

**AFFIN HOLDINGS BERHAD**  
(Company no. 23218 - W)  
**Condensed Interim Financial Statements**  
**Unaudited Statements of Financial Position As At 31 December 2012**

	Note	GROUP			COMPANY		
		31/12/2012 RM'000	Restated 31/12/2011 RM'000	Restated 1/1/2011 RM'000	31/12/2012 RM'000	31/12/2011 RM'000	1/1/2011 RM'000
<b>ASSETS</b>							
Cash and short-term funds		7,359,658	9,685,542	8,642,897	33,209	67,333	126,186
Deposits and placements with banks and other financial institutions		492,356	279,458	18,093	101,958	216,396	176,633
Reverse repurchase agreements with financial institutions		20,057	-	-	-	-	-
Trade receivables	A9	213,751	160,239	270,012	-	-	-
Financial assets held-for-trading	A10	165,592	149,832	149,945	-	-	-
Financial investments available-for-sale	A10	9,404,237	9,122,892	8,592,533	-	-	-
Financial investments held-to-maturity	A10	548,324	650,923	536,548	-	-	-
Derivative financial assets		66,015	47,023	51,626	-	-	-
Loans, advances and financing	A11	34,163,168	30,436,846	26,574,066	-	-	-
Other assets	A12	313,277	177,174	218,686	346	384	319
Statutory deposits with Bank Negara Malaysia		1,507,480	1,410,141	275,167	-	-	-
Amount due from subsidiaries		-	-	-	904,960	603,062	300,756
Amount due from associate		67,240	67,257	91,828	67,240	67,257	91,828
Investment in subsidiaries		-	-	-	3,582,882	3,536,914	3,636,991
Investment in jointly controlled entities		129,788	115,430	113,311	146,880	135,660	128,520
Investment in associate		183,696	155,548	152,779	10,597	10,597	10,597
Tax recoverable		14,775	30,445	76,291	5,021	4,519	6,181
Deferred tax assets		-	470	10,180	-	-	-
Property and equipment		178,093	178,649	176,897	659	895	734
Intangible assets		1,006,784	1,013,419	1,011,867	4	9	12
<b>TOTAL ASSETS</b>		<b>55,834,291</b>	<b>53,681,288</b>	<b>46,962,726</b>	<b>4,853,756</b>	<b>4,643,026</b>	<b>4,478,757</b>
<b>LIABILITIES AND EQUITY</b>							
Deposits from customers	B8	42,944,986	39,363,414	33,247,279	-	-	-
Deposits and placements of banks and other financial institutions	B8	4,588,209	6,867,047	6,852,598	-	-	-
Bills and acceptances payable		152,400	82,059	110,161	-	-	-
Trade payables		213,690	156,908	258,802	-	-	-
Derivative financial liabilities		59,560	96,954	70,195	-	-	-
Recourse obligation on loans sold to Cagamas Berhad		413,549	428,459	288,891	-	-	-
Other liabilities	A13	364,964	387,448	516,111	5,829	5,534	106,324
Provision for taxation		63,751	16,401	188	-	-	-
Deferred tax liabilities		16,335	20,729	25,082	143	587	141
Amount due to subsidiaries		-	-	-	400,258	589,313	689,348
Borrowings	B8	972,343	669,645	392,386	972,343	669,645	392,386
<b>TOTAL LIABILITIES</b>		<b>49,789,787</b>	<b>48,089,064</b>	<b>41,761,693</b>	<b>1,378,573</b>	<b>1,265,079</b>	<b>1,188,199</b>
<b>EQUITY</b>							
Share capital		1,494,576	1,494,576	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	1,400,410	1,400,410
Statutory reserve		1,293,665	1,127,843	990,543	-	-	-
AFS revaluation reserve		108,763	102,339	84,631	-	-	-
Retained profits		1,747,090	1,467,056	1,230,873	580,197	482,961	395,572
<b>TOTAL EQUITY</b>		<b>6,044,504</b>	<b>5,592,224</b>	<b>5,201,033</b>	<b>3,475,183</b>	<b>3,377,947</b>	<b>3,290,558</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>55,834,291</b>	<b>53,681,288</b>	<b>46,962,726</b>	<b>4,853,756</b>	<b>4,643,026</b>	<b>4,478,757</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		<b>19,096,585</b>	<b>20,067,994</b>	<b>18,901,770</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET ASSETS PER SHARE (RM)</b>		<b>4.04</b>	<b>3.74</b>	<b>3.48</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 2011.

**AFFIN HOLDINGS BERHAD**

(Company no. 23218 - W)

**Condensed Interim Financial Statements**

**Unaudited Income Statements For The Financial Quarter and Year Ended 31 December 2012**

<u>Group</u>	Note	<---Individual Quarter Ended --->		<---Cumulative Quarter Ended --->	
		31/12/2012 RM'000	31/12/2011 RM'000	31/12/2012 RM'000	31/12/2011 RM'000
<b>Revenue</b>		<b>756,191</b>	<b>708,270</b>	<b>2,971,723</b>	<b>2,655,610</b>
Interest income	A14	539,444	524,659	2,106,615	1,972,102
Interest expense	A15	(307,043)	(301,114)	(1,209,786)	(1,102,525)
<b>Net interest income</b>		<b>232,401</b>	<b>223,545</b>	<b>896,829</b>	<b>869,577</b>
Islamic banking income		57,200	52,268	216,772	198,933
Other operating income	A16	98,997	84,643	408,458	313,072
<b>Operating income</b>		<b>388,598</b>	<b>360,456</b>	<b>1,522,059</b>	<b>1,381,582</b>
Other operating expenses	A17	(184,398)	(163,309)	(700,315)	(658,761)
<b>Operating profit before allowance for impairment on loans, advances and financing</b>		<b>204,200</b>	<b>197,147</b>	<b>821,744</b>	<b>722,821</b>
Allowance for impairment on loans, advances and financing	A18	19,893	(15,872)	18,835	8,331
Allowance for impairment on other assets	A19	(9,828)	(187)	(408)	874
Transfer to profit equalisation reserve		-	204	-	-
<b>Operating profit</b>		<b>214,265</b>	<b>181,292</b>	<b>840,171</b>	<b>732,026</b>
Finance cost		(10,708)	(6,886)	(41,021)	(22,521)
Share of results of jointly controlled entities		1,255	(28)	1,823	(4,590)
Share of results of associate		7,596	296	32,765	4,233
<b>Profit before taxation and zakat</b>		<b>212,408</b>	<b>174,674</b>	<b>833,738</b>	<b>709,148</b>
Taxation	B6	(51,817)	(41,913)	(197,710)	(194,816)
Zakat		(210)	(218)	(7,086)	(6,337)
<b>Net profit for the financial period attributable to equity holders of the Company</b>		<b>160,381</b>	<b>132,543</b>	<b>628,942</b>	<b>507,995</b>
Earnings per share attributable to the equity holders of the Company (sen)					
- Basic and fully diluted	B12	10.73	8.87	42.08	33.99

*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 Quarter and Year Ended 31 December 2012**

<u>Group</u>	<---Individual Quarter Ended --->		<---Cumulative Quarter Ended --->	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
	RM'000	RM'000	RM'000	RM'000
<b>Profit after taxation and zakat</b>	<b>160,381</b>	<b>132,543</b>	<b>628,942</b>	<b>507,995</b>
<b>Other comprehensive income:</b>				
- Net change in fair value of financial investments available-for-sale	12,726	11,185	7,692	24,510
- Deferred tax on revaluation of financial investments available-for-sale	(3,247)	(3,396)	(1,268)	(6,802)
<b>Other comprehensive income for the period, net of tax</b>	<b>9,479</b>	<b>7,789</b>	<b>6,424</b>	<b>17,708</b>
<b>Total comprehensive income for the financial period attributable to the equity holders of the Company</b>	<b>169,860</b>	<b>140,332</b>	<b>635,366</b>	<b>525,703</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 2011.*

**AFFIN HOLDINGS BERHAD**

(Company no. 23218 - W)

**Condensed Interim Financial Statements****Unaudited Income Statements For The Financial Quarter and Year Ended 31 December 2012**

<u>Company</u>	<---Individual Quarter Ended --->		<---Cumulative Quarter Ended --->	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>	<b>183,117</b>	<b>152,580</b>	<b>309,519</b>	<b>271,172</b>
Interest income	13,103	10,225	51,984	34,629
Interest expense	-	-	-	-
<b>Net interest income</b>	<b>13,103</b>	<b>10,225</b>	<b>51,984</b>	<b>34,629</b>
Islamic banking income	-	-	-	-
Other operating income	204,998	142,355	292,519	236,591
<b>Operating income</b>	<b>218,101</b>	<b>152,580</b>	<b>344,503</b>	<b>271,220</b>
Other operating expenses	(3,787)	(2,880)	(9,993)	(8,631)
<b>Operating profit before allowance for impairment on loans, advances and financing</b>	<b>214,314</b>	<b>149,700</b>	<b>334,510</b>	<b>262,589</b>
Allowance for impairment on loans, advances and financing	-	-	-	-
Allowance for impairment on other assets	-	-	-	-
<b>Operating profit</b>	<b>214,314</b>	<b>149,700</b>	<b>334,510</b>	<b>262,589</b>
Finance cost	(10,708)	(6,886)	(41,021)	(22,521)
<b>Profit before taxation and zakat</b>	<b>203,606</b>	<b>142,814</b>	<b>293,489</b>	<b>240,068</b>
Taxation	(8,831)	(10,704)	(13,167)	(18,167)
<b>Net profit for the financial period attributable to equity holders of the Company</b>	<b>194,775</b>	<b>132,110</b>	<b>280,322</b>	<b>221,901</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 2011.*

