEREST EXPENSE**

Deposits and placements of banks and other financial institutions	20,264	24,236	20,264	24,236
Deposits from customers	279,453	257,864	279,453	257,864
Loans sold to Cagamas Berhad	4,653	4,849	4,653	4,849
Derivatives	34,732	21,468	34,732	21,468
Others	899	654	899	654
	<b>340,001</b>	<b>309,071</b>	<b>340,001</b>	<b>309,071</b>

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**A16. OTHER OPERATING INCOME**

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/3/2014	31/3/2013	31/3/2014	31/3/2013
	RM'000	RM'000	RM'000	RM'000
<b>Fee income :</b>				
Net brokerage	17,773	14,137	17,773	14,137
Underwriting fees	-	199	-	199
Portfolio management fees	3,921	3,496	3,921	3,496
Corporate advisory fees	2,041	1,518	2,041	1,518
Commission	3,756	3,405	3,756	3,405
Service charges and fees	15,313	18,331	15,313	18,331
Guarantee fees	5,520	4,850	5,520	4,850
Arrangement fees	90	2,165	90	2,165
Agency fees	523	952	523	952
Other fee income	9,274	126	9,274	126
	<b>58,211</b>	<b>49,179</b>	<b>58,211</b>	<b>49,179</b>
<b>Income from financial instruments :</b>				
Gains on financial assets held-for-trading				
- net gains on disposal	1,459	1,917	1,459	1,917
- unrealised gains	7	61	7	61
Gains on derivatives				
- realised	616	545	616	545
- unrealised	4,057	4,756	4,057	4,756
Gains arising on financial investments available-for-sale				
- net gains on disposal	1,118	11,745	1,118	11,745
- gross dividend income	838	94	838	94
Gains arising on financial investments held-to-maturity				
- net gains on redemption	2,903	3,213	2,903	3,213
	<b>10,998</b>	<b>22,331</b>	<b>10,998</b>	<b>22,331</b>
<b>Other income :</b>				
Foreign exchange (losses)/gains :-				
- realised	(7,565)	30,228	(7,565)	30,228
- unrealised	22,479	(11,579)	22,479	(11,579)
Rental income	379	395	379	395
Gains on disposal of property and equipment	4,681	3,080	4,681	3,080
Gains/(losses) on disposal of foreclosed properties	1,536	(54)	1,536	(54)
Other non-operating income	4,662	2,138	4,662	2,138
	<b>26,172</b>	<b>24,208</b>	<b>26,172</b>	<b>24,208</b>
<b>Total other operating income</b>	<b>95,381</b>	<b>95,718</b>	<b>95,381</b>	<b>95,718</b>

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**A17. OTHER OPERATING EXPENSES**

	-----Group-----			
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/3/2014 RM'000	31/3/2013 RM'000	31/3/2014 RM'000	31/3/2013 RM'000
<u>Personnel costs</u>				
Wages, salaries and bonus	85,614	83,232	85,614	83,232
Defined contribution plan	13,983	13,505	13,983	13,505
Other personnel costs	10,491	10,679	10,491	10,679
	110,088	107,416	110,088	107,416
<u>Promotion and marketing-related expenses</u>				
Business promotion and advertisement	1,508	1,883	1,508	1,883
Entertainment	600	1,086	600	1,086
Travelling and accommodation	941	968	941	968
Dealers' handling fees	453	389	453	389
Others	660	739	660	739
	4,162	5,065	4,162	5,065
<u>Establishment-related expenses</u>				
Rental of premises	7,432	7,161	7,432	7,161
Equipment rental	314	280	314	280
Repair and maintenance	8,236	8,039	8,236	8,039
Depreciation of property and equipment	4,460	4,854	4,460	4,854
Amortisation of intangible assets	1,801	2,203	1,801	2,203
IT consultancy fee	13,745	16,731	13,745	16,731
Dataline rental	1,232	760	1,232	760
Security services	4,032	3,006	4,032	3,006
Electricity, water and sewerage	2,651	2,408	2,651	2,408
Insurance and indemnities	807	1,239	807	1,239
Others	999	1,192	999	1,192
	45,709	47,873	45,709	47,873
<u>General and administrative expenses</u>				
Telecommunication expenses	2,289	2,004	2,289	2,004
Directors' remuneration	642	555	642	555
Auditors' remuneration:-				
(i) Statutory audit	461	446	461	446
(ii) Under provision in prior year	-	1	-	1
(iii) Audit related fees	7	2	7	2
(iv) Non audit fees	60	25	60	25
Professional fees	2,032	1,935	2,032	1,935
Property and equipment written-off	23	-	23	-
Postage and courier charges	959	878	959	878
Stationery and consumables	1,907	2,402	1,907	2,402
Commission and brokerage expenses	815	865	815	865
Donations	2,879	553	2,879	553
Settlement, clearing and bank charges	1,995	1,998	1,995	1,998
Stamp duties	1,408	57	1,408	57
Write-back of litigation losses	-	(4,321)	-	(4,321)
Commissioned dealers representative performance incentive	1,013	787	1,013	787
Subscription fees	587	535	587	535
Transaction levy	533	414	533	414
Subsidies and allowances	239	307	239	307
Others	2,591	2,638	2,591	2,638
	20,440	12,081	20,440	12,081
<b>Total other operating expenses</b>	<b>180,399</b>	<b>172,435</b>	<b>180,399</b>	<b>172,435</b>

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

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/3/2014 RM'000	31/3/2013 RM'000	31/3/2014 RM'000	31/3/2013 RM'000
Collective impairment				
- made during the financial year	11,397	7,330	11,397	7,330
Individual impairment				
- made during the financial year	7,539	3,416	7,539	3,416
- written-back during the financial year	(2,121)	(1,541)	(2,121)	(1,541)
Bad debts				
- recovered	(24,529)	(23,434)	(24,529)	(23,434)
- written-off	1,416	1,089	1,416	1,089
Additional allowance for impaired debts				
- other debtors	27	22	27	22
	<b>(6,271)</b>	<b>(13,118)</b>	<b>(6,271)</b>	<b>(13,118)</b>

**A19. ALLOWANCE FOR IMPAIRMENT ON  
OTHER ASSETS**

Write-back of allowance for impairment loss on				
- Financial investments available-for-sale	(207)	(155)	(207)	(155)
	<b>(207)</b>	<b>(155)</b>	<b>(207)</b>	<b>(155)</b>

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**A20. SEGMENTAL INFORMATION ON REVENUE AND PROFIT**

The segment analysis by activity for the individual and cumulative quarters ended 31 March 2014 and 31 March 2013 are as follows:-

RM '000	<----- Individual and cumulative quarter ended 31 March 2014----->					
	Commercial Banking	Investment Banking	Insurance	Others	Eliminations	Group
Segment revenue	698,834	62,002	-	2,730	-	763,566
Intersegment revenue	10,071	5,486	-	387	(15,944)	-
Unallocated revenue	-	-	-	1,327	-	1,327
<b>Revenue</b>	<b>708,905</b>	<b>67,488</b>	<b>-</b>	<b>4,444</b>	<b>(15,944)</b>	<b>764,893</b>
Segment results	174,912	13,883	-	629	10,080	199,504
Unallocated expenses	-	-	-	-	-	(12,908)
Share of results of:						
- jointly controlled entities (net of tax)	-	-	(3,190)	-	-	(3,190)
- associate (net of tax)	-	-	2,412	-	-	2,412
Profit before taxation and zakat						185,818
Taxation and zakat						(43,090)
<b>Net profit for the individual and cumulative quarter</b>						<b>142,728</b>

RM '000	<----- Individual and cumulative quarter ended 31 March 2013 ----->					
	Commercial Banking	Investment Banking	Insurance	Others	Eliminations	Group
Segment revenue	670,317	58,387	-	2,722	-	731,426
Intersegment revenue	10,218	6,364	-	353	(16,935)	-
Unallocated revenue	-	-	-	1,336	-	1,336
<b>Revenue</b>	<b>680,535</b>	<b>64,751</b>	<b>-</b>	<b>4,411</b>	<b>(16,935)</b>	<b>732,762</b>
Segment results	185,101	16,608	-	655	11,250	213,614
Unallocated expenses	-	-	-	(11,114)	-	(11,114)
Share of results of:						
- jointly controlled entities (net of tax)	-	-	507	(16)	-	491
- associate (net of tax)	-	-	534	-	-	534
Profit before taxation and zakat						203,525
Taxation and zakat						(52,691)
<b>Net profit for the individual and cumulative quarter</b>						<b>150,834</b>

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**A21. SUBSEQUENT MATERIAL EVENT**

There were no material events subsequent to the balance sheet date that require disclosure or adjustments to the unaudited condensed interim financial statements other than those disclosed in Note B (7).

**A22. CHANGES IN THE COMPOSITION OF THE GROUP**

There were no significant changes in the composition of the Group during the current financial quarter under review.

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**A23. COMMITMENTS AND CONTINGENCIES**

In the normal course of business, the Group makes various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions.

**GROUP**

	31/3/2014				31/12/2013			
	Positive Fair Value of		Risk-Weighted Amount*		Positive Fair Value of		Risk-Weighted Amount*	
	Principal Amount RM'000	Derivative Contracts RM'000	Credit Equivalent Amount* RM'000	Risk-Weighted Amount* RM'000	Principal Amount RM'000	Derivative Contracts RM'000	Credit Equivalent Amount* RM'000	Risk-Weighted Amount* RM'000
Direct credit substitutes	787,105	-	787,105	756,855	1,455,361	-	1,455,361	1,462,806
Transaction related contingent items	1,964,420	-	982,210	911,240	1,974,804	-	987,402	864,908
Short-term self-liquidating trade related contingencies	340,808	-	68,162	40,289	573,412	-	114,683	82,976
Obligation under underwriting commitments	-	-	-	-	260,244	-	-	-
Foreign exchange related contracts #	4,431,382	26,103	94,015	36,518	3,635,355	24,107	73,201	33,246
- Less than one year	594,154	1,963	57,319	16,660	594,154	2,513	57,307	16,657
- One year to less than five years	96,030	708	16,325	-	96,030	-	16,325	-
- Five years and above	975,058	4,367	1,911	623	793,040	4,112	2,271	820
Interest rate related contracts #	2,631,909	12,080	64,217	17,817	2,292,222	10,637	50,133	14,245
- Less than one year	703,148	13,936	68,909	28,104	703,148	14,407	66,112	28,314
- One year to less than five years	2,085,751	-	1,042,875	1,428,726	2,181,871	-	1,090,935	992,841
- Five years and above	8,463,862	-	1,692,772	805,525	7,483,973	-	1,496,795	1,211,534
Irrevocable commitments to extend credit #								
- Maturity more than one year	234,763	-	-	-	-	-	-	-
- Maturity less than one year	181,515	-	36,303	27,049	179,201	-	35,840	26,839
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								
Unutilised credit card lines	23,489,905	59,157	4,912,123	4,069,406	22,222,815	55,776	5,446,365	4,735,186

\* The credit equivalent amount and risk-weighted amount are arrived at using the credit conversion factors as per Bank Negara Malaysia guidelines.

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



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**A24. DERIVATIVE FINANCIAL INSTRUMENTS**

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

**GROUP**

	Contract/Notional Amount			Positive Fair Value			Negative Fair Value		
	Up To 1 RM'000	> 1 - 3 RM'000	Total RM'000	Up To 1 RM'000	> 1 - 3 RM'000	Total RM'000	Up To 1 RM'000	> 1 - 3 RM'000	Total RM'000
<b>As at 31 March 2014</b>									
<b>Trading derivatives</b>									
Foreign exchange contracts									
- Currency forwards	736,382	-	736,382	1,650	-	1,650	4,260	-	4,260
- Cross currency swaps	3,532,598	294,243	4,222,782	24,641	-	27,312	13,208	8,631	31,088
- Currency options	162,402	-	162,402	(188)	-	(188)	103	-	103
Interest rate contracts									
- Interest rate swaps	975,058	1,533,847	4,310,115	4,367	7,127	30,383	6,874	7,968	34,611
	5,406,440	1,828,090	9,431,681	30,470	7,127	59,157	24,445	16,599	70,062
<b>As at 31 December 2013</b>									
<b>Trading derivatives</b>									
Foreign exchange contracts									
- Currency forwards	810,804	-	810,804	6,961	-	6,961	5,099	-	5,099
- Cross currency swaps	2,824,551	294,243	3,514,735	17,146	-	19,659	29,259	10,470	51,018
Interest rate contracts									
- Interest rate swaps	793,040	1,513,847	3,788,410	4,112	7,320	29,156	7,494	9,231	37,751
	4,428,395	1,808,090	8,113,949	28,219	7,320	55,776	41,852	19,701	93,868

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**A24. DERIVATIVE FINANCIAL INSTRUMENTS (cont.)**

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

**Market risk**

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at the reporting date, the notional amount of foreign exchange exposure which was not hedged and hence, exposed to market risk was RM27.0 million (FYE 31/12/2013: RM1.0 million), while the notional amount of interest rate contract was RM1,927.3 million (FYE 31/12/2013: RM1,813.0 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 RM167.7 million (FYE 31/12/2013: RM146.8 million) and RM135.0 million (FYE 31/12/2013: RM118.5 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's 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 2013.

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**A25. FAIR VALUE MEASUREMENTS**

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

- Level 1 - quoted price (unadjusted) in active markets for identical assets and liabilities
- Level 2 - inputs other than quoted price included within level 1 that are observable for the assets or liability, directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - inputs for the asset and liability that are not based on observable market data (unobservable inputs).

**Group**

	Level 1 RM'000	Level 2 RM'000	Level 3 # RM'000	Total RM'000
<b>31/3/2014</b>				
<b>Assets</b>				
Financial assets held-for-trading	-	5,019	-	5,019
Financial investments available-for-sale *				
- Private debt securities	-	4,923,189	-	4,923,189
- Equity securities	24,482	-	137,253	161,735
- BNM and government securities	-	4,473,299	-	4,473,299
Derivative financial assets	-	59,157	-	59,157
<b>Liabilities</b>				
Derivative financial liabilities	-	70,062	-	70,062
<b>31/12/2013</b>				
<b>Assets</b>				
Financial assets held-for-trading	-	149,544	-	149,544
Financial investments available-for-sale *				
- Private debt securities	-	4,623,344	-	4,623,344
- Equity securities	14,177	-	134,312	148,489
- BNM and government securities	-	3,996,158	-	3,996,158
Derivative financial assets	-	55,776	-	55,776
<b>Liabilities</b>				
Derivative financial liabilities	-	93,868	-	93,868

\* Net of allowance for impairment

# The Group have determined that the net asset value of unquoted equity securities represents fair value at the financial year ended 31 December 2013, therefore there is no unobservable input used for these financial investments classified.

Financial instruments that are valued using quoted prices in active market are classified as Level 1 of the valuation hierarchy. These would include listed equities which are actively traded.

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

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

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**A25. FAIR VALUE MEASUREMENTS (cont.)**

The Group may also use valuation models or discounted cash flow technique to determine the fair value.

Most of the OTC derivatives are priced using valuation models. Where derivative products have been established in the markets for some time, the Group uses models that are widely accepted by the industry.

The valuation techniques and inputs used generally depend on the contractual terms and the risks inherent in the instrument as well as the availability of pricing information in the market. Principal techniques used include discounted cash flows, and other appropriate valuation models. OTC derivatives which are valued using unobservable inputs that are supported by little or no market activity which are significant to the fair value of the assets or liabilities are classified as Level 3.

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

<b>Group</b>	<b>31/3/2014</b>	<b>31/12/2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Opening	134,312	120,604
Total gains recognised in Other Comprehensive	2,941	13,708
Closing	<u>137,253</u>	<u>134,312</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.

In estimating its significance, the Group used an approach that is currently based on methodologies used for fair value adjustments. These adjustments reflect the values that the Group estimates are appropriate to adjust from the valuations produced to reflect for uncertainties in the inputs used. The methodologies used can be statistical or other relevant approved techniques.

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### A26. CAPITAL ADEQUACY

With effect from 1 January 2013, the total capital and capital adequacy ratios of the Group are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework (Capital Components) dated 28 November 2012. 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 3.5% and 4.5% respectively for year 2013. The minimum regulatory capital adequacy requirement remains at 8.0% (2013: 8.0%) for total capital ratio.

All banking subsidiaries namely, AFFIN Bank, AFFIN Islamic Bank and AFFIN Investment Bank have complied with the above minimum regulatory capital adequacy requirement as at 31 March 2014. 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 Investment	
	31/3/2014 RM'000	31/12/2013 RM'000	31/3/2014 RM'000	31/12/2013 RM'000	31/3/2014 RM'000	31/12/2013 RM'000
<b>a) The components of CET I, Tier I and Tier II capital :-</b>						
<u>CET I/Tier I capital</u>						
Share capital	1,621,430	1,518,337	360,000	360,000	222,246	222,246
Share premium	726,244	529,337	-	-	142,270	142,270
Statutory reserves	1,144,350	1,144,350	173,026	173,026	202,821	202,821
Retained profit	707,018	798,118	178,966	178,966	45,121	70,679
Unrealised gains/(losses) on AFS	9,725	6,533	(7,794)	(9,112)	1,558	2,762
	<u>4,208,767</u>	<u>3,996,675</u>	<u>704,198</u>	<u>702,880</u>	<u>614,016</u>	<u>640,778</u>
Less: Regulatory adjustments:-						
- Goodwill	(137,323)	(137,323)	-	-	(54,572)	(54,648)
- Deferred tax assets	(8,553)	(8,553)	(773)	(773)	(2,783)	(3,879)
- 55% of cumulative gains of AFS	(5,349)	(3,593)	-	-	(856)	(1,518)
- Investments in subsidiaries	(77,818)	-	(130)	-	(7,279)	(6,904)
Total CET I Capital	<u>3,979,724</u>	<u>3,847,206</u>	<u>703,295</u>	<u>702,107</u>	<u>548,526</u>	<u>573,829</u>
Total Tier I Capital (a)	<u>3,979,724</u>	<u>3,847,206</u>	<u>703,295</u>	<u>702,107</u>	<u>548,526</u>	<u>573,829</u>
<u>Tier II capital</u>						
Subordinated loans	480,000	810,000	-	-	-	-
Collective impairment #	127,522	123,103	20,729	20,470	6,472	6,847
Less: - Investment in subsidiaries	(311,272)	(389,088)	(520)	(650)	(6,472)	(6,847)
Total Tier II Capital (b)	<u>296,250</u>	<u>544,015</u>	<u>20,209</u>	<u>19,820</u>	<u>-</u>	<u>-</u>
Total Tier I & II Capital (a) + (b)	<u>4,275,974</u>	<u>4,391,221</u>	<u>723,504</u>	<u>721,927</u>	<u>548,526</u>	<u>573,829</u>
Capital base before proposed dividends	4,275,974	4,391,221	723,504	721,927	548,526	573,829
Proposed dividends	-	(91,100)	-	-	-	(25,558)
<b>Capital base after proposed dividends</b>	<u><b>4,275,974</b></u>	<u><b>4,300,121</b></u>	<u><b>723,504</b></u>	<u><b>721,927</b></u>	<u><b>548,526</b></u>	<u><b>548,271</b></u>
<b>b) The breakdown of risk-weighted assets :-</b>						
Credit risk	31,405,341	31,911,266	4,943,530	4,712,068	1,595,835	1,480,154
Market risk	411,931	296,107	13,005	3,570	37,665	296,735
Operational risk	1,911,707	1,902,412	344,048	339,365	247,463	249,689
<b>Total risk-weighted assets</b>	<u><b>33,728,979</b></u>	<u><b>34,109,785</b></u>	<u><b>5,300,583</b></u>	<u><b>5,055,003</b></u>	<u><b>1,880,963</b></u>	<u><b>2,026,578</b></u>
<b>c) Capital adequacy ratios :-</b>						
<u>Before deducting proposed dividends:-</u>						
CET I Capital Ratio	11.799%	11.279%	13.268%	13.889%	29.162%	28.315%
Tier I Capital Ratio	11.799%	11.279%	13.268%	13.889%	29.162%	28.315%
Total Capital Ratio	<u>12.677%</u>	<u>12.874%</u>	<u>13.650%</u>	<u>14.281%</u>	<u>29.162%</u>	<u>28.315%</u>
<u>After deducting proposed dividends:-</u>						
CET I Capital Ratio	11.799%	11.012%	13.268%	13.889%	29.162%	27.054%
Tier I Capital Ratio	11.799%	11.012%	13.268%	13.889%	29.162%	27.054%
Total Capital Ratio	<u>12.677%</u>	<u>12.607%</u>	<u>13.650%</u>	<u>14.281%</u>	<u>29.162%</u>	<u>27.054%</u>

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

The Group is currently adopting the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk.

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**A27. OPERATIONS OF ISLAMIC BANKING**
**(i) Unaudited Islamic Statements of Financial Position**

	Group	
	31/3/2014 RM'000	31/12/2013 RM'000
<b>ASSETS</b>		
Cash and short-term funds	2,955,417	4,506,301
Deposits and placements with banks and other financial institutions	-	120,016
Derivative financial assets	171	-
Financial investments available-for-sale	1,301,825	1,283,123
Financial investments held-to-maturity	86,504	85,064
Loans, advances and financing	6,414,425	6,048,876
Other assets	113,295	46,702
Statutory deposit with Bank Negara Malaysia	254,700	233,000
Deferred tax assets	1,982	2,960
Property and equipment	2,907	3,046
Intangible assets	1,473	1,666
<b>TOTAL ASSETS</b>	<b>11,132,699</b>	<b>12,330,754</b>
<b>LIABILITIES, ISLAMIC BANKING FUNDS</b>		
Deposits from customers	8,776,312	9,290,544
Deposits and placements of banks and other financial institutions	1,597,504	2,242,480
Other liabilities	33,846	91,282
Provision for tax	1,524	2,031
Deferred tax liabilities	296	-
<b>Total Liabilities</b>	<b>10,409,482</b>	<b>11,626,337</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	360,000	360,000
Reserves	363,217	344,417
<b>Total Equity</b>	<b>723,217</b>	<b>704,417</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>11,132,699</b>	<b>12,330,754</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	<b>1,974,878</b>	<b>1,667,189</b>

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**A27. OPERATIONS OF ISLAMIC BANKING (cont.)**
**(ii) Unaudited Islamic Income Statements**

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/3/2014	31/3/2013	31/3/2014	31/3/2013
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	113,869	104,595	113,869	104,595
Income derived from investment of Shareholders' funds	7,695	7,271	7,695	7,271
Allowance for losses on financing	(162)	(186)	(162)	(186)
	121,402	111,680	121,402	111,680
Income attributable to depositors	(72,008)	(64,028)	(72,008)	(64,028)
Income attributable to shareholders	49,394	47,652	49,394	47,652
Other operating expenses	(28,379)	(25,116)	(28,379)	(25,116)
	21,015	22,536	21,015	22,536
Share of results of a jointly controlled entity	-	(16)	-	(16)
Profit before taxation and zakat	21,015	22,520	21,015	22,520
Zakat	-	-	-	-
Profit before taxation	21,015	22,520	21,015	22,520
Taxation	(3,217)	(5,416)	(3,217)	(5,416)
<b>Net profit for the financial period attributable to the equity holders of the Company</b>	<b>17,798</b>	<b>17,104</b>	<b>17,798</b>	<b>17,104</b>

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

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/3/2014	31/3/2013	31/3/2014	31/3/2013
	RM'000	RM'000	RM'000	RM'000
Profit after taxation	17,798	17,104	17,798	17,104
Other comprehensive income:				
- Net fair value change in financial investments available-for-sale	1,318	(1,135)	1,318	(1,135)
- Deferred tax on revaluation of financial investments available-for-sale	(316)	284	(316)	284
Other comprehensive income for the financial period, net of tax	1,002	(851)	1,002	(851)
<b>Total comprehensive income for the financial period attributable to the equity holders of the Company</b>	<b>18,800</b>	<b>16,253</b>	<b>18,800</b>	<b>16,253</b>

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**A27. OPERATIONS OF ISLAMIC BANKING (cont.)**
**(iv) Financing**

	Group	
	31/3/2014 RM'000	31/12/2013 RM'000
<u>By type</u>		
Cash line	193,429	182,947
Term financing		
- Housing financing	1,737,974	1,712,692
- Syndicated term financing	265,213	268,072
- Hire purchase receivables	1,846,089	1,795,689
- Business term financing	1,793,978	1,610,756
Bills receivables	1,375	32,260
Trust receipts	21,439	25,702
Claims on customers under acceptance credits	117,677	67,474
Staff financing	10,424	10,880
Revolving credit	495,236	410,707
	6,482,834	6,117,179
Less : Allowance for impairment		
- Collective impairment	(35,259)	(33,719)
- Individual impairment	(33,150)	(34,584)
<b>Total net financing</b>	<b>6,414,425</b>	<b>6,048,876</b>

**(v) Impaired financing**
**(a) Movements of impaired financing**

Balance at the beginning of financial period/year	131,630	129,792
Classified as impaired during the financial period/year	21,443	69,047
Reclassified as non-impaired during the financial period/year	(9,177)	(45,964)
Amount recovered during the financial period/year	(7,467)	(19,782)
Amount written-off during the financial period/year	-	(1,463)
Balance at the end of financial period/year	<b>136,429</b>	<b>131,630</b>

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

Balance at the beginning of financial period/year	33,719	34,936
Additional allowance for impairment during the financial period/year	1,540	242
Amount written-off during the financial period/year	-	(1,459)
Balance at the end of financial period/year	<b>35,259</b>	<b>33,719</b>

**Individual impairment**

Balance at the beginning of financial period/year	34,584	35,095
Allowance for impairment during the financial period/year	649	690
Amount recovered during the financial period/year	(1,965)	(434)
Unwinding of discount of allowance	(21)	(1,045)
Exchange difference	(97)	278
Balance at the end of financial period/year	<b>33,150</b>	<b>34,584</b>



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**A27. OPERATIONS OF ISLAMIC BANKING (cont.)**
**(vi) Deposits from customers**

	Group	
	31/3/2014	31/12/2013
	RM'000	RM'000
<u>By type of deposits</u>		
<b>Non-Mudharabah Funds</b>		
Demand deposits	2,311,414	2,717,722
Savings deposits	243,759	227,884
Murabahah term deposits	2,237,396	1,021,789
	4,792,569	3,967,395
<b>Mudharabah Funds</b>		
Demand deposits	41,477	37,631
Savings deposits	143,109	136,702
General investment deposits	3,027,447	4,574,624
Special investment deposits	771,710	574,192
	3,983,743	5,323,149
Total deposits from customers	8,776,312	9,290,544

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**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 lower profit before tax and zakat ("PBT") of RM185.8 million for the current financial quarter ended 31 March 2014 as compared to RM203.5 million for the preceding year's corresponding quarter, mainly due to higher allowance for loan impairment of RM6.8 million and higher overhead expenses of RM8.0 million. The increase in Islamic banking income and share of profit in associate of RM1.8 million and RM1.9 million respectively were however offset by the share of losses in jointly controlled entities of RM3.2 million as compared to share of profits of RM0.5 million for the preceding year's corresponding quarter.

Commercial Banking

The results of the commercial banking segment is mainly attributable to the AFFIN Bank Berhad ("ABB") Group which registered a lower PBT of RM175.3 million for the current financial quarter as compared to RM185.1 million for the preceding year's corresponding quarter. This was mainly due to reduction in other operating income of RM6.0 million and the increase in allowance for loan impairment of RM5.8 million, net of higher Islamic banking income of RM1.8 million for the quarter under review.

The wholly-owned subsidiary, namely AFFIN Islamic Bank Berhad also registered a lower PBT of RM21.0 million for the quarter under review as compared to RM22.5 million for the same period last year, mainly due to higher overhead expenses of RM3.3 million net of higher net financing income of RM1.7 million.

Investment Banking

The results of the investment banking is attributed to the AFFIN Investment Bank Berhad ("AIBB") Group which reported a lower PBT of RM13.9 million for the current financial quarter as compared to RM16.6 million for the preceding year's corresponding quarter. For the quarter under review, the other operating income increased by 22.1% or RM6.0 million mainly due to higher fee income of RM11.4 million net of lower gains on investment of RM5.6 million. On the other hand, the overhead expenses also increased by 33.2% or RM8.1 million mainly attributable to the write-back of provision for litigation losses of RM4.3 million in 2013 and higher personnel cost of RM2.5 million.

As for AFFIN Fund Management Berhad (a wholly-owned subsidiary of AIBB), the Company reported a higher PBT of RM7.4 million as compared to RM1.2 million achieved in the previous year. The improved performance was mainly due to higher upfront fees on sales of unit trust of RM8.0 million, net of higher overhead expenses of RM2.1 million for the current financial quarter.

Insurance

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

AXA AFFIN Life Insurance Berhad ("AALI") reported a pre-tax loss of RM1.6 million for the current financial quarter as compared to the pre-tax profit of RM0.7 million for the preceding year's corresponding quarter, mainly due to the deficit of RM1.8 million of the Life Fund Revenue Account ("NPF") as compared to a surplus of RM0.7 million achieved in the previous year. The deficit of the NPF for current financial quarter was mainly attributable to higher reserves for future policyholders' liabilities of RM1.6 million arising from lower MGS yield as well as lower realised and unrealised gains on investments of RM0.5 million. Included in the share of results in AALI of RM3.2 million for the quarter under review was an adjustment of RM2.2 million on over-recognition of Group's share of profit for the previous financial year, mainly due to additional tax charge of RM5.2 million provided by the Company.

AXA AFFIN General Insurance Berhad ("AAGI") reported a higher pre-tax profit of RM14.7 million for the current financial quarter as compared to RM2.5 million for the preceding year's corresponding quarter. The improved performance was mainly due to higher earned premium of RM47.8 million attributable to health and motor businesses as well as higher investment income of RM2.7 million for the quarter under review. These were partially offset by the increase in net claims, overhead expenses and net commission incurred of RM22.6 million, RM11.1 million and RM5.1 million respectively. Included in the share of results in AAGI of RM2.4 million for the quarter under review was an adjustment of RM0.7 million on over-recognition of Group's share of profit for the previous financial year.

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

#### Other business segment

The results of the other business segment is mainly attributable to AFFIN Moneybrokers Sdn Bhd ("AMB") which reported a slightly lower pre-tax profit of RM471,000 for the current financial quarter as compared to RM503,000 for the preceding year's corresponding quarter.

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

The Group reported a lower profit before tax and zakat of RM185.8 million for the current financial quarter as compared to RM219.8 million for the preceding quarter ended 31 December 2013. The loan recoveries (net of allowance for loan impairment), the net interest income and the share of results in associate were lower by RM24.5 million, RM9.6 million and RM8.6 million respectively, net of lower overhead expenses of RM14.7 million for the quarter under review.

