

# AFFIN HOLDINGS BERHAD

(Company no. 23218 - W)

## Condensed Interim Financial Statements

### Unaudited Statements of Financial Position As At 31 December 2014

	< ----- GROUP ----- >	< ----- COMPANY ----- >		
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Note	RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>				
Cash and short-term funds	<b>7,360,588</b>	9,331,374	<b>33,760</b>	131,710
Deposits and placements with banks and other financial institutions	<b>383,692</b>	468,585	<b>85,087</b>	4,460
Trade receivables	A9 <b>429,236</b>	176,706	-	-
Financial assets held-for-trading	A10 <b>182,780</b>	149,544	-	-
Financial investments available-for-sale	A10 <b>12,617,620</b>	8,767,991	-	-
Financial investments held-to-maturity	A10 <b>652,501</b>	624,033	-	-
Derivative financial assets	<b>170,035</b>	55,776	-	-
Loans, advances and financing	A11 <b>40,492,016</b>	36,909,384	-	-
Other assets	A12 <b>300,957</b>	309,011	<b>394</b>	68,494
Statutory deposits with Bank Negara Malaysia	<b>1,831,550</b>	1,545,144	-	-
Amount due from subsidiaries	-	-	<b>604,313</b>	904,972
Amount due from associate	<b>67,256</b>	67,257	<b>67,256</b>	67,257
Investment in subsidiaries	-	-	<b>5,902,034</b>	3,582,882
Investment in joint ventures	<b>136,208</b>	135,539	<b>146,880</b>	146,880
Investment in associate	<b>241,457</b>	208,396	<b>15,623</b>	10,681
Tax recoverable	<b>18,730</b>	11,316	<b>4,085</b>	5,173
Deferred tax assets	<b>13,954</b>	14,475	-	-
Property and equipment	<b>164,176</b>	167,038	<b>283</b>	470
Intangible assets	<b>1,606,920</b>	1,009,988	<b>4</b>	1
<b>TOTAL ASSETS</b>	<b>66,669,676</b>	59,951,557	<b>6,859,719</b>	4,922,980
<b>LIABILITIES AND EQUITY</b>				
Deposits from customers	B8 <b>50,604,005</b>	47,353,514	-	-
Deposits and placements of banks and other financial institutions	B8 <b>5,367,803</b>	3,983,912	-	-
Bills and acceptances payable	<b>94,308</b>	90,208	-	-
Trade payables	<b>582,166</b>	179,078	-	-
Derivative financial liabilities	<b>325,755</b>	93,868	-	-
Recourse obligation on loans sold to Cagamas Berhad	<b>139,147</b>	397,790	-	-
Other liabilities	A13 <b>567,767</b>	467,454	<b>2,965</b>	19,634
Provision for taxation	<b>32,418</b>	36,405	-	-
Deferred tax liabilities	<b>138</b>	172	<b>68</b>	108
Amount due to subsidiaries	-	-	<b>911,620</b>	400,258
Borrowings	B8 <b>972,458</b>	972,432	<b>972,458</b>	972,432
<b>TOTAL LIABILITIES</b>	<b>58,685,965</b>	53,574,833	<b>1,887,111</b>	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 31 December 2014**

		< ----- GROUP ----- >		< ----- COMPANY ----- >	
	Note	31/12/2014 RM'000	31/12/2013 RM'000	31/12/2014 RM'000	31/12/2013 RM'000
<b>EQUITY</b>					
Share capital		<b>1,942,949</b>	1,494,576	<b>1,942,949</b>	1,494,576
Reserves:-					
Share premium		<b>2,185,712</b>	1,400,410	<b>2,185,712</b>	1,400,410
Statutory reserves	A14	<b>1,502,616</b>	1,469,048	-	-
AFS revaluation reserves	A14	<b>34,357</b>	15,148	-	-
Regulatory reserves	A14	<b>187,922</b>	-	-	-
Retained profits	A14	<b>2,099,826</b>	1,997,542	<b>843,947</b>	635,562
<b>Equity attributable to equity holders of the Company</b>		<b>7,953,382</b>	6,376,724	<b>4,972,608</b>	3,530,548
Non-controlling interest		<b>30,329</b>	-	-	-
<b>TOTAL EQUITY</b>		<b>7,983,711</b>	6,376,724	<b>4,972,608</b>	3,530,548
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>66,669,676</b>	59,951,557	<b>6,859,719</b>	4,922,980
<b>COMMITMENTS AND CONTINGENCIES</b>		<b>27,299,788</b>	22,222,815	-	-
<b>NET ASSETS PER SHARE (RM)</b>		<b>4.09</b>	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 Quarter and Year Ended 31 December 2014**

<b>GROUP</b>	<b>Note</b>	<----Individual Quarter Ended ---->		<----Cumulative Quarter Ended ---->	
		<b>31/12/2014</b>	<b>31/12/2013</b>	<b>31/12/2014</b>	<b>31/12/2013</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Interest income	A15	<b>644,094</b>	567,335	<b>2,444,401</b>	2,215,000
Interest expense	A16	<b>(396,979)</b>	(338,730)	<b>(1,495,179)</b>	(1,298,209)
<b>Net interest income</b>		<b>247,115</b>	228,605	<b>949,222</b>	916,791
Islamic banking income		<b>67,970</b>	55,751	<b>244,223</b>	220,745
Other operating income	A17	<b>161,873</b>	96,977	<b>630,105</b>	388,213
<b>Net income</b>		<b>476,958</b>	381,333	<b>1,823,550</b>	1,525,749
Other operating expenses	A18	<b>(243,704)</b>	(195,110)	<b>(982,960)</b>	(716,621)
<b>Operating profit before allowance for impairment on loans, advances and financing</b>		<b>233,254</b>	186,223	<b>840,590</b>	809,128
Write-back of allowance for impairment on loans, advances and financing	A20	<b>51,450</b>	30,821	<b>16,284</b>	66,087
(Additional)/write-back of allowance for impairment on securities	A21	<b>(1)</b>	989	<b>(286)</b>	2,079
<b>Operating profit</b>		<b>284,703</b>	218,033	<b>856,588</b>	877,294
Finance cost		<b>(10,807)</b>	(10,739)	<b>(61,701)</b>	(42,592)
Share of results of joint venture		<b>1,096</b>	1,455	<b>242</b>	5,221
Share of results of associates		<b>12,601</b>	11,005	<b>30,196</b>	24,005
<b>Profit before taxation and zakat</b>		<b>287,593</b>	219,754	<b>825,325</b>	863,928
Zakat		<b>(4,862)</b>	(337)	<b>(5,789)</b>	(9,692)
<b>Profit before taxation</b>		<b>282,731</b>	219,417	<b>819,536</b>	854,236
Taxation	B6	<b>(72,460)</b>	(52,502)	<b>(207,180)</b>	(204,215)
<b>Net profit for the financial year</b>		<b>210,271</b>	166,915	<b>612,356</b>	650,021
<b>Profit for the financial year attributable to :-</b>					
- Equity holders of the Company		<b>208,597</b>	166,915	<b>605,271</b>	650,021
- Non-controlling interest		<b>1,674</b>	-	<b>7,085</b>	-
		<b>210,271</b>	166,915	<b>612,356</b>	650,021
		-	-	-	-
Earnings per share attributable to the equity holders of the Company (sen)					
- Basic and fully diluted	B12	<b>10.74</b>	11.17	<b>35.25</b>	43.49

*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 Quarter and Year Ended 31 December 2014**

<b>GROUP</b>	<----Individual Quarter Ended ---->		<---Cumulative Quarter Ended --->	
	31/12/2014 RM'000	31/12/2013 RM'000	31/12/2014 RM'000	31/12/2013 RM'000
<b>Profit after taxation</b>	<b>210,271</b>	166,915	<b>612,356</b>	650,021
<b>Other comprehensive income:</b>				
Items that will be reclassified subsequently to profit or loss :-				
- Net fair value change in financial investments available-for-sale	(11,882)	(66,401)	30,440	(125,213)
- Net gain transferred to profit or loss on disposal of financial investments available-for-sale	1,146	-	(3,282)	-
- Deferred tax on revaluation of financial investments available-for-sale	2,593	16,575	(7,182)	30,607
- Share of other comprehensive (loss)/income of an associated company	(2,852)	145	(1,160)	611
- Share of other comprehensive (loss)/income of a joint venture	(2,077)	168	427	380
<b>Other comprehensive (expenses)/income for the financial year, net of tax</b>	<b>(13,072)</b>	(49,513)	<b>19,243</b>	(93,615)
<b>Total comprehensive income for the financial year</b>	<b>197,199</b>	117,402	<b>631,599</b>	556,406
<b>Total comprehensive income for the financial year attributable to :-</b>				
- Equity holders of the Company	195,474	117,402	624,480	556,406
- Non-controlling interest	1,725	-	7,119	-
	<b>197,199</b>	117,402	<b>631,599</b>	556,406

*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 Quarter and Year Ended 31 December 2014**

<u>COMPANY</u>	<----Individual Quarter Ended ---->		<----Cumulative Quarter Ended ---->	
	31/12/2014 RM'000	31/12/2013 RM'000	31/12/2014 RM'000	31/12/2013 RM'000
Interest income	10,464	13,298	43,892	52,873
Interest expense	-	-	-	-
<b>Net interest income</b>	<b>10,464</b>	13,298	<b>43,892</b>	52,873
Net Islamic banking income	-	-	-	-
Other operating income	421,560	189,243	538,218	314,405
<b>Net income</b>	<b>432,024</b>	202,541	<b>582,110</b>	367,278
Other operating expenses	(4,663)	(15,225)	(17,126)	(25,914)
<b>Operating profit before allowance for impairment on loans, advances and financing</b>	<b>427,361</b>	187,316	<b>564,984</b>	341,364
Allowance for impairment on loans, advances and financing	-	-	-	-
Allowance for impairment on other assets	-	-	-	-
<b>Operating profit</b>	<b>427,361</b>	187,316	<b>564,984</b>	341,364
Finance cost	(9,149)	(10,739)	(61,701)	(42,592)
<b>Profit before taxation and zakat</b>	<b>418,212</b>	176,577	<b>503,283</b>	298,772
Zakat	-	-	-	-
<b>Profit before taxation</b>	<b>418,212</b>	176,577	<b>503,283</b>	298,772
Taxation	(1,266)	(9,425)	(3,456)	(19,221)
<b>Net profit for the financial year attributable to equity holders of the Company</b>	<b>416,946</b>	167,152	<b>499,827</b>	279,551

*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 Quarter and Year Ended 31 December 2014**

<u>COMPANY</u>	<----Individual Quarter Ended ---->		<---Cumulative Quarter Ended --->	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
	RM'000	RM'000	RM'000	RM'000
<b>Profit after taxation</b>	<b>416,946</b>	167,152	<b>499,827</b>	279,551
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the financial year attributable to equity holders of the Company</b>	<b>416,946</b>	167,152	<b>499,827</b>	279,551

*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 Year Ended 31 December 2014**