**AFFIN HOLDINGS BERHAD**  
 (Company no. 23218 - W)  
**Condensed Interim Financial Statements**  
**Unaudited Statement of Comprehensive Income**  
**Unaudited Income Statements For The Financial Quarter and Year Ended 31 December 2012**

<u>Company</u>	<---Individual Quarter Ended --->		<---Cumulative Quarter Ended --->	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
	RM'000	RM'000	RM'000	RM'000
Profit after taxation and zakat	194,775	132,110	280,322	221,901
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the financial period attributable to equity holders of the Company</b>	<b>194,775</b>	<b>132,110</b>	<b>280,322</b>	<b>221,901</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 2011.*

**AFFIN HOLDINGS BERHAD**  
(Company no. 23218 - W)  
**Unaudited Condensed Consolidated Statement Of Changes In Equity**  
**For The Financial Year Ended 31 December 2012**

←-----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
	Number of shares '000							
<b>GROUP</b>								
<b>At 1 January 2012</b>	1,494,576		1,494,576	1,400,410	1,127,843	102,339	1,467,056	5,592,224
Net profit for the financial year	-	-	-	-	-	-	628,942	628,942
Other comprehensive income	-	-	-	-	-	6,424	-	6,424
Total comprehensive income for the financial year	-	-	-	-	-	6,424	628,942	635,366
Transfer to statutory reserve	-	-	-	-	165,822	-	(165,822)	-
Dividends declared and paid for the financial year	-	-	-	-	-	-	(183,086)	(183,086)
<b>At 31 December 2012</b>	<b>1,494,576</b>		<b>1,494,576</b>	<b>1,400,410</b>	<b>1,293,665</b>	<b>108,763</b>	<b>1,747,090</b>	<b>6,044,504</b>
<b>At 1 January 2011</b>	1,494,576		1,494,576	1,400,410	990,543	84,631	1,230,873	5,201,033
Net profit for the financial year	-	-	-	-	-	-	507,995	507,995
Other comprehensive income	-	-	-	-	-	17,708	-	17,708
Total comprehensive income for the financial year	-	-	-	-	-	17,708	507,995	525,703
Transfer to statutory reserve	-	-	-	-	137,300	-	(137,300)	-
Dividends declared and paid for the financial year	-	-	-	-	-	-	(134,512)	(134,512)
<b>At 31 December 2011</b>	<b>1,494,576</b>		<b>1,494,576</b>	<b>1,400,410</b>	<b>1,127,843</b>	<b>102,339</b>	<b>1,467,056</b>	<b>5,592,224</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 2011.

**AFFIN HOLDINGS BERHAD**  
(Company no. 23218 - W)  
**Unaudited Condensed Statement Of Changes In Equity**  
**For The Financial Year Ended 31 December 2012**

<u>COMPANY</u>	←-----Attributable to Equity Holders of the Company----->					
	Issued and fully paid ordinary shares of RM1 each		Non-distributable		Distributable	
	Number of shares '000	Nominal value RM'000	Share premium RM'000	Retained profits RM'000	Total Equity RM'000	
<b>At 1 January 2012</b>	1,494,576	1,494,576	1,400,410	482,961	3,377,947	
Total comprehensive income for the financial year						
- Net profit for the financial year	-	-	-	280,322	280,322	
Dividends declared and paid for the financial year	-	-	-	(183,086)	(183,086)	
<b>At 31 December 2012</b>	<b>1,494,576</b>	<b>1,494,576</b>	<b>1,400,410</b>	<b>580,197</b>	<b>3,475,183</b>	
<b>At 1 January 2011</b>	1,494,576	1,494,576	1,400,410	395,572	3,290,558	
Total comprehensive income for the financial year						
- Net profit for the financial year	-	-	-	221,901	221,901	
Dividends declared and paid for the financial year	-	-	-	(134,512)	(134,512)	
<b>At 31 December 2011</b>	<b>1,494,576</b>	<b>1,494,576</b>	<b>1,400,410</b>	<b>482,961</b>	<b>3,377,947</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 2011.*

**AFFIN HOLDINGS BERHAD**  
(Company no. 23218 - W)  
**Unaudited Condensed Consolidated Statement of Cash Flow**  
**For The Financial Year Ended 31 December 2012**

	31/12/2012 RM'000	Restated 31/12/2011 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation and zakat	833,738	709,148
Adjustment for non-operating and non-cash items	(372,852)	(90,086)
Operating profit before changes in working capital	<u>460,886</u>	<u>619,062</u>
Net changes in operating assets	(4,314,333)	(5,428,135)
Net changes in operating liabilities	1,348,890	6,093,187
Payment of tax and zakat	(163,874)	(153,722)
Tax refund	17,088	11,257
Net cash (used in)/generated from operating activities	<u>(2,651,343)</u>	<u>1,141,649</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received from securities	299,648	295,106
Net (purchase)/disposal of:		
- securities	(88,612)	(547,081)
- property and equipment	(23,584)	(35,354)
- intangible assets	(2,098)	(1,986)
Dividend received from:		
- associate	2,520	-
- financial investments held-to-maturity/available-for-sale	4,100	10,394
Proceeds from disposal of property and equipment	4,372	2,324
Proceeds from disposal of foreclosed properties	21,611	118,687
Amount due to/from associate	17	24,571
Capital injection into a jointly controlled entity	(11,220)	(7,140)
Net cash generated from/(used in) investing activities	<u>206,754</u>	<u>(140,479)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in borrowings	302,698	277,259
Dividends paid to shareholders	(183,086)	(235,396)
Net cash generated from financing activities	<u>119,612</u>	<u>41,863</u>
Net increase in cash and cash equivalents	(2,324,977)	1,043,033
Cash and cash equivalents at beginning of the year	9,675,118	8,632,085
Cash and cash equivalents at end of the year	<u>7,350,141</u>	<u>9,675,118</u>
<u>Analysis of cash &amp; cash equivalent</u>		
Cash and short-term funds	7,359,658	9,685,542
Adjustment for money held in trust on behalf of remisiers	(9,517)	(10,424)
	<u>7,350,141</u>	<u>9,675,118</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.*



**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 and year ended 31 December 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 are disclosed in Note A27.

**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) Guidelines on Profit Equalisation Reserve issued by Bank Negara Malaysia

For the financial year beginning 1 January 2012, the Islamic banking subsidiary of the Group, namely 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 does not have any significant financial impact to the results of the Group for the financial year under review. The effect of the change in accounting policy arising from the adoption of the revised PER Guidelines is disclosed in Note A27.

- (b) Financial Reporting Standards Implementation Committee ("FRSIC") Consensus 18 "Monies Held in Trust by Participating Organisations of Bursa Malaysia Securities Berhad" issued by the Malaysian Institute of Accountants ("MIA").

During the financial quarter under review, the investment banking subsidiary of the Group, namely AFFIN Investment Bank Berhad has adopted FRSIC Consensus 18 "Monies Held in Trust by Participating Organisations of Bursa Malaysia Securities Berhad" issued by MIA on 18 September 2012. This Consensus is applicable to the accounting of monies held in trust account by a participating organisation of Bursa Securities pursuant to the provisions of Capital Markets and Services Act, 2007 and Bursa Securities Rules. As stated in the Consensus, the FRSIC opined that the recognition of trust monies as part of the participating organisation's assets with corresponding liabilities is inappropriate from the context of MFRS.

The adoption of the above Consensus does not have any impact to the results of the Group for the current and previous financial years but has resulted in the restatement of comparative figures in the Statements of Financial Position. The effect of the change in accounting policy arising from the adoption of FRSIC Consensus 18 is disclosed in Note A27.

**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 and year ended 31 December 2012.

**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 and year ended 31 December 2012.

**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**

During the current financial quarter, an interim franked dividend of 11.0 sen (less 25% tax) per share and a tax exempt dividend of 4.0 sen per share in respect of the current financial year ended 31 December 2012 amounting to RM183,085,523 was paid on 28 December 2012.