### B3. PROSPECT FOR FINANCIAL YEAR 2014

#### Commercial Banking

For the financial year 2014, the Bank continues to focus on controlled loans and advances growth of which the Bank will be selective in extending credit facilities to customers. The Bank will also be looking at specific economic sectors where customers are operating. Consumer demand is expected to soften in light of the property restrictions that came into effect early this year as well as higher inflationary pressures. Household loan growth is expected to be moderate in 2014. The Bank is expected to continue its momentum in middle and higher end auto segments. Nonetheless, the combine effect of Bank Negara Malaysia ("BNM") macro prudential measures and the on-going net interest margin ("NIM") compression is expected to moderate the growth for Hire Purchase in general.

On a positive note, the Economic Transformation Programme ("ETP") will continue to offer support to activity on the corporate front. Projects committed under ETP worth more than RM200 billion and reportedly only RM40 billion has been realised as at end September 2013. Hence, much more prospects and projects in the pipeline to be tapped under SME segment and contract financing to pace up the business growth this year.

The Bank expects competition for consumer/retail deposits to continue to intensify as all the banks will be looking at improving their liquidity ratios as per BNM's requirements.

With continuous improvement in productivity and product packaging, our business loans growth is expected to gather leap to buffer the slowdown of consumer business segment. To realize this expectation, the bank will continue to actively leverage on Group synergy by exploring potential business opportunities with its major shareholders, the Lembaga Tabung Angkatan Tentera and the Boustead Group of Companies.

#### Investment Banking

The Group is optimistic on the potential opportunities in the capital markets from the ongoing implementation of projects under the Economic Transformation Programme (ETP) and various domestic economic corridors. The Group also looks forward to its equity broking collaboration with Daiwa Securities Group Inc. of Japan and realising the benefits/synergies from the merger with Hwang-DBS (M) Bhd's investment banking, stockbroking, asset management and futures businesses.

#### Insurance

##### AXA AFFIN Life Insurance ("AALI")

AALI had been expanding new business rapidly in the past years with a multi distribution strategy and expects to register moderate growth for 2014, amidst an increasingly challenging and competitive environment.

##### AXA AFFIN General Insurance ("AAGI")

Greater challenges are expected in 2014 given the overall economic constraints and climate in Malaysia, mergers and acquisitions, rapid development in the legal and regulatory environment and impact of digital technology. Hence, AAGI strategies and plans for 2014 have been outlined to tackle the challenges with special focus on customer centricity, better cost management and embrace changes required to reap the benefits of the digital world. AAGI's investment in human capital and technology will continue as in the past. With these strategies in place, AAGI is confident that dedicated staff, positive mind set and hard work will deliver the desired results for 2014.

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**B4. HEADLINE KEY PERFORMANCE INDICATOR ("KPI") FOR YEAR 2014**

Based on the current performance, the Board of Directors is of view that the Group will be on track to achieve the following announced headline Key Performance Indicators (KPIs) for the financial year 2014 :-

<b>Headline KPIs</b>	<b>As announced for the financial year 2014</b>	<b>Actual Achieved 3 months ended 31/3/2014</b>
(i) After Tax Returns on Equity (ROE)	9.2%	2.2%
(ii) After Tax Returns on Assets (ROA)	1.1%	0.2%
(iii) Gross Impaired Loan Ratio	1.84%	1.92%
(iv) Earnings Per Share (EPS)	36.00 sen	9.55 sen

**B5. VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT**

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

**B6. TAXATION**

	-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/3/2014	31/3/2013	31/3/2014	31/3/2013
	RM'000	RM'000	RM'000	RM'000
Malaysian Taxation:-				
- Income tax based on profit for the financial year	34,823	35,777	34,823	35,777
Deferred tax:-				
- Relating to originating temporary differences	10,040	11,055	10,040	11,055
(Over)/under provision in prior years:-				
- Current taxation	(1,937)	5,642	(1,937)	5,642
	<b>42,926</b>	<b>52,474</b>	<b>42,926</b>	<b>52,474</b>

The Group's effective tax rate was lower than the prevailing 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 purpose.

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### B7. STATUS OF CORPORATE PROPOSALS

#### 1) Proposed Acquisition of HwangDBS Investment Bank Berhad ("Hwang IB") including other Financial Services Businesses of Hwang-DBS (Malaysia) Berhad ("Hwang-DBS")

On 15 April 2013, the Board of Directors of AFFIN Holdings Berhad (the "Company" or "AHB") announced that Bank Negara Malaysia ("BNM") had vide its letter dated 12 April 2013 stated that it had no objection for AHB to commence preliminary negotiations with Hwang-DBS to acquire and merge the businesses of Hwang IB including other financial services businesses of Hwang-DBS with AFFIN banking group.

On 4 September 2013, the Company had entered into an exclusivity agreement with Hwang-DBS in relation to the proposed acquisition by AHB of 100% interest in Hwang IB and HDM Futures Sdn Bhd ("HDM Futures"), 70% interest in Hwang Investment Management Berhad ("Hwang IM") and 49% interest in Asian Islamic Investment Management Sdn Bhd ("AIIM") ["Proposed Acquisition"].

On 10 January 2014, the Company had received a letter from BNM advising the Company that the Minister of Finance has granted its approvals under the Financial Services Act 2013 for the Proposed Acquisition and the merger of Hwang IB with AFFIN Investment Bank Berhad ("AIBB") ["Proposed Merger"]. The Securities Commission Malaysia ("SC") had also approved the Proposed Acquisition and Proposed Merger on the same day.

On 22 January 2014, the Company entered into a conditional share sale and purchase agreement ("SPA") with Hwang-DBS in relation to the Proposed Acquisition. In conjunction with the Proposed Acquisition, the Board of AHB also proposed to undertake the Proposed Merger.

#### a) Details of the Proposed Acquisition

The Proposed Acquisition entails the acquisition of the Hwang IB Shares held by Hwang-DBS and the acquisition of the Minority Shares held by the Minority Shareholder for a purchase consideration of RM1,363 million ("Base Price"), subject to NA adjustment as set out in item 2(b) below, to be fully satisfied in cash ("Purchase Price").

Prior to the implementation of the Proposed Acquisition, Hwang-DBS will undertake a pre-closing reorganisation which is an internal restructuring exercise of Hwang-DBS involving the following:-

- (i) transfer by Hwang-DBS of its 100% interest in HDM Futures to Hwang IB;
- (ii) transfer by Hwang-DBS of its 53% interest in Hwang IM to Hwang IB;
- (iii) transfer by Hwang-DBS of its 49% interest in AIIM to Hwang IB; and
- (iv) transfer by Hwang IB of its 100% interest in HwangDBS Custodian Services Sdn Bhd and its 51% interest in HwangDBS Vickers Research Sdn Bhd (hereinafter collectively referred to as the "Excluded Companies") to Hwang-DBS.

(collectively referred to as the "Proposed Pre-Closing Reorganisation").

Following the Proposed Pre-Closing Reorganisation, AHB will acquire the Hwang IB Shares and the Minority Shares for the Purchase Price, to be fully satisfied in cash.

The Base Price of RM1,363 million comprises :-

- (i) RM1,088.00 million for 100% interest in Hwang IB (including 100% interest in HDM Nominees (Tempatan) Sdn Bhd and 100% interest in HDM Nominees (Asing) Sdn Bhd, and excluding the Excluded Companies);
- (ii) RM262.00 million for the aggregate of 70% interest in Hwang IM and 49% interest in AIIM; and
- (iii) RM13.00 million for 100% interest in HDM Futures.

Hwang IB [including HDM Nominees (Tempatan) Sdn Bhd and HDM Nominees (Asing) Sdn Bhd], Hwang IM, AIIM and HDM Futures are collectively referred to as the "Acquisition Entities".

#### b) Purchase Consideration

- (i) The consideration for the sale and purchase of the Hwang IB Shares under the SPA shall be an amount in cash equal to the sum of the Base Price and as adjusted on the NA Adjustment as contemplated in the SPA.
- (ii) In the case where the NA of Hwang IB, Hwang IM and HDM Futures (collectively referred to as the "Target Companies") together with HDM Nominees (Tempatan) Sdn Bhd and HDM Nominees (Asing) Sdn Bhd [collectively referred to as the "Target Companies' Subsidiaries" and the Target Companies and the Target Companies' Subsidiaries are collectively referred to as the "Target Group Companies"] and AIIM as at the business day falling 7 business days after the Unconditional Date (as defined in the SPA) ("Closing Date") has fallen by 3% or more below the sum of RM900,279,694 comprising the agreed aggregate NA value as at 31 January 2013 of Hwang IB (multiplied by the shareholding percentage held by Hwang-DBS in Hwang IB, HDM Nominees (Tempatan) Sdn Bhd and HDM Nominees (Asing) Sdn Bhd), and Hwang IM, HDM Futures and AIIM (multiplied by the shareholding percentage held by Hwang IB in each of Hwang IM, HDM Futures and AIIM after the completion of the Proposed Pre-Closing Reorganisation) ("Benchmark") (such fall in the NA below the Benchmark shall hereinafter be referred to as "Shortfall") (as determined in accordance with the SPA), the Purchase Price shall be the Base Price adjusted by a reduction equal to the differential value between the Shortfall and RM700,000.

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### B7. STATUS OF CORPORATE PROPOSALS (Cont')

#### 1) Proposed Acquisition of HwangDBS Investment Bank Berhad ("Hwang IB") including other Financial Services Businesses of Hwang-DBS (Malaysia) Berhad ("Hwang-DBS") (Cont')

##### b) Purchase Consideration (Cont')

(iii) In the case where the NA of the Target Group Companies and AIIM as at the closing date has increased by 3% or more above the Benchmark (such increase in the NA above the Benchmark shall hereinafter be referred to as "Surplns") (as determined in accordance with the SPA), the Purchase Price shall be the Base Price adjusted by an increase equal to the differential value between the Surplus and RM11,300,000.

(ii) and (iii) are collectively referred to as ("NA Adjustment")

(iv) In circumstances other than that stipulated under Items b(ii) and (iii) above, the Purchase Price shall be the Base Price adjusted by an increase equal to RM700,000.

On 7 April 2014, the above Acquisition has been completed in accordance to the terms and conditions set out in the SPA. Accordingly, AHB directly owns 100% interest in Hwang IB which in turn owns 100% interest in HDM Nominees (Tempatan) Sdn Bhd and 100% interest in HDM Nominees (Asing) Sdn Bhd, 70% interest in Hwang IM, 49% interest in Asian Islamic Investment Management Sdn Bhd and 100% interest in HDM Futures Sdn Bhd.

Following the completion of the Acquisition, the Proposed Merger will be implemented. Further announcements will be made to Bursa Malaysia Securities Berhad as and when there are material developments pertaining to the Proposed Merger.

#### 2) Proposed Renounceable Rights Issue of New Ordinary Shares of RM1.00 Each in AHB to raise Gross Proceeds of Up to RM1,250.0 Million ("Proposed Rights Issue")

On 10 March 2014, the Board of Directors of AFFIN Holdings Berhad (the "Company" or "AHB") announced that in conjunction with the proposed acquisition of HwangDBS Investment Bank Berhad including other Financial Services Businesses of Hwang-DBS (Malaysia) Berhad ("Proposed Acquisition") as mentioned in Note B7(1) above, the Company proposed to undertake the Proposed Rights Issue to raise gross proceeds of up to RM1,250 million. The proceeds of the Proposed Rights Issue is to be utilised for the purpose of partial repayment of the bridge loans obtained to fund the Proposed Acquisition and RM200.0 million capital injection into AFFIN Bank Berhad.

On 27 March 2014, AIBB had on behalf of the Board of AHB, announced that Bursa Malaysia Securities Berhad ("Bursa Securities") had resolved to approve listing of up to 526,000,000 new AHB shares to be issued pursuant to the Proposed Rights Issue. ("Rights Share"). The approval granted by Bursa Securities for the Proposed Rights Issue is subject to the following conditions:-

- (i) AHB and AIBB must fully comply with the relevant provisions under the Main Market Listing Requirements pertaining to the implementation of the Proposed Rights Issue.
- (ii) AHB and AIBB to inform Bursa Securities upon the completion of the Proposed Rights Issue.
- (iii) AHB to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Rights Issue is completed; and

On 21 April 2014, AIBB had on behalf of the Board of AHB, announced that at the Extraordinary General Meeting ("EGM") held on 21 April 2014, the ordinary resolution as set out in the Notice of EGM on the Proposed Rights Issue dated 28 March 2014 was duly approved by the shareholders.

#### 3) Approval to Commence Negotiations in Relation to The Proposed Acquisition of Up to 24.0% Equity Interest in PT Bank Panin Syariah TBK ("Bank Panin Syariah")

On 28 February 2014, the Board of Directors of AFFIN Holdings Berhad (the "Company" or "AHB") announced that Bank Negara Malaysia ("BNM") had vide its letter dated 27 February 2014 stated that it had no objection for AHB to commence negotiations with the shareholders of Bank Panin Syariah for the Proposed Acquisition of up to 24.0% equity interest in Bank Panin Syariah ("Proposed Acquisition"). In addition, AHB would be required to seek necessary approvals under the Financial Services Act 2013 in order to proceed with the Proposed Acquisition upon conclusion of the negotiation.

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

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**B8. GROUP BORROWINGS AND DEBT SECURITIES**
**(i) Deposits from Customers**

	Group	
	31/3/2014 RM'000	31/12/2013 RM'000
<u>By Type of Deposits:-</u>		
Money Market Deposits	919,950	1,050,233
Demand Deposits	7,998,134	8,202,729
Savings Deposits	2,139,662	2,004,242
Fixed Deposits	27,767,869	29,039,949
Negotiable Instruments of Deposits ('NIDs')	6,706,776	6,482,169
Special Investment Deposits	771,710	574,192
	<b>46,304,101</b>	<b>47,353,514</b>
Maturity structure of fixed deposits and NIDs are as follows:-		
Due within six months	27,574,066	29,007,708
Six months to one year	6,777,160	6,392,507
One year to three years	80,512	80,239
Three years to five years	32,764	31,344
Five years and above	10,143	10,320
	<b>34,474,645</b>	<b>35,522,118</b>
<u>By Type of Customers:-</u>		
Government and statutory bodies	8,575,739	9,127,809
Business enterprises	13,960,827	14,715,136
Individuals	12,633,161	11,660,423
Others	11,134,374	11,850,146
	<b>46,304,101</b>	<b>47,353,514</b>

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

<u>By Type of Institutions:-</u>		
Licensed banks	2,520,636	3,285,513
Licensed investment banks	33,603	282,459
Bank Negara Malaysia	326,662	-
Other financial institutions	621,735	415,940
	<b>3,502,636</b>	<b>3,983,912</b>
<u>By Maturity Structure:-</u>		
Due within six months	3,301,038	3,779,530
Six months to one year	201,598	204,382
	<b>3,502,636</b>	<b>3,983,912</b>

**(iii) Borrowings**

<u>Unsecured :-</u>		
One year or less (short-term)	301,083	302,029
More than one year (medium/long-term)	671,155	670,403
	<b>972,238</b>	<b>972,432</b>

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**B9. 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>31/3/2014</b>	<b>31/12/2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Total retained profits of AFFIN Holdings Berhad and its's subsidiaries</u>		
- Realised	1,824,447	1,675,523
- Unrealised		
- deferred tax recognised in the income statement	4,570	14,676
- other items of income and expense	45,666	40,596
	1,874,683	1,730,795
<u>Total share of retained profits in associate:-</u>		
- Realised	190,637	187,712
- Unrealised	3,014	3,527
<u>Total share of retained profits/(losses) in jointly controlled entities:-</u>		
- Realised	(20,038)	(19,690)
- Unrealised	1,768	4,610
	2,050,064	1,906,954
Add: Consolidation adjustments	90,206	90,588
Total Group retained profits as per consolidated financial statements	2,140,270	1,997,542

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.



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**B10. MATERIAL LITIGATION**

There are various legal suits against AFFIN Bank Berhad ("ABB") in respect of claims and counter claims of approximately RM148.5 million (31 December 2013: RM117.6 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.

**B11. DIVIDENDS**

No dividend has been proposed for the quarter under review.

**B12. EARNINGS PER SHARE**

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/3/2014	31/3/2013	31/3/2014	31/3/2013
Net profit attributable to equity holders of the Company (RM'000)	142,728	150,834	142,728	150,834
Weighted average number of ordinary shares in issue	1,494,575,806	1,494,575,806	1,494,575,806	1,494,575,806
Basic and diluted earnings per share (sen)	9.55	10.09	9.55	10.09

The basic and diluted earnings per share of the Group for the current financial quarter ended 31 March 2014 have been calculated based on the net profit attributable to the equity holders of the company of RM142,728,000 (31 March 2013: RM150,834,000) divided by the weighted average number of ordinary shares in issue during the current financial quarter of 1,494,575,806 (31 March 2013: 1,494,575,806).

**B13. ECONOMIC PROFIT/(LOSS)**

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/3/2014	31/3/2013	31/3/2014	31/3/2013
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period	142,728	150,834	142,728	150,834
Less: Economic charge	(163,237)	(150,658)	(163,237)	(150,658)
Economic profit/(loss) for the financial period	(20,509)	176	(20,509)	176

Formula for calculation of economic charge:

(i) Economic charge = Cost of equity x Average total equity for the financial year

(ii) Cost of equity = Beta x Market risk premium + Risk-free rate

Beta = 5-year adjusted Bloomberg Beta

Market risk premium = the market return in excess of the return earned on risk-free assets.

Risk-free rate = the rate of return of a 10-year Malaysian Government Securities at the closing of the reporting period

**ACCOUNTANTS' REPORT ON HWANG IB**

The Board of Directors  
AFFIN Holdings Berhad  
Level 7, Chulan Tower  
3, Jalan Conlay  
50450 Kuala Lumpur

28 May 2014

PwC/SHKY/TCW/NSZ/py/0129C

Dear Sirs,

**HWANG-DBS INVESTMENT BANK BERHAD  
ACCOUNTANTS' REPORT**

**1. INTRODUCTION**

This Accountants' Report has been prepared by PricewaterhouseCoopers ("PwC"), an approved company auditor, for the purpose of inclusion in the Abridged Prospectus of AFFIN Holdings Berhad ("AFFIN") in connection with the renounceable rights issue of 448,372,741 new ordinary shares of RM1.00 each in AFFIN on the basis of 3 Rights Shares for every 10 existing ordinary share of RM 1.00 each held as at 5.00 p.m. on 12 June 2014 at an issue price of RM 2.76 per rights share, ("Proposed Rights Issue") and should not be relied on for any other purposes.

**2. GENERAL INFORMATION**

On 7 April 2014, AFFIN Investment Bank Berhad ("AFFIN Investment") had announced to Bursa Malaysia Securities Berhad on behalf of the Board of AFFIN that AFFIN had completed the acquisition of 500,000,000 ordinary shares of RM1.00 each, constituting 100% of the entire issued and paid-up share capital in Hwang-DBS Investment Bank Berhad ("Hwang IB") held by Hwang-DBS (Malaysia) Berhad ("Hwang-DBS") and the 1,700,000 ordinary shares of RM1.00 each, constituting approximately 17% of the entire issued and paid-up share capital of Hwang Investment Management Berhad ("Minority Shares") held by the minority shareholder ("Acquisition").

Prior to the Acquisition of ordinary shares in Hwang IB by AFFIN, Hwang-DBS undertook Pre-Closing Reorganisation ("Pre-Closing Reorganisation") involving the following:

- (a) transfer from Hwang-DBS of its 100% interest in HDM Futures Sdn Bhd ("HDM Futures") to Hwang IB;
- (b) transfer from Hwang-DBS of its 53% interest in Hwang Investment Management Berhad ("HIM") to Hwang IB;
- (c) transfer from Hwang-DBS of its 49% interest in Asia Islamic Investment Management Berhad ("AIIM") to Hwang IB; and
- (d) transfer from Hwang IB of its 100% interest in Hwang DBS Custodian Services Sdn Bhd and its 51% interest in HwangDBS Vickers Research Sdn Bhd to Hwang-DBS.

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**2. GENERAL INFORMATION (CONTINUED)**

Upon completion of the Pre-Closing Reorganisation on 7 April 2014, the restructured HwangDBS Investment Bank Berhad Group ("Hwang IB Group" or "the Group") consists the following entities (collectively known as "the Group Entities"):

<b>Company name</b>	<b>Principal activities</b>
HwangDBS Investment Bank Berhad*	Investment banking, stockbroking and related financial services
HDM Nominees (Asing) Sdn Bhd**	Provision of nominee services to foreign clients
HDM Nominees (Tempatan) Sdn Bhd**	Provision of nominee services to local clients
HDM Futures Sdn Bhd*	Licensed future broker dealing in options and futures
Hwang Investment Management Berhad*	Management of unit trust funds and provision of fund management services
Asia Islamic Investment Management Berhad***	Islamic fund management

\* Subsidiary of Hwang-DBS for the entire 3 years ended 31 July 2013 with no change in shareholdings.

\*\* 100% owned subsidiaries of HwangDBS Investment Bank Berhad for the entire 3 years ended 31 July 2013.

\*\*\* 49% associate of Hwang-DBS for the entire 3 years ended 31 July 2013.

This set of Combined Financial Statements does not include 17% of the entire issued and paid-up share capital of Hwang Investment Management Berhad ("Minority Shares") held by the minority shareholder.

**3. FINANCIAL STATEMENTS AND AUDITOR**

We have acted as auditors of the entities disclosed in Note 2 and have reported on the Group Entities for the financial year ended 31 July 2013, 31 July 2012 and 31 July 2011 without qualification. In addition, our auditor's report did not have any emphasis of matter.

The accompanying Combined Financial Statements of Hwang IB Group which was audited by PricewaterhouseCoopers ("Combined Financial Statements") are presented fairly, in all material respects and have been properly drawn up in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS") for financial year ended 31 July 2013 and 31 July 2012 and Financial Reporting Standards ("FRS") for financial year ended 31 July 2011.

No audited financial statements have been prepared for the restructured Hwang IB Group as the restructuring of Hwang IB Group has not been completed as at 31 July 2013 and had never operated as a separate group. These Combined Financial Statements are therefore, not necessarily indicative of results that would have occurred if the Hwang IB Group had been a separate group during the years presented or of future results of the group.

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**4 BASIS OF PREPARATION OF THE COMBINED FINANCIAL STATEMENTS IN THIS REPORT**

The Combined Financial Statements in this report are prepared based on the Combined Financial Statements approved and adopted by the Board of Directors of HwangDBS Investment Bank Berhad on 28 May 2014.

**(a) Basis of preparation of the Combined Financial Statements**

The Combined Financial Statements has been prepared using information extracted from the respective audited financial statements of the Group Entities as disclosed in Note 2 for financial years ended 31 July 2013, 31 July 2012 and 31 July 2011.

**Transition to MFRS and MFRS financial statements for financial years ended 31 July 2013 and 2012**

The Combined Financial Statements have adopted MFRS on 1 August 2012 with a transition date of 1 August 2011. The financial statements for the financial year ended 31 July 2013 are the first set of financial statements prepared in accordance with MFRS. In preparing the first set of MFRS financial statements, provisions in MFRS 1 First-time adoption of MFRS have been applied. Subject to the mandatory exception and optional exemption as disclosed in Note 8.39(a) to the financial statements, the Group have consistently applied the same accounting policies in its opening MFRS statements of financial position as at 1 August 2011 (transition date) and throughout all financial years presented, as if these policies had always been in effect. The effect of the transition to MFRS is disclosed in Note 8.39.

The financial information for the year ended 31 July 2012 included in the Combined Financial Statements is extracted from the comparative information in the first set of MFRS financial statements for the year ended 31 July 2013 of the respective entities included in the Combined Financial Statements.

**Adjustment to the FRS financial statements for financial year ended 31 July 2011**

The financial information extracted for financial year ended 31 July 2011 for inclusion in the Combined Financial Statements was restated with an adjustment arising from the adoption of the MIA FRSIC Consensus 18. The effect of the adjustment is disclosed in Note 8.40.

**Accounting policies used**

The Combined Financial Statements have been prepared under the historical cost convention except as disclosed in the summary of significant accounting policies in Note 5, using the accounting policies that are in accordance with MFRS and IFRS for financial year ended 31 July 2013, 31 July 2012 and FRS for financial year ended 31 July 2011.

Inter-company transaction and balances between the Group Entities are eliminated on combination.

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**4 BASIS OF PREPARATION OF THE COMBINED FINANCIAL STATEMENTS IN THIS REPORT (CONTINUED)**

**(a) Basis of preparation of the Combined Financial Statements (continued)**

The preparation of the Combined Financial Statements in conformity with MFRS, IFRS and FRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the financial year. It also requires directors to exercise their judgment in the process of applying the accounting policies of the Group. Although these estimates and assumptions are based on the management and directors' best knowledge of current events and actions, actual results may differ from those estimates.

Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving a higher degree of judgment and complexity are disclosed in Note 6 to the financial statements.

**(b) New financial reporting standards, amendments to the published standards and interpretations ("MFRSs") and Consensus adopted**

The Relevant new/revised MFRSs and the Financial Reporting Standards Implementation Committee ("FRSIC") Consensus issued by the Malaysian Institute of Accountants ("MIA") are as follows:

- (i) Effective for the financial statements of the Group commencing from 1 August 2012 are as follows:

<u>MFRS</u>	<u>Description</u>
<ul style="list-style-type: none"> <li>• Amendments to MFRS 1</li> <li>• Amendments to MFRS 7</li> </ul>	<ul style="list-style-type: none"> <li>First-time Adoption on Fixed Dates and Hyperinflation</li> <li>Financial Instruments: Disclosures on Transfers of Financial Assets</li> </ul>
<ul style="list-style-type: none"> <li>• Amendments to MFRS 101</li> <li>• MFRS 124</li> <li>• MFRS 139</li> </ul>	<ul style="list-style-type: none"> <li>Presentation of Items of Other Comprehensive Income</li> <li>Related Party Disclosures</li> <li>Financial Instruments: Recognition and Measurement</li> </ul>
<u>FRSIC Consensus</u>	<u>Description</u>
<ul style="list-style-type: none"> <li>• FRSIC Consensus 18</li> </ul>	<ul style="list-style-type: none"> <li>Monies Held in Trust by Participating Organisations of Bursa Malaysia Securities Berhad</li> </ul>

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4 **BASIS OF PREPARATION OF THE COMBINED FINANCIAL STATEMENTS IN THIS REPORT (CONTINUED)**

(b) **New financial reporting standards, amendments to the published standards and interpretations ("MFRSs") and Consensus adopted (continued)**

(ii) Effective for the financial statements of the Group commencing from 1 August 2011 are as follows:

<u>MFRS</u>	<u>Description</u>
• Amendments to MFRS 3	Business Combinations
• Amendments to MFRS 7	Financial Instruments: Disclosures
• Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income
• Amendments to MFRS 128	Investments in Associates
• Amendments to MFRS 132	Financial Instruments: Presentation
• Amendments to MFRS 134	Interim Financial Reporting
• Amendments to MFRS 139	Financial Instruments: Recognition and Measurement
• IC Interpretation 4	Determining whether an Agreement contains a Lease
• IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments

(iii) Effective for the financial statements of the Group commencing from 1 August 2010 are as follows:

<u>FRS</u>	<u>Description</u>
• FRS 3	Business Combinations
• FRS 7	Financial Instruments: Disclosures
• FRS 101	Presentation of Financial Statements
• FRS 123	Borrowing Costs
• FRS 127	Consolidated and Separate Financial Statements
• FRS 139	Financial Instruments: Recognition and Measurement
• Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
• Amendments to FRS 7	Financial Instruments: Disclosures
• Amendment to FRS 8	Operating Segments
• Amendment to FRS 107	Statement of Cash Flows
• Amendment to FRS 110	Events after the Reporting Period
• Amendment to FRS 116	Property, Plant and Equipment
• Amendment to FRS 117	Leases
• Amendment to FRS 118	Revenue
• Amendments to FRS 121	The Effects of Changes in Foreign Exchange Rates
• Amendment to FRS 123	Borrowing Costs
• Amendments to FRS 127	Consolidated and Separate Financial Statements
• Amendments to FRS 128	Investments in Associates
• Amendments to FRS 132	Financial Instruments: Presentation
• Amendment to FRS 134	Interim Financial Reporting

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**(b) New financial reporting standards, amendments to the published standards and interpretations (“MFRSs”) and Consensus adopted (continued)**

(iii) Effective for the financial statements of the Group commencing from 1 August 2010 are as follows: (continued)

<u>FRS</u>	<u>Description</u>
• Amendment to FRS 136	Impairment of Assets
• Amendments to FRS 138	Intangible Assets
• Amendments to FRS 139	Financial Instruments: Recognition and Measurement
• Amendment to FRS 140	Investment Property
• IC Interpretation 9	Reassessment of Embedded Derivatives
• IC Interpretation 17	Distribution of Non-cash Assets to Owners
• Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives

**(c) New financial reporting standards, amendments to the published standards and interpretations (“MFRSs”) which are relevant to the Group but not yet effective**

Effective for accounting period beginning on or after 1 August 2013

- Amendments to MFRS 7, Disclosures - Offsetting Financial Assets and Financial Liabilities Requires more extensive disclosures focusing on quantitative information about recognised financial instruments that are offset in the statement of financial position and those that are subject to master netting or similar arrangements, irrespective of whether they are offset.
- MFRS 10, Consolidated Financial Statements

Changes the definition of control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. It establishes control as the basis for determining which entities are consolidated in the consolidated financial statements and sets out the accounting requirements for the preparation of consolidated financial statements. It replaces all the guidance on control and consolidation in MFRS 127, Consolidated and Separate Financial Statements and IC Interpretation 112, Consolidation - Special Purpose Entities.

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**4 BASIS OF PREPARATION OF THE COMBINED FINANCIAL STATEMENTS IN THIS REPORT (CONTINUED)**

**(c) New financial reporting standards, amendments to the published standards and interpretations ("MFRSs") which are relevant to the Group but not yet effective (continued)**

Effective for accounting period beginning on or after 1 August 2013 (continued)

- **MFRS 12, Disclosures of Interests in Other Entities**

Sets out the required disclosures for entities reporting under the two new standards, MFRS 10 and MFRS 11, and replaces the disclosure requirements currently prescribed in MFRS 128, Investments in Associates. It requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

- **MFRS 13, Fair Value Measurement**

Improves consistency and reduces complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7, Financial Instruments: Disclosures and is applicable to assets and liabilities measured at fair value, including certain non-financial assets and liabilities.

- **MFRS 127 (Revised), Separate Financial Statements**

Includes the provisions on separate financial statements that are left after the control provisions of MFRS 127 have been included in the new MFRS 10.

- **MFRS 128 (Revised), Investments in Associates and Joint Ventures**

Includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of MFRS 11.

Effective for accounting period beginning on or after 1 August 2014

- **Amendments to MFRS 132, Offsetting Financial Assets and Financial Liabilities**

It retains the current offsetting model in MFRS 132. It clarifies the meaning of 'currently has a legally enforceable right of set-off' that the right of set-off must not be contingent on a future event and is legally enforceable for all counterparties in the normal course of business and in the event of default and insolvency. It clarifies that gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.



