

AFFIN HOLDINGS BERHAD
(Company no. 23218 - W)
Condensed Interim Financial Statements
Unaudited Statements of Financial Position As At 30 June 2012

	<-----GROUP----->		<-----COMPANY----->	
	30/6/2012 RM'000	31/12/2011 RM'000	30/6/2012 RM'000	31/12/2011 RM'000
ASSETS				
Cash and short term funds	8,119,690	9,740,308	163,715	67,333
Deposits and placements with banks and other financial institutions	457,256	279,458	4,340	216,396
Financial assets held-for-trading	-	149,832	-	-
Financial investments available-for-sale	9,570,608	9,122,892	-	-
Financial investments held-to-maturity	614,353	650,923	-	-
Loans, advances and financing	32,503,873	30,436,846	-	-
Derivative financial assets	37,899	47,023	-	-
Statutory deposits with Bank Negara Malaysia	1,427,953	1,410,141	-	-
Investment in subsidiaries	-	-	3,736,914	3,536,914
Amount due from subsidiary	-	-	904,777	603,062
Investment in jointly controlled entities	116,068	115,430	135,660	135,660
Investment in associate	178,263	155,548	10,597	10,597
Amount due from associate	67,225	67,257	67,225	67,257
Trade receivables	255,336	160,239	-	-
Other assets	76,314	177,174	365	384
Tax recoverable	34,888	30,445	5,563	4,519
Deferred tax assets	199	470	-	-
Property and equipment	182,397	178,649	775	895
Intangible assets	1,010,076	1,013,419	6	9
TOTAL ASSETS	54,652,398	53,736,054	5,029,937	4,643,026
LIABILITIES AND EQUITY				
Deposits from customers	40,547,307	39,363,414	-	-
Deposits and placements of banks and other financial institutions	5,549,336	6,867,047	-	-
Bills and acceptances payable	115,886	82,059	-	-
Trade payables	252,668	156,908	-	-
Recourse obligation on loans sold to Cagamas Berhad	421,071	428,459	-	-
Derivative financial liabilities	92,098	96,954	-	-
Other liabilities	718,854	442,214	4,831	5,534
Amount due to subsidiaries	-	-	589,309	589,313
Provision for taxation	68,900	16,401	-	-
Deferred tax liabilities	21,013	20,729	187	587
Borrowings	972,373	669,645	972,373	669,645
TOTAL LIABILITIES	48,759,506	48,143,830	1,566,700	1,265,079

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	30/6/2012 RM'000	31/12/2011 RM'000	30/6/2012 RM'000	31/12/2011 RM'000
EQUITY				
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 reserve	1,127,843	1,127,843	-	-
AFS revaluation reserve	96,154	102,339	-	-
Retained profits	1,773,909	1,467,056	568,251	482,961
TOTAL EQUITY	5,892,892	5,592,224	3,463,237	3,377,947
TOTAL LIABILITIES AND EQUITY	54,652,398	53,736,054	5,029,937	4,643,026
COMMITMENTS AND CONTINGENCIES	20,270,516	20,067,994	-	-
CAPITAL ADEQUACY				
<u>Before deducting proposed dividends:</u>				
Core capital ratio	10.58%	10.90%		
Risk-weighted capital ratio	13.27%	12.78%		
<u>After deducting proposed dividends:</u>				
Core capital ratio	10.58%	10.66%		
Risk-weighted capital ratio	13.27%	12.55%		
NET ASSETS PER SHARE (RM)	3.94	3.74		

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2011.

AFFIN HOLDINGS BERHAD

(Company no. 23218 - W)

Condensed Interim Financial Statements

Unaudited Income Statements For The Financial Period Ended 30 June 2012

<u>Group</u>	<----Individual Quarter Ended ---->		<---Cumulative Quarter Ended --->	
	30/6/2012 RM'000	30/6/2011 RM'000	30/6/2012 RM'000	30/6/2011 RM'000
Revenue	735,674	648,495	1,458,346	1,273,270
Interest income	524,001	486,234	1,042,448	944,583
Interest expense	(294,495)	(260,911)	(593,104)	(507,227)
Net interest income	229,506	225,323	449,344	437,356
Islamic banking income	48,362	46,167	95,388	92,922
Other operating income	98,024	78,833	193,046	159,364
Operating income	375,892	350,323	737,778	689,642
Other operating expenses	(173,155)	(165,846)	(345,819)	(332,973)
Operating profit before allowance for impairment on loans, advances and financing	202,737	184,477	391,959	356,669
Allowance for impairment on loans, advances and financing	2,446	1,014	6,580	(26,043)
Allowance for impairment on other assets	(303)	191	9,387	991
Transfer to profit equalisation reserve	-	(134)	-	(134)
Operating profit	204,880	185,548	407,926	331,483
Finance cost	(10,254)	(4,999)	(19,596)	(8,729)
Share of results of jointly controlled entities	(856)	(3,124)	(183)	(6,478)
Share of results of associate	1,710	517	21,277	1,968
Profit before taxation and zakat	195,480	177,942	409,424	318,244
Taxation	(48,261)	(43,480)	(96,079)	(77,524)
Zakat	(6,391)	(275)	(6,492)	(466)
Net profit for the financial period attributable to equity holders of the Company	140,828	134,187	306,853	240,254
Earnings per share attributable to the equity holders of the Company (sen)				
- Basic and fully diluted	9.42	8.98	20.53	16.08

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2011.

AFFIN HOLDINGS BERHAD
 (Company no. 23218 - W)
Condensed Interim Financial Statements
Unaudited Statement of Comprehensive Income
For The Financial Period Ended 30 June 2012

<u>Group</u>	<---Individual Quarter Ended --->		<---Cumulative Quarter Ended --->	
	30/6/2012	30/6/2011	30/6/2012	30/6/2011
	RM'000	RM'000	RM'000	RM'000
Profit after taxation and zakat	<u>140,828</u>	<u>134,187</u>	<u>306,853</u>	<u>240,254</u>
Other comprehensive income:				
- Net change in fair value of financial investments available-for-sale	(8,029)	20,634	(8,987)	1,889
- Deferred tax on revaluation of financial investments available-for-sale	1,804	(5,464)	2,802	(628)
Other comprehensive income for the period, net of tax	<u>(6,225)</u>	<u>15,170</u>	<u>(6,185)</u>	<u>1,261</u>
Total comprehensive income for the financial period attributable to the equity holders of the Company	<u>134,603</u>	<u>149,357</u>	<u>300,668</u>	<u>241,515</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 2011.

AFFIN HOLDINGS BERHAD

(Company no. 23218 - W)

Condensed Interim Financial Statements

Unaudited Income Statements For The Financial Period Ended 30 June 2012

<u>Company</u>	<---Individual Quarter Ended --->		<---Cumulative Quarter Ended --->	
	30/6/2012 RM'000	30/6/2011 RM'000	30/6/2012 RM'000	30/6/2011 RM'000
Revenue	12,961	8,002	113,301	108,452
Interest income	12,961	8,002	25,780	14,264
Interest expense	-	-	-	-
Net interest income	12,961	8,002	25,780	14,264
Islamic banking income	-	-	-	-
Other operating income	-	-	87,521	94,236
Operating income	12,961	8,002	113,301	108,500
Other operating expenses	(2,400)	(2,266)	(4,325)	(4,154)
Operating profit before allowance for impairment on loans, advances and financing	10,561	5,736	108,976	104,346
Allowance for impairment on loans, advances and financing	-	-	-	-
Allowance for impairment on other assets	-	-	-	-
Operating profit	10,561	5,736	108,976	104,346
Finance cost	(10,254)	(4,999)	(19,596)	(8,729)
Profit before taxation and zakat	307	737	89,380	95,617
Taxation	154	(392)	(4,090)	(6,225)
Net profit for the financial period attributable to equity holders of the Company	461	345	85,290	89,392

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2011.

AFFIN HOLDINGS BERHAD
 (Company no. 23218 - W)
Condensed Interim Financial Statements
Unaudited Statement of Comprehensive Income
Unaudited Income Statements For The Financial Period Ended 30 June 2012

<u>Company</u>	<---Individual Quarter Ended --->		<---Cumulative Quarter Ended --->	
	30/6/2012	30/6/2011	30/6/2012	30/6/2011
	RM'000	RM'000	RM'000	RM'000
Profit after taxation and zakat	461	345	85,290	89,392
Other comprehensive income	-	-	-	-
Total comprehensive income for the financial period attributable to equity holders of the Company	461	345	85,290	89,392

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2011.

