

# AFFIN HOLDINGS BERHAD

(Company no. 23218 - W)

## Condensed Interim Financial Statements

### Unaudited Statements of Financial Position As At 31 December 2015

	< ----- GROUP ----- >	< ----- COMPANY ----- >		
Note	31/12/2015 RM'000	31/12/2014 RM'000 (Restated)	31/12/2015 RM'000	31/12/2014 RM'000
<b>ASSETS</b>				
Cash and short-term funds	4,441,700	7,360,588	45,393	33,760
Deposits and placements with banks and other financial institutions	497,161	383,692	-	85,087
Trade receivables	A9 551,579	429,236	-	-
Financial assets held-for-trading	A10 122,016	182,780	-	-
Financial investments available-for-sale	A10 13,085,556	12,617,620	-	-
Financial investments held-to-maturity	A10 459,368	652,741	-	-
Derivative financial assets	293,864	170,035	-	-
Loans, advances and financing	A11 43,345,290	40,492,016	-	-
Other assets	A12 225,869	300,957	305	394
Statutory deposits with Bank Negara Malaysia	1,782,450	1,831,550	-	-
Amount due from subsidiaries	-	-	1,004,446	604,313
Amount due from associate	58,560	67,256	58,560	67,256
Investment in subsidiaries	-	-	5,461,063	5,902,034
Investment in joint ventures	129,396	136,208	159,630	146,880
Investment in associate	269,774	241,457	15,623	15,623
Tax recoverable	75,994	18,730	2,459	4,085
Deferred tax assets	16,339	13,954	-	-
Property and equipment	434,639	164,176	128	283
Intangible assets	1,612,462	1,615,161	3	4
<b>TOTAL ASSETS</b>	<b>67,402,017</b>	<b>66,678,157</b>	<b>6,747,610</b>	<b>6,859,719</b>
<b>LIABILITIES AND EQUITY</b>				
Deposits from customers	B8 50,548,747	50,604,005	-	-
Deposits and placements of banks and other financial institutions	B8 3,385,439	5,367,803	-	-
Obligation on securities sold under repurchase agreements	1,740,946	-	-	-
Bills and acceptances payable	77,114	94,308	-	-
Trade payables	642,483	582,166	-	-
Derivative financial liabilities	555,867	325,755	-	-
Recourse obligation on loans sold to Cagamas Berhad	134,585	139,147	-	-
Other liabilities	A13 640,436	567,767	3,098	2,965
Provision for taxation	11,799	32,418	-	-
Deferred tax liabilities	31,505	19,879	27	68
Amount due to subsidiaries	-	-	400,253	911,620
Borrowings	B8 1,306,011	972,458	1,306,011	972,458
<b>TOTAL LIABILITIES</b>	<b>59,074,932</b>	<b>58,705,706</b>	<b>1,709,389</b>	<b>1,887,111</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 2014.*

**AFFIN HOLDINGS BERHAD**

(Company no. 23218 - W)

**Condensed Interim Financial Statements****Unaudited Statements of Financial Position As At 31 December 2015**

	< ----- GROUP ----- >		< ----- COMPANY ----- >	
Note	31/12/2015 RM'000	31/12/2014 RM'000 (Restated)	31/12/2015 RM'000	31/12/2014 RM'000
<b>EQUITY</b>				
Share capital	<b>1,942,949</b>	1,942,949	<b>1,942,949</b>	1,942,949
Reserves:-				
Share premium	<b>2,185,712</b>	2,185,712	<b>2,185,712</b>	2,185,712
Statutory reserves	<b>1,626,175</b>	1,502,616	-	-
AFS revaluation reserves	<b>64,833</b>	25,191	-	-
Regulatory reserves	<b>284,141</b>	187,922	-	-
Retained profits	<b>2,178,629</b>	2,087,232	<b>909,560</b>	843,947
<b>Equity attributable to equity holders of the Company</b>	<b>8,282,439</b>	7,931,622	<b>5,038,221</b>	4,972,608
Non-controlling interest	<b>44,646</b>	40,829	-	-
<b>TOTAL EQUITY</b>	<b>8,327,085</b>	7,972,451	<b>5,038,221</b>	4,972,608
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>67,402,017</b>	66,678,157	<b>6,747,610</b>	6,859,719
<b>COMMITMENTS AND CONTINGENCIES</b>	<b>27,995,755</b>	27,300,154	-	-
<b>NET ASSETS PER SHARE (RM)</b>	<b>4.26</b>	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 Quarter and Year Ended 31 December 2015**

