

AFFIN HOLDINGS BERHAD

(Company no. 23218 - W)

Condensed Interim Financial Statements

Unaudited Statements of Financial Position As At 30 June 2015

		< ----- GROUP ----- >		< ----- COMPANY ----- >	
	Note	30/6/2015 RM'000	31/12/2014 RM'000 (Restated)	30/6/2015 RM'000	31/12/2014 RM'000
ASSETS					
Cash and short-term funds		5,035,875	7,360,588	98,501	33,760
Deposits and placements with banks and other financial institutions		431,055	383,692	-	85,087
Trade receivables	A9	531,172	429,236	-	-
Financial assets held-for-trading	A10	188,519	182,780	-	-
Financial investments available-for-sale	A10	12,022,754	12,617,620	-	-
Financial investments held-to-maturity	A10	482,919	652,741	-	-
Derivative financial assets		230,013	170,035	-	-
Loans, advances and financing	A11	41,630,202	40,492,016	-	-
Other assets	A12	310,617	300,957	269	394
Statutory deposits with Bank Negara Malaysia		1,809,660	1,831,550	-	-
Amount due from subsidiaries		-	-	604,284	604,313
Amount due from associate		67,473	67,256	67,473	67,256
Investment in subsidiaries		-	-	5,902,034	5,902,034
Investment in joint ventures		144,966	136,208	159,630	146,880
Investment in associate		261,674	241,457	15,623	15,623
Tax recoverable		35,951	18,730	3,161	4,085
Deferred tax assets		12,128	13,954	-	-
Property and equipment		168,585	164,176	210	283
Intangible assets		1,605,350	1,615,161	4	4
TOTAL ASSETS		64,968,913	66,678,157	6,851,189	6,859,719
LIABILITIES AND EQUITY					
Deposits from customers	B8	49,698,738	50,604,005	-	-
Deposits and placements of banks and other financial institutions	B8	3,379,207	5,367,803	-	-
Obligation on securities sold under repurchase agreements		1,079,524	-	-	-
Bills and acceptances payable		104,524	94,308	-	-
Trade payables		513,471	582,166	-	-
Derivative financial liabilities		402,398	325,755	-	-
Recourse obligation on loans sold to Cagamas Berhad		136,914	139,147	-	-
Other liabilities	A13	541,507	567,767	2,120	2,965
Provision for taxation		10,057	32,418	-	-
Deferred tax liabilities		20,842	19,879	68	68
Amount due to subsidiaries		-	-	911,616	911,620
Borrowings	B8	905,851	972,458	905,851	972,458
TOTAL LIABILITIES		56,793,033	58,705,706	1,819,655	1,887,111

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2014.

AFFIN HOLDINGS BERHAD

(Company no. 23218 - W)

Condensed Interim Financial Statements**Unaudited Statements of Financial Position As At 30 June 2015**

	< ----- GROUP ----- >		< ----- COMPANY ----- >	
Note	30/6/2015	31/12/2014	30/6/2015	31/12/2014
	RM'000	RM'000	RM'000	RM'000
		(Restated)		
EQUITY				
Share capital	1,942,949	1,942,949	1,942,949	1,942,949
Reserves:-				
Share premium	2,185,712	2,185,712	2,185,712	2,185,712
Statutory reserves	1,502,616	1,502,616	-	-
AFS revaluation reserves	51,247	25,191	-	-
Regulatory reserves	134,837	187,922	-	-
Retained profits	2,309,790	2,087,232	902,873	843,947
Equity attributable to equity holders of the Company	8,127,151	7,931,622	5,031,534	4,972,608
Non-controlling interest	48,729	40,829	-	-
TOTAL EQUITY	8,175,880	7,972,451	5,031,534	4,972,608
TOTAL LIABILITIES AND EQUITY	64,968,913	66,678,157	6,851,189	6,859,719
COMMITMENTS AND CONTINGENCIES	26,289,144	27,300,154	-	-
NET ASSETS PER SHARE (RM)	4.18	4.08		

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2014.

AFFIN HOLDINGS BERHAD
(Company no. 23218 - W)
Condensed Interim Financial Statements
Unaudited Income Statements For The Financial Period Ended 30 June 2015

<u>GROUP</u>	Note	<---Individual Quarter Ended ---->		<---Cumulative Quarter Ended --->	
		30/6/2015 RM'000	30/6/2014 RM'000 (Restated)	30/6/2015 RM'000	30/6/2014 RM'000 (Restated)
Interest income	A14	622,680	609,428	1,233,241	1,168,411
Interest expense	A15	(400,529)	(373,330)	(796,066)	(713,331)
Net interest income		222,151	236,098	437,175	455,080
Islamic banking income		66,438	58,617	128,634	115,350
Other operating income	A16	158,468	172,362	330,181	267,743
Net income		447,057	467,077	895,990	838,173
Other operating expenses	A17	(257,734)	(263,769)	(526,775)	(444,168)
Operating profit before allowance for impairment on loans, advances and financing		189,323	203,308	369,215	394,005
Allowance for impairment losses on loans, advances and financing	A18	(13,716)	(28,799)	(137,840)	(22,528)
Allowance for impairment losses on securities	A19	1,600	(550)	1,600	(343)
Operating profit		177,207	173,959	232,975	371,134
Finance cost		(10,133)	(26,936)	(20,833)	(37,515)
Share of results of joint venture		(1,828)	(673)	(3,521)	(3,863)
Share of results of associates		12,631	8,934	18,014	11,346
Profit before taxation and zakat		177,877	155,284	226,635	341,102
Zakat		(229)	(262)	(440)	(426)
Profit before taxation		177,648	155,022	226,195	340,676
Taxation	B6	(35,162)	(45,034)	(48,895)	(87,960)
Net profit for the financial period		142,486	109,988	177,300	252,716
Profit for the financial period attributable to :-					
- Equity holders of the Company		139,388	107,387	169,473	250,115
- Non-controlling interest		3,098	2,601	7,827	2,601
		142,486	109,988	177,300	252,716
Earnings per share attributable to the equity holders of the Company (sen)					
- Basic	B12	7.17	7.19	8.72	16.73

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2014.

AFFIN HOLDINGS BERHAD
(Company no. 23218 - W)
Condensed Interim Financial Statements
Unaudited Statement of Comprehensive Income
For The Financial Period Ended 30 June 2015

<u>GROUP</u>	<---Individual Quarter Ended ---->		<---Cumulative Quarter Ended --->	
	30/6/2015 RM'000	30/6/2014 RM'000 (Restated)	30/6/2015 RM'000	30/6/2014 RM'000 (Restated)
Profit after taxation	142,486	109,988	177,300	252,716
Other comprehensive income:				
Items that will be reclassified subsequently to profit or loss :-				
- Net fair value change in financial investments available-for-sale	(67,705)	14,486	7,512	17,391
- Net gain transferred to profit or loss on disposal of financial investments available-for-sale	27,262	-	24,708	-
- Deferred tax on revaluation of financial investments available-for-sale	7,623	(3,499)	(7,823)	(4,181)
- Share of other comprehensive income of an associated company	(678)	6,410	2,203	6,724
- Share of other comprehensive income of a joint venture	(1,323)	(5,835)	(471)	(680)
Other comprehensive (expenses)/income for the financial year, net of tax	(34,821)	11,562	26,129	19,254
Total comprehensive income for the financial period	107,665	121,550	203,429	271,970
Total comprehensive income for the financial period attributable to :-				
- Equity holders of the Company	104,266	118,925	195,529	269,345
- Non-controlling interest	3,399	2,625	7,900	2,625
	107,665	121,550	203,429	271,970

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2014.

AFFIN HOLDINGS BERHAD
(Company no. 23218 - W)
Condensed Interim Financial Statements
Unaudited Income Statements For The Financial Period Ended 30 June 2015

<u>COMPANY</u>	<----Individual Quarter Ended ---->		<----Cumulative Quarter Ended ---->	
	30/6/2015 RM'000	30/6/2014 RM'000	30/6/2015 RM'000	30/6/2014 RM'000
Interest income	9,632	10,310	18,849	22,067
Interest expense	-	-	-	-
Net interest income	9,632	10,310	18,849	22,067
Net Islamic banking income	-	-	-	-
Other operating income	-	-	66,031	116,658
Net income	9,632	10,310	84,880	138,725
Other operating expenses	(2,406)	(6,606)	(4,196)	(10,612)
Operating profit before allowance for impairment on loans, advances and financing	7,226	3,704	80,684	128,113
Allowance for impairment on loans, advances and financing	-	-	-	-
Allowance for impairment on other assets	-	-	-	-
Operating profit	7,226	3,704	80,684	128,113
Finance cost	(10,133)	(26,936)	(20,833)	(37,515)
Profit /(loss) before taxation and zakat	(2,907)	(23,232)	59,851	90,598
Zakat	-	-	-	-
Profit /(loss) before taxation	(2,907)	(23,232)	59,851	90,598
Taxation	(712)	(851)	(925)	(1,197)
Net profit /(loss) for the financial period attributable to equity holders of the Company	(3,619)	(24,083)	58,926	89,401

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2014.

AFFIN HOLDINGS BERHAD
 (Company no. 23218 - W)
Condensed Interim Financial Statements
Unaudited Statement of Comprehensive Income
Unaudited Income Statements For The Financial Period Ended 30 June 2015

<u>COMPANY</u>	<---Individual Quarter Ended ---->		<---Cumulative Quarter Ended --->	
	30/6/2015	30/6/2014	30/6/2015	30/6/2014
	RM'000	RM'000	RM'000	RM'000
Profit /(loss) after taxation	(3,619)	(24,083)	58,926	89,401
Other comprehensive income	-	-	-	-
Total comprehensive income /(loss) for the financial period attributable to equity holders of the Company	(3,619)	(24,083)	58,926	89,401

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2014.