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4 BASIS OF PREPARATION OF THE COMBINED FINANCIAL STATEMENTS IN THIS REPORT (CONTINUED)

- (c) **New financial reporting standards, amendments to the published standards and interpretations (“MFRSs”) which are relevant to the Group but not yet effective (continued)**

Effective date yet to be determined by Malaysian Accounting Standard Board

- MFRS 9, Financial Instruments - Classification and Measurement of Financial Assets and Financial Liabilities

Replaces the multiple classification and measurement models in MFRS 139 with a single model that has only two classification categories: amortised cost and fair value. The basis of classification depends on the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The accounting and presentation for financial liabilities and for de-recognising financial instruments have been relocated from MFRS 139, without change, except for financial liabilities that are designated at fair value through profit or loss (“FVTPL”). Entities with financial liabilities designated at FVTPL recognise changes in the fair value due to changes in the liability’s credit risk directly in other comprehensive income (“OCI”). There is no subsequent recycling of the amounts in OCI to profit or loss, but accumulated gains or losses may be transferred within equity. The guidance in MFRS 139 on impairment of financial assets and hedge accounting continues to apply.

MFRS 7 requires disclosures on transition from MFRS 139 to MFRS 9.

The adoption of the above MFRS is not expected to have any significant impact on the financial statements of the Group except for MFRS 9. The financial effects of the adoption of MFRS 9 will be assessed by the Group.

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**5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following accounting policies have been applied consistently in relation to the combined financial statements for all the financial year presented, unless otherwise stated.

**(a) Basis of consolidation**

Subsidiaries are all those entities over which the Group has power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated using the acquisition method. Subsidiaries are consolidated from the date the Group obtains control over the subsidiaries to the date control ceases. The consideration transferred for acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

In business combination achieved in stages, previously held equity interest in acquire are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognized in statement of income.

The excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Any gain arising from bargain purchase is recognised in profit or loss.

Inter-company transactions, balances and unrealised gain or loss arising from inter-company transactions are eliminated and the consolidated financial statements reflect external transactions only. Losses resulting from intragroup transactions, which indicate an impairment loss, will be recognised in the consolidated income statements. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

When an entity loses control of a subsidiary, the assets and liabilities and related equity components of the former subsidiary will be derecognised. Any investment retained in a former subsidiary is measured at its fair value at the date when control is lost. Any gain or loss arising from loss of control of a subsidiary, which comprises the difference between the fair value of considerations received and the Group's share of its net assets as of the date when control is lost (including the cumulative amount of any exchange differences) that relate to the former subsidiary and gain or loss arising from re-measurement of investment retained in the former subsidiary to its fair value is recognised in profit or loss. Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

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**5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(a) Basis of consolidation (continued)**

Non-controlling interests represent that portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the Group. It is measured at fair value or the non-controlling interests' proportionate share of the subsidiary's net identifiable assets at the acquisition date, on a case by case basis and changes in the subsidiary's equity since that date. All profits or losses of the subsidiary are attributed to the parent and the non-controlling interests, even if the attribution of losses to the non-controlling interests results in a debit balance in the shareholders' equity.

**(b) Intangible assets****(i) Goodwill**

Goodwill represents the excess of the fair values of considerations transferred for purchase of subsidiaries or businesses, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over the fair value of the net identifiable assets acquired at the date of acquisition.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is tested for impairment annually. Goodwill is allocated to cash-generating units ("CGUs") or groups of CGUs that are expected to benefit from the synergies of the business combination in which the goodwill arose for the purpose of impairment testing.

**(ii) Other intangible assets**

Other intangible assets are initially recognised when they are separable or arise from contractual or other legal rights, when it is probable that future economic benefits attributable to the assets will flow to the Group and the cost can be measured reliably.

Intangible assets that have an indefinite useful life, or are not yet ready for use, are stated at cost less accumulated impairment losses and tested for impairment annually. Intangible assets are allocated to CGUs or groups of CGUs that are expected to benefit from synergies of business activities for the purpose of impairment testing.

The accounting policy on the recognition and measurement of impairment losses is disclosed in Note 5(g) to the financial statements.

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**5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(c) Financial instruments**

Financial instruments are recognised when the Group has become a party to the contractual provisions of the instruments. Financial instruments are classified as assets, liabilities or equity in accordance with the substance of the contractual arrangement. Financial instruments are offset and the net amount presented in the statement of financial position when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

For financial instruments measured at fair value, the fair value is determined by reference to quoted and observable market prices, where available. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors.

All regular way purchases and sales of financial assets are recognised on the settlement date.

Interest, dividends, gains and losses relating to financial instruments classified as financial assets and liabilities are reported in profit or loss as income or expense. Distributions to holders of financial instruments classified as equity are debited directly to equity.

Net gains or losses on financial instruments comprise net gains or losses on disposal and net unrealised mark-to-market gains or losses.

**(d) Non-derivative financial assets****(i) Classification**

The Group classify the non-derivative financial assets into the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity and available-for-sale ("AFS"). Classification of financial assets is determined at initial recognition.

**Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss held by the Group comprises financial assets held-for-trading which are acquired principally for the purpose of selling or repurchasing in the near term or are part of a portfolio of identified financial assets that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

The Group did not designate any financial assets at fair value through profit or loss at initial recognition.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

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**5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(d) Non-derivative financial assets (continued)****(i) Classification (continued)****Financial assets held-to-maturity**

Financial assets held-to-maturity are non-derivative financial instruments with fixed or determinable payments and fixed maturities that the Group has the positive intent and ability to hold to maturity.

If more than an insignificant amount of the securities held-to-maturity portfolio are sold or reclassified before maturity (other than under certain specified conditions) during the current financial year or the last two preceding financial years, the entire category would be tainted and reclassified as securities AFS at fair value. The difference between the carrying value and fair value of the securities at the date of reclassification is recognised in other comprehensive income.

**Financial assets available-for-sale ("AFS")**

Financial assets AFS are non-derivative financial assets that are designated as available-for-sale or are not classified to any other categories of financial assets.

**(ii) Recognition and measurement**

Financial assets are recognised initially at fair value plus, in the case of financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets.

Financial assets at fair value through profit or loss and available-for-sale are subsequently carried at fair value, except for investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured in which case the investments are stated at cost. Any gain and loss arising from changes in the fair value of the financial assets at fair value through profit or loss is included in profit or loss in the period which they arise. Any gain or loss arising from the changes in fair value of the financial assets AFS is recognised in other comprehensive income, except for impairment losses and foreign exchange gains or losses which are recognised in profit or loss.

Financial assets held-to-maturity and loans and receivables are subsequently measured at amortised cost using the effective interest method, less allowances for impairment losses.

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**5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(d) Non-derivative financial assets (continued)****(iii) Derecognition**

Financial assets are derecognised when the contractual rights of the Group to the cash flows from the financial assets expire or when the Group transfers the financial assets to another party without retaining control or transfers substantially all the risks and rewards of the assets.

When financial assets AFS are derecognised, the cumulative gains or losses previously recognised in other comprehensive income shall be transferred to profit or loss. Any gain or loss arising from derecognition of financial assets held-for-trading and held-to-maturity is recognised in profit or loss.

**(iv) Reclassification**

Non-derivative financial assets may be reclassified out of the fair value through profit or loss category only in rare circumstances if the assets are no longer held for the purposes of selling or repurchasing in the near term. In addition, financial assets that would have met the definition of loans and receivables may be reclassified out of the held-for-trading or AFS categories to loans and receivables if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at the fair values of the financial assets at the date of the reclassification. The fair values of the financial assets become the new cost or amortised cost, as applicable, and the fair value gains or losses previously recognised before the reclassification date will not be reversed.

The accounting policy on the recognition and measurement of impairment losses is disclosed in Note 5(g) to the financial statements.

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**5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(e) Non-derivative financial liabilities****(i) Classification**

The Group classify the non-derivative financial liabilities into the following categories: at fair value through profit or loss, at amortised cost and financial guarantee contracts. Classification of financial liabilities is determined at initial recognition.

The Group did not designate any financial liabilities at fair value through profit or loss at initial recognition.

**(ii) Recognition and measurement**

Financial liabilities are recognised initially at fair value plus, in the case of financial liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liabilities.

Financial liabilities at fair value through profit or loss are subsequently carried at fair value. Financial liabilities at amortised cost are subsequently measured at amortised cost using the effective interest method. A financial guarantee contract is initially recognised at fair value on the date the guarantee was given. Subsequent to initial recognition, the liability under such guarantee is measured at the higher of amount initially recognised less accumulated amortisation and the best estimate of the amount required to settle any present obligation arising at the end of the reporting period.

**(iii) Derecognition**

Financial liabilities are derecognised when the obligations of the Group as specified in a contract expire or are discharged or cancelled.

**(f) Derivative financial instruments**

Derivative financial instruments are initially recognised at fair values on the date on which derivative contracts are entered into and are subsequently remeasured at their fair values. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. Derivative financial instruments are presented separately in the statements of financial position as assets (positive changes in fair values) and liabilities (negative changes in fair values). Gains or losses arising from changes in the fair value of the derivatives are recognised immediately in profit or loss.

An embedded derivative is a component of a hybrid financial instrument that also contains a non-derivative host contract. An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss.

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**5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(g) Impairment of financial assets**

Classification of loans and receivables as impaired

Loans, advances and financing are classified as impaired in accordance with the BNM Guidelines on Classification and Impairment Provisions for Loans/Financing. Loans and receivables are classified as impaired when they fulfill either of the following criteria:

- principal or interest or both are past due for 3 months or more;
- where a loan is in arrears for less than 3 months, the loan exhibits indications of credit weaknesses;
- individual impairment allowance has been made; or
- where impaired loans and receivables have been rescheduled or restructured, the assets will continue to be classified as impaired until repayments based on the revised and/or restructured terms have been observed continuously for a period of 6 months.

Objective evidence of impairment

The Group assess at end of each reporting period whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment loss is incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of impairment loss include indications that the obligor is experiencing significant financial difficulty, high probability that the obligor will enter bankruptcy or other distressed financial reorganisation, default or delinquency in interest or principal payments, breach of loan covenants, a significant downgrade in credit ratings by external rating agencies and events that would adversely affect the repayment capability of the obligor.

In the case of quoted equity instruments classified as financial assets AFS, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether objective evidence of impairment exists.

Impairment assessment

The Group first assess whether objective evidence of impairment exists for financial assets which are individually significant, and collectively for financial assets which are not individually significant, taking into account the historical loss experience of such assets. If the Group determine that no objective evidence of impairment exists for an individually assessed financial asset, the financial asset is included in a group with similar credit risk characteristics and collectively assessed for impairment.



**ACCOUNTANTS' REPORT ON HWANG IB (Cont'd)**

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**5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(g) Impairment of financial assets (continued)**Impairment assessment (continued)FRS – Applicable to financial year ended 31 July 2011

In accordance with the transitional arrangements under the Amendments to FRS 139, BNM has prescribed an alternative basis of collective impairment assessment in respect of loans/financing for banking institutions during the transitional period (applicable until the financial year ended 31 July 2012), as set out in the BNM Guidelines on Classification and Impairment Provisions for Loans/Financing, whereby banking institutions are required to maintain collective impairment allowance of at least 1.5% of the total outstanding loan/financing, net of individual impairment allowance. Subject to prior written approval by BNM, banking institutions are allowed to maintain a lower collective impairment allowance. Collective impairment allowance for the Group is arrived at based on the transitional provisions as prescribed by BNM.

Determination of impairment loss in respect of the relevant categories of financial assets is as follows:

**(i) Financial assets carried at amortised cost**

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the assets' original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. If the assets have variable interest rates, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

**(ii) Financial assets carried at cost**

If there is objective evidence that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the current market rate of return of similar assets. The carrying amount of the assets is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. No reversal of impairment loss is allowed when the amount of impairment loss decreases.

**ACCOUNTANTS' REPORT ON HWANG IB (Cont'd)**

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**5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(g) Impairment of financial assets (continued)**

**(iii) Financial assets carried at fair value**

When a decline in fair value of financial assets AFS has been recognised in other comprehensive income and there is objective evidence that the assets are impaired, the cumulative loss that had been recognised in other comprehensive income will be reclassified from equity to profit or loss even though the assets have not been derecognised. The amount of cumulative loss is the difference between the acquisition price (net of principal repayment and amortisation) and current fair value, less any impairment loss on those assets previously recognised in profit or loss.

If, in subsequent periods, the fair value of a debt instrument classified as financial assets AFS increases and the increase can be objectively related to an event occurring after the impairment was recognised in profit or loss, that portion of impairment loss is reversed through profit or loss. For equity instruments, no reversal of impairment loss through profit or loss is allowed when there is an increase in fair value of the equity instrument in subsequent periods.

When a financial asset or portion of a financial asset is uncollectible, the amount will be written off against the related allowance for impairment loss. Financial assets are written off after taking into consideration the realisable value of collateral, if any, when in the judgment of the management, there is no prospect of recovery.

**(h) Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Capital work in progress is not depreciated. Depreciation of assets under capital work in progress commences when the assets are ready for their intended use and transferred to respective classes of assets. Depreciation of other property, plant and equipment is calculated to write off the cost of each property, plant and equipment over its expected useful life on the straight line basis. The principal annual depreciation rates are as follows:

	%
Furniture and fittings	10 - 20
Office equipment	20
Computer equipment	20 - 33 1/3
Air-conditioners	20
Motor vehicles	20
Renovations	10 - 20

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**5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(h) Property, plant and equipment (continued)**

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with carrying amounts of assets and are included in profit or loss.

The accounting policy on the recognition and measurement of impairment losses is disclosed in Note 5(g) to the financial statements.

**(i) Investment properties**

Investment properties are properties which the Group hold with the intention to earn rentals or for capital appreciation or both. These include land held for a currently undetermined future use. Such properties are initially recognised at cost including any directly attributable expenditure. Subsequently, investment properties are stated at cost less accumulated depreciation and impairment losses.

Freehold land is not depreciated. Buildings are depreciated at a principal annual rate of 2% on the straight line basis to write off the cost of each asset over its expected useful life.

Gain or loss on disposals of investment properties are determined by comparing proceeds with carrying amounts of assets and are included in profit or loss.

The accounting policy on the recognition and measurement of impairment losses is disclosed in Note 5(k) to the financial statements.

**(j) Other investments**

Other investments, which comprise transferable corporate club memberships and investments in commemorative notes, are stated at cost less accumulated impairment losses.

On disposal of an investment, the gain or loss representing the difference between the net disposal proceeds and the carrying amount of investment is credited or charged to profit or loss.

The accounting policy on the recognition and measurement of impairment losses is disclosed in Note 5(k) to the financial statements.

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**5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(k) Impairment of non-financial assets**

Intangible assets that have an indefinite useful life are not subject to amortisation/depreciation and are tested annually for impairment. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows (cash-generating units). Any impairment loss is charged to profit or loss in the period in which it arises.

Non-financial assets, other than goodwill, of which an impairment loss is recognised in prior financial years, are reviewed for possible reversal of the impairment at the end of each reporting period. Reversal of impairment loss is recognised in profit or loss to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, had no impairment loss been recognised. No reversal of impairment loss on goodwill is allowed in a subsequent period.

**(l) Clients' monies held in trust**

Clients' monies held in trust pursuant to the provisions of the Capital Markets and Services Act 2007 and the Rules of Bursa Securities by the HwangDBS Investment Bank Berhad ("Hwang IB" or "the Bank"), which is a participating organisation of Bursa Malaysia Securities Berhad ("Bursa Securities"), are not recognised as assets and similarly, no corresponding liabilities are accounted for in the statements of financial position of the Group. Hwang IB does not have any control over clients' trust monies held to obtain the future economic benefits embodied in the trust monies and does not have any contractual or statutory obligation to its clients on the money deposited in the trust account that would result in an outflow of resources from Hwang IB.

**(m) Income taxes**

Current tax expense is calculated at the current tax rate based on taxable profits.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements unless the temporary differences arise from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are determined using tax rates that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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**5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(m) Income taxes (continued)**

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences or unused tax losses can be utilised.

Deferred tax assets and liabilities relating to the fair value re-measurement of financial assets AFS are recognised in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred tax relate to the same tax authority.

**(n) Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made.

Where the Group expects a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

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**5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(o) Financial guarantee contracts**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are initially recognised as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised in profit or loss over the period of the guarantee. If a specified debtor fails to make payment relating to financial guarantee contract when it is due and the company, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimates of the amount required to settle the present obligation as at the end of the reporting period and the amount initially recognised less accumulated amortisation.

**(p) Foreign currencies**

**(i) Functional and presentation currency**

Items included in the financial statements of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Group's functional and presentation currency.

**(ii) Transactions and balances**

Transactions in foreign currencies are converted into Ringgit Malaysia at rates of exchange ruling on the transaction dates. Monetary assets and liabilities denominated in foreign currencies as at the end of the reporting period are translated into Ringgit Malaysia at the rates of exchange ruling on that date. All gains and losses on foreign exchange are included in profit or loss.

**(q) Recognition of interest income and expense**

Interest income and expense is recognised on an accrual basis using effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instruments or, when appropriate, a shorter period to the net carrying amount. When calculating the effective interest rate, significant fees and transaction costs integral to the effective interest rate, as well as premiums or discounts, are considered.

For impaired financial assets where the value of the financial asset has been written down as a result of an impairment loss, interest income continues to be recognised on the recoverable amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss

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**5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(r) Recognition of fees and other income**

Brokerage is recognised when contracts are executed.

Advisory fees are recognised as income on completion of each stage of the engagement and issuance of invoice.

Initial service charge and fees earned from management of unit trust funds are recognized as income on accrual basis based on the pre-agreed rates. Fees earned from provision of fund management services are recognized on an accrual basis, at the rates provided for in the investment mandates of funds managed.

Underwriting commission and placement income are recognised when all conditions precedent are fulfilled.

Rollover fee is recognised upon the rollover of specific contracts under share margin financing.

Loan and debt security arrangement fees and commission are recognised as income when conditions precedent are fulfilled.

Portfolio management, commitment and guarantee fees are recognised as income based on time apportionment.

Dividend income is recognised when the right to receive payment is established.

Rental income and all other income are recognised on an accrual basis.

Initial service charge and fee earned from management of unit trust funds are recognised as income on an accrual basis based on the pre-agreed rates. Fees earned from provision of fund management services are recognised on an accrual basis, at the rates provided for in the investment mandates of funds managed.

**(s) Employee benefits****(i) Short term employee benefits**

Short term employee benefits are accrued in the financial year in which the associated services are rendered by employees of the Group.

**(ii) Post-employment benefits**

The contributions by the Group to defined contribution plan, the Employees Provident Fund, are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

**ACCOUNTANTS' REPORT ON HWANG IB (Cont'd)**

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**5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(t) Operating lease**

Leases of assets where substantially all the risks and benefits are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on the straight line basis over the period of the lease.

**(u) Dividends**

Dividends on ordinary shares are recognised as liabilities when approved for payment.

**(v) Cash and cash equivalents**

Cash and cash equivalents comprise cash and bank balances and short term deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**(w) Contingent liabilities and contingent assets**

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but disclose its existence where inflows of economic benefits are probable, but not virtually certain.



**ACCOUNTANTS' REPORT ON HWANG IB (Cont'd)**

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**5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(x) Associates**

Associates are entities in which the Group exercises significant influence, but which does not control, generally accompanying a shareholding of between 20% to 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not power to exercise control over those policies.

In the combined financial statements, the Group's interest in associate is accounted for using the equity method of accounting. Equity accounting involves recognising the Group's share of post-acquisition profit or loss of associates in the income statement and other comprehensive income. In the separate financial statements of the company, associates are stated at cost less accumulated impairment losses.

On the loss of significant influence over an associate, the difference between the fair value of any investment retained and any proceeds from disposing of part interest in the associate and the Group's share of its net assets as of the date when significant influence is lost (including the cumulative amount of any exchange differences that relate to former associates) is recognised as the Group's gain or loss on derecognition of an associate in profit or loss of the Group. In the separate financial statements of the company, on the loss of significant influence over an associate, the difference between the fair value of considerations received and the carrying amount of the associate is recognised as the gain or loss on derecognition of an associate in profit or loss of the company. The investment retained in former associate, if any, shall be recognised at fair value in the financial statements of the Group and of the company.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associates.

The accounting policy on the recognition and measurement of impairment loss is disclosed in Note 5(k) to the financial statements.

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**6 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT**

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

**(a) Impairment of financial assets**Loans and receivables

The Group makes allowance for impairment loss based on assessment of recoverability. Whilst management's judgment is guided by the relevant BNM guidelines, judgment is made about the future and other key factors in respect of the amount and timing of cash flows recoverable from impaired loans and receivables. Among the factors considered are the Group's aggregate exposure to the borrowers, net realisable value of the underlying collateral and the borrowers' capacity to generate sufficient cash flows to service debt obligations.

Securities AFS and securities held-to-maturity

Assessment of impairment of securities is made in accordance with the guidance in MFRS 139 in determining when an investment is impaired. Management judgment is required to evaluate the duration and extent to which the fair value of the investment is below its carrying value and when there is indication of impairment in the carrying value of the financial instruments.

**(b) Impairment of intangible assets**

The Group tests intangible assets that have an indefinite useful life for impairment annually to ensure that the carrying amounts of the CGUs or groups of CGUs to which intangible assets are allocated do not exceed their recoverable amounts. Recoverable amounts are determined based on the present value of the estimated future cash flows expected to arise from continuing operations. In arriving at the recoverable amounts, management exercises judgment in estimating the future cash flows, growth rate and discount rate.

**(c) Fair value of financial instruments**

Fair value of financial instruments is determined by reference to quoted market price of the instrument or by using a valuation model, which is based on independently sourced observable or implied market data, mainly interest rate yield curves, recent market transactions, foreign exchange rates and market volatility. Changes in the estimates or assumptions in respect of the parameters used could affect the fair value of the financial instruments reported in the financial statements.

## ACCOUNTANTS' REPORT ON HWANG IB (Cont'd)



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## 7 FINANCIAL STATEMENTS

## 7.1 Combined Statements of Financial Position

	Note	31.7.2013 RM'000	MFRS 31.7.2012 RM'000	1.8.2011 RM'000	FRS 31.7.2011 RM'000
<b>ASSETS</b>					
Cash and short term funds	8.1	1,167,089	650,603	621,020	621,020
Deposits and placements with banks and other financial institutions	8.2	-	-	150,079	150,079
Securities held-for-trading	8.3	55,319	170,089	337,659	337,659
Securities available-for-sale ("AFS")	8.4	1,412,841	1,579,617	1,188,616	1,188,616
Securities held-to-maturity	8.5	370,268	399,921	388,335	388,335
Loans, advances and financing	8.6	464,850	371,406	431,191	429,882
Clients' and brokers' balances	8.7	225,613	179,126	168,130	168,102
Derivative assets	8.8	36,579	16,505	26,734	26,734
Other assets	8.9	156,688	67,554	38,283	38,250
Statutory deposits with Bank Negara Malaysia	8.10	65,750	56,620	51,135	51,135
Tax recoverable		8,336	5,059	1	1
Deferred tax assets	8.11	2,280	2,478	6,753	7,095
Investments in associate	8.12	4,544	3,708	3,624	3,624
Property, plant and equipment	8.13	12,194	13,290	12,750	12,750
Investment properties	8.14	47,840	47,983	48,127	48,127
Intangible assets	8.15	162,502	162,502	162,502	162,502
<b>TOTAL ASSETS</b>		<b>4,192,693</b>	<b>3,726,461</b>	<b>3,634,939</b>	<b>3,633,911</b>
<b>LIABILITIES AND EQUITY</b>					
Deposits from customers	8.16	678,840	737,424	809,381	809,381
Deposits and placements of banks and other financial institutions	8.17	1,985,862	1,620,456	1,558,205	1,558,205
Clients' and brokers' balances	8.18	223,964	199,724	186,725	186,725
Derivative liabilities	8.8	45,883	22,106	28,233	28,233
Other liabilities	8.19	287,307	206,208	143,893	143,893
Taxation		809	891	4,357	4,357
Subordinated term loan from holding company		5,000	5,000	5,000	5,000
<b>TOTAL LIABILITIES</b>		<b>3,227,665</b>	<b>2,791,809</b>	<b>2,735,794</b>	<b>2,735,794</b>
Attributable to:					
Equity holders of the Group		927,292	909,310	880,339	879,311
Non-controlling interest		37,736	25,342	18,806	18,806
<b>EQUITY</b>	8.20	<b>965,028</b>	<b>934,652</b>	<b>899,145</b>	<b>898,117</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>4,192,693</b>	<b>3,726,461</b>	<b>3,634,939</b>	<b>3,633,911</b>
<b>COMMITMENTS AND CONTINGENCIES</b>					
	8.34	<b>3,159,251</b>	<b>4,759,139</b>	<b>6,245,498</b>	<b>6,245,498</b>

The accompanying notes form an integral part of the financial statements.

## ACCOUNTANTS' REPORT ON HWANG IB (Cont'd)



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## 7 FINANCIAL STATEMENTS (CONTINUED)

## 7.2 Combined Income Statements

	Note	MFRS		FRS
		2013 RM'000	2012 RM'000	2011 RM'000
Interest income	8.22	139,153	133,513	133,901
Interest expense	8.23	(85,696)	(80,130)	(74,236)
<b>Net interest income</b>		<b>53,457</b>	<b>53,383</b>	<b>59,665</b>
Other operating income	8.24	292,091	242,245	219,841
		<b>345,548</b>	<b>295,628</b>	<b>279,506</b>
Other operating expenses	8.25	(266,522)	(211,836)	(194,786)
		<b>79,026</b>	<b>83,792</b>	<b>84,720</b>
(Allowance)/Write back of allowance for losses on:				
- loans, advances and financing	8.27	(965)	726	4,261
- clients' balances and trade receivables	8.28	86	482	868
- other assets		(1,055)	-	-
Share of associate's results		821	86	340
<b>Profit before taxation</b>		<b>77,913</b>	<b>85,086</b>	<b>90,189</b>
Taxation	8.29	(17,570)	(19,851)	(21,695)
<b>Profit for the financial year</b>		<b>60,343</b>	<b>65,235</b>	<b>68,494</b>
<b>Attributable to:</b>				
Equity holders of the Group		45,580	56,527	63,643
Non-controlling interest		14,763	8,708	4,851
		<b>60,343</b>	<b>65,235</b>	<b>68,494</b>

No earnings per share disclosure have been made as there is no share capital in the combined financial statements

The accompanying notes form an integral part of the financial statements.

## ACCOUNTANTS' REPORT ON HWANG IB (Cont'd)



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## 7 FINANCIAL STATEMENTS (CONTINUED)

## 7.3 Combined Statements of Comprehensive Income (continued)

	Note	MFRS		FRS
		2013 RM'000	2012 RM'000	2011 RM'000
<b>Profit for the financial year</b>		<b>60,343</b>	65,235	68,494
<b>Other comprehensive income for the financial year:</b>				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Securities AFS:				
- net change in fair value		(1,170)	9,780	4,469
- net gain transferred to profit or loss on disposal		(2,125)	(8,256)	(334)
Income tax relating to components of other comprehensive income		813	(381)	(1,034)
Share of available-for-sale reserve of an associate		15	-	-
	8.30	<b>(2,467)</b>	1,143	3,101
<b>Total comprehensive income for the financial year</b>		<b>57,876</b>	66,378	71,595
<b>Attributable to:</b>				
Equity holders of the Group		43,132	57,670	66,744
Non-controlling interest		14,744	8,708	4,851
		<b>57,876</b>	66,378	71,595

The accompanying notes form an integral part of the financial statements.

## ACCOUNTANTS' REPORT ON HWANG IB (Cont'd)



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7 FINANCIAL STATEMENTS (CONTINUED)  
7.4 Combined Statements of Changes in Equity

	Attributable to equity holders of the Group						Non-controlling interests						Total			
	MFRS		FRS		MFRS		FRS		MFRS		FRS					
	2013	2012	2011	2013	2012	2011	2013	2012	2011	2013	2012	2011	2013	2012	2011	
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Note																
At beginning of the financial year	909,310	879,311	833,303	909,310	879,311	833,303	25,342	18,806	15,719	934,652	898,117	849,022	934,652	898,117	849,022	
- effects of transition to MFRS	-	1,028	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- as restated	909,310	880,339	833,303	909,310	880,339	833,303	25,342	18,806	15,719	934,652	898,117	849,022	934,652	898,117	849,022	
Profit for the financial year	45,580	56,527	63,643	45,580	56,527	63,643	14,763	8,708	4,851	60,343	65,235	68,494	60,343	65,235	68,494	
Other comprehensive income for the financial year, net of tax	(2,448)	1,143	3,101	(2,448)	1,143	3,101	(19)	-	-	(2,467)	1,143	3,101	(2,467)	1,143	3,101	
Total comprehensive income for the financial year	43,132	57,670	66,744	43,132	57,670	66,744	14,744	8,708	4,851	57,876	66,378	71,595	57,876	66,378	71,595	
Dividend in respect of the financial year	(25,150)	(28,699)	(20,736)	(25,150)	(28,699)	(20,736)	(2,350)	(2,172)	(1,764)	(27,500)	(30,871)	(22,500)	(27,500)	(30,871)	(22,500)	
At end of financial year	927,292	909,310	879,311	927,292	909,310	879,311	37,736	25,342	18,806	965,028	933,624	898,117	965,028	933,624	898,117	

The accompanying notes form an integral part of the financial statements.