<u>GROUP</u>	Note	<---Individual Quarter Ended ---->		<---Cumulative Quarter Ended --->	
		31/12/2015 RM'000	31/12/2014 RM'000 (Restated)	31/12/2015 RM'000	31/12/2014 RM'000 (Restated)
Interest income	A15	<b>640,972</b>	648,532	<b>2,534,695</b>	2,460,595
Interest expense	A16	<b>(399,565)</b>	(395,674)	<b>(1,586,868)</b>	(1,491,256)
<b>Net interest income</b>		<b>241,407</b>	252,858	<b>947,827</b>	969,339
Islamic banking income		<b>64,803</b>	61,944	<b>238,921</b>	220,369
Other operating income	A17	<b>158,624</b>	166,251	<b>615,744</b>	630,105
<b>Net income</b>		<b>464,834</b>	481,053	<b>1,802,492</b>	1,819,813
Other operating expenses	A18	<b>(280,488)</b>	(248,577)	<b>(1,085,718)</b>	(997,694)
<b>Operating profit before allowance for impairment on loans, advances and financing</b>		<b>184,346</b>	232,476	<b>716,774</b>	822,119
Allowance for impairment losses on loans, advances and financing	A19	<b>(20,797)</b>	51,450	<b>(188,378)</b>	16,284
Allowance for impairment losses on securities	A20	<b>166</b>	(1)	<b>23,758</b>	(286)
<b>Operating profit</b>		<b>163,715</b>	283,925	<b>552,154</b>	838,117
Finance cost		<b>(10,106)</b>	(10,807)	<b>(40,947)</b>	(61,701)
Share of results of joint venture		<b>(16,917)</b>	1,096	<b>(18,908)</b>	242
Share of results of associates		<b>6,516</b>	11,684	<b>26,963</b>	30,196
<b>Profit before taxation and zakat</b>		<b>143,208</b>	285,898	<b>519,262</b>	806,854
Zakat		<b>(4,048)</b>	(4,862)	<b>(4,853)</b>	(5,789)
<b>Profit before taxation</b>		<b>139,160</b>	281,036	<b>514,409</b>	801,065
Taxation	B6	<b>(38,421)</b>	(71,172)	<b>(132,236)</b>	(202,563)
<b>Net profit for the financial year</b>		<b>100,739</b>	209,864	<b>382,173</b>	598,502
<b>Profit for the financial year attributable to :-</b>					
- Equity holders of the Company		<b>97,407</b>	208,610	<b>369,269</b>	592,677
- Non-controlling interest		<b>3,332</b>	1,254	<b>12,904</b>	5,825
		<b>100,739</b>	209,864	<b>382,173</b>	598,502
Earnings per share attributable to the equity holders of the Company (sen)					
- Basic	B12	<b>5.01</b>	10.74	<b>19.01</b>	34.52

*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 Quarter and Year Ended 31 December 2015**

<u>GROUP</u>	<----Individual Quarter Ended ---->		<---Cumulative Quarter Ended --->	
	31/12/2015 RM'000	31/12/2014 RM'000 (Restated)	31/12/2015 RM'000	31/12/2014 RM'000 (Restated)
<b>Profit after taxation</b>	<b>100,739</b>	209,864	<b>382,173</b>	598,502
<b>Other comprehensive income/(loss):</b>				
Items that will be reclassified subsequently to profit or loss :-				
- Net fair value change in financial investments available-for-sale	<b>196,859</b>	(21,048)	<b>61,757</b>	21,274
- Net gain transferred to profit or loss on disposal of financial investments available-for-sale	<b>(2,247)</b>	1,146	<b>(10,230)</b>	(3,282)
- Deferred tax on revaluation of financial investments available-for-sale	<b>(47,845)</b>	2,593	<b>(12,672)</b>	(7,182)
- Share of other comprehensive income/(loss) of an associated company	<b>3,149</b>	(2,852)	<b>1,354</b>	(1,160)
- Share of other comprehensive income/(loss) of a joint venture	<b>559</b>	(2,077)	<b>(654)</b>	427
<b>Other comprehensive income/(loss) for the financial year, net of tax</b>	<b>150,475</b>	(22,238)	<b>39,555</b>	10,077
<b>Total comprehensive income for the financial year</b>	<b>251,214</b>	187,626	<b>421,728</b>	608,579
<b>Total comprehensive income for the financial year attributable to :-</b>				
- Equity holders of the Company	<b>248,665</b>	186,321	<b>408,911</b>	602,720
- Non-controlling interest	<b>2,549</b>	1,305	<b>12,817</b>	5,859
	<b>251,214</b>	187,626	<b>421,728</b>	608,579

*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 Quarter and Year Ended 31 December 2015**

<u>COMPANY</u>	<----Individual Quarter Ended ---->		<----Cumulative Quarter Ended ---->	
	31/12/2015 RM'000	31/12/2014 RM'000	31/12/2015 RM'000	31/12/2014 RM'000
Interest income	9,615	10,464	38,043	43,892
Interest expense	-	-	-	-
<b>Net interest income</b>	<b>9,615</b>	<b>10,464</b>	<b>38,043</b>	<b>43,892</b>
Net Islamic banking income	-	-	-	-
Other operating income	72,063	421,560	138,094	538,218
<b>Net income</b>	<b>81,678</b>	<b>432,024</b>	<b>176,137</b>	<b>582,110</b>
Other operating expenses	(3,749)	(3,005)	(9,898)	(17,126)
<b>Operating profit before allowance for impairment on loans, advances and financing</b>	<b>77,929</b>	<b>429,019</b>	<b>166,239</b>	<b>564,984</b>
Allowance for impairment on loans, advances and financing	-	-	-	-
Allowance for impairment on other assets	-	-	-	-
<b>Operating profit</b>	<b>77,929</b>	<b>429,019</b>	<b>166,239</b>	<b>564,984</b>
Finance cost	(10,106)	(10,807)	(40,947)	(61,701)
<b>Profit before taxation and zakat</b>	<b>67,823</b>	<b>418,212</b>	<b>125,292</b>	<b>503,283</b>
Zakat	-	-	-	-
<b>Profit before taxation</b>	<b>67,823</b>	<b>418,212</b>	<b>125,292</b>	<b>503,283</b>
Taxation	(738)	(1,266)	(1,585)	(3,456)
<b>Net profit for the financial year attributable to equity holders of the Company</b>	<b>67,085</b>	<b>416,946</b>	<b>123,707</b>	<b>499,827</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 2014.*

