

AFFIN HOLDINGS BERHAD

(Company no. 23218 - W)

Condensed Interim Financial Statements

Unaudited Statements of Financial Position As At 30 June 2014

		< ----- GROUP ----- >		< ----- COMPANY ----- >	
	Note	30/6/2014 RM'000	31/12/2013 RM'000	30/6/2014 RM'000	31/12/2013 RM'000
ASSETS					
Cash and short-term funds		8,389,679	9,331,374	1,322,982	131,710
Deposits and placements with banks and other financial institutions		346,441	468,585	618	4,460
Trade receivables	A9	494,200	176,706	-	-
Financial assets held-for-trading	A10	94,697	149,544	-	-
Financial investments available-for-sale	A10	11,408,125	8,767,991	-	-
Financial investments held-to-maturity	A10	945,602	624,033	-	-
Derivative financial assets		100,763	55,776	-	-
Loans, advances and financing	A11	37,768,749	36,909,384	-	-
Other assets	A12	128,693	309,011	646	68,494
Statutory deposits with Bank Negara Malaysia		1,733,625	1,545,144	-	-
Amount due from subsidiaries		-	-	629,387	904,972
Amount due from associate		67,240	67,257	67,240	67,257
Investment in subsidiaries		-	-	5,202,234	3,582,882
Investment in jointly controlled entities		137,299	135,539	146,880	146,880
Investment in associate		227,835	208,396	11,462	10,681
Tax recoverable		20,240	11,316	5,559	5,173
Deferred tax assets		7,794	14,475	-	-
Property and equipment		171,315	167,038	374	470
Intangible assets		1,602,869	1,009,988	-	1
TOTAL ASSETS		63,645,166	59,951,557	7,387,382	4,922,980
LIABILITIES AND EQUITY					
Deposits from customers	B8	47,314,654	47,353,514	-	-
Deposits and placements of banks and other financial institutions	B8	4,606,341	3,983,912	-	-
Bills and acceptances payable		62,847	90,208	-	-
Trade payables		599,144	179,078	-	-
Derivative financial liabilities		75,546	93,868	-	-
Recourse obligation on loans sold to Cagamas Berhad		268,540	397,790	-	-
Other liabilities	A13	1,720,608	467,454	1,090,848	19,634
Provision for taxation		33,285	36,405	-	-
Deferred tax liabilities		1,111	172	108	108
Amount due to subsidiaries		-	-	400,258	400,258
Borrowings	B8	2,276,219	972,432	2,276,219	972,432
TOTAL LIABILITIES		56,958,295	53,574,833	3,767,433	1,392,432

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 Statements of Financial Position As At 30 June 2014**

	< ----- GROUP ----- >		< ----- COMPANY ----- >	
Note	30/6/2014 RM'000	31/12/2013 RM'000	30/6/2014 RM'000	31/12/2013 RM'000
EQUITY				
Share capital	1,494,576	1,494,576	1,494,576	1,494,576
Reserves:-				
Share premium	1,400,410	1,400,410	1,400,410	1,400,410
Statutory reserves	1,469,048	1,469,048	-	-
AFS revaluation reserves	34,378	15,148	-	-
Retained profits	2,252,259	1,997,542	724,963	635,562
Equity attributable to equity holders of the Company	6,650,671	6,376,724	3,619,949	3,530,548
Non-controlling interest	36,200	-	-	-
TOTAL EQUITY	6,686,871	6,376,724	3,619,949	3,530,548
TOTAL LIABILITIES AND EQUITY	63,645,166	59,951,557	7,387,382	4,922,980
COMMITMENTS AND CONTINGENCIES	27,918,259	22,222,815	-	-
NET ASSETS PER SHARE (RM)	4.45	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 30 June 2014

GROUP	Note	<----Individual Quarter Ended ---->		<----Cumulative Quarter Ended --->	
		30/6/2014	30/6/2013	30/6/2014	30/6/2013
		RM'000	RM'000	RM'000	RM'000
Revenue		904,456	757,118	1,669,349	1,489,880
Interest income	A14	612,686	552,698	1,171,669	1,083,247
Interest expense	A15	(373,330)	(323,109)	(713,331)	(632,180)
Net interest income		239,356	229,589	458,338	451,067
Net Islamic banking income		58,617	54,693	115,350	109,660
Other operating income	A16	172,362	96,659	267,743	192,377
Net income		470,335	380,941	841,431	753,104
Other operating expenses	A17	(260,311)	(173,636)	(440,710)	(346,071)
Operating profit before allowance for impairment on loans, advances and financing		210,024	207,305	400,721	407,033
Allowance for impairment on loans, advances and financing	A18	(28,799)	17,552	(22,528)	30,670
Allowance for impairment on other assets	A19	(550)	(499)	(343)	(344)
Operating profit		180,675	224,358	377,850	437,359
Finance cost		(26,956)	(10,618)	(37,535)	(21,119)
Share of results of jointly controlled entities		(673)	(279)	(3,863)	212
Share of results of associate		8,934	5,383	11,346	5,917
Profit before taxation and zakat		161,980	218,844	347,798	422,369
Zakat		(262)	(8,896)	(426)	(9,113)
Profit before taxation		161,718	209,948	347,372	413,256
Taxation	B6	(46,708)	(50,643)	(89,634)	(103,117)
Net profit for the financial period		115,010	159,305	257,738	310,139
Profit for the financial period attributable to :-					
- Equity holders of the Company		111,989	159,305	254,717	310,139
- Non-controlling interest		3,021	-	3,021	-
		115,010	159,305	257,738	310,139
Earnings per share attributable to the equity holders of the Company (sen)					
- Basic and fully diluted	B12	7.49	10.66	17.04	20.75

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 30 June 2014

<u>GROUP</u>	<----Individual Quarter Ended ---->		<---Cumulative Quarter Ended --->	
	30/6/2014 RM'000	30/6/2013 RM'000	30/6/2014 RM'000	30/6/2013 RM'000
Profit after taxation	115,010	159,305	257,738	310,139
Other comprehensive income:-				
- Net fair value change in financial investments available-for-sale	15,176	(32,594)	24,115	(43,896)
- Deferred tax on revaluation of financial investments available-for-sale	(3,614)	6,892	(4,861)	10,296
Other comprehensive income for the period, net of tax	11,562	(25,702)	19,254	(33,600)
Total comprehensive income for the financial period	126,572	133,603	276,992	276,539
Total comprehensive income for the financial period attributable to :-				
- Equity holders of the Company	123,527	133,603	273,947	276,539
- Non-controlling interest	3,045	-	3,045	-
	126,572	133,603	276,992	276,539

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 30 June 2014

<u>COMPANY</u>	<----Individual Quarter Ended ---->		<----Cumulative Quarter Ended ---->	
	30/6/2014 RM'000	30/6/2013 RM'000	30/6/2014 RM'000	30/6/2013 RM'000
Revenue	10,310	104,482	138,725	151,073
Interest income	10,310	13,382	22,067	25,968
Interest expense	-	-	-	-
Net interest income	10,310	13,382	22,067	25,968
Net Islamic banking income	-	-	-	-
Other operating income	-	91,100	116,658	125,105
Net income	10,310	104,482	138,725	151,073
Other operating expenses	(6,606)	(3,463)	(10,612)	(5,412)
Operating profit before allowance for impairment on loans, advances and financing	3,704	101,019	128,113	145,661
Allowance for impairment on loans, advances and financing	-	-	-	-
Allowance for impairment on other assets	-	-	-	-
Operating profit	3,704	101,019	128,113	145,661
Finance cost	(26,936)	(10,618)	(37,515)	(21,119)
Profit before taxation and zakat	(23,232)	90,401	90,598	124,542
Zakat	-	-	-	-
Profit before taxation	(23,232)	90,401	90,598	124,542
Taxation	(851)	(766)	(1,197)	(9,237)
Net profit for the financial period attributable to equity holders of the Company	(24,083)	89,635	89,401	115,305

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 30 June 2014

<u>COMPANY</u>	<----Individual Quarter Ended ---->		<---Cumulative Quarter Ended --->	
	30/6/2014	30/6/2013	30/6/2014	30/6/2013
	RM'000	RM'000	RM'000	RM'000
Profit after taxation	(24,083)	89,635	89,401	115,305
Other comprehensive income	-	-	-	-
Total comprehensive income for the financial period attributable to equity holders of the Company	(24,083)	89,635	89,401	115,305

