

AFFIN HOLDINGS BERHAD

(Company no. 23218 - W)

Condensed Interim Financial Statements

Unaudited Statements of Financial Position As At 30 September 2013

	Note	<----- GROUP ----->		<----- COMPANY ----->	
		30/9/2013 RM'000	31/12/2012 RM'000	30/9/2013 RM'000	31/12/2012 RM'000
ASSETS					
Cash and short-term funds		8,979,526	7,359,658	176,299	33,209
Deposits and placements with banks and other financial institutions		295,726	492,356	4,455	101,958
Reverse repurchase agreements with financial institutions		-	20,057	-	-
Trade receivables	A9	255,141	213,751	-	-
Financial assets held-for-trading	A10	1	165,592	-	-
Financial investments available-for-sale	A10	8,550,152	9,404,237	-	-
Financial investments held-to-maturity	A10	631,167	548,324	-	-
Derivative financial assets		46,268	66,015	-	-
Loans, advances and financing	A11	35,846,332	34,163,168	-	-
Other assets	A12	361,320	313,277	68,547	346
Statutory deposits with Bank Negara Malaysia		1,544,804	1,507,480	-	-
Amount due from subsidiaries		-	-	904,918	904,960
Amount due from associate		67,240	67,240	67,240	67,240
Investment in subsidiaries		-	-	3,582,882	3,582,882
Investment in jointly controlled entities		133,916	129,788	146,880	146,880
Investment in associate		197,162	183,696	10,597	10,597
Tax recoverable		16,609	14,775	5,186	5,021
Deferred tax assets		2,090	-	-	-
Property and equipment		164,590	178,093	520	659
Intangible assets		1,011,911	1,006,784	1	4
TOTAL ASSETS		58,103,955	55,834,291	4,967,525	4,853,756
LIABILITIES AND EQUITY					
Deposits from customers	B8	44,587,615	42,944,986	-	-
Deposits and placements of banks and other financial institutions	B8	4,711,218	4,588,209	-	-
Bills and acceptances payable		90,533	152,400	-	-
Trade payables		250,089	213,690	-	-
Derivative financial liabilities		102,024	59,560	-	-
Recourse obligation on loans sold to Cagamas Berhad		401,946	413,549	-	-
Other liabilities	A13	471,728	364,964	7,164	5,829
Provision for taxation		26,625	63,751	-	-
Deferred tax liabilities		6,291	16,335	143	143
Amount due to subsidiaries		-	-	400,258	400,258
Borrowings	B8	972,378	972,343	972,378	972,343
TOTAL LIABILITIES		51,620,447	49,789,787	1,379,943	1,378,573
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 reserves	A14	1,418,952	1,293,665	-	-
AFS revaluation reserves	A14	64,661	108,763	-	-
Retained profits	A14	2,104,909	1,747,090	692,596	580,197
TOTAL EQUITY		6,483,508	6,044,504	3,587,582	3,475,183
TOTAL LIABILITIES AND EQUITY		58,103,955	55,834,291	4,967,525	4,853,756
COMMITMENTS AND CONTINGENCIES		20,155,650	19,096,585	-	-
NET ASSETS PER SHARE (RM)		4.34	4.04		

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2012.

AFFIN HOLDINGS BERHAD
(Company no. 23218 - W)
Condensed Interim Financial Statements
Unaudited Income Statements For The Financial Period Ended 30 September 2013

<u>Group</u>	Note	<---Individual Quarter Ended --->		<---Cumulative Quarter Ended --->	
		30/9/2013 RM'000	30/9/2012 RM'000	30/9/2013 RM'000	30/9/2012 RM'000
Revenue		764,093	768,380	2,253,973	2,215,532
Interest income	A15	564,418	533,106	1,647,665	1,567,171
Interest expense	A16	(327,299)	(309,639)	(959,479)	(902,743)
Net interest income		237,119	223,467	688,186	664,428
Net Islamic banking income		55,334	55,801	164,994	159,572
Other operating income	A17	98,859	116,439	291,236	309,461
Net income		391,312	395,707	1,144,416	1,133,461
Other operating expenses	A18	(175,440)	(170,122)	(521,511)	(515,917)
Operating profit before allowance for impairment on loans, advances and financing		215,872	225,585	622,905	617,544
Allowance for impairment on loans, advances and financing	A20	4,596	(7,638)	35,266	(1,058)
Allowance for impairment on other assets	A21	1,434	33	1,090	9,420
Operating profit		221,902	217,980	659,261	625,906
Finance cost		(10,734)	(10,717)	(31,853)	(30,313)
Share of results of jointly controlled entities		3,554	751	3,766	568
Share of results of associate		7,083	3,892	13,000	25,169
Profit before taxation and zakat		221,805	211,906	644,174	621,330
Taxation	B6	(48,596)	(49,814)	(151,713)	(145,893)
Zakat		(242)	(384)	(9,355)	(6,876)
Net profit for the financial period attributable to equity holders of the Company		172,967	161,708	483,106	468,561
Earnings per share attributable to the equity holders of the Company (sen)					
- Basic and fully diluted	B12	11.57	10.82	32.32	31.35

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2012.

AFFIN HOLDINGS BERHAD
 (Company no. 23218 - W)
Condensed Interim Financial Statements
Unaudited Statement of Comprehensive Income
For The Financial Period Ended 30 September 2013

<u>Group</u>	<---Individual Quarter Ended --->		<---Cumulative Quarter Ended --->	
	30/9/2013	30/9/2012	30/9/2013	30/9/2012
	RM'000	RM'000	RM'000	RM'000
Profit after taxation and zakat	<u>172,967</u>	<u>161,708</u>	<u>483,106</u>	<u>468,561</u>
Other comprehensive income:				
- Net fair value change in financial investments available-for-sale	(14,019)	3,953	(57,915)	(5,034)
- Deferred tax on revaluation of financial investments available-for-sale	<u>3,517</u>	<u>(823)</u>	<u>13,813</u>	<u>1,979</u>
Other comprehensive income for the period, net of tax	<u>(10,502)</u>	<u>3,130</u>	<u>(44,102)</u>	<u>(3,055)</u>
Total comprehensive income for the financial period attributable to the equity holders of the Company	<u>162,465</u>	<u>164,838</u>	<u>439,004</u>	<u>465,506</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 2012.

AFFIN HOLDINGS BERHAD

(Company no. 23218 - W)

Condensed Interim Financial Statements**Unaudited Income Statements For The Financial Period Ended 30 September 2013**

<u>Company</u>	<----Individual Quarter Ended ---->		<---Cumulative Quarter Ended --->	
	30/9/2013 RM'000	30/9/2012 RM'000	30/9/2013 RM'000	30/9/2012 RM'000
Revenue	13,607	13,101	164,680	126,402
Interest income	13,607	13,101	39,575	38,881
Interest expense	-	-	-	-
Net interest income	13,607	13,101	39,575	38,881
Net Islamic banking income	-	-	-	-
Other operating income	57	-	125,162	87,521
Net income	13,664	13,101	164,737	126,402
Other operating expenses	(5,277)	(1,881)	(10,689)	(6,206)
Operating profit before allowance for impairment on loans, advances and financing	8,387	11,220	154,048	120,196
Allowance for impairment on loans, advances and financing	-	-	-	-
Allowance for impairment on other assets	-	-	-	-
Operating profit	8,387	11,220	154,048	120,196
Finance cost	(10,734)	(10,717)	(31,853)	(30,313)
Profit before taxation and zakat	(2,347)	503	122,195	89,883
Taxation	(559)	(246)	(9,796)	(4,336)
Net profit for the financial period attributable to equity holders of the Company	(2,906)	257	112,399	85,547

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2012.

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 September 2013

<u>Company</u>	<---Individual Quarter Ended --->		<---Cumulative Quarter Ended --->	
	30/9/2013	30/9/2012	30/9/2013	30/9/2012
	RM'000	RM'000	RM'000	RM'000
Profit after taxation and zakat	(2,906)	257	112,399	85,547
Other comprehensive income	-	-	-	-
Total comprehensive income for the financial period attributable to equity holders of the Company	(2,906)	257	112,399	85,547

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2012.

AFFIN HOLDINGS BERHAD
(Company no. 23218 - W)
Unaudited Condensed Consolidated Statement Of Changes In Equity
For The Financial Period Ended 30 September 2013

	←-----Attributable to Equity Holders of the Company-----→							
	Issued and fully paid ordinary shares of RM1 each	Number of shares '000	Nominal value RM'000	Share premium RM'000	Non-distributable Statutory reserves RM'000	AFS revaluation reserves RM'000	Distributable Retained profits RM'000	Total Equity RM'000
GROUP								
At 1 January 2013		1,494,576	1,494,576	1,400,410	1,293,665	108,763	1,747,090	6,044,504
Comprehensive income:								
- Net profit for the financial period		-	-	-	-	-	483,106	483,106
Other comprehensive income (net of tax):								
- Financial investments available-for-sale		-	-	-	-	(44,102)	-	(44,102)
Total comprehensive income for the financial period		-	-	-	-	(44,102)	483,106	439,004
Transfer to statutory reserve		-	-	-	125,287	-	(125,287)	-
At 30 September 2013		1,494,576	1,494,576	1,400,410	1,418,952	64,661	2,104,909	6,483,508
At 1 January 2012		1,494,576	1,494,576	1,400,410	1,127,843	102,339	1,467,056	5,592,224
Comprehensive income:								
- Net profit for the financial period		-	-	-	-	-	468,561	468,561
Other comprehensive income (net of tax):								
- Financial investments available-for-sale		-	-	-	-	(3,055)	-	(3,055)
Total comprehensive income for the financial period		-	-	-	-	(3,055)	468,561	465,506
Transfer to statutory reserve		-	-	-	122,840	-	(122,840)	-
At 30 September 2012		1,494,576	1,494,576	1,400,410	1,250,683	99,284	1,812,777	6,057,730

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2012.