**A9. TRADE RECEIVABLES**

	Group	
	31/12/2012 RM'000	31/12/2011 RM'000
Amount due from stock-broking clients	129,025	99,296
Amount due from Bursa Securities Clearing Sdn Bhd	86,856	63,752
Amount in respect of management fees receivable and cancellation of funds' units	1,466	974
	<u>217,347</u>	<u>164,022</u>
Less Allowance for impairment		
- Collective impairment	(21)	(211)
- Individual impairment	(3,575)	(3,572)
	<u>213,751</u>	<u>160,239</u>

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

**Collective impairment**

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

**Individual impairment**

Balance at the beginning of financial year	3,572	3,986
Allowance made during the financial year	161	210
Amount recovered during the financial year	(158)	(624)
Balance at the end of financial year	<u>3,575</u>	<u>3,572</u>

**A10. FINANCIAL ASSETS**

**(a) Financial assets held-for-trading**

**At fair value**

	Group	
	31/12/2012 RM'000	31/12/2011 RM'000
Bank Negara Malaysia Notes	-	149,832
Negotiable Instruments of Deposit	150,276	-
Unquoted Securities		
- Private Debt Securities in Malaysia	15,316	-
Total financial assets held-for-trading	<u>165,592</u>	<u>149,832</u>

**(b) Financial investments available-for-sale**

**At fair value**

Malaysian Government Securities	35,574	675,045
Malaysian Government Treasury Bills	-	39,421
Malaysian Government Investment Issuance	2,441,657	3,846,939
Cagamas Bonds	151,524	181,510
Sukuk Perumahan Kerajaan	150,689	-
Khazanah Bonds	193,746	14,262
Bankers' Acceptance and Islamic Acceptance Bills	163,751	-
Bank Negara Malaysia Notes	884,069	174,620
Negotiable Instruments of Deposit and Islamic Debt Certificate	209,934	102,121
	<u>4,230,944</u>	<u>5,033,918</u>
Quoted Securities		
- Shares in Malaysia	31,427	47,762
- Private Debt Securities in Malaysia	4,173	2,167
- Irredeemable Convertible Unsecured Loan Stock in Malaysia	4,124	4,124
Unquoted Securities		
- Shares in Malaysia	151,946	123,146
- Private Debt Securities in Malaysia	4,458,510	3,115,720
- Private Debt Securities outside Malaysia	619,432	872,823
	<u>9,500,556</u>	<u>9,199,660</u>
Allowance for impairment of securities	(96,319)	(76,768)
Total financial investments available-for-sale	<u>9,404,237</u>	<u>9,122,892</u>

**A10. FINANCIAL ASSETS (cont.)**

	Group	
	31/12/2012 RM'000	31/12/2011 RM'000
<b>(c) <u>Financial investments held-to-maturity</u></b>		
<b>At amortised cost</b>		
Quoted Securities		
- Private Debt Securities in Malaysia	31,781	34,623
Unquoted Securities		
- Private Debt Securities in Malaysia	578,691	704,232
- Redeemable Convertible Unsecured Loan Stock in Malaysia	1,554	12,919
	612,026	751,774
Allowance for impairment of securities	(63,702)	(100,851)
Total financial investments held-to-maturity	548,324	650,923
<b>Total securities held</b>	<b>10,118,153</b>	<b>9,923,647</b>

**A11. LOANS, ADVANCES AND FINANCING**

	Group	
	31/12/2012 RM'000	31/12/2011 RM'000
<b>(a) <u>BY TYPE</u></b>		
Overdrafts	1,834,204	1,856,907
Term loans/financing		
- Housing loans/financing	5,176,283	4,544,089
- Syndicated term loans/financing	1,758,162	1,645,276
- Hire purchase receivables	9,595,286	8,869,439
- Other term loans/financing	11,476,993	10,428,142
Bills receivables	452,075	42,928
Trust receipts	435,425	374,449
Claims on customers under acceptance credits	1,040,695	694,365
Staff loans/financing (of which RM NIL to Directors)	150,823	155,279
Credit/charge cards	85,258	93,116
Revolving credit	2,688,873	2,318,313
Margin financing	26,342	45,056
Factoring	4,186	12,318
<b>Gross loans, advances and financing</b>	<b>34,724,605</b>	<b>31,079,677</b>
Less: Allowance for impairment		
- Collective impairment	(330,797)	(462,953)
- Individual impairment	(230,640)	(179,878)
<b>Total net loans, advances and financing</b>	<b>34,163,168</b>	<b>30,436,846</b>

**(b) BY TYPE OF CUSTOMER**

Domestic banking institutions	1,335	949
Domestic non-banking institutions		
- Stock-broking companies	253	-
- Others	1,702,223	2,078,889
Domestic business enterprises		
- Small medium enterprises	5,185,194	7,605,717
- Others	12,885,089	7,940,697
Government and statutory bodies	117,523	65,487
Individuals	14,014,481	12,961,182
Other domestic entities	128,982	164,857
Foreign entities	689,525	261,899
	<b>34,724,605</b>	<b>31,079,677</b>

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

**Group**  
**31/12/2012      31/12/2011**

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

Fixed rate		
- Housing loans/financing	312,170	289,374
- Hire purchase receivables	9,595,286	8,869,438
- Other fixed rate loans/financing	4,240,497	4,484,845
- Margin financing	26,342	45,056
Variable rate		
- BLR plus	13,680,021	11,271,790
- Cost plus	6,870,289	6,119,174
	<b>34,724,605</b>	<b>31,079,677</b>

**(d) BY ECONOMIC PURPOSE**

Construction	2,119,630	1,667,014
Purchase of landed property of which :-		
- Residential	5,202,552	4,654,475
- Non-residential	4,738,255	3,791,366
Purchase of securities	137,344	176,302
Purchase of transport vehicles	10,032,763	9,112,854
Fixed assets other than land and building	330,383	326,549
Personal use	964,440	827,086
Credit card	85,258	93,116
Consumer durable	860	958
Merger and acquisition	615,084	98,651
Working capital	9,859,245	9,924,518
Others	638,791	406,788
	<b>34,724,605</b>	<b>31,079,677</b>

**(e) BY SECTOR**

Primary agriculture	611,421	539,364
Mining and quarrying	473,549	431,334
Manufacturing	2,675,086	2,294,794
Electricity, gas and water supply	596,854	172,860
Construction	3,122,642	2,553,635
Real estate	3,789,840	3,095,024
Wholesale and retail trade and restaurants and hotels	1,799,305	1,466,419
Transport, storage and communication	1,880,894	1,946,061
Finance, insurance and business services	4,220,105	4,288,464
Education, health and others	1,326,793	1,146,839
Household	14,157,675	13,092,597
Others	70,441	52,286
	<b>34,724,605</b>	<b>31,079,677</b>

**(f) BY MATURITY STRUCTURE**

Maturing within one year	7,310,427	6,048,047
One year to three years	3,888,636	3,848,659
Three years to five years	7,203,938	5,523,193
Over five years	16,321,604	15,659,778
	<b>34,724,605</b>	<b>31,079,677</b>

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

	Group	
	31/12/2012 RM'000	31/12/2011 RM'000
<b>(g) <u>BY GEOGRAPHICAL DISTRIBUTION</u></b>		
Perlis	84,463	56,604
Kedah	1,051,167	942,274
Pulau Pinang	1,665,271	1,525,797
Perak	1,037,353	917,610
Selangor	10,992,142	9,524,022
Wilayah Persekutuan	10,150,522	9,399,510
Negeri Sembilan	754,375	753,916
Melaka	767,272	696,178
Johor	2,825,308	2,631,232
Pahang	679,379	633,914
Terengganu	844,224	580,189
Kelantan	243,555	268,161
Sarawak	995,737	1,072,628
Sabah	1,533,859	1,272,938
Labuan	187,347	262,731
Outside Malaysia	912,631	541,973
	<b>34,724,605</b>	<b>31,079,677</b>
<b>(h) <u>IMPAIRED/NON-PERFORMING LOANS, ADVANCES AND FINANCING</u></b>		
<b>(i) <u>Movements of impaired loans, advances and financing</u></b>		
Balance at the beginning of financial year	882,958	989,769
Classified as impaired during the financial year	558,599	535,462
Reclassified as non-impaired during the financial year	(375,518)	(343,790)
Amount recovered during the financial year	(126,485)	(186,621)
Amount written-off during the financial year	(149,116)	(111,862)
Balance at the end of financial year	<b>790,438</b>	<b>882,958</b>
<b>(ii) <u>Impaired loans, advances and financing by economic purpose</u></b>		
Construction	61,437	63,547
Purchase of landed property of which :-		
- Residential	329,360	382,814
- Non-residential	26,575	34,354
Purchase of securities	13,800	3,000
Purchase of transport vehicles	54,781	106,606
Fixed assets other than land and building	5,063	17,758
Personal use	6,738	12,699
Credit card	508	499
Consumer durable	29	33
Working capital	280,983	260,129
Others	11,164	1,519
	<b>790,438</b>	<b>882,958</b>
<b>(iii) <u>Impaired loans, advances and financing by sector</u></b>		
Primary agriculture	7,482	7,855
Mining and quarrying	62	-
Manufacturing	73,295	48,663
Electricity, gas and water supply	1,641	1,928
Construction	181,800	190,682
Real estate	3,797	4,159
Wholesale and retail trade and restaurants and hotels	40,735	50,369
Transport, storage and communication	7,212	5,086
Finance, insurance and business services	63,880	51,926
Education, health and others	4,107	8,547
Household	399,141	510,089
Others	7,286	3,654
	<b>790,438</b>	<b>882,958</b>