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

<b>GROUP</b>	<b>Issued and fully paid ordinary shares of RM1 each</b>		<b>Non-distributable</b>			<b>Distributable</b>	<b>Total Shareholders' Equity RM'000</b>	<b>Non-controlling Interest RM'000</b>	<b>Total Equity RM'000</b>
	<b>Number of shares '000</b>	<b>Nominal value RM'000</b>	<b>Share premium RM'000</b>	<b>Statutory reserves RM'000</b>	<b>AFS revaluation reserves RM'000</b>	<b>Regulatory reserves RM'000</b>			
<b>At 1 January 2014</b>	1,494,576	1,494,576	1,400,410	1,469,048	15,148	-	1,997,542	-	<b>6,376,724</b>
Comprehensive income :									
- Net profit for the financial year	-	-	-	-	-	-	605,271	7,085	<b>612,356</b>
Other comprehensive income (net of tax) :									
of which :-									
- Financial investments available-for-sale	-	-	-	-	19,942	-	-	34	<b>19,976</b>
- Share of other comprehensive loss of an associated company	-	-	-	-	(1,160)	-	-	-	<b>(1,160)</b>
- Share of other comprehensive income of a joint venture	-	-	-	-	427	-	-	-	<b>427</b>
<b>Total comprehensive income for the financial year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,209</b>	<b>-</b>	<b>605,271</b>	<b>7,119</b>	<b>631,599</b>
Issue of share capital pursuant to the Rights Issue as disclosed in Note A7	448,373	448,373	789,136	-	-	-	-	-	<b>1,237,509</b>
Share issue expenses	-	-	(3,834)	-	-	-	-	-	<b>(3,834)</b>
Non-controlling interest arising from business combinations A24 (a)	-	-	-	-	-	-	-	33,155	<b>33,155</b>
Gain/effect on dilution of interest in a subsidiary A24 (c)	-	-	-	-	-	-	9,945	(9,945)	-
Transfer from statutory reserves	-	-	-	33,568	-	-	(33,568)	-	-
Transfer to regulatory reserves	-	-	-	-	-	187,922	(187,922)	-	-
Dividends declared and paid for the financial year	-	-	-	-	-	-	(291,442)	-	<b>(291,442)</b>
<b>At 31 December 2014</b>	<b>1,942,949</b>	<b>1,942,949</b>	<b>2,185,712</b>	<b>1,502,616</b>	<b>34,357</b>	<b>187,922</b>	<b>2,099,826</b>	<b>30,329</b>	<b>7,983,711</b>
<b>At 1 January 2013</b>	1,494,576	1,494,576	1,400,410	1,293,665	108,763	-	1,747,090	-	<b>6,044,504</b>
Comprehensive income :									
- Net profit for the financial year	-	-	-	-	-	-	650,021	-	<b>650,021</b>
Other comprehensive income (net of tax) :									
of which :-									
- Financial investments available-for-sale	-	-	-	-	(94,606)	-	-	-	<b>(94,606)</b>
- Share of other comprehensive income of an associated company	-	-	-	-	611	-	-	-	<b>611</b>
- Share of other comprehensive income of a joint venture	-	-	-	-	380	-	-	-	<b>380</b>
<b>Total comprehensive income for the financial year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(93,615)</b>	<b>-</b>	<b>650,021</b>	<b>-</b>	<b>556,406</b>
Transfer to statutory reserves	-	-	-	175,383	-	-	(175,383)	-	-
Dividends declared and paid for the financial year	-	-	-	-	-	-	(224,186)	-	<b>(224,186)</b>
<b>At 31 December 2013</b>	<b>1,494,576</b>	<b>1,494,576</b>	<b>1,400,410</b>	<b>1,469,048</b>	<b>15,148</b>	<b>-</b>	<b>1,997,542</b>	<b>-</b>	<b>6,376,724</b>

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

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

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

<u>COMPANY</u>	<b>Issued and fully paid ordinary shares of RM1 each</b>		<b>Non-distributable</b>	<b>Distributable</b>	<b>Total Equity</b>
	Number of shares '000	Nominal value RM'000	Share premium RM'000	Retained profits RM'000	
<b>At 1 January 2014</b>	1,494,576	1,494,576	1,400,410	635,562	<b>3,530,548</b>
Total comprehensive income for the financial year :					
- Net profit for the financial year	-	-	-	499,827	<b>499,827</b>
Issue of share capital pursuant to the Rights Issue as disclosed in Note A7	448,373	448,373	789,136	-	<b>1,237,509</b>
Share issue expenses	-	-	(3,834)	-	<b>(3,834)</b>
Dividends declared and paid for the financial year	-	-	-	(291,442)	<b>(291,442)</b>
<b>At 31 December 2014</b>	<b>1,942,949</b>	<b>1,942,949</b>	<b>2,185,712</b>	<b>843,947</b>	<b>4,972,608</b>
<b>At 1 January 2013</b>	1,494,576	1,494,576	1,400,410	580,197	<b>3,475,183</b>
Total comprehensive income for the financial year :					
- Net profit for the financial year	-	-	-	279,551	<b>279,551</b>
Dividends declared and paid for the financial year				(224,186)	<b>(224,186)</b>
<b>At 31 December 2013</b>	<b>1,494,576</b>	<b>1,494,576</b>	<b>1,400,410</b>	<b>635,562</b>	<b>3,530,548</b>

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

	31/12/2014 RM'000	31/12/2013 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	819,536	854,236
Adjustment for non-operating and non-cash items	(397,811)	(342,078)
Operating profit before changes in working capital	421,725	512,158
Net changes in operating assets	(3,143,036)	(2,686,647)
Net changes in operating liabilities	1,989,612	3,818,423
Payment of tax and zakat	(245,048)	(237,531)
Tax refund	2,023	510
Net cash (used in)/generated from operating activities	(974,724)	1,406,913
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received from securities	350,848	288,063
Net (purchase)/disposal of:		
- securities	(2,024,593)	489,445
- property and equipment	(4,461)	(14,654)
- intangible assets	(1,778)	(771)
Dividend received from:		
- financial investments held-to-maturity	1,791	-
- financial investments available-for-sale	11,162	4,756
Proceeds from disposal of foreclosed properties	10,055	21,961
Subscription of shares in a joint venture	-	(150)
Purchase of additional shares in associate	(4,942)	(84)
Amount due from associate	1	(17)
Cash flow arising from acquisition of subsidiaries		
- Acquisition of AFFIN Hwang Investment Bank Berhad as disclosed in Note A24 (a)	(302,929)	-
- Acquisition of Asian Islamic Investment Management Sdn Bhd as disclosed in Note A24 (d)	(10,624)	-
Net cash (used in)/generated investing activities	(1,975,470)	788,549
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Drawdown of borrowings	297,055	89
Repayment of borrowings	(302,029)	-
Drawdown of bridging loans	1,300,485	-
Repayment of bridging loans	(1,300,485)	-
Proceeds from issuance of shares	1,237,509	-
Dividends paid to shareholders	(291,442)	(224,186)
Net cash generated/(used in) from financing activities	941,093	(224,097)
Net (decrease)/increase in cash and cash equivalents	(2,009,101)	1,971,365
Cash and cash equivalents at beginning of the year	9,321,506	7,350,141
Cash and cash equivalents at end of the year	7,312,405	9,321,506
<b>Analysis of cash &amp; cash equivalent</b>		
Cash and short-term funds	7,360,588	9,331,374
Adjustment for money held in trust on behalf of remisers	(48,183)	(9,868)
	7,312,405	9,321,506

*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**

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### **A1. BASIS OF PREPARATION**

The unaudited condensed interim financial statements for the current financial quarter and year 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"), Chapter 9, part K of the Listing Requirements of the Bursa Malaysia Securities Berhad and Policy Document on Financial Reporting issued by Bank Negara Malaysia dated 28 June 2013.

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 132 "Offsetting Financial Assets and Financial Liabilities"
- Amendment to MFRS 136 "Recoverable Amount Disclosures for Non-Financial Assets"
- Amendment to MFRS 139 "Novation of Derivatives and Continuation of Hedge Accounting"
- Amendment to MFRS 0, MFRS 12 and 127 "Investment Entities"
- IC Interpretation 21 - "Levies"

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 current financial quarter and year 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 qualify 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 by the Group during the current financial year has resulted a drop in CET I and Tier I capital ratios of the banking subsidiaries ranging from 0.11% to 0.85% 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 current financial quarter and year ended 31 December 2014.

#### A6. CHANGES IN ESTIMATES

There were no material changes in estimates of amounts reported in prior financial years that have a material effect during the current financial quarter and year ended 31 December 2014.

#### A7. DEBT AND EQUITY SECURITIES

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

**Renounceable Rights Issue of 448,372,741 New Ordinary Shares of RM1.00 each in AFFIN Holdings Berhad ("AHB") ("Rights Shares") on the basis of three (3) Rights Shares for every ten (10) existing ordinary shares held on 12 June 2014, at an issue price of RM2.76 per share ("Rights Issue").**

During the year, the Company's issued and paid-up capital was increased from 1,494,575,806 to 1,942,948,547 by way of issuance of 448,372,741 new ordinary shares of RM1.00 each Rights Shares, pursuant to the above Rights Issue on the basis of three (3) Rights Shares for every ten (10) existing ordinary shares held on 12 June 2014, at an issue price of RM2.76 per share.

The Rights Issue was completed following the listing and quotation of the 448,372,741 Rights Shares on the Main Market of the Bursa Malaysia Securities Berhad on 10 July 2014. The gross proceeds from the Rights Issue of RM1,237.5 million was used to fund the partial repayment of bridge loans of RM1.05 billion on 10 July 2014 and the capital injection of RM200.0 million into AFFIN Bank Berhad on 16 July 2014.

#### A8. DIVIDENDS PAID

A single-tier interim dividend of 15.0 sen per share in respect of the current financial year ended 31 December 2014 amounting to RM291,442,282 was paid on 30 December 2014.

#### A9. TRADE RECEIVABLES

	Group	
	31/12/2014 RM'000	31/12/2013 RM'000
Amount due from stock-broking clients	357,713	178,701
Amount due from Bursa Securities Clearing Sdn Bhd	26,849	-
Management fees receivable on fund management	48,776	1,657
	<b>433,338</b>	<b>180,358</b>
Less: Allowance for impairment		
- Collective impairment	(19)	(19)
- Individual impairment	(4,083)	(3,633)
	<b>429,236</b>	<b>176,706</b>

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

##### Collective impairment

Balance at the beginning of financial year	19	21
Allowance (net of write-back) made during the financial year	-	(2)
Balance at the end of financial year	<b>19</b>	<b>19</b>

##### Individual impairment

Balance at the beginning of financial year	3,633	3,575
Arising from acquisition of HwangDBS Investment Bank Berhad	303	-
Allowance made during the financial year	656	232
Amount recovered during the financial year	(487)	(174)
Amount written-off during the financial year	(22)	-
Balance at the end of financial year	<b>4,083</b>	<b>3,633</b>

## A10. FINANCIAL ASSETS

	Group	
	31/12/2014	31/12/2013
	RM'000	RM'000
<b>(a) <u>Financial assets held-for-trading</u></b>		
<b>At fair value</b>		
Bank Negara Malaysia Monetary Notes	149,904	149,544
Quoted Securities :-		
- Shares, warrants and Reits	18,903	-
- Unit Trusts	8,983	-
Unquoted Securities :-		
- Private Debt Securities	4,990	-
Total financial assets held-for-trading	182,780	149,544
<b>(b) <u>Financial investments available-for-sale</u></b>		
<b>At fair value</b>		
Malaysian Government Securities	131,630	-
Malaysian Government Treasury Bills	225,782	-
Malaysian Government Sukuk	7,096	-
Malaysian Government Investment Issues	3,046,553	2,361,979
Cagamas Bonds	84,924	85,228
Sukuk Perumahan Kerajaan	400,377	385,742
Khazanah Bonds	353,165	237,441
Bankers' Acceptance and Islamic Acceptance Bills	-	196,522
Bank Negara Malaysia Monetary Notes	1,387,284	629,674
Negotiable Instruments of Deposit and Islamic Debt Certificate	503,451	99,572
	6,140,262	3,996,158
Quoted Securities :-		
- Shares in Malaysia	32,975	27,631
- Private Debt Securities in Malaysia	2,167	2,167
- Unit Trusts in Malaysia	242,902	-
- Reits in Malaysia	35,546	-
- Reits outside Malaysia	37,367	-
Unquoted Securities :-		
- Shares in Malaysia	179,380	165,656
- Private Debt Securities in Malaysia	5,187,717	4,039,105
- Private Debt Securities outside Malaysia	846,040	623,725
	12,704,356	8,854,442
Allowance for impairment of securities	(86,736)	(86,451)
Total financial investments available-for-sale	12,617,620	8,767,991
<b>(c) <u>Financial investments held-to-maturity</u></b>		
<b>At amortised cost</b>		
Quoted Securities :-		
- Private Debt Securities in Malaysia	23,439	31,781
Unquoted Securities :-		
- Private Debt Securities in Malaysia	673,340	648,616
- Redeemable Convertible Secured Loan Stocks	1,554	1,554
	698,333	681,951
Allowance for impairment of securities	(45,832)	(57,918)
Total financial investments held-to-maturity	652,501	624,033
<b>Total securities held</b>	<b>13,452,901</b>	<b>9,541,568</b>