AFFIN HOLDINGS BERHAD
(Company no. 23218 - W)
Unaudited Condensed Statement Of Changes In Equity
For The Financial Period Ended 30 September 2013

	←-----Attributable to Equity Holders of the Company----->				
Issued and fully paid ordinary shares of RMI each	Non-distributable		Distributable		Total Equity RM'000
Number of shares '000	Nominal value RM'000	Share premium RM'000	Retained profits RM'000	Total Equity RM'000	RM'000
At 1 January 2013	1,494,576	1,494,576	1,400,410	580,197	3,475,183
Total comprehensive income for the financial period:					
- Net profit for the financial period	-	-	112,399	-	112,399
At 30 September 2013	1,494,576	1,494,576	1,400,410	692,596	3,587,582
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:					
- Net profit for the financial period	-	-	85,547	-	85,547
At 30 September 2012	1,494,576	1,494,576	1,400,410	568,508	3,463,494

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2012.

AFFIN HOLDINGS BERHAD

(Company no. 23218 - W)

Unaudited Condensed Consolidated Statement of Cash Flow

For The Financial Period Ended 30 September 2013

	< ----- 9 months Ended ----- >	
	30/9/2013	30/9/2012
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation and zakat	644,174	621,330
Adjustment for non-operating and non-cash items	(175,667)	(292,611)
Operating profit before changes in working capital	<u>468,507</u>	<u>328,719</u>
Net changes in operating assets	(1,506,930)	(2,681,830)
Net changes in operating liabilities	1,858,739	551,347
Payment of tax and zakat	(196,638)	(109,910)
Tax refund	2,289	2
Net cash generated from / (used in) operating activities	<u>625,967</u>	<u>(1,911,672)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received from securities	215,941	227,405
Net (purchase) / disposal of:		
- securities	755,541	(94,853)
- property and equipment	(15,139)	(20,456)
- intangible assets	(1,428)	(1,541)
Dividend received from:		
- financial investments held-to-maturity/available-for-sale	3,913	2,511
Proceeds from disposal of property and equipment	7,501	4,301
Proceeds from disposal of foreclosed properties	17,985	18,853
Subscription of shares in a jointly controlled entity	(150)	-
Amount due from associate	-	31
Capital injection into a jointly controlled entity	-	(11,220)
Net cash used in investing activities	<u>984,164</u>	<u>125,031</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in borrowings	35	302,753
Net cash generated from financing activities	<u>35</u>	<u>302,753</u>
Net increase/(decrease) in cash and cash equivalents	1,610,166	(1,483,888)
Cash and cash equivalents at beginning of the period	<u>7,359,659</u>	<u>9,675,118</u>
Cash and cash equivalents at end of the period	<u>8,969,825</u>	<u>8,191,230</u>
<u>Analysis of cash & cash equivalent</u>		
Cash and short-term funds	8,979,526	8,200,891
Adjustment for money held in trust on behalf of remisiers	(9,701)	(9,661)
	<u>8,969,825</u>	<u>8,191,230</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 2012.

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

A1. BASIS OF PREPARATION

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

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

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

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Company for the year ended 31 December 2012. 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 2012.

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 2012 except for the adoption of the following new/revised Malaysian Financial Reporting Standards ("MFRS"), Amendments to MFRSs that are applicable and effective to the Group for the financial year beginning 1 January 2013 :-

MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interest in Other Entities
MFRS 13	Fair Value Measurement
The revised MFRS 127	Separate Financial Statements
The revised MFRS 128	Investments in Associates and Joint Ventures
Amendments to MFRS 7	Financial Instruments : Disclosure
Amendments to MFRS 101	Presentation of items of Other Comprehensive Income

The adoption of these standards and amendments does not have any impact to the result of the Group and the Company for the period under review.

A3. AUDITOR'S REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the audited financial statements for the financial year ended 31 December 2012 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 period under review.

A6. CHANGES IN ESTIMATES

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

A7. DEBT AND EQUITY SECURITIES

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

A8. DIVIDENDS PAID

No dividend has been paid during the quarter under review.

A9. TRADE RECEIVABLES

	Group	
	30/9/2013 RM'000	31/12/2012 RM'000
Amount due from stock-broking clients	256,610	129,025
Amount due from Bursa Securities Clearing Sdn Bhd	-	86,856
Management fees receivable on fund management	2,160	1,466
	<hr/>	<hr/>
	258,770	217,347
Less: Allowance for impairment		
- Collective impairment	(18)	(21)
- Individual impairment	(3,611)	(3,575)
	<hr/>	<hr/>
	255,141	213,751

Movement in allowance for impairment on trade receivables:-

Collective impairment

Balance at the beginning of financial period/year	21	211
Allowance made during the financial period/year	121	(190)
Amount recovered during the financial period/year	(124)	-
	<hr/>	<hr/>
Balance at the end of financial period/year	18	21

Individual impairment

Balance at the beginning of financial period/year	3,575	3,572
Allowance made during the financial period/year	183	161
Amount recovered during the financial period/year	(147)	(158)
	<hr/>	<hr/>
Balance at the end of financial period/year	3,611	3,575

A10. FINANCIAL ASSETS

	Group	
	30/9/2013 RM'000	31/12/2012 RM'000
(a) <u>Financial assets held-for-trading</u>		
At fair value		
Negotiable Instruments of Deposit	-	150,276
Unquoted Securities		
- Private Debt Securities in Malaysia	1	15,316
Total financial assets held-for-trading	1	165,592
(b) <u>Financial investments available-for-sale</u>		
At fair value		
Malaysian Government Securities	49,695	35,574
Malaysian Government Investment Issuance	2,386,278	2,441,657
Cagamas Bonds	45,806	151,524
Sukuk Perumahan Kerajaan	415,605	150,689
Khazanah Bonds	237,890	193,746
Bankers' Acceptance and Islamic Acceptance Bills	69,415	163,751
Bank Negara Malaysia Notes	280,461	884,069
Negotiable Instruments of Deposit and Islamic Debt Certificate	254,760	209,934
	3,739,910	4,230,944
Quoted Securities		
- Shares in Malaysia	26,190	31,427
- Private Debt Securities in Malaysia	2,167	4,173
- Irredeemable Convertible Unsecured Loan Stock in Malaysia	-	4,124
Unquoted Securities		
- Shares in Malaysia	165,656	151,946
- Private Debt Securities in Malaysia	3,990,364	4,458,510
- Private Debt Securities outside Malaysia	713,305	619,432
	8,637,592	9,500,556
Allowance for impairment of securities	(87,440)	(96,319)
Total financial investments available-for-sale	8,550,152	9,404,237
(c) <u>Financial investments held-to-maturity</u>		
At amortised cost		
Quoted Securities		
- Private Debt Securities in Malaysia	31,781	31,781
Unquoted Securities		
- Private Debt Securities in Malaysia	659,956	578,691
- Redeemable Convertible Unsecured Loan Stock in Malaysia	1,554	1,554
	693,291	612,026
Allowance for impairment of securities	(62,124)	(63,702)
Total financial investments held-to-maturity	631,167	548,324
Total securities held	9,181,320	10,118,153

A11. LOANS, ADVANCES AND FINANCING

	Group	
	30/9/2013 RM'000	31/12/2012 RM'000
(a) <u>BY TYPE</u>		
Overdrafts	1,769,263	1,834,204
Term loans/financing		
- Housing loans/financing	5,431,860	5,176,283
- Syndicated term loans/financing	1,745,681	1,758,162
- Hire purchase receivables	10,345,071	9,595,286
- Business term loans/financing	12,643,349	11,476,993
Bills receivables	145,306	452,075
Trust receipts	400,970	435,425
Claims on customers under acceptance credits	880,862	1,040,695
Staff loans/financing (of which RM NIL to Directors)	146,600	150,823
Credit/charge cards	81,682	85,258
Revolving credit	2,749,488	2,688,873
Margin financing	56,957	26,342
Factoring	4,995	4,186
Gross loans, advances and financing	36,402,084	34,724,605
Less: Allowance for impairment		
- Collective impairment	(336,475)	(330,797)
- Individual impairment	(219,277)	(230,640)
Total net loans, advances and financing	35,846,332	34,163,168
(b) <u>BY MATURITY STRUCTURE</u>		
Maturing within one year	6,680,454	7,310,427
One year to three years	4,937,054	3,888,636
Three years to five years	6,961,128	7,203,938
Over five years	17,823,448	16,321,604
	36,402,084	34,724,605
(c) <u>BY TYPE OF CUSTOMER</u>		
Domestic banking institutions	266	1,335
Domestic non-banking institutions		
- Stock-broking companies	244	253
- Others	1,564,793	1,702,223
Domestic business enterprises		
- Small medium enterprises	5,704,837	5,185,194
- Others	13,397,031	12,885,089
Government and statutory bodies	110,018	117,523
Individuals	14,864,724	14,014,481
Other domestic entities	291,469	128,982
Foreign entities	468,702	689,525
	36,402,084	34,724,605
(d) <u>BY INTEREST / PROFIT RATE SENSITIVITY</u>		
Fixed rate		
- Housing loans/financing	314,873	312,170
- Hire purchase receivables	10,345,071	9,595,286
- Other fixed rate loans/financing	4,196,605	4,240,497
- Margin financing	56,957	26,342
Variable rate		
- BLR plus	13,646,389	13,680,021
- Cost plus	7,842,189	6,870,289
	36,402,084	34,724,605

A11. LOANS, ADVANCES AND FINANCING (cont.)