AFFIN HOLDINGS BERHAD
(Company no. 23218 - W)
Unaudited Condensed Consolidated Statement Of Changes In Equity
For The Financial Period Ended 30 June 2015

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

GROUP	Issued and fully paid ordinary shares of RM1 each		Non-distributable				Distributable		Total Shareholders' Equity RM'000	Non- controlling Interest RM'000	Total Equity RM'000
	Number of shares '000	Nominal value RM'000	Share premium RM'000	Statutory reserves RM'000	AFS revaluation reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000				
At 1 January 2015											
- As previously reported	1,942,949	1,942,949	2,185,712	1,502,616	34,357	187,922	2,099,826	7,953,382	30,329	7,983,711	
- Adjustment upon the completion of Purchase Price Allocation in relation to the acquisition of HwangDBS Investment Bank Berhad and its subsidiaries (Note A28)	-	-	-	-	(9,166)	-	(12,594)	(21,760)	10,500	(11,260)	
As 1 January 2015, as restated	1,942,949	1,942,949	2,185,712	1,502,616	25,191	187,922	2,087,232	7,931,622	40,829	7,972,451	
Comprehensive income :											
- Net profit for the financial period	-	-	-	-	-	-	169,473	169,473	7,827	177,300	
Other comprehensive income (net of tax) :											
of which :-											
- Financial investments available-for-sale	-	-	-	-	24,324	-	-	24,324	73	24,397	
- Share of other comprehensive income of an associated company	-	-	-	-	2,203	-	-	2,203	-	2,203	
- Share of other comprehensive loss of a joint venture	-	-	-	-	(471)	-	-	(471)	-	(471)	
Total comprehensive income for the financial period	-	-	-	-	26,056	-	169,473	195,529	7,900	203,429	
Transfer from regulatory reserves	-	-	-	-	-	(53,085)	53,085	-	-	-	
At 30 June 2015	1,942,949	1,942,949	2,185,712	1,502,616	51,247	134,837	2,309,790	8,127,151	48,729	8,175,880	
At 1 January 2014	1,494,576	1,494,576	1,400,410	1,469,048	15,148	-	1,997,542	6,376,724	-	6,376,724	
Comprehensive income :											
- Net profit for the financial period	-	-	-	-	-	-	250,115	250,115	2,601	252,716	
Other comprehensive income (net of tax) :											
of which :-											
- Financial investments available-for-sale	-	-	-	-	13,186	-	-	13,186	24	13,210	
- Share of other comprehensive income of an associated company	-	-	-	-	6,724	-	-	6,724	-	6,724	
- Share of other comprehensive loss of a joint venture	-	-	-	-	(680)	-	-	(680)	-	(680)	
Total comprehensive income for the financial period	-	-	-	-	19,230	-	250,115	269,345	2,625	271,970	
Non-controlling interest arising from business combinations	-	-	-	-	-	-	-	-	44,915	44,915	
At 30 June 2014	1,494,576	1,494,576	1,400,410	1,469,048	34,378	-	2,247,657	6,646,069	47,540	6,693,609	

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2014.

AFFIN HOLDINGS BERHAD
(Company no. 23218 - W)
Unaudited Condensed Statement Of Changes In Equity
For The Financial Period Ended 30 June 2015

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

<u>COMPANY</u>	Issued and fully paid ordinary shares of RM1 each		Non-distributable	Distributable	Total Equity RM'000
	Number of shares '000	Nominal value RM'000	Share premium RM'000	Retained profits RM'000	
At 1 January 2015	1,942,949	1,942,949	2,185,712	843,947	4,972,608
Total comprehensive income for the financial period :					
- Net profit for the financial period	-	-	-	58,926	58,926
At 30 June 2015	1,942,949	1,942,949	2,185,712	902,873	5,031,534
At 1 January 2014	1,494,576	1,494,576	1,400,410	635,562	3,530,548
Total comprehensive income for the financial period :					
- Net profit for the financial period	-	-	-	89,401	89,401
At 30 June 2014	1,494,576	1,494,576	1,400,410	1,135,389	3,619,949

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2014.

AFFIN HOLDINGS BERHAD
(Company no. 23218 - W)
Unaudited Condensed Consolidated Statement of Cash Flow
For The Financial Period Ended 30 June 2015

< ----- 6 months Ended ----- >

	30/6/2015	30/6/2014
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	226,195	340,676
Adjustment for non-operating and non-cash items	(168,166)	(191,352)
	58,029	149,324
Operating profit before changes in working capital		
Net changes in operating assets	(1,429,035)	13,105
Net changes in operating liabilities	(1,829,726)	(1,000,124)
Tax and zakat paid	(86,274)	(97,184)
Tax refund	586	354
	(3,286,420)	(934,525)
Net cash used in operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received from securities	204,247	159,159
Net (purchase)/disposal of:		
- securities	838,049	(1,179,909)
- property and equipment	(14,903)	(244)
- intangible assets	(773)	4,852
Dividend received from:		
- financial investments held-to-maturity	1,180	-
- financial investments available-for-sale	7,629	4,749
Proceeds from disposal of foreclosed properties	1,234	8,424
Subscription of shares in associate	-	(781)
Amount due from associate	(217)	17
Subscription of shares in a jointly controlled entity	(12,750)	(302,929)
	1,023,696	(1,306,662)
Net cash generated from/(used in) investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease)/increase in borrowings	(66,607)	1,298,787
	(66,607)	1,298,787
Net cash (used in)/generated from financing activities		
Net decrease in cash and cash equivalents	(2,329,331)	(941,540)
Cash and cash equivalents at beginning of the year	7,312,405	9,321,506
	4,983,074	8,379,966
Cash and cash equivalents at end of the year		
<u>Analysis of cash & cash equivalent</u>		
Cash and short-term funds	5,035,875	8,389,679
Adjustment for money held in trust on behalf of remisers	(52,801)	(9,713)
	4,983,074	8,379,966

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2014.

Part A - Explanatory Notes pursuant to Malaysian Financial Reporting Standard ("MFRS 134") and Policy Document on Financial Reporting issued by Bank Negara Malaysia

A1. BASIS OF PREPARATION

The unaudited condensed interim financial statements for the 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 2014. 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 2014.

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 2014 except for the adoption of the following accounting policies upon the completion of purchase price allocation in relation to the acquisition of HwangDBS Investment Bank Berhad (now known as AFFIN Hwang Investment Bank Berhad) as disclosed in Note A28:

Identifiable intangible assets arising from business combination

Identifiable intangible assets arising from business combination are recognised at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. The fair value of intangible assets are generally determined using income approach methodologies such as the discounted cash flow method. Intangible assets with a definite useful life are amortised using the straight-line method over their estimated useful economic life. Intangible assets with an indefinite useful life are not amortised. Generally, the identified intangible assets of the Group have a definite useful life. At each date of the consolidated statement of financial position, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exists, the intangible assets are analysed to assess whether their carrying amount is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount. Intangible assets with indefinite useful life are annually tested for impairment and whenever there is an indication that the asset may be impaired.

The identifiable intangible assets arising from business combination consist of customer relationship and brand and are amortised over their useful lives in a manner that reflects the pattern to which they contribute to future cash flows as follows:

Brand	- 3 years
Customer relationship	- 7 years

A3. AUDITOR'S REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the audited financial statements for the financial year ended 31 December 2014 was not subjected to any qualification.

A4. SEASONAL OR CYCLICAL FACTORS

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

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

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

A6. CHANGES IN ESTIMATES

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

A7. DEBT AND EQUITY SECURITIES

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

A8. DIVIDENDS PAID

No dividend has been paid during the quarter under review.

A9. TRADE RECEIVABLES

	Group	
	30/6/2015 RM'000	31/12/2014 RM'000
Amount due from stock-broking clients		
- performing accounts	212,331	319,168
- impaired accounts	4,220	4,420
Amount due from brokers	81,105	34,125
Amount due from Bursa Securities Clearing Sdn Bhd	131,863	26,849
Management fees receivable on fund management	105,835	48,776
	<hr/> 535,354	<hr/> 433,338
Less: Allowance for impairment		
- Collective impairment	(17)	(19)
- Individual impairment	(4,165)	(4,083)
	<hr/> 531,172	<hr/> 429,236

Movement in allowance for impairment on trade receivables :-

Collective impairment

Balance at the beginning of financial period/year	19	19
Allowance (net of write-back) made during the financial period/year	31	-
Amount written-back during the financial period/year	(33)	-
Balance at the end of financial period/year	<hr/> 17	<hr/> 19

Individual impairment

Balance at the beginning of financial period/year	4,083	3,633
Arising from acquisition of HwangDBS Investment Bank Berhad	-	303
Allowance made during the financial period/year	148	656
Amount write-back during the financial period/year	(66)	-
Amount recovered during the financial period/year	-	(487)
Amount written-off during the financial period/year	-	(22)
Balance at the end of financial period/year	<hr/> 4,165	<hr/> 4,083