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

	Group	
	31/12/2012	31/12/2011
	RM'000	RM'000
<b>(h) <u>IMPAIRED/NON-PERFORMING LOANS, ADVANCES AND FINANCING (cont.)</u></b>		
<b>(iv) <u>Impaired loans, advances and financing by geographical distribution</u></b>		
Perlis	138	332
Kedah	24,622	24,835
Pulau Pinang	18,684	25,585
Perak	20,754	23,884
Selangor	382,049	424,290
Wilayah Persekutuan	142,360	123,066
Negeri Sembilan	31,248	39,790
Melaka	7,452	16,229
Johor	52,426	65,744
Pahang	10,058	11,840
Terengganu	3,681	5,776
Kelantan	4,153	7,193
Sarawak	5,741	7,694
Sabah	10,460	15,533
Labuan	21	15
Outside Malaysia	76,591	91,152
	<b>790,438</b>	<b>882,958</b>
<b>(v) <u>Movements in allowance for impairment on loans, advances and financing</u></b>		
<b>Collective impairment</b>		
Balance at the beginning of financial year	462,953	405,085
Allowance (net of recovery) made during the financial year	3,486	69,632
Amount written-off during the financial year	(135,642)	(12,118)
Exchange differences	-	354
Balance at the end of financial year	<b>330,797</b>	<b>462,953</b>
<b>Individual impairment</b>		
Balance at the beginning of financial year	179,878	185,707
Allowance made during the financial year	80,860	120,585
Amount recovered during the financial year	(2,716)	(13,696)
Allowance written-off during the financial year	(13,362)	(98,012)
Unwinding discount of allowance	(14,020)	(14,706)
Balance at the end of financial year	<b>230,640</b>	<b>179,878</b>
<b>A12. OTHER ASSETS</b>		
Cheque clearing accounts	233,351	104,755
Foreclosed properties	26,745	40,950
Other debtors, deposits and prepayments	50,436	28,722
Amount due from jointly controlled entity	2,745	2,747
	<b>313,277</b>	<b>177,174</b>
<b>A13. OTHER LIABILITIES</b>		
Bank Negara Malaysia and Credit Guarantee Corporation Funding Programmes	28,644	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	82,131	72,793
Trust accounts for remisiers	9,517	10,424
Defined contribution plan	13,688	11,595
Accrued employee benefits	1,381	1,638
Other creditors and accruals	219,174	245,852
Provision for zakat	10,429	8,546
	<b>364,964</b>	<b>387,448</b>

**A14. INTEREST INCOME**

	←-----Group-----→			
	Individual Quarter Ended 31/12/2012 RM'000	31/12/2011 RM'000	Cumulative Quarter Ended 31/12/2012 RM'000	31/12/2011 RM'000
Loans, advances and financing	408,059	378,701	1,557,404	1,427,055
Money at call and deposit with financial institutions	30,010	47,803	149,966	145,019
Reverse repurchase agreements with financial institutions	117	-	117	-
Financial assets held-for-trading	573	-	1,009	64
Financial investments available-for-sale	62,743	62,462	269,759	266,477
Financial investments held-to-maturity	9,500	11,858	29,889	28,629
Derivatives	20,967	19,467	81,492	72,134
Subordinated term loan	1,337	1,338	5,320	5,821
Others	15	33	26	113
	<u>533,321</u>	<u>521,662</u>	<u>2,094,982</u>	<u>1,945,312</u>
Accretion of discount less amortisation of premium	6,123	2,997	11,633	26,790
	<u><b>539,444</b></u>	<u><b>524,659</b></u>	<u><b>2,106,615</b></u>	<u><b>1,972,102</b></u>
 The above interest income includes interest/income earned on impaired loans, advances and financing - Unwinding of discount of allowance (Net)	 4,859	 9,097	 7,544	 12,663

**A15. INTEREST EXPENSE**

Deposits and placements of banks and other financial institutions	39,415	28,308	135,005	116,264
Deposits from customers	239,918	244,724	965,004	887,891
Loans sold to Cagamas Berhad	4,905	4,353	19,891	14,913
Derivatives	22,258	23,244	87,626	81,967
Others	547	485	2,260	1,490
	<u><b>307,043</b></u>	<u><b>301,114</b></u>	<u><b>1,209,786</b></u>	<u><b>1,102,525</b></u>



**A16. OTHER OPERATING INCOME**

	←-----Group-----→			
	Individual Quarter Ended 31/12/2012 RM'000	31/12/2011 RM'000	Cumulative Quarter Ended 31/12/2012 RM'000	31/12/2011 RM'000
<u>Fees income:</u>				
Brokerage (net)	12,073	11,513	53,946	59,991
Underwriting fees	-	779	2,284	1,326
Portfolio management fees	3,544	2,829	12,363	10,083
Corporate advisory fees	1,492	3,141	8,868	6,421
Commission	3,743	3,711	13,735	13,178
Service charges and fees	17,910	14,131	64,119	52,107
Guarantee fees	5,840	5,449	22,960	25,783
Arrangement fees	15,735	2,475	22,535	9,187
Agency fees	555	430	1,766	1,995
Other fee income	1,129	292	10,944	8,424
	62,021	44,750	213,520	188,495
<u>Income from financial instruments:</u>				
Gains/(losses) on financial assets held-for-trading				
- net gain on disposal	1,017	607	6,125	5,466
- unrealised losses	78	8,253	(188)	(9)
Gains/(losses) on derivatives				
- realised	394	218	2,776	2,600
- unrealised	735	(1,667)	12,669	(12,469)
Gains on financial investments available-for-sale				
- net gain on disposal	3,983	6,125	49,523	41,252
- gross dividend income	1,065	172	4,100	689
Gains on financial investments held-to-maturity				
- net gain on redemption	959	493	19,466	2,546
- gross dividend income	-	6,047	-	9,705
	8,231	20,248	94,471	49,780
<u>Other income:</u>				
Foreign exchange gains/(losses):				
- realised	12,310	21,225	29,795	74,440
- unrealised	11,212	(6,966)	42,282	(18,035)
Rental income	385	443	1,618	1,952
Net gains on disposal of property and equipment	67	6	1,297	139
Gains/(losses) on disposal of foreclosed properties	(159)	318	10,141	(272)
Gain arising from waiver of debts	8	2,673	8	2,673
Surplus on realisation of assets of a subsidiary previously placed under members' voluntary winding up	670	-	670	-
Other non-operating income	4,252	1,946	14,656	13,900
	28,745	19,645	100,467	74,797
<b>Total Other Operating Income</b>	<b>98,997</b>	<b>84,643</b>	<b>408,458</b>	<b>313,072</b>

**A17. OTHER OPERATING EXPENSES**

	←-----Group-----→			
	Individual Quarter Ended 31/12/2012 RM'000	31/12/2011 RM'000	Cumulative Quarter Ended 31/12/2012 RM'000	31/12/2011 RM'000
<u>Personnel costs</u>				
Wages, salaries and bonus	81,959	60,649	321,388	281,195
Defined contribution plan	13,334	11,907	52,409	45,372
Other personnel costs	10,500	10,428	41,507	43,138
	105,793	82,984	415,304	369,705
<u>Promotion and marketing-related expenses</u>				
Business promotion and advertisement	4,626	4,126	9,709	10,181
Entertainment	979	713	3,912	3,065
Travelling and accommodation	1,053	1,332	4,001	4,425
Dealers' handling fees	320	492	1,205	1,760
Others	456	851	2,101	2,140
	7,434	7,514	20,928	21,571
<u>Establishment-related expenses</u>				
Rental of premises	7,093	6,712	28,138	26,710
Equipment rental	290	242	1,103	1,054
Repair and maintenance	12,333	8,367	35,125	30,685
Depreciation	4,958	5,315	20,313	21,641
Amortisation	2,247	2,478	9,162	9,779
IT consultancy fee	16,721	14,434	60,972	57,272
Dataline rental	1,118	1,229	4,324	3,477
Security services	3,393	2,980	12,109	10,461
Electricity, water and sewerage	2,482	2,498	9,959	9,234
Insurance and indemnities	1,504	1,333	5,474	5,391
Others	1,106	1,600	5,024	5,273
	53,245	47,188	191,703	180,977
<u>General administrative expenses</u>				
Telecommunication expenses	1,800	1,926	7,238	6,934
Directors' remuneration	710	628	2,211	1,913
Auditors' remuneration:-				
(i) Statutory audit	321	253	1,329	1,250
(ii) Over provision prior year	-	-	-	(4)
(iii) Audit related fees	195	139	430	340
(iv) Non audit fees	176	122	268	612
Professional fees	1,707	1,999	7,020	13,872
Property and equipment written off	85	7	182	425
Postage and courier charges	1,053	1,056	4,192	3,895
Stationery and consumables	2,527	2,563	9,484	9,908
Commission and brokerage expenses	1,336	1,377	5,653	5,808
Donations	1,323	1,128	3,929	3,658
Settlement, clearing and bank charges	195	1,558	5,991	5,819
Stamp duties	17	48	3,107	3,099
Provision for litigation loss	1,321	9,666	3,633	10,019
Subscription fees	511	358	1,837	1,602
Subsidies and allowances	-	63	865	925
Transaction levy	339	293	1,475	1,577
Commissioned dealers representative performance incentive	628	379	3,035	2,998
Others	3,682	2,060	10,501	11,858
	17,926	25,623	72,380	86,508
<b>Total other operating expenses</b>	<b>184,398</b>	<b>163,309</b>	<b>700,315</b>	<b>658,761</b>