## ACCOUNTANTS' REPORT ON HWANG IB (Cont'd)



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## 7 FINANCIAL STATEMENTS (CONTINUED)

## 7.5 Combined Statements of Cash Flows

Note	MFRS		FRS
	2013 RM'000	2012 RM'000	2011 RM'000
	<b>OPERATING ACTIVITIES</b>		
	60,343	65,235	68,494
	Profit for the financial year		
	Adjustments for:		
	Property, plant and equipment:		
	4,753	4,970	5,795
	(185)	(95)	(289)
	20	20	11
	Investment properties:		
	143	144	144
	Net (gain)/loss arising from disposal of:		
	(18,399)	(28,418)	(15,054)
	9,368	9,017	8,021
	(2,225)	(7,443)	(334)
	-	(12)	(6)
	Net unrealised (gain)/loss on:		
	2,759	684	(4,403)
	(6,091)	(9,680)	(10,680)
	(12,025)	(9,649)	7,356
	Net unrealised gain on foreign exchange Allowance/(Write back of allowance) for losses on:		
	965	(726)	(4,261)
	133	210	(18)
	1,055	-	-
	(821)	(86)	(340)
	85,696	80,130	74,236
	(71,628)	(71,149)	(51,584)
	(7,334)	(7,636)	(6,290)
	(78)	(1,187)	(1,281)
	250	-	-
	17,570	19,851	21,695
	3,926	(21,053)	22,718
	64,269	44,182	91,212
	(Increase)/Decrease in operating assets:		
	-	150,079	(18,706)
	130,407	195,305	186,698
	(94,409)	60,511	(44,241)
	(46,588)	(10,924)	37,926
	21,815	80	25
	(116,519)	(37,732)	(9,006)
	(9,130)	(5,485)	(45,190)
	(114,424)	351,834	107,506

The accompanying notes form an integral part of the financial statements

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## 7 FINANCIAL STATEMENTS (CONTINUED)

## 7.5 Combined Statements of Cash Flows (continued)

	Note	MFRS		FRS
		2013 RM'000	2012 RM'000	2011 RM'000
Increase/(Decrease) in operating liabilities:				
Deposits from customers		(63,183)	(71,348)	230,977
Deposits and placements of banks and other financial institutions		358,701	57,719	37,926
Clients' and brokers' balances		48,231	1,995	(31,006)
Derivative liabilities		(2,626)	172	(1,469)
Other liabilities		83,027	70,298	41,277
		<b>424,150</b>	<b>58,836</b>	<b>277,705</b>
Cash generated from operations		373,995	454,852	476,423
Interest paid		(77,814)	(74,749)	(73,050)
Taxation paid		(19,910)	(24,462)	(13,754)
<b>Net operating cash flow</b>		<b>276,271</b>	<b>355,641</b>	<b>389,619</b>
<b>INVESTING ACTIVITIES</b>				
Property, plant and equipment:				
- proceeds from disposals		1,041	115	397
- purchases		(4,534)	(5,550)	(5,561)
Proceeds from disposal of other investments		436	123	11
Net disposal/(purchase) of securities AFS		170,358	(376,824)	(719,415)
Proceeds from maturity of securities held-to maturity		38,554	70,358	69,234
Interest received from securities AFS and securities held-to-maturity		78,392	3,483	49,627
Dividends and income distributions received		8,072	7,413	5,870
Rental received		78	1,187	1,281
<b>Net investing cash flow</b>		<b>292,397</b>	<b>(299,695)</b>	<b>(598,556)</b>
<b>FINANCING ACTIVITIES</b>				
Dividend paid		(27,500)	(30,871)	(22,500)
<b>Net financing cash flow</b>		<b>(27,500)</b>	<b>(30,871)</b>	<b>(22,500)</b>
<b>Net change in cash and cash equivalents</b>		<b>541,168</b>	<b>25,075</b>	<b>(231,437)</b>
<b>Cash and cash equivalents at beginning of the financial year</b>		<b>544,254</b>	<b>519,179</b>	<b>750,616</b>
<b>Cash and cash equivalents at end of the financial year</b>	8.31	<b>1,085,422</b>	<b>544,254</b>	<b>519,179</b>

The accompanying notes form an integral part of the financial statements.



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## 8 NOTES TO FINANCIAL STATEMENTS

## 8.1 Cash and short term funds

	MFRS		FRS	
	31.7.2013 RM'000	31.7.2012 RM'000	1.8.2011 RM'000	31.7.2011 RM'000
Cash and balances with banks and other financial institutions	320,379	183,346	97,313	97,313
Money at call and deposit placements maturing within one month	846,710	467,257	523,707	523,707
	<b>1,167,089</b>	<b>650,603</b>	<b>621,020</b>	<b>621,020</b>

## 8.2 Deposits and placements with banks and other financial institutions

	MFRS		FRS	
	31.7.2013 RM'000	31.7.2012 RM'000	1.8.2011 RM'000	31.7.2011 RM'000
Licensed banks	-	-	100,052	100,052
Licensed investment banks	-	-	50,027	50,027
	-	-	<b>150,079</b>	<b>150,079</b>

## 8.3 Securities held-for-trading

	MFRS		FRS	
	31.7.2013 RM'000	31.7.2012 RM'000	1.8.2011 RM'000	31.7.2011 RM'000
<b>At fair value:</b>				
<b>Quoted in Malaysia</b>				
Shares, warrants, unit trust and REITs	35,429	37,234	39,164	39,164
<b>Unquoted</b>				
Bankers' acceptances	-	-	144,445	144,445
Malaysian Government Securities	-	20,262	-	-
Malaysian Government Islamic Investment Issues	-	50,736	-	-
BNM Monetary Notes	-	-	51,869	51,869
Private debt securities	19,890	61,857	102,181	102,181
	<b>55,319</b>	<b>170,089</b>	<b>337,659</b>	<b>337,659</b>

**ACCOUNTANTS' REPORT ON HWANG IB (Cont'd)**

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**8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)****8.4 Securities available-for-sale (“AFS”)**

	MFRS		FRS	
	31.7.2013 RM'000	31.7.2012 RM'000	1.8.2011 RM'000	31.7.2011 RM'000
<b>At fair value:</b>				
<b>Quoted in Malaysia</b>				
REITs	33,574	14,807	5,089	5,089
Unit trusts	138,682	167,241	151,806	151,806
<b>Quoted outside Malaysia</b>				
REITs	34,574	-	-	-
	<b>206,380</b>	182,048	156,895	156,895
<b>Unquoted</b>				
Malaysian Government Securities	80,539	61,652	-	-
Malaysian Government Sukuk	6,851	6,632	6,291	6,291
Malaysian Government Islamic Investment Issues	250,894	251,791	212,767	212,767
Malaysian Government Treasury Bills	22,089	-	-	-
BNM Islamic Negotiable Notes	119,671	298,115	-	-
BNM Islamic Monetary Notes	-	-	98,894	98,894
Private and Islamic debt securities	725,967	779,379	713,769	713,769
	<b>1,412,841</b>	<b>1,579,617</b>	<b>1,188,616</b>	<b>1,188,616</b>

**8.5 Securities held-to-maturity**

	MFRS		FRS	
	31.7.2013 RM'000	31.7.2012 RM'000	1.8.2011 RM'000	31.7.2011 RM'000
<b>At amortised cost:</b>				
<b>Unquoted</b>				
Private and Islamic debt securities	370,268	399,921	388,335	388,335

## ACCOUNTANTS' REPORT ON HWANG IB (Cont'd)



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## 8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## 8.6 Loans, advances and financing

	MFRS			FRS
	31.7.2013	31.7.2012	1.8.2011	31.7.2011
	RM'000	RM'000	RM'000	RM'000
<b>(a) By type</b>				
Term loans:				
- bridging loans	-	3,550	3,550	3,550
- syndicated term loans	190,979	125,131	122,742	122,742
- other term loans	111,311	49,224	60,055	60,055
Share margin financing	168,036	201,562	253,631	253,631
	<b>470,326</b>	<b>379,467</b>	<b>439,978</b>	<b>439,978</b>
Allowance for losses:				
- collective impairment	(5,476)	(4,511)	(5,237)	(6,546)
- individual impairment	-	(3,550)	(3,550)	(3,550)
Net loans, advances and financing	<b>464,850</b>	<b>371,406</b>	<b>431,191</b>	<b>429,882</b>
<b>(b) By type of customer</b>				
Domestic business enterprises				
- others	309,374	192,841	238,463	238,463
Individuals	152,213	177,118	192,870	192,870
Foreign business enterprises	4,942	4,887	5,182	5,182
Foreign individuals	3,797	4,621	3,463	3,463
	<b>470,326</b>	<b>379,467</b>	<b>439,978</b>	<b>439,978</b>
<b>(c) By geographical distribution</b>				
Malaysia	461,644	370,412	431,704	431,704
Hong Kong	7,564	7,527	7,841	7,841
Singapore	302	1,017	237	237
Other countries	816	511	196	196
	<b>470,326</b>	<b>379,467</b>	<b>439,978</b>	<b>439,978</b>
<b>(d) By interest rate sensitivity</b>				
Fixed rate				
- other fixed rate loans/financing	201,245	201,562	253,631	253,631
Variable rate				
- base lending rate plus	-	-	30,170	30,170
- cost-plus	269,081	177,905	156,177	156,177
	<b>470,326</b>	<b>379,467</b>	<b>439,978</b>	<b>439,978</b>
<b>(e) By purpose</b>				
Purchase of landed properties				
- non-residential	34,504	37,505	40,015	40,015
Purchase of securities	234,668	229,837	303,679	303,679
Working capital	21,508	18,555	18,635	18,635
Others	179,646	93,570	77,649	77,649
	<b>470,326</b>	<b>379,467</b>	<b>439,978</b>	<b>439,978</b>

## ACCOUNTANTS' REPORT ON HWANG IB (Cont'd)



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## 8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## 8.6 Loans, advances and financing (continued)

## (f) By residual contractual maturity

	MFRS		FRS	
	31.7.2013 RM'000	31.7.2012 RM'000	1.8.2011 RM'000	31.7.2011 RM'000
Within 1 year	252,325	254,336	277,210	277,210
1 year to 3 years	34,504	-	90,225	90,225
3 years to 5 years	54,536	59,345	-	-
Over 5 years	128,961	65,786	72,543	72,543
	<u>470,326</u>	<u>379,467</u>	<u>439,978</u>	<u>439,978</u>

## (g) Impaired loans, advances and financing by purpose

	MFRS		FRS	
	31.7.2013 RM'000	31.7.2012 RM'000	1.8.2011 RM'000	31.7.2011 RM'000
Working capital	-	3,550	3,550	3,550

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

	MFRS		FRS	
	31.7.2013 RM'000	31.7.2012 RM'000	1.8.2011 RM'000	31.7.2011 RM'000
Malaysia	-	3,550	3,550	3,550

## (i) Movements in impaired loans, advances and financing

	MFRS		FRS	
	2013 RM'000	2012 RM'000	2011 RM'000	
At beginning of the financial year	3,550	3,550	8,550	
Amount written off	(3,550)	-	-	
Amount written back	-	-	(5,000)	
At end of the financial year	-	3,550	3,550	
Gross impaired loans, advances and financing as a % of gross loans, advances and financing	<u>0.0%</u>	<u>0.9%</u>	<u>0.8%</u>	

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## 8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## 8.6 Loans, advances and financing (continued)

## (j) Movements in allowance for losses

	MFRS		FRS
	2013 RM'000	2012 RM'000	2011 RM'000
<b>Collective impairment</b>			
At beginning of the financial year			
- as previously reported	4,511	6,546	5,807
- effects of transition to MFRS	-	(1,309)	-
- as restated	4,511	5,237	5,807
Net allowance made/(written back)	965	(726)	739
At end of the financial year	<u>5,476</u>	<u>4,511</u>	<u>6,546</u>
As a % of gross loans, advances and financing less individual impairment allowance	<u>1.2%</u>	<u>1.2%</u>	<u>1.5%</u>
<b>Individual impairment</b>			
At beginning of the financial year	3,550	3,550	8,550
Amount written off	(3,550)	-	-
Amount written back	-	-	(5,000)
At end of the financial year	<u>-</u>	<u>3,550</u>	<u>3,550</u>

## 8.7 Clients' and brokers' balances

	MFRS			FRS
	31.7.2013 RM'000	31.7.2012 RM'000	1.8.2011 RM'000	31.7.2011 RM'000
Amounts due from clients	123,253	97,137	140,331	140,331
Allowance for losses:				
- individual impairment	(539)	(553)	(712)	(712)
- collective impairment	-	-	-	(28)
	<u>122,714</u>	<u>96,584</u>	<u>139,619</u>	<u>139,591</u>
Amounts due from brokers	102,899	82,542	28,511	28,511
	<u>225,613</u>	<u>179,126</u>	<u>168,130</u>	<u>168,102</u>

Clients' and brokers' balances represent the amounts receivable in respect of outstanding contracts and contra losses.

The credit terms in respect of clients' and brokers' balances are based on the agreements entered into between the Bank and its clients and are in accordance with the Rules of Bursa Securities.

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## 8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## 8.7 Clients' and brokers' balances (continued)

	MFRS		FRS
	31.7.2013 RM'000	31.7.2012 RM'000	1.8.2011 RM'000
(a) Impaired accounts			31.7.2011 RM'000
Amounts due from clients	<b>692</b>	762	1,172

	MFRS		FRS
	2013 RM'000	2012 RM'000	2011 RM'000
(b) Movements in allowance for losses			
<b>Collective impairment</b>			
At beginning of the financial year			
- as previously reported	-	28	19
- effects of transition to MFRS	-	(28)	-
Net allowance made	-	-	9
- as restated	-	-	28
<b>Individual impairment</b>			
At beginning of the financial year	553	712	576
Allowance made	67	145	237
Amount written back	(81)	(286)	(101)
Amount written off	-	(18)	-
At end of the financial year	<b>539</b>	553	712

## 8.8 Derivative financial instruments

	MFRS		FRS
	31.7.2013 RM'000	31.7.2012 RM'000	1.8.2011 RM'000
Derivative assets	36,579	16,505	26,734
Derivative liabilities	(45,883)	(22,106)	(28,233)
	<b>(9,304)</b>	(5,601)	(1,499)

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## 8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## 8.8 Derivative financial instruments (continued)

	Fair value		
	Notional amount RM'000	Derivative assets RM'000	Derivative liabilities RM'000
<b>MFRS</b>			
<b>31.7.2013</b>			
Foreign exchange related contracts			
- Currency forwards	752,522	22,932	(1,618)
- Currency swaps	910,161	3,442	(28,817)
- Currency options	339	1	(1)
- Cross currency interest rate swaps ("CCIRS")	702,030	8,117	(14,878)
	<u>2,365,052</u>	<u>34,492</u>	<u>(45,314)</u>
Interest rate related contracts			
- Interest rate swaps	248,000	2,087	(569)
	<u>2,613,052</u>	<u>36,579</u>	<u>(45,883)</u>
<b>MFRS</b>			
<b>31.7.2012</b>			
Foreign exchange related contracts			
- Currency forwards	379,915	2,186	(2,150)
- Currency swaps	685,089	6,435	(3,458)
- Currency options	1,775	10	(10)
- CCIRS	324,231	4,188	(10,364)
	<u>1,391,010</u>	<u>12,819</u>	<u>(15,982)</u>
Interest rate related contracts			
- Interest rate swaps	953,000	3,686	(6,124)
	<u>2,344,010</u>	<u>16,505</u>	<u>(22,106)</u>
<b>MFRS</b>			
<b>1.8.2011</b>			
Foreign exchange related contracts			
- Currency forwards	366,915	940	(4,598)
- Currency swaps	460,319	4,981	(742)
- Currency options	1,682	1	(1)
- CCIRS	407,686	14,912	(13,817)
	<u>1,236,602</u>	<u>20,834</u>	<u>(19,158)</u>
Interest rate related contracts			
- Interest rate swaps	1,168,000	5,900	(9,075)
	<u>2,404,602</u>	<u>26,734</u>	<u>(28,233)</u>

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## 8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## 8.8 Derivative financial instruments (continued)

	Notional amount RM'000	Fair value	
		Derivative assets RM'000	Derivative liabilities RM'000
<b>FRS</b>			
<b>31.7.2011</b>			
Foreign exchange related contracts			
- Currency forwards	366,915	940	(4,598)
- Currency swaps	460,319	4,981	(742)
- Currency options	1,682	1	(1)
- CCIRS	407,686	14,912	(13,817)
	1,236,602	20,834	(19,158)
Interest rate related contracts			
- Interest rate swaps	1,168,000	5,900	(9,075)
	2,404,602	26,734	(28,233)

Included in the foreign exchange related contracts as at the end of reporting period are contracts entered into with other related party by the Group in its ordinary course of business, analysed by remaining maturity as follows:

	Notional amount RM'000	Fair value	
		Derivative assets RM'000	Derivative liabilities RM'000
<b>MFRS</b>			
<b>31.7.2013</b>			
Within 1 year	67,268	1,699	(491)
1 year to 5 years	393,113	1,975	(10,618)
	460,381	3,674	(11,109)
<b>MFRS</b>			
<b>31.7.2012</b>			
Withiu 1 year	121,678	479	(63)
1 year to 5 years	170,361	448	(7,139)
	292,039	927	(7,202)
<b>MFRS</b>			
<b>1.8.2011</b>			
1 year to 5 years	149,256	-	(9,228)
<b>FRS</b>			
<b>31.7.2011</b>			
1 year to 5 years	149,256	-	(9,228)



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## 8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## 8.8 Derivative financial instruments (continued)

The fair values of the following outstanding futures contracts are included in other receivables and deposits (note 8.9):

	Notional amount RM'000	Fair value Derivative assets RM'000	Derivative liabilities RM'000
Interest rate related contracts - Futures			
<b>MFRS</b>			
<b>31.7.2013</b>	<u>105,000</u>	<u>298</u>	<u>-</u>
<b>MFRS</b>			
<b>31.7.2012</b>	<u>1,760,000</u>	<u>640</u>	<u>(10,322)</u>
<b>MFRS</b>			
<b>1.8.2011</b>	<u>3,380,000</u>	<u>219</u>	<u>(15,487)</u>
<b>FRS</b>			
<b>31.7.2011</b>	<u>3,380,000</u>	<u>219</u>	<u>(15,487)</u>

## 8.9 Other assets

		MFRS		FRS
	Note	31.7.2013 RM'000	31.7.2012 RM'000	1.8.2011 RM'000
<b>Financial assets</b>				31.7.2011 RM'000
Trade receivables	(a)	126,490	44,113	8,667
Other receivables and deposits		14,038	14,948	21,161
		<u>140,528</u>	<u>59,061</u>	<u>29,795</u>
<b>Non-financial assets</b>				
Preference shares of Bursa Malaysia				
Derivatives Berhad	(b)	1,045	2,100	2,100
Clearing Guarantee Fund	(c)	2,114	2,058	2,002
Prepayments	(d)	11,756	2,504	2,413
Clearing Fund	(e)	1,000	1,000	1,000
Other investments		245	831	940
		<u>16,160</u>	<u>8,493</u>	<u>8,455</u>
<b>Total Other Asset</b>		<u>156,688</u>	<u>67,554</u>	<u>38,283</u>

(a) Trade receivables are stated net of impairment allowances of RM510,000 (31.7.2012: RM363,000; 1.8.2011 and 31.7.2011: RM310,000).

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## 8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## 8.9 Other assets (continued)

(b)

	MFRS		FRS	
	31.7.2013 RM'000	31.7.2012 RM'000	1.8.2011 RM'000	31.7.2011 RM'000
<b>Unquoted 10% irredeemable non-cumulative RM 1.00 preference shares in BMDB, at cost</b>				
Class A (Equity Financial Participant)	1,500	1,500	1,500	1,500
Class B (Non-equity Financial Participant)	500	500	500	500
Class C (Commodity Participant)	100	100	100	100
	<b>2,100</b>	<b>2,100</b>	<b>2,100</b>	<b>2,100</b>
Accumulated impairment loss	<b>(1,055)</b>	-	-	-
	<b>1,045</b>	<b>2,100</b>	<b>2,100</b>	<b>2,100</b>

The preference shares class A, B and C of Bursa Malaysia Derivatives Berhad ("BMDB") are pre requisites for the HDM Futures Sdn. Bhd. to be a Trading Participant of BMDB. Impairment loss recognised during the financial year amounting to RM1,055,000 in respect of the unquoted preference shares in BMDB is based on the fair value less cost to sell of the assets at the estimated amount receivable arising from the proposed revamp of participantship structure of BMDB.

- (c) The contributions to Clearing Guarantee Fund represent interest-bearing contributions made by HwangDBS Investment Bank Berhad as a trading clearing participant in accordance with the Rules of Bursa Malaysia Securities Clearing Sdn. Bhd. ("Bursa Clearing") to a fund maintained by Bursa Clearing.
- (d) Included in the prepayments of the Group as at the end of the reporting period are payments to dealer's representatives amounting to RM9,275,000 (31.7.2012: RM Nil; 1.8.2011 and 31.7.2011: RM Nil) which are amortised to income statement on the straight line basis over the period in which economic benefits are derived by the Group.
- (e) The contributions to Clearing Fund represent interest bearing contributions made by a subsidiary in accordance with the Business Rules of Bursa Malaysia Derivatives Clearing Berhad.

## 8.10 Statutory deposits with Bank Negara Malaysia

The non-interest bearing statutory deposits are maintained with Bank Negara Malaysia ("BNM") in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009, the amounts of which are determined as set percentages of total eligible liabilities.

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## 8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## 8.11 Deferred tax assets

	MFRS		FRS	
	31.7.2013 RM'000	31.7.2012 RM'000	1.8.2011 RM'000	31.7.2011 RM'000
<b>Subject to income tax:</b>				
Deferred tax assets	<b>2,280</b>	2,478	6,753	7,095
<b>Deferred tax assets (before offsetting)</b>				
Loans, advances and financing	-	-	1,310	1,652
Accruals	<b>8,786</b>	6,174	4,159	4,159
Foreign exchange translation loss	-	-	4,266	4,266
Others	<b>214</b>	-	11	11
	<b>9,000</b>	6,174	9,746	10,088
Offsetting	<b>(6,720)</b>	(3,696)	(2,993)	(2,993)
<b>Deferred tax assets (after offsetting)</b>	<b>2,280</b>	2,478	6,753	7,095
<b>Deferred tax liabilities (before offsetting)</b>				
Property, plant and equipment	<b>(1,532)</b>	(1,296)	(1,372)	(1,372)
Securities AFS	<b>(1,189)</b>	(2,002)	(1,621)	(1,621)
Foreign exchange translation gain	<b>(3,999)</b>	(328)	-	-
Others	-	(70)	-	-
	<b>(6,720)</b>	(3,696)	(2,993)	(2,993)
Offsetting	<b>6,720</b>	3,696	2,993	2,993
<b>Deferred tax liabilities (after offsetting)</b>	-	-	-	-
<b>Deferred tax assets</b>				
- to be recovered within 12 months	<b>2,280</b>	2,478	6,753	7,095

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**8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)****8.11 Deferred tax assets (continued)**

Movements in deferred tax are as follows:

	Property, plant and equipment RM'000	Loans, advances and financing RM'000	Accruals RM'000	Securities AFS RM'000	Foreign exchange translation loss/(gain) RM'000	Others RM'000	Total RM'000
<b>MFRS</b>							
<b>2013</b>							
At beginning of the financial year	(1,296)	-	6,174	(2,003)	(328)	(69)	2,478
Recognised in:							
- profit or loss	(236)	-	2,612	-	(3,671)	283	(1,012)
- other comprehensive income	-	-	-	814	-	-	814
At end of the financial year	(1,532)	-	8,786	(1,189)	(3,999)	214	2,280
<b>MFRS</b>							
<b>2012</b>							
At beginning of the financial year							
- as previously reported	(1,372)	1,652	4,159	(1,621)	4,266	11	7,095
- effects of transition to MFRS	-	(342)	-	-	-	-	(342)
- as restated	(1,372)	1,310	4,159	(1,621)	4,266	11	6,753
Recognised in:							
- profit or loss	76	(1,310)	2,015	-	(4,594)	(80)	(3,893)
- other comprehensive income	-	-	-	(382)	-	-	(382)
At end of the financial year	(1,296)	-	6,174	(2,003)	(328)	(69)	2,478
<b>FRS</b>							
<b>2011</b>							
At beginning of the financial year							
- as previously reported	(1,695)	1,461	2,804	(587)	1,401	(14)	3,370
Recognised in:							
- profit or loss	323	191	1,355	-	2,865	25	4,759
- other comprehensive income	-	-	-	(1,034)	-	-	(1,034)
At end of the financial year	(1,372)	1,652	4,159	(1,621)	4,266	11	7,095

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## 8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## 8.12 Investments in associates

	MFRS		FRS	
	31.7.2013 RM'000	31.7.2012 RM'000	1.8.2011 RM'000	31.7.2011 RM'000
<b>Group</b>				
Share of net assets in associate	4,489	3,653	3,569	3,569
Goodwill on acquisition	55	55	55	55
	<u>4,544</u>	<u>3,708</u>	<u>3,624</u>	<u>3,624</u>

Detail of the associate, which is incorporated in Malaysia, is as follows:

Name of associate	Equity Interest			Principal Activity
	2013 %	2012 %	2011 %	
Asian Islamic Investment Management Sdn. Bhd.	49	49	49	Islamic fund management

The group's share of the assets and liabilities of the associate is as follows:

	MFRS		FRS	
	31.7.2013 RM'000	31.7.2012 RM'000	1.8.2011 RM'000	31.7.2011 RM'000
Non-current assets	141	194	178	178
Current assets	4,910	3,665	3,499	3,499
Current liabilities	(562)	(204)	(108)	(108)
	<u>4,489</u>	<u>3,655</u>	<u>3,569</u>	<u>3,569</u>

The group's share of income and expenses of the associate is as follows:

	MFRS		FRS	
	2013 RM'000	2012 RM'000	2011 RM'000	
Revenue	3,411	1,897	1,879	
Other income	66	245	120	
Expenses	(2,646)	(2,035)	(1,649)	
Profit before taxation	831	107	350	
Taxation	(10)	(21)	(10)	
Profit for the financial year	<u>821</u>	<u>86</u>	<u>340</u>	

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**8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)****8.13 Property, plant and equipment**

Details of property, plant and equipment are as follows:

	Furniture and fittings RM'000	Office equipment RM'000	Computer equipment RM'000	Air- condi- tioners RM'000	Motor vehicles RM'000	Reno- vations RM'000	Total RM'000
<b>MFRS</b>							
<b>2013</b>							
<b>Cost</b>							
At 1 August 2012	10,432	9,281	39,290	1,640	9,509	11,716	81,868
Additions	283	324	3,393	20	450	64	4,534
Disposals/Write offs	(321)	(356)	(1,315)	(40)	(2,969)	(303)	(5,304)
At 31 July 2013	<u>10,394</u>	<u>9,249</u>	<u>41,368</u>	<u>1,620</u>	<u>6,990</u>	<u>11,477</u>	<u>81,098</u>
<b>Accumulated depreciation</b>							
At 1 August 2012	7,889	8,544	34,489	1,538	6,828	9,291	68,579
Charge for the financial year	565	316	2,318	39	880	635	4,753
Disposals/Write offs	(315)	(354)	(1,186)	(40)	(2,238)	(295)	(4,428)
At 31 July 2013	<u>8,139</u>	<u>8,506</u>	<u>35,621</u>	<u>1,537</u>	<u>5,470</u>	<u>9,631</u>	<u>68,904</u>
<b>Net book value</b> 31 July 2013	<u>2,255</u>	<u>743</u>	<u>5,747</u>	<u>83</u>	<u>1,520</u>	<u>1,846</u>	<u>12,194</u>
<b>MFRS</b>							
<b>2012</b>							
<b>Cost</b>							
At 1 August 2011	9,611	9,397	38,659	1,716	9,170	10,463	79,016
Additions	993	271	2,208	35	522	1,521	5,550
Disposals/Write offs	(172)	(387)	(1,577)	(111)	(183)	(268)	(2,698)
At 31 July 2012	<u>10,432</u>	<u>9,281</u>	<u>39,290</u>	<u>1,640</u>	<u>9,509</u>	<u>11,716</u>	<u>81,868</u>
<b>Accumulated depreciation</b>							
At 1 August 2011	7,554	8,528	33,700	1,596	5,894	8,994	66,266
Charge for the financial year	504	390	2,342	53	1,117	564	4,970
Disposals/Write offs	(169)	(374)	(1,554)	(111)	(183)	(267)	(2,658)
At 31 July 2012	<u>7,889</u>	<u>8,544</u>	<u>34,488</u>	<u>1,538</u>	<u>6,828</u>	<u>9,291</u>	<u>68,578</u>
<b>Net book value</b> 31 July 2012	<u>2,543</u>	<u>737</u>	<u>4,802</u>	<u>102</u>	<u>2,681</u>	<u>2,425</u>	<u>13,290</u>

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## 8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## 8.13 Property, plant and equipment (continued)

Details of property, plant and equipment are as follows (continued):

	Furniture and fittings RM'000	Office equipment RM'000	Computer equipment RM'000	Air- condi- tioners RM'000	Motor vehicles RM'000	Reno- vations RM'000	Total RM'000
<b>FRS</b>							
<b>2011</b>							
<b>Cost</b>							
At 1 August 2010	9,221	9,205	38,321	1,694	7,871	10,389	76,701
Additions	615	430	1,405	52	2,478	581	5,561
Disposals/Write offs	(225)	(241)	(1,064)	(30)	(1,179)	(507)	(3,246)
Reclassification	-	3	(3)	-	-	-	-
At 31 July 2011/ 1 August 2011	9,611	9,397	38,659	1,716	9,170	10,463	79,016
<b>Accumulated depreciation</b>							
At 1 August 2010	7,211	8,255	31,962	1,541	5,981	8,647	63,597
Charge for the financial year	534	508	2,787	81	1,038	847	5,795
Disposals/Write offs	(191)	(235)	(1,048)	(27)	(1,125)	(500)	(3,126)
At 31 July 2011/ 1 August 2011	7,554	8,528	33,701	1,595	5,894	8,994	66,266
<b>Net book value</b>							
31 July 2011/1 August 2011	2,057	869	4,958	121	3,276	1,469	12,750

## 8.14 Investment properties

	Freehold land RM'000	Buildings RM'000	Total RM'000
<b>MFRS</b>			
<b>2013</b>			
<b>Cost</b>			
At 1 August 2012/31 July 2013	41,113	7,182	48,295
<b>Accumulated depreciation</b>			
At 1 August 2012	-	312	312
Charge for the financial year	-	143	143
At 31 July 2013	-	455	455
<b>Net book value</b>			
At 31 July 2013	41,113	6,727	47,840

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## 8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## 8.14 Investment properties (continued)

	Freehold land RM'000	Buildings RM'000	Total RM'000
<b>MFRS</b>			
<b>2012</b>			
<b>Cost</b>			
At 1 August 2011/31 July 2012	41,113	7,182	48,295
<b>Accumulated depreciation</b>			
At 1 August 2011	-	168	168
Charge for the financial year	-	144	144
At 31 July 2012	-	312	312
<b>Net book value</b>			
At 1 August 2011/31 July 2012	41,113	6,870	47,983
<b>FRS</b>			
<b>2011</b>			
<b>Cost</b>			
At 1 August 2010/31 July 2011	41,113	7,182	48,295
<b>Accumulated depreciation</b>			
At 1 August 2010	-	24	24
Charge for the financial year	-	144	144
At 31 July 2011	-	168	168
<b>Net book value</b>			
At 31 July 2011	41,113	7,014	48,127

- (a) As at the end of the reporting period, the fair value of the investment properties is determined at RM81,000,000 based on valuation by an independent professionally qualified valuer determined using the fair open market value basis. The fair value of the investment properties as at the previous financial year end of RM64,212,000 (1.8.2011/31.7.2011: RM70,156,000) was estimated on the basis of directors' valuations, based on current prices in an active market for similar properties in the same location and condition.
- (b) The direct operating expenses incurred on the investment properties held by the Group which are rented to third parties during the financial year amounted to RM119,000 for the financial year (2012: RM141,000, 2011 RM71,000). The expenses incurred by the Group on other investment properties amounted to RM2,000 for the financial year (2012/2011: RM2,000).