AFFIN HOLDINGS BERHAD
(Company no. 23218 - W)
Unaudited Condensed Consolidated Statement Of Changes In Equity
For The Financial Period Ended 30 June 2012

<u>GROUP</u>	←-----Attributable to Equity Holders of the Company----->							
	Issued and fully paid ordinary shares of RM1 each		Nominal value RM'000	Share premium RM'000	Statutory reserves RM'000	AFS revaluation reserve RM'000	Retained profits RM'000	Total Equity RM'000
At 1 January 2012	Number of shares '000	1,494,576						
Net profit for the financial period		-	-	-	-	-	306,853	306,853
Other comprehensive income		-	-	-	-	(6,185)	-	(6,185)
Total comprehensive income for the financial period		-	-	-	-	(6,185)	306,853	300,668
At 30 June 2012		1,494,576	1,494,576	1,400,410	1,127,843	96,154	1,773,909	5,892,892
At 1 January 2011		1,494,576	1,494,576	1,400,410	990,543	84,631	1,230,873	5,201,033
Net profit for the financial period		-	-	-	-	-	240,254	240,254
Other comprehensive income		-	-	-	-	1,261	-	1,261
Total comprehensive income for the financial period		-	-	-	-	1,261	240,254	241,515
At 30 June 2011		1,494,576	1,494,576	1,400,410	990,543	85,892	1,471,127	5,442,548

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2011.

AFFIN HOLDINGS BERHAD
(Company no. 23218 - W)
Unaudited Condensed Statement Of Changes In Equity
For The Financial Period Ended 30 June 2012

<u>COMPANY</u>	←-----Attributable to Equity Holders of the Company----->				
	Issued and fully paid ordinary shares of RM1 each	Nominal value RM'000	Non-distributable Share premium RM'000	Distributable Retained profits RM'000	Total Equity RM'000
At 1 January 2012	1,494,576	1,494,576	1,400,410	482,961	3,377,947
Total comprehensive income for the financial period				85,290	85,290
- Net profit for the financial period			-	85,290	85,290
At 30 June 2012	1,494,576	1,494,576	1,400,410	568,251	3,463,237
At 1 January 2011	1,494,576	1,494,576	1,400,410	395,572	3,290,558
Total comprehensive income for the financial period				89,392	89,392
- Net profit for the financial period			-	89,392	89,392
At 30 June 2011	1,494,576	1,494,576	1,400,410	484,964	3,379,950

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2011.

AFFIN HOLDINGS BERHAD
(Company no. 23218 - W)
Unaudited Condensed Consolidated Statement of Cash Flow
For The Financial Period Ended 30 June 2012

	<----- 6 Months Ended ----->	
	30/6/2012	30/6/2011
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation and zakat	409,424	318,244
Adjustment for non-operating and non-cash items	(154,664)	(57,520)
Operating profit before changes in working capital	254,760	260,724
Net changes in operating assets	(2,150,906)	(2,549,201)
Net changes in operating liabilities	166,722	1,920,707
Payment of tax and zakat	(45,853)	(85,495)
Tax refund	2	6,938
Net cash generated from operating activities	(1,775,275)	(446,327)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received from securities	152,030	143,055
Net (purchase)/disposal of:		
- securities	(317,876)	(1,294,292)
- property and equipment	(16,064)	(17,536)
- intangible assets	(1,335)	(830)
Dividend received from:		
- financial investments held-to-maturity/available-for-sale	2,501	3,954
Proceeds from disposal of property and equipment	2,897	817
Proceeds from disposal of foreclosed properties	10,566	8,609
Amount due to/from associate	32	24,314
Net cash used in investing activities	(167,249)	(1,131,909)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in borrowings	302,728	275,686
Dividends paid to shareholders	-	(100,884)
Net cash generated from financing activities	302,728	174,802
Net increase in cash and cash equivalents	(1,639,796)	(1,403,434)
Cash and cash equivalents at beginning of the period	9,675,118	8,621,191
Cash and cash equivalents at end of the period	8,035,322	7,217,757
 <u>Analysis of cash & cash equivalent</u>		
Cash and short term funds	8,119,690	7,288,221
Adjustment for money held in trust on behalf of clients and remisiers	(84,368)	(70,464)
	8,035,322	7,217,757

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2011.

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

A1. BASIS OF PREPARATION

The unaudited condensed interim financial statements for the current financial quarter ended 30 June 2012 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,
- (iii) derivative financial instruments, and
- (iv) investment properties.

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 2011. 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 2011.

Since the previous annual audited financial statements as at 31 December 2011 were issued, the Group has adopted the Malaysian Financial Reporting Standards ("MFRS") framework issued by the Malaysian Accounting Standards Board ("MASB") with effect from 1 January 2012. This MFRS framework was introduced by the MASB to fully converge Malaysia's existing Financial Reporting Standards ("FRS") framework with the International Financial Reporting Standards ("IFRS") framework issued by the International Accounting Standards Board. Whilst all FRSs issued under the previous FRS framework were equivalent to the MFRSs issued under the MFRS framework, there are some differences in relation to the transitional provisions and effective dates contained in certain of the FRSs. MFRS 1 "First-time adoption of MFRS" provides for certain optional exemptions and certain mandatory exception for first-time MFRS adopters.

The financial effect and the change in accounting policy arising from the adoption of MFRS framework is disclosed in Note A28.

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 2011 except for the adoption of the following :-

- (a) Malaysian Financial Reporting Standards ("MFRS"), Revised MFRS and IC Interpretations that are applicable and effective to the Group for the financial year beginning 1 January 2012 :-
 - MFRS 139 Financial Instruments: Recognition and Measurement
 - The Revised MFRS 124 Related Party Disclosures
 - IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments

The adoption of the above MFRSs and IC Interpretations did not have any significant financial impact to the results of the Group and the Company for the financial period under review.

- (b) Guidelines on Profit Equalisation Reserve issued by Bank Negara Malaysia

For the financial year beginning 1 January 2012, AFFIN Islamic Bank Berhad ("AiSB") has adopted revised PER Guidelines on Profit Equalisation Reserve ("revised PER Guidelines") issued by Bank Negara Malaysia on 19 May 2011. The Guidelines are applicable to AiSB in managing the Displaced Commercial Risk ("DCR") in accordance with Shariah principles.

The adoption of the above revised PER Guidelines did not have any significant financial impact to the results of the Group and the Company for the financial period under review. The change in accounting policy arising from the adoption of the revised PER Guidelines is disclosed in Note A28.

A3. AUDITOR'S REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the audited financial statements for the financial year ended 31 December 2011 was not subjected to any qualification.

A4. SEASONAL OR CYCLICAL FACTORS

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

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

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and the Company during the current financial 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 current financial 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 current financial quarter ended 30 June 2012.

A9. FINANCIAL ASSETS

	Group	
	30/6/2012 RM'000	31/12/2011 RM'000
(a) <u>Financial assets held-for-trading</u>		
At fair value		
Bank Negara Malaysia Notes	-	149,832
Total financial assets held-for-trading	-	149,832
(b) <u>Financial investments available-for-sale</u>		
At fair value		
Malaysian Government Securities	262,505	675,045
Malaysian Government Treasury Bills	29,970	39,421
Malaysian Government Investment Issuance	3,067,915	3,846,939
Cagamas Bonds	151,290	181,510
Khazanah Bonds	14,758	14,262
Bankers' Acceptance and Islamic Acceptance Bills	15,063	-
Bank Negara Malaysia Notes	956,789	174,620
Negotiable Instruments of Deposit and Islamic Debt Certificate	251,936	102,121
	4,750,226	5,033,918
Quoted Securities		
- Shares in Malaysia	38,382	47,762
- Private Debt Securities in Malaysia	4,179	2,167
- Irredeemable Convertible Unsecured Loan Stock in Malaysia	4,059	4,124
Unquoted Securities		
- Shares in Malaysia	146,852	123,146
- Private Debt Securities in Malaysia	4,053,636	3,115,720
- Private Debt Securities outside Malaysia	675,563	872,823
	9,672,897	9,199,660
Allowance for impairment of securities	(102,289)	(76,768)
Total financial investments available-for-sale	9,570,608	9,122,892
(c) <u>Financial investments held-to-maturity</u>		
At amortised cost		
Quoted Securities		
- Private Debt Securities in Malaysia	129,951	34,623
Unquoted Securities		
- Private Debt Securities in Malaysia	536,959	704,232
- Redeemable Convertible Unsecured Loan Stock in Malaysia	1,554	12,919
	668,464	751,774
Allowance for impairment of securities	(54,111)	(100,851)
Total financial investments held-to-maturity	614,353	650,923
Total securities held	10,184,961	9,923,647