## A11. LOANS, ADVANCES AND FINANCING

### (a) BY TYPE

	Group	
	31/12/2014 RM'000	31/12/2013 RM'000
Overdrafts	1,943,124	1,752,882
Term loans/financing :-		
- Housing loans/financing	5,777,114	5,510,534
- Hire purchase receivables	10,963,715	10,524,044
- Syndicated term loans/financing	1,887,541	1,826,170
- Business term loans/financing	13,861,525	12,825,062
Bills receivables	1,194,884	318,677
Trust receipts	244,117	435,591
Claims on customers under acceptance credits	1,120,038	986,666
Staff loans/financing (of which RM NIL to Directors)	141,268	146,065
Credit/charge cards	81,870	82,137
Revolving credit	3,630,059	2,988,889
Margin financing	207,186	56,705
Factoring	4,674	7,073
<b>Gross loans, advances and financing</b>	<b>41,057,115</b>	<b>37,460,495</b>
Less: Allowance for impairment		
- Individual impairment	(263,498)	(243,969)
- Collective impairment	(301,601)	(307,142)
<b>Total net loans, advances and financing</b>	<b>40,492,016</b>	<b>36,909,384</b>

### (b) BY MATURITY STRUCTURE

Maturing within one year	9,678,740	7,427,643
One year to three years	4,609,944	5,109,102
Three years to five years	6,813,615	6,709,415
Over five years	19,954,816	18,214,335
	<b>41,057,115</b>	<b>37,460,495</b>

### (c) BY TYPE OF CUSTOMER

Domestic non-banking institutions :-		
- Stock-broking companies	231	241
- Others	1,304,372	1,622,525
Domestic business enterprises :-		
- Small medium enterprises	7,731,103	5,932,508
- Others	14,680,028	13,847,266
Government and statutory bodies	92,725	162,591
Individuals	15,833,956	15,003,354
Foreign individuals	3,084	-
Other domestic entities	13,634	251,166
Foreign entities	1,397,982	640,844
	<b>41,057,115</b>	<b>37,460,495</b>

### (d) BY INTEREST / PROFIT RATE SENSITIVITY

Fixed rate :-		
- Housing loans/financing	362,329	314,506
- Hire purchase receivables	10,967,008	10,524,043
- Other fixed rate loans/financing	3,823,349	4,181,013
- Margin financing	207,186	56,705
Variable rate :-		
- BLR plus	16,064,029	14,098,831
- Cost plus	9,633,214	8,285,397
	<b>41,057,115</b>	<b>37,460,495</b>

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

**(e) BY ECONOMIC PURPOSE**

	<b>Group</b>	
	<b>31/12/2014</b>	<b>31/12/2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Construction	3,146,539	2,082,699
Purchase of landed property of which :-		
- Residential	5,737,764	5,985,909
- Non-residential	5,813,704	5,009,095
Purchase of securities	664,471	433,206
Purchase of transport vehicles	11,494,825	11,232,452
Fixed assets other than land and building	326,163	238,059
Personal use	887,115	941,023
Credit card	81,870	82,137
Consumer durable	803	868
Merger and acquisition	447,524	370,192
Working capital	11,689,397	10,230,340
Others	766,940	854,515
	<b>41,057,115</b>	<b>37,460,495</b>

**(f) BY SECTOR**

Primary agriculture	684,340	478,281
Mining and quarrying	666,518	649,621
Manufacturing	2,071,976	2,538,773
Electricity, gas and water supply	377,940	359,796
Construction	4,112,804	3,467,735
Real estate	6,100,730	4,702,439
Wholesale and retail trade and restaurants and hotels	2,182,791	2,166,051
Transport, storage and communication	2,106,782	2,069,268
Finance, insurance and business services	4,944,337	4,465,887
Education, health and others	1,815,614	1,408,839
Household	15,975,397	15,146,265
Others	17,886	7,540
	<b>41,057,115</b>	<b>37,460,495</b>

**(g) BY GEOGRAPHICAL DISTRIBUTION**

Perlis	130,950	85,125
Kedah	1,216,592	1,088,305
Pulau Pinang	2,000,495	1,825,875
Perak	1,171,747	1,163,213
Selangor	12,874,207	11,557,789
Wilayah Persekutuan	11,712,171	10,924,938
Negeri Sembilan	895,433	813,316
Melaka	982,343	869,233
Johor	3,254,531	3,224,541
Pahang	824,164	755,143
Terengganu	989,058	989,295
Kelantan	230,819	244,022
Sarawak	1,277,605	1,137,113
Sabah	1,705,599	1,692,677
Labuan	520,747	553,770
Outside Malaysia	1,270,654	536,140
	<b>41,057,115</b>	<b>37,460,495</b>

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

**(h) IMPAIRED LOANS, ADVANCES AND FINANCING**

**(i) Movements of impaired loans, advances and financing**

	Group	
	31/12/2014 RM'000	31/12/2013 RM'000
Balance at the beginning of financial year	740,958	790,438
Classified as impaired during the financial year	543,093	432,629
Reclassified as non-impaired during the financial year	(289,556)	(298,268)
Amount recovered during the financial year	(135,501)	(132,998)
Amount written-off during the financial year	(94,353)	(50,843)
Amount converted to financial investments available-for-sale	(16,865)	-
	<b>747,776</b>	<b>740,958</b>

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

Construction	77,071	65,797
Purchase of landed property of which :-		
- Residential	231,048	272,103
- Non-residential	31,278	23,707
Purchase of securities	10,420	46,292
Purchase of transport vehicles	86,409	75,350
Fixed assets other than land and building	282	282
Personal use	7,826	7,937
Credit card	326	476
Consumer durable	13	14
Working capital	286,669	234,888
Others	16,434	14,112
	<b>747,776</b>	<b>740,958</b>

**(iii) Impaired loans, advances and financing by sector**

Primary agriculture	17,556	6,335
Manufacturing	53,950	62,914
Electricity, gas and water supply	246	118
Construction	258,070	193,447
Real estate	323	190
Wholesale and retail trade and restaurants and hotels	41,850	43,373
Transport, storage and communication	5,099	9,542
Finance, insurance and business services	38,442	60,065
Education, health and others	1,607	1,868
Household	330,633	363,106
	<b>747,776</b>	<b>740,958</b>

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

**(h) IMPAIRED LOANS, ADVANCES AND FINANCING (Cont.)**

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

	Group	
	31/12/2014	31/12/2013
	RM'000	RM'000
Perlis	901	472
Kedah	22,141	23,005
Pulau Pinang	35,458	18,781
Perak	15,193	14,081
Selangor	277,204	352,921
Wilayah Persekutuan	139,798	117,927
Negeri Sembilan	24,380	28,827
Melaka	8,575	8,368
Johor	49,319	46,552
Pahang	48,236	12,038
Terengganu	17,139	5,465
Kelantan	5,152	4,124
Sarawak	14,407	6,290
Sabah	12,384	11,298
Outside Malaysia	77,489	90,809
	<b>747,776</b>	<b>740,958</b>

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

**Collective impairment**

Balance at beginning of financial year	307,142	330,797
Arising from acquisition of HwangDBS Investment Bank Berhad	4,299	-
Allowance (net of write-back) made during the financial year	45,835	13,913
Amount written-off during the financial year	(43,361)	(37,568)
Amount reclassified to individual impairment	(12,314)	-
Balance at the end of financial year	<b>301,601</b>	<b>307,142</b>

**Individual impairment**

Balance at the beginning of financial year	243,969	230,640
Amount converted to financial investments available-for-sale	(6,157)	-
Allowance made during the financial year	79,268	49,053
Amount recovered during the financial year	(4,386)	(5,181)
Amount written-off during the financial year	(50,870)	(12,974)
Unwinding discount of allowance	(12,432)	(17,825)
Exchange difference	1,792	256
Amount reclassified from collective impairment	12,314	-
Balance at the end of financial year	<b>263,498</b>	<b>243,969</b>

**A12. OTHER ASSETS**

Cheque clearing accounts	179,711	169,141
Foreclosed properties	9,099	15,825
Other debtors, deposits and prepayments	97,289	119,858
Amount due from joint ventures	14,858	4,187
	<b>300,957</b>	<b>309,011</b>

**A13. OTHER LIABILITIES**

Bank Negara Malaysia and Credit Guarantee Corporation Funding Programmes	33,602	27,897
Margin and collateral deposits	145,430	108,258
Trust accounts for remisers	48,183	9,868
Defined contribution plan	15,301	13,912
Accrued employee benefits	31,322	1,060
Other creditors and accruals	199,387	151,775
Sundry creditors	89,505	143,282
Provision for zakat	5,037	11,402
	<b>567,767</b>	<b>467,454</b>



#### A14. RESERVES

	Group	
	31/12/2014 RM'000	31/12/2013 RM'000
Retained profits	2,099,826	1,997,542
AFS revaluation reserves	34,357	15,148
Statutory reserves	1,502,616	1,469,048
Regulatory reserves	187,922	-
	<b>3,824,721</b>	<b>3,481,738</b>

- (a) The statutory reserves of the Group are maintained in compliance with the provisions of the Financial Services Act 2013 and Islamic Financial Services Act 2013 and are not distributable as cash dividends.
- (b) AFS revaluation reserves represent the unrealised gains or losses arising from the change in fair value of investments classified as financial investments available-for-sale. The gains or losses are transferred in the income statement upon disposal or when the securities become impaired.
- (c) The banking subsidiaries are required to maintain in aggregate collective impairment allowances and regulatory reserves of no less than 1.2% of the total outstanding loans, advances and financing, net of individual impairment allowances.

#### A15. INTEREST INCOME

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2014 RM'000	31/12/2013 RM'000	31/12/2014 RM'000	31/12/2013 RM'000
Loans, advances and financing	461,655	414,314	1,737,738	1,647,938
Money at call and deposit with financial institutions	31,844	46,985	160,111	171,295
Reverse repurchase agreements with financial institutions	-	46	-	234
Financial assets held-for-trading	35,378	28,813	151,239	89,026
Financial investments available-for-sale	84,355	61,939	310,261	262,140
Financial investments held-to-maturity	14,756	10,183	40,587	25,923
Subordinated term loan	1,338	1,337	5,305	5,305
Others	113	18	364	64
	<b>629,439</b>	<b>563,635</b>	<b>2,405,605</b>	<b>2,201,925</b>
Accretion of discount less amortisation of premium	14,655	3,700	38,796	13,075
	<b>644,094</b>	<b>567,335</b>	<b>2,444,401</b>	<b>2,215,000</b>
of which :-				
Interest income earned on impaired loans, advances and financing	2,460	(1,427)	7,933	11,219

#### A16. INTEREST EXPENSE

Deposits and placements of banks and other financial institutions	15,640	24,521	65,692	109,722
Deposits from customers	344,758	279,222	1,270,101	1,071,432
Loans sold to Cagamas Berhad	2,165	4,725	13,263	19,164
Derivatives	31,042	29,490	139,380	94,783
Others	3,374	772	6,743	3,108
	<b>396,979</b>	<b>338,730</b>	<b>1,495,179</b>	<b>1,298,209</b>

**A17. OTHER OPERATING INCOME**

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
	RM'000	RM'000	RM'000	RM'000
<u>Fee income</u>				
Gross brokerage	31,388	15,133	118,834	72,740
Underwriting fees	214	3,883	10,269	4,418
Management fees	41,328	4,217	121,145	15,660
Corporate advisory fees	2,433	4,580	10,190	12,716
Commission	5,245	3,745	14,553	13,873
Service charges and fees	16,033	17,187	59,778	62,905
Guarantee fees	6,512	6,168	23,853	21,243
Arrangement fees	10,937	5,149	13,294	13,224
Agency fees	440	821	2,190	2,801
Upfront fees on sales of unit trust	16,153	61	57,268	7,787
Other fee income	2,670	383	13,340	1,800
	<b>133,353</b>	<b>61,327</b>	<b>444,714</b>	<b>229,167</b>
<u>Income from financial instruments</u>				
Gains arising on financial assets held-for-trading :-				
- net gains on disposal	5,751	787	34,564	3,336
- unrealised gains	433	9	1,600	455
- gross dividend income	550	-	1,791	-
Gains on derivatives :-				
- realised	648	868	7,147	3,156
- unrealised	4,737	1,000	9,377	8,055
Gains arising on financial investments available-for-sale :-				
- net gains on disposal	5,054	5,459	20,474	32,823
- gross dividend income	2,711	209	11,162	4,756
Gains arising on financial investments held-to-maturity :-				
- net gains on redemption	388	862	3,500	6,144
	<b>20,272</b>	<b>9,194</b>	<b>89,615</b>	<b>58,725</b>
<u>Other income</u>				
Foreign exchange gains	6,939	16,654	63,469	66,908
Rental income	359	264	1,500	1,453
Gains on disposal of property and equipment	1,413	1	6,292	4,064
Loss on disposal of intangible assets	(21)	-	(21)	-
Gains on disposal of foreclosed properties	187	984	3,329	11,041
Surplus on realisation of assets of a subsidiary previously placed under members' voluntary winding up	107	-	107	-
Other non-operating income	(736)	8,553	21,100	16,855
	<b>8,248</b>	<b>26,456</b>	<b>95,776</b>	<b>100,321</b>
<b>Total other operating income</b>	<b>161,873</b>	<b>96,977</b>	<b>630,105</b>	<b>388,213</b>