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 30 June 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 Shareholders' Equity RM'000	Non-controlling Interest 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	-	6,376,724
Comprehensive income:									
- Net profit for the financial period	-	-	-	-	-	254,717	254,717	3,021	257,738
Other comprehensive income (net of tax):									
- Financial investments available-for-sale	-	-	-	-	19,230	-	19,230	24	19,254
Total comprehensive income for the financial period	-	-	-	-	19,230	254,717	273,947	3,045	276,992
Acquisition of subsidiaries	-	-	-	-	-	-	-	33,155	33,155
At 30 June 2014	1,494,576	1,494,576	1,400,410	1,469,048	34,378	2,252,259	6,650,671	36,200	6,686,871
At 1 January 2013	1,494,576	1,494,576	1,400,410	1,293,665	108,763	1,747,090	6,044,504	-	6,044,504
Comprehensive income:									
- Net profit for the financial period	-	-	-	-	-	310,139	310,139	-	310,139
Other comprehensive income (net of tax):									
- Financial investments available-for-sale	-	-	-	-	(33,600)	-	(33,600)	-	(33,600)
Total comprehensive income for the financial period	-	-	-	-	(33,600)	310,139	276,539	-	276,539
At 30 June 2013	1,494,576	1,494,576	1,400,410	1,293,665	75,163	2,057,229	6,321,043	-	6,321,043

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 30 June 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	-	-	-	89,401	89,401
At 30 June 2014	1,494,576	1,494,576	1,400,410	724,963	3,619,949
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	-	-	-	115,305	115,305
At 30 June 2013	1,494,576	1,494,576	1,400,410	695,502	3,590,488

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 30 June 2014

	< ----- 6 months Ended ----- >	
	30/6/2014	30/6/2013
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	347,798	422,369
Adjustment for non-operating and non-cash items	(197,614)	(132,248)
Operating profit before changes in working capital	150,184	290,121
Net changes in operating assets	7,693	(715,614)
Net changes in operating liabilities	(1,004,580)	1,506,117
Payment of tax and zakat	(97,184)	(95,255)
Tax refund	354	30
Net cash (used in)/generated from operating activities	(943,533)	985,399
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received from securities	159,159	147,166
Net (purchase)/disposal of:		
- securities	(1,174,754)	(440,469)
- property and equipment	(8,564)	(5,372)
- intangible assets	(303)	(864)
Dividend received from:		
- financial investments available-for-sale	4,749	8,208
Proceeds from disposal of property and equipment	8,320	4,147
Proceeds from disposal of foreclosed properties	8,424	6,572
Subscription of shares in a jointly controlled entity	-	(150)
Subscription of shares in associate	(781)	-
Amount due from associate	17	9
Cash flow arising from acquisition of subsidiaries [Note A22 (i)]	(302,929)	-
Net cash used in investing activities	(1,306,662)	(280,753)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in borrowings	1,298,787	38
Net cash generated from financing activities	1,298,787	38
Net (decrease)/increase in cash and cash equivalents	(951,408)	704,684
Cash and cash equivalents at beginning of the period	9,331,374	7,359,658
Cash and cash equivalents at end of the period	8,379,966	8,064,342
<u>Analysis of cash & cash equivalent</u>		
Cash and short-term funds	8,389,679	8,074,396
Adjustment for money held in trust on behalf of remisers	(9,713)	(10,054)
	8,379,966	8,064,342

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 Policy Document on Financial Reporting issued by Bank Negara Malaysia

A1. BASIS OF PREPARATION

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

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

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

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

A2. ACCOUNTING POLICIES AND METHODS OF COMPUTATIONS

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

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

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

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

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

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

A3. AUDITOR'S REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

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

A4. SEASONAL OR CYCLICAL FACTORS

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

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 materials 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

Save as disclosed below, there were no issuance, cancellations, shares, share buy-backs, resale of shares bought back and repayment of debts and equity securities by the Company :-

On 10 March 2014, the Board of Directors of AFFIN Holdings Berhad (the "Company" or "AHB") announced that in conjunction with the acquisition of HwangDBS Investment Bank Berhad including other Financial Services Businesses of Hwang-DBS (Malaysia) Berhad (the "Acquisition") as mentioned in Note B7 (1) above, the Company proposed to undertake the Proposed Rights Issue to raise gross proceeds of up to RM1,250.0 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 Acquisition and RM200.0 million capital injection into AFFIN Bank Berhad.

On 27 March 2014, AFFIN Investment Bank Berhad ("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
- (iv) To incorporate Bursa Securities' comments in respect of the draft circular.

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.

On 23 May 2014, AIBB had on behalf of the Board of AHB, announced that the Board had fix the issue price of the Rights Shares at RM2.76 per Rights Share at an entitlement basis of three (3) Rights Shares for every ten (10) existing AHB Shares held by the entitled shareholders of the Company.

The issue price of RM2.76 per Right Share represents a discount of approximately 20% to the theoretical ex-rights price of AHB of RM3.45 per Share, calculated based on the five (5) day volume weighted average market price of AHB Shares up to and including 22 May 2014 of RM3.66 per AHB Share.

The Rights Issue will result in the issuance of approximately 448.37 million Rights Shares to raise gross proceeds of approximately RM1,237.51 million.

On 29 May 2014, AIBB had on behalf of the Board of AHB, announced that the Company had executed an underwriting and management agreement with AIBB, RHB Investment Bank Berhad, Public Investment Bank Berhad, AmInvestment Bank Berhad and Credit Suisse (Malaysia) Securities Sdn Bhd ("Management and Underwriting Agreement") for the underwriting of the remaining portion of 92,402,074 Rights Shares for which no undertaking is obtained, representing approximately 20.6% of the Rights Shares.

On 2 July 2014, AIBB had on behalf of the Board of AHB, announced that as at the close of acceptance and payment for the Rights Issue on 27 June 2014, the total valid acceptances and excess applications received were 459,808,062 Rights Shares, representing an over subscription of 11,435,321 Rights Shares or approximately 2.55% over the total of 448,372,741 Rights Shares.

On 10 July 2014, AIBB had on behalf of the Board of AHB, announced that the Proposed Rights Issue is completed following the listing of and quotation for 448,372,741 Rights Shares on the Main Market of Bursa Malaysia Securities Berhad on 10 July 2014.

A8. DIVIDENDS PAID

No dividend has been paid during the quarter under review.

A9. TRADE RECEIVABLES

	Group	
	30/6/2014 RM'000	31/12/2013 RM'000
Amount due from stock-broking clients	390,818	178,701
Amount due from Bursa Securities Clearing Sdn Bhd	44,971	-
Management fees receivable on fund management	62,492	1,657
	<hr/>	<hr/>
	498,281	180,358
Less: Allowance for impairment		
- Collective impairment	(45)	(19)
- Individual impairment	(4,036)	(3,633)
	<hr/>	<hr/>
	494,200	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	205	134
Amount recovered during the financial period/year	(179)	(136)
	<hr/>	<hr/>
Balance at the end of financial period/year	45	19

Individual impairment

Balance at the beginning of financial period/year	3,633	3,575
Arising from acquisition of HwangDBS Investment Bank Berhad	303	-
Allowance made during the financial period/year	160	232
Amount recovered during the financial period/year	(60)	(174)
	<hr/>	<hr/>
Balance at the end of financial period/year	4,036	3,633

A10. FINANCIAL ASSETS

	Group	
	30/6/2014 RM'000	31/12/2013 RM'000
(a) <u>Financial assets held-for-trading</u>		
At fair value		
Bank Negara Malaysia Notes	-	149,544
Quoted Securities		
- Shares in Malaysia	25,565	-
- Unit Trusts in Malaysia	14,189	-
Unquoted Securities		
- Private Debt Securities in Malaysia	54,943	-
	<hr/>	<hr/>
Total financial assets held-for-trading	94,697	149,544

A10. FINANCIAL ASSETS (Cont')