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## 8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## 8.15 Intangible assets

	Goodwill RM'000	Merchant bank licence RM'000	Total RM'000
<b>MFRS</b>			
<b>2013</b>			
<b>Cost</b>			
At 1 August 2012/31 July 2013	<u>130,202</u>	<u>52,500</u>	<u>182,702</u>
<b>Accumulated impairment loss</b>			
At 1 August 2012/31 July 2013	<u>(20,200)</u>	<u>-</u>	<u>(20,200)</u>
<b>Net carrying amount</b>			
31 July 2013	<u>110,002</u>	<u>52,500</u>	<u>162,502</u>
<b>MFRS</b>			
<b>2012</b>			
<b>Cost</b>			
At 1 August 2011/31 July 2012	<u>130,202</u>	<u>52,500</u>	<u>182,702</u>
<b>Accumulated impairment loss</b>			
At 1 August 2011/31 July 2012	<u>(20,200)</u>	<u>-</u>	<u>(20,200)</u>
<b>Net carrying amount</b>			
31 July 2012	<u>110,002</u>	<u>52,500</u>	<u>162,502</u>
<b>FRS</b>			
<b>2011</b>			
<b>Cost</b>			
At 1 August 2010/31 July 2011	<u>130,202</u>	<u>52,500</u>	<u>182,702</u>
<b>Accumulated impairment loss</b>			
At 1 August 2010/31 July 2011	<u>(20,200)</u>	<u>-</u>	<u>(20,200)</u>
<b>Net carrying amount</b>			
31 July 2011	<u>110,002</u>	<u>52,500</u>	<u>162,502</u>

The merchant bank licence represents contribution by the Group to the Government of Malaysia for a licence to carry on merchant banking business and is considered to have an indefinite useful life, which is not amortised and is assessed for impairment annually.

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**8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)****8.15 Intangible assets (continued)**

For impairment test purposes, the carrying amount of the goodwill of RM110 million is allocated to the Group's stockbroking operating unit, being regarded as a separate cash-generating unit ("CGU") and the carrying amount of merchant bank licence of RM52.5 million is allocated to the operating unit of the investment banking division respectively. The recoverable amounts of CGUs are determined based on the value in use calculations. These calculations use pre-tax cash flow projections based on the financial budgets and forecasts approved by the management covering a five-year period. Cash flows beyond the five-year period are projected using the estimated growth rate to perpetuity. The cash flow projections are derived based on a number of key factors, including past performance as well as management's expectations of market developments and assessment of future trends, taking into consideration the prevailing stock market conditions as at the date of assessment.

The key assumptions for the computation of value in use include growth rate and pre-tax discount rate, which are applied to the cash flow projections and reflect the risks relating to the CGUs. The discount rates applied are 7.33% (2012: 7.33%, 2011: 8.03%) and 7.33% (2012: 7.33%, 2011: 8.77%) for the stockbroking and investment banking operating units respectively. The growth rate of 5.75% (2012: 5.50%, 2011: 5.7%) does not exceed the long-term average growth rate for the industry in which the Group operates.

No impairment charge is required for the financial year in respect of the intangible assets accruing to the CGUs. Management believes that any reasonable possible change to the key assumptions applied is not likely to cause the recoverable amounts to be lower than their carrying amounts.

**8.16 Deposits from customers**

		MFRS		FRS
	<b>31.7.2013</b>	31.7.2012	1.8.2011	31.7.2011
	<b>RM'000</b>	RM'000	RM'000	RM'000
<b>(a) By type of deposit</b>				
Fixed deposits	<b>671,202</b>	729,284	803,892	803,892
Negotiable instruments of deposit	<b>3,481</b>	2,943	3,873	3,873
Other deposits	<b>4,157</b>	5,197	1,616	1,616
	<b>678,840</b>	<b>737,424</b>	<b>809,381</b>	<b>809,381</b>
<b>(b) By type of customer</b>				
Government and statutory bodies	<b>310,555</b>	37,103	140,389	140,389
Business enterprises	<b>282,733</b>	640,672	627,704	627,704
Individuals	<b>70,185</b>	46,009	37,365	37,365
Others	<b>15,367</b>	13,640	3,923	3,923
	<b>678,840</b>	<b>737,424</b>	<b>809,381</b>	<b>809,381</b>
<b>(c) By maturity structure of term deposits</b>				
Within 6 months	<b>542,125</b>	718,167	803,532	803,532
6 months to 1 year	<b>136,715</b>	19,257	5,849	5,849
	<b>678,840</b>	<b>737,424</b>	<b>809,381</b>	<b>809,381</b>

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## 8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## 8.17 Deposits and placements of banks and other financial institutions

	MFRS		FRS	
	31.7.2013 RM'000	31.7.2012 RM'000	1.8.2011 RM'000	31.7.2011 RM'000
Licensed banks	404,985	229,899	88,463	88,463
Licensed investment banks	67,283	45,844	16,276	16,276
Bank Negara Malaysia	280,448	-	-	-
Other financial institutions	1,233,146	1,344,713	1,453,466	1,453,466
	<b>1,985,862</b>	<b>1,620,456</b>	<b>1,558,205</b>	<b>1,558,205</b>

## 8.18 Clients' and brokers' balances

	MFRS		FRS	
	31.7.2013 RM'000	31.7.2012 RM'000	1.8.2011 RM'000	31.7.2011 RM'000
Amounts due to:				
- Clients	180,632	185,313	81,875	81,875
- Brokers	43,332	14,411	104,850	104,850
	<b>223,964</b>	<b>199,724</b>	<b>186,725</b>	<b>186,725</b>

Clients' and brokers' balances represent amounts payable to clients of the Group and outstanding contracts entered into on behalf of these clients where settlements have yet to be made.

## 8.19 Other liabilities

	Note	MFRS		FRS	
		31.7.2013 RM'000	31.7.2012 RM'000	1.8.2011 RM'000	31.7.2011 RM'000
Trade payables		182,613	108,931	45,174	45,174
Dealer's representatives' trust accounts	(a)	37,749	38,493	43,645	43,645
Amounts payable to dealer's representatives	(b)	7,942	7,858	9,663	9,663
Contributions payable to a defined contribution plan	(c)	1,351	1,492	1,417	1,417
Other payables and accruals		97,652	49,434	43,994	43,994
		<b>327,307</b>	<b>206,208</b>	<b>143,893</b>	<b>143,893</b>

- (a) The dealer's representatives' trust accounts represent trust monies held on behalf of dealer's representatives.
- (b) Amounts payable to dealer's representatives mainly comprise net commission payable.
- (c) Other payables and accruals of the Group represent amounts payable arising from the daily operations of the Group. Included in other payables and accruals of the Group as at the end of the reporting period are dividends received on behalf of customers by certain subsidiaries amounting to RM714,000 (31.7.2012: RM1,865,000; 1.8.2011 and 31.7.2011: RM4,699,000).

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**8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)****8.20 Equity**

Included in equity is Statutory reserve, AFS reserve, retained profit and non-controlling interest which represents unrealised gains or losses arising from changes in fair values of securities classified as available-for-sale, net of tax.

	Statutory Reserve RM'000	AFS Reserve RM'000	Retained Profits RM'000	Non-controlling interest RM'000
At 1 August 2012				
- as previously reported	133,839	6,005	266,471	25,342
Profit for the financial year	-	-	45,580	14,763
Other comprehensive income for the financial year, net of tax	-	(2,448)	-	(19)
Total comprehensive income for the financial year	-	(2,448)	45,580	14,744
Transfer to statutory reserve	15,022	-	(15,022)	-
Dividend in respect of the financial year ended 31 July 2012	-	-	(25,150)	(2,350)
At 31 July 2013	148,861	3,557	271,879	37,736
	Statutory Reserve RM'000	AFS Reserve RM'000	Retained Profits RM'000	Non-controlling interest RM'000
At 1 August 2011				
- as previously reported	108,377	4,862	266,471	18,806
- effects of transition to MFRS	-	-	1,028	-
- as restated	108,377	4,862	264,105	18,806
Profit for the financial year	-	-	56,527	8,708
Other comprehensive income for the financial year, net of tax	-	1,143	-	-
Total comprehensive income for the financial year	-	1,143	56,527	8,708
Transfer to statutory reserve	25,462	-	(25,462)	-
Dividend in respect of the financial year ended 31 July 2011	-	-	(28,699)	(2,172)
At 31 July 2012	133,839	6,005	266,471	25,342

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**8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)****8.20 Equity (continued)**

Included in equity is Statutory reserve, AFS reserve, retained profit and non-controlling interest which represents unrealised gains or losses arising from changes in fair values of securities classified as available-for-sale, net of tax (continued)

	Statutory Reserve RM'000	AFS Reserve RM'000	Retained Profits RM'000	Non-controlling interest RM'000
At 1 August 2010	<b>80,132</b>	1,761	248,417	15,719
Profit for the financial year	-	-	63,643	4,851
Other comprehensive income for the financial year, net of tax	-	3,101	-	-
Total comprehensive income for the financial year	-	3,101	63,643	4,851
Transfer to statutory reserve	<b>28,245</b>	-	(28,245)	-
Dividend in respect of the financial year ended 31 July 2011	-	-	(20,738)	(1,764)
At 31 July 2011	<b>108,377</b>	4,862	263,077	18,806

**8.21 Clients' monies held in trust**

The clients' monies held in trust by the Group, which are not recognised in the financial statements in accordance with FRSIC 18 are as follows:

	MFRS		FRS
	31.7.2013 RM'000	31.7.2012 RM'000	1.8.2011 RM'000
Balances with banks	<b>15,592</b>	14,777	10,295
Money at call and deposit placements maturing within one month	<b>305,144</b>	223,810	192,069
Deposits and placements with banks	<b>2,370</b>	2,303	2,241
	<b>323,106</b>	240,890	204,605

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**8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)****8.22 Interest income**

	MFRS		FRS
	2013 RM'000	2012 RM'000	2011 RM'000
Loans, advances and financing	<b>30,830</b>	28,586	30,056
Money at call and deposit placements with financial institutions	<b>23,659</b>	16,657	23,073
Securities:			
- AFS	<b>46,754</b>	44,975	24,415
- held-to-maturity	<b>24,874</b>	26,174	27,169
Others	<b>954</b>	468	570
	<b>127,071</b>	116,860	105,283
Securities held-for-trading	<b>5,298</b>	7,843	17,344
Derivative financial instruments	<b>6,784</b>	8,810	11,274
	<b>139,153</b>	133,513	133,901

During the financial year, there is no interest income earned on impaired loans and receivables of the Group of which impairment allowance has been made (2012: RM Nil; 2011: RM Nil).

**8.23 Interest expense**

	MFRS		FRS
	2013 RM'000	2012 RM'000	2011 RM'000
Deposits and placements of banks and other financial institutions	<b>(56,105)</b>	(48,665)	(46,630)
Deposits from customers	<b>(22,691)</b>	(24,475)	(18,363)
Others	<b>(436)</b>	(466)	(592)
	<b>(79,232)</b>	(73,606)	(65,585)
Derivative financial instruments	<b>(6,464)</b>	(6,524)	(8,651)
	<b>(85,696)</b>	(80,130)	(74,236)

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## 8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## 8.24 Other operating income

	MFRS		FRS
	2013 RM'000	2012 RM'000	2011 RM'000
<b>Fee and commission income:</b>			
Brokerage	58,440	63,794	97,845
Advisory and arranger fees	3,368	3,248	6,255
Underwriting commission and placement income	1,921	2,554	3,696
Initial service charge	76,343	51,825	20,323
Management fee	94,169	56,445	44,624
Incentive fee	11,464	1,946	4,666
Other fees and commission	3,830	3,063	4,019
	<b>249,535</b>	<b>182,875</b>	<b>181,428</b>
<b>Net gain/(loss) on securities held-for-trading:</b>			
- net gain on disposal	18,399	28,418	15,054
- net unrealised loss	(2,759)	(684)	4,403
	<b>15,640</b>	<b>27,734</b>	<b>19,457</b>
<b>Net gain/(loss) on derivatives:</b>			
- net loss on disposal	(9,368)	(9,017)	(8,021)
- net unrealised gain	6,091	9,680	10,680
	<b>(3,277)</b>	<b>663</b>	<b>2,659</b>
<b>Net gain on securities AFS:</b>			
- net gain on disposal	2,225	7,443	334
<b>Gross dividends/income distributions:</b>			
- securities held-for-trading	1,249	2,364	2,891
- securities AFS (quoted in Malaysia)	5,701	5,272	3,399
- securities AFS (quoted outside Malaysia)	384	-	-
	<b>7,334</b>	<b>7,636</b>	<b>6,290</b>
<b>Other income:</b>			
Net foreign exchange gain	16,093	8,652	5,183
Rental income			
- investment properties	78	1,187	1,281
Insurance claim	-	2,395	-
Others	4,463	3,660	3,209
	<b>20,634</b>	<b>15,894</b>	<b>9,673</b>
	<b>292,091</b>	<b>242,245</b>	<b>219,841</b>

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## 8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## 8.25 Other operating expenses

	MFRS		FRS
	2013 RM'000	2012 RM'000	2011 RM'000
<b>Personnel costs:</b>			
Salaries, allowances and bonus	(85,037)	(80,993)	(69,570)
Contributions to a defined contribution plan	(11,753)	(10,954)	(9,317)
Others	(12,954)	(12,144)	(17,144)
	<b>(109,744)</b>	<b>(104,091)</b>	<b>(96,031)</b>
<b>Establishment related costs:</b>			
Depreciation:			
- property, plant and equipment	(4,753)	(4,971)	(5,795)
- investment properties	(143)	(144)	(144)
Rental of:			
- premises	(9,133)	(9,045)	(8,772)
- equipment	(2,487)	(2,631)	(2,695)
Repairs and maintenance of premises and equipment	(1,351)	(1,412)	(1,234)
Information technology expenses	(2,096)	(2,124)	(2,282)
Others	(6,382)	(6,148)	(5,505)
	<b>(26,345)</b>	<b>(26,475)</b>	<b>(26,427)</b>
<b>Promotion and marketing related expenses:</b>			
Promotion and business development	(11,268)	(4,157)	(15,991)
Others	(3,552)	(2,388)	(2,498)
	<b>(14,820)</b>	<b>(6,545)</b>	<b>(18,489)</b>
<b>Administrative and general expenses:</b>			
Auditors' remuneration:			
- statutory audit	(294)	(274)	(235)
- audit related	(13)	-	-
- others	(121)	(2)	(82)
Other professional and consultancy fees	(3,080)	(2,416)	(2,585)
Communication expenses	(7,874)	(6,069)	(4,629)
Regulatory charges	(6,471)	(5,658)	(7,448)
Net gain on disposals of:			
- property, plant and equipment	185	95	289
- other investments	-	12	6
Property, plant and equipment written off	(20)	(20)	(11)
Commission expense	(88,942)	(52,030)	(27,170)
Others	(8,983)	(8,363)	(11,974)
	<b>(115,613)</b>	<b>(74,725)</b>	<b>(53,839)</b>
	<b>(266,522)</b>	<b>(211,836)</b>	<b>(194,786)</b>



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**8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)****8.26 Directors' remuneration**

	Salary RM'000	Allowances RM'000	Bonus RM'000	Fees RM'000	Contributions to a defined contribution plan RM'000	Benefits -in-kind RM'000	Total RM'000
MFRS 2013	144	75	-	373	23	-	615
MFRS 2012	144	77	190 <sup>(a)</sup>	384	53	13	861
FRS 2011	598	163	1,259	366	311	10	2,707

<sup>(a)</sup> deferred bonus in respect of the financial year ended 31 July 2011

**8.27 (Allowance)/Write back of allowance for losses on loans, advances and financing**

	MFRS		FRS
	2013 RM'000	2012 RM'000	2011 RM'000
Individual impairment - written back	-	-	5,000
Collective impairment - (made)/written back	(965)	726	(739)
	<u>(965)</u>	<u>726</u>	<u>4,261</u>

**8.28 Write back of allowance for losses on clients' balances and trade receivables**

	MFRS		FRS
	2013 RM'000	2012 RM'000	2011 RM'000
Individual impairment - made	(214)	(508)	(269)
- written back	81	298	311
	<u>(133)</u>	<u>(210)</u>	<u>42</u>
Collective impairment	-	-	(24)
Bad debts: - recovered	219	692	850
	<u>86</u>	<u>482</u>	<u>868</u>

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**8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)****8.29 Taxation**

	MFRS		FRS
	2013 RM'000	2012 RM'000	2011 RM'000
In respect of the current financial year:			
Malaysian income tax	(15,697)	(17,434)	(26,564)
Deferred tax	(2,361)	(2,390)	4,727
	<b>(18,058)</b>	(19,824)	(21,837)
In respect of prior financial years:			
Malaysian income tax	(861)	1,476	110
Deferred tax	1,349	(1,503)	32
	<b>488</b>	(27)	142
	<b>(17,570)</b>	(19,851)	(21,695)

The numerical reconciliation between the applicable statutory income tax rate and the effective tax rate is as follows:

	MFRS		FRS
	2013 %	2012 %	2011 %
Applicable statutory income tax rate	25.0	25.0	25.0
Tax effects in respect of:			
Expenses not deductible for tax purposes	2.6	1.4	1.4
Income not subject to tax	(4.5)	(3.3)	(2.1)
Unrecognised temporary differences	-	0.3	-
Utilisation of previously unrecognised tax losses	-	(0.1)	-
(Over)/Under accrual for taxation in respect of prior financial years	(0.6)	-	(0.2)
Effective tax rate	<b>22.5</b>	23.3	24.1

Tax savings of the Group arising from utilisation of previously unrecognised tax losses amounted to RM Nil for the financial year (2012: RM97,000).

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## 8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## 8.30 Other comprehensive income

	Gross RM'000	Tax RM'000	Net RM'000
<b>MFRS</b>			
<b>2013</b>			
Securities AFS:			
- net change in fair value	(1,170)	282	(888)
- net gain transferred to profit or loss on disposal	(2,125)	531	(1,594)
- share of AFS reserve of an associate	15	-	15
	<u>(3,280)</u>	<u>813</u>	<u>(2,467)</u>
<b>MFRS</b>			
<b>2012</b>			
Securities AFS:			
- net change in fair value	9,780	(2,445)	7,335
- net gain transferred to profit or loss on disposal	(8,256)	2,064	(6,192)
	<u>1,524</u>	<u>(381)</u>	<u>1,143</u>
<b>FRS</b>			
<b>2011</b>			
Securities AFS:			
- net change in fair value	4,469	(1,117)	3,352
- net gain transferred to profit or loss on disposal	(334)	83	(251)
	<u>4,135</u>	<u>(1,034)</u>	<u>3,101</u>

## 8.31 Cash and cash equivalents

	MFRS		FRS
	31.7.2013 RM'000	31.7.2012 RM'000	1.8.2011 RM'000
Cash and short term funds	1,167,089	650,603	621,020
Less: Monies held in trust and dividends received on behalf of customers	<u>(81,667)</u>	<u>(106,349)</u>	<u>(101,841)</u>
	<u>1,085,422</u>	<u>544,254</u>	<u>519,179</u>

**ACCOUNTANTS' REPORT ON HWANG IB (Cont'd)**

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**8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)****8.32 Significant related party transactions and balances**

In addition to the related party disclosures mentioned elsewhere in the financial statements, the other significant related party transactions and balances are as disclosed below.

**(a) Related parties and relationship**

The related parties of, and their relationship with the Group is as follows:

<b>Relationship</b>	<b>Related parties</b>
Immediate and ultimate holding company	Hwang-DBS (Malaysia) Berhad ("HDBSM")
Related companies	Subsidiaries of HDBSM: (a) HDM Properties Sdn Bhd (b) HDM Capital Sdn Bhd (c) HDM Private Equity Sdn Bhd (d) HDM Capital Management Sdn Bhd (e) HDM Management Services Sdn Bhd (In liquidation) (f) HDM Research & Publication Sdn Bhd (In liquidation)
Associate	Asian Islamic Investment Management Sdn Bhd
<u>Other related parties</u>	
Key management personnel	All directors of the Group and certain senior management personnel who make critical decisions in relation to the strategic direction of the Group (including their close family members)
Substantial shareholder of HDBSM	DBS Bank Ltd.
Subsidiaries of a substantial shareholder of HDBSM	DBS Vickers Securities (Singapore) Pte. Ltd.

**(b) Significant related party transactions**

	<b>Related companies</b>		
	<b>2013</b>	2012	2011
	<b>RM'000</b>	RM'000	RM'000
<u>Income</u>			
Interest income on term loan	1,644	1,789	1,793
Shared service fee	<u>309</u>	<u>309</u>	<u>309</u>
	<u>1,953</u>	<u>2,098</u>	<u>2,102</u>
<u>Expenses</u>			
Rental of premises	<u>(4,667)</u>	<u>(4,838)</u>	<u>(4,506)</u>

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**8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)****8.32 Significant related party transactions and balances (continued)****(b) Significant related party transactions (continued)**

	<b>Other related parties</b>		
	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>Income</u>			
Brokerage income	739	601	1,019
Interest income on derivatives	1,969	919	344
Management fee	213	433	902
Referral fee	396	-	-
Reimbursement of research expenses	2,158	2,095	2,228
Other fee income	471	389	489
	<u>5,946</u>	<u>4,437</u>	<u>4,982</u>
<u>Expenses</u>			
Management fee	(3,059)	(1,843)	(2,679)
Incentive fee	(399)	(149)	(223)
Advisory fee	(331)	(150)	(375)
Commission expense	-	(20)	(182)
	<u>(3,789)</u>	<u>(2,162)</u>	<u>(3,459)</u>

**(c) Significant related party balances**

	<b>Related companies</b>		
	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>Amount due from</u>			
Loans, advances and financing	<u>34,504</u>	<u>37,505</u>	<u>40,015</u>
<u>Other related parties</u>			
	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>Amount due from</u>			
Other assets	8,515	5,454	13,511
Cash and short term funds	2,388	1,187	1,619
	<u>10,903</u>	<u>6,641</u>	<u>15,130</u>
<u>Amount due to</u>			
Other liabilities	(310)	(225)	(210)
Deposit from customers	(2,993)	(981)	(937)
	<u>(3,303)</u>	<u>(1,206)</u>	<u>(1,147)</u>

The loan to a related company which is unsecured and carries an effective interest rate of 4.60% (31.7.2012: 4.60%; 1.8.2011: 4.65%) per annum is due for repayment on 31 December 2015.

The deposits and placements from a related company carry an effective interest rate of 2.87% (31.7.2012: 2.93%; 1.8.2011: 3.19%) per annum.

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## 8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## 8.33 Capital management

The objectives of the Group when managing capital are:

- To comply with regulatory capital adequacy requirements imposed by the relevant authorities;
- To safeguard the ability of the Group to continue in operations as a going concern; and
- To ensure availability of funds for future business operations.

The Group monitors capital based on regulatory capital requirements as prescribed by BNM. With effect from January 2013, the Group is required to comply with the revised Capital Adequacy Framework, as set out in the Capital Adequacy Framework (Basel II - Risk-Weighted Assets) and Capital Adequacy Framework (Capital Components) issued by BNM. Previously, capital adequacy ratios of the Group were computed in accordance with the Risk-Weighted Capital Adequacy Framework (Basel II - Risk-Weighted Assets Computation) issued by BNM. The Group adopts the Standardised Approach for credit and market risks, and the Basic Indicator Approach for operational risk.

## (a) HwangDBS Investment Bank Berhad

HwangDBS Investment Bank Berhad is required to maintain, at all times, minimum capital adequacy ratios as follows:

	<b>31.7.2013</b>	31.7.2012	1.8.2011
	%	%	%
Common Equity Tier I (CET 1) Capital	<b>3.5</b>	-	-
Tier 1 Capital ratio	<b>4.5</b>	-	-
Total Capital ratio	<b>8.0</b>	-	-
Risk-weighted capital ratio	-	8.0	8.0

HwangDBS Investment Bank Berhad is required to maintain, at all times, minimum capital funds of RM500 million.

The Group carries out stress testing, from time to time, to estimate the potential impacts of planned allocation of capital resources on its capital and capital adequacy ratios.

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**8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)****8.33 Capital management (continued)****(a) HwangDBS Investment Bank Berhad (continued)**

The capital components and capital adequacy ratios of HwangDBS Investment Bank, which are computed in accordance with the revised Capital Adequacy Framework, are as follows:

	<b>31.7.2013</b>
	<b>RM'000</b>
<b>Common Equity Tier 1 (CET 1) Capital</b>	
Issued and fully paid share capital	500,000
Retained profits	214,038
AFS reserve	3,564
Statutory reserve	148,861
	<u>866,463</u>
Less: Regulatory adjustments	
Intangible assets	(162,502)
Deferred tax assets	(463)
55% of AFS reserve	(1,960)
	<u>(164,925)</u>
CET 1 Capital/Tier 1 Capital	<u>701,538</u>
<b>Tier 2 Capital</b>	
Collective impairment allowances	5,476
Less: Regulatory adjustment	
Investments in subsidiaries (financial entities)	(399)
Tier 2 Capital	<u>5,077</u>
<b>Total Capital</b>	<u><u>706,615</u></u>
CET1 Capital ratio	30.020%
Tier 1 Capital ratio	30.020%
Total Capital ratio	<u><u>30.237%</u></u>

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## 8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## 8.33 Capital management (continued)

## (a) HwangDBS Investment Bank Berhad (continued)

The capital components and capital adequacy ratios of HwangDBS Investment Bank Berhad as at the previous financial year end and transition date to MFRS respectively, which were computed in accordance with Risk-Weighted Capital Adequacy Framework (Basel II - Risk-Weighted Assets Computation) issued by BNM, are as follows:

	31.7.2012 RM'000	1.8.2011 RM'000
<b>Tier I capital:</b>		
Issued and fully paid share capital	500,000	500,000
Retained profits	218,670	215,273
Statutory reserve	133,839	108,377
Total Tier I capital	852,509	823,650
Less: Goodwill	(110,002)	(110,002)
Eligible Tier I capital	<u>742,507</u>	<u>713,648</u>
<b>Tier II capital:</b>		
Collective impairment allowances	4,511	5,237
Total Tier II capital	<u>4,511</u>	<u>5,237</u>
Total capital	747,018	718,885
Less: Investments in subsidiaries	(3,081)	(3,081)
Other deductions	(248)	(418)
<b>Capital base</b>	<u>743,689</u>	<u>715,386</u>
<b>Before deducting proposed dividend:</b>		
Core capital ratio	35.786%	36.470%
Risk-weighted capital ratio	<u>35.843%</u>	<u>36.559%</u>
<b>After deducting proposed dividend:</b>		
Core capital ratio	34.702%	35.128%
Risk-weighted capital ratio	<u>34.759%</u>	<u>35.217%</u>

There is no comparative figures in respect of the capital adequacy ratios of HwangDBS Investment Bank Berhad as at the previous financial year end and the transition date to MFRS.

HwangDBS Investment Bank Berhad complied with the regulatory capital requirements to which it is subject to.

## (b) HDM Futures Sdn. Bhd.

HDM Futures Sdn. Bhd. is required to maintain at all times, a minimum Adjusted Net Capital ("ANC") as imposed by Bursa Malaysia Derivatives Berhad. The ANC is determined based on permitted assets less adjusted liabilities of HDM Futures Sdn. Bhd. The minimum ANC required is either RM500,000 or 10% of the aggregate margin required, whichever is higher



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**8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)****8.33 Capital management (continued)****(c) Hwang Investment Management Berhad**

Hwang Investment Management Berhad is required to maintain minimum shareholders' funds of RM10 million at all times as imposed by the Securities Commission.

**8.34 Commitments and contingencies**

Disclosure of commitments and contingencies and the related risk-weighted exposures in respect of the Group is as follows:

	Principal amount RM'000	Credit equivalent amount * RM'000	Risk- weighted amount RM'000
<b>31.7.2013</b>			
<b>Commitments</b>			
Commitments to extend credits with maturity of:			
- up to 1 year	344,222	5,385	5,385
- over 1 year	96,977	48,488	48,488
	<u>441,199</u>	<u>53,873</u>	<u>53,873</u>
<b>Derivative financial instruments</b>			
Foreign exchange related contracts:			
- up to 1 year	1,573,044	49,452	34,946
- over 1 year to 5 years	792,008	94,027	31,881
Interest rate related contracts:			
- up to 1 year	253,000	180	180
- over 1 year to 5 years	100,000	5,892	2,946
	<u>2,718,052</u>	<u>149,551</u>	<u>69,953</u>
<b>Total</b>	<u>3,159,251</u>	<u>203,424</u>	<u>123,826</u>
<b>31.7.2012</b>			
<b>Contingencies</b>			
Direct credit substitutes	5,000	5,000	1,000
<b>Commitments</b>			
Forward asset purchases	10,328	10,328	5,164
Obligation under underwriting agreement	10,000	5,000	5,000
Commitments to extend credits with maturity of:			
- up to 1 year	444,134	14,000	14,000
- over 1 year	5,667	2,833	2,833
	<u>470,129</u>	<u>32,161</u>	<u>26,997</u>
<b>Derivative financial instruments</b>			
Foreign exchange related contracts:			
- up to 1 year	1,220,649	32,444	13,734
- over 1 year to 5 years	170,361	16,149	3,230
Interest rate related contracts:			
- up to 1 year	2,460,000	4,249	970
- over 1 year to 5 years	253,000	2,069	1,909
	<u>4,104,010</u>	<u>54,911</u>	<u>19,843</u>
<b>Total</b>	<u>4,579,139</u>	<u>92,072</u>	<u>47,840</u>

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\* The credit equivalent amount is arrived at using the credit conversion factors as specified by BNM.

## 8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 8.34 Commitments and contingencies (continued)

Disclosure of commitments and contingencies and the related risk-weighted exposures in respect of the Group is as follows (continued):

	Principal amount RM'000	Credit equivalent amount * RM'000	Risk- weighted amount RM'000
<b>1.8.2011/ 31.7.2011</b>			
<b>Contingencies</b>			
Direct credit substitutes	12,500	12,500	2,500
<b>Commitments</b>			
Forward asset purchases	5,246	5,246	1,049
Commitments to extend credits with maturity of:			
- up to 1 year	422,235	5,000	5,000
- over 1 year	20,915	10,457	2,457
	<u>448,396</u>	<u>20,703</u>	<u>8,506</u>
<b>Derivative financial instruments</b>			
Foreign exchange related contracts:			
- up to 1 year	956,356	28,375	15,533
- over 1 year to 5 years	280,246	30,232	7,180
Interest rate related contracts:			
- up to 1 year	1,835,000	985	212
- over 1 year to 5 years	2,713,000	15,661	5,992
	<u>5,784,602</u>	<u>75,253</u>	<u>28,917</u>
<b>Total</b>	<u><u>6,245,498</u></u>	<u><u>108,456</u></u>	<u><u>39,923</u></u>

\* The credit equivalent amount is arrived at using the credit conversion factors as specified by BNM.