**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 2015**

<u>COMPANY</u>	<---Individual Quarter Ended ---->		<---Cumulative Quarter Ended --->	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
	RM'000	RM'000	RM'000	RM'000
<b>Profit after taxation</b>	<b>67,085</b>	416,946	<b>123,707</b>	499,827
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the financial year attributable to equity holders of the Company</b>	<b>67,085</b>	416,946	<b>123,707</b>	499,827

*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.*

(Company no. 23218 - W)  
**Unaudited Condensed Consolidated Statement Of Changes In Equity**  
**For The Financial Year Ended 31 December 2015**

<-----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>
	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				
<b>At 1 January 2015</b>											
- As previously reported	1,942,949	1,942,949	2,185,712	1,502,616	34,357	187,922	2,099,826	<b>7,953,382</b>	30,329	<b>7,983,711</b>	
- Adjustment upon the completion of Purchase Price Allocation in relation to the acquisition of HwangDBS Investment Bank Berhad and its subsidiaries (Note A30)	-	-	-	-	(9,166)	-	(12,594)	<b>(21,760)</b>	10,500	<b>(11,260)</b>	
At 1 January 2015, as restated	1,942,949	1,942,949	2,185,712	1,502,616	25,191	187,922	2,087,232	<b>7,931,622</b>	40,829	<b>7,972,451</b>	
Comprehensive income :											
- Net profit for the financial year	-	-	-	-	-	-	369,269	<b>369,269</b>	12,904	<b>382,173</b>	
Other comprehensive income net of tax :											
of which :-											
- Financial investments available-for-sale	-	-	-	-	38,942	-	-	<b>38,942</b>	(87)	<b>38,855</b>	
- Share of other comprehensive income of an associated company	-	-	-	-	1,354	-	-	<b>1,354</b>	-	<b>1,354</b>	
- Share of other comprehensive loss of a joint venture	-	-	-	-	(654)	-	-	<b>(654)</b>	-	<b>(654)</b>	
Total comprehensive income for the financial year	-	-	-	-	39,642	-	369,269	<b>408,911</b>	12,817	<b>421,728</b>	
Transfer to statutory reserves	-	-	-	123,559	-	-	(123,559)	-	-	-	
Transfer to regulatory reserves	-	-	-	-	-	96,219	(96,219)	-	-	-	
Dividends declared and paid for the financial year	-	-	-	-	-	-	(58,094)	<b>(58,094)</b>	(9,000)	<b>(67,094)</b>	
<b>At 31 December 2015</b>	<b>1,942,949</b>	<b>1,942,949</b>	<b>2,185,712</b>	<b>1,626,175</b>	<b>64,833</b>	<b>284,141</b>	<b>2,178,629</b>	<b>8,282,439</b>	<b>44,646</b>	<b>8,327,085</b>	

**AFFIN HOLDINGS BERHAD**  
(Company no. 23218 - W)  
**Unaudited Condensed Consolidated Statement Of Changes In Equity**  
**For The Financial Year Ended 31 December 2015**

<-----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>
	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			
<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>	-	<b>6,376,724</b>
Comprehensive income :										
- Net profit for the financial year	-	-	-	-	-	-	592,677	<b>592,677</b>	5,825	<b>598,502</b>
Other comprehensive income net of tax :										
of which :-										
- Financial investments available-for-sale	-	-	-	-	10,776	-	-	<b>10,776</b>	34	<b>10,810</b>
- Share of other comprehensive loss of an associated company	-	-	-	-	(1,160)	-	-	<b>(1,160)</b>	-	<b>(1,160)</b>
- Share of other comprehensive income of a joint venture	-	-	-	-	427	-	-	<b>427</b>	-	<b>427</b>
Total comprehensive income for the financial year	-	-	-	-	10,043	-	592,677	<b>602,720</b>	5,859	<b>608,579</b>
Issue of shares pursuant to a rights issue	448,373	448,373	789,136	-	-	-	-	<b>1,237,509</b>	-	<b>1,237,509</b>
Share issue expenses	-	-	(3,834)	-	-	-	-	<b>(3,834)</b>	-	<b>(3,834)</b>
Non-controlling interest arising from business combinations (Note A30)	-	-	-	-	-	-	-	-	44,915	<b>44,915</b>
Gain/effect on dilution of interest in a subsidiary	-	-	-	-	-	-	9,945	<b>9,945</b>	(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>(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>25,191</b>	<b>187,922</b>	<b>2,087,232</b>	<b>7,931,622</b>	<b>40,829</b>	<b>7,972,451</b>