	Group	
	30/6/2014	31/12/2013
	RM'000	RM'000
(b) <u>Financial investments available-for-sale</u>		
At fair value		
Malaysian Government Securities	81,167	-
Malaysian Government Treasury Bills	93,178	-
Malaysian Government Islamic Investment Securities	262,747	-
Malaysian Government Sukuk	6,608	-
Malaysian Government Investment Issuance	2,476,728	2,361,979
Cagamas Bonds	84,552	85,228
Sukuk Perumahan Kerajaan	389,851	385,742
Khazanah Bonds	314,063	237,441
Bankers' Acceptance and Islamic Acceptance Bills	220,205	196,522
Bank Negara Malaysia Notes	1,165,631	629,674
Negotiable Instruments of Deposit and Islamic Debt Certificate	195,764	99,572
	<hr/>	<hr/>
	5,290,494	3,996,158
Quoted Securities		
- Shares in Malaysia	32,193	27,631
- Private Debt Securities in Malaysia	8,756	2,167
- Unit Trust in Malaysia	203,323	-
- Reits in Malaysia	32,055	-
- Reits outside Malaysia	36,117	-
Unquoted Securities		
- Shares in Malaysia	176,311	165,656
- Private Debt Securities in Malaysia	4,925,453	4,039,105
- Private Debt Securities outside Malaysia	796,241	623,725
	<hr/>	<hr/>
	11,500,943	8,854,442
Allowance for impairment of securities	(92,818)	(86,451)
	<hr/>	<hr/>
Total financial investments available-for-sale	11,408,125	8,767,991
(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	874,277	648,616
- Redeemable Convertible Unsecured Loan Stock in Malaysia	94,493	1,554
	<hr/>	<hr/>
	1,000,551	681,951
Allowance for impairment of securities	(54,949)	(57,918)
	<hr/>	<hr/>
Total financial investments held-to-maturity	945,602	624,033
	<hr/>	<hr/>
Total securities held	12,448,424	9,541,568

A11. LOANS, ADVANCES AND FINANCING

(a) BY TYPE

	Group	
	30/6/2014 RM'000	31/12/2013 RM'000
Overdrafts	1,736,490	1,752,882
Term loans/financing		
- Housing loans/financing	5,631,489	5,510,534
- Syndicated term loans/financing	2,012,696	1,826,170
- Hire purchase receivables	10,601,444	10,524,044
- Business term loans/financing	12,518,972	12,825,062
Bills receivables	939,740	318,677
Trust receipts	316,478	435,591
Claims on customers under acceptance credits	989,951	986,666
Staff loans/financing (of which RM NIL to Directors)	142,579	146,065
Credit/charge cards	77,582	82,137
Revolving credit	3,121,236	2,988,889
Margin financing	219,983	56,705
Factoring	11,324	7,073
Gross loans, advances and financing	38,319,964	37,460,495
Less: Allowance for impairment		
- Collective impairment	(310,174)	(307,142)
- Individual impairment	(241,041)	(243,969)
Total net loans, advances and financing	37,768,749	36,909,384

(b) BY MATURITY STRUCTURE

Maturing within one year	8,531,414	7,427,643
One year to three years	4,982,938	5,109,102
Three years to five years	6,245,954	6,709,415
Over five years	18,559,658	18,214,335
	38,319,964	37,460,495

(c) BY TYPE OF CUSTOMER

Domestic banking institutions	385	-
Domestic non-banking institutions		
- Stock-broking companies	236	241
- Others	1,585,283	1,622,525
Domestic business enterprises		
- Small medium enterprises	6,726,921	5,932,508
- Others	13,163,915	13,847,266
Government and statutory bodies	127,573	162,591
Individuals	15,428,983	15,003,354
Other domestic entities	14,559	251,166
Foreign entities	1,272,109	640,844
	38,319,964	37,460,495

(d) BY INTEREST / PROFIT RATE SENSITIVITY

Fixed rate		
- Housing loans/financing	335,941	314,506
- Hire purchase receivables	10,601,442	10,524,043
- Other fixed rate loans/financing	3,918,572	4,181,013
- Margin financing	219,983	56,705
Variable rate		
- BLR plus	14,920,153	14,098,831
- Cost plus	8,323,873	8,285,397
	38,319,964	37,460,495

A11. LOANS, ADVANCES AND FINANCING (Cont')

(e) BY ECONOMIC PURPOSE

	Group	
	30/6/2014	31/12/2013
	RM'000	RM'000
Construction	2,848,364	2,082,699
Purchase of landed property of which :-		
- Residential	6,064,744	5,985,909
- Non-residential	4,995,532	5,009,095
Purchase of securities	741,396	433,206
Purchase of transport vehicles	11,237,588	11,232,452
Fixed assets other than land and building	340,918	238,059
Personal use	910,672	941,023
Credit card	77,582	82,137
Consumer durable	820	868
Merger and acquisition	403,675	370,192
Working capital	10,036,854	10,230,340
Others	661,819	854,515
	38,319,964	37,460,495

(f) BY SECTOR

Primary agriculture	468,510	478,281
Mining and quarrying	569,540	649,621
Manufacturing	2,166,906	2,538,773
Electricity, gas and water supply	432,957	359,796
Construction	3,428,553	3,467,735
Real estate	5,307,572	4,702,439
Wholesale and retail trade and restaurants and hotels	2,107,165	2,166,051
Transport, storage and communication	2,013,376	2,069,268
Finance, insurance and business services	5,212,053	4,465,887
Education, health and others	1,173,415	1,408,839
Household	15,429,959	15,146,265
Others	9,958	7,540
	38,319,964	37,460,495

(g) BY GEOGRAPHICAL DISTRIBUTION

Perlis	128,298	85,125
Kedah	1,128,144	1,088,305
Pulau Pinang	1,939,868	1,825,875
Perak	1,155,047	1,163,213
Selangor	12,051,419	11,557,789
Wilayah Persekutuan	10,627,665	10,924,938
Negeri Sembilan	837,038	813,316
Melaka	895,827	869,233
Johor	3,200,700	3,224,541
Pahang	750,480	755,143
Terengganu	963,262	989,295
Kelantan	237,529	244,022
Sarawak	1,192,128	1,137,113
Sabah	1,643,859	1,692,677
Labuan	517,366	553,770
Outside Malaysia	1,051,334	536,140
	38,319,964	37,460,495

A11. LOANS, ADVANCES AND FINANCING (Cont')

(h) IMPAIRED LOANS, ADVANCES AND FINANCING

(i) Movements of impaired loans, advances and financing

	Group	
	30/6/2014	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	282,878	432,629
Reclassified as non-impaired during the financial period/year	(144,914)	(298,268)
Amount recovered during the financial period/year	(76,635)	(132,998)
Amount written-off during the financial period/year	(53,565)	(50,843)
Amount converted to financial investments available-for-sale	(16,865)	-
	731,857	740,958

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

Construction	64,972	65,797
Purchase of landed property of which :-		
- Residential	239,824	272,103
- Non-residential	26,634	23,707
Purchase of securities	11,633	46,292
Purchase of transport vehicles	90,725	75,350
Fixed assets other than land and building	7,661	282
Personal use	7,648	7,937
Credit card	444	476
Consumer durable	13	14
Working capital	272,521	234,888
Others	9,782	14,112
	731,857	740,958

(iii) Impaired loans, advances and financing by sector

Primary agriculture	20,017	6,335
Mining and quarrying	8	-
Manufacturing	41,462	62,914
Electricity, gas and water supply	188	118
Construction	232,587	193,447
Real estate	190	190
Wholesale and retail trade and restaurants and hotels	48,145	43,373
Transport, storage and communication	6,078	9,542
Finance, insurance and business services	40,061	60,065
Education, health and others	2,027	1,868
Household	341,094	363,106
	731,857	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	
	30/6/2014 RM'000	31/12/2013 RM'000
Perlis	482	472
Kedah	23,764	23,005
Pulau Pinang	24,043	18,781
Perak	15,253	14,081
Selangor	315,532	352,921
Wilayah Persekutuan	110,032	117,927
Negeri Sembilan	30,181	28,827
Melaka	9,337	8,368
Johor	33,600	46,552
Pahang	47,316	12,038
Terengganu	17,267	5,465
Kelantan	4,705	4,124
Sarawak	14,801	6,290
Sabah	13,770	11,298
Outside Malaysia	71,774	90,809
	731,857	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
Amount converted to financial investments available-for-sale	4,300	-
Allowance (net of write-back) made during the financial period/year	3,012	13,913
Amount written-off during the financial period/year	(4,280)	(37,568)
	310,174	307,142

Individual impairment

Balance at the beginning of financial period/year	243,969	230,640
Amount reclassified to debt conversion during the financial period/year	(6,157)	-
Allowance made during the financial period/year	63,977	49,053
Amount recovered during the financial period/year	(4,008)	(5,181)
Amount written-off during the financial period/year	(50,870)	(12,974)
Unwinding discount of allowance	(5,336)	(17,825)
Exchange difference	(534)	256
	241,041	243,969

A12. OTHER ASSETS

Cheque clearing accounts	10,558	169,141
Foreclosed properties	10,194	15,825
Other debtors, deposits and prepayments	94,044	119,858
Amount due from jointly controlled entities	13,897	4,187
	128,693	309,011

A13. OTHER LIABILITIES

Bank Negara Malaysia and Credit Guarantee Corporation Funding Programmes	32,454	27,897
Margin and collateral deposits	124,706	108,258
Trust accounts for remisers	54,521	9,868
Cheque clearing accounts	21,442	-
Defined contribution plan	14,650	13,912
Accrued employee benefits	31,917	1,060
Other creditors and accruals	408,110	295,057
Provision for zakat	4,369	11,402
Proceeds from rights issue pending share allotment	1,028,439	-
	1,720,608	467,454