### 8.35 Capital expenditure commitments

	31.7.2013 RM'000	31.7.2012 RM'000	1.8.2011 RM'000
In respect of property, plant and equipment:			
Contracted but not provided for	221	2,040	769
Approved but not contracted for	12,530	17,132	19,167
	<u><u>12,751</u></u>	<u><u>19,172</u></u>	<u><u>19,936</u></u>

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**8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)****8.36 Non-cancellable operating lease commitments**

	<b>31.7.2013</b>	31.7.2012	1.8.2011
	<b>RM'000</b>	RM'000	RM'000
Future minimum lease payable:			
- not later than 1 year	<b>4,153</b>	4,722	4,446
- later than 1 year but not later than 5 years	<b>1,540</b>	2,128	2,581
	<b><u>5,693</u></b>	<u>6,850</u>	<u>7,027</u>
Future minimum lease receivable:			
- not later than 1 year	-	72	1,103
- later than 1 year but not later than 5 years	-	63	-
	<b><u>-</u></b>	<u>135</u>	<u>1,103</u>

The lease commitments are in respect of rentals of equipment and premises.

**8.37 Financial risk management**

Risk management is an integral part of the Hwang DBS Investment Bank ("Investment Bank")'s business and the main risks faced by the Investment Bank are credit, market and liquidity risks. The Investment Bank has put in place a risk governance framework which articulates the objectives, guiding principles, governance structure and processes inherent in the way risk management is managed. The risk governance framework governs the formulation of risk policies covering credit, market and liquidity risks.

The risk governance structure is cascaded throughout all levels of the Investment Bank, which comprises the Board of Directors ("the Board"), executive management, business units and support units. The Board, which is assisted by the Board Risk Management Committee ("BRMC") and the executive management Risk Oversight Committee ("ROC"), is ultimately responsible for assuming the risks inherent in the Investment Bank's business activities and defining the policies for governing those activities.

Risk management reports are produced and submitted to the ROC and BRMC on a regular basis to facilitate their effective oversight of risk management activities undertaken by the Investment Bank and for decision-making on prompt actions to be taken, if any.

**(a) Credit risk**

Credit risk refers to the potential risk of financial loss arising from defaults by counterparties in meeting their obligations. The Investment Bank's exposure to credit risk arises primarily from share trading, share margin financing, corporate/inter-bank lending activities, bonds and foreign exchange trading as well as equity and debt underwriting activities. The primary objective of credit risk management is to ensure that exposure to credit risk is kept within the Group's capacity to withstand potential financial losses.

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**8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)****8.37 Financial risk management (continued)****(a) Credit risk (continued)****Risk management framework and governance**

There is a clear segregation of duties between originating business units and credit management. The Credit Management Department reviews and approves all credit applications within the defined delegation of authority (“DoA”) framework approved by the Board. The lending activities are governed by the Group’s Core Credit Risk Policy which ensures that the overall lending objectives achieved are in compliance with the internal and regulatory requirements.

The Investment Bank’s Core Credit Risk Policy is formulated and periodically reviewed by the Credit Risk Management Department which is independent of the Credit Management Department. The Credit Risk Management Department being a part of the Investment Bank’s Risk Management Department, manages the regular risk reporting of the Investment Bank’s credit exposures to the ROC and BRMC as well as conducts periodic stress tests on these exposures.

The Credit Approval Committee (“CAC”) is empowered to approve, reject or modify any credit applications/credit renewals for corporate borrowers, share margin financing and underwriting of equities, equity-linked instruments and debt securities, as outlined in the DoA framework. Any application beyond the CAC’s authority shall be submitted to the Executive Committee (“EXCO”) or the Board for approval.

**Risk monitoring**

Credit risk exposures are mitigated via preventive risk management measures in limiting the exposures in accordance with the Investment Bank’s risk appetite as well as regular monitoring of credit exposures. All corporate credit and share margin financing applications are evaluated by credit management and forwarded to the relevant approving authorities based on the DoA framework.

Credit granting to corporate customers is individually risk-rated using the Investment Bank’s internal counterparty risk rating system based on assessment of relevant factors, including each corporate borrower’s financial conditions, market position, access to capital and management strength. The internal credit ratings are reviewed at least annually and more frequently when conditions warrant.

Credit risk exposures associated with share margin trading are reviewed and monitored closely on a daily basis by designated risk management/operations officers, who will review amongst others, credit limit utilisation, exposure to single security or client/group of counterparty and equity positions against collateral.

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**8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)****8.37 Financial risk management (continued)****(a) Credit risk (continued)**

Credit reviews on corporate borrowers, individual customers and counterparties are performed on a regular basis to enable identification of indications of impairment, early warnings detection as well as in ensuring creditability and financial performance of the corporate borrowers, where applicable to protect the Investment Bank's position in debt recovery.

Daily management and monitoring of credit risk associated with clients' trading is undertaken by the credit control unit to ensure compliance with the approved policies and procedures of the Investment Bank and regulatory requirements.

Credit concentration risks are managed via sector concentration limits which are regularly monitored to ensure sufficient diversification of credit exposures. Sector concentration limits are approved by the Board based on the Investment Bank's risk appetite and these limits are reviewed at least annually. The Investment Bank's definition of sector concentration conforms to the sector codes as prescribed in the BNM Guideline for submission of Financial Institutions Statistical System (FISS) Reports.

Credit risk arising from fund management activities is mitigated to a certain extent as settlement is regulated by the Securities Commission.

**(b) Market risk**

Market risk is the risk of losses arising from changes in market prices or rates, such as interest rates, foreign exchange rates and equity prices.

**Risk management framework and governance**

The market risk framework of the Investment Bank comprises Market Risk Policy ("MRP") that establishes the base standards on management of market and liquidity risks as well as sets out policies at a more detailed level for specific subject matters. The MRP comprises the following elements:

- Market risk management principles;
- Market risk measurement techniques;
- Valuation methodology;
- Market risk limit structure and management;
- Guidelines on validation of valuation models and market risk models; and
- New product/service process whereby risk issues are identified and managed with robust control measures before new products are launched.

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**8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)****8.37 Financial risk management (continued)****(b) Market risk (continued)**

Management of interest rate risk in the banking book ("IRRBB") is governed by the Asset and Liability Management ("ALM") Policy.

The ROC reviews, assesses and monitors risk controls, risk limits, stress testing results, adequacy of reserves, valuation methodology and internal models for both trading and banking books. The Risk Management Department ("RMD") is responsible for the measurement and monitoring of all market risk limits as set out in the Investment Bank's Board-approved Risk Limit Policy. Any limit excesses are reported in accordance with the exception escalation procedures, which may be followed by remedial processes of liquidating, hedging and cutting losses, if necessary. The Investment Bank also sets trigger limits in alerting the management on potential limit breaches and unusual movements of certain indicators to prompt early investigative actions and escalation process. The market risk limits are reviewed annually taking into consideration the Investment Bank's business strategies, profitability target as well as the economic environment.

**Risk monitoring****(i) Trading book portfolio**

The principal measurement technique used by the Investment Bank to measure and control market risk exposures arising from the trading book portfolio is Value-at-Risk ("VaR"). The VaR model measures material risks arising from trading book, which covers interest rate and foreign exchange risks. The VaR model is back-tested regularly to validate its robustness. In addition, the Investment bank also uses other market risk controls, such as stop loss, which sets a threshold on the net cumulative loss of the trading book over a defined period of time; and present value basis point ("PVBP"), an interest rate sensitivity tool. Stress testing complements the VaR framework in managing market risks.

**(ii) Interest rate risk in the banking book**

The Investment Bank is exposed to interest rate risk in the banking book ("IRRBB") when there are re-pricing mismatches due to differing tenors and pricing of the interest-sensitive assets and liabilities in the banking book. The objective of the management of IRRBB is to maintain an acceptable mismatch in interest-sensitive assets and liabilities in the banking book, while achieving a desired level of earnings.

In managing IRRBB, both the earnings and economic value approaches are adopted. Interest-sensitive assets and liabilities are grouped into time buckets based on the earlier of remaining period to maturity or next re-pricing; before a parallel interest rate shock is applied to determine the impact of sensitivity shocks on earnings and economic value.

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**8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)****8.37 Financial risk management (continued)****(b) Market risk (continued)****Risk monitoring (continued)****(ii) Interest rate risk in the banking book (continued)**

The earnings approach focuses on the impact of interest rate movements on the Investment Bank's near term earnings. The economic value approach provides a more comprehensive view of the impact of interest rate movements on the economic value of the Investment Bank's overall position, which is subject to approved limits and monitored on a monthly basis.

**(iii) Foreign exchange risk**

Foreign exchange risk is the risk that the value of financial instruments will fluctuate due to changes in foreign currency exchange rates. Significant foreign exchange exposures arising from the holding of monetary assets and liabilities of which cash flows are denominated in a currency other than the Group's functional currency are generally covered using derivative financial instruments, such as foreign exchange forward contracts.

**(iv) Equity risk**

Equity risk is the risk that the value of financial instruments will fluctuate due to changes in equity prices. The Investment Bank's equity risk mainly arises from investment in equity-based instruments and Collective Investment Schemes held for trading and/or yield purpose, as well as from equity underwriting business. Equity risk is managed and monitored through stop loss limits as well as limits set based on the issued share capital/fund size of issuers and the Investment Bank's capital base.

The investment management subsidiary minimises its exposure to market risk arising from holding of manager's stocks by imposing exposure, investment and concentration limits on the funds managed by the subsidiary as well as having in place cut-loss policies to reduce the potential loss in the event of systemic market risk.

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**8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)****8.37 Financial risk management (continued)****(c) Liquidity risk**

Liquidity risk is the risk of loss due to inability to access sufficient funds at a reasonable cost, to meet payment obligations when they fall due.

**Risk management framework and governance**

The Investment Bank's liquidity risk management is governed by the guidelines as stipulated in the ALM Policy.

The ROC is delegated with the formulation, revision and implementation of liquidity risk policy in relation to measurement and management of liquidity. Essentially, the ROC is responsible for reviewing, assessing and monitoring of measurement tools, risk limits, stress test results as well as developing funding strategies. The ROC also provides oversight of structural interest rate risk in managing the Investment Bank's trading and banking books.

Liquidity risk is monitored against the approved limits/ratios as set out in the Investment Bank's Risk Limit Policy. Any limit excesses are reported in accordance with the exception escalation procedures. Review of the liquidity risk limits/ratios is conducted annually.

**Risk monitoring**

Prudent liquidity risk management implies maintaining sufficient liquid assets and the availability of funding through various sources of funding and adequate committed credit facilities to ensure that the Group is able to meet its daily cash flows requirements. The Group manages the funding needs and allocates funds in such a manner that all business units maintain optimum levels of liquidity sufficient for their operations. As part of its liquidity risk management, the Group also focuses on optimising its funding costs and diversifying its funding sources.

The Group practices prudent liquidity risk management to ensure that there is adequate cash flow to meet all its obligations. Sufficient credit facilities are maintained with other financial institutions for contingent working capital and funding requirements.

The Group has in place a contingency funding plan which outlines the composition of the crisis management team, the responsibilities of key personnel and committee, as well as detailed action plans during a liquidity crisis. The contingency funding plan also spells out early warning signs and triggers of impending liquidity crisis.

The primary tool adopted by the Investment Bank in monitoring liquidity risk is via liquidity gap profile, which measures the projected maturity mismatch of the Investment Bank's assets, liabilities and other financial commitments by matching the expected cash inflows and outflows into the relevant time bands based on the behavioural patterns of certain financial instruments. In addition, the Investment Bank employs various liquidity and concentration ratios to manage funding liquidity risk.



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**8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)****8.37 Financial risk management (continued)****(c) Liquidity risk (continued)**

Besides having internal liquidity risk management tools in place, the Investment Bank complies with the BNM Liquidity Framework in assessing its soundness of liquidity standing.

The Investment Bank conducts regular stress testing on its liquidity risk profile whereby the behavioural assumptions, such as deposit withdrawal and facility drawdown are stressed to assess the potential impact on funding liquidity.

**(d) Internal Capital Adequacy Assessment Process (ICAAP)**

The Investment Bank has implemented the ICAAP in accordance to BNM's Risk-Weighted Capital Adequacy Framework (Basel II), which aims to ensure that banking institutions maintain adequate capital levels to support their business activities beyond the minimum regulatory capital requirements as dictated under Pillar 1.

Based on Pillar 1 risks and other material risks identified under Pillar 2, the overall capital adequacy of the Investment Bank shall be assessed in a forward-looking manner that is consistent with its risk profile and business plan, including stressed conditions.

The Investment Bank performs the ICAAP on a half-yearly basis and the results are tabled at the ROC and BRMC for deliberations and remedial actions to be taken, if any. Broadly, the ICAAP methodology involves risk assessment, risk measurement, stress testing and integrated risk & capital planning and reporting.

The ICAAP document is also submitted to Bank Negara Malaysia as a regulatory requirement.

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## 8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## 8.38 Financial instruments

## (a) Classification of financial instruments

The carrying amounts of financial assets available-for-sale and held-to-maturity are as disclosed in the statements of financial position of the Group.

Financial assets and financial liabilities held-for-trading of the Group consists of the following:

	31.7.2013 RM'000	31.7.2012 RM'000	1.8.2011 RM'000	31.7.2011 RM'000
<b>Financial assets</b>				
Securities held-for-trading	55,319	170,089	337,659	337,659
Derivative assets	<u>36,579</u>	<u>16,505</u>	<u>26,734</u>	<u>26,734</u>
	<u>91,898</u>	<u>186,594</u>	<u>364,393</u>	<u>364,393</u>
<b>Financial liabilities</b>				
Derivative liabilities	<u>(45,883)</u>	<u>(22,106)</u>	<u>(28,233)</u>	<u>(28,233)</u>

Loans and receivables of the Group consist of the following:

	31.7.2013 RM'000	31.7.2012 RM'000	1.8.2011 RM'000	31.7.2011 RM'000
<b>Financial assets</b>				
Cash and short term funds	1,167,089	650,603	621,020	621,020
Deposits and placements with banks and other financial institutions	-	-	150,079	150,079
Loans, advances and financing	464,850	371,406	431,191	429,882
Clients' and brokers' balances	225,613	179,126	168,130	168,102
Other financial assets	<u>140,528</u>	<u>59,061</u>	<u>29,828</u>	<u>29,795</u>
	<u>1,998,080</u>	<u>1,260,196</u>	<u>1,400,248</u>	<u>1,398,878</u>

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**8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)****8.38 Financial instruments (continued)****(a) Classification of financial instruments (continued)**

Financial liabilities at amortised cost of the Group consists of the following:

	<b>31.7.2013</b>	31.7.2012	1.8.2011	31.7.2011
	<b>RM'000</b>	RM'000	RM'000	RM'000
<b>Financial liabilities</b>				
Deposits from customers	<b>(678,840)</b>	(737,424)	(809,381)	(809,381)
Deposits and placements of banks and other financial institutions	<b>(1,985,862)</b>	(1,620,456)	(1,558,205)	(1,558,205)
Clients' and brokers' balances	<b>(223,964)</b>	(199,724)	(186,725)	(186,725)
Other financial liabilities	<b>(287,307)</b>	(206,208)	(143,893)	(143,893)
	<b><u>(3,175,973)</u></b>	<u>(2,763,812)</u>	<u>(2,698,204)</u>	<u>(2,698,204)</u>

**(b) Maximum exposure to credit risk**

The financial assets of the Group is subject to credit risk except for actively traded quoted securities held-for-trading, which are subject to price risk and cash in hand.

For financial assets recognised in the statements of financial position which are subject to credit risk, the maximum exposure to credit risk equals their carrying amounts. For credit related commitments or contingencies not recognised in the statements of financial positions, the maximum exposure to credit risk is the full amount of the irrevocable committed facilities or the maximum amount the Group would have to pay if the obligations arising from financial instruments issued being called upon.

The table below presents the maximum exposure to credit risk of the Group as at the end of the reporting period (without taking into account of any collateral held or other credit enhancements) in respect of items not recognised in the statements of financial position.

	<b>31.7.2013</b>	31.7.2012	1.8.2011	31.7.2011
	<b>RM'000</b>	RM'000	RM'000	RM'000
Commitments	<b>123,904</b>	95,995	51,161	51,161
Contingencies	-	5,000	12,500	12,500
	<b><u>123,904</u></b>	<u>100,995</u>	<u>63,661</u>	<u>63,661</u>

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## 8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## 8.38 Financial instruments (continued)

## (c) Collateral and other credit enhancements obtained

The main types of collateral and other credit enhancements obtained by the Group in respect of loans and receivables are as follows:

Classes of loans and receivables	Types of collateral
Share margin financing	(a) Securities quoted on Bursa Securities
	(b) Cash deposits
Term loans	(a) Securities quoted on Bursa Securities
	(b) Unquoted securities
	(c) Properties and other assets
	(d) Debentures and guarantees
Clients' and brokers' balances	(a) Securities quoted on Bursa Securities
	(b) Cash deposits

Trade receivables and other receivables are generally unsecured.

Pledges of collateral are negotiated with the counterparties for the purpose of reducing credit risk. The Group take into consideration the marketability and counterparty of the collateral as well as the adequacy of debt coverage in assessing the acceptability of collateral. The collateral obtained by the Group is valued periodically depending on the types of collateral. Quoted securities are valued based on quoted and observable market prices. Properties are valued based on valuation by independent professional valuers or recent transacted prices of properties in the adjacent locations.

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## 8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## 8.38 Financial instruments (continued)

## (d) Credit quality of financial assets

Exposures of the Group to credit risk as at the end of the reporting period (without taking into account of any collateral held or other credit enhancements and allowances for impairment losses) are as follows:

	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Impaired RM'000
<b>31.7.2013</b>			
Short term funds and deposit placements with financial institutions (exclude cash in hand)	1,167,046	-	-
Securities held-for-trading (exclude quoted securities)	19,890	-	-
Securities AFS	1,206,461	-	-
Securities held-to-maturity	370,268	-	-
Loans, advances and financing	470,326	-	-
Clients' and brokers' balances	224,041	1,419	692
Derivative assets	36,579	-	-
Other financial assets	140,413	52	573
	<b>3,635,024</b>	<b>1,471</b>	<b>1,265</b>
<b>31.7.2012</b>			
Short term funds and deposit placements with financial institutions (exclude cash in hand)	650,561	-	-
Securities held-for-trading (exclude quoted securities)	132,855	-	-
Securities AFS	1,397,569	-	-
Securities held-to-maturity	399,921	-	-
Loans, advances and financing	375,917	-	3,550
Clients' and brokers' balances	176,864	2,053	762
Derivative assets	16,505	-	-
Other financial assets	58,561	438	425
	<b>3,208,753</b>	<b>2,491</b>	<b>4,737</b>
<b>1.8.2011</b>			
Short term funds and deposit placements with financial institutions (exclude cash in hand)	771,055	-	-
Securities held-for-trading (exclude quoted securities)	298,495	-	-
Securities AFS	1,031,721	-	-
Securities held-to-maturity	388,335	-	-
Loans, advances and financing	436,428	-	3,550
Clients' and brokers' balances	166,434	1,236	1,172
Derivative assets	26,734	-	-
Other financial assets	27,849	1,211	1,078
	<b>3,147,051</b>	<b>2,447</b>	<b>5,800</b>

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## 8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## 8.38 Financial instruments (continued)

## (d) Credit quality of financial assets (continued)

	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Impaired RM'000
<b>31.7.2011</b>			
Short term funds and deposit placements with financial institutions (exclude cash in hand)	771,055	-	-
Securities held-for-trading (exclude quoted securities)	298,495	-	-
Securities AFS	1,031,721	-	-
Securities held-to-maturity	388,335	-	-
Loans, advances and financing	436,428	-	3,550
Clients' and brokers' balances	166,434	1,236	1,172
Derivative assets	26,734	-	-
Other financial assets	27,816	1,211	1,078
	<u>3,147,051</u>	<u>2,447</u>	<u>5,800</u>

The financial effect of collateral (quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for loans, advances and financing of the Group is 72% (31.7.2012: 77%; 1.8.2011: 78%). The financial effect of collateral held for other financial assets is not significant.

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## 8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## 8.38 Financial instruments (continued)

## (e) Credit quality of financial assets that are neither past due nor impaired

Short term funds and deposit placements with financial institutions (exclude cash in hand)

Analysis of short term funds and deposit placements with financial institutions of the Group (exclude cash in hand) by counterparty is as follows:

	31.7.2013	31.7.2012	1.8.2011	31.7.2011
	RM'000	RM'000	RM'000	RM'000
Bank balances and deposit placements with:				
Bank Negara Malaysia	219	90	400,816	400,816
Licensed banks in Malaysia	746,431	480,548	291,124	291,124
Licensed investment banks in Malaysia	403,125	161,119	71,027	71,027
Foreign financial institutions	15,129	6,620	6,520	6,520
Others	2,142	2,184	1,568	1,568
	<u>1,167,046</u>	<u>650,561</u>	<u>771,055</u>	<u>771,055</u>

Securities portfolio

Analysis of securities portfolio of the Group by external credit rating (without taking into account of allowances for impairment losses) is as follows:

	External credit rating *					Total
	AAA to AA-	A+ to A-	BBB+ to BBB-	Unrated - sovereign	Unrated - others	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Group</b>						
<b>31.7.2013</b>						
Securities held-for-trading						
Unquoted debt securities	19,890	-	-	-	-	19,890
Securities AFS						
Unquoted debt securities	458,551	25,183	102,455	473,193	147,079	1,206,461
Securities held-to-maturity						
Unquoted debt securities	131,391	31,860	207,017	-	-	370,268
	<u>609,832</u>	<u>57,043</u>	<u>309,472</u>	<u>473,193</u>	<u>147,079</u>	<u>1,596,619</u>

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## 8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## 8.38 Financial instruments (continued)

## (e) Credit quality of financial assets that are neither past due nor impaired (continued)

	External credit rating *					Total RM'ooo
	AAA to AA- RM'ooo	A+ to A- RM'ooo	BBB+ to BBB- RM'ooo	Unrated - sovereign RM'ooo	Unrated - others RM'ooo	
<b>31.7.2012</b>						
Securities held-for-trading						
Unquoted debt securities	56,774	-	5,083	70,998	-	132,855
Securities AFS						
Unquoted debt securities						
Securities HTM	536,996	68,908	69,164	611,559	110,942	1,397,569
Unquoted debt securities	132,406	72,236	195,279	-	-	399,921
	<u>726,176</u>	<u>141,144</u>	<u>269,526</u>	<u>682,557</u>	<u>110,942</u>	<u>1,930,345</u>
<b>1.8.2011</b>						
Securities held-for-trading						
Unquoted debt securities	161,526	85,100	-	51,869	-	298,495
Securities AFS						
Unquoted debt securities	498,257	102,313	46,910	311,661	72,580	1,031,721
Securities held-to-maturity						
Unquoted debt securities	133,374	71,458	183,503	-	-	388,335
	<u>793,157</u>	<u>258,871</u>	<u>230,413</u>	<u>363,530</u>	<u>72,580</u>	<u>1,718,551</u>
<b>31.7.2011</b>						
Securities held-for-trading						
Unquoted debt securities	161,526	85,100	-	51,869	-	298,495
Securities AFS						
Unquoted debt securities	498,257	102,313	46,910	311,661	72,580	1,031,721
Securities held-to-maturity						
Unquoted debt securities	133,374	71,458	183,503	-	-	388,335
	<u>793,157</u>	<u>258,871</u>	<u>230,413</u>	<u>363,530</u>	<u>72,580</u>	<u>1,718,551</u>

\* The credit ratings cited represent ratings by the Malaysian Rating Corporation Berhad with equivalent ratings by other rating agencies being classified similarly.



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## 8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## 8.38 Financial instruments (continued)

## (e) Credit quality of financial assets that are neither past due nor impaired (continued)

Loans, advances and financing

The credit quality of the loans, advances and financing of the Group that are neither past due nor impairment (without taking into account of allowances for impairment losses) is analysed as follows:

## (i) Share margin financing

	31.7.2013 RM'000	31.7.2012 RM'000	1.8.2011 RM'000	31.7.2011 RM'000
Equity margin:				
- 150% or more	168,036	201,562	253,624	253,624
- 130% to less than 150%	-	-	7	7
	<u>168,036</u>	<u>201,562</u>	<u>253,631</u>	<u>253,631</u>

## (ii) Term loans

	31.7.2013 RM'000	31.7.2012 RM'000	1.8.2011 RM'000	31.7.2011 RM'000
Loans which were:				
- neither past due nor impaired in the preceding 6 months	302,290	174,355	182,797	182,797
- past due or impaired in the preceding 6 months	-	-	-	-
	<u>302,290</u>	<u>174,355</u>	<u>182,797</u>	<u>182,797</u>

Clients' and brokers' balances

As at the end of the reporting period, approximately 99% (31.7.2012: 98%; 1.8.2011: 98%) of the amounts due from clients' and brokers' balances arise from regular way purchase contracts whereby delivery of assets purchased is subject to time frame established generally by regulations or convention in the market place.

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## 8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## 8.38 Financial instruments (continued)

## (e) Credit quality of financial assets that are neither past due nor impaired (continued)

Derivative assets

Analysis of derivative assets held by the Group by counterparty is as follows:

	31.7.2013 RM'000	31.7.2012 RM'000	1.8.2011 RM'000	31.7.2011 RM'000
<b>In Malaysia</b>				
Licensed banks	8,324	12,757	25,708	25,708
Licensed investment banks	1,444	-	-	-
Other financial institutions	22,904	2,065	192	192
Business enterprises	230	749	820	820
Individuals	1	7	1	1
	<u>32,903</u>	<u>15,578</u>	<u>26,721</u>	<u>26,721</u>
<b>Outside Malaysia</b>				
Foreign financial institutions	3,676	927	13	13
	<u>36,579</u>	<u>16,505</u>	<u>26,734</u>	<u>26,734</u>

Other financial assets

Analysis of other financial assets of the Group that are neither past due nor impaired by classes of assets is as follows:

	31.7.2013 RM'000	31.7.2012 RM'000	1.8.2011 RM'000	31.7.2011 RM'000
Trade receivables	126,373	43,613	6,163	6,163
Collateral/Margin deposits for derivative transactions	6,587	5,830	12,709	12,709
Others	7,453	9,118	8,977	8,944
	<u>140,413</u>	<u>58,561</u>	<u>27,849</u>	<u>27,816</u>

Trade receivables of the Group mainly arise from corporate finance advisory and research activities.

Collateral/Margin deposits for derivative transactions are placed by the Group in the ordinary course of its business. Other financial assets of the Group as at the end of the reporting period mainly comprise deposits placed by the Group with service providers.

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## 8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## 8.38 Financial instruments (continued)

## (f) Aging analysis of financial assets that are past due but not impaired

The aging analysis of loans and receivables that are past due but not impaired as at the end of the reporting period (without taking into account of any collateral held or other credit enhancements and allowances for impairment losses) are as follows:

	Past due period			Total RM'000
	Less than 1 month RM'000	1 month to < 2 months RM'000	2 months to < 3 months RM'000	
<b>Group</b>				
<b>31.7.2013</b>				
Clients' and brokers' balances	1,419	-	-	1,419
Other financial assets				
Trade receivables	52	-	-	52
	<u>1,471</u>	<u>-</u>	<u>-</u>	<u>1,471</u>
<b>31.7.2012</b>				
Clients' and brokers' balances	2,053	-	-	2,053
Other financial assets				
Trade receivables	267	65	106	438
	<u>2,320</u>	<u>65</u>	<u>106</u>	<u>2,491</u>
<b>1.8.2011</b>				
Clients' and brokers' balances	1,236	-	-	1,236
Other financial assets				
Trade receivables	769	384	58	1,211
	<u>2,005</u>	<u>384</u>	<u>58</u>	<u>2,447</u>
<b>31.7.2011</b>				
Clients' and brokers' balances	1,236	-	-	1,236
Other financial assets				
Trade receivables	769	384	58	1,211
	<u>2,005</u>	<u>384</u>	<u>58</u>	<u>2,447</u>

Loans and receivables, which are past due for less than 3 months, are not usually considered impaired unless the loans and receivables exhibit indications of credit weaknesses. Past due loans and receivables are closely monitored by management to secure debt repayment.

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## 8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## 8.38 Financial instruments (continued)

## (g) Analysis of individually impaired financial assets

	Gross impaired accounts			
	31.7.2013 RM'000	31.7.2012 RM'000	1.8.2011 RM'000	31.7.2011 RM'000
Loans, advances and financing				
Corporate loans	-	3,550	3,550	3,550
Clients' and brokers' balances	692	762	1,172	1,172
Other financial assets				
Trade receivables	573	425	1,078	1,078
	<u>1,265</u>	<u>4,737</u>	<u>5,800</u>	<u>5,800</u>

## (h) Movements in impairment allowances by classes of financial assets

	Loans, advances and financing			
	Share margin financing RM'000	Corporate loans RM'000	Clients' and brokers' balances RM'000	Trade receivables * RM'000
<b>Collective impairment allowance</b>				
<b>MFRS</b>				
<b>2013</b>				
At beginning of the financial year	2,419	2,092	-	-
Net allowance (written back)/made	(570)	1,535	-	-
At end of the financial year	<u>1,849</u>	<u>3,627</u>	-	-
<b>MFRS</b>				
<b>2012</b>				
At beginning of the financial year				
- as previously reported	3,804	2,742	28	31
- effects of transition to MFRS	(760)	(549)	(28)	(31)
- as restated	3,044	2,193	-	-
Net allowance written back	(625)	(101)	-	-
At end of the financial year	<u>2,419</u>	<u>2,092</u>	-	-
<b>FRS</b>				
<b>2011</b>				
At beginning of the financial year				
- as previously reported	3,889	1,918	19	16
- effects of transition to MFRS	-	-	9	15
- as restated	3,889	1,918	28	31
Net allowance (written back)/ made	(85)	824	-	-
At end of the financial year	<u>3,804</u>	<u>2,742</u>	<u>28</u>	<u>31</u>

\* Included in other assets (note 8.9).

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## 8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## 8.38 Financial instruments (continued)

## (h) Movements in impairment allowances by classes of financial assets (continued)

	Loans, advances and financing		Clients' and brokers' balances RM'000	Trade receivables * RM'000
	Share margin financing RM'000	Corporate loans RM'000		
<b>Individual impairment allowance</b>				
<b>2013</b>				
At beginning of the financial year	-	3,550	553	363
Allowance made	-	-	67	147
Amount written back	-	-	(81)	-
Amount written off	-	(3,550)	-	-
At end of the financial year	-	-	539	510
<b>2012</b>				
At beginning of the financial year	-	3,550	712	310
Allowance made	-	-	145	363
Amount written back	-	-	(286)	(12)
Amount written off	-	(3,550)	(18)	(298)
At end of the financial year	-	-	553	363
<b>2011</b>				
At beginning of the financial year	-	8,550	576	488
Allowance made	-	-	237	32
Amount written back	-	(5,000)	(101)	(210)
Amount written off	-	-	-	-
At end of the financial year	-	3,550	712	310

\* Included in other assets (note 8.9).

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## 8.38 Financial instruments (continued)

## (i) Credit risk concentration

The Group determines credit risk concentration by industry sector as disclosed below.