	Group	
	30/9/2013 RM'000	31/12/2012 RM'000
(e) <u>BY ECONOMIC PURPOSE</u>		
Construction	2,012,568	2,119,630
Purchase of landed property of which :-		
- Residential	5,633,118	5,202,552
- Non-residential	5,437,921	4,738,255
Purchase of securities	366,708	137,344
Purchase of transport vehicles	10,971,137	10,032,763
Fixed assets other than land and building	220,752	330,383
Personal use	1,048,011	964,440
Credit card	81,682	85,258
Consumer durable	883	860
Merger and acquisition	250,048	615,084
Working capital	9,913,746	9,859,245
Others	465,510	638,791
	36,402,084	34,724,605
(f) <u>BY SECTOR</u>		
Primary agriculture	571,937	611,421
Mining and quarrying	651,555	473,549
Manufacturing	2,523,384	2,675,086
Electricity, gas and water supply	349,034	596,854
Construction	3,253,566	3,122,642
Real estate	4,420,079	3,789,840
Wholesale and retail trade and restaurants and hotels	2,112,562	1,799,305
Transport, storage and communication	2,030,858	1,880,894
Finance, insurance and business services	4,039,572	4,220,105
Education, health and others	1,411,329	1,326,793
Household	15,008,099	14,157,675
Others	30,109	70,441
	36,402,084	34,724,605
(g) <u>BY GEOGRAPHICAL DISTRIBUTION</u>		
Perlis	85,562	84,463
Kedah	1,042,067	1,051,167
Pulau Pinang	1,761,924	1,665,271
Perak	1,154,047	1,037,353
Selangor	11,318,161	10,992,142
Wilayah Persekutuan	10,602,557	10,150,522
Negeri Sembilan	797,392	754,375
Melaka	859,620	767,272
Johor	3,130,201	2,825,308
Pahang	758,039	679,379
Terengganu	964,460	844,224
Kelantan	241,744	243,555
Sarawak	1,130,693	995,737
Sabah	1,624,766	1,533,859
Labuan	540,147	187,347
Outside Malaysia	390,704	912,631
	36,402,084	34,724,605

A11. LOANS, ADVANCES AND FINANCING (cont.)

	Group	
	30/9/2013 RM'000	31/12/2012 RM'000
(h) <u>IMPAIRED LOANS, ADVANCES AND FINANCING</u>		
(i) <u>Movements of impaired loans, advances and financing</u>		
Balance at the beginning of financial period/year	790,438	882,958
Classified as impaired during the financial period/year	295,842	558,599
Reclassified as non-impaired during the financial period/year	(226,925)	(375,518)
Amount recovered during the financial period/year	(98,848)	(126,485)
Amount written-off during the financial period/year	(23,125)	(149,116)
	737,382	790,438
(ii) <u>Impaired loans, advances and financing by economic purpose</u>		
Construction	65,517	61,437
Purchase of landed property of which :-		
- Residential	293,176	329,360
- Non-residential	16,470	26,575
Purchase of securities	46,418	13,800
Purchase of transport vehicles	74,013	54,781
Fixed assets other than land and building	282	5,063
Personal use	8,413	6,738
Credit card	470	508
Consumer durable	34	29
Working capital	223,933	280,983
Others	8,656	11,164
	737,382	790,438
(iii) <u>Impaired loans, advances and financing by sector</u>		
Primary agriculture	6,257	7,482
Mining and quarrying	80	62
Manufacturing	53,963	73,295
Electricity, gas and water supply	29	1,641
Construction	192,850	181,800
Real estate	192	3,797
Wholesale and retail trade and restaurants and hotels	30,758	40,735
Transport, storage and communication	7,020	7,212
Finance, insurance and business services	59,250	63,880
Education, health and others	1,772	4,107
Household	379,163	399,141
Others	6,048	7,286
	737,382	790,438

A11. LOANS, ADVANCES AND FINANCING (cont.)

	Group	
	30/9/2013	31/12/2012
	RM'000	RM'000
(h) <u>IMPAIRED LOANS, ADVANCES AND FINANCING (cont.)</u>		
(iv) <u>Impaired loans, advances and financing by geographical distribution</u>		
Perlis	258	138
Kedah	24,369	24,622
Pulau Pinang	17,406	18,684
Perak	14,557	20,754
Selangor	361,073	382,049
Wilayah Persekutuan	118,449	142,360
Negeri Sembilan	31,689	31,248
Melaka	8,139	7,452
Johor	38,614	52,426
Pahang	10,973	10,058
Terengganu	4,901	3,681
Kelantan	4,234	4,153
Sarawak	7,151	5,741
Sabah	13,876	10,460
Labuan	1	21
Outside Malaysia	81,692	76,591
	737,382	790,438
(v) <u>Movements in allowance for impairment on loans, advances and financing</u>		
Collective impairment		
Balance at the beginning of financial period/year	330,797	462,953
Allowance (net of write-back) made during the financial period/year	15,819	3,486
Amount written-off during the financial period/year	(10,141)	(135,642)
Balance at the end of financial period/year	336,475	330,797
Individual impairment		
Balance at the beginning of financial period/year	230,640	179,878
Allowance made during the financial period/year	22,044	80,860
Amount recovered during the financial period/year	(3,349)	(2,716)
Allowance written-off during the financial period/year	(12,975)	(13,362)
Unwinding discount of allowance	(17,197)	(14,020)
Exchange difference	114	-
Balance at the end of financial period/year	219,277	230,640
A12. OTHER ASSETS		
Cheque clearing accounts	217,884	233,351
Foreclosed properties	18,817	26,745
Other debtors, deposits and prepayments	121,841	50,436
Amount due from jointly controlled entities	2,778	2,745
	361,320	313,277
A13. OTHER LIABILITIES		
Bank Negara Malaysia and Credit Guarantee Corporation Funding Programmes	29,176	28,644
Margin and collateral deposits	108,123	82,131
Trust accounts for remisers	9,701	9,517
Defined contribution plan	14,288	13,688
Accrued employee benefits	871	1,381
Other creditors and accruals	294,782	219,174
Provision for zakat	14,787	10,429
	471,728	364,964

A14. RESERVES

	Group	
	30/9/2013 RM'000	31/12/2012 RM'000
Retained profits	2,104,909	1,747,090
AFS revaluation reserves	64,661	108,763
Statutory reserves	1,418,952	1,293,665
	3,588,522	3,149,518

- (a) A single tier company tax was introduced effective 1 January 2008. Under this single tier system, tax on a company's profits is a final tax, and dividends distributed to shareholders will be exempted from tax. Companies with Section 108 tax credit balance are given an option to elect to move to a single tier system immediately or allowed to use the Section 108 credit balance for the purpose of dividend distribution during a transitional period of 6 years until 31 December 2013.

The Company has elected to use its Section 108 credit balance for the purpose of dividend distribution during a transitional period of 6 years until 31 December 2013. The Section 108 balance of the Company as at 31 December 2007 will be frozen and can only be adjusted downwards for any tax discharged, remitted or refunded during the 6 years period.

As at 30 September 2013, the Company has a tax credit balance of RM2,429,387.25 under Section 108 of the Income Tax Act, 1967 and tax exempt account balance of RM133,185,984 under Section 12 of the Income Tax (Amendment) Act 1999, subject to agreement by the Inland Revenue Board.

- (b) The statutory reserves of the Group are maintained in compliance with the provisions of the Financial Services Act 2013 and Islamic Financial Services Act 2013 and are not distributable as cash dividends.
- (c) AFS revaluation reserves represent the unrealised gains or losses arising from the change in fair value of investments classified as financial investments available-for-sale. The gains or losses are transferred in the income statement upon disposal or when the securities become impaired.