**AFFIN HOLDINGS BERHAD**  
(Company no. 23218 - W)  
**Unaudited Condensed Statement Of Changes In Equity**  
**For The Financial Year Ended 31 December 2015**

<-----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 2015</b>	1,942,949	1,942,949	2,185,712	843,947	<b>4,972,608</b>
Total comprehensive income for the financial year :					
- Net profit for the financial year	-	-	-	123,707	<b>123,707</b>
Dividends declared and paid for the financial year	-	-	-	(58,094)	<b>(58,094)</b>
<b>At 31 December 2015</b>	<b>1,942,949</b>	<b>1,942,949</b>	<b>2,185,712</b>	<b>909,560</b>	<b>5,038,221</b>
<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 shares pursuant to rights issue	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>

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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 2015**

	31/12/2015 RM'000	31/12/2014 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	514,409	801,065
Adjustment for non-operating and non-cash items	(410,553)	(379,340)
Operating profit before changes in working capital	<u>103,856</u>	<u>421,725</u>
Net changes in operating assets	(3,077,693)	(3,145,764)
Net changes in operating liabilities	39,372	1,989,612
Tax and zakat paid	(220,641)	(245,048)
Tax refund	1,364	2,023
Net cash used in operating activities	<u>(3,153,742)</u>	<u>(977,452)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received from securities	429,624	350,848
Net (purchase)/disposal of:		
- securities	(170,413)	(2,026,692)
- property and equipment	(303,415)	(4,461)
- intangible assets	(6,932)	3,049
Dividend received from:		
- financial investments held-to-maturity	1,780	1,791
- financial investments available-for-sale	16,487	11,162
Proceeds from disposal of foreclosed properties	4,877	10,055
Subscription of shares in associate	-	(4,942)
Repayment of intercompany balance by associate	8,696	1
Subscription of shares in a jointly controlled entity	(12,750)	-
Cash flow arising from acquisition of subsidiaries		
- Acquisition of AFFIN Hwang Investment Bank Berhad (Note A30)	-	(302,929)
- Acquisition of Asian Islamic Investment Management Sdn Bhd	-	(10,624)
Net cash used in investing activities	<u>(32,046)</u>	<u>(1,972,742)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Drawdown of borrowings	400,000	300,000
Repayment of borrowings	(66,447)	(304,974)
Drawdown of bridging loan	-	1,300,485
Repayment of bridging loan	-	(1,300,485)
Proceed from issuance of shares	-	1,237,509
Dividend paid to shareholders	(58,094)	(291,442)
Dividend paid to non-controlling interest	(9,000)	-
Net cash generated from financing activities	<u>266,459</u>	<u>941,093</u>
Net decrease in cash and cash equivalents	(2,919,329)	(2,009,101)
Cash and cash equivalents at beginning of the year	<u>7,312,405</u>	<u>9,321,506</u>
Cash and cash equivalents at end of the year	<u>4,393,076</u>	<u>7,312,405</u>
<u>Analysis of cash &amp; cash equivalent</u>		
Cash and short-term funds	4,441,700	7,360,588
Adjustment for money held in trust on behalf of remisers	(48,624)	(48,183)
	<u>4,393,076</u>	<u>7,312,405</u>

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

**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 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 A30:-

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

During the financial year, the Group and the Company have also applied the following amendments for the first time for the financial year beginning on 1 January 2015:

- Annual Improvements to MFRSs 2010-2012 Cycle
- Annual Improvements to MFRSs 2011-2013 Cycle
- Amendments to MFRS 119 "Defined Benefit Plans : Employees Contribution"

The adoption of these amendments did not have any impact on the current or any prior year and are not likely to affect future periods.

**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 current financial quarter and year ended 31 December 2015.

**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 2015.

**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 current financial quarter and year ended 31 December 2015.

**A8. DIVIDENDS PAID**

A single-tier interim dividend of 2.99 sen per share in respect of the current financial year ended 31 December 2015 amounting to RM58,094,145.24 was paid on 30 December 2015.

**A9. TRADE RECEIVABLES**

	<b>Group</b>	
	<b>31/12/2015</b>	<b>31/12/2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Amount due from stock-broking clients		
- performing accounts	290,256	319,168
- impaired accounts	4,460	4,420
Amount due from brokers	141,493	34,125
Amount due from Bursa Securities Clearing Sdn Bhd	51,033	26,849
Management fees receivable on fund management	68,476	48,776
	<b>555,718</b>	<b>433,338</b>
Less: Allowance for impairment		
- Collective impairment	(16)	(19)
- Individual impairment	(4,123)	(4,083)
	<b>551,579</b>	<b>429,236</b>

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

**Collective impairment**

Balance at the beginning of financial year	19	19
Allowance made during the financial year	31	-
Amount written-back during the financial year	(34)	-
Balance at the end of financial year	<b>16</b>	<b>19</b>