	Short term funds and deposit placements with financial institutions RM'000	Securities held-for- trading RM'000	Securities AFS RM'000	Securities held-to- maturity RM'000	Loans, Advances and financing RM'000	Clients' and brokers' balances RM'000	Other financial assets <sup>(1)</sup> RM'000	Total exposure arising from financial assets and contingencies RM'000
<b>31.7.2013</b>								
Aquaculture and forestry	-	-	9,992	-	-	-	-	9,992
Mining and quarrying	-	-	67,914	93,002	22,758	-	-	183,674
Manufacturing	-	-	51,661	-	39,721	-	26	91,408
Electricity, gas and water	-	-	12,658	131,391	112,048	-	478	256,575
Construction	-	-	71,497	-	-	-	-	71,497
Real estate	-	-	57,174	-	55,340	-	1,309	113,823
Finance and insurance	1,166,827	19,890	170,879	31,860	-	-	66,526	1,455,982
Government and government agencies	219	-	557,815	-	-	-	-	558,034
Wholesale & retail trade and restaurants & hotels	-	-	96,826	114,015	65,442	-	-	276,283
Transport, storage and communication	-	-	62,062	-	-	-	290	62,352
Purchase of securities	-	-	-	-	166,188	225,613	3,732	395,533
Others	-	-	47,533	-	3,353	-	104,746	155,632
	<b>1,167,046</b>	<b>19,890</b>	<b>1,206,011</b>	<b>370,268</b>	<b>464,850</b>	<b>225,613</b>	<b>177,107</b>	<b>3,630,785</b>

(1) Other financial assets include derivative assets and other financial assets (note 8.9).

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## 8.38 Financial instruments (continued)

## (i) Credit risk concentration (continued)

	Short term funds and deposit placements with financial institutions RM'000	Securities held-for- trading RM'000	Securities AFS RM'000	Securities held-to- maturity RM'000	Loans, advances and financing RM'000	Clients' and brokers' balances RM'000	Other financial assets <sup>(1)</sup> RM'000	Total exposure arising from financial assets contingencies RM'000
<b>31.7.2012</b>								
Aquaculture and forestry	-	-	25,176	-	-	-	54	25,230
Mining and quarrying	-	5,083	106,025	87,587	27,936	-	15	226,646
Manufacturing	-	-	-	-	-	-	230	230
Electricity, gas and water	-	-	10,319	132,407	37,061	-	481	180,268
Construction	-	-	82,287	-	-	-	62	82,349
Real estate	-	-	50,346	-	51,880	-	5,997	107,323
Finance and insurance	640,471	-	251,221	42,515	-	-	44,198	978,405
Government and government agencies	90	70,998	695,684	-	-	-	-	766,772
Wholesale & retail trade and restaurants & hotels	-	56,774	112,371	107,691	43,808	-	6	320,650
Transport, storage and communication	-	-	48,910	29,721	-	-	378	79,009
Purchase of securities	-	-	-	-	199,143	179,126	-	378,269
Education and health	-	-	-	-	-	-	227	227
Others	-	-	15,230	-	11,578	-	24,818	51,626
	650,561	132,855	1,397,569	399,921	371,406	179,126	75,566	3,197,004
								100,995

<sup>(1)</sup> Other financial assets include derivative assets and other financial assets (note 8.9).

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## 8.38 Financial instruments (continued)

## (i) Credit risk concentration (continued)

	Short term funds and deposit placements with financial institutions RM'000	Securities held-for- trading RM'000	Securities AFS RM'000	Securities held-to- maturity RM'000	Loans, advances and financing RM'000	Clients' and brokers' balances RM'000	Other financial assets <sup>(1)</sup> RM'000	Total exposure arising from financial assets RM'000	Commitments and contingencies RM'000
<b>1.8.2011</b>									
Aquaculture and forestry	-	-	50,020	-	-	-	-	50,020	-
Mining and quarrying	-	5,182	67,655	82,183	29,658	-	323	185,001	-
Manufacturing	-	-	68,704	-	19,799	-	762	89,265	-
Electricity, gas and water	-	-	4,986	133,374	61,803	-	486	200,649	915
Construction	-	41,954	25,969	-	-	-	398	68,321	25,000
Real estate	-	-	25,202	-	39,535	-	1,655	66,392	-
Finance and insurance	370,239	144,445	272,463	42,973	-	-	44,945	875,065	-
Government and government agencies	400,816	51,869	317,952	-	-	-	-	770,637	-
Wholesale & retail trade and restaurants & hotels	-	55,045	76,171	101,320	29,808	-	178	262,522	17,746
Transport, storage and communication	-	-	46,910	28,485	-	-	240	75,635	20,000
Purchase of securities	-	-	-	-	250,588	168,130	-	418,718	-
Education and health	-	-	75,689	-	-	-	-	75,689	-
Others	-	-	-	-	-	-	7,575	7,575	-
	771,055	298,495	1,031,721	388,335	431,191	168,130	56,562	3,145,489	63,661

(1) Other financial assets include derivative assets and other financial assets (note 8.9).



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## 8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## 8.38 Financial instruments (continued)

## (i) Credit risk concentration (continued)

	Short term funds and deposit placements with financial institutions RM'000	Securities held-for- trading RM'000	Securities AFS RM'000	Securities held-to- maturity RM'000	Loans, advances and financing RM'000	Clients' and brokers' balances RM'000	Other financial assets <sup>(1)</sup> RM'000	Total exposure arising from financial assets RM'000	Commitments and contingencies RM'000
<b>31.7.2011</b>									
Aquaculture and forestry	-	-	50,020	-	-	-	-	50,020	-
Mining and quarrying	-	5,182	67,655	82,183	29,569	-	318	184,907	-
Manufacturing	-	-	68,704	-	19,739	-	752	89,195	-
Electricity, gas and water	-	-	4,986	133,374	61,615	-	486	200,461	915
Construction	-	41,954	25,969	-	-	-	395	68,318	25,000
Real estate	-	-	25,202	-	39,415	-	1,654	66,271	-
Finance and insurance	370,239	144,445	272,463	42,973	-	-	44,939	875,059	-
Government and government agencies	400,816	51,869	317,952	-	-	-	-	770,637	-
Wholesale & retail trade and restaurants & hotels	-	55,045	76,171	101,320	29,717	-	176	262,429	17,746
Transport, storage and communication	-	-	46,910	28,485	-	-	240	75,635	20,000
Purchase of securities	-	-	-	-	249,827	168,102	-	417,929	-
Education and health	-	-	75,689	-	-	-	-	75,689	-
Others	-	-	-	-	-	-	7,569	7,569	-
	771,055	298,495	1,031,721	388,335	429,882	168,102	56,529	3,144,119	63,661

(1) Other financial assets include derivative assets and other financial assets (note 8.9).

Risk concentration for commitments and contingencies represents the full amount of the irrevocable committed facilities or the maximum amount the Group would have to pay if the obligations arising from financial instruments issued being called upon.

As at the end of the reporting period, the Group has no significant concentration of credit risk that may arise from exposures to a single counterparty other than the exposure to a customer which accounts for approximately 36% (31.7.2012: 23%; 1.8.2011: 20%) of the loans, advances and financing of the Group.

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## 8.38 Financial instruments (continued)

## (j) Interest rate risk

The tables below summarise the exposure of the Group to interest rate risk. The non-derivative financial assets and financial liabilities at carrying amount are categorised by the earlier of contractual re-pricing or maturity dates. The interest rate sensitivity gap in respect of derivative financial instruments represents the net notional amounts of interest sensitive derivative financial instruments.

	Non-trading book							Effective interest rate %	
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000		Total RM'000
<b>31.7.2013</b>									
<b>Financial assets</b>									
Cash and short term funds	1,111,871	-	-	-	-	55,218	-	1,167,089	2.99
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	-	-
Securities held-for-trading	-	-	-	-	-	-	55,319	55,319	3.67
Securities AFS	54,977	90,058	159,205	808,622	93,149	206,830	-	1,412,841	3.77
Securities held-to-maturity	-	-	-	370,268	-	-	-	370,268	6.62
Loans, advances and financing:									
- non-impaired	373,879	63,238	-	-	33,209	(5,476) *	-	464,850	6.78
- impaired	-	-	-	-	-	-	-	-	-
Clients' and brokers' balances	2,250	-	-	-	-	223,363	-	225,613	8.00
Other financial assets	6,125	-	-	-	-	134,403	-	140,528	0.12
	<b>1,549,102</b>	<b>153,296</b>	<b>159,205</b>	<b>1,178,890</b>	<b>126,358</b>	<b>614,338</b>	<b>55,319</b>	<b>3,836,508</b>	

\* The negative balance represents collective impairment allowance on loans, advances and financing.

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## 8.38 Financial instruments (continued)

## (j) Interest rate risk (continued)

	Non-trading book					Trading book RM'000	Total RM'000	Effective interest rate %
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000			
<b>31.7.2013</b>								
<b>Financial liabilities</b>								
Deposits from customers and placements of banks and other financial institutions	(306,660)	(151,953)	(219,383)	-	-	-	(678,840)	3-35
Clients' and brokers' balances	(701,342)	(612,937)	(671,583)	-	-	-	(1,985,862)	2.86
Other financial liabilities	(42,420)	-	-	-	-	-	(223,964)	-
	(37,753)	-	-	-	-	-	(287,307)	3.01
	(1,088,175)	(764,890)	(890,966)	-	-	-	(3,175,973)	
<b>Interest sensitivity gap</b>								
- financial assets and liabilities	460,927	(611,594)	(731,761)	1,178,890	126,358	55,319	660,535	
- derivative financial instruments	-	101,454	-	3,456	-	-	104,910	
	460,927	(510,140)	(731,761)	1,182,346	126,358	55,319	765,445	

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## 8.38 Financial instruments (continued)

## (j) Interest rate risk (continued)

	Non-trading book						Effective interest rate %	
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000		Trading book RM'000
<b>31.7.2012</b>								
<b>Financial assets</b>								
Cash and short term funds	558,175	-	-	-	-	92,428	-	650,603
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	-
Securities held-for-trading	80,480	169,647	266,149	707,357	173,936	12,210	157,879	170,089
Securities AFS	5,173	-	34,813	348,959	10,976	182,048	-	1,579,617
Securities held-to-maturity								399,921
Loans, advances and financing:								
- non-impaired	347,641	28,276	-	-	-	(4,511) *	-	371,406
- impaired	-	-	-	-	-	-	-	-
Clients' and brokers' balances	1,838	-	-	-	-	177,288	-	179,126
Other financial assets	5,339	-	-	-	-	53,722	-	59,061
	998,646	197,923	300,962	1,056,316	184,912	513,185	157,879	3,409,823

\* The negative balance represents collective impairment allowance on loans, advances and financing.

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## 8.38 Financial instruments (continued)

## (i) Interest rate risk (continued)

	Up to 1 month RM'000	Non-trading book					Trading book RM'000	Total RM'000	Effective interest rate %
		>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000			
<b>31.7.2012</b>									
<b>Financial liabilities</b>									
Deposits from customers	(658,368)	(49,699)	(29,357)	-	-	-	(737,424)	3.29	
Deposits and placements of banks and other financial institutions	(794,450)	(375,289)	(450,717)	-	-	-	(1,620,456)	3.06	
Clients' and brokers' balances	(65,698)	-	-	-	(134,026)	-	(199,724)	-	
Other financial liabilities	(38,498)	-	-	-	(167,710)	-	(206,208)	2.97	
	(1,557,014)	(424,988)	(480,074)	-	(301,736)	-	(2,763,812)		
<b>Interest sensitivity gap</b>									
- financial assets and liabilities	(558,368)	(227,065)	(179,112)	1,056,316	184,912	157,879	646,011		
- derivative financial instruments	(35,000)	(625,000)	(815,000)	85,000	-	-	(1,390,000)		
	(593,368)	(852,065)	(994,112)	1,141,316	184,912	157,879	(743,989)		

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## 8.38 Financial instruments (continued)

## (j) Interest rate risk (continued)

	Non-trading book						Effective interest rate %		
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000		Trading book RM'000	Total RM'000
<b>1.8.2011</b>									
<b>Financial assets</b>									
Cash and short term funds	508,909	-	-	-	-	112,111	-	621,020	3.01
Deposits and placements with banks and other financial institutions	-	150,079	-	-	-	-	-	150,079	3.24
Securities held-for-trading	-	-	-	-	-	14,032	323,627	337,659	4.28
Securities AFS	42,326	62,636	344,905	531,478	50,376	156,895	-	1,188,616	3.94
Securities held-to-maturity	-	-	-	202,889	185,446	-	-	388,335	6.69
Loans, advances and financing:									
- non-impaired	386,370	50,058	-	-	-	(5,237) *	-	431,191	7.10
- impaired	-	-	-	-	-	-	-	-	-
Clients' and brokers' balances	1,768	-	-	-	-	166,362	-	168,130	8.00
Other financial assets	12,350	-	-	-	-	17,478	-	29,828	0.40
	951,723	262,773	344,905	734,367	235,822	461,641	323,627	3,314,858	

\* The negative balance represents collective impairment allowance on loans, advances and financing.

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## 8.38 Financial instruments (continued)

## (j) Interest rate risk (continued)

	Non-trading book						Effective interest rate %	
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000		Trading book RM'000
<b>1.8.2011</b>								
<b>Financial liabilities</b>								
Deposits from customers	(749,004)	(30,349)	(29,926)	-	-	(102)	-	(809,381)
Deposits and placements of banks and other financial institutions	(1,170,651)	(317,235)	(70,319)	-	-	-	-	(1,558,205)
Clients' and brokers' balances	(53,006)	-	-	-	-	(133,719)	-	(186,725)
Other financial liabilities	(43,644)	-	-	-	-	(100,249)	-	(143,893)
	(2,016,305)	(347,584)	(100,245)	-	-	(234,070)	-	(2,698,204)
<b>Interest sensitivity gap</b>								
- financial assets and liabilities	(1,064,582)	(84,811)	244,660	734,367	235,822	227,571	323,627	616,654
- derivative financial instruments	(105,000)	(470,000)	(1,180,000)	(1,255,000)	-	-	-	(3,010,000)
	(1,169,582)	(554,811)	(935,340)	(520,633)	235,822	227,571	323,627	(2,393,346)

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## 8.38 Financial instruments (continued)

## (j) Interest rate risk (continued)

	Up to 1 month RM'000	Non-trading book					Trading book RM'000	Total RM'000	Effective interest rate %
		>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000			
<b>31.7.2011</b>									
<b>Financial assets</b>									
Cash and short term funds	523,707	-	-	-	-	-	621,020	3.01	
Deposits and placements with banks and other financial institutions	-	150,079	-	-	-	-	150,079	3.24	
Securities held-for-trading	-	-	-	-	14,032	323,627	337,659	4.28	
Securities AFS	42,326	62,636	344,905	531,478	50,376	-	1,188,616	3.94	
Securities held-to-maturity	-	-	-	202,889	185,446	-	388,335	6.69	
Loans, advances and financing: - non-impaired	386,370	50,058	-	-	-	(6,546) *	429,882	7.10	
- impaired	-	-	-	-	-	-	-	-	
Clients' and brokers' balances	1,740	-	-	-	-	-	168,102	8.00	
Other financial assets	12,350	-	-	-	-	-	29,795	0.40	
	966,493	262,773	344,905	734,367	235,822	323,627	3,313,488		

\* The negative balance represents collective impairment allowance on loans, advances and financing.



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## 8.38 Financial instruments (continued)

## (j) Interest rate risk (continued)

	Up to 1 month RM'000	Non-trading book				Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
		>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000						
<b>1.8.2011</b>										
<b>Financial liabilities</b>										
Deposits from customers	(749,004)	(30,349)	(29,926)	-	-	(102)	-	(809,381)	3.35	
Deposits and placements of banks and other financial institutions	(1,170,651)	(317,235)	(70,319)	-	-	-	-	(1,558,205)	3.13	
Clients' and brokers' balances	(53,006)	-	-	-	-	(133,719)	-	(186,725)	-	
Other financial liabilities	(15,855)	(2,241)	-	-	-	(125,797)	-	(143,893)	2.98	
	(1,988,516)	(349,825)	(100,245)	-	-	(259,618)	-	(2,698,204)		
<b>Interest sensitivity gap</b>										
- financial assets and liabilities	(1,022,023)	(87,052)	244,660	734,367	235,822	185,883	323,627	615,284		
- derivative financial instruments	(105,000)	(470,000)	(1,180,000)	(1,255,000)	-	-	-	(3,010,000)		
	(1,127,023)	(557,052)	(935,340)	(520,633)	235,822	185,883	323,627	(2,394,716)		

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## 8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## 8.38 Financial instruments (continued)

## (k) Exposure to foreign exchange risk

The table below sets out the RM equivalent amounts of financial assets, financial liabilities and derivative financial instruments of the Group, which are denominated in foreign currencies as at the end of the reporting period. Non-derivative financial assets and financial liabilities are stated at carrying amounts. Derivatives financial instruments are stated at net notional amounts of derivative contracts.

	US Dollar RM'000	Singapore Dollar RM'000	Australian Dollar RM'000	Hong Kong Dollar RM'000	Other currencies RM'000	Total RM'000
<b>31-7-2013</b>						
<b>Financial assets</b>						
Cash and short term funds	7,453	8,369	7,827	519	1,430	25,598
Securities HFT	15	3	2	-	-	20
Securities AFS	72,202	258,975	-	-	-	331,177
Securities held-to-maturity	207,017	-	-	-	-	207,017
Clients' and brokers' balances	694	374	345	7,117	198	8,728
Other financial assets	12,214	914	2,224	269	6	15,627
	<u>299,595</u>	<u>268,635</u>	<u>10,398</u>	<u>7,905</u>	<u>1,634</u>	<u>588,167</u>
<b>Financial liabilities</b>						
Deposits from customers	(372)	(207)	(1,129)	-	(638)	(2,346)
Deposits and placements of banks and other financial institutions	(330,255)	(3,833)	-	-	-	(334,088)
Clients' and brokers' balances	(6,316)	(528)	(342)	(607)	-	(7,793)
Other financial liabilities	(344)	(790)	(6,320)	-	(191)	(7,645)
	<u>(337,287)</u>	<u>(5,358)</u>	<u>(7,791)</u>	<u>(607)</u>	<u>(829)</u>	<u>(351,872)</u>
<b>Net open position</b>	<b>(37,692)</b>	<b>263,277</b>	<b>2,607</b>	<b>7,298</b>	<b>805</b>	<b>236,295</b>
Derivative financial instruments	76,858	(258,906)	-	-	-	(182,048)
<b>Net open position and derivative financial instruments</b>	<b>39,166</b>	<b>4,371</b>	<b>2,607</b>	<b>7,298</b>	<b>805</b>	<b>54,247</b>

**ACCOUNTANTS' REPORT ON HWANG IB (Cont'd)**

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**8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)****8.38 Financial instruments (continued)****(k) Exposure to foreign exchange risk (continued)**

	US Dollar RM'ooo	Singapore Dollar RM'ooo	Australian Dollar RM'ooo	Hong Kong Dollar RM'ooo	Other currencies RM'ooo	Total RM'ooo
<b>31.7.2012</b>						
<b>Financial assets</b>						
Cash and short term funds	1,688	5,747	1,357	718	1,044	10,554
Securities HFT	6	13	4	-	-	23
Securities AFS	55,542	200,894	-	-	-	256,436
Securities held-to-maturity	224,999	-	-	-	-	224,999
Clients' and brokers' balances	186	1,084	25	6,354	297	7,946
Other financial assets	12,030	-	5,997	147	5	18,179
	<u>294,451</u>	<u>207,738</u>	<u>7,383</u>	<u>7,219</u>	<u>1,346</u>	<u>518,137</u>
<b>Financial liabilities</b>						
Deposits from customers	(674)	-	-	-	(403)	(1,077)
Deposits and placements of banks and other financial institutions	(155,191)	-	-	-	-	(155,191)
Clients' and brokers' balances	(8,148)	(2,694)	(2)	(143)	(86)	(11,073)
Other financial liabilities	(188)	(12)	(6,444)	-	-	(6,644)
	<u>(164,201)</u>	<u>(2,706)</u>	<u>(6,446)</u>	<u>(143)</u>	<u>(489)</u>	<u>(173,985)</u>
Net open position	130,250	205,032	937	7,076	857	344,152
Derivative financial instruments	(102,803)	(200,439)	4	-	(4)	(303,242)
Net open position and derivative financial instruments	<u>27,447</u>	<u>4,593</u>	<u>941</u>	<u>7,076</u>	<u>853</u>	<u>40,910</u>

## ACCOUNTANTS' REPORT ON HWANG IB (Cont'd)



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## 8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## 8.38 Financial instruments (continued)

## (k) Exposure to foreign exchange risk (continued)

	US Dollar RM'ooo	Singapore Dollar RM'ooo	Australian Dollar RM'ooo	Hong Kong Dollar RM'ooo	Other currencies RM'ooo	Total RM'ooo
<b>1.8.2011</b>						
<b>Financial assets</b>						
Cash and short term funds	3,971	3,046	1,406	408	1,042	9,873
Securities HFT	36	-	4	-	-	40
Securities AFS	53,201	160,719	-	-	-	213,920
Securities held-to-maturity	211,988	-	-	-	-	211,988
Clients' and brokers' balances	1,049	3,767	83	3,752	210	8,861
Other financial assets	13,720	-	-	2,884	-	16,604
	<u>283,965</u>	<u>167,532</u>	<u>1,493</u>	<u>7,044</u>	<u>1,252</u>	<u>461,286</u>
<b>Financial liabilities</b>						
Deposits from customers	(2,425)	-	(103)	-	(123)	(2,651)
Deposits and placements of banks and other financial institutions	(89,098)	-	-	-	(222)	(89,320)
Clients' and brokers' balances	(5,458)	(3,690)	(112)	(2,773)	(28)	(12,061)
Other financial liabilities	(4,404)	-	(701)	-	-	(5,105)
	<u>(101,385)</u>	<u>(3,690)</u>	<u>(916)</u>	<u>(2,773)</u>	<u>(373)</u>	<u>(109,137)</u>
Net open position	182,580	163,842	577	4,271	879	352,149
Derivative financial instruments	<u>(163,327)</u>	<u>(159,908)</u>	<u>176</u>	<u>(240)</u>	<u>217</u>	<u>(323,082)</u>
Net open position and derivative financial instruments	<u>19,253</u>	<u>3,934</u>	<u>753</u>	<u>4,031</u>	<u>1,096</u>	<u>29,067</u>

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## 8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## 8.38 Financial instruments (continued)

## (k) Exposure to foreign exchange risk (continued)

	US Dollar RM'000	Singapore Dollar RM'000	Australian Dollar RM'000	Hong Kong Dollar RM'000	Other currencies RM'000	Total RM'000
<b>31.7.2011</b>						
<b>Financial assets</b>						
Cash and short term funds	6,489	6,476	1,596	408	1,042	16,011
Securities HFT	36	-	4	-	-	40
Securities AFS	53,201	160,719	-	-	-	213,920
Securities held-to-maturity	211,988	-	-	-	-	211,988
Clients' and brokers' balances	1,049	3,767	83	3,752	210	8,861
Other financial assets	13,720	-	-	2,884	-	16,604
	<u>286,483</u>	<u>170,962</u>	<u>1,683</u>	<u>7,044</u>	<u>1,252</u>	<u>467,424</u>
<b>Financial liabilities</b>						
Deposits from customers	(2,425)	-	(103)	-	(123)	(2,651)
Deposits and placements of banks and other financial institutions	(89,098)	-	-	-	(222)	(89,320)
Clients' and brokers' balances	(5,458)	(3,690)	(112)	(2,773)	(28)	(12,061)
Other financial liabilities	(6,922)	(3,431)	(891)	(3,212)	-	(14,456)
	<u>(103,903)</u>	<u>(7,121)</u>	<u>(1,106)</u>	<u>(5,985)</u>	<u>(373)</u>	<u>(118,488)</u>
Net open position	182,580	163,841	577	1,059	879	348,936
Derivative financial instruments	(163,327)	(159,908)	176	(240)	217	(323,082)
Net open position and derivative financial instruments	<u>19,253</u>	<u>3,933</u>	<u>753</u>	<u>819</u>	<u>1,096</u>	<u>25,854</u>

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## 8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## 8.38 Financial instruments (continued)

## (1) Market risk sensitivity analysis

Interest rate risk

The table below shows the sensitivity of the financial assets and liabilities of the Group as at the end of the reporting period to reasonable possible changes in interest rates, on the basis that all other variables remain constant.

	31.7.2013 RM'000	(Decrease) + 100 basis points		31.7.2011 RM'000
		31.7.2012 RM'000	1.8.2011 RM'000	
<b>Group</b>				
Impact on:				
- profit before taxation	(384)	(3,961)	(2,701)	(2,701)
- other comprehensive income	<u>(23,688)</u>	<u>(28,119)</u>	<u>(17,108)</u>	<u>(17,108)</u>

	31.7.2013 RM'000	Increase - 100 basis points		31.7.2011 RM'000
		31.7.2012 RM'000	1.8.2011 RM'000	
<b>Group</b>				
Impact on:				
- profit before taxation	384	3,961	2,701	2,701
- other comprehensive income	<u>23,688</u>	<u>28,119</u>	<u>17,108</u>	<u>17,108</u>

Foreign exchange risk

The table below shows the analysis of the impacts arising from reasonable possible changes in the foreign exchange rates to which the Group has significant exposure as at the end of the reporting period, on the basis that all other variables remain constant.

	Changes in foreign exchange rates	31.7.2013 RM'000	Increase/(Decrease) in profit before taxation		
			31.7.2012 RM'000	1.8.2011 RM'000	31.7.2011 RM'000
<b>Group</b>					
US Dollar	+/- 5%	+/- 1,694	+/- 1,105	+/- 1,223	+/- 1,223
Singapore Dollar	+/- 5%	+/- 113	+/- 138	+/- 295	+/- 295
Anstralian Dollar	+/- 5%	+/- 130	+/- 47	+/- 41	+/- 41
Hong Kong Dollar	+/- 5%	+/- 31	+/- 62	+/- 77	+/- 77
		<u>+/- 1,968</u>	<u>+/- 1,352</u>	<u>+/- 1,636</u>	<u>+/- 1,636</u>

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## 8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## 8.38 Financial instruments (continued)

## (1) Market risk sensitivity analysis (continued)

Price risk

The table below shows the analysis of the impacts arising from reasonable possible changes in the prices of the equity instruments (including unit trust funds) which are held by Group as at the end of the reporting period.

	Changes in equity prices	Profit before taxation RM'ooo	Increase/(Decrease) in Other comprehensive income RM'ooo
<b>31.7.2013</b>			
Quoted shares, warrants and REITs	+/- 5%	+/- 1,187	+/- 3,407
Quoted unit trust funds	+/- 1%	117	+/- 1,387
		<u>+/- 1,304</u>	<u>+/- 4,794</u>
<b>31.7.2012</b>			
Quoted shares, warrants and REITs	+/- 5%	+/- 1,251	+/- 740
Quoted unit trust funds	+/- 1%	122	+/- 1,673
		<u>+/- 1,373</u>	<u>+/- 2,413</u>
<b>1.8.2011</b>			
Quoted shares, warrants and REITs	+/- 5%	+/- 1,257	+/- 254
Quoted unit trust funds	+/- 1%	140	+/- 1,518
		<u>+/- 1,397</u>	<u>+/- 1,772</u>
<b>31.7.2011</b>			
Quoted shares, warrants and REITs	+/- 5%	+/- 1,257	+/- 254
Quoted unit trust funds	+/- 1%	140	+/- 1,518
		<u>+/- 1,397</u>	<u>+/- 1,772</u>

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**8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)****8.38 Financial instruments (continued)****(n) Liquidity risk disclosure based on remaining contractual maturity**

The tables below analyses the undiscounted cash flows obligations of the financial liabilities of the Group based on the remaining contractual maturity.