A15. INTEREST INCOME

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	30/9/2013 RM'000	30/9/2012 RM'000	30/9/2013 RM'000	30/9/2012 RM'000
Loans, advances and financing	423,575	393,346	1,233,624	1,149,345
Money at call and deposit with financial institutions	43,037	39,944	124,310	119,956
Reverse repurchase agreements with financial institutions	-	-	188	-
Financial assets held-for-trading	-	246	149	436
Financial investments available-for-sale	66,922	69,096	200,201	207,016
Financial investments held-to-maturity	5,580	6,279	15,740	20,389
Derivatives	21,251	20,682	60,064	60,525
Subordinated term loan	1,338	1,338	3,968	3,983
Others	16	29	46	11
	561,719	530,960	1,638,290	1,561,661
Amortisation of premium less accretion of discount	2,699	2,146	9,375	5,510
	564,418	533,106	1,647,665	1,567,171
The above interest income includes interest/income earned on impaired loans, advances and financing				
- Unwinding discount of allowance (Net)	10,326	(713)	12,646	2,685

A16. INTEREST EXPENSE

	-----Group-----			
	Individual Quarter Ended		Cumulative Quarter Ended	
	30/9/2013	30/9/2012	30/9/2013	30/9/2012
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	31,395	33,809	85,201	102,157
Deposits from customers	267,382	248,168	792,210	718,519
Loans sold to Cagamas Berhad	4,766	4,951	14,439	14,986
Derivatives	22,987	22,152	65,293	65,368
Others	769	559	2,336	1,713
	327,299	309,639	959,479	902,743

A17. OTHER OPERATING INCOME

Fee income:

Net brokerage	18,772	14,683	57,607	41,873
Underwriting fees	336	1,944	535	2,284
Portfolio management fees	4,238	3,504	11,443	8,819
Corporate advisory fees	4,664	2,068	8,136	7,376
Commission	3,365	3,503	10,128	9,992
Service charges and fees	13,255	13,897	45,718	46,209
Guarantee fees	4,906	6,319	15,075	17,120
Arrangement fees	820	1,275	8,075	6,800
Agency fees	537	537	1,980	1,211
Other fee income	8,067	1,944	9,143	9,815
	58,960	49,674	167,840	151,499

Income from financial instruments:

Gains/(losses) on financial assets held-for-trading				
- net gain on disposal	102	1,971	2,549	5,108
- unrealised losses	1	(138)	446	(266)
Gains/(losses) on derivatives				
- realised	946	788	2,288	2,382
- unrealised	2,532	3,433	7,055	11,934
Gains arising on financial investments available-for-sale				
- net gain on disposal	8,082	22,188	27,364	45,540
- gross dividend income	(3,661)	74	4,547	3,035
Gains arising on financial investments held-to-maturity				
- net gain on redemption	1,953	18,362	5,282	18,507
	9,955	46,678	49,531	86,240

Other income:

Foreign exchange gains/(losses):				
- realised	54,544	(28,936)	120,664	17,485
- unrealised	(39,598)	44,171	(70,410)	31,070
Rental income	387	384	1,189	1,233
Gains on disposal of property and equipment	866	207	4,063	1,230
Gains on disposal of foreclosed properties	10,049	2,669	10,057	10,300
Other non-operating income	3,696	1,592	8,302	10,404
	29,944	20,087	73,865	71,722

Total Other operating income	98,859	116,439	291,236	309,461
-------------------------------------	---------------	----------------	----------------	----------------

A18. OTHER OPERATING EXPENSES

	-----Group-----			
	Individual Quarter Ended 30/9/2013 RM'000	30/9/2012 RM'000	Cumulative Quarter Ended 30/9/2013 RM'000	30/9/2012 RM'000
<u>Personnel costs</u>				
Wages, salaries and bonus	82,791	80,467	246,830	239,495
Defined contribution plan	13,571	13,190	40,234	39,075
Other personnel costs	10,703	10,514	32,234	31,162
	107,065	104,171	319,298	309,732
<u>Promotion and marketing-related expenses</u>				
Business promotion and advertisement	2,205	2,060	5,473	4,940
Entertainment	1,177	2,049	3,207	3,116
Travelling and accommodation	1,654	981	3,885	2,993
Dealers' handling fees	516	373	2,092	885
Others	547	555	1,681	1,650
	6,099	6,018	16,338	13,584
<u>Establishment-related expenses</u>				
Rental of premises	7,243	6,934	21,547	20,989
Equipment rental	322	276	820	813
Repair and maintenance	6,050	6,774	21,161	22,783
Depreciation of property and equipment	4,579	5,101	14,082	15,355
Amortisation of intangible assets	2,346	2,239	6,607	6,915
IT consultancy fee	13,492	14,724	45,917	44,251
Dataline rental	1,274	1,034	2,922	3,206
Security services	3,425	3,074	10,032	8,716
Electricity, water and sewerage	2,546	2,688	7,548	7,477
Insurance and indemnities	816	1,184	3,413	3,969
Others	814	1,100	2,984	3,924
	42,907	45,128	137,033	138,398
<u>General and administrative expenses</u>				
Telecommunication expenses	2,047	1,846	6,031	5,483
Directors' remuneration	534	484	1,630	1,501
Auditors' remuneration:-				
(i) Statutory audit	436	344	1,324	1,008
(ii) Under provision in prior year	-	-	1	-
(iii) Audit related fees	31	52	48	215
(iv) Non audit fees	566	73	792	117
Professional fees	4,426	(361)	8,622	5,313
Property and equipment written-off	45	44	45	99
Postage and courier charges	695	1,053	2,131	3,096
Stationery and consumables	2,242	2,612	6,913	7,012
Commission and brokerage expenses	967	1,310	3,085	3,884
Donations	1,087	245	2,680	2,766
Settlement, clearing and bank charges	1,664	1,446	5,544	4,437
Stamp duties	52	44	156	3,080
(Write-back of)/additional provision for litigation losses	(225)	1,220	(5,694)	2,312
Commissioned dealers representative performance incentive	1,030	860	2,962	2,407
Subscription fees	729	705	1,595	1,569
Transaction levy	573	425	1,712	1,136
Subsidies and allowances	283	271	856	865
Others	2,187	2,132	8,409	7,903
	19,369	14,805	48,842	54,203
Total other operating expenses	175,440	170,122	521,511	515,917

A19. DIRECTORS' REMUNERATION

<-----Group----->

	Individual Quarter Ended 30/9/2013 RM'000	30/9/2012 RM'000	Cumulative Quarter Ended 30/9/2013 RM'000	30/9/2012 RM'000
--	---	---------------------	---	---------------------

The aggregate amount of emoluments receivable by directors of the Company are as follows :-

Non-executive directors

- fees	441	403	1,324	1,218
- other emoluments	81	78	274	259
- estimated money value of benefits-in-kind	12	3	32	24
	534	484	1,630	1,501

Other emoluments comprise mainly fixed allowances and meeting allowances paid by the Group.

A20. ALLOWANCE FOR IMPAIRMENT ON LOANS, ADVANCES AND FINANCING

Collective impairment				
- made during the financial period	4,222	12,505	15,816	24,300
Individual impairment				
- made during the financial period	10,812	16,099	22,388	50,274
- written-back during the financial period	(1,208)	(199)	(3,543)	(1,884)
Bad debts				
- recovered	(19,386)	(22,301)	(72,505)	(78,406)
- written-off	805	1,561	2,952	6,783
Additional/(write-back of) allowance for impaired debts				
- other debtors	159	(27)	(374)	(9)
	(4,596)	7,638	(35,266)	1,058

A21. ALLOWANCE FOR IMPAIRMENT ON OTHER ASSETS

Additional/(write-back of) allowance for impairment				
- Financial investments available-for-sale	(1,434)	(33)	(1,090)	506
- Financial investments held-to-maturity	-	-	-	(9,926)
	(1,434)	(33)	(1,090)	(9,420)

A22. SEGMENTAL INFORMATION ON REVENUE AND PROFIT

The segment analysis by activity for the individual and cumulative quarters ended 30 September 2013 and 30 September 2012 are as follows:-

RM '000	<----- Current year's individual quarter ended 30 September 2013 ----->					
	Commercial Banking	Investment Banking	Insurance	Others	Eliminations	Group
Segment revenue	690,593	69,737	-	2,669	-	762,999
Intersegment revenue	9,438	5,677	-	479	(15,594)	-
Unallocated revenue	-	-	-	1,094	-	1,094
Revenue	<u>700,031</u>	<u>75,414</u>	<u>-</u>	<u>4,242</u>	<u>(15,594)</u>	<u>764,093</u>
Segment results	191,922	20,777	-	816	12,513	226,028
Unallocated expenses	-	-	-	(14,860)	-	(14,860)
Share of results of:						
- jointly controlled entities (net of tax)	-	-	3,719	(165)	-	3,554
- associate (net of tax)	-	-	7,083	-	-	7,083
Profit before taxation and zakat						<u>221,805</u>
Taxation and zakat						<u>(48,838)</u>
Net profit for the individual quarter						<u>172,967</u>
	<----- Preceding year's individual quarter ended 30 September 2012 ----->					
RM '000	Commercial Banking	Investment Banking	Insurance	Others	Eliminations	Group
Segment revenue	683,338	80,727	-	2,958	-	767,023
Intersegment revenue	10,988	3,909	-	398	(15,295)	-
Unallocated revenue	-	-	-	1,357	-	1,357
Revenue	<u>694,326</u>	<u>84,636</u>	<u>-</u>	<u>4,713</u>	<u>(15,295)</u>	<u>768,380</u>
Segment results	178,920	26,951	-	889	11,594	218,354
Unallocated expenses	-	-	-	(11,091)	-	(11,091)
Share of results of:						
- jointly controlled entities (net of tax)	-	-	826	(75)	-	751
- associate (net of tax)	-	-	3,892	-	-	3,892
Profit before taxation and zakat						<u>211,906</u>
Taxation and zakat						<u>(50,198)</u>
Net profit for the individual quarter						<u>161,708</u>

A22. SEGMENTAL INFORMATION ON REVENUE AND PROFIT (cont.)