## A18. OTHER OPERATING EXPENSES

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs</u>				
Wages, salaries and bonus	101,633	87,815	419,397	334,645
Defined contribution plan	16,642	14,241	66,903	54,475
Other personnel costs	12,071	9,144	54,480	41,378
	<u>130,346</u>	<u>111,200</u>	<u>540,780</u>	<u>430,498</u>
<u>Promotion and marketing-related expenses</u>				
Business promotion and advertisement	4,854	4,022	16,542	9,495
Entertainment	892	124	4,479	3,331
Travelling and accommodation	1,954	1,003	5,674	4,888
Dealers' handling fees	5,487	434	7,682	2,526
Commission	15,655	100	58,118	344
Others	2,142	505	6,648	2,186
	<u>30,984</u>	<u>6,188</u>	<u>99,143</u>	<u>22,770</u>
<u>Establishment-related expenses</u>				
Rental of premises	10,758	7,203	39,227	28,750
Equipment rental	684	247	2,983	1,067
Repair and maintenance	9,444	8,345	38,326	29,506
Depreciation of property and equipment	5,028	4,548	20,087	18,630
Amortisation of intangible assets	1,872	2,008	7,513	8,615
IT consultancy fee	16,582	15,976	61,746	61,893
Dataline rental	885	968	4,523	3,890
Security services	5,430	3,534	17,690	13,566
Electricity, water and sewerage	3,444	2,806	12,903	10,354
Insurance and indemnities	1,862	1,071	5,531	4,492
Others	924	950	3,776	3,926
	<u>56,913</u>	<u>47,656</u>	<u>214,305</u>	<u>184,689</u>
<u>General and administrative expenses</u>				
Telecommunication expenses	3,127	2,136	13,520	8,167
Directors' remuneration	653	917	2,924	2,547
Auditors' remuneration :-				
(i) Statutory audit	914	13	1,604	1,337
(ii) Under provision in prior year	-	1	-	2
(iii) Audit related fees	209	533	528	581
(iv) Non audit fees	431	(52)	994	740
Professional fees	3,574	11,456	38,215	20,078
Property and equipment written-off	34	50	129	95
Postage and courier charges	319	650	3,439	2,782
Stationery and consumables	2,708	2,647	9,899	9,563
Commission and brokerage expenses	918	906	3,774	3,747
Donations	1,484	1,305	6,263	3,990
Settlement, clearing and bank charges	2,116	1,789	8,012	7,334
Stamp duties	57	42	6,232	198
Allowance for/(write-back of) litigation losses	-	1,484	-	(4,210)
Commissioned dealers representative performance incentive	1,532	839	7,979	3,801
Subscription fees	821	565	2,920	2,160
Transaction levy	1,954	465	6,894	2,177
Subsidies and allowances	174	68	930	924
Others	4,436	4,252	14,476	12,651
	<u>25,461</u>	<u>30,066</u>	<u>128,732</u>	<u>78,664</u>
<b>Total other operating expenses</b>	<b>243,704</b>	<b>195,110</b>	<b>982,960</b>	<b>716,621</b>

#### A19. DIRECTORS' REMUNERATION

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
	RM'000	RM'000	RM'000	RM'000
The aggregate amount of emoluments received and receivable by directors of the Company during the financial year are as follows :-				
<u>Non-executive directors</u>				
- fees	476	743	2,414	2,067
- other emoluments	174	164	478	438
- estimated money value of benefits-in-kind	3	10	32	42
	<b>653</b>	<b>917</b>	<b>2,924</b>	<b>2,547</b>

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

#### A20. WRITE-BACK OF ALLOWANCE FOR IMPAIRMENT ON LOANS, ADVANCES AND FINANCING

Collective impairment				
- made during the financial year	13,142	(1,905)	33,521	13,911
Individual impairment				
- made during the financial year	15,570	26,897	92,238	49,285
- written-back during the financial year	(470)	(1,812)	(4,873)	(5,355)
Bad debts				
- recovered	(80,788)	(55,634)	(141,901)	(128,139)
- written-off	816	1,631	4,381	4,583
Additional/(write-back of) allowance for impaired debts				
- other debtors	280	2	350	(372)
	<b>(51,450)</b>	<b>(30,821)</b>	<b>(16,284)</b>	<b>(66,087)</b>

#### A21. ADDITIONAL / (WRITE-BACK OF) ALLOWANCE FOR IMPAIRMENT ON SECURITIES

Additional/(write-back of) allowance for impairment loss on financial investments available-for-sale				
	1	(989)	286	(2,079)
	<b>1</b>	<b>(989)</b>	<b>286</b>	<b>(2,079)</b>

## A22. SEGMENTAL INFORMATION ON REVENUE AND PROFIT

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

	<----- Current year's individual quarter ended 31 December 2014 ----->					
	<b>Commercial Banking RM'000</b>	<b>Investment Banking RM'000</b>	<b>Insurance RM'000</b>	<b>Others RM'000</b>	<b>Eliminations RM'000</b>	<b>Group RM'000</b>
<b>Revenue</b>						
External revenue	338,916	133,347	-	4,695	-	476,958
Intersegment revenue	(6,183)	(2,992)	-	431,507	(422,332)	-
<b>Segment revenue</b>	<b>332,733</b>	<b>130,355</b>	<b>-</b>	<b>436,202</b>	<b>(422,332)</b>	<b>476,958</b>
Overhead expenses	(133,315)	(105,031)	-	(5,670)	312	(243,704)
of which :-						
Depreciation of property and equipment	(3,519)	(1,401)	-	(108)	-	(5,028)
Amortisation of intangible assets	(1,537)	(332)	-	(3)	-	(1,872)
(Allowances for)/write-back of allowance for impairment on loans, advances and financing/securities	54,471	(3,022)	-	-	-	51,449
<b>Segment results</b>	<b>253,889</b>	<b>22,302</b>	<b>-</b>	<b>430,532</b>	<b>(422,020)</b>	<b>284,703</b>
Finance costs	-	-	-	(10,807)	-	(10,807)
Share of results of joint ventures (net of tax)	-	-	1,096	-	-	1,096
Share of results of associate (net of tax)	-	917	11,684	-	-	12,601
<b>Profit before taxation and zakat</b>	<b>253,889</b>	<b>23,219</b>	<b>12,780</b>	<b>419,725</b>	<b>(422,020)</b>	<b>287,593</b>
Taxation and zakat						(77,322)
<b>Net profit for the individual quarter</b>						<b>210,271</b>

	<----- Preceding year's individual quarter 31 December 2013 ----->					
	<b>Commercial Banking RM'000</b>	<b>Investment Banking RM'000</b>	<b>Insurance RM'000</b>	<b>Others RM'000</b>	<b>Eliminations RM'000</b>	<b>Group RM'000</b>
<b>Revenue</b>						
External revenue	319,269	58,528	-	3,536	-	381,333
Intersegment revenue	(3,177)	(7,521)	-	201,567	(190,869)	-
<b>Segment revenue</b>	<b>316,092</b>	<b>51,007</b>	<b>-</b>	<b>205,103</b>	<b>(190,869)</b>	<b>381,333</b>
Overhead expenses	(145,881)	(33,535)	-	(17,320)	1,626	(195,110)
of which :-						
Depreciation of property and equipment	(3,877)	(569)	-	(102)	-	(4,548)
Amortisation of intangible assets	(1,857)	(151)	-	-	-	(2,008)
Write-back of allowance for impairment on loans, advances and financing/securities	27,901	3,909	-	-	-	31,810
<b>Segment results</b>	<b>198,112</b>	<b>21,381</b>	<b>-</b>	<b>187,783</b>	<b>(189,243)</b>	<b>218,033</b>
Finance costs	-	-	-	(10,739)	-	(10,739)
Share of results of joint ventures (net of tax)	-	-	1,455	-	-	1,455
Share of results of associate (net of tax)	-	-	11,005	-	-	11,005
<b>Profit before taxation and zakat</b>	<b>198,112</b>	<b>21,381</b>	<b>12,460</b>	<b>177,044</b>	<b>(189,243)</b>	<b>219,754</b>
Taxation and zakat						(52,839)
<b>Net profit for the individual quarter</b>						<b>166,915</b>

## A22. SEGMENTAL INFORMATION ON REVENUE AND PROFIT (Cont.)

The segment analysis by activity for the individual and cumulative quarters ended 31 December 2014 and 31 December 2013 are as follows (Cont.):-

	<----- Current year's cumulative quarter ended 31 December 2014 ----->					
	<b>Commercial Banking RM'000</b>	<b>Investment Banking RM'000</b>	<b>Insurance RM'000</b>	<b>Others RM'000</b>	<b>Eliminations RM'000</b>	<b>Group RM'000</b>
<b>Revenue</b>						
External revenue	1,308,645	497,530	-	17,375	-	1,823,550
Intersegment revenue	(21,740)	(14,438)	-	578,896	(542,718)	-
<b>Segment revenue</b>	<b>1,286,905</b>	<b>483,092</b>	<b>-</b>	<b>596,271</b>	<b>(542,718)</b>	<b>1,823,550</b>
Operating expenses	(584,693)	(374,730)	-	(27,577)	4,040	(982,960)
of which :-						
Depreciation of property and equipment	(14,951)	(4,700)	-	(436)	-	(20,087)
Amortisation of intangible assets	(6,304)	(1,197)	-	(12)	-	(7,513)
(Allowances for)/write-back of allowance for impairment on loans, advances and financing/securities	17,918	(1,920)	-	-	-	15,998
<b>Segment results</b>	<b>720,130</b>	<b>106,442</b>	<b>-</b>	<b>568,694</b>	<b>(538,678)</b>	<b>856,588</b>
Finance costs	-	-	-	(61,701)	-	(61,701)
Share of results of joint ventures (net of tax)	-	-	242	-	-	242
Share of results of associate (net of tax)	-	917	29,279	-	-	30,196
<b>Profit before taxation and zakat</b>	<b>720,130</b>	<b>107,359</b>	<b>29,521</b>	<b>506,993</b>	<b>(538,678)</b>	<b>825,325</b>
Taxation and zakat						(212,969)
<b>Net profit for the cumulative quarter</b>						<b>612,356</b>

	<----- Preceding year's cumulative quarter 31 December 2013 ----->					
	<b>Commercial Banking RM'000</b>	<b>Investment Banking RM'000</b>	<b>Insurance RM'000</b>	<b>Others RM'000</b>	<b>Eliminations RM'000</b>	<b>Group RM'000</b>
<b>Revenue</b>						
External revenue	1,300,543	209,116	-	16,090	-	1,525,749
Intersegment revenue	(29,373)	(16,791)	-	363,443	(317,279)	-
<b>Segment revenue</b>	<b>1,271,170</b>	<b>192,325</b>	<b>-</b>	<b>379,533</b>	<b>(317,279)</b>	<b>1,525,749</b>
Overhead expenses	(565,186)	(119,044)	-	(35,322)	2,931	(716,621)
of which :-						
Depreciation of property and equipment	(16,019)	(2,195)	-	(416)	-	(18,630)
Amortisation of intangible assets	(7,989)	(622)	-	(4)	-	(8,615)
Write-back of allowance for impairment on loans, advances and financing/securities	56,438	11,728	-	-	-	68,166
<b>Segment results</b>	<b>762,422</b>	<b>85,009</b>	<b>-</b>	<b>344,211</b>	<b>(314,348)</b>	<b>877,294</b>
Finance costs	-	-	-	(42,592)	-	(42,592)
Share of results of joint ventures (net of tax)	(210)	-	5,431	-	-	5,221
Share of results of associate (net of tax)	-	-	24,005	-	-	24,005
<b>Profit before taxation and zakat</b>	<b>762,212</b>	<b>85,009</b>	<b>29,436</b>	<b>301,619</b>	<b>(314,348)</b>	<b>863,928</b>
Taxation and zakat						(213,907)
<b>Net profit for the cumulative quarter</b>						<b>650,021</b>

## A23. SUBSEQUENT MATERIAL EVENT

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

## A24. CHANGES IN THE COMPOSITION OF THE GROUP

Save as disclosed below, there were no other significant changes in the composition of the Group during the financial period under review :-

**a) Acquisition of 100% of the Issued and Paid-up Share Capital of AFFIN Hwang Investment Bank Berhad (“AFFIN Hwang IB”) (fka HwangDBS Investment Bank Berhad) 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 AFFIN Hwang Asset Management Berhad (“AFFIN Hwang AM”) (fka Hwang Investment Management Berhad) [“Minority Shares”] 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 Capital (Malaysia) Berhad (fka Hwang-DBS (Malaysia) Berhad) ("Hwang-DBS") to acquire and merge the businesses of AFFIN Hwang IB including other financial services businesses of Hwang-DBS with AFFIN banking group.