A10. FINANCIAL ASSETS

	Group	
	30/6/2015 RM'000	31/12/2014 RM'000
(a) <u>Financial assets held-for-trading</u>		
At fair value		
Bank Negara Malaysia Notes	-	149,904
Negotiable Instruments of Deposit	140,182	-
Quoted Securities :-		
- Shares in Malaysia	26,764	18,903
- Unit Trusts in Malaysia	7,194	8,983
- Unit Trusts outside Malaysia	14,301	-
Unquoted Securities :-		
- Private Debt Securities in Malaysia	-	4,990
Total financial assets held-for-trading	188,519	182,780
(b) <u>Financial investments available-for-sale</u>		
At fair value		
Malaysian Government Securities	30,753	131,630
Malaysian Government Treasury Bills	15,395	225,782
Malaysian Government Sukuk	-	7,096
Malaysian Government Investment Issuance	2,583,141	3,046,553
Cagamas Bonds	-	84,924
Sukuk Perumahan Kerajaan	761,196	400,377
Khazanah Bonds	432,203	353,165
Bank Negara Malaysia Notes	-	1,387,284
Negotiable Instruments of Deposit and Islamic Debt Certificate	56,360	503,451
	3,879,048	6,140,262
Quoted Securities :-		
- Shares in Malaysia	32,919	32,975
- Private Debt Securities in Malaysia	2,167	2,167
- Unit Trusts in Malaysia	248,215	242,902
- REITs in Malaysia	36,945	35,546
- REITs outside Malaysia	39,400	37,367
Unquoted Securities :-		
- Shares in Malaysia	179,880	179,380
- Private Debt Securities in Malaysia	7,005,085	5,187,717
- Private Debt Securities outside Malaysia	646,730	846,040
	12,070,389	12,704,356
Allowance for impairment losses of securities	(47,635)	(86,736)
Total financial investments available-for-sale	12,022,754	12,617,620
(c) <u>Financial investments held-to-maturity</u>		
At amortised cost		
Quoted Securities :-		
- Private Debt Securities in Malaysia	23,439	23,439
Unquoted Securities :-		
- Private Debt Securities in Malaysia	487,060	678,701
- Redeemable Convertible Secured Loan Stocks	-	1,554
	510,499	703,694
Allowance for impairment losses of securities	(27,580)	(50,953)
Total financial investments held-to-maturity	482,919	652,741
Total securities held	12,694,192	13,453,141

A11. LOANS, ADVANCES AND FINANCING

(a) BY TYPE

	Group	
	30/6/2015 RM'000	31/12/2014 RM'000
Overdrafts	1,938,044	1,943,124
Term loans/financing :-		
- Housing loans/financing	5,964,136	5,777,114
- Syndicated term loans/financing	1,985,854	1,887,541
- Hire purchase receivables	11,409,835	10,963,715
- Business term loans/financing	14,492,581	13,861,525
Bills receivables	351,214	1,194,884
Trust receipts	305,710	244,117
Claims on customers under acceptance credits	1,086,977	1,120,038
Staff loans/financing (of which RM NIL to Directors)	125,349	141,268
Credit/charge cards	82,098	81,870
Revolving credit	4,146,850	3,630,059
Margin financing	189,823	207,186
Factoring	101,164	4,674
Gross loans, advances and financing	42,179,635	41,057,115
Less: Allowance for impairment		
- Collective impairment	(297,854)	(301,601)
- Individual impairment	(251,579)	(263,498)
Total net loans, advances and financing	41,630,202	40,492,016

(b) BY MATURITY STRUCTURE

Maturing within one year	8,591,327	9,678,740
One year to three years	4,662,902	4,609,944
Three years to five years	7,455,361	6,813,615
Over five years	21,470,045	19,954,816
	42,179,635	41,057,115

(c) BY TYPE OF CUSTOMER

Domestic non-banking institutions :-		
- Stock-broking companies	226	231
- Others	1,183,584	1,304,372
Domestic business enterprises :-		
- Small medium enterprises	8,670,027	7,731,103
- Others	14,038,596	14,680,028
Government and statutory bodies	1,067,835	92,725
Individuals	16,236,339	15,833,956
Foreign individuals	3,021	3,084
Other domestic entities	119,861	13,634
Foreign entities	860,146	1,397,982
	42,179,635	41,057,115

(d) BY INTEREST / PROFIT RATE SENSITIVITY

Fixed rate :-		
- Housing loans/financing	385,977	362,329
- Hire purchase receivables	11,460,268	10,967,008
- Other fixed rate loans/financing	4,560,552	3,823,349
- Margin financing	189,823	207,186
Variable rate :-		
- BLR plus	15,251,533	16,064,029
- Cost plus	10,331,482	9,633,214
	42,179,635	41,057,115

A11. LOANS, ADVANCES AND FINANCING (Cont.)

(e) BY ECONOMIC PURPOSE

	Group	
	30/6/2015	31/12/2014
	RM'000	RM'000
Construction	2,932,946	3,146,539
Purchase of landed property of which :-		
- Residential	6,250,615	5,737,764
- Non-residential	5,736,678	5,813,704
Purchase of securities	764,580	664,471
Purchase of transport vehicles	11,842,931	11,494,825
Fixed assets other than land and building	264,627	326,163
Personal use	766,619	887,115
Credit card	82,098	81,870
Consumer durable	824	803
Merger and acquisition	457,663	447,524
Working capital	12,478,927	11,689,397
Others	601,127	766,940
	42,179,635	41,057,115

(f) BY SECTOR

Primary agriculture	696,677	684,340
Mining and quarrying	755,341	666,518
Manufacturing	2,348,590	2,071,976
Electricity, gas and water supply	297,463	377,940
Construction	3,479,124	4,112,804
Real estate	6,840,913	6,100,730
Wholesale and retail trade and restaurants and hotels	2,539,917	2,182,791
Transport, storage and communication	2,155,114	2,106,782
Finance, insurance and business services	4,122,700	4,944,337
Education, health and others	2,439,472	1,815,614
Household	16,375,357	15,975,397
Others	128,967	17,886
	42,179,635	41,057,115

(g) BY GEOGRAPHICAL DISTRIBUTION

Perlis	108,318	130,950
Kedah	1,246,099	1,216,592
Pulau Pinang	2,002,097	2,000,495
Perak	1,292,210	1,171,747
Selangor	12,982,813	12,874,207
Wilayah Persekutuan	13,261,756	11,712,171
Negeri Sembilan	940,643	895,433
Melaka	1,000,403	982,343
Johor	3,256,844	3,254,531
Pahang	817,850	824,164
Terengganu	943,681	989,058
Kelantan	225,560	230,819
Sarawak	1,398,983	1,277,605
Sabah	1,720,973	1,705,599
Labuan	522,548	520,747
Outside Malaysia	458,857	1,270,654
	42,179,635	41,057,115

A11. LOANS, ADVANCES AND FINANCING (Cont.)

(h) IMPAIRED LOANS, ADVANCES AND FINANCING

(i) Movements of impaired loans, advances and financing

	Group	
	30/6/2015	31/12/2014
	RM'000	RM'000
Balance at the beginning of financial period/year	747,776	740,958
Classified as impaired during the financial period/year	517,527	543,093
Reclassified as non-impaired during the financial period/year	(164,035)	(289,556)
Amount recovered during the financial period/year	(78,294)	(135,501)
Amount written-off during the financial period/year	(161,141)	(94,353)
Amount converted to financial investments available-for-sale	-	(16,865)
	861,833	747,776

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

Construction	85,300	77,071
Purchase of landed property of which :-		
- Residential	230,724	231,048
- Non-residential	27,347	31,278
Purchase of securities	1,828	10,420
Purchase of transport vehicles	98,596	86,409
Fixed assets other than land and building	328	282
Personal use	14,311	7,826
Credit card	462	326
Consumer durable	17	13
Working capital	384,571	286,669
Others	18,349	16,434
	861,833	747,776

(iii) Impaired loans, advances and financing by sector

Primary agriculture	14,937	17,556
Mining and quarrying	20	-
Manufacturing	51,466	53,950
Electricity, gas and water supply	207	246
Construction	67,720	258,070
Real estate	78,694	323
Wholesale and retail trade and restaurants and hotels	55,070	41,850
Transport, storage and communication	4,029	5,099
Finance, insurance and business services	239,517	38,442
Education, health and others	4,749	1,607
Household	345,424	330,633
	861,833	747,776

A11. LOANS, ADVANCES AND FINANCING (Cont.)

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

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

	Group	
	30/6/2015 RM'000	31/12/2014 RM'000
Perlis	743	901
Kedah	23,257	22,141
Pulau Pinang	33,341	35,458
Perak	18,006	15,193
Selangor	474,082	277,204
Wilayah Persekutuan	118,863	139,798
Negeri Sembilan	18,728	24,380
Melaka	8,831	8,575
Johor	34,338	49,319
Pahang	7,530	48,236
Terengganu	5,792	17,139
Kelantan	5,627	5,152
Sarawak	16,139	14,407
Sabah	14,212	12,384
Outside Malaysia	82,344	77,489
	861,833	747,776

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

Collective impairment

Balance at beginning of financial period/year	301,601	307,142
Arising from acquisition of HwangDBS Investment Bank Berhad	-	4,299
Allowance (net of write-back) made during the financial period/year	(1,642)	45,835
Amount written-off during the financial period/year	(1,497)	(43,361)
Amount reclassified to individual impairment	-	(12,314)
Amount written-back during the financial period/year	(608)	-
Balance at the end of financial period/year	297,854	301,601

Individual impairment

Balance at the beginning of financial period/year	263,498	243,969
Amount converted to financial investments available-for-sale	-	(6,157)
Allowance made during the financial period/year	164,137	79,268
Amount recovered during the financial period/year	(1,645)	(4,386)
Amount written-off during the financial period/year	(159,610)	(50,870)
Unwinding discount of allowance	(17,054)	(12,432)
Exchange difference	2,253	1,792
Amount reclassified from collective impairment	-	12,314
Balance at the end of financial period/year	251,579	263,498

A12. OTHER ASSETS

Cheque clearing accounts	129,903	179,711
Foreclosed properties	8,203	9,099
Other debtors, deposits and prepayments	147,359	97,289
Amount due from joint ventures	25,152	14,858
	310,617	300,957

A13. OTHER LIABILITIES

Bank Negara Malaysia and Credit Guarantee Corporation Funding Programmes	40,883	33,602
Margin and collateral deposits	135,953	145,430
Trust accounts for remisers	46,258	48,183
Defined contribution plan	9,862	15,301
Accrued employee benefits	43,656	31,322
Other creditors and accruals	155,295	199,387
Provision for zakat	3,139	5,037
Sundry creditors	106,461	89,505
	541,507	567,767