RM '000	<----- Current year's cumulative quarter ended 30 September 2013 ----->					
	Commercial Banking	Investment Banking	Insurance	Others	Eliminations	Group
Segment revenue	2,044,533	196,943	-	8,501	-	2,249,977
Intersegment revenue	26,964	17,574	-	1,192	(45,730)	-
Unallocated revenue	-	-	-	3,996	-	3,996
Revenue	<u>2,071,497</u>	<u>214,517</u>	<u>-</u>	<u>13,689</u>	<u>(45,730)</u>	<u>2,253,973</u>
Segment results	564,310	63,628	-	2,380	35,579	665,897
Unallocated expenses	-	-	-	(38,489)	-	(38,489)
Share of results of:						
- jointly controlled entities (net of tax)	-	-	3,811	(45)	-	3,766
- associate (net of tax)	-	-	13,000	-	-	13,000
Profit before taxation and zakat						<u>644,174</u>
Taxation and zakat						<u>(161,068)</u>
Net profit for the cumulative quarter						<u>483,106</u>
	<----- Preceding year's cumulative quarter ended 30 September 2012 ----->					
RM '000	Commercial Banking	Investment Banking	Insurance	Others	Eliminations	Group
Segment revenue	1,973,900	228,681	-	8,940	-	2,211,521
Intersegment revenue	32,704	15,788	-	1,165	(49,657)	-
Unallocated revenue	-	-	-	4,011	-	4,011
Revenue	<u>2,006,604</u>	<u>244,469</u>	<u>-</u>	<u>14,116</u>	<u>(49,657)</u>	<u>2,215,532</u>
Segment results	521,177	69,340	-	2,714	34,555	627,786
Unallocated expenses	-	-	-	(32,193)	-	(32,193)
Share of results of:						
- jointly controlled entities (net of tax)	-	-	721	(153)	-	568
- associate (net of tax)	-	-	25,169	-	-	25,169
Profit before taxation and zakat						<u>621,330</u>
Taxation and zakat						<u>(152,769)</u>
Net profit for the cumulative quarter						<u>468,561</u>

A23. 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.

A24. CHANGES IN THE COMPOSITION OF THE GROUP

Establishment of a jointly controlled entity namely KL South Development Sdn Bhd

On 2 January 2013, AFFIN Islamic Bank Berhad ("AiBB") entered into a Musharakah Joint Venture Agreement ("JV Agreement") with Albatha Bukit Kiara Holdings Sdn Bhd ("Albatha"), a subsidiary of Bukit Kiara Capital Sdn Bhd, to jointly develop a project namely "VERVE Suites KL South" at Jalan Klang Lama, Kuala Lumpur.

Pursuant to the JV Agreement, AiBB acquired 30% stake in the joint venture company namely KL South Development Sdn Bhd (formerly known as Grand Duplex Sdn Bhd) ["KL South"] by way of subscription of 150,000 shares of RM1.00 each in KL South at par. The remaining stake of 70% in KL South is held by Albatha.

Under the Musharakah structure, AiBB would be the sole banker to KL South, providing financing using the Islamic concept such as Ijarah for the purchase of building and Istina' for the bridging financing.

Major strategic operation and financial decisions relating to the activities of KL South requires consent by both joint venture parties. The Group's interest in KL South has been treated as investment in jointly controlled entity, which has been accounted for in the consolidated financial statements using the equity method of accounting.

A25. COMMITMENTS AND CONTINGENCIES

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

	30/09/2013				31/12/2012			
	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	610,635	-	610,635	620,537	466,624	-	466,624	451,137
Transaction related contingent items	1,903,206	-	951,603	926,657	2,147,100	-	1,073,550	924,690
Short-term self-liquidating trade related contingencies	669,057	-	133,811	98,328	453,772	-	90,754	54,644
Obligation under underwriting commitments	65,379	-	-	-	-	-	-	-
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 [#]	3,436,082	22,792	76,775	35,498	3,730,256	40,777	95,561	28,247
- Less than one year	207,234	1,543	14,566	4,701	251,794	4,384	17,127	6,430
- One year to less than five years	669,026	3,380	2,339	856	107,156	563	122	49
Interest rate related contracts [#]	1,922,534	7,626	32,313	8,973	1,785,733	12,039	37,042	9,986
- Less than one year	623,148	10,927	56,685	24,396	543,148	8,252	51,487	22,022
- One year to less than five years	2,535,962	-	1,267,982	1,140,862	2,978,964	-	1,489,482	1,395,014
- Five years and above	7,329,901	-	1,465,980	1,236,853	6,420,996	-	1,284,199	1,074,941
Irrevocable commitments to extend credit [#]	183,486	-	36,697	27,496	191,103	-	38,221	28,693
- Maturity more than one year	20,155,650	46,268	4,649,386	4,125,157	19,096,585	66,015	4,664,108	3,995,853
- Maturity less than one year								
Unutilised credit card lines								

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

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

A26. 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	> 1 - 3 Years	> 3 Years	Up To 1 Year	> 1 - 3 Years	> 3 Years	Up To 1 Year	> 1 - 3 Years	> 3 Years	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 30 September 2013										
Trading derivatives										
Foreign exchange contracts										
- Currency forwards	582,038	-	-	8,673	-	-	8,673	-	-	3,928
- Cross currency swaps	2,756,765	194,328	12,906	14,333	-	1,543	15,876	-	8,288	57,897
- Currency options	97,279	-	-	(214)	-	-	(214)	-	-	63
Interest rate contracts										
- Interest rate swaps	669,026	1,493,847	1,051,835	3,380	6,181	12,372	21,933	11,436	13,774	6,515
	4,105,108	1,688,175	1,064,741	26,172	6,181	13,915	46,268	19,724	13,897	68,403
										102,024
As at 31 December 2012										
Trading derivatives										
Foreign exchange contracts										
- Currency forwards	921,492	-	-	9,504	-	-	9,504	-	-	2,870
- Cross currency swaps	2,808,764	251,794	-	31,273	4,384	-	35,657	3,367	-	20,358
Interest rate contracts										
- Interest rate swaps	107,156	1,358,870	970,011	563	7,611	12,680	20,854	21,309	11,032	624
	3,837,412	1,610,664	970,011	41,340	11,995	12,680	66,015	24,676	11,032	23,852
										59,560

A26. DERIVATIVE FINANCIAL INSTRUMENTS (cont.)

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

Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at the reporting date, the notional amount of foreign exchange exposure which was not hedged and hence, exposed to market risk was RM3.8 million (FYE 31/12/2012: RM0.6 million), while the notional amount of interest rate contract was RM1.53 billion (FYE 31/12/2012: RM1.22 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 RM91.3 million (FYE 31/12/2012: RM112.7 million) and RM91.3 million (FYE 31/12/2012: RM88.6 million) respectively. This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

Liquidity risk

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

Cash Requirement of the Derivatives

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

Related Accounting Policies

The related accounting policies for off-balance sheet financial instruments applied in the condensed interim financial statements are consistent with those applied in the annual financial statements for the year ended 31 December 2012.

A27. CAPITAL ADEQUACY

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

All banking subsidiaries namely, AFFIN Bank, AFFIN Islamic Bank and AFFIN Investment Bank have complied with the above minimum regulatory capital adequacy requirement as at 30 September 2013. The components of Tier I and Tier II capital, breakdown of risk-weighted assets and capital adequacy ratios of the banking subsidiaries as at the reporting date are summarised below :-

	AFFIN Bank		AFFIN Islamic Bank		AFFIN Investment Bank	
	30/9/2013	31/12/2012	30/9/2013	31/12/2012	30/9/2013	31/12/2012
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
a) The components of the Tier I and Tier II capital :-						
<u>Tier I capital</u>						
Share capital	1,518,337	1,518,337	360,000	360,000	222,246	222,246
Share premium	529,337	529,337	-	-	142,270	142,270
Statutory reserves	1,110,885	1,017,200	164,786	143,451	194,429	184,163
Retained profit/(loss)	849,559	659,603	170,725	149,390	72,174	65,544
Unrealised gains/(losses) on AFS	57,972	-	(3,239)	-	9,578	-
	4,066,090	3,724,477	692,272	652,841	640,697	614,223
Less: Regulatory adjustments:-						
- Goodwill	(137,323)	(137,323)	-	-	(54,769)	(53,061)
- Deferred tax assets/(liabilities)	(8,419)	(10,227)	(559)	(600)	-	-
- 55% of cumulative gains of AFS	(31,885)	N/A	-	N/A	(5,268)	N/A
- Investments in subsidiaries	-	N/A	-	N/A	(5,377)	N/A
Total CET I Capital (a)	3,888,463	N/A	691,713	N/A	575,283	N/A
Total Tier I Capital (a)	3,888,463	3,576,927	691,713	652,241	575,283	561,162
<u>Tier II capital</u>						
Subordinated loans	810,000	900,000	-	-	-	-
Collective impairment #	127,561	128,568	21,220	23,782	8,374	8,189
Less: - Investment in subsidiaries	(389,088)	(387,389)	-	-	(8,374)	(13,751)
- Investment in capital instruments of other banking institutions	-	(10,034)	(650)	-	-	(1,964)
Total Tier II capital (b)	548,473	631,145	20,570	23,782	-	(7,526)
Total Tier I & II capital (a) + (b)	4,436,936	4,208,072	712,283	676,023	575,283	553,636
Capital base before proposed dividends	4,436,936	4,208,072	712,283	676,023	575,283	553,636
Proposed dividends	(151,834)	(91,100)	-	-	(26,670)	(24,169)
Capital base after proposed dividends	4,285,102	4,116,972	712,283	676,023	548,613	529,467
b) The breakdown of risk-weighted assets :-						
Credit risk	30,673,980	28,731,138	4,607,850	4,135,300	1,639,824	1,534,927
Market risk	315,682	258,838	26,246	1,782	101,667	33,351
Operational risk	1,891,826	1,864,563	334,199	323,284	247,360	242,878
Total risk-weighted assets	32,881,488	30,854,539	4,968,295	4,460,366	1,988,851	1,811,156
c) Capital adequacy ratios :-						
<u>Before deducting proposed dividends:-</u>						
CET I Capital Ratio	11.826%	N/A	13.923%	N/A	28.925%	N/A
Tier I Capital Ratio / Core Capital Ratio	11.826%	11.593%	13.923%	14.623%	28.925%	30.568%
Total Capital Ratio / Risk-weighted capital ratio (RWCR)	13.494%	13.638%	14.337%	15.156%	28.925%	30.568%
<u>After deducting proposed dividends:-</u>						
CET I Capital Ratio	11.364%	N/A	13.923%	N/A	27.584%	N/A
Tier I Capital Ratio / Core Capital Ratio	11.364%	11.298%	13.923%	14.623%	27.584%	29.234%
Total Capital Ratio / Risk-weighted capital ratio (RWCR)	13.032%	13.343%	14.337%	15.156%	27.584%	29.234%