A10. LOANS, ADVANCES AND FINANCING

	Group	
	30/6/2012 RM'000	31/12/2011 RM'000
(a) <u>BY TYPE</u>		
Overdrafts	1,892,685	1,856,907
Term loans/financing		
- Housing loans/financing	4,879,798	4,544,089
- Syndicated term loans/financing	1,520,569	1,625,076
- Hire purchase receivables	9,122,959	8,869,439
- Other term loans/financing	11,030,628	10,448,342
Bills receivables	457,016	42,928
Trust receipts	467,617	374,449
Claims on customers under acceptance credits	736,746	694,365
Staff loans/financing (of which RM NIL to Directors)	152,674	155,279
Credit/charge cards	86,501	93,116
Revolving credit	2,653,168	2,318,313
Margin financing	73,010	45,056
Factoring	5,730	12,318
Gross loans, advances and financing	33,079,101	31,079,677
Less: Allowance for impairment		
- Collective impairment	(368,275)	(462,953)
- Individual impairment	(206,953)	(179,878)
Total net loans, advances and financing	32,503,873	30,436,846
(b) <u>BY TYPE OF CUSTOMER</u>		
Domestic banking institutions	-	949
Domestic non-banking institutions		
- Stock-broking companies	257	-
- Others	2,082,890	2,078,889
Domestic business enterprises		
- Small medium enterprises	8,701,154	7,605,717
- Others	8,009,332	7,940,697
Government and statutory bodies	55,561	65,487
Individuals	13,408,082	12,961,182
Other domestic entities	153,772	164,857
Foreign entities	668,053	261,899
	33,079,101	31,079,677
(c) <u>BY INTEREST / PROFIT RATE SENSITIVITY</u>		
Fixed rate		
- Housing loans/financing	300,385	289,374
- Hire purchase receivables	9,122,959	8,869,438
- Other fixed rate loans/financing	4,402,274	4,484,845
- Margin financing	73,010	45,056
Variable rate		
- BLR plus	12,851,508	11,271,790
- Cost plus	6,328,965	6,119,174
	33,079,101	31,079,677

A10. LOANS, ADVANCES AND FINANCING (cont.)

	Group	
	30/6/2012 RM'000	31/12/2011 RM'000
(d) <u>BY ECONOMIC PURPOSE</u>		
Construction	1,896,993	1,634,872
Purchase of landed property of which :-		
- Residential	4,914,221	4,654,475
- Non-residential	4,390,203	3,791,366
Purchase of securities	228,092	176,302
Purchase of transport vehicles	9,380,889	9,112,854
Fixed assets other than land and building	328,472	326,549
Personal use	858,229	827,086
Credit card	86,501	93,116
Consumer durable	918	958
Merger and acquisition	93,630	98,651
Working capital	10,358,367	9,901,757
Others	542,586	461,691
	33,079,101	31,079,677
(e) <u>BY SECTOR</u>		
Primary agriculture	483,314	539,364
Mining and quarrying	465,915	431,334
Manufacturing	2,573,305	2,294,794
Electricity, gas and water supply	177,402	172,860
Construction	2,926,494	2,553,635
Real estate	3,561,312	3,095,024
Wholesale and retail trade and restaurants and hotels	1,467,921	1,466,419
Transport, storage and communication	1,879,826	1,946,061
Finance, insurance and business services	4,775,645	4,288,464
Education, health and others	1,173,847	1,146,839
Household	13,549,283	13,092,597
Others	44,837	52,286
	33,079,101	31,079,677
(f) <u>BY MATURITY STRUCTURE</u>		
Maturing within one year	7,063,012	6,170,676
One year to three years	3,808,042	3,801,004
Three years to five years	6,175,977	5,516,248
Over five years	16,032,070	15,591,749
	33,079,101	31,079,677
(g) <u>BY GEOGRAPHICAL DISTRIBUTION</u>		
Perlis	77,192	56,604
Kedah	932,616	942,274
Pulau Pinang	1,595,951	1,525,797
Perak	951,405	917,610
Selangor	10,806,342	9,524,022
Wilayah Persekutuan	9,257,728	9,399,510
Negeri Sembilan	749,373	753,916
Melaka	727,181	696,178
Johor	2,773,838	2,631,232
Pahang	653,158	633,914
Terengganu	628,301	580,189
Kelantan	252,364	268,161
Sarawak	1,092,688	1,072,628
Sabah	1,372,596	1,272,938
Labuan	261,555	262,731
Outside Malaysia	946,813	541,973
	33,079,101	31,079,677

A10. LOANS, ADVANCES AND FINANCING (cont.)

	Group	
	30/6/2012	31/12/2011
	RM'000	RM'000
(h) <u>IMPAIRED/NON-PERFORMING LOANS, ADVANCES AND FINANCING</u>		
(i) <u>Movements of impaired loans, advances and financing</u>		
Balance at the beginning of financial period/year	882,958	989,769
Classified as impaired during the financial period/year	326,013	535,462
Reclassified as non-impaired during the financial period/year	(192,271)	(343,790)
Amount recovered during the financial period/year	(68,028)	(186,621)
Amount written-off during the financial period/year	(106,502)	(111,862)
Balance at the end of financial period/year	842,170	882,958
(ii) <u>Impaired loans, advances and financing by economic purpose</u>		
Construction	63,695	63,547
Purchase of landed property of which :-		
- Residential	342,880	382,814
- Non-residential	32,355	34,354
Purchase of securities	13,738	3,000
Purchase of transport vehicles	58,199	106,606
Fixed assets other than land and building	2,201	17,758
Personal use	6,201	12,699
Credit card	422	499
Consumer durable	29	33
Working capital	312,721	260,129
Others	9,729	1,519
	842,170	882,958
(iii) <u>Impaired loans, advances and financing by sector</u>		
Primary agriculture	7,555	7,855
Mining and quarrying	61	-
Manufacturing	68,125	48,663
Electricity, gas and water supply	1,665	1,928
Construction	193,233	190,682
Real estate	3,653	4,159
Wholesale and retail trade and restaurants and hotels	36,945	50,369
Transport, storage and communication	5,827	5,086
Finance, insurance and business services	90,630	51,926
Education, health and others	5,320	8,547
Household	421,892	510,089
Others	7,264	3,654
	842,170	882,958

A10. LOANS, ADVANCES AND FINANCING (cont.)

	Group	
	30/6/2012	31/12/2011
	RM'000	RM'000
(h) <u>IMPAIRED/NON-PERFORMING LOANS, ADVANCES AND FINANCING</u>		
(iv) <u>Impaired loans, advances and financing by geographical distribution</u>		
Perlis	257	332
Kedah	19,553	24,835
Pulau Pinang	17,811	25,585
Perak	18,330	23,884
Selangor	393,339	424,290
Wilayah Persekutuan	150,177	123,066
Negeri Sembilan	32,659	39,790
Melaka	10,168	16,229
Johor	53,170	65,744
Pahang	9,111	11,840
Terengganu	4,158	5,776
Kelantan	4,564	7,193
Sarawak	11,022	7,694
Sabah	10,610	15,533
Labuan	-	15
Outside Malaysia	107,241	91,152
	842,170	882,958
(v) <u>Movements in allowance for impairment on loans, advances and financing</u>		
Collective impairment		
Balance at the beginning of financial period/year	462,953	405,085
Allowance (net of recovery) made during the financial period/year	11,795	69,632
Amount written-off during the financial period/year	(106,473)	(12,118)
Exchange differences	-	354
Balance at the end of financial period/year	368,275	462,953
Individual impairment		
Balance at the beginning of financial period/year	179,878	185,707
Allowance made during the financial period/year	34,107	120,585
Amount recovered during the financial period/year	(1,575)	(13,696)
Allowance written-off during the financial period/year	-	(98,012)
Unwinding discount of allowance	(5,457)	(14,706)
Balance at the end of financial period/year	206,953	179,878