A14. INTEREST INCOME

	-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2014	30/6/2013	30/6/2014	30/6/2013
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing	424,488	410,227	837,440	810,049
Money at call and deposit with financial institutions	46,003	44,946	80,230	81,273
Reverse repurchase agreements with financial institutions	-	37	-	188
Financial assets held-for-trading	781	20	831	149
Financial investments available-for-sale	80,193	68,821	143,522	133,279
Financial investments held-to-maturity	10,402	5,092	15,637	10,160
Derivatives	40,766	18,940	75,662	38,813
Subordinated term loan	1,323	1,322	2,631	2,630
Others	110	9	133	30
	604,066	549,414	1,156,086	1,076,571
Amortisation of premium less accretion of discount	8,620	3,284	15,583	6,676
	612,686	552,698	1,171,669	1,083,247
The above interest income includes interest/income earned on impaired loans, advances and financing - Unwinding discount of allowance (Net)	2,955	2,725	1,645	2,320

A15. INTEREST EXPENSE

Deposits and placements of banks and other financial institutions	15,995	29,570	36,259	53,806
Deposits from customers	314,448	266,964	593,901	524,828
Loans sold to Cagamas Berhad	3,370	4,824	8,023	9,673
Derivatives	38,389	20,838	73,121	42,306
Others	1,128	913	2,027	1,567
	373,330	323,109	713,331	632,180

A16. OTHER OPERATING INCOME

	-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2014	30/6/2013	30/6/2014	30/6/2013
	RM'000	RM'000	RM'000	RM'000
<u>Fee income :</u>				
Fees on loans, advances and financing	1,542	-	1,542	-
Net brokerage	34,681	24,698	52,454	38,835
Underwriting fees	6,474	-	6,474	199
Portfolio management fees	38,626	3,709	42,547	7,205
Corporate advisory fees	2,904	1,954	4,945	3,472
Commission	3,437	3,358	7,193	6,763
Service charges and fees	13,072	14,132	28,385	32,463
Guarantee fees	5,619	5,319	11,139	10,169
Arrangement fees	50	5,090	140	7,255
Agency fees	550	491	1,073	1,443
Upfront fees on sales of unit trust	11,657	262	19,709	346
Other fee income	7,772	688	8,994	730
	126,384	59,701	184,595	108,880
<u>Income from financial instruments :</u>				
Gains on financial assets held-for-trading				
- net gains on disposal	8,570	530	10,029	2,447
- unrealised gains	1,368	384	1,375	445
- gross dividend income	356	-	356	-
Gains on derivatives				
- realised	594	797	1,210	1,342
- unrealised	3,049	(233)	7,106	4,523
Gains arising on financial investments available-for-sale				
- net gains on disposal	3,607	7,537	4,725	19,282
- gross dividend income	4,324	8,114	5,162	8,208
Gains arising on financial investments held-to-maturity				
- net gains on redemption	65	116	2,968	3,329
	21,933	17,245	32,931	39,576
<u>Other income :</u>				
Foreign exchange (losses)/gains :-				
- realised	(11,602)	35,892	(19,167)	66,120
- unrealised	31,454	(19,233)	53,933	(30,812)
Rental income	379	407	758	802
(Losses)/gains on disposal of property and equipment	(7)	117	4,674	3,197
Gains on disposal of foreclosed properties	1,257	62	2,793	8
Other non-operating income	2,564	2,468	7,226	4,606
	24,045	19,713	50,217	43,921
Total other operating income	172,362	96,659	267,743	192,377

A17. OTHER OPERATING EXPENSES

	-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2014	30/6/2013	30/6/2014	30/6/2013
	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs</u>				
Wages, salaries and bonus	111,384	80,807	196,998	164,039
Defined contribution plan	17,890	13,158	31,873	26,663
Other personnel costs	14,958	10,852	25,449	21,531
	<u>144,232</u>	<u>104,817</u>	<u>254,320</u>	<u>212,233</u>
<u>Promotion and marketing-related expenses</u>				
Business promotion and advertisement	4,374	1,385	5,882	3,268
Entertainment	1,475	944	2,075	2,030
Travelling and accommodation	1,378	1,263	2,319	2,231
Dealers' handling fees	921	1,187	1,374	1,576
Commission	17,826	84	17,896	156
Others	595	467	1,185	1,134
	<u>26,569</u>	<u>5,330</u>	<u>30,731</u>	<u>10,395</u>
<u>Establishment-related expenses</u>				
Rental of premises	9,953	7,180	17,385	14,341
Equipment rental	982	218	1,296	498
Repair and maintenance	9,602	7,072	17,838	15,111
Depreciation of property and equipment	5,520	4,649	9,980	9,503
Amortisation of intangible assets	1,701	2,058	3,502	4,261
IT consultancy fee	15,596	15,694	29,341	32,425
Dataline rental	1,218	888	2,450	1,648
Security services	4,170	3,528	8,202	6,534
Electricity, water and sewerage	3,203	2,594	5,854	5,002
Insurance and indemnities	1,122	1,364	1,929	2,603
Others	1,204	972	2,203	2,164
	<u>54,271</u>	<u>46,217</u>	<u>99,980</u>	<u>94,090</u>
<u>General and administrative expenses</u>				
Telecommunication expenses	3,802	1,980	6,091	3,984
Directors' remuneration	808	541	1,450	1,096
Auditors' remuneration:-				
(i) Statutory audit	544	442	1,005	888
(ii) Under provision in prior year	-	-	-	1
(iii) Audit related fees	11	1	18	3
(iv) Non audit fees	264	206	324	231
Professional fees	3,399	2,261	5,431	4,196
Property and equipment written-off	15	-	38	-
Postage and courier charges	1,344	558	2,303	1,436
Stationery and consumables	2,335	2,269	4,242	4,671
Commission and brokerage expenses	839	1,431	1,654	2,296
Donations	1,512	1,040	4,391	1,593
Settlement, clearing and bank charges	1,952	1,882	3,947	3,880
Stamp duties	4,249	47	5,657	104
Write-back of litigation losses	-	(1,148)	-	(5,469)
Commissioned dealers representative performance incentive	5,073	1,145	6,086	1,932
Subscription fees	682	331	1,269	866
Transaction levy	2,678	725	3,211	1,139
Subsidies and allowances	290	266	529	573
Others	5,442	3,295	8,033	5,933
	<u>35,239</u>	<u>17,272</u>	<u>55,679</u>	<u>29,353</u>
Total other operating expenses	<u>260,311</u>	<u>173,636</u>	<u>440,710</u>	<u>346,071</u>

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

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2014	30/6/2013	30/6/2014	30/6/2013
	RM'000	RM'000	RM'000	RM'000
Collective impairment				
- (Write-back of)/additional allowance during the financial period	(9,994)	4,264	1,403	11,594
Individual impairment				
- made during the financial period	56,598	8,160	64,137	11,576
- written-back during the financial period	(1,947)	(794)	(4,068)	(2,335)
Bad debts				
- recovered	(16,878)	(29,686)	(41,407)	(53,120)
- written-off	977	1,059	2,393	2,148
Additional/(write-back of) allowance for impaired debts				
- other debtors	43	(555)	70	(533)
	28,799	(17,552)	22,528	(30,670)

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

Additional allowance for impairment loss on				
- Financial investments available-for-sale	550	499	343	344
	550	499	343	344

A20. SEGMENTAL INFORMATION ON REVENUE AND PROFIT

The segment analysis by activity for the individual and cumulative quarters ended 30 June 2014 and 30 June 2013 are as follows:-

RM '000	<----- Current year's individual quarter ended 30 June 2014 ----->					
	Commercial Banking	Investment Banking	Insurance	Others	Eliminations	Group
Segment revenue	719,011	181,230	-	2,907	-	903,148
Intersegment revenue	9,493	5,194	-	445	(15,132)	-
Unallocated revenue	-	-	-	1,308	-	1,308
Revenue	728,504	186,424	-	4,660	(15,132)	904,456
Segment results	130,727	45,527	-	717	8,526	185,497
Unallocated expenses	-	-	-	(31,778)	-	(31,778)
Share of results of:						
- jointly controlled entities (net of tax)	-	-	(673)	-	-	(673)
- associate (net of tax)	-	529	8,405	-	-	8,934
Profit before taxation and zakat						161,980
Taxation and zakat						(46,970)
Net profit for the individual quarter						115,010

RM '000	<----- Preceding year's individual quarter ended 30 June 2013 ----->					
	Commercial Banking	Investment Banking	Insurance	Others	Eliminations	Group
Segment revenue	683,623	68,819	-	3,110	-	755,552
Intersegment revenue	7,308	5,533	-	360	(13,201)	-
Unallocated revenue	-	-	-	1,566	-	1,566
Revenue	690,931	74,352	-	5,036	(13,201)	757,118
Segment results	187,287	26,243	-	909	11,816	226,255
Unallocated expenses	-	-	-	(12,515)	-	(12,515)
Share of results of:						
- jointly controlled entities (net of tax)	-	-	(250)	(29)	-	(279)
- associate (net of tax)	-	-	5,383	-	-	5,383
Profit before taxation and zakat						218,844
Taxation and zakat						(59,539)
Net profit for the individual quarter						159,305

A20. SEGMENTAL INFORMATION ON REVENUE AND PROFIT (cont.)