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

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

A28. LIQUIDITY RISK

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

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

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

Group	Up to 1	> 1-3	> 3-12	> 1-5	Over 5	Total
	month	months	months	years	years	
30.9.2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets						
Cash and short-term funds	8,979,526	-	-	-	-	8,979,526
Deposits and placements with banks and other financial institutions	603	1,325	723	232,102	60,973	295,726
Financial assets held for trading	1	-	-	-	-	1
Financial investments available-for-sale	117,133	350,244	1,061,009	4,139,023	2,882,743	8,550,152
Financial investments held-to-maturity	65,322	11,565	10,082	253,863	290,335	631,167
Derivative financial assets	7,576	10,863	16,392	2,841	8,596	46,268
Loans, advances and financing	1,755,024	1,393,583	1,502,934	13,120,234	18,074,557	35,846,332
Other assets (Note 1)	903,090	2,862	22,258	83,093	1,198,676	2,209,979
Statutory deposits with Bank Negara Malaysia	1,544,804	-	-	-	-	1,544,804
Total assets	13,373,079	1,770,442	2,613,398	17,831,156	22,515,880	58,103,955

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

A28. LIQUIDITY RISK (cont.)

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

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

Group	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	> 1-5 years RM'000	Over 5 years RM'000	Total RM'000
30.9.2013						
Liabilities						
Deposits from customers	20,027,860	10,065,926	14,266,054	217,775	10,000	44,587,615
Deposits and placements with banks and other financial institutions	2,833,341	1,850,171	27,706	-	-	4,711,218
Bills and acceptances payable	90,533	-	-	-	-	90,533
Derivatives financial liabilities	15,959	34,045	27,618	15,315	9,087	102,024
Recourse obligation on loans sold to Cagamas	1,315	1,794	124,966	273,871	-	401,946
Other liabilities (Note 2)	688,845	6,948	55,947	770	2,223	754,733
Borrowings	2,869	3,199	300,000	666,310	-	972,378
Total liabilities	23,660,722	11,962,083	14,802,291	1,174,041	21,310	51,620,447
On-balance sheet gap	(10,287,643)	(10,191,641)	(12,188,893)	16,657,115	22,494,570	6,483,508
Off-balance sheet credit commitments	(57,000)	-	(12,316,662)	(11)	-	(12,373,673)
Derivatives	306,175	218,306	1,134,085	204,211	-	1,862,777
Net maturity mismatch	(10,038,468)	(9,973,335)	(23,371,470)	16,861,315	22,494,570	(4,027,388)

Note 2 : Other liabilities include trade payables, provision for taxation, deferred tax liabilities and other liabilities.

A28. LIQUIDITY RISK (cont.)

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

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

Group	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	> 1-5 years RM'000	Over 5 years RM'000	Total RM'000
31.12.2012						
Assets						
Cash and short-term funds	7,359,658	-	-	-	-	7,359,658
Deposits and placements with banks and other financial institutions	8,654	236,537	14,185	101,746	131,234	492,356
Reverse repurchase agreements with financial institutions	-	-	20,057	-	-	20,057
Financial assets held for trading	165,592	-	-	-	-	165,592
Financial investments available-for-sale	488,890	741,874	1,052,706	4,521,097	2,599,670	9,404,237
Financial investments held-to-maturity	88,623	1,076	20,003	241,269	197,353	548,324
Derivative financial assets	11,209	26,370	18,534	3,836	6,066	66,015
Loans, advances and financing	1,894,114	1,741,946	1,669,939	11,096,734	17,760,435	34,163,168
Other assets (Note 1)	475,615	326	27,701	11,282	1,592,480	2,107,404
Statutory deposits with Bank Negara Malaysia	1,507,480	-	-	-	-	1,507,480
Total assets	11,999,835	2,748,129	2,823,125	15,975,964	22,287,238	55,834,291

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

A28. LIQUIDITY RISK (cont.)

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

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

Group	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	> 1-5 years RM'000	Over 5 years RM'000	Total RM'000
31.12.2012						
Liabilities						
Deposits from customers	19,993,962	10,294,209	12,317,834	338,981	-	42,944,986
Deposits and placements with banks and other financial institutions	2,211,548	2,371,526	5,135	-	-	4,588,209
Bills and acceptances payable	152,400	-	-	-	-	152,400
Derivatives financial liabilities	9,769	19,817	11,512	17,247	1,215	59,560
Recourse obligation on loans sold to Cagamas	1,364	1,840	-	410,345	-	413,549
Other liabilities (Note 2)	543,731	23,630	67,457	10,550	13,372	658,740
Borrowings	2,842	3,191	-	966,310	-	972,343
Total liabilities	22,915,616	12,714,213	12,401,938	1,743,433	14,587	49,789,787
On-balance sheet gap	(10,915,781)	(9,966,084)	(9,578,813)	14,232,531	22,272,651	6,044,504
Off-balance sheet credit commitments	(21,095)	-	(12,032,058)	(53,133)	-	(12,106,286)
Derivatives	142,971	331,915	1,041,996	125,150	-	1,642,032
Net maturity mismatch	(10,793,905)	(9,634,169)	(20,568,875)	14,304,548	22,272,651	(4,419,750)

Note 2 : Other liabilities include trade payables, provision for taxation, deferred tax liabilities and other liabilities.

A29. OPERATIONS OF ISLAMIC BANKING

(i) Unaudited Islamic Statements of Financial Position

	Group	
	30/9/2013 RM'000	31/12/2012 RM'000
ASSETS		
Cash and short-term funds	3,396,817	4,076,266
Deposits and placements with banks and other financial institutions	-	250,086
Financial investments available-for-sale	1,360,819	1,979,812
Financial investments held-to-maturity	86,511	-
Loans, advances and financing	5,794,603	5,143,356
Other assets	53,559	67,062
Statutory deposit with Bank Negara Malaysia	220,500	201,500
Investment in jointly controlled entities	-	60
Deferred tax assets	1,369	-
Property and equipment	3,143	3,027
Intangible assets	1,861	2,458
TOTAL ASSETS	10,919,182	11,723,627
LIABILITIES, ISLAMIC BANKING FUNDS		
Deposits from customers	8,329,223	9,042,261
Deposits and placements of banks and other financial institutions	1,653,508	1,839,724
Other liabilities	241,798	176,817
Provision for tax	2,221	9,560
Deferred tax liabilities	-	266
Total Liabilities	10,226,750	11,068,628
SHAREHOLDERS' EQUITY		
Share capital	360,000	360,000
Reserves	332,432	294,999
Total Equity	692,432	654,999
TOTAL LIABILITIES AND EQUITY	10,919,182	11,723,627
COMMITMENTS AND CONTINGENCIES	1,629,310	1,569,943

A29. OPERATIONS OF ISLAMIC BANKING (cont.)

(ii) Unaudited Islamic Income Statements

	<-----Group----->			
	Individual Quarter Ended 30/9/2013 RM'000	30/9/2012 RM'000	Cumulative Quarter Ended 30/9/2013 RM'000	30/9/2012 RM'000
Income derived from investment of depositors' funds and others	108,162	116,131	315,924	344,475
Income derived from investment of Shareholders' funds	7,378	6,277	22,107	16,686
Allowance for losses on financing	(283)	2,259	28	18,720
	115,257	124,667	338,059	379,881
Income attributable to depositors	(68,226)	(74,544)	(195,136)	(222,345)
Income attributable to shareholders	47,031	50,123	142,923	157,536
Other operating expenses	(26,164)	(23,883)	(76,522)	(72,179)
	20,867	26,240	66,401	85,357
Share of results of a jointly controlled entity	(165)	(75)	(210)	(153)
Profit before taxation	20,702	26,165	66,191	85,204
Taxation	(4,772)	(6,233)	(15,148)	(20,838)
Zakat	-	-	(8,583)	(6,064)
Net profit for the financial period attributable to the equity holders of the Company	15,930	19,932	42,460	58,302

(ii) Unaudited Statements of Comprehensive Islamic Income

	<-----Group----->			
	Individual Quarter Ended 30/9/2013 RM'000	30/9/2012 RM'000	Cumulative Quarter Ended 30/9/2013 RM'000	30/9/2012 RM'000
Profit after taxation	15,930	19,932	42,460	58,302
Other comprehensive income:				
- Net fair value change in financial investments available-for-sale	(2,082)	(2,103)	(6,703)	(1,741)
- Deferred tax on revaluation of financial investments available-for-sale	521	652	1,676	435
Other comprehensive income for the financial period, net of tax	(1,561)	(1,451)	(5,027)	(1,306)
Total comprehensive income for the financial period attributable to the equity holders of the Company	14,369	18,481	37,433	56,996

A29. OPERATIONS OF ISLAMIC BANKING (cont.)