A11. TRADE RECEIVABLES

	Group	
	30/6/2012 RM'000	31/12/2011 RM'000
Amount in respect of management fees receivable and cancellation of funds' units	1,309	974
Amount due from stock-broking clients	236,621	99,296
Amount due from Bursa Securities Clearing Sdn Bhd	21,147	63,752
	<u>259,077</u>	<u>164,022</u>
Less Allowance for impairment		
- Collective impairment	(211)	(211)
- Individual impairment	(3,530)	(3,572)
	<u>255,336</u>	<u>160,239</u>

Movement in allowance for impairment on trade receivables:-

Collective impairment

Balance at the beginning of financial period/year	211	190
Allowance made during the financial period/year	-	21
Balance at the end of financial period/year	<u>211</u>	<u>211</u>

Individual impairment

Balance at the beginning of financial period/year	3,572	3,986
Allowance made during the financial period/year	68	210
Amount recovered during the financial period/year	(110)	(624)
Balance at the end of financial period/year	<u>3,530</u>	<u>3,572</u>

A12. OTHER ASSETS

Clearing accounts	5,890	104,755
Foreclosed properties	38,014	40,950
Other debtors, deposits and prepayments	29,665	28,722
Amount due from jointly controlled entity	2,745	2,747
	<u>76,314</u>	<u>177,174</u>

A13. OTHER LIABILITIES

Bank Negara Malaysia and Credit Guarantee Corporation Funding Programmes	37,979	36,071
Amount due from other shareholders of a subsidiary		
- Liabilities directly associated with properties previously classified as land held-for-sale	-	529
Margin and collateral deposits	79,113	72,793
Trust accounts for clients and remisiers	84,368	65,190
Clearing accounts	85,713	-
Defined contribution plan	9,898	11,595
Accrued employee benefits	1,437	1,638
Other creditors and accruals	406,143	245,852
Provision for zakat	14,203	8,546
	<u>718,854</u>	<u>442,214</u>

A16. OTHER OPERATING INCOME

	<-----Group----->			
	Individual Quarter Ended 30/6/2012 RM'000	30/6/2011 RM'000	Cumulative Quarter Ended 30/6/2012 RM'000	30/6/2011 RM'000
<u>Fees income:</u>				
Fees on loans, advances and financing	1,061	100	1,196	297
Brokerage (net)	12,314	14,446	27,190	33,055
Underwriting fees	228	5	340	198
Portfolio management fees	2,643	2,359	5,315	4,743
Corporate advisory fees	4,082	660	5,308	2,550
Commission	3,286	3,065	6,489	6,362
Service charges and fees	13,809	11,804	32,312	26,213
Guarantee fees	5,455	5,971	10,801	11,438
Arrangement fees	1,125	2,183	5,525	3,918
Agency fees	340	745	674	1,062
Other fee income	6,359	6,541	6,675	7,119
	50,702	47,879	101,825	96,955
<u>Income from financial instruments:</u>				
Gains/(losses) on financial assets held-for-trading				
- net gain on disposal	395	4,248	3,137	4,732
- unrealised losses	(39)	13	(128)	(124)
Gains on derivatives:				
- realised	1,017	1,114	1,594	2,182
- unrealised	3,356	(3,875)	8,501	492
Gains on financial investments available-for-sale				
- net gain on disposal	12,620	6,786	23,352	12,362
- gross dividend income	2,700	255	2,961	302
Gains on financial investments held-to-maturity				
- net gain on redemption	2	2,053	145	2,053
- gross dividend income	(3)	3,395	-	3,652
	20,048	13,989	39,562	25,651
<u>Other income:</u>				
Foreign exchange gains/(losses):				
- realised	71,680	15,920	46,421	35,437
- unrealised	(53,029)	(4,062)	(13,101)	(8,196)
Rental income	395	698	849	1,272
Net gains on disposal of property and equipment	655	(42)	1,023	123
Gains on disposal of foreclosed properties	2,018	12	7,631	13
Other non-operating income	5,555	4,439	8,836	8,109
	27,274	16,965	51,659	36,758
Total Other Operating Income	98,024	78,833	193,046	159,364

A17. OTHER OPERATING EXPENSES

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2012 RM'000	30/6/2011 RM'000	30/6/2012 RM'000	30/6/2011 RM'000
<u>Personnel costs</u>				
Wages, salaries and bonus	79,404	72,984	159,009	148,080
Defined contribution plan	12,911	10,612	25,885	22,147
Other personnel costs	11,531	10,427	20,556	22,636
	103,846	94,023	205,450	192,863
<u>Promotion and marketing-related expenses</u>				
Business promotion and advertisement	1,787	2,349	2,846	3,513
Entertainment	503	908	1,067	1,645
Travelling and accommodation	1,139	1,132	1,987	1,961
Dealers' handling fees	233	288	512	862
Commission	77	178	151	294
Others	470	384	1,089	876
	4,209	5,239	7,652	9,151
<u>Establishment-related expenses</u>				
Rental of premises	7,042	6,619	14,092	13,270
Equipment rental	271	265	537	535
Repair and maintenance	7,400	7,314	16,015	14,455
Depreciation	5,180	5,406	10,254	11,001
Amortisation	2,303	2,338	4,676	4,919
IT consultancy fee	14,784	14,101	29,527	28,217
Dataline rental	1,066	175	2,172	1,323
Security services	2,811	2,546	5,565	4,920
Others	4,251	4,412	9,704	8,717
	45,108	43,176	92,542	87,357
<u>General administrative expenses</u>				
Telecommunication expenses	1,845	1,676	3,607	3,250
Director's Remuneration	543	377	1,017	876
Auditors' remuneration:				
(i) Statutory audit	322	314	658	642
(ii) (Over)/under provision prior year	-	-	-	(4)
(iii) Audit related fees	40	33	81	67
(iv) Non audit fees	51	289	117	335
Professional fees	3,210	4,014	5,784	8,025
Provision for litigation loss	441	-	600	-
Property & equipment written off	-	252	53	353
Postage and courier charges	1,006	1,039	2,072	2,035
Stationery and consumables	2,534	2,933	4,361	5,034
Subscription fees	430	394	864	825
Subsidies and allowances	298	269	594	524
Transaction levy	334	367	711	888
Commissioned dealers representative performance incentive	709	672	1,547	1,722
Others	8,229	10,779	18,109	19,030
	19,992	23,408	40,175	43,602
Total other operating expenses	173,155	165,846	345,819	332,973

A18. ALLOWANCE FOR IMPAIRMENT ON LOANS AND FINANCING

	<-----Group----->			
	Individual Quarter Ended 30/6/2012 RM'000	30/6/2011 RM'000	Cumulative Quarter Ended 30/6/2012 RM'000	30/6/2011 RM'000
Collective impairment				
- allowance made during the financial period	5,119	21,253	11,795	38,474
Individual impairment				
- allowance made during the financial period	20,223	14,409	34,175	21,223
- allowance written-back during the financial period	(410)	(1,741)	(1,685)	(7,163)
Bad debts				
- recovered	(28,833)	(40,286)	(56,105)	(76,528)
- written off	1,384	4,842	5,222	9,362
Provision for litigation loss	-	-	-	40,000
(Write-back of)/additional allowance for impaired debts				
- other debtors	71	509	18	675
	(2,446)	(1,014)	(6,580)	26,043

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

(Write-back of)/additional allowance for impairment loss				
- Financial investments available-for-sale	539	(191)	539	(991)
- Financial investments held-to-maturity	(236)	-	(9,926)	-
	303	(191)	(9,387)	(991)

A20. SEGMENTAL INFORMATION ON REVENUE AND PROFIT

The segment analysis by activity for the individual and cumulative quarters ended 30 June 2012 and 30 June 2011 are as follows:-