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

	←-----Group-----→			
	Individual Quarter Ended 31/12/2012 RM'000	31/12/2011 RM'000	Cumulative Quarter Ended 31/12/2012 RM'000	31/12/2011 RM'000
Collective impairment				
- allowance made during the financial year	(21,004)	20,895	3,296	69,653
Individual impairment				
- allowance made during the financial year	30,747	37,894	81,021	120,795
- allowance written-back during the financial year	(990)	(4,063)	(2,874)	(14,320)
Bad debts				
- recovered	(29,813)	(41,319)	(108,219)	(240,562)
- written-off	1,001	3,086	7,784	15,956
Provision for litigation loss	-	-	-	40,000
(Write-back of)/additional allowance for impaired debts				
- other debtors	166	(621)	157	147
Additional/(write-back of) allowance for impairment on loans, advances and financing (net)	<b>(19,893)</b>	<b>15,872</b>	<b>(18,835)</b>	<b>(8,331)</b>

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

Additional/(write-back of) allowance for impairment loss on:-

- Financial investments available-for-sale	238	187	744	(874)
- Financial investments held-to-maturity	9,590	-	(336)	-
	<b>9,828</b>	<b>187</b>	<b>408</b>	<b>(874)</b>

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

The segment analysis by activity for the individual and cumulative quarters ended 31 December 2012 and 31 December 2011 are as follows:-

<----- Current year's individual quarter ended 31 December 2012 ----->						
RM '000	Commercial Banking	Investment Banking	Insurance	Others	Eliminations	Group
Segment revenue	682,884	69,529	-	2,462	-	754,875
Intersegment revenue	10,760	4,961	-	352	(16,073)	-
Unallocated revenue	-	-	-	1,316	-	1,316
<b>Revenue</b>	<b>693,644</b>	<b>74,490</b>	<b>-</b>	<b>4,130</b>	<b>(16,073)</b>	<b>756,191</b>
Segment results	182,282	21,718	-	963	10,873	215,836
Unallocated expenses	-	-	-	(12,279)	-	(12,279)
Share of results of:						
- jointly controlled entities (net of tax)	-	-	1,332	(77)	-	1,255
- associate (net of tax)	-	-	7,596	-	-	7,596
Profit before taxation and zakat						212,408
Taxation and zakat						(52,027)
<b>Net profit for the quarter</b>						<b>160,381</b>

<----- Preceding year's individual quarter ended 31 December 2011 ----->						
RM '000	Commercial Banking	Investment Banking	Insurance	Others	Eliminations	Group
Segment revenue	634,659	71,460	-	2,525	-	708,644
Intersegment revenue	2,351	1,786	-	386	(4,523)	-
Unallocated revenue	-	-	-	(374)	-	(374)
<b>Revenue</b>	<b>637,010</b>	<b>73,246</b>	<b>-</b>	<b>2,537</b>	<b>(4,523)</b>	<b>708,270</b>
Segment results	164,789	8,452	-	706	10,474	184,421
Unallocated expenses	-	-	-	(10,015)	-	(10,015)
Share of results of:						
- jointly controlled entities (net of tax)	-	-	182	(210)	-	(28)
- associate (net of tax)	-	-	296	-	-	296
Profit before taxation and zakat						174,674
Taxation and zakat						(42,131)
<b>Net profit for the quarter</b>						<b>132,543</b>

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

<----- Current year's cumulative quarter ended 31 December 2012 ----->						
RM '000	Commercial Banking	Investment Banking	Insurance	Others	Eliminations	Group
Segment revenue	2,656,784	298,210	-	11,402	-	2,966,396
Intersegment revenue	43,464	20,749	-	1,517	(65,730)	-
Unallocated revenue	-	-	-	5,327	-	5,327
<b>Revenue</b>	<b>2,700,248</b>	<b>318,959</b>	<b>-</b>	<b>18,246</b>	<b>(65,730)</b>	<b>2,971,723</b>
Segment results	703,459	91,058	-	3,677	45,428	843,622
Unallocated expenses	-	-	-	(44,472)	-	(44,472)
Share of results of:						
- jointly controlled entities (net of tax)	-	-	2,053	(230)	-	1,823
- associate (net of tax)	-	-	32,765	-	-	32,765
Profit before taxation and zakat						833,738
Taxation and zakat						(204,796)
<b>Net profit for the cumulative quarter</b>						<b>628,942</b>

<----- Preceding year's cumulative quarter ended 31 December 2011 ----->						
RM '000	Commercial Banking	Investment Banking	Insurance	Others	Eliminations	Group
Segment revenue	2,346,635	291,454	-	11,683	-	2,649,772
Intersegment revenue	7,109	5,142	-	1,445	(13,696)	-
Unallocated revenue	-	-	-	5,838	-	5,838
<b>Revenue</b>	<b>2,353,744</b>	<b>296,596</b>	<b>-</b>	<b>18,966</b>	<b>(13,696)</b>	<b>2,655,610</b>
Segment results	613,275	88,855	-	3,848	28,657	734,635
Unallocated expenses	-	-	-	(25,130)	-	(25,130)
Share of results of:						
- jointly controlled entities (net of tax)	-	-	(4,380)	(210)	-	(4,590)
- associate (net of tax)	-	-	4,233	-	-	4,233
Profit before taxation and zakat						709,148
Taxation and zakat						(201,153)
<b>Net profit for the cumulative quarter</b>						<b>507,995</b>

**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 and year ended 31 December 2012.

### 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	31/12/2012				31/12/2011			
	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount* RM'000	Risk-Weighted Amount* RM'000	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount* RM'000	Risk-Weighted Amount* RM'000
Direct credit substitutes	466,624	-	466,624	451,137	455,606	-	455,606	441,960
Transaction related contingent items	2,147,100	-	1,073,550	924,690	2,375,506	-	1,187,753	1,129,992
Short-term self-liquidating trade related contingencies	453,772	-	90,754	54,644	973,727	-	194,745	159,463
Obligation under underwriting commitments	-	-	-	-	49,370	-	3,150	630
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions. (i.e. repurchase / reverse repurchase and securities lending / borrowing transactions)	19,939	-	19,939	-	-	-	-	-
Foreign exchange related contracts	3,730,256	40,777	95,561	28,247	2,987,564	15,942	49,028	17,625
- Less than one year	251,794	4,384	17,127	6,430	50,000	841	3,000	600
- One year to less than five years								
Interest rate related contracts	107,156	563	122	49	133,140	331	156	67
- Less than one year	1,785,733	12,039	37,042	9,986	1,739,469	12,932	44,397	11,098
- One year to less than five years	543,148	8,252	51,487	22,022	474,023	16,977	43,899	10,295
- Five years and above								
Irrevocable commitments to extend credit	2,978,964	-	1,489,482	1,395,014	3,534,201	-	706,840	646,321
- Maturity more than one year	6,420,996	-	1,284,199	1,074,941	7,105,886	-	1,421,178	1,128,748
- Maturity less than one year	191,103	-	38,221	28,693	189,502	-	37,900	28,463
Unutilised credit card lines	19,096,585	66,015	4,664,108	3,995,853	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
	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	
<b>As at 31 December 2012</b>										
<b>Trading derivatives</b>										
Foreign exchange contracts										
- Currency forwards	921,492	-	-	921,492	-	-	9,504	-	-	9,504
- Cross currency swaps	2,808,764	251,794	-	3,060,558	4,384	-	35,657	20,358	3,367	39,015
Interest rate contracts										
- Interest rate swaps	107,156	1,358,870	970,011	2,436,037	563	12,680	20,854	624	21,309	23,473
	3,837,412	1,610,664	970,011	6,418,087	41,340	12,680	66,015	23,852	24,676	90,687
<b>As at 31 December 2011</b>										
<b>Trading derivatives</b>										
Foreign exchange contracts										
- Currency forwards	712,866	-	-	712,866	2,433	-	2,433	6,313	-	8,746
- Cross currency swaps	2,274,699	50,000	-	2,324,699	13,509	-	14,350	27,856	6,048	30,894
Interest rate contracts										
- Interest rate swaps	133,140	1,087,089	1,126,402	2,346,631	331	23,127	30,240	1,773	20,431	52,474
	3,120,705	1,137,089	1,126,402	5,384,196	16,273	23,127	47,023	35,942	26,479	73,542



#### **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 year, the notional amount of foreign exchange exposure which was not hedged and hence, exposed to market risk was RM0.60 million (FYE 31/12/2011: RM0.2 million), while the notional amount of interest rate contract was RM1.22 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 RM112.7 million (FYE 31/12/2011: RM52.0 million) and RM88.6 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's favour, or upon downgrade in the Bank's credit ratings. As at end of the financial year, 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 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

The components of the Tier I and Tier II capital, breakdown of risk-weighted assets and capital adequacy ratios of all banking subsidiaries namely, AFFIN Bank, AFFIN Islamic Bank and AFFIN Investment Bank are summarised below :-