	Group	
	30/9/2013 RM'000	31/12/2012 RM'000
(iii) <u>Financing</u>		
<u>By type</u>		
Cash line	200,342	187,020
Term financing		
- Housing financing	1,665,187	1,511,961
- Syndicated term financing	263,543	259,993
- Hire purchase receivables	1,729,605	1,438,230
- Business term financing	1,591,063	1,458,138
Bills financing	2,694	390
Trust receipts	17,244	28,445
Interest-free accepted bills	130,284	133,577
Staff financing	11,341	10,899
Revolving credit	253,234	184,734
	5,864,537	5,213,387
Less : Allowance for impairment		
- Collective impairment	(35,263)	(34,936)
- Individual impairment	(34,671)	(35,095)
Total net financing	5,794,603	5,143,356
(iv) Impaired financing		
(a) <u>Movements of impaired financing</u>		
Balance at the beginning of financial period/year	129,792	172,344
Classified as impaired during the financial period/year	50,527	67,040
Reclassified as non-impaired during the financial period/year	(33,390)	(80,004)
Amount recovered during the financial period/year	(10,241)	(21,384)
Amount written-off during the financial period/year	(4)	(8,204)
Balance at the end of financial period/year	136,684	129,792

A29. OPERATIONS OF ISLAMIC BANKING (cont.)

	Group	
	30/9/2013	31/12/2012
	RM'000	RM'000
(iv) Impaired financing (cont.)		
(b) <u>Movements in the allowance for impairment on financing</u>		
Collective impairment		
Balance at the beginning of financial period/year	34,936	60,709
Additional/(writeback of) allowance for impairment during the financial period/year	327	(17,569)
Amount written-off during the financial period/year	-	(8,204)
Balance at the end of financial period/year	<u>35,263</u>	<u>34,936</u>
Individual impairment		
Balance at the beginning of financial period/year	35,095	34,927
Allowance for impairment during the financial period/year	464	2,823
Amount recovered during the financial period/year	(165)	(170)
Unwinding of discount of allowance	(884)	(2,485)
Exchange difference	161	-
Balance at the end of financial period/year	<u>34,671</u>	<u>35,095</u>
(v) Deposits from customers		
<u>By type of deposits</u>		
Non-Mudharabah Funds		
Demand deposits	2,023,057	2,604,233
Savings deposits	222,239	221,111
	<u>2,245,296</u>	<u>2,825,344</u>
Mudharabah Funds		
Demand deposits	36,993	31,496
Savings deposits	120,981	112,378
General investment deposits	5,118,144	5,239,911
Special investment deposits	807,809	833,132
	<u>6,083,927</u>	<u>6,216,917</u>
Total deposits from customers	<u>8,329,223</u>	<u>9,042,261</u>

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 RM221.8 million for the current financial quarter ended 30 September 2013 as compared to RM211.9 million for the preceding year's corresponding quarter. For the 9 months ended 30 September 2013, the Group's pretax profit increased by 3.7% to RM644.2 million as compared to RM621.3 million achieved in the previous year. The improved performance was mainly due to the write-back of allowance for loan impairment of RM35.3 million as compared to a charge of RM1.1 million in the previous year, as well as the increase in net interest income and Islamic banking income totalling RM29.2 million. This was partially offset by the reduction in other operating income, share of profit in associate and the write-back of allowance for securities impairment of RM18.2 million, RM12.2 million and RM8.3 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 RM191.8 million for the current financial quarter, an increase of RM13.0 million or 7.3% as compared to RM178.8 million for the preceding year's corresponding quarter. For the 9 months ended 30 September 2013, the ABB Group also registered a higher pretax profit of RM564.1 million as compared to RM521.0 million for the preceding year corresponding period. The improved performance was mainly due to the increase in net interest income and Islamic banking income totalling RM33.9 million as well as higher write-back of allowance for loan impairment of RM26.0 million, net of lower other operating income of RM16.7 million. The wholly-owned subsidiary, namely AFFIN Islamic Bank Berhad however registered a lower pretax profit of RM66.2 million for the 9 months ended 30 September 2013 as compared to RM85.2 million for the same period last year. There was a higher write-back of allowance for financing impairment of RM18.7 million in the previous year.

Investment Banking

The results of the investment banking is attributed to the AFFIN Investment Bank Berhad ("AIBB") Group which reported a pretax profit of RM20.8 million for the current financial quarter as compared to RM27.0 million for the preceding year's corresponding quarter. For the 9 months ended 30 September 2013, the AIBB Group also reported a lower pretax profit of RM63.6 million as compared to RM69.3 million for the preceding year's corresponding period, mainly due to lower write-back of allowance for securities impairment and lower net interest income of RM8.4 million and RM5.4 million respectively. This was partially offset by the write-back of allowance for loan impairment of RM6.2 million as compared to a charge of RM4.1 million in the previous year. As for AFFIN Fund Management Berhad (a wholly-owned subsidiary of AIBB), the Company reported a higher pretax profit of RM10.1 million as compared to RM7.4 million achieved in the previous year, mainly due to higher management fee income and higher upfront fees on sales of unit trust of RM2.6 million and RM1.5 million respectively, net of higher overhead expenses of RM1.3 million.

Insurance

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

AXA AFFIN Life Insurance Berhad ("AALI") reported a higher pretax profit of RM7.3 million for the current financial quarter as compared to the pretax profit of RM2.0 million for the preceding year's corresponding quarter. For the 9 months ended 30 September 2013, AALI also registered a higher pretax profit of RM7.2 million as compared to the pretax profit of RM0.2 million for the preceding year's corresponding period. The improved performance was primarily attributable to lower reserves for future policyholders' liabilities of RM15.9 million due to higher MGS yield, net of lower investment income of RM5.2 million.

AXA AFFIN General Insurance Berhad ("AAGI") reported a higher pretax profit of RM22.1 million for the current financial quarter as compared to RM15.4 million for the preceding year's corresponding quarter. For the 9 months ended 30 September 2013, AAGI however registered a lower pretax profit of RM46.0 million as compared to RM90.0 million achieved in the previous year. For the period under review, the increase in earned premium of RM62.8 million attributable to motor and health business was partially offset by the increase in net claims, overhead expenses and net commission incurred of RM37.6 million, RM9.1 million and RM8.9 million respectively. In 2012, the one-off adjustment of RM52.3 million on the release of Unearned Premium Reserve ("UPR") due to a change in the methodology of UPR computation had contributed significantly to the earned premium and thus the results of AAGI for the said 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 RM0.7 million for the current financial quarter as compared to RM0.8 million for the preceding year's corresponding quarter. For the 9 months ended 30 September 2013, AMB also reported a lower pretax profit of RM1.9 million as compared to RM2.2 million achieved in the previous year, mainly due to lower net brokerage income net of lower overhead expenses.

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

The Group reported a pretax profit of RM221.8 million for the current financial quarter as compared to RM218.8 million for the preceding quarter ended 30 June 2013. The improved performance was mainly due to the increase in net interest income, other operating income and Islamic banking income totalling RM10.4 million, the share of profit in jointly controlled entities of RM3.6 million net of lower net write-back of allowance for loan and securities impairment RM11.0 million.

B3. PROSPECT FOR FINANCIAL YEAR 2013

Commercial Banking

With the Malaysian economy expected to register a gross domestic product ("GDP") growth of between 4.5% to 5% in 2013, the Bank will continue to capitalize on its strengths to generate sustainable revenue from business banking and consumer banking operations. The Bank is also exploring opportunities in treasury, transactional banking particularly in trade facilities and internet banking to support the overall financial growth.

In tandem with the banking sector targeted growth of 10%, the Bank will continue to ensure that its loan portfolio is well managed through proactive account management and to balance the exposure between business and consumer loans. Within business banking, SME's loans and contract financing are expected to pick up, benefited from the roll-out of Economic Transformation plan ("ETP") projects with special emphasis on secondary loan financing.

As for consumer segment, the momentum is expected to progress well in financing of new cars. Nonetheless, the combined effect of Bank Negara Malaysia ("BNM") macro prudential measures and compression of net interest margin ("NIM") is expected to give an adverse impact to our consumer loans as well as deposits growth in the final quarter 2013.

Besides aggressive lending activities, the Bank's focus agenda for the remaining period of the financial year will be on other prospective retail market such as credit cards, on-line banking, enhancing e-payment capabilities and consumer deposits.

To support the above expectation, the Bank will continue to actively leverage on Group synergy by exploring potential business opportunities with the Lembaga Tabung Angkatan Tentera and Boustead Group of Companies.

Investment Banking

Following the steady domestic demand trends, Malaysia's real GDP growth rose from +4.1% yoy in 1Q13 to +4.3% in 2Q13, in contrast to the slowing trends in some regional countries. This brought the accumulated average GDP growth to +4.2% yoy in 1H13 (compared with +5.4% in the corresponding period of 2012). The Bank is maintaining the 4.8% forecast for full-year real GDP growth in 2013 (+5.6% in 2012), against the current official projection of +4.5% to 5.0%. The global risks remain substantial, and are likely to be on the downside than on the upside.