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

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

### Details of the Acquisition

The IB Acquisition entailed the acquisition of the AFFIN 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 Acquisition, Hwang-DBS would 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 AFFIN Hwang Futures to AFFIN Hwang IB;
- (ii) transfer by Hwang-DBS of its 53% interest in AFFIN Hwang AM to AFFIN Hwang IB;
- (iii) transfer by Hwang-DBS of its 49% interest in AIIMAN to AFFIN Hwang IB; and
- (iv) transfer by AFFIN 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 "Pre-Closing Reorganisation").

Following the Pre-Closing Reorganisation, AHB would acquire the AFFIN 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 AFFIN Hwang IB including 100% interest in AFFIN Hwang Nominees (Tempatan) Sdn Bhd (fka HDM Nominees (Tempatan) Sdn Bhd) and 100% interest in AFFIN Hwang Nominees (Asing) Sdn Bhd (fka HDM Nominees (Asing) Sdn Bhd) and excluding the Excluded Companies;
- (ii) RM262.00 million for the aggregate of 70% interest in AFFIN Hwang AM and 49% interest in AIIMAN; and
- (iii) RM13.00 million for 100% interest in AFFIN Hwang Futures.

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

On 7 April 2014, the above Acquisition had been completed in accordance to the terms and conditions set out in the SPA. Accordingly, AHB directly owns 100% interest in AFFIN Hwang IB which in turn owns 100% interest in AFFIN Hwang Nominees (Tempatan) Sdn Bhd and 100% interest in AFFIN Hwang Nominees (Asing) Sdn Bhd, 70% interest in AFFIN Hwang AM, 49% interest in AIIMAN and 100% interest in AFFIN Hwang 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 Capital (Malaysia) Berhad on 9 July 2014.

**A24. CHANGES IN THE COMPOSITION OF THE GROUP (Cont.)**

- a) **Acquisition of 100% of the Issued and Paid-up Share Capital of AFFIN Hwang Investment Bank Berhad (“AFFIN Hwang IB”) (fka HwangDBS Investment Bank Berhad) 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 AFFIN Hwang Asset Management Berhad (“AFFIN Hwang AM”) (fka Hwang Investment Management Berhad) [“Minority Shares”] held by Y.A.M. Tunku Dato’ Seri Nadzaruddin Ibni Almarhum Tuanku Ja’afar (“Minority Shareholder”) (Cont.)**

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

	Acquiree's Fair Value RM'000
<b>Assets</b>	
Cash and short-term funds	1,155,430
Trade receivables	412,219
Financial assets held-for-trading	116,735
Financial investments available-for-sale	1,442,023
Financial investments held-to-maturity	304,602
Loans, advances and financing	417,641
Derivative financial assets	21,869
Other assets	42,397
Statutory deposits with Bank Negara Malaysia	53,140
Tax recoverable	72
Deferred tax assets	1,289
Investments in associate	6,892
Property and equipment	10,483
Intangible assets	162,502
<b>Total Assets</b>	<b>4,147,294</b>
<b>Liabilities</b>	
Deposits from customers	833,922
Deposits and placements of banks and other financial institutions	1,676,066
Trade payables	435,253
Derivative financial liabilities	28,575
Other liabilities	106,125
Provision for taxation	3,312
Borrowings	5,000
<b>Total Liabilities</b>	<b>3,088,253</b>
<b>Net assets acquired</b>	<b>1,059,041</b>
Less : Non Controlling Interest Share of NAV	(33,155)
Excess of acquisition cost over the fair value of net assets acquired	432,473
Total purchase consideration	1,458,359
Less : Cash and short-term funds acquired	(1,155,430)
<b>Net cash flow arising from the acquisition</b>	<b>302,929</b>



#### A24. CHANGES IN THE COMPOSITION OF THE GROUP (Cont.)

##### **b) Merger of the Businesses, Assets and Liabilities of AFFIN Investment Bank Berhad ("AIBB") with AFFIN Hwang Investment Bank Berhad (fka HwangDBS Investment Bank Berhad) ["IB Merger"]**

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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 had been obtained from the High Court of Malaya at Kuala Lumpur on 3 June 2014 in respect of the following transfer of business, assets and liabilities, which shall take effect on 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 AFFIN Hwang Investment Bank Berhad ("AFFIN Hwang IB");
- (ii) the transfer of the entire business, including all assets and liabilities of AFFIN Nominees (Tempatan) Sdn Bhd to AFFIN Hwang Nominees (Tempatan) Sdn Bhd; and
- (iii) the transfer of the entire business, including all assets and liabilities of AFFIN Nominees (Asing) Sdn Bhd to AFFIN Hwang Nominees (Asing) Sdn Bhd.

On 13 August 2014, AIBB announced that a Supplemental Court Order was obtained from the High Court of Malaya at Kuala Lumpur on 13 August 2014, to further exclude AFFIN Fund Management Berhad from the Transfer. Pursuant thereto:-

- (a) the Vesting Order dated 3 June 2014 is supplemented by the Supplemental Court Order dated 13 August 2014;
- (b) all references to "Excluded AFFIN Companies" in the Vesting Order dated 3 June 2014 shall mean Merchant Nominees (Tempatan) Sdn Bhd, Classic Precision Sdn Bhd and AFFIN Fund Management Berhad; and
- (c) all references to "Court Order" in the Vesting Order dated 3 June 2014 shall include the Supplemental Court Order dated 13 August 2014.

The IB Merger had been completed on 20 September 2014 and AIBB ceased its operation as an investment bank on the same day. Pursuant to the completion of the IB Merger, AIBB had also surrendered its banking licence to BNM and its Capital Markets Services Licence to The Securities Commission Malaysia accordingly.

- c) (i) Acquisition of 12,000,000 Ordinary Shares of RM1.00 each in AFFIN Fund Management Berhad ("AFFIN Fund"), representing the entire equity interest in AFFIN Fund by AFFIN Hwang Asset Management Berhad ("AFFIN Hwang AM") ("AFFIN Fund Acquisition"); and**
- (ii) Transfer of the whole of the Assets, Liabilities and Business Undertakings of AFFIN Fund to AFFIN Hwang AM after the AFFIN Fund Acquisition ("IM Merger").**
- (Collectively referred to as the "Fund Merger")**
- 

In conjunction with the IB merger, AFFIN Investment Bank Berhad ("AIBB") had on 14 August 2014 announced on behalf of the Board of Directors of AFFIN Holdings Berhad (the "Company" or "AHB") that the Board proposed to undertake the Fund Merger involving the AFFIN Fund Acquisition and the IM Merger.

On 14 August 2014, AFFIN Hwang AM entered into a Shares Transfer Agreement with AIBB to acquire 100% equity interest in AFFIN Fund ("AFFIN Fund Acquisition"). AFFIN Hwang AM is 70% owned by AFFIN Hwang Investment Bank Berhad ("AFFIN Hwang IB") and AFFIN Fund is 100% owned by AIBB. Both AFFIN Hwang IB and AIBB are wholly-owned subsidiaries of AHB.

The AFFIN Fund Acquisition was completed on 19 August 2014 and the effect or gain on dilution of 30% equity interest in AFFIN Fund of RM9,945,000 arising from the said acquisition has been reflected in the statement of changes in equity accordingly.

The Securities Commission Malaysia ("SC") had vide its letter dated 14 August 2014 approved the Fund Merger and following the completion of the AFFIN Fund Acquisition, AFFIN Hwang AM and AFFIN Fund entered into a business transfer agreement for the IM Merger on 20 August 2014.

On 26 August 2014, AIBB announced that an Order from the High Court of Malaya at Kuala Lumpur was obtained on 25 August 2014 in respect of the transfer of the entire business, including all assets and liabilities of AFFIN Fund to AFFIN Hwang AM ("Fund Business Transfer"), pursuant to section 139 of the Capital Markets and Services Act 2007. The Fund Business Transfer shall take effect on 20 September 2014.

The IM Merger had been completed on 20 September 2014 and AFFIN Fund ceased its operation as a fund management company and become dormant on the same day. Pursuant to the completion of the IM Merger, AFFIN Fund had surrendered its Capital Markets Services Licence to the SC accordingly.

**A24. CHANGES IN THE COMPOSITION OF THE GROUP (Cont.)**

**d) Acquisition of 10,000,000 Ordinary Shares of RM1.00 each in Asian Islamic Investment Management Sdn Bhd ("AIIMAN"), representing the entire equity interest in AIIM by AFFIN Hwang Asset Management Berhad ("AFFIN Hwang AM") from Nikko Asset Management Asia Limited ("Nikko AM") and AFFIN Hwang Investment Bank Berhad ("AFFIN Hwang IB") ("AIIMAN" Acquisitions")**

On 19 September 2014, AFFIN Hwang AM entered into the following Share Sale and Purchase Agreements :-

- (i) share sale and purchase agreement with Nikko AM for the acquisition of 51% interest in AIIMAN held by Nikko AM for RM11,730,000 to be satisfied in cash; and
- (ii) share sale and purchase agreement with AFFIN Hwang IB for the acquisition of 49% interest in AIIMAN held by AFFIN Hwang IB for RM11,270,000 to be satisfied in cash.

AFFIN Hwang AM is a 70% subsidiary of AFFIN Hwang IB, which is in turn a wholly-owned subsidiary of AFFIN Holdings Berhad. AIIMAN was then a 49% associate company of AFFIN Hwang IB.

On 20 September 2014, the above AIIMAN Acquisitions had been completed in accordance with the terms and conditions set out in the Share Sale and Purchase Agreements and AIIMAN became a wholly-owned subsidiary of AFFIN Hwang AM on the same day.

The fair value of the net assets of AIIMAN acquired are summarised below :-

	Acquiree's Fair Value RM'000
<b>Assets</b>	
Cash and short-term funds	1,106
Financial investments available-for-sale	14,475
Trade receivables	1,409
Other assets	198
Property and equipment	220
<b>Total Assets</b>	<b>17,408</b>
<b>Liabilities</b>	
Other liabilities	1,470
<b>Total Liabilities</b>	<b>1,470</b>
<b>Net assets of acquiree</b>	<b>15,938</b>
Less: Net assets attributable to 49% interest previously held by AFFIN Hwang Investment Bank Berhad	(7,809)
Goodwill on acquisition of additional 51% interest in AIIMAN	3,601
Total cost of acquisition	11,730
Less : Cash and short-term funds acquired	(1,106)
<b>Net cash flow arising from the acquisition</b>	<b>10,624</b>

**e) Acquisition of Additional 1,055,933 ordinary shares of RM1.00 each, representing 0.89% Equity Interest in AXA AFFIN General Insurance Berhad ("AAGI")**

During the period under review, the Company acquired additional 1,055,933 ordinary shares of RM1.00 each representing 0.89% equity interest in AAGI at a price of RM4.68 per share. As at 31 December 2014, the Company's equity interest in AAGI stood at 34.51% as compared to 33.62% as at 31 December 2013.