A14. INTEREST INCOME

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2015	30/6/2014	30/6/2015	30/6/2014
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing	450,348	424,488	899,586	837,440
Money at call and deposits with financial institutions	28,299	46,003	48,023	80,230
Financial assets held-for-trading	37,009	41,547	73,347	76,493
Financial investments available-for-sale	99,342	80,193	192,187	143,522
Financial investments held-to-maturity	5,961	10,402	12,060	15,637
Subordinated term loan	1,555	1,323	2,863	2,631
Others	605	110	297	133
	623,119	604,066	1,228,363	1,156,086
Accretion of discount less amortisation of premium	(439)	5,362	4,878	12,325
	622,680	609,428	1,233,241	1,168,411
of which :-				
Interest income earned on impaired loans, advances and financing	2,179	2,955	2,604	1,645

A15. INTEREST EXPENSE

Deposits and placements of banks and other financial institutions	5,862	15,995	26,366	36,259
Deposits from customers	351,507	314,448	690,764	593,901
Loans sold to Cagamas Berhad	1,491	3,370	2,983	8,023
Derivatives	31,227	38,389	62,983	73,121
Others	10,442	1,128	12,970	2,027
	400,529	373,330	796,066	713,331

A16. OTHER OPERATING INCOME

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2015	30/6/2014	30/6/2015	30/6/2014
	RM'000	RM'000	RM'000	RM'000
<u>Fee income</u>				
Gross brokerage	25,780	34,681	52,114	52,454
Underwriting fees	2,813	6,474	4,206	6,474
Portfolio management fees	46,713	38,626	85,490	42,547
Corporate advisory fees	1,675	2,904	3,075	4,945
Commission	4,326	3,437	8,059	7,193
Service charges and fees	15,426	13,072	29,514	28,385
Guarantee fees	5,742	5,619	11,895	11,139
Arrangement fees	454	50	2,842	140
Agency fees	694	550	1,124	1,073
Initial service charges	18,481	11,653	40,831	19,814
Other fee income	2,127	9,318	2,780	10,431
	124,231	126,384	241,930	184,595
<u>Income from financial instruments</u>				
Gains arising on financial assets held-for-trading :-				
- net gains on disposal	4,287	8,570	12,374	10,029
- unrealised gains	(814)	1,368	(20)	1,375
- gross dividend income	232	356	1,180	356
Gains/(loss) on derivatives :-				
- realised	1,288	594	2,764	1,210
- unrealised	(4,972)	3,049	(11,764)	7,106
Gains arising on financial investments available-for-sale :-				
- net gains on disposal	8,466	3,607	12,716	4,725
- gross dividend income	5,143	4,324	7,629	5,162
Gains arising on financial investments held-to-maturity :-				
- net gains on redemption	191	65	21,947	2,968
	13,821	21,933	46,826	32,931
<u>Other income</u>				
Foreign exchange gains	17,587	19,852	34,592	34,766
Rental income	339	379	710	758
Gains/(loss) on disposal of property and equipment	56	(7)	96	4,674
Gains on disposal of foreclosed properties	142	1,257	338	2,793
Other non-operating income	2,292	2,564	5,689	7,226
	20,416	24,045	41,425	50,217
Total other operating income	158,468	172,362	330,181	267,743

A17. OTHER OPERATING EXPENSES

	<-----Group----->			
	Individual Quarter Ended 30/6/2015 RM'000	30/6/2014 RM'000	Cumulative Quarter Ended 30/6/2015 RM'000	30/6/2014 RM'000
<u>Personnel costs</u>				
Wages, salaries and bonus	97,938	111,384	218,730	196,998
Defined contribution plan	16,336	17,890	35,639	31,873
Other personnel costs	18,212	14,958	33,505	25,449
	<u>132,486</u>	<u>144,232</u>	<u>287,874</u>	<u>254,320</u>
<u>Promotion and marketing-related expenses</u>				
Business promotion and advertisement	4,238	4,374	10,482	5,882
Entertainment	1,147	1,475	2,251	2,075
Travelling and accommodation	1,615	1,378	3,033	2,319
Dealers' handling fees	3,249	921	5,701	1,374
Commission and brokerage expenses	22,531	18,665	42,316	19,550
Commissioned dealers representative performance incentive	2,629	5,073	3,939	6,086
Others	2,259	595	4,045	1,185
	<u>37,668</u>	<u>32,481</u>	<u>71,767</u>	<u>38,471</u>
<u>Establishment-related expenses</u>				
Rental of premises	10,855	9,953	21,467	17,385
Equipment rental	565	982	1,385	1,296
Repair and maintenance	11,068	9,602	21,676	17,838
Depreciation of property and equipment	5,200	5,520	10,383	9,980
Amortisation of intangible assets	8,684	5,139	10,491	6,940
IT consultancy fee	16,532	15,596	33,109	29,341
Dataline rental	1,048	1,218	2,584	2,450
Security services	4,001	4,170	8,290	8,202
Electricity, water and sewerage	3,927	3,203	7,409	5,854
Insurance and indemnities	1,489	1,122	2,880	1,929
Others	1,117	1,204	2,643	2,203
	<u>64,486</u>	<u>57,709</u>	<u>122,317</u>	<u>103,418</u>
<u>General and administrative expenses</u>				
Telecommunication expenses	4,036	3,802	7,558	6,091
Directors' remuneration	647	808	1,212	1,450
Auditors' remuneration :-				
(i) Statutory audit	541	544	1,086	1,005
(iii) Audit related fees	15	11	15	18
(iv) Non audit fees	251	258	275	318
Professional fees	3,642	3,399	7,001	5,431
Property and equipment written-off	39	15	97	38
Intangible asset written off	-	-	6	-
Postage and courier charges	721	1,344	1,729	2,303
Stationery and consumables	2,213	2,335	5,091	4,242
Donations	637	1,512	1,379	4,391
Settlement, clearing and bank charges	2,541	1,952	4,794	3,947
Stamp duties	58	4,249	103	5,657
Allowance for litigation losses	37	-	162	-
Subscription fees	1,612	682	2,256	1,269
Transaction levy	2,480	2,678	4,478	3,211
Subsidies and allowances	253	290	537	529
Others	3,371	5,468	7,038	8,059
	<u>23,094</u>	<u>29,347</u>	<u>44,817</u>	<u>47,959</u>
Total other operating expenses	257,734	263,769	526,775	444,168

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

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2015	30/6/2014	30/6/2015	30/6/2014
	RM'000	RM'000	RM'000	RM'000
Collective impairment				
- made during the financial year	(52,253)	(9,994)	(2,252)	1,403
Individual impairment				
- made during the financial year	77,926	56,598	164,285	64,137
- written-back during the financial year	(860)	(1,947)	(1,711)	(4,068)
Bad debts				
- recovered	(12,401)	(16,878)	(24,644)	(41,407)
- written-off	1,290	977	2,086	2,393
Additional allowance for impaired debts				
- other debtors	14	43	76	70
	13,716	28,799	137,840	22,528

**A19. ALLOWANCE FOR IMPAIRMENT LOSSES
 ON SECURITIES**

(Write-back of)/allowance for impairment loss				
- Financial investments available-for-sale	(46)	550	(46)	343
- Financial investments held-to-maturity	(1,554)	-	(1,554)	-
	(1,600)	550	(1,600)	343

A20. SEGMENTAL INFORMATION ON REVENUE AND PROFIT

The segment analysis by activity for the individual and cumulative quarters ended 30 June 2015 and 30 June 2014 are as follows:-

	<----- Current year's individual quarter ended 30 June 2015 ----->					
	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Eliminations RM'000	Group RM'000
Revenue						
External revenue	310,916	131,631	-	4,510	-	447,057
Intersegment revenue	(5,358)	(2,823)	-	8,589	(408)	-
Segment revenue	305,558	128,808	-	13,099	(408)	447,057
Overhead expenses						
Overhead expenses	(139,590)	(113,453)	-	(5,099)	408	(257,734)
of which :-						
Depreciation of property and equipment	(3,720)	(1,373)	-	(107)	-	(5,200)
Amortisation of intangible assets	(1,462)	(7,214)	-	(8)	-	(8,684)
(Allowances for)/write-back of allowance for impairment on loans, advances and financing/securities	(12,570)	454	-	-	-	(12,116)
Segment results	153,398	15,809	-	8,000	-	177,207
Finance costs	-	-	-	(10,133)	-	(10,133)
Share of results of joint ventures (net of tax)	-	-	(1,828)	-	-	(1,828)
Share of results of associate (net of tax)	-	-	12,631	-	-	12,631
Profit before taxation and zakat	153,398	15,809	10,803	(2,133)	-	177,877
Taxation and zakat						(35,391)
Net profit for the individual quarter						142,486

	<----- Preceding year's individual quarter ended 30 June 2014 ----->					
	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Eliminations RM'000	Group RM'000
Revenue						
External revenue	317,905	144,957	-	4,215	-	467,077
Intersegment revenue	(4,827)	(4,257)	-	9,447	(363)	-
Segment revenue	313,078	140,700	-	13,662	(363)	467,077
Overhead expenses						
Overhead expenses	(152,743)	(102,530)	-	(9,241)	745	(263,769)
of which :-						
Depreciation of property and equipment	(3,818)	(1,591)	-	(111)	-	(5,520)
Amortisation of intangible assets	(1,548)	(3,588)	-	(3)	-	(5,139)
(Allowances for)/write-back of allowance for impairment on loans, advances and financing/securities	(29,990)	641	-	-	-	(29,349)
Segment results	130,345	38,811	-	4,421	382	173,959
Finance costs	-	-	-	(26,936)	-	(26,936)
Share of results of joint ventures (net of tax)	-	-	(673)	-	-	(673)
Share of results of associate (net of tax)	-	529	8,405	-	-	8,934
Profit before taxation and zakat	130,345	39,340	7,732	(22,515)	382	155,284
Taxation and zakat						(45,296)
Net profit for the individual quarter						109,988

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

The segment analysis by activity for the individual and cumulative quarters ended 30 June 2015 and 30 June 2014 are as follows (Cont.):-