<----- Current year's cumulative quarter ended 30 June 2013 ----->

RM '000	Commercial Banking	Investment Banking	Insurance	Others	Eliminations	Group
Segment revenue	1,417,845	243,232	-	5,637	-	1,666,714
Intersegment revenue	19,564	10,680	-	832	(31,076)	-
Unallocated revenue	-	-	-	2,635	-	2,635
Revenue	1,437,409	253,912	-	9,104	(31,076)	1,669,349
Segment results	305,639	59,410	-	1,346	18,606	385,001
Unallocated expenses	-	-	-	(44,686)	-	(44,686)
Share of results of:						
- jointly controlled entities (net of tax)	-	-	(3,863)	-	-	(3,863)
- associate (net of tax)	-	529	10,817	-	-	11,346
Profit before taxation and zakat						347,798
Taxation and zakat						(90,060)
Net profit for the cumulative quarter						257,738

<----- Preceding year's cumulative quarter ended 30 June 2013 ----->

RM '000	Commercial Banking	Investment Banking	Insurance	Others	Eliminations	Group
Segment revenue	1,353,940	127,206	-	5,832	-	1,486,978
Intersegment revenue	17,526	11,897	-	713	(30,136)	-
Unallocated revenue	-	-	-	2,902	-	2,902
Revenue	1,371,466	139,103	-	9,447	(30,136)	1,489,880
Segment results	372,388	42,851	-	1,564	23,066	439,869
Unallocated expenses	-	-	-	(23,629)	-	(23,629)
Share of results of:						
- jointly controlled entities (net of tax)	-	-	257	(45)	-	212
- associate (net of tax)	-	-	5,917	-	-	5,917
Profit before taxation and zakat						422,369
Taxation and zakat						(112,230)
Net profit for the cumulative quarter						310,139

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 A (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 other than the following :-

- i) As disclosed in the Note B7 (a), the acquisition of 100% HwangDBS Investment Bank Berhad ("Hwang IB") for a total cash consideration of RM1,458,359,000 has been completed on 7 April 2014. 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.

The fair value of the net assets of Hwang IB Group acquired are summarised below :-

	Acquiree's Fair Value RM'000
Cash and short-term funds	1,155,430
Trade receivables	412,219
Securities held-for-trading	116,735
Securities available-for-sale	1,442,023
Securities held-to-maturity	304,602
Loans, advances and financing	417,641
Derivative assets	21,869
Other asset	42,397
Statutory deposits with Bank Negara Malaysia	53,140
Tax recoverable	72
Deferred tax assets	1,289
Investments in associate	13,359
Property, plant and equipment	4,016
Intangible assets	162,502
Total Assets	4,147,294
Liabilities	
Deposits from customers	833,922
Deposits and placements of banks and other financial institutions	1,676,066
Trade payables	435,253
Derivative liabilities	47,828
Other liabilities	89,398
Taxation	787
Borrowings	5,000
Total Liabilities	3,088,254
Net assets acquired	1,059,040
Less : Non Controlling Interest Share of NAV	(33,154)
Excess of acquisition cost over the fair value of net assets acquired	432,473
Total cost of acquisition	1,458,359
Less : Cash and short-term funds acquired	(1,155,430)
Cash flow arising from the acquisition	302,929

- ii) During the financial quarter under review, the Company acquired additional 166,937 ordinary shares of RM1.00 each representing 0.14% equity interest in AXA AFFIN General Insurance Berhad ("AAGI") at a price of RM4.68 per share. As at 30 June 2014, the Company's equity interest in AAGI stood at 33.76% as compared to 33.62% as at 31 December 2013.

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

	<-----30/6/2014----->				<-----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	635,283	-	635,283	603,118	1,455,361	-	1,455,361	1,462,806
Transaction related contingent items	1,960,902	-	980,451	904,796	1,974,804	-	987,402	864,908
Short-term self-liquidating trade related contingencies	987,079	-	197,416	177,172	573,412	-	114,683	82,976
Obligation under underwriting commitments	474,500	-	-	-	260,244	-	-	-
Foreign exchange related contracts #								
- Less than one year	6,674,667	53,271	149,921	57,711	3,635,355	24,107	73,201	33,246
- One year to less than five years	1,326,590	9,128	129,240	44,238	594,154	2,513	57,307	16,657
- Five years and above	96,030	312	16,325	-	96,030	-	16,325	-
Interest rate related contracts #								
- Less than one year	1,165,157	4,921	1,679	487	793,040	4,112	2,271	820
- One year to less than five years	2,701,597	18,190	72,376	21,257	2,292,222	10,637	50,133	14,245
- Five years and above	703,148	14,941	67,457	27,232	703,148	14,407	66,112	28,314
Irrevocable commitments to extend credit #								
- Maturity more than one year	2,087,309	-	886,533	802,915	2,181,871	-	1,090,935	992,841
- Maturity less than one year	8,656,606	-	1,749,314	1,587,480	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	267,837	-	-	-	-	-	-	-
Unutilised credit card lines	181,554	-	36,311	26,962	179,201	-	35,840	26,839
	27,918,259	100,763	4,922,306	4,253,368	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/reprising 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 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000
As at 30 June 2014												
Trading derivatives												
Foreign exchange contracts												
- Currency forwards	1,755,904	123,819	-	1,879,723	2,509	2,641	-	5,150	11,536	446	-	11,982
- Cross currency swaps	4,674,482	323,160	383,035	5,380,677	50,607	900	1,475	52,982	6,489	2,585	3,891	12,965
- Currency options	178,601	-	-	178,601	(249)	-	-	(249)	74	-	-	74
- Cross Currency Interest Rate Swaps	65,679	290,328	302,279	658,286	404	177	4,247	4,828	232	8874	6,431	15,537
Interest rate contracts												
- Interest rate swaps	1,165,157	1,537,597	1,867,148	4,569,902	4,921	10,086	23,045	38,052	6,774	8,224	19,990	34,988
	7,839,823	2,274,904	2,552,462	12,667,189	58,192	13,804	28,767	100,763	25,105	20,129	30,312	75,546

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 RM158.1 million (FYE 31/12/2013: RM1.0 million), while the notional amount of interest rate contract was RM1,883.6 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 RM295.4 million (FYE 31/12/2013: RM146.8 million) and RM141.5 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:-

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

Group

	Level 1 RM'000	Level 2 RM'000	Level 3 # RM'000	Total RM'000
30/6/2014				
Assets				
Financial assets held-for-trading	39,754	54,943	-	94,697
Financial investments available-for-sale *				
- Private debt securities	-	5,682,414	-	5,682,414
- Equity securities	93,500	-	138,394	231,894
- BNM and government securities	203,323	5,290,494	-	5,493,817
Derivative financial assets	-	100,763	-	100,763
Liabilities				
Derivative financial liabilities	-	75,546	-	75,546
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 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 period ended 30 June 2014 and period ended 31 December 2013 respectively:-