**Individual impairment**

Balance at the beginning of financial year	4,083	3,633
Arising from acquisition of HwangDBS Investment Bank Berhad	-	303
Allowance made during the financial year	108	656
Amount written-back during the financial year	(68)	(487)
Amount written-off during the financial year	-	(22)
Balance at the end of financial year	<b>4,123</b>	<b>4,083</b>

**A10. FINANCIAL ASSETS**

	<b>Group</b>	
	<b>31/12/2015</b>	<b>31/12/2014</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(a) <u>Financial assets held-for-trading</u></b>		
<b>At fair value</b>		
Bank Negara Malaysia Notes	-	149,904
Negotiable Instruments of Deposit	79,807	-
Quoted Securities :-		
- Shares in Malaysia	33,564	18,903
- Unit Trusts in Malaysia	8,645	8,983
Unquoted Securities :-		
- Private Debt Securities in Malaysia	-	4,990
<b>Total financial assets held-for-trading</b>	<b>122,016</b>	<b>182,780</b>
<b>(b) <u>Financial investments available-for-sale</u></b>		
<b>At fair value</b>		
Malaysian Government Securities	59,892	131,630
Malaysian Government Treasury Bills	-	225,782
Malaysian Government Sukuk	-	7,096
Malaysian Government Investment Issuance	2,538,871	3,046,553
Cagamas Bonds	20,102	84,924
Sukuk Perumahan Kerajaan	753,385	400,377
Khazanah Bonds	437,819	353,165
Bank Negara Malaysia Notes	-	1,387,284
Negotiable Instruments of Deposit and Islamic Debt Certificate	1,004,703	503,451
	4,814,772	6,140,262
Quoted Securities :-		
- Shares in Malaysia	19,610	32,975
- Private Debt Securities in Malaysia	-	2,167
- Unit Trusts in Malaysia	240,850	242,902
- REITs in Malaysia	40,219	35,546
- REITs outside Malaysia	39,618	37,367
Unquoted Securities :-		
- Shares in Malaysia	226,419	179,380
- Private Debt Securities in Malaysia	7,050,924	5,187,717
- Private Debt Securities outside Malaysia	655,651	846,040
- Corporate Bonds	986	-
	13,089,049	12,704,356
Allowance for impairment losses of securities	(3,493)	(86,736)
<b>Total financial investments available-for-sale</b>	<b>13,085,556</b>	<b>12,617,620</b>
<b>(c) <u>Financial investments held-to-maturity</u></b>		
<b>At amortised cost</b>		
Quoted Securities :-		
- Private Debt Securities in Malaysia	23,439	23,439
Unquoted Securities :-		
- Private Debt Securities in Malaysia	436,107	673,580
- Redeemable Convertible Secured Loan Stocks in Malaysia	-	1,554
	459,546	698,573
Allowance for impairment losses of securities	(178)	(45,832)
<b>Total financial investments held-to-maturity</b>	<b>459,368</b>	<b>652,741</b>
<b>Total securities held</b>	<b>13,666,940</b>	<b>13,453,141</b>

## A11. LOANS, ADVANCES AND FINANCING

### (a) BY TYPE

	Group	
	31/12/2015 RM'000	31/12/2014 RM'000
Overdrafts	1,960,022	1,943,124
Term loans/financing :-		
- Housing Loan/financing	6,172,180	5,777,114
- Syndicated term loans/financing	2,079,497	1,887,541
- Hire purchase receivables	12,000,990	10,963,715
- Business term loans/financing	14,118,507	13,861,525
Bills receivables	321,091	1,194,884
Trust receipts	298,417	244,117
Claims on customers under acceptance credits	1,016,613	1,120,038
Staff loans/financing (of which RM NIL to Directors)	154,076	141,268
Credit/charge cards	83,769	81,870
Revolving credit	5,420,534	3,630,059
Margin financing	157,979	207,186
Factoring	4,369	4,674
Other receivables	91,377	-
	<b>43,879,421</b>	<b>41,057,115</b>
Less: Allowance for impairment		
- Collective impairment	(238,868)	(301,601)
- Individual impairment	(295,263)	(263,498)
<b>Total net loans, advances and financing</b>	<b>43,345,290</b>	<b>40,492,016</b>

### (b) BY MATURITY STRUCTURE

Maturing within one year	10,067,237	9,678,740
One year to three years	4,726,084	4,609,944
Three years to five years	6,937,257	6,813,615
Over five years	22,148,843	19,954,816
	<b>43,879,421</b>	<b>41,057,115</b>

### (c) BY TYPE OF CUSTOMER

Domestic non-banking institutions :-		
- Stock-broking companies	221	231
- Others	1,644,820	1,304,372
Domestic business enterprises :-		
- Small medium enterprises	9,478,855	7,731,103
- Others	13,603,783	14,680,028
Government and statutory bodies	1,137,674	92,725
Individuals	17,066,576	15,833,956
Foreign individuals	966	3,084
Other domestic entities	109,263	13,634
Foreign entities	837,263	1,397,982
	<b>43,879,421</b>	<b>41,057,115</b>