Nevertheless, in Malaysia, domestic demand is expected to continue to be the anchor of growth, supported by private consumption, capital spending in the domestic-oriented industries and the ongoing implementation of infrastructure projects. In particular, consumer spending will remain strong, supported by favourable employment conditions and income growth. Private investment is expected to be driven by capacity expansion in the oil and gas sector, as well as on-going implementation of projects under the Economic Transformation Programme (ETP) and various economic corridors. Supported by Malaysia' healthy 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 Bank.

B3. PROSPECT FOR FINANCIAL YEAR 2013 (Cont')

Insurance

AXA AFFIN Life Insurance ("AALI")

AALI had been expanding new business rapidly for the past years. AALI remains focused on a multi-distribution strategy to continue its growth momentum and is optimistic that the new business will continue to improve for the remaining of the year.

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 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 2013

Based on the current performance, the Board of Directors is of view that the Group will be on track to achieve the following announced headline Key Performance Indicators (KPIs) for the financial year 2013 :-

<u>Headline KPIs</u>	As announced for financial year 2013	<-----Actual Achieved----->	
		9 months ended 30/9/2013	9 months ended 30/9/2012
(i) After Tax Returns on Equity (ROE)	10.1%	7.7%	8.0%
(ii) After Tax Returns on Assets (ROA)	1.1%	0.8%	0.9%
(iii) Gross Impaired Loan Ratio	2.2%	2.0%	2.4%
(iv) Earnings Per Share (EPS)	42.08 sen	32.32 sen	31.35 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 30/9/2013 RM'000	30/9/2012 RM'000	Cumulative Quarter Ended 30/9/2013 RM'000	30/9/2012 RM'000
Malaysian Taxation:-				
- Income tax based on profit for the financial year	59,693	57,457	148,527	151,106
Deferred tax:-				
- Relating to originating temporary differences	(6,767)	(6,455)	1,897	(3,547)
Under/(Over) provision in prior years:-				
- Current taxation	(4,330)	(1,188)	1,289	(1,666)
	48,596	49,814	151,713	145,893

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 purpose.

B7. STATUS OF CORPORATE PROPOSALS

Proposed Acquisition of Hwang-DBS (Malaysia) Berhad ("Proposed Acquisition")

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

The said approval to commence negotiations is valid for a period of six (6) months and should not be construed as an approval for the Proposed Acquisition. AHB would be required to obtain the prior approval of the Minister of Finance, with the recommendation of BNM, pursuant to the Banking and Financial Institutions Act 1989 or the new Financial Services Act 2013, before entering into any agreement to effect the Proposed Acquisition.

On 4 September 2013, AFFIN Investment Bank Berhad had on behalf of the Board of Directors of AHB, announced that the Company had entered into an exclusivity agreement ("Agreement") dated 4 September 2013 with Hwang-DBS, in relation to the proposed acquisition by AHB of 100% interest in Hwang-DBS Investment Bank Berhad and HDM Futures Sdn Bhd, 70% interest in Hwang Investment Management Berhad and 49% interest in Asian Islamic Investment Management Sdn Bhd ("Proposed Acquisition").

Under the agreement, both parties would proceed to make their respective applications to BNM.

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

B8. GROUP BORROWINGS AND DEBT SECURITIES

(i) <u>Deposits from Customers</u>	Group	
	30/9/2013 RM'000	31/12/2012 RM'000
<u>By Type of Deposits:-</u>		
Money Market Deposits	982,382	859,141
Demand Deposits	6,947,634	7,349,979
Savings Deposits	1,894,302	1,710,748
Fixed Deposits	27,224,651	26,808,102
Negotiable Instruments of Deposits ('NIDs')	6,730,838	5,383,884
Special Investment Deposits	807,808	833,132
	44,587,615	42,944,986
Maturity structure of fixed deposits and NIDs are as follows:-		
Due within six months	26,749,182	25,383,497
Six months to one year	6,888,491	6,469,401
One year to three years	306,826	137,768
Three years to five years	843	201,320
Five years and above	10,147	-
	33,955,489	32,191,986
<u>By Type of Customers:-</u>		
Government and statutory bodies	7,603,008	7,480,566
Business enterprises	14,178,820	13,808,996
Individuals	10,572,263	8,974,563
Others	12,233,524	12,680,861
	44,587,615	42,944,986

B8. GROUP BORROWINGS AND DEBT SECURITIES (Cont')

	Group	
	30/9/2013 RM'000	31/12/2012 RM'000
(ii) <u>Deposits and Placements of Banks and Other Financial Institutions</u>		
<u>By Type of Institutions:-</u>		
Licensed banks	3,886,756	3,436,442
Licensed investment banks	255,344	114,135
Bank Negara Malaysia	-	612,055
Other financial institutions	569,118	425,577
	<u>4,711,218</u>	<u>4,588,209</u>
<u>By Maturity Structure:-</u>		
Due within six months	4,485,895	4,587,226
Six months to one year	225,323	983
	<u>4,711,218</u>	<u>4,588,209</u>
(iii) <u>Borrowings</u>		
<u>Unsecured :-</u>		
One year or less (short-term)	301,989	-
More than one year (medium/long-term)	670,389	972,343
	<u>972,378</u>	<u>972,343</u>

B9. REALISED AND UNREALISED UNAPPROPRIATED PROFITS

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

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

	Group	
	30/9/2013	31/12/2012
	RM'000	RM'000
<u>Total retained profits of AFFIN Holdings Berhad and its subsidiaries</u>		
- Realised	1,801,258	1,450,553
- Unrealised		
- deferred tax recognised in the income statement	12,677	14,579
- other items of income and expense	36,680	45,250
	1,850,615	1,510,382
<u>Total share of retained profits in associate:-</u>		
- Realised	177,069	167,302
- Unrealised	3,165	2,452
<u>Total share of accumulated losses in jointly controlled entities:-</u>		
- Realised	(16,535)	(20,511)
	2,014,314	1,659,625
Add: Consolidation adjustments	90,595	87,465
Total Group retained profits as per consolidated financial statements	2,104,909	1,747,090

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.

On 27 September 2013, the Court of Appeal allowed the Bank's appeal with cost of RM120,000/- and set-aside the award of damages of RM115.5 million. The judgement was also entered against the borrower and the guarantors for the outstanding Facilities.

The borrower lodged an appeal to the Federal Court and also filed an application for stay at the Court of Appeal. On 22 November 2013, the borrower's application for stay was allowed but only with respect to the execution of judgement by way of winding-up or bankruptcy.

- (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 RM77.0 million (31 December 2012: RM73.8 million). Based on legal advice, the Directors of the Bank are of the opinion that no provision for damages need to be made in the financial statements, as the probability of adverse adjudication against ABB is remote.

B11. DIVIDENDS

An interim tax exemption dividend of 8.9 sen per share and a single-tier dividend of 6.1 sen have been declared for the financial year ending 31 December 2013 as follows:-

Amount per share	: Tax exemption dividend of 8.9 sen per share and single-tier dividend of 6.1 sen per share
Previous corresponding period	: Franked dividend of 11.0 sen (less 25 % tax) per share and tax exempt dividend of 4.0 sen per share
Date payable	: 30 December 2013
Date of entitlement	: 16 December 2013
Total dividend for the current financial period	: Tax exemption dividend of 8.9 sen per share and single-tier dividend of 6.1 sen per share

The above interim dividends have not been reflected as liabilities in this interim financial statements. Upon declaration, the dividends will be accounted for in equity as an appropriation of retained earnings for the financial year ending 31 December 2013.

B12. EARNINGS PER SHARE

	<-----Group----->			
	<u>Individual Quarter Ended</u>		<u>Cumulative Quarter Ended</u>	
	30/9/2013	30/9/2012	30/9/2013	30/9/2012
Net profit attributable to equity holders of the Company (RM'000)	<u>172,967</u>	161,708	<u>483,106</u>	<u>468,561</u>
Weighted average number of ordinary shares in issue	<u>1,494,575,806</u>	1,494,575,806	<u>1,494,575,806</u>	<u>1,494,575,806</u>
Basic and diluted earnings per share (sen)	<u>11.57</u>	10.82	<u>32.32</u>	<u>31.35</u>

The basic and diluted earnings per share of the Group for the current financial quarter ended 30 September 2013 have been calculated based on the net profit attributable to the equity holders of the company of RM172,967,000 (30 September 2012: RM161,708,000) divided by the weighted average number of ordinary shares in issue during the current financial quarter of 1,494,575,806 (30 September 2012: 1,494,575,806).

The basic and diluted earnings per share of the Group for the cumulative quarter ended 30 September 2013 has been calculated based on the net profit attributable to the equity holders of the company of RM483,106,000 (30 September 2012: RM468,561,000) divided by the weighted average number of ordinary shares in issue during the financial period under review of 1,494,575,806 (30 September 2012: 1,494,575,806).

B13. ECONOMIC PROFIT

	<-----Group----->			
	<u>Individual Quarter Ended</u>		<u>Cumulative Quarter Ended</u>	
	30/9/2013	30/9/2012	30/9/2013	30/9/2012
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period	172,967	161,708	483,106	468,561
Less: Economic charge	(163,642)	(145,992)	(480,324)	(426,956)
Economic profit for the financial period	<u>9,325</u>	<u>15,716</u>	<u>2,782</u>	<u>41,605</u>

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