Group	30/6/2014	31/12/2013
	RM'000	RM'000
Opening	134,312	120,604
Total gains recognised in Other Comprehensive Income	4,082	13,708
Closing	<u>138,394</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, AFFIN Investment Bank and HwangDBS Investment have complied with the above minimum regulatory capital adequacy requirement as at 30 June 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		HwangDBS Investment		[Note]
	30/6/2014 RM'000	31/12/2013 RM'000	30/6/2014 RM'000	31/12/2013 RM'000	30/6/2014 RM'000	31/12/2013 RM'000	30/6/2014 RM'000	31/7/2013 RM'000	
a) The components of CET I, Tier I									
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	500,000	-N/A-	
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	148,861	"	
Retained profit	707,018	798,118	178,965	178,966	45,121	70,679	216,854	"	
Unrealised gains/(losses) on AFS	19,259	6,533	(7,333)	(9,112)	3,004	2,762	3,564	"	
	<u>4,218,301</u>	<u>3,996,675</u>	<u>704,658</u>	<u>702,880</u>	<u>615,462</u>	<u>640,778</u>	<u>869,279</u>	-N/A-	
Less : Regulatory adjustments:-									
- Goodwill	(152,707)	(137,323)	(1,279)	-	(54,439)	(54,648)	(162,502)	-N/A-	
- Deferred tax assets	-	(8,553)	(2,064)	(773)	(2,577)	(3,879)	(463)	"	
- 55% of cumulative gains of AFS	(10,592)	(3,593)	-	-	(1,653)	(1,518)	(1,960)	"	
- Investments in subsidiaries	(77,816)	-	(130)	-	(7,128)	(6,904)	-	"	
Total CET I Capital	<u>3,977,186</u>	<u>3,847,206</u>	<u>701,185</u>	<u>702,107</u>	<u>549,665</u>	<u>573,829</u>	<u>704,354</u>	-N/A-	
Add : Non-controlling interests	-	-	-	-	-	-	3,165	-N/A-	
Total Tier I Capital (a)	<u>3,977,186</u>	<u>3,847,206</u>	<u>701,185</u>	<u>702,107</u>	<u>549,665</u>	<u>573,829</u>	<u>707,519</u>	-N/A-	
<u>Tier II capital</u>									
Subordinated loans	480,000	810,000	-	-	-	-	-	-N/A-	
Non-controlling interests	-	-	-	-	-	-	39	"	
Collective impairment #	110,418	123,103	21,196	20,470	6,623	6,847	3,373	"	
Less : Investment in subsidiaries	(311,264)	(389,088)	(520)	(650)	(6,623)	(6,847)	-	"	
Total Tier II Capital (b)	<u>279,154</u>	<u>544,015</u>	<u>20,676</u>	<u>19,820</u>	<u>-</u>	<u>-</u>	<u>3,412</u>	-N/A-	
Total Tier I & II Capital (a) + (b)	<u>4,256,340</u>	<u>4,391,221</u>	<u>721,861</u>	<u>721,927</u>	<u>549,665</u>	<u>573,829</u>	<u>710,931</u>	-N/A-	
Capital base before proposed dividends	4,256,340	4,391,221	721,861	721,927	549,665	573,829	710,931	-N/A-	
Proposed dividends	-	(91,100)	-	-	-	(25,558)	-	"	
Capital base after proposed dividends	<u>4,256,340</u>	<u>4,300,121</u>	<u>721,861</u>	<u>721,927</u>	<u>549,665</u>	<u>548,271</u>	<u>710,931</u>	-N/A-	
b) The breakdown of risk-weighted assets :-									
Credit risk	31,209,793	31,911,266	4,930,450	4,712,068	1,291,020	1,480,154	1,842,655	-N/A-	
Market risk	448,135	296,107	107,812	3,570	509,912	296,735	229,736	"	
Operational risk	1,922,720	1,902,412	349,185	339,365	253,283	249,689	324,536	"	
Total risk-weighted assets	<u>33,580,648</u>	<u>34,109,785</u>	<u>5,387,447</u>	<u>5,055,003</u>	<u>2,054,215</u>	<u>2,026,578</u>	<u>2,396,927</u>	-N/A-	
c) Capital adequacy ratios :-									
<u>Before deducting proposed dividends:-</u>									
CET I Capital Ratio	11.844%	11.279%	13.015%	13.889%	26.758%	28.315%	29.386%	-N/A-	
Tier I Capital Ratio	11.844%	11.279%	13.015%	13.889%	26.758%	28.315%	29.518%	"	
Total Capital Ratio	<u>12.675%</u>	<u>12.874%</u>	<u>13.399%</u>	<u>14.281%</u>	<u>26.758%</u>	<u>28.315%</u>	<u>29.660%</u>	"	
<u>After deducting proposed dividends:-</u>									
CET I Capital Ratio	11.844%	11.012%	13.015%	13.889%	26.758%	27.054%	29.386%	-N/A-	
Tier I Capital Ratio	11.844%	11.012%	13.015%	13.889%	26.758%	27.054%	29.518%	"	
Total Capital Ratio	<u>12.675%</u>	<u>12.607%</u>	<u>13.399%</u>	<u>14.281%</u>	<u>26.758%</u>	<u>27.054%</u>	<u>29.660%</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.

Note : As disclosed in Note A22 (i), HwangDBS Investment Bank Berhad became a wholly-owned subsidiary of AFFIN Holdings Berhad with effect from 7 April 2014 .

A27. OPERATIONS OF ISLAMIC BANKING

(i) Unaudited Islamic Statements of Financial Position

	Group	
	30/6/2014 RM'000	31/12/2013 RM'000
ASSETS		
Cash and short-term funds	2,488,400	4,506,301
Deposits and placements with banks and other financial institutions	-	120,016
Derivative financial assets	339	-
Financial investments available-for-sale	1,488,540	1,283,123
Financial investments held-to-maturity	85,048	85,064
Loans, advances and financing	6,344,171	6,048,876
Other assets	14,302	46,702
Statutory deposit with Bank Negara Malaysia	249,700	233,000
Deferred tax assets	2,064	2,960
Property and equipment	3,611	3,046
Intangible assets	1,279	1,666
TOTAL ASSETS	10,677,454	12,330,754
LIABILITIES, ISLAMIC BANKING FUNDS		
Deposits from customers	8,568,009	9,290,544
Deposits and placements of banks and other financial institutions	1,237,292	2,242,480
Other liabilities	130,507	91,282
Provision for tax	1,927	2,031
Deferred tax liabilities	326	-
Total Liabilities	9,938,061	11,626,337
SHAREHOLDERS' EQUITY		
Share capital	360,000	360,000
Reserves	379,393	344,417
Total Equity	739,393	704,417
TOTAL LIABILITIES AND EQUITY	10,677,454	12,330,754
COMMITMENTS AND CONTINGENCIES	2,036,258	1,667,189

A27. OPERATIONS OF ISLAMIC BANKING (Cont')

(ii) Unaudited Islamic Income Statements

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2014 RM'000	30/6/2013 RM'000	30/6/2014 RM'000	30/6/2013 RM'000
Income derived from investment of depositors' funds and others	114,627	103,167	228,496	207,762
Income derived from investment of Shareholders' funds	8,451	7,458	16,146	14,729
Allowance for losses on financing	48	497	(114)	311
	123,126	111,122	244,528	222,802
Income attributable to depositors	(71,301)	(62,882)	(143,309)	(126,910)
Income attributable to shareholders	51,825	48,240	101,219	95,892
Other operating expenses	(30,236)	(25,242)	(58,615)	(50,358)
Impairment loss	(550)	-	(550)	-
	21,039	22,998	42,054	45,534
Share of results of a jointly controlled entity	-	(29)	-	(45)
Profit before taxation and zakat	21,039	22,969	42,054	45,489
Zakat	-	(8,583)	-	(8,583)
Profit before taxation	21,039	14,386	42,054	36,906
Taxation	(5,213)	(4,960)	(8,430)	(10,376)
Net profit for the financial period attributable to the equity holders of the Company	15,826	9,426	33,624	26,530

(iii) Unaudited Statements of Comprehensive Islamic Income

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2014 RM'000	30/6/2013 RM'000	30/6/2014 RM'000	30/6/2013 RM'000
Profit after taxation	15,826	9,426	33,624	26,530
Other comprehensive income:				
- Net fair value change in financial investments available-for-sale	461	(3,486)	1,779	(4,621)
- Deferred tax on revaluation of financial investments available-for-sale	(111)	871	(427)	1,155
Other comprehensive income for the financial period, net of tax	350	(2,615)	1,352	(3,466)
Total comprehensive income for the financial period attributable to the equity holders of the Company	16,176	6,811	34,976	23,064

A27. OPERATIONS OF ISLAMIC BANKING (Cont')

(iv) Financing

	Group	
	30/6/2014 RM'000	31/12/2013 RM'000
<u>By type</u>		
Cash line	197,513	182,947
Term financing		
- Housing financing	1,760,119	1,712,692
- Syndicated term financing	260,178	268,072
- Hire purchase receivables	1,872,287	1,795,689
- Business term financing	1,754,999	1,610,756
Bills receivables	2,302	32,260
Trust receipts	11,810	25,702
Claims on customers under acceptance credits	74,611	67,474
Staff financing	10,260	10,880
Revolving credit	465,636	410,707
	6,409,715	6,117,179
Less : Allowance for impairment		
- Collective impairment	(37,005)	(33,719)
- Individual impairment	(28,539)	(34,584)
Total net financing	6,344,171	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	36,978	69,047
Reclassified as non-impaired during the financial period/year	(27,670)	(45,964)
Amount recovered during the financial period/year	(28,747)	(19,782)
Amount written-off during the financial period/year	(1,813)	(1,463)
Balance at the end of financial period/year	110,378	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	3,286	242
Amount written-off during the financial period/year	-	(1,459)
Balance at the end of financial period/year	37,005	33,719