	AFFIN Bank		AFFIN Islamic Bank		AFFIN Investment Bank	
	31/12/2012 RM'000	31/12/2011 RM'000	31/12/2012 RM'000	31/12/2011 RM'000	31/12/2012 RM'000	Restated 31/12/2011 RM'000
<b>a) The components of the Tier I and Tier II capital :-</b>						
<u>Tier I capital</u>						
Share capital	1,518,337	1,439,285	360,000	260,000	222,246	222,246
Share premium	529,337	408,389	-	-	142,270	142,270
Retained profits	659,603	530,489	148,950	112,149	65,544	51,071
Statutory reserve	1,017,200	904,624	143,451	106,420	184,163	167,948
	<u>3,724,477</u>	<u>3,282,787</u>	<u>652,401</u>	<u>478,569</u>	<u>614,223</u>	<u>583,535</u>
Less: - Goodwill	(137,323)	(137,323)	-	-	(53,061)	(53,061)
- Deferred tax assets	(10,227)	(3,659)	(600)	-	-	(224)
Total Tier I capital (a)	<u>3,576,927</u>	<u>3,141,805</u>	<u>651,801</u>	<u>478,569</u>	<u>561,162</u>	<u>530,250</u>
<u>Tier II capital</u>						
Subordinated loans	900,000	600,000	-	-	-	-
Collective impairment #	128,568	138,227	23,782	44,041	8,189	11,565
Total Tier II capital (b)	<u>1,028,568</u>	<u>738,227</u>	<u>23,782</u>	<u>44,041</u>	<u>8,189</u>	<u>11,565</u>
Total capital (a) + (b)	4,605,495	3,880,032	675,583	522,610	569,351	541,815
Less: - Investment in capital instruments of other banking institutions	(10,034)	(40,257)	-	-	(1,964)	(38,864)
- Investment in subsidiaries	(387,389)	(287,389)	-	-	(13,751)	(13,751)
Capital base before proposed dividend	<u>4,208,072</u>	<u>3,552,386</u>	<u>675,583</u>	<u>522,610</u>	<u>553,636</u>	<u>489,200</u>
Proposed dividends	(91,100)	(71,964)	-	-	(24,169)	(11,668)
<b>Capital base after proposed dividend</b>	<u><b>4,116,972</b></u>	<u><b>3,480,422</b></u>	<u><b>675,583</b></u>	<u><b>522,610</b></u>	<u><b>529,467</b></u>	<u><b>477,532</b></u>
<b>b) The breakdown of risk-weighted assets :-</b>						
Credit risk	28,731,138	27,608,268	4,135,300	3,983,070	1,534,927	1,758,115
Market risk	258,838	102,489	1,782	30,671	33,351	89,851
Operational risk	1,864,563	1,828,940	323,284	307,036	242,878	240,480
<b>Total risk-weighted assets</b>	<u><b>30,854,539</b></u>	<u><b>29,539,697</b></u>	<u><b>4,460,366</b></u>	<u><b>4,320,777</b></u>	<u><b>1,811,156</b></u>	<u><b>2,088,446</b></u>
<b>c) Capital adequacy ratios :-</b>						
<u>Before deducting proposed dividends:-</u>						
Core capital ratio	11.59%	10.64%	14.61%	11.08%	30.57%	23.42%
Risk-weighted capital ratio	<u>13.64%</u>	<u>12.03%</u>	<u>15.15%</u>	<u>12.10%</u>	<u>30.57%</u>	<u>23.42%</u>
<u>After deducting proposed dividends:-</u>						
Core capital ratio	11.30%	10.39%	14.61%	11.08%	29.23%	22.87%
Risk-weighted capital ratio	<u>13.34%</u>	<u>11.78%</u>	<u>15.15%</u>	<u>12.10%</u>	<u>29.23%</u>	<u>22.87%</u>

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

## A26. OPERATIONS OF ISLAMIC BANKING

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

ASSETS	31/12/2012	Group 31/12/2011	1/1/2011
	RM'000	RM'000	RM'000
Cash and short-term funds	4,076,266	4,455,700	2,639,972
Deposits and placements with banks and other financial institutions	250,086	-	-
Financial investments available-for-sale	1,979,812	1,480,275	1,345,236
Loans, advances and financing	5,143,356	4,374,205	3,555,596
Other assets	67,062	50,747	4,279
Statutory deposit with Bank Negara Malaysia	201,500	160,000	160,000
Investment in jointly controlled entity	60	290	500
Tax recoverable	-	3,422	3,816
Deferred tax assets	-	-	4,291
Property and equipment	3,027	3,017	2,123
Intangible assets	2,458	3,255	1,462
<b>TOTAL ASSETS</b>	<b>11,723,627</b>	<b>10,530,911</b>	<b>7,717,275</b>
<b>LIABILITIES, ISLAMIC BANKING FUNDS</b>			
Deposits from customers	9,042,261	7,477,239	5,552,432
Deposits and placements of banks and other financial institutions	1,839,724	2,199,144	1,351,094
Other liabilities	176,817	372,333	220,245
Provision for tax	9,560	-	-
Deferred tax liabilities	266	907	-
<b>Total Liabilities</b>	<b>11,068,628</b>	<b>10,049,623</b>	<b>7,123,771</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	360,000	260,000	260,000
Reserves	294,999	221,288	173,504
<b>Total Equity</b>	<b>654,999</b>	<b>481,288</b>	<b>433,504</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>11,723,627</b>	<b>10,530,911</b>	<b>7,557,275</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	<b>1,569,943</b>	<b>1,889,674</b>	<b>2,022,889</b>

**A26. OPERATIONS OF ISLAMIC BANKING (cont.)**

**(ii) Unaudited Islamic Income Statements**

	<-----Group----->			
	Individual Quarter Ended 31/12/2012 RM'000	31/12/2011 RM'000	Cumulative Quarter Ended 31/12/2012 RM'000	31/12/2011 RM'000
Income derived from investment of depositors' funds and others	115,519	101,294	459,994	368,911
Income derived from investment of Shareholders' funds	6,964	5,426	23,650	20,852
Allowance for losses on financing	(3,300)	(2,496)	15,420	(10,773)
Transfer from profit equalisation reserve	-	204	-	-
	119,183	104,428	499,064	378,990
Income attributable to depositors	(72,685)	(62,245)	(295,030)	(212,092)
Income attributable to shareholders	46,498	42,183	204,034	166,898
Other operating expenses	(25,203)	(23,016)	(97,382)	(91,804)
	21,295	19,167	106,652	75,094
Share of results of a jointly controlled entity	(77)	(210)	(230)	(210)
Profit before tax and zakat	21,218	18,957	106,422	74,884
Taxation	(5,688)	(4,356)	(26,526)	(19,582)
Zakat	-	-	(6,064)	(5,492)
Net profit for the financial period attributable to the equity holders of the Company	15,530	14,601	73,832	49,810

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

	<-----Group----->			
	Individual Quarter Ended 31/12/2012 RM'000	31/12/2011 RM'000	Cumulative Quarter Ended 31/12/2012 RM'000	31/12/2011 RM'000
Profit after taxation and zakat	15,530	14,601	73,832	49,810
Other comprehensive income:				
- Net change in fair value of financial investments available-for-sale	1,582	1,534	(159)	(2,701)
- Deferred tax on revaluation of financial investments available-for-sale	(397)	(384)	38	675
Other comprehensive income for the financial period, net of tax	1,185	1,150	(121)	(2,026)
<b>Total comprehensive income for the financial period attributable to the equity holders of the Company</b>	<b>16,715</b>	<b>15,751</b>	<b>73,711</b>	<b>47,784</b>

**A26. OPERATIONS OF ISLAMIC BANKING (cont.)**

	Group	
	31/12/2012 RM'000	31/12/2011 RM'000
<b>(iii) <u>Financing</u></b>		
<u>By type</u>		
Cash line	187,020	207,564
Term financing		
- Housing financing	1,511,961	1,270,814
- Syndicated term financing	259,993	144,462
- Hire purchase receivables	1,438,230	1,232,416
- Other term financing	1,458,138	1,347,351
Bills financing	390	394
Trust receipts	28,445	33,581
Interest-free accepted bills	133,577	91,844
Staff financing	10,899	8,871
Revolving credit	184,734	132,544
	5,213,387	4,469,841
Less : Allowance for impairment		
- Collective impairment	(34,936)	(60,709)
- Individual impairment	(35,095)	(34,927)
<b>Total net financing</b>	<b>5,143,356</b>	<b>4,374,205</b>

**(iv) Impaired/non-performing financing**

**(a) Movements of impaired financing**

Balance at the beginning of financial year	172,344	152,601
Classified as impaired during the financial year	67,040	112,975
Reclassified as non-impaired during the financial year	(80,004)	(70,602)
Amount recovered during the financial year	(21,384)	(20,025)
Amount written-off during the financial year	(8,204)	(2,605)
Balance at the end of financial year	<b>129,792</b>	<b>172,344</b>