	<----- Current year's cumulative quarter ended 30 June 2015 ----->					
	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Eliminations RM'000	Group RM'000
Revenue						
External revenue	626,669	260,023	-	9,298	-	895,990
Intersegment revenue	(10,263)	(6,033)	-	83,001	(66,705)	-
Segment revenue	616,406	253,990	-	92,299	(66,705)	895,990
Operating expenses	(302,598)	(215,058)	-	(9,793)	674	(526,775)
of which :-						
Depreciation of property and equipment	(7,419)	(2,768)	-	(196)	-	(10,383)
Amortisation of intangible assets	(2,913)	(7,567)	-	(11)	-	(10,491)
(Allowances for)/write-back of allowance for impairment on loans, advances and financing/securities	(137,148)	908	-	-	-	(136,240)
Segment results	176,660	39,840	-	82,506	(66,031)	232,975
Finance costs	-	-	-	(20,833)	-	(20,833)
Share of results of joint ventures (net of tax)	-	-	(3,521)	-	-	(3,521)
Share of results of associate (net of tax)	-	-	18,014	-	-	18,014
Profit before taxation and zakat	176,660	39,840	14,493	61,673	(66,031)	226,635
Taxation and zakat						(49,335)
Net profit for the cumulative quarter						177,300

	<----- Preceding year's cumulative quarter ended 30 June 2014 ----->					
	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Eliminations RM'000	Group RM'000
Revenue						
External revenue	634,607	195,294		8,272	-	838,173
Intersegment revenue	(10,136)	(8,812)		136,922	(117,974)	-
Segment revenue	624,471	186,482	-	145,194	(117,974)	838,173
Operating expenses	(294,742)	(135,007)		(15,735)	1,316	(444,168)
of which :-						
Depreciation of property and equipment	(7,623)	(2,147)		(210)		(9,980)
Amortisation of intangible assets	(3,202)	(3,732)		(6)		(6,940)
(Allowances for)/write-back of allowance for impairment on loans, advances and financing/securities	(24,090)	1,219		-		(22,871)
Segment results	305,639	52,694	-	129,459	(116,658)	371,134
Finance costs	-	-	-	(37,515)	-	(37,515)
Share of results of joint ventures (net of tax)	-	-	(3,863)	-	-	(3,863)
Share of results of associate (net of tax)	-	529	10,817	-	-	11,346
Profit before taxation and zakat	305,639	53,223	6,954	91,944	(116,658)	341,102
Taxation and zakat						(88,386)
Net profit for the cumulative quarter						252,716

A21. SUBSEQUENT MATERIAL EVENT

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

A22. CHANGES IN THE COMPOSITION OF THE GROUP

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

Transfer of the Futures Broking Business of AFFIN Hwang Futures Sdn Bhd (fka HDM Futures Sdn Bhd) ("AHF") to AFFIN Hwang Investment Bank Berhad (fka HwangDBS Investment Bank Berhad) ("AFFIN Hwang IB") ("Futures Business Transfer")

On 30 January 2015, AFFIN Hwang IB and its wholly-owned subsidiary namely AHF entered into the business transfer agreement to effect the transfer of the whole of the assets, liabilities and business undertakings of AHF as a going concern to AFFIN Hwang IB by way of a vesting order from the High Court of Malaya pursuant to section 139 of the Capital Markets and Services Act 2007.

An Order from the High Court of Malaya at Kuala Lumpur was obtained on 12 February 2015 in respect of the transfer of the whole of the business, including all assets and liabilities of AHF to AFFIN Hwang IB, pursuant to section 139 of the Capital Markets and Services Act 2007.

The Futures Business Transfer was completed on 28 February 2015 and AHF ceased its operation and become dormant on the same day. Pursuant to the completion of the Futures Business Transfer, AHF had surrendered its Capital Markets Services Licence to the SC accordingly.

A23. COMMITMENTS AND CONTINGENCIES

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

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

	30/6/2015	31/12/2014
	Principal Amount RM'000	Principal Amount RM'000
<u>Contingent liabilities</u>		
Direct credit substitutes	504,571	813,629
Transaction related contingent items	1,903,095	2,043,704
Short-term self-liquidating trade related contingencies	719,252	746,576
Obligation under underwriting commitments	-	17,122
Foreign exchange related contracts #		
- Less than one year	7,872,191	7,403,019
- One year to less than five years	1,154,502	1,260,435
- Five years and above	96,030	96,030
Interest rate related contracts #		
- Less than one year	928,296	1,156,279
- One year to less than five years	2,040,500	1,831,125
- Five years and above	600,148	390,148
Irrevocable commitments to extend credit		
- Maturity less than one year	8,024,472	8,987,864
- Maturity more than one year	1,868,853	2,022,597
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	383,432	322,761
Unutilised credit card lines	193,802	208,865
	26,289,144	27,300,154

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

A24. DERIVATIVE FINANCIAL INSTRUMENTS

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

GROUP

	< ----- Contract/Notional Amount ----- >				< ----- Positive Fair Value ----- >				< ----- Negative Fair Value ----- >			
	Up To 1 Year	> 1 - 3 Years	> 3 Years	Total	Up To 1 Year	> 1 - 3 Years	> 3 Years	Total	Up To 1 Year	> 1 - 3 Years	> 3 Years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 30 June 2015												
Trading derivatives												
Foreign exchange contracts								-				
- Currency forwards	2,812,004	217,717	-	3,029,721	133,920	18,126	-	152,046	7,503	-	-	7,503
- Cross currency swaps	4,891,850	649,780	383,035	5,924,665	34,272	24,366	1,689	60,327	248,849	53,521	70,697	373,067
- Currency options	168,337	-	-	168,337	(585)	-	-	(585)	935	-	-	935
Interest rate contracts												
- Interest rate swaps	928,296	1,263,500	1,377,148	3,568,944	3,401	7,494	7,330	18,225	2,863	6,533	11,497	20,893
	8,800,487	2,130,997	1,760,183	12,691,667	171,008	49,986	9,019	230,013	260,150	60,054	82,194	402,398

As at 31 December 2014

Trading derivatives

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	5,703,167	786,411	383,035	6,872,613	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
	8,559,298	1,767,555	1,810,183	12,137,036	121,281	36,939	11,815	170,035	224,369	52,829	48,557	325,755

A24. DERIVATIVE FINANCIAL INSTRUMENTS (Cont.)

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

Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at the reporting date, the notional amount of foreign exchange exposure which was not hedged and hence, exposed to market risk was RM74.35 million (FYE 31/12/2014: RM11.5 million), while the notional amount of interest rate contract was RM1,358.0 million (FYE 31/12/2014: RM1,396.7 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 RM449.3 million (FYE 31/12/2014: RM384.2 million) and RM93.2 million (FYE 31/12/2014: RM88.3 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.

A25. FAIR VALUE MEASUREMENTS

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

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

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
30 June 2015				
Assets				
Financial assets held-for-trading	166,945	21,574	-	188,519
Financial investments available-for-sale *				
- Private debt securities	-	7,649,502	-	7,649,502
- Equity securities	98,003	-	147,985	245,988
- BNM and government	-	4,127,264	-	4,127,264
Derivative financial assets	-	230,013	-	230,013
	264,948	12,028,353	147,985	12,441,286
Liabilities				
Derivative financial liabilities	-	402,398	-	402,398
31 December 2014				
Assets				
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
- BNM and government	-	6,342,118	-	6,342,118
Derivative financial assets	-	170,035	-	170,035
	111,337	12,711,534	147,564	12,970,435
Liabilities				
Derivative financial liabilities	-	325,755	-	325,755

* Net of allowance for impairment

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 price in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group then determine fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high.

Financial instruments 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.

A25. 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 period (2014: Nil)

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

Group	30/6/2015	31/12/2014
	RM'000	RM'000
As at beginning of the financial period/year	147,564	134,312
Purchases	500	3,517
Sales	-	200
Exchanges differences	-	(3,716)
Total gains recognised in Other Comprehensive Income	-	12,225
Allowance for impairment losses	-	(550)
Amount arising from acquisition of a subsidiary	-	1,576
As at end of the financial period/year	<u>148,064</u>	<u>147,564</u>

Effect of changes in significant unobservable assumptions to reasonably possible alternative