Individual impairment

Balance at the beginning of financial period/year	34,584	35,095
Allowance for impairment during the financial period/year	665	690
Amount recovered during the financial period/year	(3,739)	(434)
Amount written-off during the financial period/year	(1,813)	-
Unwinding of discount of allowance	(616)	(1,045)
Exchange difference	(542)	278
Balance at the end of financial period/year	28,539	34,584

A27. OPERATIONS OF ISLAMIC BANKING (Cont')

(vi) Deposits from customers

	Group	
	30/6/2014	31/12/2013
	RM'000	RM'000
<u>By type of deposits</u>		
Non-Mudharabah Funds		
Demand deposits	2,103,663	2,717,722
Savings deposits	384,417	227,884
Murabahah term deposits	3,489,290	1,021,789
	5,977,370	3,967,395
Mudharabah Funds		
Demand deposits	-	37,631
Savings deposits	-	136,702
General investment deposits	1,913,087	4,574,624
Special investment deposits	677,552	574,192
	2,590,639	5,323,149
Total deposits from customers	8,568,009	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 RM162.0 million for the current financial quarter ended 30 June 2014 as compared to RM218.8 million for the preceding year's corresponding quarter. For the half-year ended 30 June 2014, the Group's PBT of RM347.8 million also indicated a decrease of RM74.6 million or 17.7% as compared to RM422.4 million achieved in the previous year. The decrease in Group's PBT was mainly due to higher allowance for loan impairment of RM41.5 million, lower loan recovery of RM11.7 million as well as higher overhead expenses of RM19.0 million. The PBT contribution of RM25.4 million from Hwang IB Group for the 3 months ended 30 June 2014 was substantially offset by the finance cost of RM16.5 million as well as the transaction and integration costs totalling RM9.6 million incurred in connection with the acquisition and merger with Hwang IB Group.

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 RM130.3 million for the current financial quarter as compared to RM187.3 million for the preceding year's corresponding quarter. For the half-year ended 30 June 2014, the ABB Group also registered a lower PBT of RM305.6 million as compared to RM372.3 million achieved in the previous year, mainly due to higher allowance for loan impairment and lower recovery of RM41.3 million and RM4.6 million respectively. For the period under review, the overhead expense was also higher by RM13.6 million while the other operating income reduced by RM10.0 million.

The wholly-owned subsidiary, namely AFFIN Islamic Bank Berhad also registered a lower PBT of RM42.1 million for the half-year ended 30 June 2014 as compared to RM45.5 million for the same period last year, mainly due to higher overhead expenses of RM8.3 million net of higher operating income of RM5.8 million.

Investment Banking

The results of the investment banking are attributed to the AFFIN Investment Bank Berhad ("AIBB") Group and HwangDBS Investment Bank Berhad ("Hwang IB") Group. The acquisition Hwang IB Group was completed on 7 April 2014 and its results were fully consolidated with the Group on the same day.

AIBB group reported a lower PBT of RM20.7 million for the current financial quarter as compared to RM26.2 million for the preceding year's corresponding quarter. For the half-year ended 30 June 2014, the AIBB Group also registered a lower PBT of RM34.6 million as compared to RM42.9 million achieved in the previous year. For the period under review, the other operating income was up by RM8.4 million mainly due to higher fee income of RM15.3 million net of lower gains on investment of RM6.4 million. Whereas, the increase in overhead expenses of RM10.5 million was mainly due to higher personnel cost of RM4.5 million, integration cost of RM1.7 million as well as the write-back of provision for litigation losses of RM4.3 million in the previous year. Its wholly-owned subsidiary, namely AFFIN Fund Management Berhad ("AFM") however registered a higher PBT of RM9.5 million for the half-year ended 30 June 2014 as compared to RM2.8 million achieved in the previous year. The improved performance AFM was mainly due to higher upfront fees on sale of unit trust of RM8.1 million and higher management fee income of RM1.3 million, net of higher overhead expenses of RM2.3 million.

The Hwang IB Group reported a PBT of RM25.4 million for the 3 months ended 30 June 2014. The PBT was mainly made up of other operating income and net interest income of RM77.6 million and RM12.1 million respectively, net of overhead expenses of RM66.2 million. The 70%-owned subsidiary of Hwang IB, namely Hwang Investment Management Berhad ("Hwang IM") also reported a PBT of RM12.2 million for the 3 months ended 30 June 2014. The PBT of Hwang IM was mainly made up of other operating income and net interest income of RM47.0 million and RM0.7 million respectively net of overhead expenses of RM35.3 million. The other operating income is mainly made up of management fee income and upfront fee on sale of unit trust of RM33.9 million and RM11.6 million respectively.

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

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 pre-tax loss of RM0.9 million for the current financial quarter as compared to the pre-tax loss of RM0.5 million for the preceding year's corresponding quarter. For the half-year ended 30 June 2014, AALI reported a pre-tax loss of RM2.5 million as compared to a pre-tax profit of RM0.2 million for the corresponding half-year ended 30 June 2014, mainly due to the deficit of RM2.3 million of the Life Fund Revenue Account as compared to a surplus of RM0.4 million achieved in the previous year. The deficit of the Life Fund Revenue Account for current financial period was mainly attributable to higher reserves for future policyholders' liabilities of RM4.5 million arising from the downward shift of the MGS yield curve, net of lower claims incurred of RM1.7 million. Included in the share of results in AALI of RM3.9 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 RM35.0 million for the current financial quarter as compared to RM21.4 million for the preceding year's corresponding quarter. For the half-year ended 30 June 2014, AAGI also reported a higher pre-tax profit of RM49.7 million as compared to RM23.9 million achieved in the previous year. The improved performance was mainly due to higher earned premium of RM87.6 million attributable to health and motor businesses as well as higher investment income of RM6.5 million for the period under review. These were partially offset by the increase in net claims, overhead expenses and net commission incurred of RM45.2 million, RM14.4 million and RM10.7 million respectively. Included in the share of results in AAGI of RM10.8 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.

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 RM0.6 million as compared to RM0.8 million for the preceding year's corresponding quarter. For the half-year ended 30 June 2014, AMB also reported a lower pre-tax profit of RM1.0 million as compared to RM1.3 million achieved last year, mainly due to lower net brokerage income and higher overhead expenses.

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

The Group reported a lower profit before tax and zakat of RM162.0 million for the current financial quarter as compared to RM185.8 million for the preceding quarter ended 31 March 2014. The decrease in the Group's PBT was mainly due to higher allowance for loan impairment of RM27.4 million, lower loan recovery of RM7.7 million and higher overhead expenses of RM6.3 million, net of higher net interest income and higher share of results in associate of RM8.3 million and RM6.5 million respectively. The PBT contribution of Hwang IB Group of RM25.4 million for the quarter under review was substantially offset by the finance cost of RM16.5 million as well as the transaction and integration costs totalling RM7.5 million incurred in connection with the acquisition and merger with Hwang IB Group.

B3. PROSPECT FOR FINANCIAL YEAR 2014

Commercial Banking

The overall loan growth of the industry is expected to moderate further in the second half of 2014. It is projected that domestic loan growth to be in between 9% to 9.5% in 2014, resulting from Bank Negara Malaysia's on going prudential measures to cool the property sector, higher inflation rate and the implication of government steps to cut subsidies that would increase overall household debt.

The Bank is of the view that there will still be uncertainties in the prevailing market and thus the Bank will continue to be cautious in expanding its business. However, the Bank is optimistic in delivering strong results and maintaining the earnings momentum throughout the remaining period of FY 2014.

B3. PROSPECT FOR FINANCIAL YEAR 2014 (Cont')

Commercial Banking (Cont')

For business banking segment, the areas of focus will still be SMEs and contract financing so as to tap the opportunities from the roll-out of Economic Transformation Programme ("ETP") projects with special emphasis on secondary loan financing. Despite the slowing down during the past few months, hire purchase and mortgage loans will continue to be the key drivers for its consumer loan growth. Nonetheless, for the second half of 2014, the Bank projects a slowdown in its consumer lending in tandem with more prudent lending standards as well as the expected interest rate hike. Growing consumer deposits will continue to be challenging as all financial institutions will be focusing on this segment resulting in a very competitive market. Cost of deposits is expected to increase as all banks will be trying to attract more consumer deposits.