## A25. COMMITMENTS AND CONTINGENCIES

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

The notional amounts of the commitments and contingencies of the Group are as follows :-

	<b>31/12/2014</b>	<b>31/12/2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Direct credit substitutes	813,629	1,455,361
Transaction related contingent items	2,043,704	1,974,804
Short-term self-liquidating trade related contingencies	746,576	573,412
Obligation under underwriting commitments	17,122	260,244
Foreign exchange related contracts <sup>#</sup>		
- Less than one year	7,402,653	3,635,355
- One year to less than five years	1,260,435	594,154
- Five years and above	96,030	96,030
Interest rate related contracts <sup>#</sup>		
- Less than one year	1,156,279	793,040
- One year to less than five years	1,831,125	2,292,222
- Five years and above	390,148	703,148
Irrevocable commitments to extend credit <sup>#</sup>		
- Maturity less than one year	8,987,864	7,483,973
- Maturity more than one year	2,022,597	2,181,871
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	322,761	-
Unutilised credit card lines	208,865	179,201
	<b>27,299,788</b>	<b>22,222,815</b>

<sup>#</sup> *The fair value of these derivatives has been recognised as "derivative financial assets" and "derivative financial liabilities" in the statement of financial position.*

## A26. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts and classified by remaining period to maturity/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
<b>As at 31 December 2014</b>												
<b>Trading derivatives</b>												
Foreign exchange contracts												
- Currency forwards	1,699,118	187,019	-	1,886,137	75,624	12,882	-	88,506	2,883	-	-	2,883
- Cross currency swaps	5,702,801	786,411	383,035	6,872,247	39,949	16,055	1,604	57,608	216,417	48,585	38,307	303,309
- Currency options	734	-	-	734	1	-	-	1	1	-	-	1
Interest rate contracts												
- Interest rate swaps	1,156,279	794,125	1,427,148	3,377,552	5,707	8,002	10,211	23,920	5,068	4,244	10,250	19,562
	<b>8,558,932</b>	<b>1,767,555</b>	<b>1,810,183</b>	<b>12,136,670</b>	<b>121,281</b>	<b>36,939</b>	<b>11,815</b>	<b>170,035</b>	<b>224,369</b>	<b>52,829</b>	<b>48,557</b>	<b>325,755</b>

### 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
	<b>4,428,395</b>	<b>1,808,090</b>	<b>1,877,464</b>	<b>8,113,949</b>	<b>28,219</b>	<b>7,320</b>	<b>20,237</b>	<b>55,776</b>	<b>41,852</b>	<b>19,701</b>	<b>32,315</b>	<b>93,868</b>

## **A26. DERIVATIVE FINANCIAL INSTRUMENTS (Cont.)**

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

### **Market risk**

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at the reporting date, the notional amount of foreign exchange exposure which was not hedged and hence, exposed to market risk was RM2.0 million (FYE 31/12/2013: RM1.0 million), while the notional amount of interest rate contract was RM1,396.7 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 RM384.2 million (FYE 31/12/2013: RM146.8 million) and RM88.3 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 2014.

## A27. FAIR VALUE MEASUREMENTS

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

- (a) Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (b) Level 2 - quoted prices for identical or similar instruments in markets that are not active; and model-derived which inputs other than quoted prices included within Level 1 that are observable for the asset or either directly or indirectly.
- (c) Level 3 - valuations derived from valuation techniques in which one or more significant inputs are not based on market data.

### Group

	Level 1 RM'000	Level 2 RM'000	Level 3 # RM'000	Total RM'000
<b>2014</b>				
<b>Assets</b>				
Financial assets held-for-trading	18,903	163,877	-	182,780
Financial investments available-for-sale *				
- Private debt securities	-	5,994,458	-	5,994,458
- Equity securities	92,434	41,046	147,564	281,044
- Money market instruments	-	6,342,118	-	6,342,118
Derivative financial assets	-	170,035	-	170,035
<b>Liabilities</b>				
Derivative financial liabilities	-	325,755	-	325,755
<b>2013</b>				
<b>Assets</b>				
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
- Money market instruments	-	3,996,158	-	3,996,158
Derivative financial assets	-	55,776	-	55,776
<b>Liabilities</b>				
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 2014, therefore there is no unobservable input used for these financial investments classified.

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. These would include actively traded listed equities and actively exchange-traded derivatives.

Where fair value is determined using unquoted market 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 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.

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Such inputs are generally determined based on observable inputs of a similar nature, historical observations on the level of the input or other analytical techniques.

**A27. FAIR VALUE MEASUREMENTS (Cont.)**

This category includes unquoted shares held for socio economic reasons. Fair values for shares held for socio economic reasons are based on the net tangible assets of the affected companies. The Group exposure to financial instruments classified as Level 3 comprised a small number of financial instruments which constitute an insignificant component of the Group's portfolio of financial instruments. Hence, changing one or more of the inputs to reasonable alternative assumptions would not change the value significantly for the financial assets in Level 3 of the fair value hierarchy.

The Group recognise transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. Transfers between fair value hierarchy primarily due to change in the level of trading activity, change in observable market activity related to an input, reassessment of available pricing information and change in the significance of the unobservable input. There were no transfers between Level 1, 2 and 3 of the fair value hierarchy during the financial year (2013: Nil).

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

<b>Group</b>	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
As at beginning of the financial year	134,312	120,604
Purchases	3,517	-
Profit/(loss)	200	-
Sales	(3,716)	-
Total gains recognised in other comprehensive income	12,225	13,708
Allowance for impairment losses	(550)	-
Transfer in	1,576	-
As at end of the financial year	147,564	134,312

**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.

## A28. 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 Hwang Investment Bank have complied with the above minimum regulatory capital adequacy requirement as at 31 December 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 Bank		AFFIN Hwang Investment Bank	
	31/12/2014 RM'000	31/12/2013 RM'000	31/12/2014 RM'000	31/12/2013 RM'000	31/12/2014 RM'000 [Note]	31/12/2013 RM'000	31/12/2014 RM'000	31/7/2013 RM'000 [Note]
<b>a) The components of CET I, Tier I</b>								
<b>Tier II capital :-</b>								
<u>CET I/Tier I capital</u>								
Share capital	1,688,770	1,518,337	360,000	360,000	-N/A-	222,246	780,000	-N/A-
Share premium	858,904	529,337	-	-	"	142,270	219,800	"
Statutory reserves	1,263,470	1,144,350	206,324	173,026	"	202,821	199,071	"
Retained profit	760,153	798,118	163,244	178,966	"	70,679	260,692	"
Unrealised gains/(losses) on AFS	30,893	6,533	(7,730)	(9,112)	"	2,762	5,347	"
	4,602,190	3,996,675	721,838	702,880	-N/A-	640,778	1,464,910	-N/A-
Less : Regulatory adjustments:-								
- Goodwill	(150,690)	(137,323)	(891)	-	-N/A-	(54,648)	(314,772)	-N/A-
- Investments in subsidiaries	(77,815)	-	(130)	-	"	(6,904)	(124,563)	"
- Deferred tax assets	(218)	(8,553)	(2,900)	(773)	"	(3,879)	(5,990)	"
- 55% of cumulative gains of AFS	(16,991)	(3,593)	-	-	"	(1,518)	(2,941)	"
Total CET I Capital	4,356,476	3,847,206	717,917	702,107	-N/A-	573,829	1,016,644	-N/A-
Total Tier I Capital (a)	4,356,476	3,847,206	717,917	702,107	-N/A-	573,829	1,016,644	-N/A-
<u>Tier II capital</u>								
Subordinated loans	480,000	810,000	-	-	-N/A-	-	-	-N/A-
Regulatory adjustments	135,347	-	49,020	-	-N/A-	-	3,556	-N/A-
Collective impairment #	129,134	123,103	21,120	20,470	"	6,847	9,001	"
Less : Investment in subsidiaries	(311,259)	(389,088)	(520)	(650)	"	(6,847)	(12,557)	"
Total Tier II Capital (b)	433,222	544,015	69,620	19,820	-N/A-	-	-	-N/A-
Total Tier I & II Capital (a) + (b)	4,789,698	4,391,221	787,537	721,927	-N/A-	573,829	1,016,644	-N/A-
Capital base before proposed dividends	4,789,698	4,391,221	787,537	721,927	-N/A-	573,829	1,016,644	-N/A-
Proposed dividends	(66,031)	(91,100)	-	-	"	(25,558)	-	"
<b>Capital base after proposed dividends</b>	<b>4,723,667</b>	<b>4,300,121</b>	<b>787,537</b>	<b>721,927</b>	<b>-N/A-</b>	<b>548,271</b>	<b>1,016,644</b>	<b>-N/A-</b>
<b>b) The breakdown of risk-weighted assets :-</b>								
Credit risk	32,586,612	31,911,266	5,390,103	4,712,068	-N/A-	1,480,154	2,791,978	
Market risk	284,148	296,107	2,590	3,570	"	296,735	191,477	"
Operational risk	1,954,278	1,902,412	366,578	339,365	"	249,689	325,813	"
<b>Total risk-weighted assets</b>	<b>34,825,038</b>	<b>34,109,785</b>	<b>5,759,271</b>	<b>5,055,003</b>	<b>-N/A-</b>	<b>2,026,578</b>	<b>3,309,268</b>	<b>-N/A-</b>
<b>c) Capital adequacy ratios :-</b>								
<u>Before deducting proposed dividends:-</u>								
CET I Capital Ratio	12.510%	11.279%	12.465%	13.889%	-N/A-	28.315%	30.721%	-N/A-
Tier I Capital Ratio	12.510%	11.279%	12.465%	13.889%	"	28.315%	30.721%	"
Tier I Capital Ratio	13.754%	12.874%	13.674%	14.281%	"	28.315%	30.721%	"
<u>After deducting proposed dividends:-</u>								
CET I Capital Ratio	12.320%	11.012%	12.465%	13.889%	-N/A-	27.054%	30.721%	-N/A-
Tier I Capital Ratio	12.320%	11.012%	12.465%	13.889%	"	27.054%	30.721%	"
Total Capital Ratio	13.564%	12.607%	13.674%	14.281%	"	27.054%	30.721%	"

# 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 : a) As disclosed in Note A24 (a), AFFIN Hwang Investment Bank Berhad became a wholly-owned subsidiary of AFFIN Holdings Berhad ("AHB"), upon the completion of the IB Acquisition on 7 April 2014.

Note : b) As disclosed in Note A24 (b), AFFIN Investment Bank Berhad ceased its operations as an investment bank upon the completion of the IB Merger with AFFIN Hwang Investment Bank on 20 September 2014.



## A29. LIQUIDITY RISK

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

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

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

<b>Group</b>	<b>Up to 1</b>	<b>&gt; 1-3</b>	<b>&gt; 3-12</b>	<b>&gt; 1-5</b>	<b>Over 5</b>	<b>Total</b>
<b>31/12/2014</b>	<b>month</b>	<b>months</b>	<b>months</b>	<b>years</b>	<b>years</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Assets</b>						
Cash and short-term funds	7,360,588	-	-	-	-	7,360,588
Deposits and placements with banks and other financial institutions	-	-	-	322,216	61,476	383,692
Trade receivables	426,353	2,701	182	-	-	429,236
Financial assets held-for-trading	182,780	-	-	-	-	182,780
Financial investments available-for-sale	1,152,889	892,810	1,758,457	5,750,986	3,062,478	12,617,620
Financial investments held-to-maturity	70,375	155,879	30,381	131,554	264,312	652,501
Derivative financial assets	21,238	35,782	74,657	36,133	2,225	170,035
Loans, advances and financing	3,221,392	1,911,432	2,471,658	11,028,891	21,858,643	40,492,016
Other assets	215,219	769	28,208	46,231	10,530	300,957
Statutory deposits with Bank Negara Malaysia	1,831,550	-	-	-	-	1,831,550
Other non-financial assets (Note 1)	515,426	-	4,105	22,893	1,706,277	2,248,701
<b>Total assets</b>	<b>14,997,810</b>	<b>2,999,373</b>	<b>4,367,648</b>	<b>17,338,904</b>	<b>26,965,941</b>	<b>66,669,676</b>

Note 1 : Other non-financial assets include investment in associate, amount due from associate, investment in joint ventures, property and equipment, intangible assets, taxation recoverable and deferred tax assets.

**A29. LIQUIDITY RISK (Cont.)**

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

<b>Group</b>	<b>Up to 1 month RM'000</b>	<b>&gt; 1-3 months RM'000</b>	<b>&gt; 3-12 months RM'000</b>	<b>&gt; 1-5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Total RM'000</b>
<b>31/12/2014</b>						
<b>Liabilities</b>						
Deposits from customers	24,042,889	12,851,050	12,899,702	810,364	-	50,604,005
Deposits and placements with banks and other financial institutions	2,582,639	2,319,508	465,656	-	-	5,367,803
Bills and acceptances payable	94,308	-	-	-	-	94,308
Trade payables	582,166	-	-	-	-	582,166
Derivatives financial liabilities	45,849	49,584	129,181	88,471	12,670	325,755
Recourse obligation on loans sold to Cagamas Berhad	-	834	-	138,313	-	139,147
Other liabilities	477,430	2,633	87,704	-	-	567,767
Borrowings	3,052	3,096	-	966,310	-	972,458
Other non-financial liabilities (Note 2)	-	-	28,097	4,349	110	32,556
<b>Total liabilities</b>	<b>27,828,333</b>	<b>15,226,705</b>	<b>13,610,340</b>	<b>2,007,807</b>	<b>12,780</b>	<b>58,685,965</b>
 Net liquidity gap	 (12,830,523)	 (12,227,332)	 (9,242,692)	 15,331,097	 26,953,161	

Note 2 : Other non-financial liabilities include provision for taxation and deferred tax liabilities.