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

A26. CAPITAL ADEQUACY

With effect from 1 January 2013, the total capital and capital adequacy ratios of the Group are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework (Capital Components) dated 28 November 2012. In line with the transitional arrangements under the Bank Negara Malaysia's Capital Adequacy Framework (Capital Components), the minimum capital adequacy requirement for Common Equity Tier I ("CET I") Capital Ratio and Tier I Capital Ratio are 4.5% and 6.0% respectively for year 2015. The minimum regulatory capital adequacy requirement remains at 8.0% (2014: 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 30 June 2015. 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 Hwang Investment Bank	
	30/6/2015 RM'000	31/12/2014 RM'000	30/6/2015 RM'000	31/12/2014 RM'000	30/6/2015 RM'000	31/12/2014 RM'000
a) The components of CET I, Tier I						
Tier II capital :-						
<u>CET I/Tier I capital</u>						
Share capital	1,688,770	1,688,770	360,000	360,000	780,000	780,000
Share premium	858,904	858,904	-	-	219,800	219,800
Statutory reserves	1,263,470	1,263,470	206,324	206,324	199,071	199,071
Retained profit	697,599	760,153	143,084	163,244	260,014	260,692
Unrealised gains/(losses) on AFS	49,121	30,893	(4,846)	(7,730)	5,789	5,347
	<u>4,557,864</u>	<u>4,602,190</u>	<u>704,562</u>	<u>721,838</u>	<u>1,464,674</u>	<u>1,464,910</u>
Less Regulatory adjustments:-						
- Goodwill	(148,044)	(150,690)	(659)	(891)	(314,491)	(314,772)
- Investments in subsidiaries	(155,630)	(77,815)	(260)	(130)	(118,321)	(124,563)
- Deferred tax assets	-	(218)	(1,731)	(2,900)	(7,411)	(5,990)
- 55% of cumulative gains of AFS	(27,017)	(16,991)	-	-	(3,184)	(2,941)
Total CET I Capital	<u>4,227,173</u>	<u>4,356,476</u>	<u>701,912</u>	<u>717,917</u>	<u>1,021,267</u>	<u>1,016,644</u>
Total Tier I Capital (a)	<u>4,227,173</u>	<u>4,356,476</u>	<u>701,912</u>	<u>717,917</u>	<u>1,021,267</u>	<u>1,016,644</u>
<u>Tier II capital</u>						
Subordinated loans	420,000	480,000	-	-	-	-
Regulatory adjustments	131,870	135,347	69,179	49,020	-	3,556
Collective impairment #	111,883	129,134	20,409	21,120	13,799	9,001
Less : Investment in subsidiaries	(233,445)	(311,259)	(390)	(520)	(13,799)	(12,557)
Total Tier II Capital (b)	<u>430,308</u>	<u>433,222</u>	<u>89,198</u>	<u>69,620</u>	<u>-</u>	<u>-</u>
Total Tier I & II Capital (a) + (b)	<u>4,657,481</u>	<u>4,789,698</u>	<u>791,110</u>	<u>787,537</u>	<u>1,021,267</u>	<u>1,016,644</u>
Capital base before proposed dividends	4,657,481	4,789,698	791,110	787,537	1,021,267	1,016,644
Proposed dividends	-	(66,031)	-	-	-	-
Capital base after proposed dividends	<u>4,657,481</u>	<u>4,723,667</u>	<u>791,110</u>	<u>787,537</u>	<u>1,021,267</u>	<u>1,016,644</u>
b) The breakdown of risk-weighted assets :-						
Credit risk	32,305,827	32,586,612	5,541,730	5,390,103	2,754,577	2,791,978
Market risk	401,048	284,148	6,528	2,590	193,505	191,477
Operational risk	1,940,593	1,954,278	381,176	366,578	342,183	325,813
Total risk-weighted assets	<u>34,647,468</u>	<u>34,825,038</u>	<u>5,929,434</u>	<u>5,759,271</u>	<u>3,290,265</u>	<u>3,309,268</u>
c) Capital adequacy ratios :-						
<u>Before deducting proposed dividends:-</u>						
CET I Capital Ratio	12.201%	12.510%	11.838%	12.465%	31.039%	30.721%
Tier I Capital Ratio	12.201%	12.510%	11.838%	12.465%	31.039%	30.721%
Total Capital Ratio	<u>13.442%</u>	<u>13.754%</u>	<u>13.342%</u>	<u>13.674%</u>	<u>31.039%</u>	<u>30.721%</u>
<u>After deducting proposed dividends:-</u>						
CET I Capital Ratio	12.201%	12.320%	11.838%	12.465%	31.039%	30.721%
Tier I Capital Ratio	12.201%	12.320%	11.838%	12.465%	31.039%	30.721%
Total Capital Ratio	<u>13.442%</u>	<u>13.564%</u>	<u>13.342%</u>	<u>13.674%</u>	<u>31.039%</u>	<u>30.721%</u>

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

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

A27. OPERATIONS OF ISLAMIC BANKING

(i) Unaudited Islamic Statements of Financial Position

	Group	
	30/6/2015 RM'000	31/12/2014 RM'000
ASSETS		
Cash and short-term funds and other financial institutions	2,425,121	3,333,472
Financial investments available-for-sale	1,437,575	1,532,500
Financial investments held-to-maturity	76,267	82,754
Derivative financial assets	49	12
Financing, advances and other financing	8,830,159	7,163,621
Other assets	47,789	305,228
Statutory deposit with Bank Negara Malaysia	310,000	298,000
Deferred tax assets	1,731	2,900
Property and equipment	3,086	3,261
Intangible assets	659	891
TOTAL ASSETS	13,132,436	12,722,639
LIABILITIES, ISLAMIC BANKING FUNDS		
Deposits from customers	9,320,057	9,870,394
Deposits and placements of banks and other financial institutions	2,656,471	2,045,720
Derivative financial liabilities	36	34
Other liabilities	336,166	30,358
Provision for taxation	6,069	4,071
Total Liabilities	12,318,799	11,950,577
SHAREHOLDERS' EQUITY		
Share capital	360,000	360,000
Reserves	453,637	412,062
Total Equity	813,637	772,062
TOTAL LIABILITIES AND EQUITY	13,132,436	12,722,639
COMMITMENTS AND CONTINGENCIES	2,032,075	2,112,921

A27. OPERATIONS OF ISLAMIC BANKING (Cont.)

(ii) Unaudited Islamic Income Statements

	<-----Group----->			
	Individual Quarter Ended 30/6/2015 RM'000	30/6/2014 RM'000	Cumulative Quarter Ended 30/6/2015 RM'000	30/6/2014 RM'000
Income derived from investment of depositors' funds and others	137,528	114,627	266,225	228,496
Income derived from investment of Shareholders' funds	9,423	8,451	18,355	16,146
Allowance for losses on financing, advances and other financing	(252)	48	(1,911)	(114)
	146,699	123,126	282,669	244,528
Income attributable to depositors	(90,512)	(71,301)	(173,476)	(143,309)
Income attributable to shareholders	56,187	51,825	109,193	101,219
Other operating expenses	(27,854)	(30,236)	(57,338)	(58,615)
Impairment loss	-	(550)	-	(550)
Profit before taxation	28,333	21,039	51,855	42,054
Taxation	(6,716)	(5,213)	(12,473)	(8,430)
Net profit for the financial period attributable to the equity holders of the Company	21,617	15,826	39,382	33,624

(iii) Unaudited Statements of Comprehensive Islamic Income

	<-----Group----->			
	Individual Quarter Ended 30/6/2015 RM'000	30/6/2014 RM'000	Cumulative Quarter Ended 30/6/2015 RM'000	30/6/2014 RM'000
Profit after taxation	21,617	15,826	39,382	33,624
Other comprehensive income :-				
- Net fair value change in financial investments available-for-sale	(4,675)	461	2,885	1,779
- Deferred tax on revaluation of financial investments available-for-sale	1,122	(111)	(692)	(427)
Other comprehensive income for the financial period, net of tax	(3,553)	350	2,193	1,352
Total comprehensive income for the financial period attributable to the equity holders of the Company	18,064	16,176	41,575	34,976

A27. OPERATIONS OF ISLAMIC BANKING (Cont.)

(iv) Financing

	Group	
	30/6/2015 RM'000	31/12/2014 RM'000
<u>By type</u>		
Cash line	286,852	203,963
Term financing		
- Housing financing	1,937,477	1,832,181
- Syndicated term financing	378,348	262,031
- Hire purchase receivables	2,283,477	2,044,709
- Business term financing	3,156,032	1,919,442
Bills receivables	2,355	12,189
Trust receipts	36,622	19,848
Interest-free accepted bills	80,407	121,416
Staff financing	8,837	9,629
Revolving credit	730,989	807,125
	8,901,396	7,232,533
Less : Allowance for impairment		
- Collective impairment	(37,230)	(37,393)
- Individual impairment	(34,007)	(31,519)
Total net financing	8,830,159	7,163,621

(v) Impaired financing

(a) Movements of impaired financing

Balance at the beginning of financial period/year	129,157	131,630
Classified as impaired during the financial period/year	51,163	90,964
Reclassified as non-impaired during the financial period/year	(33,871)	(54,830)
Amount recovered during the financial period/year	(9,238)	(34,076)
Amount written-off during the financial period/year	(2,383)	(4,531)
	134,828	129,157

(b) Movements in the allowance for impairment on financing

Collective impairment

Balance at the beginning of financial period/year	37,393	33,719
Allowance (net of write-back) made during the financial period/year	(163)	6,383
Amount written-off during the financial period/year	-	(2,709)
	37,230	37,393

Individual impairment

Balance at the beginning of financial period/year	31,519	34,584
Allowance for impairment during the financial period/year	2,727	1,509
Amount recovered during the financial period/year	(43)	(3,782)
Amount written-off during the financial period/year	(2,383)	(1,813)
Unwinding of income	(66)	(763)
Exchange difference	2,253	1,784
	34,007	31,519

A27. OPERATIONS OF ISLAMIC BANKING (Cont.)

(vi) Deposits from customers

	Group	
	30/6/2015	31/12/2014
	RM'000	RM'000
<u>By type of deposits</u>		
Non-Mudharabah Funds		
Demand deposits	2,586,310	2,664,058
Savings deposits	420,056	395,338
Negotiable Instruments of Deposits	-	249,412
Murabahah term deposits	5,471,334	5,190,631
Commodity Murabahah Deposit (CMD)	727,409	1,030,814
	9,205,109	9,530,253
Mudharabah Funds		
General investment deposits	114,948	340,141
	9,320,057	9,870,394
Total deposits from customers		

A28. COMPLETION OF PURCHASE PRICE ALLOCATION IN RELATION TO THE ACQUISITION OF HWANGDBS INVESTMENT BANK ("HWANGIB") AND ITS SUBSIDIARIES ["PPA"]

The Group had previously accounted for the acquisition of the assets and liabilities of HwangIB and its subsidiaries by using the provisional fair value for the financial year ended 31 December 2014.

During the current financial period, the Group has completed its allocation of cost of business combination to the assets acquired and liabilities and contingent liabilities assumed in accordance with MFRS 3 "Business Combinations". The fair value adjustments and intangible assets identified on acquisition are based on the final purchase price allocation and fair value exercise.