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.

Other potential untapped domestic retail market such as credit cards, on-line banking and consumer deposits will also be part of the Bank's focus for the remaining period of the financial year.

Investment Banking

The Investment Banking 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 capital markets shall continue to provide potential business activities for the Group, mainly from the financing needs arising from the ETP.

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 of the investment banking, stockbroking, asset management and futures businesses of HwangDBS Investment Bank Berhad with that of AFFIN Investment Bank Berhad. The Group is positive that the impending merger would create a stronghold for AFFIN Holdings Berhad in the investment banking space, with the combined entity becoming one of the top brokerage houses and asset managers in Malaysia.

The asset and fund management division will continue to grow its business and capitalise on its regional growth opportunities to further expand its asset and client base. With the impending merger of the businesses of AFFIN Fund Management Berhad with that of Hwang Investment Management Berhad, the segment is upbeat on its combined performance and its ability to offer a wider range of products and service capabilities to its enlarged clientele.

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 ("KPIs") FOR YEAR 2014

The achievement of Headline KPI's for the 6 months ended 30 June 2014 as compared to the announced headline Key Performance Indicators (KPIs) for the financial year 2014 are summarised below :-

<u>Headline KPIs</u>	<u>As announced for the financial year 2014</u>	<u>Actual Achieved 6 months ended 30/6/2014</u>
(i) After Tax Returns on Equity (ROE)	9.2%	3.9%
(ii) After Tax Returns on Assets (ROA)	1.1%	0.4%
(iii) Gross Impaired Loan Ratio	1.84%	1.91%
(iv) Earnings Per Share (EPS)	36.00 sen	17.04 sen

B5. VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

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

B6. TAXATION

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2014	30/6/2013	30/6/2014	30/6/2013
	RM'000	RM'000	RM'000	RM'000
Malaysian Taxation:-				
- Income tax based on profit for the financial year	52,484	53,057	87,307	88,834
Deferred tax:-				
- Relating to originating temporary differences	(5,313)	(2,391)	4,727	8,664
(Over)/under provision in prior years:-				
- Current taxation	(463)	(23)	(2,400)	5,619
	46,708	50,643	89,634	103,117

For the current period under review, the Group's effective tax was higher than the prevailing statutory tax rate, mainly due to certain expenses not deductible for tax purposes, net of certain income not subject to tax or subject to lower tax rate.

As for the preceding year's corresponding period, 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 purposes.

B7. STATUS OF CORPORATE PROPOSALS

a) Acquisition of 100% of the Issued and Paid-up Share Capital of HwangDBS Investment Bank Berhad ("Hwang IB") after the completion of the Pre-Closing Reorganisation (as defined herein) and the acquisition of 17% of the Issued and Paid-up Share Capital of Hwang Investment Management Berhad ("Hwang IM") ["Minority share"] held by Y.A.M. Tunku Dato' Seri Nadzaruddin ibni Almarhum Tuanku Ja'afar ("Minority Shareholder")

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 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") ["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 propose 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 Acquisition. In conjunction with the Acquisition, the Board of AHB also proposed to undertake the Proposed Merger.

Details of the Acquisition

The 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 contemplated in the SPA, 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".

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.

Based on the Draft Net Assets Statement prepared by the reporting accountant and in accordance with the SPA, the NA Adjustment Payment of RM60,220,567 was made by the Company to Hwang-DBS (Malaysia) Berhad on 9 July 2014.

B7. STATUS OF CORPORATE PROPOSALS (Cont')

b) Proposed Merger of the Businesses, Assets and Liabilities of AFFIN Investment Bank Berhad with Hwang IB ("Proposed Merger")

On 3 June 2014, AIBB had on behalf of the Board of AHB, announced that a Vesting Order pursuant to section 102 of the Financial Services Act 2013 and section 139 of the Capital Markets and Services Act 2007 has been obtained from the High Court of Malaya at Kuala Lumpur on 3 June 2014 in respect of the following with effect from 20 September 2014:-

- (i) the transfer of the entire business, including all assets (excluding Merchant Nominees Tempatan Sdn Bhd and Classic Precision Sdn Bhd) and liabilities of AIBB to HwangDBS Investment Bank Berhad;
- (ii) the transfer of the entire business, including all assets and liabilities of AFFIN Nominees (Tempatan) Sdn Bhd to HDM Nominees (Tempatan) Sdn Bhd; and
- (iii) the transfer of the entire business, including all assets and liabilities of AFFIN Nominees (Asing) Sdn Bhd to HDM Nominees (Asing) Sdn Bhd.

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

B8. GROUP BORROWINGS AND DEBT SECURITIES

(i) Deposits from Customers

	Group	
	30/6/2014 RM'000	31/12/2013 RM'000
<u>By Type of Deposits:-</u>		
Money Market Deposits	1,593,347	1,050,233
Demand Deposits	7,271,795	8,202,729
Savings Deposits	2,137,287	2,004,242
Fixed Deposits	29,679,646	29,039,949
Negotiable Instruments of Deposits ('NIDs')	5,945,372	6,482,169
Special Investment Deposits	677,552	574,192
Others	9,655	-
	47,314,654	47,353,514
Maturity structure of fixed deposits and NIDs are as follows:-		
Due within six months	28,817,584	29,007,708
Six months to one year	6,609,661	6,392,507
One year to three years	63,894	80,239
Three years to five years	133,219	31,344
Five years and above	10,315	10,320
	35,634,673	35,522,118
<u>By Type of Customers:-</u>		
Government and statutory bodies	8,332,980	9,127,809
Business enterprises	14,744,542	14,715,136
Individuals	13,146,762	11,660,423
Others	11,090,370	11,850,146
	47,314,654	47,353,514

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

<u>By Type of Institutions:-</u>		
Licensed banks	2,666,219	3,285,513
Licensed investment banks	322,915	282,459
Bank Negara Malaysia	536,169	-
Other financial institutions	1,081,038	415,940
	4,606,341	3,983,912
<u>By Maturity Structure:-</u>		
Due within six months	4,436,050	3,779,530
Six months to one year	170,291	204,382
	4,606,341	3,983,912

(iii) Borrowings

<u>Unsecured :-</u>		
One year or less (short-term)	1,304,159	302,029
More than one year (medium/long-term)	972,060	670,403
	2,276,219	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	
	30/6/2014	31/12/2013
	RM'000	RM'000
<u>Total retained profits of AFFIN Holdings Berhad and its subsidiaries:-</u>		
- Realised	2,133,275	1,675,523
- Unrealised		
- deferred tax recognised in the income statement	11,946	14,676
- other items of income and expense	69,014	40,596
	2,214,235	1,730,795
<u>Total share of retained profits in associate:-</u>		
- Realised	200,692	187,712
- Unrealised	1,364	3,527
<u>Total share of retained profits/(losses) in jointly controlled entities:-</u>		
- Realised	(17,613)	(19,690)
- Unrealised	(1,330)	4,610
	2,397,348	1,906,954
Add: Consolidation adjustments	(145,089)	90,588
Total Group retained profits as per consolidated financial statements	2,252,259	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 RM155.4 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	
	30/6/2014	30/6/2013	30/6/2014	30/6/2013
Net profit attributable to equity holders of the Company (RM'000)	111,989	159,305	254,717	310,139
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)	7.49	10.66	17.04	20.75

The basic and diluted earnings per share of the Group for the current financial quarter ended 30 June 2014 have been calculated based on the net profit attributable to the equity holders of the company of RM111,989,000 (30 June 2013: RM159,305,000) divided by the weighted average number of ordinary shares in issue during the current financial quarter of 1,494,575,806 (30 June 2013: 1,494,575,806).

The basic and diluted earnings per share of the Group for the cumulative quarter ended 30 June 2014 have been calculated based on the net profit attributable to the equity holders of the company of RM254,717,000 (30 June 2013: RM310,139,000) divided by the weighted average number of ordinary shares in issue during the current financial quarter of 1,494,575,806 (30 June 2013: 1,494,575,806).

B13. ECONOMIC PROFIT/(LOSS)

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2014	30/6/2013	30/6/2014	30/6/2013
	RM'000	RM'000	RM'000	RM'000
Net profit attributable to equity holders of the Company for the financial period	111,989	159,305	254,717	310,139
Less: Economic charge	(180,669)	(158,279)	(357,224)	(312,941)
Economic profit/(loss) attributable to equity holders of the Company for the financial period	(68,680)	1,026	(102,507)	(2,802)

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.