**A29. LIQUIDITY RISK (Cont.)**

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

<b>Group</b>	<b>Up to 1</b>	<b>&gt; 1-3</b>	<b>&gt; 3-12</b>	<b>&gt; 1-5</b>	<b>Over 5</b>	<b>Total</b>
<b>31/12/2013</b>	<b>month</b>	<b>months</b>	<b>months</b>	<b>years</b>	<b>years</b>	<b>RM'000</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Assets</b>						
Cash and short-term funds	9,331,374	-	-	-	-	9,331,374
Deposits and placements with banks and other financial institutions	608	72,150	9,298	324,607	61,922	468,585
Reverse repurchase agreements with financial institutions	-	-	-	-	-	-
Trade receivables	176,706	-	-	-	-	176,706
Financial assets held-for-trading	149,544	-	-	-	-	149,544
Financial investments available-for-sale	219,411	897,061	965,331	4,029,488	2,656,700	8,767,991
Financial investments held-to-maturity	70,913	1,075	20,067	245,218	286,760	624,033
Derivative financial assets	8,965	22,884	8,136	5,220	10,571	55,776
Loans, advances and financing	1,688,609	1,516,105	2,148,811	8,196,180	23,359,679	36,909,384
Other assets	191,730	14	95,359	1,877	20,031	309,011
Statutory deposits with Bank Negara Malaysia	1,545,144	-	-	-	-	1,545,144
Other non-financial assets (Note 1)	10,892	-	5,190	6,126	1,591,801	1,614,009
<b>Total assets</b>	<b>13,393,896</b>	<b>2,509,289</b>	<b>3,252,192</b>	<b>12,808,716</b>	<b>27,987,464</b>	<b>59,951,557</b>

Note 1 : Other non-financial assets include investment in associate, amount due from associate, investment in joint ventures, property and equipment, intangible assets, taxation recoverable and deferred tax assets.

**A29. LIQUIDITY RISK (Cont.)**

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

<b>Group</b>	<b>Up to 1 month RM'000</b>	<b>&gt; 1-3 months RM'000</b>	<b>&gt; 3-12 months RM'000</b>	<b>&gt; 1-5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Total RM'000</b>
<b>31/12/2013</b>						
<b>Liabilities</b>						
Deposits from customers	22,068,361	10,331,290	14,232,615	711,248	10,000	47,353,514
Deposits and placements with banks and other financial institutions	2,333,495	1,374,363	276,054	-	-	3,983,912
Bills and acceptances payable	90,208	-	-	-	-	90,208
Trade payables	179,078	-	-	-	-	179,078
Derivatives financial liabilities	9,234	22,725	21,284	23,847	16,778	93,868
Recourse obligation on loans sold to Cagamas Berhad	1,297	1,786	123,243	271,464	-	397,790
Other liabilities	413,456	37,339	4,694	11,965	-	467,454
Borrowings	2,881	3,241	-	966,310	-	972,432
Other non-financial liabilities (Note 2)	2	-	36,575	-	-	36,577
<b>Total liabilities</b>	<b>25,098,012</b>	<b>11,770,744</b>	<b>14,694,465</b>	<b>1,984,834</b>	<b>26,778</b>	<b>53,574,833</b>
Net liquidity gap	(11,704,116)	(9,261,455)	(11,442,273)	10,823,882	27,960,686	

Note 2 : Other non-financial liabilities include provision for taxation and deferred tax liabilities.

### A30. OPERATIONS OF ISLAMIC BANKING

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

	Group	
	31/12/2014 RM'000	31/12/2013 RM'000
<b>ASSETS</b>		
Cash and short-term funds	3,333,472	4,506,301
Deposits and placements with banks and other financial institutions	-	120,016
Financial investments available-for-sale	1,532,500	1,283,123
Financial investments held-to-maturity	82,754	85,064
Derivative financial assets	12	-
Loans, advances and financing	7,163,621	6,048,876
Other assets	305,228	46,702
Statutory deposit with Bank Negara Malaysia	298,000	233,000
Deferred tax assets	2,900	2,960
Property and equipment	3,261	3,046
Intangible assets	891	1,666
<b>TOTAL ASSETS</b>	<b>12,722,639</b>	<b>12,330,754</b>
<b>LIABILITIES, ISLAMIC BANKING FUNDS</b>		
Deposits from customers	9,870,394	9,290,544
Deposits and placements of banks and other financial institutions	2,045,720	2,242,480
Derivative financial liabilities	34	-
Other liabilities	30,358	91,282
Provision for taxation	4,071	2,031
<b>Total Liabilities</b>	<b>11,950,577</b>	<b>11,626,337</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	360,000	360,000
Reserves	412,062	344,417
<b>Total Equity</b>	<b>772,062</b>	<b>704,417</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>12,722,639</b>	<b>12,330,754</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	<b>2,112,921</b>	<b>1,667,189</b>

### A30. OPERATIONS OF ISLAMIC BANKING (Cont.)

#### (ii) Unaudited Islamic Income Statements

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	129,118	112,462	472,996	428,386
Income derived from investment of Shareholders' funds	8,891	7,674	33,586	29,781
Allowance for losses on financing	(2,344)	307	(3,725)	335
	135,665	120,443	502,857	458,502
Income attributable to depositors	(77,911)	(72,141)	(291,126)	(267,277)
Income attributable to shareholders	57,754	48,302	211,731	191,225
Other operating expenses	(29,740)	(27,225)	(119,525)	(103,747)
Impairment loss	-	-	(550)	-
	28,014	21,077	91,656	87,478
Share of results of a joint venture	-	-	-	(210)
Profit before taxation and zakat	28,014	21,077	91,656	87,268
Zakat	(4,772)	-	(4,772)	(8,583)
Profit before taxation	23,242	21,077	86,884	78,685
Taxation	(6,423)	(4,596)	(20,288)	(19,744)
Net profit for the financial period attributable to the equity holders of the Company	16,819	16,481	66,596	58,941

#### (iii) Unaudited Statements of Comprehensive Islamic Income

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
	RM'000	RM'000	RM'000	RM'000
Profit after taxation	16,819	16,481	66,596	58,941
Other comprehensive income :-				
- Net fair value change in financial investments available-for-sale	(3,729)	(5,873)	1,381	(12,576)
- Deferred tax on revaluation of financial investments available-for-sale	894	1,377	(332)	3,053
Other comprehensive income for the financial period, net of tax	(2,835)	(4,496)	1,049	(9,523)
<b>Total comprehensive income for the financial period attributable to the equity holders of the Company</b>	<b>13,984</b>	<b>11,985</b>	<b>67,645</b>	<b>49,418</b>

**A30. OPERATIONS OF ISLAMIC BANKING (Cont.)**

**(iv) Financing**

	<b>Group</b>	
	<b>31/12/2014</b>	<b>31/12/2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>By type</u>		
Cash line	203,963	182,947
Term financing		
- Housing financing	1,832,181	1,712,692
- Syndicated term financing	262,031	268,072
- Hire purchase receivables	2,044,708	1,795,689
- Business term financing	1,919,443	1,610,756
Bills receivables	12,189	32,260
Trust receipts	19,848	25,702
Claims on customers under acceptance credits	121,416	67,474
Staff financing	9,629	10,880
Revolving credit	807,125	410,707
	<b>7,232,533</b>	<b>6,117,179</b>
Less : Allowance for impairment		
- Collective impairment	(37,393)	(33,719)
- Individual impairment	(31,519)	(34,584)
<b>Total net financing</b>	<b>7,163,621</b>	<b>6,048,876</b>

**(v) Impaired financing**

**(a) Movements of impaired financing**

Balance at the beginning of financial year	131,630	129,792
Classified as impaired during the financial year	90,964	69,047
Reclassified as non-impaired during the financial year	(54,830)	(45,964)
Amount recovered during the financial year	(34,076)	(19,782)
Amount written-off during the financial year	(4,531)	(1,463)
Balance at the end of financial year	<b>129,157</b>	<b>131,630</b>

**(b) Movements in the allowance for impairment on financing**

**Collective impairment**

Balance at the beginning of financial year	33,719	34,936
Additional allowance for impairment during the financial year	6,383	242
Amount written-off during the financial year	(2,709)	(1,459)
Balance at the end of financial year	<b>37,393</b>	<b>33,719</b>

**Individual impairment**

Balance at the beginning of financial year	34,584	35,095
Allowance for impairment during the financial year	1,509	690
Amount recovered during the financial year	(3,782)	(434)
Amount written-off during the financial year	(1,813)	-
Unwinding of discount of allowance	(763)	(1,045)
Exchange difference	1,784	278
Balance at the end of financial year	<b>31,519</b>	<b>34,584</b>

**A30. OPERATIONS OF ISLAMIC BANKING (Cont.)**

**(vi) Deposits from customers**

	<b>Group</b>	
	<b>31/12/2014</b>	<b>31/12/2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>By type of deposits</u>		
<b>Non-Mudharabah Funds</b>		
Demand deposits	2,664,058	2,717,722
Savings deposits	395,338	227,884
Negotiable Instruments of Deposits	249,412	-
Murabahah term deposits	5,190,631	1,021,789
Commodity Murabahah Deposit (CMD)	1,030,814	-
	9,530,253	3,967,395
<b>Mudharabah Funds</b>		
Demand deposits	-	37,631
Savings deposits	-	136,702
General investment deposits	340,141	4,574,624
Special investment deposits	-	574,192
	340,141	5,323,149
Total deposits from customers	9,870,394	9,290,544



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

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

The Group reported a higher profit before tax and zakat ("PBT") of RM287.6 million for the current financial quarter ended 31 December 2014 as compared to RM219.8 million for the preceding year's corresponding quarter. For the year ended 31 December 2014, the Group's PBT of RM825.3 million indicated a decrease of RM38.6 million or 4.5% as compared to RM863.9 million for the previous financial year. For the year under review, the increase in other operating income, net interest income and Islamic banking income of RM241.9 million, RM32.4 million and RM23.5 million respectively, were outpaced by the increase in overhead expenses, net allowance for loan impairment and finance cost of RM266.3 million, RM49.8 million and RM19.1 million respectively.

#### Commercial Banking

The results of the commercial banking segment is mainly attributable to the AFFIN Bank Berhad ("ABB") Group which registered a higher PBT of RM253.9 million for the current financial quarter as compared to RM198.1 million for the preceding year's corresponding quarter. For the year ended 31 December 2014, the ABB Group registered a lower PBT of RM720.1 million as compared to RM762.2 million achieved in the previous year. For the year under review, both the Islamic banking income and loan recovery were higher by RM23.5 million and RM21.1 million respectively. However, the amounts were not sufficient to offset the increase in allowance for loan impairment and overhead expenses of RM59.6 million and RM19.5 million respectively, and the decrease in other operating income of RM14.1 million.

The wholly-owned subsidiary, namely AFFIN Islamic Bank Berhad registered a higher PBT of RM91.7 million for the year ended 31 December 2014 as compared to RM87.3 million for the previous year. The increase in operating income of RM24.6 million was partially offset by the increase in both the overhead expenses and allowance for financing loss of RM15.8 million and RM3.5 million respectively.

#### Investment Banking

The results of the investment banking segment is attributed to the AFFIN Investment Bank Berhad ("AIBB") Group and AFFIN Hwang Investment Bank Berhad ("AFFIN Hwang IB") Group. The acquisition of AFFIN Hwang IB Group was completed on 7 April 2014 and the merger between AFFIN Hwang IB Group and AIBB Group (including the asset management companies) had also been completed on 20 September 2014.

