

AFFIN HOLDINGS BERHAD
(Company no. 23218 - W)
Condensed Interim Financial Statements
Unaudited Statements of Financial Position As At 31 March 2014

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

AFFIN HOLDINGS BERHAD
(Company no. 23218 - W)
Unaudited Condensed Consolidated Statement of Cash Flow
For The Financial Period Ended 31 March 2014

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

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

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

A1. BASIS OF PREPARATION

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

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

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

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Company for the year ended 31 December 2013. The explanatory notes to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the Group since the year ended 31 December 2013.

A2. ACCOUNTING POLICIES AND METHODS OF COMPUTATIONS

The significant accounting policies and methods of computation applied in the condensed interim financial statements are consistent with those applied in the annual financial statements for the year ended 31 December 2013 except for the adoption of the following new and revised Malaysian Financial Reporting Standards ("MFRS"), Amendments to MFRSs that are applicable and effective to the Group for the financial year beginning 1 January 2014 :-

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

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

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

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

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

A3. AUDITOR'S REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the audited financial statements for the financial year ended 31 December 2013 was not subjected to any qualification.

A4. SEASONAL OR CYCLICAL FACTORS

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

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

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and the Company during the quarter under review.

A6. CHANGES IN ESTIMATES

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

A7. DEBT AND EQUITY SECURITIES

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

A8. DIVIDENDS PAID

No dividend has been paid during the quarter under review.

A9. TRADE RECEIVABLES

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

Movement in allowance for impairment on trade receivables:-

Collective impairment

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

Individual impairment

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

A10. FINANCIAL ASSETS

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

A11. LOANS, ADVANCES AND FINANCING

(a) BY TYPE

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

(b) BY MATURITY STRUCTURE

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

(c) BY TYPE OF CUSTOMER

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

(d) BY INTEREST / PROFIT RATE SENSITIVITY

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

A11. LOANS, ADVANCES AND FINANCING (cont.)

(e) BY ECONOMIC PURPOSE

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

(f) BY SECTOR

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

(g) BY GEOGRAPHICAL DISTRIBUTION

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

A11. LOANS, ADVANCES AND FINANCING (cont.)

(h) IMPAIRED LOANS, ADVANCES AND FINANCING

(i) Movements of impaired loans, advances and financing

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

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

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

(iii) Impaired loans, advances and financing by sector

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

A11. LOANS, ADVANCES AND FINANCING (cont.)

(h) IMPAIRED LOANS, ADVANCES AND FINANCING (cont.)

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

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

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

Collective impairment

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

Individual impairment

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

A12. OTHER ASSETS

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

A13. OTHER LIABILITIES

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

A14. INTEREST INCOME

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

A15. INTEREST EXPENSE

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

A16. OTHER OPERATING INCOME

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

A17. OTHER OPERATING EXPENSES

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

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

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

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

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

A20. SEGMENTAL INFORMATION ON REVENUE AND PROFIT

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

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

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

A21. SUBSEQUENT MATERIAL EVENT

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

A22. CHANGES IN THE COMPOSITION OF THE GROUP

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

A23. COMMITMENTS AND CONTINGENCIES

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

GROUP

	<-----31/3/2014----->				<-----31/12/2013----->			
	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	787,105	-	787,105	756,855	1,455,361	-	1,455,361	1,462,806
Transaction related contingent items	1,964,420	-	982,210	911,240	1,974,804	-	987,402	864,908
Short-term self-liquidating trade related contingencies	340,808	-	68,162	40,289	573,412	-	114,683	82,976
Obligation under underwriting commitments	-	-	-	-	260,244	-	-	-
Foreign exchange related contracts #								
- Less than one year	4,431,382	26,103	94,015	36,518	3,635,355	24,107	73,201	33,246
- One year to less than five years	594,154	1,963	57,319	16,660	594,154	2,513	57,307	16,657
- Five years and above	96,030	708	16,325	-	96,030	-	16,325	-
Interest rate related contracts #								
- Less than one year	975,058	4,367	1,911	623	793,040	4,112	2,271	820
- One year to less than five years	2,631,909	12,080	64,217	17,817	2,292,222	10,637	50,133	14,245
- Five years and above	703,148	13,936	68,909	28,104	703,148	14,407	66,112	28,314
Irrevocable commitments to extend credit #								
- Maturity more than one year	2,085,751	-	1,042,875	1,428,726	2,181,871	-	1,090,935	992,841
- Maturity less than one year	8,463,862	-	1,692,772	805,525	7,483,973	-	1,496,795	1,211,534
Commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	234,763	-	-	-	-	-	-	-
Unutilised credit card lines	181,515	-	36,303	27,049	179,201	-	35,840	26,839
	23,489,905	59,157	4,912,123	4,069,406	22,222,815	55,776	5,446,365	4,735,186