The fair values of assets and liabilities arising from the acquisition of HwangIB and its subsidiaries on 7 April 2014 (i.e. date of acquisition) have been restated accordingly as follows:

	As at the date of acquisition		
	Provisional fair value RM'000	Adjustments RM'000	Adjusted fair value RM'000
Cash and short term funds	1,155,430	-	1,155,430
Trade receivables/Managers stock	412,219	-	412,219
Securities held-for-trading	116,735	-	116,735
Securities available-for-sale	1,442,023	-	1,442,023
Securities held-to-maturity	304,602	20,620	325,222
Loans, advances and financing	417,641	-	417,641
Derivative assets	21,869	-	21,869
Other asset	42,397	-	42,397
Statutory deposits with Bank Negara Malaysia	53,140	-	53,140
Tax recoverable	72	-	72
Deferred tax assets	1,289	-	1,289
Investments in associate	6,892	-	6,892
Property, plant and equipment	10,483	-	10,483
Intangible assets	162,502	36,537	199,039
Total assets acquired	4,147,294	57,157	4,204,451
Deposits from customers	833,922	-	833,922
Deposits and placements of banks and other financial institutions	1,676,066	-	1,676,066
Trade payables	435,253	-	435,253
Derivative liabilities	28,575	-	28,575
Other liabilities	106,125	-	106,125
Taxation	3,312	-	3,312
Deferred tax liabilities	-	27,414	27,414
Borrowings	5,000	-	5,000
Total liabilities assumed	3,088,253	27,414	3,115,667
Provisional / adjustment fair value of the identifiable assets and liabilities acquired	1,059,041	29,743	1,088,784
Less: Non-controlling interest	(33,155)	(11,760)	(44,915)
Excess of acquisition cost over the fair value of net assets acquired	432,473	(17,983)	414,490
Total cost of acquisition	1,458,359	-	1,458,359
Less: Cash and short-term funds acquired	(1,155,430)	-	(1,155,430)
Net cash outflow arising from the acquisition	302,929	-	302,929

A28. COMPLETION OF PURCHASE PRICE ALLOCATION IN RELATION TO THE ACQUISITION OF HWANGDBS INVESTMENT BANK ("HWANGIB") AND ITS SUBSIDIARIES ["PPA"] (Cont.)

The following comparative figures have also been restated accordingly upon the completion of the above PPA and fair value exercise:-

a.) <u>Statement of Financial Position</u>	As reported RM'000	Adjustment RM'000	As restated RM'000
<u>As at 31 December 2014</u>			
Assets			
Financial investments held-to-maturity	652,501	240	652,741
Intangible assets	1,606,920	8,241	1,615,161
Liabilities			
Deferred tax liabilities	138	19,741	19,879
Equity			
Retained profits	2,099,826	(12,594)	2,087,232
AFS revaluation reserve	34,357	(9,166)	25,191
Non-controlling interest	30,329	10,500	40,829
<u>As at 30 June 2014</u>			
Assets			
Financial investments held-to-maturity	945,602	17,362	962,964
Intangible assets	1,602,869	15,116	1,617,985
Liabilities			
Deferred tax liabilities	1,111	25,740	26,851
Equity			
Retained profits	2,252,259	(4,602)	2,247,657
Non-controlling interest	36,200	11,340	47,540
<u>b.) <u>Consolidation Income Statements</u></u>			
<u>For the second quarter ended 30 June 2014</u>			
Interest income	612,686	(3,258)	609,428
- Amortisation of premium less accretion of discount	8,620	(3,258)	5,362
Other operating expenses	(260,331)	(3,438)	(263,769)
- Amortisation of intangible assets	(1,701)	(3,438)	(5,139)
Profit before taxation	161,718	(6,696)	155,022
Taxation	(46,708)	1,674	(45,034)
Profit after taxation	115,010	(5,022)	109,988
Profit for the financial period attributable to :-			
- Equity holders of the Company	111,989	(4,602)	107,387
- Non-controlling interest ("NCI")	3,021	(420)	2,601
<u>For the cumulative quarter ended 30 June 2014</u>			
Interest income	1,171,669	(3,258)	1,168,411
- Amortisation of premium less accretion of discount	15,583	(3,258)	12,325
Other operating expenses	(440,730)	(3,438)	(444,168)
- Amortisation of intangible assets	(3,502)	(3,438)	(6,940)
Profit before taxation	347,372	(6,696)	340,676
Taxation	(89,634)	1,674	(87,960)
Profit after taxation	257,738	(5,022)	252,716
Profit for the financial period attributable to :-			
- Equity holders of the Company	254,717	(4,602)	250,115
- Non-controlling interest ("NCI")	3,021	(420)	2,601

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

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

The Group reported a higher profit before tax and zakat ("PBT") of RM177.9 million for the current financial quarter ended 30 June 2015 as compared to RM155.3 million for the preceding year's corresponding quarter. For the half-year ended 30 June 2015, the Group's PBT of RM226.6 million however indicated a decrease of RM114.5 million or 33.6% as compared to RM341.1 million for the corresponding half-year ended 30 June 2014. The drop in PBT was mainly due to higher allowance for loan impairment (net of recoveries) of RM115.3 million, higher overhead expenses of RM82.6 million and lower net interest income of RM17.9 million. These were partially cushioned by the increase in other operating income and Islamic banking income of RM62.4 million and RM13.3 million respectively and the reduction in finance cost of RM16.7 million for the period under review.

Commercial Banking

The results of the commercial banking segment was mainly attributable to the AFFIN Bank Berhad ("ABB") Group which registered a higher PBT of RM153.4 million for the current financial quarter as compared to RM130.3 million for the preceding year's corresponding quarter. For the half-year ended 30 June 2015, the ABB Group's PBT of RM176.7 million however indicated a decrease of RM128.9 million or 42.2% as compared to RM305.6 million achieved in the previous year. The drop in the PBT was mainly due to higher allowance for loan impairment of RM96.8 million, lower loan recovery and lower net interest income of RM16.8 million and RM21.1 million respectively, net of higher Islamic banking income of RM13.3 million. The overhead expenses were higher by RM7.9 million for the quarter under review.

The wholly-owned subsidiary, namely AFFIN Islamic Bank Berhad registered a higher PBT of RM28.3 million as compared to RM21.0 million for the preceding year's corresponding quarter. For the half-year ended 30 June 2015, the Company also registered a higher PBT of RM51.9 million as compared to RM42.1 million for the same period last year, mainly due to higher operating income of RM9.8 million and lower overhead expenses of RM1.3 million.

Investment Banking

The results of the investment banking segment was attributed to AFFIN Hwang Investment Bank Berhad (fka HwangDBS Investment Bank Berhad) ["AFFIN Hwang IB"] Group which reported a PBT of RM15.8 million for the current financial quarter as compared to RM39.3 million for the preceding year's corresponding quarter. For the half-year ended 30 June 2015, the Investment Banking Group also registered a lower PBT of RM39.8 million as compared to RM53.2 million for the corresponding half-year ended 30 June 2014. The increase in other operating income of RM61.1 million was not sufficient to offset the increase in overhead expenses of RM80.1 million. The PBT for the AFFIN Hwang IB Group is after taking into consideration the adjustments totalling RM17.3 million at AFFIN Holdings Berhad ("AHB") Group level, which comprised the fair value adjustment of RM10.3 million on held-to-maturity ("HTM") securities, amortisation of identifiable intangible assets of RM6.9 million and amortisation of premium of securities of RM0.1 million arising from the acquisition of HwangDBS Investment Bank Berhad in the previous year.

For the half-year ended 30 June 2015, the asset management businesses contributed a higher pre-tax profit of RM34.0 million as compared to RM19.8 million for the same period last year, mainly due to higher other operating income of RM65.3 million net of higher overhead expenses of RM52.1 million. The increase in other operating income was mainly attributable to higher management fee income and higher fee on sale of unit trust of RM42.9 million and RM21.0 million respectively. The PBT for the asset management businesses had also taken into consideration the amortisation of identifiable intangible asset of RM3.7 million at AHB Group level.

Insurance

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

AXA AFFIN Life Insurance Berhad ("AALI") reported a higher pre-tax loss of RM2.9 million for the current financial quarter as compared to RM0.9 million for the preceding year's corresponding quarter. For the half-year ended 30 June 2015, AALI also reported a higher pre-tax loss of RM5.4 million as compared to pre-tax loss of RM2.5 million in the previous year, mainly due to one-off change to strengthen reserves for future policyholders liabilities amounting to RM3.2 million. Higher investment income of RM3.5 million, attributed to the realised gains from disposal of investment properties and equities, and higher mark-to-market gains of fixed income investments soften the impact of lower contribution from underwriting results of RM3.5 million.

AXA AFFIN General Insurance Berhad ("AAGI") reported a higher pre-tax profit of RM50.7 million for the current financial quarter as compared to RM35.0 million for the preceding year's corresponding quarter. For the half-year ended 30 June 2015, AAGI also reported a higher pre-tax profit of RM71.5 million as compared to RM49.7 million achieved in the previous year. The improved performance was mainly due to higher earned premium of RM92.1 million attributable to health and motor businesses as well as higher investment income of RM7.0 million for the financial period under review. These were however partially offset by the increase in net claims, overhead expenses and net commission incurred of RM51.3 million, RM16.8 million and RM6.8 million respectively. Included in the share of results in AAGI of RM18.0 million for the period under review was an adjustment of RM0.5 million on under-recognition of Group's share of profit for the previous financial year.

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

Other business segment

The result of the other business segment was mainly attributable to AFFIN Moneybrokers Sdn Bhd ("AMB"), AFFIN Holdings Berhad ("AHB") and AFFIN-ACF Holdings Sdn Bhd ("AACH").

Similar to that preceding year's corresponding quarter, AMB reported a pre-tax profit of RM0.6 million for the current financial quarter ended 30 June 2015. For the half-year ended 30 June 2015, AMB reported a higher pre-tax profit of RM1.5 million as compared to RM1.0 million achieved in the previous year, mainly due to higher net brokerage income net of higher overhead expenses.