<----- Current year's individual quarter ended 30 June 2012 ----->						
RM '000	Commercial Banking	Investment Banking	Insurance	Others	Eliminations	Group
Segment revenue	656,287	75,103	-	2,957	-	734,347
Intersegment revenue	11,302	5,362	-	391	(17,055)	-
Unallocated revenue	-	-	-	1,327	-	1,327
Revenue	<u>667,589</u>	<u>80,465</u>	<u>-</u>	<u>4,675</u>	<u>(17,055)</u>	<u>735,674</u>
Segment results	175,964	17,433	-	922	11,539	205,858
Unallocated expenses	-	-	-	(11,232)	-	(11,232)
Share of results of:						
- jointly controlled entities (net of tax)	-	-	(815)	(41)	-	(856)
- associate (net of tax)	-	-	1,710	-	-	1,710
Profit before taxation and zakat						<u>195,480</u>
Taxation and zakat						<u>(54,652)</u>
Net profit for the quarter						<u>140,828</u>

<----- Preceding year's individual quarter ended 30 June 2011 ----->						
RM '000	Commercial Banking	Investment Banking	Insurance	Others	Eliminations	Group
Segment revenue	569,041	74,922	-	3,050	-	647,013
Intersegment revenue	3,333	2,835	-	482	(6,650)	-
Unallocated revenue	-	-	-	1,482	-	1,482
Revenue	<u>572,374</u>	<u>77,757</u>	<u>-</u>	<u>5,014</u>	<u>(6,650)</u>	<u>648,495</u>
Segment results	157,117	21,593	-	1,100	6,520	186,330
Unallocated expenses	-	-	-	(5,781)	-	(5,781)
Share of results of:						
- jointly controlled entities (net of tax)	-	-	(3,124)	-	-	(3,124)
- associate (net of tax)	-	-	517	-	-	517
Profit before taxation and zakat						<u>177,942</u>
Taxation and zakat						<u>(43,755)</u>
Net profit for the quarter						<u>134,187</u>

A20. SEGMENTAL INFORMATION ON REVENUE AND PROFIT

<-----Current year's cumulative quarter ended 30 June 2012 ----->						
RM '000	Commercial Banking	Investment Banking	Insurance	Others	Eliminations	Group
Segment revenue	1,301,732	147,978	-	5,982	-	1,455,692
Intersegment revenue	21,753	11,879	-	767	(34,399)	-
Unallocated revenue	-	-	-	2,654	-	2,654
Revenue	<u>1,323,485</u>	<u>159,857</u>	<u>-</u>	<u>9,403</u>	<u>(34,399)</u>	<u>1,458,346</u>
Segment results	342,257	42,389	-	1,825	22,961	409,432
Unallocated expenses	-	-	-	(21,102)	-	(21,102)
Share of results of:						
- jointly controlled entities (net of tax)	-	-	(105)	(78)	-	(183)
- associate (net of tax)	-	-	21,277	-	-	21,277
Profit before taxation and zakat						409,424
Taxation and zakat						(102,571)
Net profit for the cumulative quarter						<u>306,853</u>

<-----Preceding year's cumulative quarter ended 30 June 2011 ----->						
RM '000	Commercial Banking	Investment Banking	Insurance	Others	Eliminations	Group
Segment revenue	1,123,051	141,361	-	5,704	-	1,270,116
Intersegment revenue	4,816	4,007	-	716	(9,539)	-
Unallocated revenue	-	-	-	3,154	-	3,154
Revenue	<u>1,127,867</u>	<u>145,368</u>	<u>-</u>	<u>9,574</u>	<u>(9,539)</u>	<u>1,273,270</u>
Segment results	280,552	38,918	-	1,853	11,110	332,433
Unallocated expenses	-	-	-	(9,679)	-	(9,679)
Share of results of:						
- jointly controlled entities (net of tax)	-	-	(6,478)	-	-	(6,478)
- associate (net of tax)	-	-	1,968	-	-	1,968
Profit before taxation and zakat						318,244
Taxation and zakat						(77,990)
Net profit for the cumulative quarter						<u>240,254</u>

A21. SUBSEQUENT MATERIAL EVENT

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

A22. CHANGES IN THE COMPOSITION OF THE GROUP

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

A23. COMMITMENTS AND CONTINGENCIES

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

GROUP	30/6/2012				31/12/2011			
	Principal Amount RM'000	Value of Derivative Contracts RM'000	Credit Equivalent Amount* RM'000	Risk-Weighted Amount* RM'000	Principal Amount RM'000	Value of Derivative Contracts RM'000	Credit Equivalent Amount* RM'000	Risk-Weighted Amount* RM'000
Direct credit substitutes	418,197	-	418,197	403,923	455,606	-	455,606	441,960
Transaction related contingent items	2,269,732	-	1,134,866	989,596	2,375,506	-	1,187,753	1,129,992
Short-term self-liquidating trade related contingencies	464,296	-	92,859	54,229	973,727	-	194,745	159,463
Obligation under underwriting commitments	31,820	-	1,750	350	49,370	-	3,150	630
Foreign exchange related contracts								
- Less than one year	4,160,328	16,934	79,246	23,166	2,987,564	15,941	49,028	17,625
- One year to less than five years	267,485	712	16,049	3,210	50,000	841	3,000	600
Interest rate related contracts								
- Less than one year	110,461	673	254	66	133,140	331	156	67
- One year to less than five years	1,855,691	13,982	46,831	12,658	1,739,469	12,932	44,397	11,098
- Five years and above	357,148	5,598	32,908	13,079	474,023	16,978	43,899	10,295
Irrevocable commitments to extend credit								
- Maturity more than one year	3,609,648	-	1,804,824	1,673,280	3,534,201	-	706,840	646,321
- Maturity less than 1 year	6,532,603	-	1,306,521	1,050,882	7,105,886	-	1,421,178	1,128,748
Unutilised credit card lines	193,107	-	38,622	29,028	189,502	-	37,900	28,463
	20,270,516	37,899	4,972,927	4,253,467	20,067,994	47,023	4,147,652	3,575,262

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

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			Total	RM'000
	Up To 1 Year	> 1 - 3 Years	> 3 Years	Up To 1 Year	> 1 - 3 Years	> 3 Years	Up To 1 Year	> 1 - 3 Years	> 3 Years		
As at 30 June 2012	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trading derivatives											
Foreign exchange contracts											
- Currency forwards	971,283	-	-	2,253	-	-	2,253	-	-	4,218	4,218
- Cross currency swaps	3,026,400	267,485	-	15,025	712	-	15,737	13,949	-	35,549	49,498
- Currency options	162,645	-	-	(344)	-	-	(344)	-	-	416	416
Interest rate contracts											
- Interest rate swaps	110,461	1,258,356	954,483	673	6,998	12,582	20,253	23,033	14,101	832	37,966
	4,270,789	1,525,841	954,483	17,607	7,710	12,582	37,899	36,982	14,101	41,015	92,098

GROUP	Contract/Notional Amount			Positive Fair Value			Negative Fair Value			Total	RM'000
	Up To 1 Year	> 1 - 3 Years	> 3 Years	Up To 1 Year	> 1 - 3 Years	> 3 Years	Up To 1 Year	> 1 - 3 Years	> 3 Years		
As at 31 December 2011	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trading derivatives											
Foreign exchange contracts											
- Currency forwards	712,866	-	-	2,433	-	-	2,433	-	-	6,313	6,313
- Cross currency swaps	2,274,699	50,000	-	13,509	841	-	14,350	6,048	-	27,856	33,904
Interest rate contracts											
- Interest rate swaps	133,140	1,087,089	1,126,402	331	6,782	23,127	30,240	20,431	34,533	1,773	56,737
	3,120,705	1,137,089	1,126,402	16,273	7,623	23,127	47,023	26,479	34,533	35,942	96,954

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 end of the financial period, the notional amount of foreign exchange exposure which was not hedged and hence, exposed to market risk was RM3.4 million (FYE 31/12/2011: RM0.2 million), while the notional amount of interest rate contract was RM1.36 billion (FYE 31/12/2011: RM1.54 billion).

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 RM95.3 million (FYE 31/12/2011: RM52.0 million) and RM80.0 million (FYE 31/12/2011: RM88.4 million) respectively. This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

Liquidity risk

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

Cash Requirement of the Derivatives

Cash requirements of the derivatives may arise from margin requirements to post cash collateral with counterparties as the fair value moves beyond the agreed upon threshold limits in the counterparties' favour, or upon downgrade in the Bank's credit ratings. As at end of the financial period, 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 2011.