The Investment Banking Group reported a higher PBT of RM23.2 million for the current financial quarter as compared to RM21.4 million for the preceding year's corresponding quarter. For the year ended 31 December 2014, the Investment Banking Group registered a higher PBT of RM107.4 million as compared to RM85.0 million achieved in the previous year. The improved performance was mainly due to the increase in other operating income and net interest income of RM255.8 million and RM35.0 million respectively, net of higher overhead expenses of RM255.7 million, all which were mainly attributable to AFFIN Hwang IB including the integration cost of RM29.6 million incurred on the merger of the Investment Banking Group.

For the year ended 31 December 2014, the asset management businesses contributed a total pre-tax profit of RM44.2 million as compared to RM12.2 million for the same period last year, mainly attributable to the PBT of AFFIN Hwang AM of RM33.7 million for the year under review. The PBT of AFFIN Hwang AM of RM33.7 million was made up of the other operating income and net interest income of RM161.5 million and RM1.8 million respectively, net of overhead expenses of RM130.0 million. The other operating income was in turn attributed to management fee income and upfront fee on sale of unit trust of RM109.3 million and RM49.1 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"), similar to that of the preceding year's corresponding quarter, reported a pre-tax profit of RM3.6 million for the current financial quarter under review. For the year ended 31 December 2014, AALI reported a lower pre-tax profit of RM8.9 million as compared to RM11.2 million for previous financial year, mainly due to higher reserves for future policyholders' liabilities of RM1.9 million arising from the downward shift of the MGS yield curve as oppose to a release for future policyholders' liabilities of RM19.5 million for the previous financial year ended 31 December 2013. This was partially offset by higher gains on disposal of equities of RM12.5 million, higher contribution from underwriting results of the life business of RM7.2 million.

AXA AFFIN General Insurance Berhad ("AAGI"), reported a higher pre-tax profit of RM43.1 million for the current financial quarter as compared to RM41.2 million for the preceding year's corresponding quarter. For the year ended 31 December 2014, AAGI reported a higher pre-tax profit of RM120.4 million as compared to RM87.2 million achieved in the previous year. The improved performance was mainly due to higher earned premium of RM173.9 million attributable to health and motor businesses, higher investment income of RM11.9 million net of the increase in net claims, overhead expenses and net commission incurred of RM87.1 million, RM45.8 million and RM16.7 million respectively. Included in the share of results in AAGI of RM29.3 million for the year 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 result of the other business segment is mainly attributable to AFFIN Moneybrokers Sdn Bhd ("AMB"). AMB reported a higher pre-tax profit of RM1.2 million for the current financial quarter as compared to the RM0.3 million for the preceding year's corresponding quarter. The Company also reported a higher pre-tax profit of RM2.5 million for the year ended 31 December 2014 as compared to RM2.2 million achieved last year, mainly due to higher net brokerage income net of higher overhead expenses.

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

The Group reported a higher profit before tax and zakat ("PBT") of RM287.6 million for the current financial quarter as compared to RM189.9 million for the preceding quarter ended 30 September 2014. The improved performance was mainly due to the increase in loan recovery of RM61.1 million and lower overhead expenses of RM54.8 million, net of lower other operating income of RM38.6 million for the quarter under review.

## **B3. PROSPECT FOR FINANCIAL YEAR 2015**

### Commercial Banking

Moving forward, the Bank expects the upcoming financial year to present many challenges but with huge opportunities ahead. The recent economic development on oil prices, Ringgit depreciation and subsidy rationalization as well as the implementation of Goods and Services Tax ("GST") in second quarter 2015 will have an impact on the Banking industry as a whole and the Bank would expect a moderation in household demand and potential stress in asset quality.

Under the current environment, the Bank will be stepping up efforts to improve efficiency and productivity in delivering its products and services. In consumer segment, the Bank will be more active in secondary mortgage market and take advantage on the government's affordable housing schemes.

### **B3. PROSPECT FOR FINANCIAL YEAR 2015 (Cont.)**

#### Commercial Banking (Cont.)

In the auto financing segment, the Bank sees opportunities in the national car segment, where yield is expected to be better. Opportunities in commercial vehicle financing will also be the Bank focus areas. For business banking, the Bank will continue to focus on SME lending and target financing to bankable sectors aligned with the Economic Transformation Programme ("ETP") projects. The Bank will continue to focus on transactional banking as major source of fee income.

As the bank explores new collaboration and opportunities within the Group, the Bank is in a solid position to deliver another year of business growth. The Bank is also continuously enhancing its network presence for better customer service and actively seeking out for new growth opportunities domestically or beyond Malaysian shore.

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 continues to be optimistic on the potential opportunities in the capital markets, albeit at a slower pace largely driven by the sharp fall in global oil price; which negatively impact on the government's fiscal deficit position and spending power for 2015. The introduction of the Goods and Services Tax in April 2015 and further liberalisation of subsidies should slightly mitigate the anticipated decline in government income from oil related sources.

The Investment Banking Group also looks forward to its first full year of operating as a merged entity upon successfully completed its merger exercise in the last quarter of 2014, which together with the collaboration with Daiwa Securities Group Inc., of Japan has created a leading domestic stockbroking position for the Group. However, the Group takes cognizant of the increasingly competitive operating environment for the investment banking industry as a whole, whereby the stockbroking volume and capital market assignments are highly dependent on the overall market sentiments.

The asset and fund management division shall continue to grow its business and selectively capitalise on the potential regional growth opportunities to further expand its assets under management and clientele base. Moving forward as a merged asset management group that is backed by an investment bank; the segment is optimistic on its combined performance and its ability to offer a wider range of products and services to its enlarged clientele.

#### Insurance

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

The agency distribution channel recorded a strong new business growth rate of 9% for 2014 on the back of higher manpower. The initiatives on the recruitment and retention activated in 2014 would continue to spur the agency channel to continue its growth momentum in 2015. For bancassurance, AALIB would continue to leverage on AFFIN Bank and its network for sustainable growth, amidst an increasingly challenging and competitive environment.

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

Market and economic challenges will persist in 2015 with the global and local changes in business climate, inflationary costs, as well as regulatory and tax development. Amidst such market forces, AAGI will continue to put in place the strategies and priorities which focus on key business lines, digital transformation, customer centricity, information technology and human resources. AAGI is positive to achieve the expected growth in performance targets for 2015 with our clear business direction and the dedicated team.

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

The performance of the Group as compared to the announced headline Key Performance Indicators (KPIs) for the financial year ended 31 December 2014 is summarised below :-

<u>Headline KPIs</u>	<u>As announced for the financial year 2014</u>	<u>Actual Achieved 31/12/2014</u>
(i) After Tax Returns on Equity (ROE)	9.2%	8.4%
(ii) After Tax Returns on Assets (ROA)	1.1%	1.0%
(iii) Gross Impaired Loan Ratio	1.84%	1.82%
(iv) Earnings Per Share (EPS)	36.00 sen	35.25 sen

#### B5. VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

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

#### B6. TAXATION

	<-----Group----->			
	<b>Individual Quarter Ended 31/12/2014 RM'000</b>	<b>31/12/2013 RM'000</b>	<b>Cumulative Quarter Ended 31/12/2014 RM'000</b>	<b>31/12/2013 RM'000</b>
Malaysian Taxation :-				
- Income tax based on profit for the financial year	69,588	55,327	212,540	203,854
Deferred tax :-				
- Relating to originating temporary differences	1,747	(1,928)	(5,406)	(31)
Under/(over) provision in prior years :-				
- Current taxation	1,125	(897)	46	392
	<b>72,460</b>	<b>52,502</b>	<b>207,180</b>	<b>204,215</b>

For the current period under review, the Group's effective tax was slightly 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

There were no other corporate proposals announced but not completed as at 31 December 2014.

## B8. GROUP BORROWINGS AND DEBT SECURITIES

### (i) Deposits from Customers

	Group	
	31/12/2014 RM'000	31/12/2013 RM'000
<u>By Type of Deposits:-</u>		
Money Market Deposits	1,177,702	1,050,233
Demand Deposits	8,096,429	8,202,729
Savings Deposits	2,047,242	2,004,242
Fixed Deposits	31,032,250	29,039,949
Negotiable Instruments of Deposits ('NIDs')	7,059,508	6,482,169
Special Investment Deposits	-	574,192
Commodity Murabahah Deposit (CMD)	1,030,814	-
Other deposits	160,060	-
	50,604,005	47,353,514

Maturity structure of fixed deposits and NIDs are as follows:-

Due within six months	31,712,118	29,007,708
Six months to one year	5,670,967	6,392,507
One year to three years	701,583	80,239
Three years to five years	7,090	31,344
Five years and above	-	10,320
	38,091,758	35,522,118

By Type of Customers:-

Government and statutory bodies	9,335,163	9,127,809
Business enterprises	14,468,197	14,715,136
Individuals	13,138,092	11,660,423
Domestic banking institutions	6,736,994	5,792,563
Domestic non-banking financial institutions	5,639,041	4,485,465
Foreign Entities	398,477	328,666
Others	888,041	1,243,452
	50,604,005	47,353,514

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

By Type of Institutions:-

Licensed banks	2,783,993	3,285,513
Licensed investment banks	154,173	282,459
Bank Negara Malaysia	47,898	-
Other financial institutions	2,381,739	415,940
	5,367,803	3,983,912

By Maturity Structure:-

Due within six months	5,319,905	3,779,530
Six months to one year	47,898	204,382
One year to three years	-	-
	5,367,803	3,983,912

### (iii) Borrowings

Unsecured :-

One year or less (short-term)	66,590	302,029
More than one year (medium/long-term)	905,868	670,403
	972,458	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 :-

	<b>Group</b>	
	<b>31/12/2014</b>	<b>31/12/2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Total retained profits of AFFIN Holdings Berhad and its subsidiaries :-</u>		
- Realised	2,067,594	1,675,523
- Unrealised		
- deferred tax recognised in the income statement	23,708	14,676
- other items of income and expense	79,501	40,596
	2,170,803	1,730,795
<u>Total share of retained profits in associate:-</u>		
- Realised	216,357	187,712
- Unrealised	4,161	3,527
<u>Total share of retained profits/(losses) in joint ventures :-</u>		
- Realised	(13,758)	(19,690)
- Unrealised	(1,080)	4,610
	2,376,483	1,906,954
Add: Consolidation adjustments	(276,657)	90,588
Total Group retained profits as per consolidated financial statements	2,099,826	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 the Bank in respect of claims and counter claims of approximately RM78.6 million (2013: RM117.6 million). Based on legal advice, the Directors are of the opinion that no provision for damages need to be made in the financial statements, as the probability of adverse adjudication against the Bank is remote.

## B11. DIVIDENDS

- a) No final dividend has been proposed for the current financial year ended 31 December 2014.
- b) Total dividend for the current financial year : Single-tier dividend of 15.0 sen per share, paid on 30 December 2014.
- c) Total dividend for the previous financial year : Tax exemption dividend of 8.9 sen per share and single-tier dividend of 6.1 sen per share, paid on 30 December 2013.

## B12. EARNINGS PER SHARE

	-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Net profit attributable to equity holders of the Company (RM'000)	<b>208,597</b>	166,915	<b>605,271</b>	650,021
Weighted average number of ordinary shares in issue	<b>1,942,948,547</b>	1,494,575,806	<b>1,716,919,549</b>	1,494,575,806
Basic and diluted earnings per share (sen)	<b>10.74</b>	11.17	<b>35.25</b>	43.49

The basic and diluted earnings per share of the Group for the current financial quarter ended 31 December 2014 have been calculated based on the net profit attributable to the equity holders of the company of RM208,597,000 (2013: RM166,915,000) divided by the weighted average number of ordinary shares in issue during the current financial quarter of 1,942,948,547 (2013: 1,494,575,806).

The basic and diluted earnings per share of the Group for the cumulative quarter ended 31 December 2014 have been calculated based on the net profit attributable to the equity holders of the company of RM605,271,000 (2013: RM650,021,000) divided by the weighted average number of ordinary shares in issue during the current financial quarter of 1,716,919,549 (2013: 1,494,575,806).

## B13. ECONOMIC PROFIT/(LOSS)

	-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
	RM'000	RM'000	RM'000	RM'000
Net profit attributable to equity holders of the Company for the financial period	208,597	166,915	605,271	650,021
Less: Economic charge	(219,603)	(170,430)	(785,372)	(658,449)
Economic profit/(loss) attributable to equity holders of the Company for the financial period	<b>(11,006)</b>	<b>(3,515)</b>	<b>(180,101)</b>	<b>(8,428)</b>

### 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.