**Non-derivative financial liabilities**

	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
<b>31.7.2013</b>							
<b>Items recognised in the statements of financial position</b>							
Deposits from customers	(307,860)	(152,656)	(223,646)	-	-	-	(684,162)
Deposits and placements of banks and other financial institutions	(701,876)	(615,859)	(684,400)	-	-	-	(2,002,135)
Clients' and brokers' balances	(223,964)	-	-	-	-	-	(223,964)
Other financial liabilities	(235,403)	(3,346)	(9,224)	-	-	(39,334)	(287,307)
	<u>(1,469,103)</u>	<u>(771,861)</u>	<u>(917,270)</u>	<u>-</u>	<u>-</u>	<u>(39,334)</u>	<u>(3,197,568)</u>
<b>Items not recognised in the statements of financial position</b>							
Commitments	(123,904)	-	-	-	-	-	(123,904)
Contingencies	-	-	-	-	-	-	-
	<u>(123,904)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(123,904)</u>
<b>Total</b>	<b><u>(1,556,911)</u></b>	<b><u>(771,861)</u></b>	<b><u>(917,270)</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>(39,334)</u></b>	<b><u>(3,285,376)</u></b>



**ACCOUNTANTS' REPORT ON HWANG IB (Cont'd)**

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**8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)****8.38 Financial instruments (continued)****(n) Liquidity risk disclosure based on remaining contractual maturity (continued)****Non-derivative financial liabilities (continued)**

	Up to 1 month RM'ooo	>1 - 3 months RM'ooo	>3 - 12 months RM'ooo	>1 - 5 years RM'ooo	Over 5 years RM'ooo	No specific maturity RM'ooo	Total RM'ooo
<b>31.7.2012</b>							
<b>Items recognised in the statements of financial position</b>							
Deposits from customers	(659,043)	(49,989)	(29,977)	-	-	-	(739,009)
Deposits and placements of banks and other financial institutions	(795,236)	(377,171)	(460,393)	-	-	-	(1,632,800)
Clients' and brokers' balances	(199,724)	-	-	-	-	-	(199,724)
Other financial liabilities	(163,026)	(1,752)	(6,061)	-	-	(35,369)	(206,208)
	<u>(1,817,029)</u>	<u>(428,912)</u>	<u>(496,431)</u>	-	-	<u>(35,369)</u>	<u>(2,777,741)</u>
<b>Items not recognised in the statements of financial position</b>							
Commitments	(95,995)	-	-	-	-	-	(95,995)
Contingencies	(5,000)	-	-	-	-	-	(5,000)
	<u>(100,995)</u>	-	-	-	-	-	<u>(100,995)</u>
<b>Total</b>	<u><b>(1,918,024)</b></u>	<u><b>(428,912)</b></u>	<u><b>(496,431)</b></u>	-	-	<u><b>(35,369)</b></u>	<u><b>(2,878,736)</b></u>

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## 8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## 8.38 Financial instruments (continued)

## (n) Liquidity risk disclosure based on remaining contractual maturity (continued)

Non-derivative financial liabilities (continued)

	Up to 1 month RM'ooo	>1 - 3 months RM'ooo	>3 - 12 months RM'ooo	>1 - 5 years RM'ooo	Over 5 years RM'ooo	No specific maturity RM'ooo	Total RM'ooo
<b>1.8.2011</b>							
<b>Items recognised in the statements of financial position</b>							
Deposits from customers	(749,839)	(30,522)	(30,344)	-	-	-	(810,705)
Deposits and placements of banks and other financial institutions	(1,171,597)	(319,065)	(71,185)	-	-	-	(1,561,847)
Clients' and brokers' balances	(186,725)	-	-	-	-	-	(186,725)
Other financial liabilities	(113,353)	(800)	(3,549)	-	-	(26,191)	(143,893)
	<u>(2,221,514)</u>	<u>(350,387)</u>	<u>(105,078)</u>	-	-	<u>(26,191)</u>	<u>(2,703,170)</u>
<b>Items not recognised in the statements of financial position</b>							
Commitments	(31,161)	-	(20,000)	-	-	-	(51,161)
Contingencies	(12,500)	-	-	-	-	-	(12,500)
	<u>(43,661)</u>	-	<u>(20,000)</u>	-	-	-	<u>(63,661)</u>
<b>Total</b>	<u>(2,177,853)</u>	<u>(350,387)</u>	<u>(125,078)</u>	-	-	<u>(26,191)</u>	<u>(2,639,509)</u>

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**8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)****8.38 Financial instruments (continued)****(n) Liquidity risk disclosure based on remaining contractual maturity (continued)****Non-derivative financial liabilities (continued)**

	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
<b>31.7.2011</b>							
<b>Items recognised in the statements of financial position</b>							
Deposits from customers	(749,839)	(30,522)	(30,344)	-	-	-	(810,705)
Deposits and placements of banks and other financial institutions	(1,171,597)	(319,065)	(71,185)	-	-	-	(1,561,847)
Clients' and brokers' balances	(186,725)	-	-	-	-	-	(186,725)
Other financial liabilities	(113,353)	(800)	(3,549)	-	-	(26,191)	(143,893)
	<u>(2,221,514)</u>	<u>(350,387)</u>	<u>(105,078)</u>	<u>-</u>	<u>-</u>	<u>(26,191)</u>	<u>(2,703,170)</u>
<b>Items not recognised in the statements of financial position</b>							
Commitments	(31,161)	-	(20,000)	-	-	-	(51,161)
Contingencies	(12,500)	-	-	-	-	-	(12,500)
	<u>(43,661)</u>	<u>-</u>	<u>(20,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(63,661)</u>
<b>Total</b>	<u><b>(2,177,853)</b></u>	<u><b>(350,387)</b></u>	<u><b>(125,078)</b></u>	<u><b>-</b></u>	<u><b>-</b></u>	<u><b>(26,191)</b></u>	<u><b>(2,639,509)</b></u>

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## 8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## 8.38 Financial instruments (continued)

(n) Liquidity risk disclosure based on remaining contractual maturity  
(continued)

Derivative liabilities

	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	>1 - 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
<b>31.7.2013</b>							
Net settled	(88)	(483)	-	-	-	-	(571)
Gross settled							
Inflow	103,177	395,668	275,322	402,210	-	-	1,176,377
Outflow	(104,625)	(407,885)	(283,471)	(414,820)	-	-	(1,210,801)
	(1,448)	(12,217)	(8,149)	(12,610)	-	-	(34,424)
<b>Total</b>	<b>(1,536)</b>	<b>(12,700)</b>	<b>(8,149)</b>	<b>(12,610)</b>	<b>-</b>	<b>-</b>	<b>(34,995)</b>
<b>31.7.2012</b>							
Net settled	(240)	(1,585)	(4,072)	(678)	-	-	(6,575)
Gross settled							
Inflow	179,247	25,126	349,104	119,862	-	-	673,339
Outflow	(181,238)	(25,600)	(353,929)	(127,394)	-	-	(688,161)
	(1,991)	(474)	(4,825)	(7,532)	-	-	(14,822)
<b>Total</b>	<b>(2,231)</b>	<b>(2,059)</b>	<b>(8,897)</b>	<b>(8,210)</b>	<b>-</b>	<b>-</b>	<b>(21,397)</b>
<b>1.8.2011</b>							
Net settled	(231)	(1,586)	(3,193)	(3,684)	-	-	(8,694)
Gross settled							
Inflow	134,732	251,992	41,283	184,731	-	-	612,738
Outflow	(135,581)	(257,196)	(42,045)	(199,069)	-	-	(633,891)
	(849)	(5,204)	(762)	(14,338)	-	-	(21,153)
<b>Total</b>	<b>(1,080)</b>	<b>(6,790)</b>	<b>(3,955)</b>	<b>(18,022)</b>	<b>-</b>	<b>-</b>	<b>(29,847)</b>
<b>31.7.2011</b>							
Net settled	(231)	(1,586)	(3,193)	(3,684)	-	-	(8,694)
Gross settled							
Inflow	134,732	251,992	41,283	184,731	-	-	612,738
Outflow	(135,581)	(257,196)	(42,045)	(199,069)	-	-	(633,891)
	(849)	(5,204)	(762)	(14,338)	-	-	(21,153)
<b>Total</b>	<b>(1,080)</b>	<b>(6,790)</b>	<b>(3,955)</b>	<b>(18,022)</b>	<b>-</b>	<b>-</b>	<b>(29,847)</b>

**ACCOUNTANTS' REPORT ON HWANG IB (Cont'd)**

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**8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)****8.38 Financial instruments (continued)****(o) Fair value of financial instruments**

The fair value of a financial instrument is the amount at which the instrument could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction.

The methods and assumptions used in estimating the fair values of financial instruments are as follows:

**(i) Cash and short term funds**

The carrying amount of cash and short term funds is a reasonable estimate of fair value.

**(ii) Deposits and placements with banks and other financial institutions**

For deposits and placements with banks and financial institutions with maturities of less than one year, the carrying amount is a reasonable estimate of fair value. For deposits and placements with maturities of one year and above, the estimated fair value is based on discounted cash flows using prevailing money market interest rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

**(iii) Securities portfolio**

The estimated fair values of securities are generally based on quoted and observable market prices. In the absence of such quoted prices, the fair values are based on the expected cash flows of the securities discounted by indicative market yields for similar instruments as at the end of the reporting period.

**(iv) Loans, advances and financing**

For floating rate loans and fixed rate loans with remaining period to maturity of less than one year, the carrying amounts are generally reasonable estimates of their fair values.

For fixed rate loans with remaining period to maturity of one year and above, fair values are estimated by discounting the estimated future cash flows using the prevailing market rates of loans with similar credit risks and maturities.

The estimated fair value of fixed rate share margin financing approximates the carrying amount as the amount is deemed repayable on demand.

The fair values of impaired loans are represented by their carrying amounts, net of impairment allowances, being the expected recoverable amounts of the loans.

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**8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)****8.38 Financial instruments (continued)****(o) Fair value of financial instruments (continued)**

The methods and assumptions used in estimating the fair values of financial instruments are as follows (continued):

**(v) Clients' and brokers' balances**

The carrying amount of clients' and brokers' balances is a reasonable estimate of fair value due to their short term tenure of less than one year.

**(vi) Derivative financial instruments**

The fair values of derivative financial instruments are obtained from quoted market rates in active market, including recent market transactions and valuation techniques, such as discounted cash flow models, as appropriate.

**(vii) Deposits from customers**

For deposits from customers with maturities of less than one year, the carrying amounts are a reasonable estimate of their fair values. For deposits with maturities of one year or more, fair values are estimated based on discounted cash flows using prevailing market interest rates for deposits with similar remaining period to maturity.

**(viii) Deposits and placements of banks and other financial institutions**

The estimated fair values of deposits and placements of banks and other financial institutions with maturities of less than one year approximate the carrying values. For deposits and placements with maturities of one year or more, the fair values are estimated based on discounted cash flows using prevailing money market interest rates for deposits and placements with similar remaining period to maturity.

**(ix) Other financial assets and liabilities**

The carrying amounts of other financial assets and liabilities less any estimated impairment allowances included in other assets and liabilities are assumed to approximate their fair values as these items are not materially sensitive to the shift in market interest rates.

## ACCOUNTANTS' REPORT ON HWANG IB (Cont'd)



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## 8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## 8.38 Financial instruments (continued)

## (o) Fair value of financial instruments (continued)

**Financial instruments measured at fair value**

The Group classify financial instruments measured at fair value based on the following fair value hierarchy, which reflects the significance of the inputs used in fair value measurement:

- Level 1 - Quoted price (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted price included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 - Inputs for the assets and liabilities that are not based on observable market data (unobservable inputs)

The table below presents the financial assets and liabilities of the Group, which are measured at fair value, classified by level of the fair value hierarchy.

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>31.7.2013</b>				
<b>Financial assets</b>				
Securities held-for-trading				
Quoted securities	35,429	-	-	35,429
Unquoted debt securities	-	19,890	-	19,890
Securities AFS				
Quoted securities	206,830	-	-	206,830
Unquoted debt securities	-	1,206,011	-	1,206,011
Derivative assets	-	36,579	-	36,579
	<u>242,259</u>	<u>1,262,480</u>	<u>-</u>	<u>1,504,739</u>
<b>Financial liabilities</b>				
Derivative liabilities	-	(45,883)	-	(45,883)
<b>31.7.2012</b>				
<b>Financial assets</b>				
Securities held-for-trading				
Quoted securities	37,234	-	-	37,234
Unquoted debt securities	-	132,855	-	132,855
Securities AFS				
Quoted securities	182,048	-	-	182,048
Unquoted debt securities	-	1,397,569	-	1,397,569
Derivative assets	-	16,505	-	16,505
	<u>219,282</u>	<u>1,546,929</u>	<u>-</u>	<u>1,766,211</u>
<b>Financial liabilities</b>				
Derivative liabilities	-	(22,106)	-	(22,106)

## ACCOUNTANTS' REPORT ON HWANG IB (Cont'd)



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## 8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## 8.38 Financial instruments (continued)

## (o) Fair value of financial instruments (continued)

Financial instruments measured at fair value (continued)

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>1.8.2011</b>				
<b>Financial assets</b>				
Securities held-for-trading				
Quoted securities	39,164	-	-	39,164
Unquoted debt securities	-	298,495	-	298,495
Securities AFS				
Quoted securities	156,895	-	-	156,895
Unquoted debt securities	-	1,031,721	-	1,031,721
Derivative assets	-	26,734	-	26,734
	<u>196,059</u>	<u>1,356,950</u>	<u>-</u>	<u>1,553,009</u>
<b>Financial liabilities</b>				
Derivative liabilities	-	(28,233)	-	(28,233)
<b>31.7.2011</b>				
<b>Financial assets</b>				
Securities held-for-trading				
Quoted securities	39,164	-	-	39,164
Unquoted debt securities	-	298,495	-	298,495
Securities AFS				
Quoted securities	156,895	-	-	156,895
Unquoted debt securities	-	1,031,721	-	1,031,721
Derivative assets	-	26,734	-	26,734
	<u>196,059</u>	<u>1,356,950</u>	<u>-</u>	<u>1,553,009</u>
<b>Financial liabilities</b>				
Derivative liabilities	-	(28,233)	-	(28,233)

There was no transfer between Level 1 and 2 during the current and previous financial years.

As at the end of the reporting period, the fair values of financial instruments of the Group, which are not measured at fair value, approximate their carrying amounts, except as disclosed below:



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## 8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## 8.38 Financial instruments (continued)

## (o) Fair value of financial instruments (continued)

Financial instruments measured at fair value (continued)

	31.7.2013		31.7.2012	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
<b>Financial assets</b>				
Securities held-to-maturity (note 8.5)	<u>370,268</u>	<u>399,827</u>	<u>399,921</u>	<u>438,180</u>
	1.8.2011		31.7.2011	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
<b>Financial assets</b>				
Securities held-to-maturity (note 8.5)	<u>388,335</u>	<u>428,589</u>	<u>388,335</u>	<u>428,589</u>

## 8.39 Transition to MFRS

- (a) The Group has applied the following relevant mandatory exception and optional exemption to retrospective application of MFRSs in the opening MFRS statements of financial position as at 1 August 2011 (transition date), as provided in MFRS 1:

## (i) Mandatory exception

Estimates

In the previous financial years, the financial statements of the Group was prepared in accordance with the Financial Reporting Standards in Malaysia ("FRS"). The MFRS estimates as at the transition date are consistent with the estimates as at the same date made in conformity with FRS.

## (ii) Optional exemption

Business combinations

MFRS 1 provides the option to apply MFRS 3, Business Combinations prospectively for business combinations that occurred from the transition date or from a designated date prior to the transition date. This provides relief from full retrospective application that would require restatement of all business combinations prior to the transition date or a designated date prior to the transition date. The Group elected to apply MFRS 3 prospectively to business combinations that occurred after 1 August 2011. In addition, the Group has also applied MFRS 127, Separate Financial Statements from the same date.

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## 8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## 8.39 Transition to MFRS (continued)

## (b) MFRS 139, Financial Instruments: Recognition and Measurement

Prior to the transition to MFRS, the collective impairment allowance of the Group was maintained at 1.5% of the total outstanding loans/financing, net of individual impairment allowance, as set out as a transitional provision in the BNM Guidelines on Classification and Impairment Provisions for Loans/Financing.

Upon transition to MFRS, the BNM transitional provision has been removed and banking institutions are required to comply with the requirements of MFRS 139 and the revised BNM Guidelines on Classification and Impairment Provisions for Loans/Financing in determining collective impairment allowances. In accordance with MFRS 139, the Group groups its loans/financing by similar credit risk characteristics and collective impairment allowance is made based on estimated loan loss rates, which are computed based on historical loan loss experience and periodically adjusted based on current observable data. Loans/Financing that have been individually assessed for impairment and found not to be individually impaired are to be grouped for collective assessment of impairment.

The effects of the change in accounting policy have been accounted for retrospectively.

## (c) Reconciliation of equity

	<u>Effects of:</u>		
	<u>As previously reported Dr./ (Cr.) RM'000</u>	<u>Transition to MFRS Dr./ (Cr.) RM'000</u>	<u>As Restated Dr./ (Cr.) RM'000</u>
<b>31.7.2012</b>			
Equity	(933,774)	(878)	(934,652)
Loans, advances and financing	370,278	1,128	371,406
Clients' and brokers' balances (Dr.)	179,097	29	179,126
Other assets	67,541	13	67,554
Tax recoverable	5,351	(292)	5,059
	<u>622,267</u>	<u>878</u>	<u>623,145</u>
<b>1.8.2011</b>			
Equity	(898,117)	(1,028)	(899,145)
Loans, advances and financing	429,882	1,309	431,191
Clients' and brokers' balances (Dr.)	168,102	28	168,130
Other assets	38,250	33	38,283
Deferred tax assets	7,095	(342)	6,753
	<u>643,329</u>	<u>1,028</u>	<u>644,357</u>

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## 8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## 8.39 Transition to MFRS (continued)

## (d) Reconciliation of total comprehensive income

	As previously reported Dr./ (Cr.) RM'000	Effects of:	
		Transition to MFRS Dr./ (Cr.) RM'000	As Restated Dr./ (Cr.) RM'000
<b>31.7.2012</b>			
Total comprehensive income	(66,526)	148	(66,378)
Allowance/(Write back of allowance) for losses on:			
- Loans, advances and financing	(907)	181	(726)
- Clients' balances and receivable	(499)	17	(482)
Taxation	19,901	(50)	19,851
	18,495	148	18,643

## (e) Effects on statements of cash flows

There are no material adjustments made to comparative statements of cash flows of the Group for the financial year ended 31 July 2012 and 31 July 2011.

## 8.40 Adoption of MIA FRSIC 18 in the FRS financial statements for the financial year ended 31 July 2011

## (a) FRSIC Consensus 18, Monies Held in Trust by Participating Organisations of Bursa Securities

FRSIC Consensus 18 was issued by MIA on 18 September 2012 as a best practice guidance in respect of accounting for monies held in trust by participating organisations of Bursa Securities. The consensus is that recognition of trust monies as part of a participating organisation's assets with corresponding liabilities is inappropriate based on the MFRS framework as the participating organisation does not have any control over the trust monies to obtain the future economic benefits embodied in the trust monies and does not have any contractual or statutory obligation to its clients on the money deposited in the trust account that would result in an outflow of resources from the participating organisation. FRSIC Consensus 18 is solely applicable to clients' trust monies held by participating organisations of Bursa Securities.

Following FRSIC Consensus 18, clients' monies held in trust by HwangDBS Investment Bank Berhad, which is a participating organisation of Bursa Securities, are no longer recognised as assets and similarly, no corresponding liabilities are accounted for in the statements of financial position of the Group. Previously, clients' monies held in trust by the Group were accounted as assets and the corresponding liabilities were recognised in the statements of financial position of the Group.

The effects of the change in accounting policy have been accounted for retrospectively.

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**8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)****8.40 Adoption of MIA FRSIC 18 in the FRS financial statements for the financial year ended 31 July 2011 (continued)****(b) Reconciliation of statement of financial position**

	<b>As</b>	<b>Effects of:</b>	
	<b>previously</b>	<b>FRSIC</b>	<b>As</b>
	<b>reported</b>	<b>Consensus</b>	<b>Restated</b>
	<b>Dr./ (Cr.)</b>	<b>18</b>	<b>Dr./ (Cr.)</b>
	<b>RM'000</b>	<b>Dr./ (Cr.)</b>	<b>RM'000</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>31.7.2011</b>			
Cash and short term funds	823,384	(202,364)	621,020
Deposits and placements with banks and other financial institutions	152,320	(2,241)	150,079
Other liabilities	(348,498)	204,605	(143,893)
	<u>627,206</u>	<u>-</u>	<u>627,206</u>

**(c) Effects on statements of comprehensive income, cash flows and changes in equity**

There is no impact to the statements of comprehensive income, cash flows and changes in equity of the Group for the financial year ended 31 July 2011.

**8.41 Significant event**

On 15 April 2013, the immediate and ultimate holding company, Hwang-DBS (Malaysia) Berhad ("HDBSM") obtained permission from Bank Negara Malaysia via its letter dated 12 April 2013 for HDBSM to commence preliminary negotiations with AMMB Holdings Berhad and Affin Holdings Berhad for the potential disposal of its equity interest in the Bank. BNM's approval to commence negotiations is valid for a period of six months. HDBSM has also commenced preliminary negotiations with AMMB Holdings Berhad and Affin Holdings Berhad for the potential disposal of its equity interests in other financial services businesses of the Group.

## ACCOUNTANTS' REPORT ON HWANG IB (Cont'd)



**The Board of Directors**  
**AFFIN Holdings Berhad**  
**PwC/SHKY/TCW/NSZ/py/0129C**  
**28 May 2014**

## 8 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 8.42 Subsequent events

- (a) On 4 September 2013, the holding company, Hwang-DBS (Malaysia) Berhad ("HDBSM") entered into an exclusivity agreement with Affin Holdings Berhad ("AHB") in relation to the proposed disposals of its equity interests in amongst others, the following entities:
- (i) 100% direct equity interest in HwangDBS Investment Bank Berhad ("Hwang IB" or "the Bank");
  - (ii) 100% indirect equity interest held by the Bank in a subsidiary, HDM Nominees (Asing) Sdn. Bhd.; and
  - (iii) 100% indirect equity interest held by the Bank in a subsidiary, HDM Nominees (Tempatan) Sdn. Bhd.

Applications will be submitted to the relevant authorities for approval in relation to the proposed disposals. The proposed disposals are expected to be completed in the first half of year 2014.

- (b) On 18 October 2013, Hwang IB, a wholly owned subsidiary of HDBSM entered into a Sale and Purchase Agreement ("SPA") with Putrajaya Ventures Sdn Bhd for the disposal of an investment property free from encumbrances and subject to the terms and conditions, as stipulated in the SPA, for a total cash consideration of RM82,500,000.
- (c) On 7 April 2014, the acquisition by Affin Holdings Berhad of the Hwang IB Shares (after the completion of the Pre-Closing Reorganisation) held by HDBSM and the acquisition of 17% Hwang Investment Management Berhad's ("Hwang IM") shares held by the Minority Shareholder were completed.

Acquisition of the 17% Hwang IM shares held by the minority Shareholder has increased Hwang IB Group interest in Hwang IM to 70%.

Yours faithfully,

PRICEWATERHOUSECOOPERS  
 (No. AF: 1146)  
 Chartered Accountants

SOO HOO KHOON YEAN  
 (No. 2682/10/15 (J))  
 Chartered Accountant

Kuala Lumpur

**DIRECTORS' REPORT****AFFIN HOLDINGS****Registered Office:**

7<sup>th</sup> Floor, Chulan Tower,  
3 Jalan Conlay,  
50450 Kuala Lumpur,  
Malaysia.

Date: 5 June 2014

To: **The Entitled Shareholders of AFFIN Holdings Berhad**

Dear Sir/Madam,

On behalf of the Board of Directors of AFFIN Holdings Berhad ("**AFFIN**" or "**the Company**") ("**Board**"), I wish to report, after due enquiry, that during the period between 31 December 2013 (being the date to which the last audited financial statements of AFFIN and its subsidiaries ("**AFFIN Group**") have been made up) and the date of this letter (being a date not earlier than 14 days before the date of issuance of this Abridged Prospectus):

- (a) the business of the AFFIN Group has, in the opinion of the Board, been satisfactorily maintained;
- (b) in the opinion of the Board, no circumstances have arisen since the last audited financial statements of the AFFIN Group which have adversely affected the trading or the value of the assets of the AFFIN Group;
- (c) the current assets of the AFFIN Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) save as disclosed in this Abridged Prospectus, there are no material contingent liabilities which have arisen by reason of any guarantees or indemnities given by the AFFIN Group;
- (e) since the last audited financial statements of the AFFIN Group, there is no default or any known event that could give rise to a default situation, on payments of either interest and/or principal sums for any borrowing. This applies for all the corporations under AFFIN Group; and
- (f) there have not been, since the last audited financial statements of the AFFIN Group, any material change in the published reserves or any unusual factors affecting the profits of the AFFIN Group.

Yours faithfully,  
For and on behalf of the Board of  
**AFFIN HOLDINGS BERHAD**



**TAN SRI DATO' SERI LODIN BIN WOK KAMARUDDIN**  
Non-Independent Non- Executive Deputy Chairman

**ADDITIONAL INFORMATION**

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**1. SHARE CAPITAL**

- (a) Save for the Rights Shares, no securities will be allotted or issued on the basis of this Abridged Prospectus later than twelve (12) months after the date of issue of this Abridged Prospectus.
- (b) As at the date of this Abridged Prospectus, there are no founder, management or deferred shares in our Company. There is only one class of shares in our Company, namely ordinary shares of RM1.00 each, all of which rank *pari passu* with one another.
- (c) Save for the Rights Issue, no securities of our Company have been issued, or proposed/agreed to be issued either as fully or partly paid-up in cash or otherwise than in cash within the two (2) years immediately preceding the date of this Abridged Prospectus.
- (d) Save for the Rights Issue, no person has been or is entitled to be granted an option to subscribe for any securities of our Company as at the date of this Abridged Prospectus.

**2. DIRECTORS' REMUNERATION**

The extract of the provisions in our Company's Articles of Association in relation to the remuneration of our Directors are as follows (capitalised terms mentioned are as defined in our Company's Articles of Association):

**(a) Article 97**

The fees of the Directors shall from time to time be determined by an ordinary resolution of the Company in general meeting but the remuneration of the executive directors shall from time to time be determined by the Board. The fees payable to Directors shall not be increased except pursuant to a resolution passed at general meeting when notice of the proposed increase has been given in the notice convening the meeting. The fees payable to non-executive Directors shall be a fixed sum and not by a commission on or percentage of profits or turnover and be divisible among the Directors as they may agree, or failing agreement, equally, except that any Director holding office for part only of a year shall be entitled to a proportionate part of a full year's remuneration. The remuneration payable to executive Directors shall not include a commission on or percentage of turnover. Any fee paid to an alternate Directors shall be agreed between him and his appointor and shall be deducted from his appointor's remuneration.

**(b) Article 98**

The Directors shall be entitled to be reimbursed for all travelling or such reasonable expenses as may be incurred in attending and returning from meetings of the Board or of committees of the Board or general meetings or otherwise howsoever in connection with the business of the Company.

**ADDITIONAL INFORMATION (Cont'd)****(c) Article 99**

The Directors may grant special remuneration to any Director who (on request by the Directors) is willing to perform or render any special duties or services outside his ordinary duties as a Director or to go or reside away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors. Such special remuneration may be paid to such Director in addition to or in substitution for his ordinary remuneration as a Director and may be paid by way of a fixed sum or otherwise as may be arranged Provided Always that such special remuneration shall not be by a commission on or percentage of profits or turnover.

**3. MATERIAL CONTRACTS**

Save as disclosed below neither we nor our subsidiaries have entered into any material contracts (not being contracts in the ordinary course of business) during the two (2) years immediately preceding the date of this Abridged Prospectus:

- (a) The Exclusivity Agreement dated 4 September 2013 entered into between our Company and Hwang-DBS in relation to the Acquisition to regulate, inter alia, the parties' efforts in pursuit of their respective applications to BNM for approval on the terms and conditions therein. This agreement has been completed;
- (b) On 18 October 2013, Hwang IB entered into a sale and purchase agreement with Putrajaya Ventures Sdn Bhd to dispose-off 1.3 acres of freehold land held under Geran Mukim 62, Lot 155 Seksyen 89A, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Negeri Wilayah Persekutuan Kuala Lumpur, together with a commercial building erected thereon bearing address no. 227, Jalan Ampang, 50450 Kuala Lumpur, Malaysia for a total cash consideration of RM82.50 million. The disposal has been completed on 15 January 2014;
- (c) The SPA which was completed on 7 April 2014;
- (d) The facility agreements all dated 28 March 2014 between AFFIN and each of (a) RHB Bank Berhad, RHB Investment Bank Berhad and OCBC Bank (Malaysia) Berhad, (b) RHB Bank Berhad and OCBC Bank (Malaysia) Berhad and (c) RHB Islamic Bank Berhad (collectively, the "**Lenders**") for an aggregate bridge loan facility of up to RM1,400 million to fund the Acquisition ("**Bridge Loans**") with a tenure of one (1) year from the date the Bridge Loans are drawn down at an interest cost calculated based on the Lenders' cost of funds plus 0.75% per annum, subject to the terms and conditions contained therein; and
- (e) The Management and Underwriting Agreement dated 29 May 2014.



**ADDITIONAL INFORMATION (Cont'd)**

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**4. MATERIAL LITIGATION**

As at date of this Abridged Prospectus, our Company and our subsidiary companies are not engaged in any other material litigation, claims or arbitration either as plaintiff or defendant or otherwise and the Directors of our Company are not aware of any proceedings pending or threatened against our Company and/or our subsidiary companies, or of any facts likely to give rise to any proceedings which might materially or adversely affect the financial position or business of our Company and/or our subsidiary companies.

**5. CONSENTS**

- (a) Our Principal Adviser and Co-ordinator, Company Secretary, Share Registrar, Special Share Registrar, Principal Bankers, Solicitors for the Rights Issue, Solicitors for Credit Suisse, the Joint Underwriters and Bloomberg (Malaysia) Sdn Bhd have given their written consents to the inclusion in this Abridged Prospectus of their names and all references thereto in the form, manner and context in which they appear before the issuance of this Abridged Prospectus and their consents have not subsequently been withdrawn; and
- (b) Our Auditors and Reporting Accountants has given its consent to the inclusion in this Abridged Prospectus of its name, Pro Forma Consolidated Statements of Financial Position and the Reporting Accountants' letter thereon as set out in Appendix III of this Abridged Prospectus, the Auditors' Report for our audited consolidated financial statements for the FYE 31 December 2013 as set out in Appendix IV of this Abridged Prospectus and all references thereto in the form, manner and context in which they appear before the issuance of this Abridged Prospectus and their consent has not subsequently been withdrawn.

**6. GENERAL**

- (a) The nature of our Company's business is disclosed in Section 1 of Appendix II of this Abridged Prospectus. The details of our subsidiary and associated companies as at the LPD are disclosed in Section 5 of Appendix II of this Abridged Prospectus.
- (b) The estimated expenses of the Rights Issue will be borne by our Company as disclosed under Section 7.2 of this Abridged Prospectus.
- (c) Save as disclosed in Sections 2.4, 5, 6, 7 and 8 of this Abridged Prospectus, our Board is not aware of any material information including specific trade factors or risks which is unlikely to be known or anticipated by the general public and which could materially affect the profits of our Group.
- (d) Save as disclosed in the Abridged Prospectus and to the best knowledge of our Board, the financial condition and operations of our Company and our subsidiaries are not likely to be affected by any of the following:
  - (i) known trends, demands, commitments, events or uncertainties that will result in or that is reasonably likely to result in our Company/Group's liquidity increasing or decreasing in any material way;
  - (ii) material commitments for capital expenditure;
  - (iii) unusual or infrequent events or transactions or any significant economic changes that materially affect the amount of reported income from the operations of our Group; and

**ADDITIONAL INFORMATION (Cont'd)**

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- (iv) known trends or uncertainties that have had or that our Group reasonably expects will have a material favourable or unfavourable impact on revenues or operating income of our Group.

**7. RESPONSIBILITY STATEMENT**

The Documents have been seen and approved by our Directors and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable enquiries, and to the best of their knowledge and belief, there are no false or misleading statements or other facts, the omission of which would make any statement herein false or misleading.

AFFIN Investment, being the Principal Adviser for the Rights Issue acknowledges that, based on the available information, and to the best of its knowledge and belief, this Abridged Prospectus constitutes full and true disclosure of all material facts concerning the Rights Issue.

**8. DOCUMENTS FOR INSPECTION**

Copies of the following documents will be made available for inspection at our Registered Office at 7<sup>th</sup> Floor, Chulan Tower, No 3 Jalan Conlay, 50490 Kuala Lumpur, Malaysia during normal business hours on any weekday (except public holidays) for a period of not less than twelve (12) months from the date of this Abridged Prospectus:

- (a) Memorandum and Articles of Association of our Company;
- (b) the certified true extract of the ordinary resolution passed at the EGM of our Company in relation to the Rights Issue as set out in Appendix I of this Abridged Prospectus;
- (c) the Pro Forma Consolidated Statements of Financial Position of our Company as at 31 December 2013 together with the Reporting Accountants' letter thereon as set out in Appendix III of this Abridged Prospectus;
- (d) the audited financial statements of our Group for the past two (2) FYE 31 December 2012 and 31 December 2013 and unaudited financial statements of our Group for the 3-month FPE 31 March 2014 as set out in Appendices IV and V of this Abridged Prospectus;
- (e) Accountants' Report as referred to in Appendix VI of this Abridged Prospectus.
- (f) Directors' Report as set out in Appendix VII of this Abridged Prospectus;
- (g) material contracts as disclosed in Section 3 of Appendix VIII of this Abridged Prospectus;
- (h) the irrevocable written undertakings by LTAT, BHB and BEA dated 17 March 2014, 10 March 2014 and 11 March 2014 as referred to in Section 2.5 of this Abridged Prospectus; and
- (i) letters of consent referred to in Section 5 of Appendix VIII of this Abridged Prospectus.