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

Fixed rate :-		
- Housing loans/financing	404,929	362,329
- Hire purchase receivables	12,003,958	10,967,008
- Other fixed rate loans/financing	4,077,555	3,823,349
- Margin financing	157,979	207,186
Variable rate :-		
- BLR plus	16,014,700	16,064,029
- Cost plus	11,220,300	9,633,214
	<b>43,879,421</b>	<b>41,057,115</b>

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

**(e) BY ECONOMIC PURPOSE**

	<b>Group</b>	
	<b>31/12/2015</b>	<b>31/12/2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Construction	3,185,612	3,146,539
Purchase of landed property of which :-		
- Residential	6,427,607	5,737,764
- Non-residential	5,909,182	5,813,704
Purchase of securities	881,476	664,471
Purchase of transport vehicles	12,490,445	11,494,825
Fixed assets other than land and building	240,609	326,163
Personal use	745,582	887,115
Credit card	83,769	81,870
Consumer durable	852	803
Merger and acquisition	329,230	447,524
Working capital	13,127,816	11,689,397
Others	457,241	766,940
	<b>43,879,421</b>	<b>41,057,115</b>

**(f) BY SECTOR**

Primary agriculture	692,126	684,340
Mining and quarrying	789,889	666,518
Manufacturing	2,307,212	2,071,976
Electricity, gas and water supply	244,682	377,940
Construction	3,716,691	4,112,804
Real estate	6,974,487	6,100,730
Wholesale and retail trade and restaurants and hotels	2,552,553	2,182,791
Transport, storage and communication	2,243,659	2,106,782
Finance, insurance and business services	4,468,584	4,944,337
Education, health and others	2,650,162	1,815,614
Household	17,185,511	15,975,397
Others	53,865	17,886
	<b>43,879,421</b>	<b>41,057,115</b>

**(g) BY GEOGRAPHICAL DISTRIBUTION**

Perlis	155,914	130,950
Kedah	1,362,682	1,216,592
Pulau Pinang	2,156,877	2,000,495
Perak	1,304,444	1,171,747
Selangor	13,424,739	12,874,207
Wilayah Persekutuan	13,750,878	11,712,171
Negeri Sembilan	995,346	895,433
Melaka	1,003,701	982,343
Johor	3,557,500	3,254,531
Pahang	845,284	824,164
Terengganu	803,862	989,058
Kelantan	229,607	230,819
Sarawak	1,584,176	1,277,605
Sabah	1,622,166	1,705,599
Labuan	684,220	520,747
Outside Malaysia	398,025	1,270,654
	<b>43,879,421</b>	<b>41,057,115</b>

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

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

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

	<b>Group</b>	
	<b>31/12/2015</b>	<b>31/12/2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Balance at the beginning of financial year	747,776	740,958
Classified as impaired during the financial year	904,886	543,093
Reclassified as non-impaired during the financial year	(394,738)	(289,556)
Amount recovered during the financial year	(150,230)	(135,501)
Amount written-off during the financial year	(273,472)	(94,353)
Amount converted to financial investments available-for-sale	-	(16,865)
	<b>834,222</b>	<b>747,776</b>

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

Construction	102,603	77,071
Purchase of landed property of which :-		
- Residential	180,137	231,048
- Non-residential	42,170	31,278
Purchase of securities	804	10,420
Purchase of transport vehicles	82,026	86,409
Fixed assets other than land and building	164	282
Personal use	20,539	7,826
Credit card	389	326
Consumer durable	16	13
Working capital	372,038	286,669
Others	33,336	16,434
	<b>834,222</b>	<b>747,776</b>

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

Primary agriculture	14,388	17,556
Mining and quarrying	15	-
Manufacturing	58,035	53,950
Electricity, gas and water supply	148	246
Construction	81,302	258,070
Real estate	121,692	323
Wholesale and retail trade and restaurants and hotels	48,914	41,850
Transport, storage and communication	3,314	5,099
Finance, insurance and business services	216,444	38,442
Education, health and others	2,602	1,607
Household	287,368	330,633
	<b>834,222</b>	<b>747,776</b>



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

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

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

	<b>Group</b>	
	<b>31/12/2015</b>	<b>31/12/2014</b>
	<b>RM'000</b>	<b>RM'000</b>
Perlis	680	901
Kedah	19,972	22,141
Pulau Pinang	42,525	35,458
Perak	18,793	15,193
Selangor	484,346	277,204
Wilayah Persekutuan	89,094	139,798
Negeri Sembilan	13,949	24,380
Melaka	7,231	8,575
Johor	25,596	49,319
Pahang	8,262	48,236
Terengganu	5,307	17,139
Kelantan	5,068	5,152
Sarawak	6,918	14,407
Sabah	20,614	12,384
Outside Malaysia	85,867	77,489
	<b>834,222</b>	<b>747,776</b>

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

**Collective impairment**

Balance at beginning of financial year	301,601	307,142
Arising from acquisition of HwangDBS Investment Bank Berhad	-	4,299
Allowance (net of write-back) made during the financial year	17,649	45,835
Amount written-off during the financial year	(80,382)	(43,361)
Amount reclassified to individual impairment	-	(12,314)
Balance at the end of financial year	<b>238,868</b>	<b>301,601</b>