AHB reported a lower pre-tax loss of RM2.9 million for the current financial quarter as compared to pre-tax loss of RM23.2 million for the preceding year's corresponding quarter, mainly due to lower finance cost and lower overhead expenses of RM16.8 million and RM4.2 million respectively. For the half-year ended 30 June 2015, AHB also reported a lower pre-tax profit of RM59.9 million as compared to RM90.6 million for the same period last year, mainly due to lower dividend income and lower interest income of RM50.6 million and RM3.2 million respectively. These were partially offset by the reduction in both finance cost and overhead expenses of RM16.7 million and RM6.4 million respectively for the period under review.

For the half-year ended 30 June 2015, AACH reported a PBT of RM348,000 as compared to RM309,000 for the corresponding half-year ended 30 June 2014.

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

The Group reported a higher profit before tax and zakat ("PBT") of RM177.9 million for the current financial quarter as compared to RM48.8 million for the preceding quarter ended 31 March 2015, mainly due to lower allowance for loan impairment and lower overhead expenses of RM110.4 million and RM11.3 million respectively. For the quarter under review, both the net interest income and Islamic banking income were higher by RM7.1 million and RM4.2 million respectively, while the other operating income was lower by RM13.2 million.

B3. PROSPECTS FOR FINANCIAL YEAR 2015

Commercial Banking

The current economic climate and the uncertainty of global economy outlook are expected to have an impact on the growth of the banking sector as well as the consumer and corporate default rates as a whole.

Moving into second-half of the financial year 2015, the Bank anticipates higher funding costs and narrowing net interest/profit margin ("NIM") due to stiff competition in both the deposits and consumer markets among the domestic banks.

The Bank will continuously pace up efforts to improve efficiency and productivity in delivering its products and services. The Bank will retain its competitive edge and grow its business within the well-defined risk parameters and continue to be guided by its strategic plans.

The Bank will emphasis on transactional banking as major source of fee income and further enhance its brand value and visibility by increasing domestic footprint while exploring the potential of establishing a presence in ASEAN.

The Bank believes its strong collaboration within the Group and relationship with customers will stand in good stead to further grow its business in targeted key segment.

Investment Banking

Notwithstanding the bearish market conditions, the Investment Banking Group continues to look forward to its first full year of operation as a merged entity upon successfully completing its merger exercise in the last quarter of 2014, which together with 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 Group will continue to build resilience across its businesses and drive efficiency savings in all its business operations under current dampening investor sentiments and volatile market conditions.

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 client 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.

B3. PROSPECT FOR FINANCIAL YEAR 2015 (Cont.)

Insurance

AXA AFFIN Life Insurance ("AAL")

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. With clear business direction and the dedicated team, AAGI is positive to achieve its targets for 2015.

B4. HEADLINE KEY PERFORMANCE INDICATOR ("KPIs") FOR YEAR 2015

The performance of the Group as compared to the announced headline Key Performance Indicators (KPIs) for the financial year ended 30 June 2015 is summarised below :-

<u>Headline KPIs</u>	<u>As announced for the financial year 2015</u>	<u>Actual Achieved 30/6/2015</u>
(i) After Tax Returns on Equity (ROE)	8.0%	2.1%
(ii) After Tax Returns on Assets (ROA)	0.9%	0.3%
(iii) Gross Impaired Loan Ratio	1.64%	2.04%
(iv) Earnings Per Share (EPS)	33.00 sen	8.72 sen

B5. VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

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

B6. TAXATION

	<-----Group----->			
	<u>Individual Quarter Ended 30/6/2015</u>	<u>30/6/2014</u>	<u>Cumulative Quarter Ended 30/6/2015</u>	<u>30/6/2014</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
		<u>(Restated)</u>		<u>(Restated)</u>
Malaysian Taxation :-				
- Income tax based on profit for the financial year	42,142	52,484	54,898	87,307
Deferred tax :-				
- Relating to originating temporary differences	(6,980)	(6,987)	(6,013)	3,053
Under/(over) provision in prior years :-				
- Current taxation	-	(463)	10	(2,400)
	<u>35,162</u>	<u>45,034</u>	<u>48,895</u>	<u>87,960</u>

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

B7. STATUS OF CORPORATE PROPOSALS

Proposed Acquisition of a Minority Stake in AFFIN Hwang Investment Bank Berhad (fka HwangDBS Investment Bank Berhad) ("AHIB") by Daiwa Securities Group Inc. ("Daiwa") or one of its wholly-owned subsidiaries ("Proposal")

AFFIN Holdings Berhad (the "Company" or "AHB") had on 6 May 2015 announced that Bank Negara Malaysia ("BNM") had vide its letter dated 29 April 2015 stated that it had no objection in principle for AHB to commence negotiations with Daiwa in relation to the Proposal, subject to both parties concluding negotiations within 6 months from the date of the said letter.

The said approval should not be construed as approval for the Proposal. Upon concluding negotiations, Daiwa and AHB would be required to obtain prior approval from BNM pursuant to the Financial Services Act 2013, before entering into any agreement to effect the Proposal.

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

B8. GROUP BORROWINGS AND DEBT SECURITIES

(i) Deposits from Customers

	Group	
	30/6/2015 RM'000	31/12/2014 RM'000
<u>By Type of Deposits:-</u>		
Money Market Deposits	395,689	1,177,702
Demand Deposits	7,624,740	8,096,429
Savings Deposits	2,076,748	2,047,242
Fixed Deposits	30,542,437	31,032,250
Negotiable Instruments of Deposits ('NIDs')	8,185,120	7,059,508
Commodity Murabahah Deposit (CMD)	727,409	1,030,814
Other deposits	146,595	160,060
	49,698,738	50,604,005
Maturity structure of fixed deposits and NIDs are as follows:-		
Due within six months	31,387,887	31,712,118
Six months to one year	6,204,523	5,670,967
One year to three years	1,128,987	701,583
Three years to five years	6,160	7,090
	38,727,557	38,091,758
<u>By Type of Customers:-</u>		
Government and statutory bodies	8,983,939	9,335,163
Business enterprises	12,794,231	14,468,197
Individuals	12,521,228	13,138,092
Domestic banking institutions	8,111,124	6,736,994
Domestic non-banking financial institutions	5,782,757	5,639,041
Foreign Entities	779,039	398,477
Others	726,420	888,041
	49,698,738	50,604,005

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

<u>By Type of Institutions:-</u>		
Licensed banks	1,974,384	2,783,993
Licensed investment banks	401,180	154,173
Bank Negara Malaysia	205,614	47,898
Other financial institutions	798,029	2,381,739
	3,379,207	5,367,803
<u>By Maturity Structure:-</u>		
Due within six months	3,379,207	5,319,905
Six months to one year	-	47,898
	3,379,207	5,367,803

B8. GROUP BORROWINGS AND DEBT SECURITIES (Cont.)

(iii) Borrowings

	Group	
	30/6/2015 RM'000	31/12/2014 RM'000
<u>Unsecured :-</u>		
One year or less (short-term)	-	66,590
More than one year (medium/long-term)	905,851	905,868
	905,851	972,458
	905,851	972,458

B9. REALISED AND UNREALISED UNAPPROPRIATED PROFITS

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

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

	Group	
	30/6/2015 RM'000	31/12/2014 RM'000 (Restated)
<u>Total retained profits of AFFIN Holdings Berhad and its subsidiaries :-</u>		
- Realised	2,242,530	2,067,594
- Unrealised		
- deferred tax recognised in the income statement	19,948	23,708
- other items of income and expense	128,492	79,501
	2,390,970	2,170,803
<u>Total share of retained profits in associate:-</u>		
- Realised	234,383	216,357
- Unrealised	4,149	4,161
<u>Total share of retained losses in joint ventures :-</u>		
- Realised	(18,225)	(13,758)
- Unrealised	(134)	(1,080)
	2,611,143	2,376,483
Add: Consolidation adjustments	(301,353)	(289,251)
Total Group retained profits as per consolidated financial statements	2,309,790	2,087,232

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

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

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

B10. MATERIAL LITIGATION

There are various legal suits against AFFIN Bank Berhad ("ABB") in respect of claims and counter claims of approximately RM67.4 million (31 December 2014: RM78.6 million). Based on legal advice, the Directors of the Bank are of the opinion that no provision for damages need to be made in the financial statements, as the probability of adverse adjudication against ABB is remote.

B11. DIVIDENDS

No dividend has been proposed for the quarter under review.

B12. EARNINGS PER SHARE

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2015	30/6/2014 (Restated)	30/6/2015	30/6/2014 (Restated)
Net profit attributable to equity holders of the Company (RM'000)	<u>139,388</u>	107,387	<u>169,473</u>	250,115
Weighted average number of ordinary shares in issue	<u>1,942,948,547</u>	1,494,575,806	<u>1,942,948,547</u>	1,494,575,806
Basic earnings per share (sen)	<u>7.17</u>	7.19	<u>8.72</u>	16.73

The basic earnings per share of the Group for the current financial quarter ended 30 June 2015 have been calculated based on the net profit attributable to the equity holders of the company of RM139,388,000 (2014: 107,387,000) divided by the weighted average number of ordinary shares in issue during the current financial quarter of 1,942,948,547 (2014: 1,494,575,806).

The basic and diluted earnings per share of the Group for the cumulative quarter ended 30 June 2015 have been calculated based on the net profit attributable to the equity holders of the company of RM169,473,000 (2014: RM250,115,000) divided by the weighted average number of ordinary shares in issue during the current financial quarter of 1,942,948,547 (2014: 1,494,575,806).

B13. ECONOMIC PROFIT/(LOSS)

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2015 RM'000	30/6/2014 RM'000 (Restated)	30/6/2015 RM'000	30/6/2014 RM'000 (Restated)
Net profit attributable to equity holders of the Company for the financial period	139,388	107,387	169,473	250,115
Less: Economic charge	(219,610)	(180,761)	(436,328)	(357,408)
Economic loss attributable to equity holders of the Company for the financial period	<u>(80,222)</u>	<u>(73,374)</u>	<u>(266,855)</u>	<u>(107,293)</u>

Formula for calculation of economic charge:

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