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

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

A24. DERIVATIVE FINANCIAL INSTRUMENTS

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

GROUP

	< ----- Contract/Notional Amount ----- >				< ----- Positive Fair Value ----- >				< ----- Negative Fair Value ----- >			
	Up To 1 RM'000	> 1 - 3 RM'000	> 3 Years RM'000	Total RM'000	Up To 1 RM'000	> 1 - 3 RM'000	> 3 Years RM'000	Total RM'000	Up To 1 RM'000	> 1 - 3 RM'000	> 3 Years RM'000	Total RM'000
As at 31 March 2014												
Trading derivatives												
Foreign exchange contracts												
- Currency forwards	736,382	-	-	736,382	1,650	-	-	1,650	4,260	-	-	4,260
- Cross currency swaps	3,532,598	294,243	395,941	4,222,782	24,641	-	2,671	27,312	13,208	8,631	9,249	31,088
- Currency options	162,402	-	-	162,402	(188)	-	-	(188)	103	-	-	103
Interest rate contracts												
- Interest rate swaps	975,058	1,533,847	1,801,210	4,310,115	4,367	7,127	18,889	30,383	6,874	7,968	19,769	34,611
	5,406,440	1,828,090	2,197,151	9,431,681	30,470	7,127	21,560	59,157	24,445	16,599	29,018	70,062
As at 31 December 2013												
Trading derivatives												
Foreign exchange contracts												
- Currency forwards	810,804	-	-	810,804	6,961	-	-	6,961	5,099	-	-	5,099
- Cross currency swaps	2,824,551	294,243	395,941	3,514,735	17,146	-	2,513	19,659	29,259	10,470	11,289	51,018
Interest rate contracts												
- Interest rate swaps	793,040	1,513,847	1,481,523	3,788,410	4,112	7,320	17,724	29,156	7,494	9,231	21,026	37,751
	4,428,395	1,808,090	1,877,464	8,113,949	28,219	7,320	20,237	55,776	41,852	19,701	32,315	93,868

A24. DERIVATIVE FINANCIAL INSTRUMENTS (cont.)

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

Market risk

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

Credit risk

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the commercial bank has a gain position. As at the reporting date, the amounts of foreign exchange and interest rate credit risk, measured in terms of the cost to replace the profitable contracts, was RM167.7 million (FYE 31/12/2013: RM146.8 million) and RM135.0 million (FYE 31/12/2013: RM118.5 million) respectively. This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

Liquidity risk

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

Cash Requirement of the Derivatives

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

Related Accounting Policies

The related accounting policies for off-balance sheet financial instruments applied in the condensed interim financial statements are consistent with those applied in the annual financial statements for the year ended 31 December 2013.

A25. FAIR VALUE MEASUREMENTS

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

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

Group

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

* Net of allowance for impairment

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

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

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

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

A25. FAIR VALUE MEASUREMENTS (cont.)

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

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

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

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

Group

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

Effect of changes in significant unobservable assumptions to reasonably possible alternative

As at reporting date, financial instruments measured with valuation techniques using significant unobservable inputs (Level 3) mainly include unquoted shares held for socio economic purposes.

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

A26. CAPITAL ADEQUACY

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

All banking subsidiaries namely, AFFIN Bank, AFFIN Islamic Bank and AFFIN Investment Bank have complied with the above minimum regulatory capital adequacy requirement as at 31 March 2014. The components of CET I, Tier I and Tier II capital, breakdown of risk-weighted assets and capital adequacy ratios of the banking subsidiaries as at the reporting date are summarised below :-

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

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

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

A27. OPERATIONS OF ISLAMIC BANKING

(i) Unaudited Islamic Statements of Financial Position

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

A27. OPERATIONS OF ISLAMIC BANKING (cont.)

(ii) Unaudited Islamic Income Statements

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

(iii) Unaudited Statements of Comprehensive Islamic Income

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

A27. OPERATIONS OF ISLAMIC BANKING (cont.)

(iv) Financing

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

(v) Impaired financing

(a) Movements of impaired financing

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

(b) Movements in the allowance for impairment on financing

Collective impairment

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

Individual impairment

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

A27. OPERATIONS OF ISLAMIC BANKING (cont.)

(vi) Deposits from customers

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

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

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

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

Commercial Banking

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

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

Investment Banking

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

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

Insurance

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

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

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

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

Other business segment

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

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

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

B3. PROSPECT FOR FINANCIAL YEAR 2014

Commercial Banking

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

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

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

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

Investment Banking

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

Insurance

AXA AFFIN Life Insurance ("AALI")

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

AXA AFFIN General Insurance ("AAGI")

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

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

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

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

B5. VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

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

B6. TAXATION

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

The Group's effective tax rate was lower than the prevailing statutory tax rate mainly due to certain income not subject to tax or subject to lower tax rate, net of certain expenses not deductible for tax purpose.

B7. STATUS OF CORPORATE PROPOSALS

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

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

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

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

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

a) Details of the Proposed Acquisition

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

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

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

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

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

The Base Price of RM1,363 million comprises :-

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

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

b) Purchase Consideration

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

B7. STATUS OF CORPORATE PROPOSALS (Cont')

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

b) Purchase Consideration (Cont')

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

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

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

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

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

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

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

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

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

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

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

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

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

B8. GROUP BORROWINGS AND DEBT SECURITIES

(i) Deposits from Customers

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

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

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

(iii) Borrowings

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

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

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

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

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

B10. MATERIAL LITIGATION

There are various legal suits against AFFIN Bank Berhad ("ABB") in respect of claims and counter claims of approximately RM148.5 million (31 December 2013: RM117.6 million). Based on legal advice, the Directors of the Bank are of the opinion that no provision for damages need to be made in the financial statements, as the probability of adverse adjudication against ABB is remote.

B11. DIVIDENDS

No dividend has been proposed for the quarter under review.

B12. EARNINGS PER SHARE

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

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

B13. ECONOMIC PROFIT/(LOSS)

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

Formula for calculation of economic charge:

- (i) Economic charge = Cost of equity x Average total equity for the financial year
- (ii) Cost of equity = Beta x Market risk premium + Risk-free rate
 - Beta = 5-year adjusted Bloomberg Beta
 - Market risk premium = the market return in excess of the return earned on risk-free assets.
 - Risk-free rate = the rate of return of a 10-year Malaysian Government Securities at the closing of the reporting period