A25. CAPITAL ADEQUACY

The components of the Group's Tier I and Tier II capital are that of the banking subsidiaries, namely AFFIN Bank Berhad, AFFIN Islamic Bank Berhad and AFFIN Investment Bank Berhad as follows:-

	30/6/2012	31/12/2011
	RM'000	RM'000
<u>Tier 1 Capital</u>		
Share capital	1,740,583	1,661,531
Share premium	671,607	550,659
Retained profits	610,076	693,709
Statutory reserve	1,178,992	1,178,992
	<u>4,201,258</u>	<u>4,084,891</u>
Less: - Goodwill	(190,384)	(190,384)
- Deferred tax assets	(3,658)	(3,882)
Total Tier 1 capital (a)	<u>4,007,216</u>	<u>3,890,625</u>
<u>Tier 2 Capital</u>		
Subordinated loans	900,000	600,000
Collective impairment #	175,264	193,834
Total Tier 2 capital (b)	<u>1,075,264</u>	<u>793,834</u>
Total capital (a) + (b)	5,082,480	4,684,459
Less: - Investment in capital instruments of other banking institutions	(12,006)	(79,121)
- Investment in subsidiaries	(41,140)	(41,140)
Capital base	<u>5,029,334</u>	<u>4,564,198</u>

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

The risk-weighted assets of the Group are derived by aggregating the risk-weighted assets of the banking subsidiaries. The breakdown of risk-weighted assets of the Group into the various categories of risk-weights are as follows:-

	30/6/2012	31/12/2011
	RM'000	RM'000
Credit risk	35,191,382	33,108,976
Market risk	285,262	223,011
Operational risk	2,409,576	2,376,456
Total risk-weighted assets	<u>37,886,220</u>	<u>35,708,443</u>

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

Before deducting proposed dividends:-

Core capital ratio	10.58%	10.90%
Risk-weighted capital ratio	<u>13.27%</u>	<u>12.78%</u>

After deducting proposed dividends:-

Core capital ratio	10.58%	10.66%
Risk-weighted capital ratio	<u>13.27%</u>	<u>12.55%</u>

The Group implemented the Basel II – Risk Weighted Assets Computation under the BNM's Risk Weighted Capital Adequacy Framework with effect from 1 January 2008. The Group has adopted the Standardised Approach for credit risk and market risk, and Basic Indicator Approach for operational risk computation.

Pursuant to Bank Negara Malaysia's circular, 'Recognition of Deferred Tax Asset ("DTA") and Treatment of DTA for RWCR Purposes' dated 8 August 2003, deferred tax income/(expenses) is excluded from the calculation of Tier I capital and DTA is excluded from the calculation of risk - weighted assets.

A26. COMPARATIVE FIGURES

Certain comparative figures have also been restated to conform with current year's presentation.

A27. OPERATIONS OF ISLAMIC BANKING

(i) Unaudited Islamic Statements of Financial Position

	Group	
	30/6/2012	31/12/2011
	RM'000	RM'000
ASSETS		
Cash and short term funds	3,714,293	4,455,700
Deposits and placements with banks and other financial institutions	80,058	-
Financial investments available-for-sale	1,989,233	1,480,275
Loans, advances and financing	4,704,795	4,374,205
Statutory deposit with Bank Negara Malaysia	196,000	160,000
Investment in jointly controlled entity	212	290
Other assets	2,745	50,747
Tax recoverable	46	3,422
Property and equipment	3,380	3,017
Intangible assets	2,857	3,255
TOTAL ASSETS	10,693,619	10,530,911
LIABILITIES, ISLAMIC BANKING FUNDS		
Deposits from customers	8,517,891	7,477,239
Deposits and placements of banks and other financial institutions	1,437,360	2,199,144
Other liabilities	207,255	372,333
Provision for tax	9,996	-
Deferred tax liabilities	1,314	907
Total Liabilities	10,173,816	10,049,623
SHAREHOLDERS' EQUITY		
Share capital	260,000	260,000
Reserves	259,803	221,288
Total Equity	519,803	481,288
TOTAL LIABILITIES & EQUITY	10,693,619	10,530,911
COMMITMENTS AND CONTINGENCIES	1,570,565	1,889,674

A27. OPERATIONS OF ISLAMIC BANKING (cont.)

(ii) Unaudited Islamic Income Statements

	←-----Group-----→			
	Individual Quarter Ended 30/6/2012 RM'000	30/6/2011 RM'000	Cumulative Quarter Ended 30/6/2012 RM'000	30/6/2011 RM'000
Income derived from investment of depositors' funds and others	116,803	84,584	228,344	166,996
Income derived from investment of Shareholders' funds	5,567	5,159	10,409	10,113
Allowance for losses on financing	16,580	(4,572)	16,461	(7,504)
Transfer from profit equalisation reserve	-	(134)	-	(134)
	138,950	85,037	255,214	169,471
Income attributable to depositors	(76,275)	(45,983)	(147,801)	(88,936)
Income attributable to shareholders	62,675	39,054	107,413	80,535
Other operating expenses	(24,281)	(22,380)	(48,296)	(46,255)
	38,394	16,674	59,117	34,280
Share of results of a jointly controlled entity	(41)	-	(78)	-
Profit before tax and zakat	38,353	16,674	59,039	34,280
Taxation	(15,584)	(3,926)	(20,669)	(7,661)
Net profit for the financial period attributable to the equity holders of the Company	22,769	12,748	38,370	26,619

(ii) Unaudited Statements of Comprehensive Islamic Income

	←-----Group-----→			
	Individual Quarter Ended 30/6/2012 RM'000	30/6/2011 RM'000	Cumulative Quarter Ended 30/6/2012 RM'000	30/6/2011 RM'000
Profit after taxation and zakat	22,769	12,748	38,370	26,619
Other comprehensive income:				
- Net change in fair value of financial investments available-for-sale	4,011	725	362	(4,731)
- Deferred tax on revaluation of financial investments available-for-sale	(1,127)	(181)	(217)	1,183
Other comprehensive income for the financial period, net of tax	2,884	544	145	(3,548)
Total comprehensive income for the financial period attributable to the equity holders of the Company	25,653	13,292	38,515	23,071

A27. OPERATIONS OF ISLAMIC BANKING (cont.)

	Group	
	30/6/2012 RM'000	31/12/2011 RM'000
(iii) <u>Financing</u>		
<u>By type</u>		
Cash line	206,831	207,564
Term financing		
- Housing financing	1,395,470	1,270,814
- Syndicated term financing	174,737	144,462
- Hire purchase receivables	1,313,806	1,232,416
- Other term financing	1,418,748	1,347,351
Bills financing	1,900	394
Trust receipts	19,982	33,581
Interest-free accepted bills	78,610	91,844
Staff financing	9,870	8,871
Revolving credit	157,512	132,544
	4,777,466	4,469,841
Less : Allowance for impairment		
- Collective impairment	(38,195)	(60,709)
- Individual impairment	(34,476)	(34,927)
Total net financing	4,704,795	4,374,205

(iv) Impaired/non-performing financing

(a) Movements of impaired financing

Balance at the beginning of financial period/year	172,344	152,601
Classified as impaired during the financial period/year	35,049	112,975
Reclassified as non-impaired during the financial period/year	(27,362)	(70,602)
Amount recovered during the financial period/year	(11,017)	(20,025)
Amount written-off during the financial period/year	(6,141)	(2,605)
Balance at the end of financial period/year	162,873	172,344

A27. OPERATIONS OF ISLAMIC BANKING (cont.)

	Group	
	30/6/2012	31/12/2011
	RM'000	RM'000
(iv) Impaired/non-performing financing (cont.)		
(b) <u>Movements in the allowance for impairment on financing</u>		
Collective impairment		
Balance at the beginning of financial period/year	60,709	52,481
(Writeback of)/additional allowance for impairment during the financial period/year	(16,374)	7,874
Amount written-off during the financial period/year	(6,140)	-
Exchange differences	-	354
Balance at the end of financial period/year	38,195	60,709
Individual impairment		
Balance at the beginning of financial period/year	34,927	36,141
Allowance for impairment during the financial period/year	145	5,029
Amount recovered during the financial period/year	(15)	(1,372)
Amount written-off during the financial period/year	-	(2,338)
Unwinding of discount of allowance	(581)	(2,533)
Balance at the end of financial period/year	34,476	34,927
(vi) Deposits from customers		
<u>By type of deposits</u>		
Non-Mudharabah Funds		
Demand deposits	2,148,921	1,923,732
Savings deposits	212,826	204,743
Negotiable Instruments of Deposits	-	119,778
	2,361,747	2,248,253
Mudharabah Funds		
Demand deposits	25,203	14,147
Savings deposits	98,188	98,790
General investment deposits	5,118,011	4,293,135
Special investment deposits	914,742	822,914
	6,156,144	5,228,986
Total deposits from customers	8,517,891	7,477,239

A28 CHANGES IN ACCOUNTING POLICIES

(a) Transition to the MFRS framework

During the financial period, the Group has applied MFRS 1 "First-time Adoption of Malaysian Financial Reporting Standards" in the transition to the MFRS framework, which has resulted in the following change in accounting policy with effect 1 January 2012.