**Individual impairment**

Balance at the beginning of financial year	263,498	243,969
Amount converted to financial investments available-for-sale	-	(6,157)
Allowance made during the financial year	258,654	79,268
Amount recovered during the financial year	(7,293)	(4,386)
Amount written-off during the financial year	(193,087)	(50,870)
Unwinding discount of allowance	(33,004)	(12,432)
Exchange difference	6,495	1,792
Amount reclassified from collective impairment	-	12,314
Balance at the end of financial year	<b>295,263</b>	<b>263,498</b>

**A12. OTHER ASSETS**

Cheque clearing accounts	6,803	179,711
Foreclosed properties	4,906	9,099
Other debtors, deposits and prepayments	174,062	97,289
Amount due from joint ventures	39,936	14,858
Land held for sale	162	-
	<b>225,869</b>	<b>300,957</b>

**A13. OTHER LIABILITIES**

Bank Negara Malaysia and Credit Guarantee Corporation Funding Programmes	38,536	33,602
Margin and collateral deposits	131,678	145,430
Trust accounts for remisers	48,624	48,183
Defined contribution plan	18,303	15,301
Accrued employee benefits	886	31,322
Other creditors and accruals	302,301	199,387
Provision for zakat	2,307	5,037
Sundry creditors	97,801	89,505
	<b>640,436</b>	<b>567,767</b>

#### A14. RESERVES

	Group	
	31/12/2015 RM'000	31/12/2014 RM'000
Retained profits	2,178,629	2,087,232
AFS revaluation reserves	64,833	25,191
Statutory reserves	1,626,175	1,502,616
Regulatory reserves	284,141	187,922
	<b>4,153,778</b>	<b>3,802,961</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	
	31/12/2015 RM'000	31/12/2014 RM'000	31/12/2015 RM'000	31/12/2014 RM'000
Loans, advances and financing	477,422	467,812	1,875,301	1,762,090
Money at call and deposits with financial institutions	7,408	31,844	71,612	160,111
Financial assets held-for-trading	5,209	425	11,752	1,992
Financial investments available-for-sale	109,359	84,355	403,289	310,261
Financial investments held-to-maturity	9,414	14,756	26,335	40,587
Derivatives	30,007	34,953	134,836	149,247
Subordinated term loan	1,548	1,338	6,033	5,305
Others	199	113	662	364
	<b>640,566</b>	<b>635,596</b>	<b>2,529,820</b>	<b>2,429,957</b>
Accretion of discount less amortisation of premium	406	12,936	4,875	30,638
	<b>640,972</b>	<b>648,532</b>	<b>2,534,695</b>	<b>2,460,595</b>
of which :-				
Interest income earned on impaired loans, advances and financing	(9,480)	2,460	16,677	7,933

#### A16. INTEREST EXPENSE

Deposits and placements of banks and other financial institutions	14,734	15,640	48,459	65,692
Deposits from customers	342,638	344,758	1,377,907	1,270,101
Loans sold to Cagamas Berhad	1,460	2,165	5,917	13,263
Derivatives	27,339	31,042	120,785	139,380
Others	13,394	2,069	33,800	2,820
	<b>399,565</b>	<b>395,674</b>	<b>1,586,868</b>	<b>1,491,256</b>

**A17. OTHER OPERATING INCOME**

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
	RM'000	RM'000	RM'000	RM'000
<u>Fee income</u>				
Gross brokerage	24,899	31,388	100,858	118,834
Underwriting fees	2,044	214	6,423	10,269
Portfolio management fees	46,035	41,328	171,357	121,145
Corporate advisory fees	484	2,433	3,788	10,190
Commission	3,989	5,245	15,846	14,553
Service charges and fees	14,487	16,033	57,359	59,778
Guarantee fees	6,788	6,512	23,950	23,853
Arrangement fees	740	10,937	3,657	13,294
Agency fees	598	440	1,944	2,190
Initial service charges	14,198	16,153	67,893	57,268
Other fee income	3,294	2,670	7,200	13,340
	117,556	133,353	460,275	444,714
<u>Income from financial instruments</u>				
Gains arising on financial assets held-for-trading :-				
- net gains on disposal	10,240	5,751	28,237	34,564
- unrealised gains/(loss)	97	433	(37)	1,600
- gross dividend income	45	550	1,780	1,791
Gains/(loss) on derivatives :-				
- realised	557	648	4,596	7,147
- unrealised	78	4,737	(13,882)	9,377
Gains arising on financial investments available-for-sale :-				
- net gains on disposal	4,262	5,054	23,990	20,474
- gross dividend income	5,112	2,711	16,487	11,162
Gains arising on financial investments held-to-maturity :-				
- net gains on redemption	-	388	-	3,500
	20,391	20,272	61,171	89,615
<u>Other income</u>				
Foreign exchange gains/(loss)				
- realised	(203,835)	131,186	25,175	176,880
- unrealised	220,807	(124,247)	55,965	(113,411)
Rental income	572	359	1,726	1,500
Gains on disposal of property and equipment	267	1,413	431	6,292
Gains on disposal of foreclosed properties	97	187	684	3,329
Other non-operating income	2,769	3,728	10,317	21,186
	20,677	12,626	94,298	95,776
<b>Total other operating income</b>	<b>158,624</b>	<b>166,251</b>	<b>615,744</b>	<b>630,105</b>