**A26. OPERATIONS OF ISLAMIC BANKING (cont.)**

	Group	
	31/12/2012	31/12/2011
	RM'000	RM'000
<b>(iv) Impaired/non-performing financing (cont.)</b>		
<b>(b) <u>Movements in the allowance for impairment on financing</u></b>		
<b>Collective impairment</b>		
Balance at the beginning of financial year	60,709	52,481
(Writeback of)/additional allowance for impairment during the financial year	(17,569)	7,874
Amount written-off during the financial year	(8,204)	-
Exchange differences	-	354
Balance at the end of financial year	<b>34,936</b>	<b>60,709</b>
<b>Individual impairment</b>		
Balance at the beginning of financial year	34,927	36,141
Allowance for impairment during the financial year	2,823	5,029
Amount recovered during the financial year	(170)	(1,372)
Amount written-off during the financial year	-	(2,338)
Unwinding of discount of allowance	(2,485)	(2,533)
Balance at the end of financial year	<b>35,095</b>	<b>34,927</b>
<b>(vi) Deposits from customers</b>		
<b><u>By type of deposits</u></b>		
<b>Non-Mudharabah Funds</b>		
Demand deposits	2,604,233	1,923,732
Savings deposits	221,111	204,743
Negotiable Instruments of Deposits	-	119,778
	<b>2,825,344</b>	<b>2,248,253</b>
<b>Mudharabah Funds</b>		
Demand deposits	31,496	14,147
Savings deposits	112,378	98,790
General investment deposits	5,239,911	4,293,135
Special investment deposits	833,132	822,914
	<b>6,216,917</b>	<b>5,228,986</b>
Total deposits from customers	<b>9,042,261</b>	<b>7,477,239</b>

## A27 CHANGES IN ACCOUNTING POLICIES

### (a) Transition to the MFRS framework

During the financial year, 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**

Previously, the Group applied the Amendment to FRS 139 "Financial Instruments: Recognition and Measurement", which included an additional transitional arrangement for financial sectors, whereby BNM prescribed the use of an alternative basis for collective assessment of impairments on loans, advances and financing. This transitional arrangement is prescribed in BNM's Guidelines on Classification and Impairment Provisions for Loans/Financing, whereby banking institutions are required to maintain collective allowances of at least 1.5% of total outstanding loans/financing, net of individual impairment allowances under the transitional provisions in the guidelines.

With effect from 1 January 2012, BNM has removed the transitional provision for banking institutions on collective evaluation of loan impairment assessment and loan loss provisioning to comply with MFRS 139 requirements. Exposures not individually known to be impaired are placed into pools of similar assets with similar risk characteristics to be collectively assessed for losses that have been incurred but not identified yet. The required loan loss allowance is estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the collective pool. The historical loss experience is adjusted based on current observable data.

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

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

With the 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's depending on prevailing profit sharing ratio.

The IAH portion of the existing PER shall be classified as a 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's 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 accounting policy is accounted for prospectively and there is no financial impact to the result of the Group.

**A27 CHANGES IN ACCOUNTING POLICIES (cont.)**

**(c) Adoption of Financial Reporting Standards Implementation Committee ("FRSIC") Consensus 18 "Monies Held in Trust by Participating Organisations of Bursa Malaysia Securities Berhad"**

In order to comply with FRSIC Consensus 18, the Group has changed its accounting policy on the recognition of client trust monies. In the past, client trust monies were recognised and treated in the same manner as cash and short term funds, while the corresponding liabilities were recognised and treated in the same manner as other liabilities. Under FRSIC Consensus 18, client trust monies and the corresponding liability are not recognised.

As a result, cash and short term funds and other liabilities have been restated as at 31 December 2011 and 1 January 2011 respectively. As at 31 December 2012, there were no client trust monies with the corresponding liabilities recognised in the statement of financial position.

The effect of the changes in accounting policy described above on the financial positions of the Group as at 31 December 2011 and 1 January 2011 are as follows:-

	< ----- GROUP ----- >		
	As previously stated	Effect of FRSIC Consensus 18	As restated
	RM'000	RM'000	RM'000
<b>Statement of Financial Position</b>			
<b>As At 31 December 2011</b>			
Cash and short-term funds	9,740,308	(54,766)	9,685,542
Other liabilities	442,214	(54,766)	387,448
<hr/>			
<b>Statement of Financial Position</b>			
<b>As At 1 January 2011</b>			
Cash and short-term funds	8,684,235	(41,338)	8,642,897
Other liabilities	557,449	(41,338)	516,111
<hr/>			



**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 RM212.4 million for the current financial quarter ended 31 December 2012 as compared to RM174.7 million for the preceding year's corresponding quarter. For the financial year ended 31 December 2012, the Group's pretax profit increased to RM833.7 million or 17.6% as compared to RM709.1 million achieved in the previous year. The improved performance was mainly attributable to the increase in net interest income, Islamic banking income and other operating income totalling RM140.5 million, higher share of profit in associate of RM28.5 million and higher write-back of allowance for loan impairment of RM10.5 million. For the financial year under review, both the overhead expenses and finance cost were higher by RM41.6 million and RM18.5 million respectively.

Commercial Banking

The results of the commercial banking segment is mainly attributable to the AFFIN Bank Berhad ("ABB") Group which registered a pretax profit of RM182.2 million for the current financial quarter, an increase of RM17.6 million or 10.7% as compared to RM164.6 million for the preceding year's corresponding quarter. For the financial year ended 31 December 2012, the ABB Group also registered a higher pretax profit of RM703.2 million as compared to RM613.1 million achieved in the previous year. The improved performance was mainly due to the increase in net interest income, Islamic banking income and other operating income totalling RM101.9 million and the write-back of allowance for loan impairment of RM22.5 million as compared to a charge of RM12.7 million for the previous year, net of higher overhead expenses and impairment loss on securities of RM37.4 million and RM9.5 million respectively.

Investment Banking

The results of the investment banking is attributed to the AFFIN Investment Bank Berhad ("AIBB") group which reported a higher pretax profit of RM21.7 million for the current financial quarter as compared to RM8.5 million for the preceding year's corresponding quarter. For the financial year ended 31 December 2012, the AIBB group also registered a slightly higher pretax profit of RM91.1 million as compared to RM88.9 million achieved in the previous year. The increase in other operating income of RM25.3 million and the write-back of allowance for impairment on securities of RM8.2 million were offset by the allowance for loan impairment of RM3.7 million as compared to the write-back of RM21.0 million for the previous year, as well as the reduction in net interest income of RM4.1 million. AFFIN Fund Management Berhad (a wholly-owned subsidiary of AIBB) also reported a higher pretax profit of RM8.6 million as compared to RM6.2 million achieved in the previous year, mainly due to higher management fees of RM2.3 million and higher upfront fee on sales of unit trust of RM1.7 million, net of higher overhead expenses of RM1.6 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 higher pretax profit of RM4.3 million for the current financial quarter as compared to the pretax profit of RM2.1 million for the preceding year's corresponding quarter. For the financial year ended 31 December 2012, AALI registered a pretax profit of RM3.9 million as compared to the pretax loss of RM3.1 million reported in the previous year, mainly due to the improved performance of Non-Participating Fund ("NPF") in line with the overall growth in the regular premium business. The Life Fund Revenue Accounts (i.e. NPF) registered a higher pretax surplus of RM4.1 million for the current financial year as compared to the pretax surplus of RM0.1 million reported in the previous year. Included in the share of result in jointly controlled entity of RM2.1 million for the year under review was an adjustment of RM0.8 million on over-recognition of Group's share of loss in AALI for the previous financial year.

AXA AFFIN General Insurance Berhad ("AAGI") reported a higher pretax profit of RM30.4 million for the current financial quarter as compared to RM10.4 million for the preceding year's corresponding quarter. For the financial year ended 31 December 2012, AAGI also reported a higher pretax profit of RM120.4 million as compared to RM20.5 million achieved in the previous year. The improved performance was mainly due to higher earned premium of RM157.9 million, higher gain on disposal of securities of RM10.6 million, higher investment income of RM7.7 million, net of higher net claims, net commission incurred and overhead expenses of RM62.8 million, RM9.2 million and RM5.3 million respectively. The increase in earned premium of RM157.9 million was in turn due to the increase in net written premium mainly from motor, healthcare and personal accident 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 RM32.8 million for the current financial year ended 31 December 2012 was an adjustment of RM2.5 million on under-recognition of Group's share of profit in AAGI for the previous financial year.

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

### Other business segment

The results of the other business segment is mainly attributable to AFFIN Moneybrokers Sdn Bhd ("AMB") which reported a slightly lower pretax profit of RM0.5 million for the current financial quarter as compared to RM0.6 million for the preceding year's corresponding quarter. For the financial year ended 31 December 2012, AMB also registered a lower pretax profit of RM2.7 million as compared to RM3.3 million achieved last year, mainly due to lower net brokerage income and higher overhead expenses.

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

The Group reported a slightly higher pretax profit of RM212.4 million for the current financial quarter as compared to RM211.9 million for the preceding quarter ended 30 September 2012. This was mainly due to the write-back of allowance for loan impairment of RM19.9 million as compared to a charge of RM7.6 million for the preceding quarter, the increase in both net interest income and Islamic banking income totalling RM10.3 million and as well as higher share of results in associate of RM3.7 million. For the quarter under review, the other operating income was lower by RM17.4 million while the overhead expenses and allowance for impairment on securities were higher by RM14.3 million and RM9.9 million respectively.

## **B3. PROSPECT FOR FINANCIAL YEAR 2013**

### Commercial Banking

AFFIN Bank is confident that the domestic economy still holds much opportunity for business growth and intends to pursue these opportunities prudently. The Bank will continue to ensure that loans portfolio is well managed through proactive account management.

Moving forward, the Bank will also continue to balance its exposure between business and consumer loans. Within business banking, focus will be given to SMEs and contract financing loans so as to diversify the risk as well as ensuring better return. For consumer segment, focus will be on financing of new cars as well as mortgage loans in selected areas.