MFRS 139 Financial Instruments : Recognition and Measurement ("MFRS 139") - Accounting Policy on Collective Assessment Allowance for Loans, Advances and Financing

Prior to the transition to MFRS 139, the Group had maintained their collective assessment allowance of at least 1.5% of the total outstanding loans, net of individual assessment allowance, in line with Bank Negara Malaysia's transitional provisions under its Guidelines on Classification and Impairment Provisions for Loans/Financing. Upon the transition to MFRS 139 on 1 January 2012, these transitional provisions, which were allowed under the previous FRS framework, were removed and the Group has applied the requirements of MFRS 139 in the determination of collective assessment allowance.

There is no significant financial impact arising from the retrospective application of MFRS 139 and accordingly, there are no restatement of both the opening balances of retained profits and allowance for collective impairment, which are allowed under MFRS 1.

(b) Adoption of Revised Guidelines on Profit Equalisation Reserve ("Revised PER Guidelines") issued by Bank Negara Malaysia

During the financial period, AFFIN Islamic Bank Berhad ("AiSB") has adopted Revised PER Guidelines on Profit Equalisation Reserve ("Revised PER Guidelines") issued by Bank Negara Malaysia on 19 May 2011. The adoption of the said Guidelines has resulted in the following change in the accounting policy:-

With these revised PER Guidelines, the release of PER shall be appropriated from both Investment Account Holder ("IAH") and AISB's portion based on the contractual profit sharing ratio at the point of utilisation. The amount of PER shall be limited to the maximum of the either PER of the IAH or AiSB depending on prevailing profit sharing ratio.

The IAH portion of the existing PER shall be classified as liability and is recognised at cost. Subsequent apportionments will be recognised in the income statement. The eventual distribution of PER as profit distributable to the IAH will be treated as an outflow of funds due to the settlement of the obligation to the IAH. The PER of the AiSB shall be classified as a separate reserve in equity and subsequent apportionments from and distributions to retained earnings will be treated as a transfer between reserves.

The change in the above accounting policy is accounted for prospectively and there is no financial impact to the result of the Group and Company for the financial period under review.

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

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

The Group reported a higher pretax profit of RM195.5 million for the current financial quarter ended 30 June 2012 as compared to RM177.9 million for the preceding year's corresponding quarter. For the half-year ended 30 June 2012, the Group's pretax profit increased to RM409.4 million or 28.7% as compared to RM318.2 million achieved in the previous year. The improved performance was mainly due to higher write-back of allowance for impairment on securities of RM8.4 million as well as the write-back of allowance for loan impairment of RM6.6 million as compared to a charge of RM26.0 million for the previous year. The other operating income, share of profit in associate and net interest income were higher by RM33.7 million, RM19.3 million and RM12.0 million respectively, while the share of losses in jointly-controlled entities was lower by RM6.3 million. The overhead expenses and finance cost however increased by RM12.8 million and RM10.9 million respectively for the period under review.

Commercial Banking

The results of the commercial banking segment is mainly attributable to the AFFIN Bank Berhad ("ABB") Group which registered a higher pretax profit of RM175.9 million for the current financial quarter as compared to RM157.1 million for the preceding year's corresponding quarter. For the half-year ended 30 June 2012, the ABB Group also registered a higher pretax profit of RM342.2 million as compared to RM280.6 million for the corresponding half-year ended 30 June 2011. The improved performance was mainly due to the increase in other operating income of RM26.8 million and the write-back of allowance for loan impairment of RM9.6 million as compared to a charge of RM25.8 million for the previous year.

Investment Banking

The results of the investment banking is attributed to the AFFIN Investment Bank Berhad ("AIBB") group which reported a lower pretax profit of RM17.4 million for the current financial quarter as compared to RM21.6 million for the preceding year's corresponding quarter. For the half-year ended 30 June 2012, the AIBB group however reported a higher pretax profit of RM42.4 million as compared to RM38.9 million achieved in the previous year. The improved performance was mainly due to higher write-back of allowance for impairment on securities and higher other operating income of RM9.0 million and RM6.8 million, net of lower net interest income of RM4.2 million, higher overhead expenses and higher allowance for loan impairment of RM5.4 million and RM2.8 million respectively. AFFIN Fund Management Berhad (a wholly-owned subsidiary of AIBB) also registered a higher pretax profit of RM6.5 million as compared to RM5.2 million achieved in the previous year, mainly due to higher upfront fee on sales of unit trust of RM1.3 million.

Insurance

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

AXA AFFIN Life Insurance Berhad ("AALI") reported a lower pretax loss of RM1.3 million for the current financial quarter as compared to a pretax loss of RM5.4 million for the preceding year's corresponding quarter. The Company also reported a lower pretax loss of RM1.6 million for the half-year ended 30 June 2012 as compared to the pretax loss of RM9.0 million suffered in the previous year, mainly attributable to the recognition of lower deficit of the Life Fund Revenue Accounts (i.e. Non-Participating Fund or "NPF") of RM7.6 million. The improved performance of NPF was mainly due to higher allocation of management expenses of RM9.8 million to Participating Fund, proportionate to the increase in business of Participating Fund to NPF, as well as higher gain on disposal of bonds of RM1.8 million. Included in the share of losses in jointly controlled entity of RM0.1 million for the financial period ended 30 June 2012 was an adjustment of RM0.8 million on over-recognition of Group's share of loss in AALI for the previous financial year.

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

Insurance (cont.)

AXA AFFIN General Insurance Berhad ("AAGI") reported a higher pretax profit of RM10.1 million for the current financial quarter as compared to RM2.1 million for the preceding year's corresponding quarter. For the half-year ended 30 June 2012, AAGI also reported a higher pretax profit of RM74.6 million as compared to RM3.3 million achieved in the previous year. The improved performance was mainly due to higher earned premium of RM105.3 million, higher investment income of RM4.1 million and lower overhead expenses of RM3.8 million, net of higher net claims and net commission incurred of RM37.7 million and RM6.7 million respectively. The increase in earned premium of RM105.3 million was in turn due to the increase in net written premium mainly from motor, personal accident and health classes of insurance, as well as the release of Unearned Premium Reserve ("UPR") of RM52.3 million due to the change in basis of UPR computation from policy booking dates and 1/24 method to policy inception dates and 1/365 method during the year. Included in the share of results in associate of RM21.3 million for the current financial period was an adjustment of RM2.5 million on under-recognition of Group's share of profit in AAGI for the previous financial year.

Other business segment

The results of the other business segment is mainly attributable to AFFIN Moneybrokers Sdn Bhd ("AMB") which reported a lower pretax profit of RM0.7 million for the current financial quarter as compared to RM1.0 million for the preceding year's corresponding quarter. AMB also registered a lower pretax profit of RM1.4 million for the half-year ended 30 June 2012 as compared to RM1.6 million achieved last year, mainly due to higher overhead expenses net of higher net brokerage income.

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

The Group recorded a pretax profit of RM195.5 million for the current financial quarter, a decrease of RM18.4 million or 8.6% as compared to RM213.9 million for the preceding quarter ended 31 March 2012, mainly due to lower share of profit in associate of RM17.9 million, lower write-back of loan impairment of RM1.7 million as well as the allowance for securities impairment of RM0.3 million as compared to a write-back of allowance of RM9.7 million for the preceding quarter. The net interest income, other operating income and Islamic banking income however increased by RM9.7 million, RM3.0 million and RM1.3 million respectively for the quarter under review.

B3. PROSPECT FOR FINANCIAL YEAR 2012

Barring any unforeseen circumstances, the Group is expected to achieve satisfactory results for the financial year ending 31 December 2012.

Based on the current performance, the Board of Directors is of the view that the Group will be on track to achieve the following announced headline Key Performance Indicators (KPIs) for the financial year 2012 :-

<u>Headline KPIs</u>	<u>As announced for financial year 2012</u>	<u>Actual achieved for 6 months ended</u>
(i) After Tax Returns on Equity (ROE)	9.6%	5.3%
(ii) After Tax Returns on Assets (ROA)	1.0%	0.6%
(iii) Gross Impaired Loan Ratio	2.7%	2.5%
(iv) Earnings Per Share (EPS)	38.30 sen	20.53 sen

B4. VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

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

B5. TAXATION

	Group			
	Individual Quarter Ended 30/6/2012 RM'000	30/6/2011 RM'000	Cumulative Quarter Ended 30/6/2012 RM'000	30/6/2011 RM'000
Malaysian Taxation:-				
- Income tax based on profit for the financial year	53,667	31,211	93,649	72,603
Deferred tax:-				
- Relating to originating temporary differences	(4,928)	12,268	2,908	4,671
(Over)/under provision in prior years:-				
- Current taxation	(478)	1	(478)	250
	48,261	43,480	96,079	77,524

The Group's effective tax rate was slightly 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 purposes.

B6. STATUS OF CORPORATE PROPOSALS

There were no corporate proposals announced for the period under review.

B7. GROUP BORROWINGS AND DEBT SECURITIES

	Group	
	30/6/2012 RM'000	31/12/2011 RM'000
(i) Deposits from Customers		
<u>By Type of Deposits:-</u>		
Money Market Deposits	937,782	528,435
Demand Deposits	6,364,434	6,166,557
Savings Deposits	1,696,703	1,526,891
Fixed Deposits	26,005,975	25,029,568
Negotiable Instruments of Deposits ('NIDs')	4,627,671	5,289,049
Special Investment Deposits	914,742	822,914
	40,547,307	39,363,414
Maturity structure of fixed deposits and NIDs are as follows:-		
Due within six months	25,221,042	24,666,976
Six months to one year	4,988,034	5,256,389
One year to three years	141,799	113,977
Three years to five years	282,771	281,275
	30,633,646	30,318,617
<u>By Type of Customers:-</u>		
Government and statutory bodies	6,291,129	7,650,536
Business enterprises	13,051,499	12,983,379
Individuals	7,829,942	6,763,627
Others	13,374,737	11,965,872
	40,547,307	39,363,414
(ii) Deposits and Placements of Banks and Other Financial Institutions		
<u>By Type of Institutions:-</u>		
Licensed banks	3,176,363	3,851,379
Licensed investment banks	1,042,799	978,487
Bank Negara Malaysia	636,725	794,523
Other financial institutions	693,449	1,242,658
	5,549,336	6,867,047
<u>By Maturity Structure:-</u>		
Due within six months	5,276,330	6,458,729
Six months to one year	273,006	408,318
	5,549,336	6,867,047
(iii) Borrowings		
Unsecured - more than one year (medium/long-term)	972,373	669,645

B8. REALISED AND UNREALISED PROFITS

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

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

	Group	
	30/6/2012 RM'000	31/12/2011 RM'000
<u>Total retained profits of AFFIN Holdings Berhad and its's subsidiaries</u>		
- Realised	1,474,691	1,193,538
- Unrealised		
- deferred tax recognised in the income statement	5,034	7,941
- other items of income and expense	33,613	26,176
	1,513,338	1,227,655
<u>Total share of retained profits in associate:-</u>		
- Realised	156,045	134,411
- Unrealised	2,221	2,578
<u>Total share of accumulated profits/(losses) in jointly controlled entities:-</u>		
- Realised	(22,669)	(22,564)
- Unrealised	-	-
	1,648,935	1,342,080
Add: Consolidation adjustments	124,974	124,976
Total Group retained profits as per consolidated financial statements	1,773,909	1,467,056

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

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

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

B9. MATERIAL LITIGATION

- (a) A syndicate of lenders, including AFFIN Bank Berhad (the 'Bank'), had granted facilities of RM62.5 million (the 'Facilities') to a Borrower to, inter alia, finance a development project. At borrower's request, the Facilities were restructured in 1999 but in July 2000, continued drawdown under the restructured Facilities was refused as borrower had failed to comply with conditions precedent for such drawdown. The lenders and borrower negotiated to resolve the default and the Facilities were restructured again in 2003. Further financing was also granted in 2004 and the Project was completed with certificate of fitness in January 2005.

Subsequent to the completion of the project, borrower brought a claim against the lead banker, as the agent of the syndicate lenders, for loss and damage arising from alleged breach of duty and obligations owed by the lead banker to the borrower in relation to various actions taken or omitted to be taken in disbursements and transactions under the Facilities. The lead banker filed an action against the borrower and its guarantor of the Facilities, for recovery of the amounts outstanding under the Facilities.

The 2 actions were consolidated and heard together at full trial. On 6 May 2009, the High Court granted judgment in favour of borrower against the lead banker, as an agent of the lenders, and dismissed the lenders' action for recovery of the Facilities. The judgment against the lead banker included a sum of RM115.5 million to be paid, as well as further damages to be assessed and an immediate release of all security granted by the borrower and its guarantors for the Facilities. The award of damages of RM115.5 million was made despite parties' agreement that the trial proceed only on issue of liability and no evidence of damage/loss was produced. If the judgment of 6.5.2009 is maintained, lead banker will seek contribution from the lenders, including the Bank.

The lead banker and the lenders have appealed to the Court of Appeal against the said High Court decision of 6 May 2009 and the appeal is now fixed for hearing on 10 February 2012. In the interim, on 24 June 2009, a stay of the Judgment has been granted pending the disposal of the appeal to the Court of Appeal.

On 10 February 2012, the defendant has proposed for the hearing to go through Court Mediation. The lead banker and the lenders have agreed to the proposal and the Court of Appeal has fixed 9 March 2012 for hearing at the Court Mediation.

On 9 March 2012, the appeal was fixed for hearing on 6 June 2012 and 13 June 2012 and subsequently postponed to 19 June 2012. On 19 June 2012, the appeal was fixed for further continued hearing on 3 August 2012. The appeal came up for continued hearing on 3 August 2012 and will be continued on 9 November 2012.

The solicitors for the lead banker and the lenders have expressed the view that the lead banker and the lenders have a more than even chance of success in their appeal against the Judgment.

- (b) There are various other legal suits against AFFIN Bank Berhad ("ABB") in respect of claims and counter claims of approximately RM43.5 million (31 December 2010: RM42.8 million). Based on legal advice, the Directors of ABB are of the opinion that no provision for damages need to be made in the financial statements, as the probability of adverse adjudication against ABB is remote.

B10. PROPOSED DIVIDENDS

No final dividend has been proposed for the current financial quarter ended 30 June 2012.

B11. EARNINGS PER SHARE

	-----Group----->			
	<u>Individual Quarter Ended</u>		<u>Cumulative Quarter Ended</u>	
	30/6/2012	30/6/2011	30/6/2012	30/6/2011
Net profit attributable to equity holders of the company (RM'000)	140,828	134,187	306,853	240,254
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 earnings per share (sen)	9.42	8.98	20.53	16.08
Diluted earnings per share (sen)	9.42	8.98	20.53	16.08

The basic and diluted earnings per share of the Group for the current financial quarter ended 30 June 2012 have been calculated based on the net profit attributable to the equity holders of the company of RM140,828,000 (30 June 2011: RM134,187,000) divided by the weighted average number of ordinary shares in issue during the current financial quarter of 1,494,575,806 (30 June 2011: 1,494,575,806).

The basic and diluted earnings per share of the Group for the cumulative quarter ended 30 June 2012 has been calculated based on the net profit attributable to the equity holders of the company of RM306,853,000 (30 June 2011: RM240,254,000) divided by the weighted average number of ordinary shares in issue during the financial year under review of 1,494,575,806 (30 June 2011: 1,494,575,806).

B12. ECONOMIC PROFIT/(LOSS)

	-----Group----->			
	<u>Individual Quarter Ended</u>		<u>Cumulative Quarter Ended</u>	
	30/6/2012	30/6/2011	30/6/2012	30/6/2011
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period	140,828	134,187	306,853	240,254
Less: Economic charge	(141,556)	(137,246)	(279,077)	(272,135)
Economic profit/(loss) for the financial period	(728)	(3,059)	27,776	(31,881)

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