The Bank will also continue to leverage on Group synergy by exploring potential business opportunities with the Lembaga Tabung Angkatan Tentera / Boustead Group of Companies.

### Investment Banking

AFFIN Investment Bank continues to be cautiously optimistic on its business prospects for 2013. The Malaysian economy has weathered the global slowdown remarkably well, and real GDP growth has fared better than neighbouring ASEAN economies in 2012. Domestic demand growth, and particularly private consumption and investment, will be the main drivers of growth in Malaysia. The country's real GDP growth is expected to expand by +5% in 2013 (+5.2% estimated for 2012), the mid-range of the official projection of +4.5 to 5.5%.

The downside risks are associated with the possibility of a shock emanating from the unresolved euro area sovereign debt crisis. Domestic demand conditions remain relatively strong and will likely cushion the risk of a slower increase in exports if external environment deteriorates, emanating from the ongoing implementation of projects under the Economic Transformation Programme (ETP).

Supported by domestic demand, there will still be opportunities in capital market activities (Bond Issues, Mergers & Acquisitions and spin-offs), as a result of more realistic asset pricing expectations, re-financing needs and industry consolidation / joint ventures triggered capital advisory works, thereby providing room for potential business activities for the Group.

### B3. PROSPECT FOR FINANCIAL YEAR 2013 (cont.)

#### Insurance

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

The life insurance industry has enjoyed rapid expansion in the past decade on the back of strong economic growth, rising income and financial literacy. AALI had been expanding new business rapidly for the past years, recording strong double-digit compounded annual growth rate between 2009-2012, surpassing that of the life insurance industry.

While market outlook remains encouraging, expansion in the life insurance industry is influenced by economic outlook and level of competition for the Islamic segment. AALI is expected to continue to expand its new business in 2013. For sustainable growth, AALI will maintain focus on its multi-distribution strategy, and to provide innovative products and quality customer service.

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

The thrust for 2013 is to keep momentum of growth in market segments and distribution channels to accelerate the development in fast-growing markets and to provide quality service. Strategies and action plans to achieve these, including innovation with new SME's products, have been put in place and AAGI is optimistic that its goals for 2013 will be realised.

### B4. HEADLINE KEY PERFORMANCE INDICATOR ("KPI") FOR YEAR 2012

The Group has achieved all its announced headline Key Performance Indicators (KPIs) for the financial year 2012 as follows:-

<u>Headline KPIs</u>	<b>As announced</b>	
	<b>for financial year 2012</b>	<b>Actual achieved</b>
(i) After Tax Returns on Equity (ROE)	9.6%	10.8%
(ii) After Tax Returns on Assets (ROA)	1.0%	1.2%
(iii) Gross Impaired Loan Ratio	2.7%	2.3%
(iv) Earnings Per Share (EPS)	38.30 sen	42.08 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	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
	RM'000	RM'000	RM'000	RM'000
Malaysian Taxation:-				
- Income tax based on profit for the financial year	55,265	38,252	206,371	179,105
Deferred tax:-				
- Relating to originating temporary differences	(3,091)	3,678	(6,638)	(1,231)
(Over)/under provision in prior years:-				
- Current taxation	(357)	(17)	(2,023)	16,942
	<b>51,817</b>	<b>41,913</b>	<b>197,710</b>	<b>194,816</b>

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.

## B7. STATUS OF CORPORATE PROPOSALS

### Proposed Acquisition of Equity Interest in Bank Muamalat Malaysia Berhad ("Proposed Acquisition")

On 16 August 2012, AFFIN Investment Bank Berhad ("AIBB") had on behalf of the Board of Directors of AFFIN Holdings Berhad ("AHB") announced that BNM had vide its letter dated 15 August 2012 stated that it had no objection for AHB to commence negotiations with DRB Hicom Berhad and Khazanah Nasional Berhad for a possible acquisition of equity interests in Bank Muamalat Malaysia Berhad ("BMMB"). The negotiations are to be completed on or before 31 December 2012.

On 16 January 2013, AIBB had on behalf of the Board of Directors of AHB announced that BNM had vide its letter dated 15 January 2013 informed that it had no objection for an extension of time until 31 March 2013 for AHB for complete the negotiations with BMMB and/or its shareholders in respect of the Proposed Acquisition. The formal approval for the Proposed Acquisition may only be sought once the terms and conditions of the Proposed Acquisitions have been agreed between the transacting parties. The letter from BNM should not be construed as an approval for the Proposed Acquisition.

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

## B8. GROUP BORROWINGS AND DEBT SECURITIES

	Group	
	31/12/2012	31/12/2011
	RM'000	RM'000
<b>(i) <u>Deposits from Customers</u></b>		
<u>By Type of Deposits:-</u>		
Money Market Deposits	859,141	528,435
Demand Deposits	7,349,979	6,166,557
Savings Deposits	1,710,748	1,526,891
Fixed Deposits	26,808,102	25,029,568
Negotiable Instruments of Deposits ('NIDs')	5,383,884	5,289,049
Special Investment Deposits	833,132	822,914
	42,944,986	39,363,414
 Maturity structure of fixed deposits and NIDs are as follows:-		
Due within six months	25,383,497	24,666,976
Six months to one year	6,469,401	5,256,389
One year to three years	137,768	113,977
Three years to five years	201,320	281,275
	32,191,986	30,318,617
 <u>By Type of Customers:-</u>		
Government and statutory bodies	7,480,566	7,650,536
Business enterprises	13,808,996	12,203,143
Individuals	8,974,563	6,763,627
Others	12,680,861	12,746,108
	42,944,986	39,363,414
 <b>(ii) <u>Deposits and Placements of Banks and Other Financial Institutions</u></b>		
<u>By Type of Institutions:-</u>		
Licensed banks	3,436,442	3,851,379
Licensed investment banks	114,135	978,487
Bank Negara Malaysia	612,055	794,523
Other financial institutions	425,577	1,242,658
	4,588,209	6,867,047
 <u>By Maturity Structure:-</u>		
Due within six months	4,587,226	6,864,369
Six months to one year	983	2,678
	4,588,209	6,867,047
 <b>(iii) <u>Borrowings</u></b>		
Unsecured - more than one year (medium/long-term)	972,343	669,645

## B9. 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	
	31/12/2012	31/12/2011
	RM'000	RM'000
<u>Total retained profits of AFFIN Holdings Berhad and its subsidiaries</u>		
- Realised	1,450,553	1,193,538
- Unrealised		
- deferred tax recognised in the income statement	14,579	7,941
- other items of income and expense	45,250	26,176
	1,510,382	1,227,655
<u>Total share of retained profits in associate:-</u>		
- Realised	167,302	134,411
- Unrealised	2,452	2,578
<u>Total share of accumulated losses in jointly controlled entities:-</u>		
- Realised	(20,511)	(22,564)
- Unrealised	-	-
	1,659,625	1,342,080
Add: Consolidation adjustments	87,465	124,976
Total Group retained profits as per consolidated financial statements	1,747,090	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.

## B10. 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 May 2009 is maintained, lead banker will seek contribution from the lenders, including the Bank. The Bank's share is about RM34.65 million.

The lead banker and agent appealed to the Court of Appeal against the High Court decision. An effort at mediation on 9 March 2012 failed as the parties could not come to a settlement. Hearing dates were then fixed for the appeal. The appeal has been argued twice before the Court of Appeal i.e. on 3 August 2012 and 9 November 2012. The hearing was continued on 23 January 2013 and 31 January 2013 and the Court of Appeal reserved its decision to a date to be fixed later.

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) Other than the above, there are various other legal suits against AFFIN Bank Berhad ("ABB") in respect of claims and counter claims of approximately RM73.8 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.

## B11. PROPOSED DIVIDENDS

- a) No final dividend has been proposed for the current financial year ended 31 December 2012.
- b) Total dividend for the current financial year : An interim franked dividend of 11.0 sen (less 25 % tax) per share and tax exempt dividend of 4.0 sen per share, paid on 28 December 2012.
- c) Total dividend for the previous financial year : Interim dividend of 12.0 sen per share (less 25% tax), paid on 30 December 2011.

## B12. EARNINGS PER SHARE

	Group			
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
Net profit attributable to equity holders of the company (RM'000)	160,381	132,543	628,942	507,995
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)	10.73	8.87	42.08	33.99
Diluted earnings per share (sen)	10.73	8.87	42.08	33.99

The basic and diluted earnings per share of the Group for the current financial quarter ended 31 December 2012 have been calculated based on the net profit attributable to the equity holders of the company of RM160,381,000 (31 December 2011: RM132,543,000) divided by the weighted average number of ordinary shares in issue during the current financial quarter of 1,494,575,806 (31 December 2011: 1,494,575,806).

The basic and diluted earnings per share of the Group for the year ended 31 December 2012 has been calculated based on the net profit attributable to the equity holders of the company of RM628,942,000 (31 December 2011: RM507,995,000) divided by the weighted average number of ordinary shares in issue during the financial year under review of 1,494,575,806 (31 December 2011: 1,494,575,806).

## B13. ECONOMIC PROFIT/(LOSS)

	Group			
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial year	160,381	132,543	628,942	507,995
Less: Economic charge	(150,851)	(143,109)	(580,196)	(552,701)
Economic profit/(loss) for the financial year	9,530	(10,566)	48,746	(44,706)

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