#### A18. OTHER OPERATING EXPENSES

	-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs</u>				
Wages, salaries and bonus	127,449	101,633	453,991	419,397
Defined contribution plan	20,514	16,642	74,496	66,903
Other personnel costs	8,198	12,071	67,248	54,480
	<u>156,161</u>	<u>130,346</u>	<u>595,735</u>	<u>540,780</u>
<u>Promotion and marketing-related expenses</u>				
Business promotion and advertisement	(677)	4,854	12,848	16,542
Entertainment	977	892	4,093	4,479
Travelling and accommodation	1,990	1,954	6,886	5,674
Dealers' handling fees	4,544	5,487	11,444	7,682
Commission and brokerage expenses	20,278	15,932	83,103	58,118
Dealers representative performance incentive	295	2,173	6,137	11,753
Others	2,179	2,142	8,440	6,648
	<u>29,586</u>	<u>33,434</u>	<u>132,951</u>	<u>110,896</u>
<u>Establishment-related expenses</u>				
Rental of premises	10,822	10,758	43,102	39,227
Equipment rental	726	684	3,207	2,983
Repair and maintenance	11,410	9,444	43,415	38,326
Depreciation of property and equipment	5,549	5,028	21,216	20,087
Amortisation of intangible assets	5,505	5,309	21,448	17,826
IT consultancy fee	15,940	16,582	64,245	61,746
Dataline rental	2,337	885	6,380	4,523
Security services	4,020	5,430	16,293	17,690
Electricity, water and sewerage	2,912	3,444	13,472	12,903
Insurance and indemnities	5,431	3,298	17,468	9,952
Others	1,327	924	5,268	3,776
	<u>65,979</u>	<u>61,786</u>	<u>255,514</u>	<u>229,039</u>
<u>General and administrative expenses</u>				
Telecommunication expenses	3,937	3,127	14,825	13,520
Directors' remuneration	738	653	2,884	2,924
Auditors' remuneration :-				
(i) Statutory audit fees				
- current year	6	(107)	1,632	1,611
- over provision in prior year	(42)	-	(42)	-
(ii) Audit related fees	529	487	551	513
(iii) Non audit fees				
- current year	316	658	652	1,073
- over provision in prior year	(99)	-	(99)	-
Professional fees	3,517	3,454	16,496	38,215
Property and equipment written-off	33	34	182	129
Intangible asset written-off	-	-	6	-
Postage and courier charges	473	319	3,251	3,439
Stationery and consumables	3,029	2,708	10,598	9,899
Donations	1,129	1,484	2,822	6,263
Settlement, clearing and bank charges	2,825	2,116	9,935	8,012
Stamp duties	45	57	384	6,232
Operational and litigation write-off expenses	4,752	-	4,922	-
Subscription fees	2,234	821	6,083	2,920
Transaction levy	1,079	1,954	7,722	6,894
Subsidies and allowances	709	174	2,980	930
SCORE fees	424	674	2,686	2,376
Others	3,128	4,398	13,048	12,029
	<u>28,762</u>	<u>23,011</u>	<u>101,518</u>	<u>116,979</u>
<b>Total other operating expenses</b>	<b>280,488</b>	<b>248,577</b>	<b>1,085,718</b>	<b>997,694</b>

**A19. ALLOWANCE FOR IMPAIRMENT LOSSES ON LOANS,  
 ADVANCES AND FINANCING**

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014
	RM'000	RM'000	RM'000	RM'000
Collective impairment				
- made during the financial year	12,351	13,142	17,646	33,521
Individual impairment				
- made during the financial year	30,394	15,570	258,762	92,238
- written-back during the financial year	(2,820)	(470)	(7,361)	(4,873)
Bad debts				
- recovered	(19,859)	(80,788)	(84,515)	(141,901)
- written-off	816	816	3,603	4,381
Additional allowance for impaired debts				
- other debtors	(85)	280	243	350
	<b>20,797</b>	<b>(51,450)</b>	<b>188,378</b>	<b>(16,284)</b>

**A20. ALLOWANCE FOR IMPAIRMENT LOSSES  
 ON SECURITIES**

(Write-back of)/additional allowance for impairment loss				
- Financial investments available-for-sale	(121)	1	(167)	286
- Financial investments held-to-maturity	(45)	-	(23,591)	-
	<b>(166)</b>	<b>1</b>	<b>(23,758)</b>	<b>286</b>

## A21. SEGMENTAL INFORMATION ON REVENUE AND PROFIT

The segment analysis by activity for the individual and cumulative quarters ended 31 December 2015 and 31 December 2014 are as follows:-

	<----- Current year's individual quarter ended 31 December 2015 ----->					
	<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	330,163	131,117	-	3,554	-	464,834
Intersegment revenue	(5,676)	(1,964)	-	80,696	(73,056)	-
<b>Segment revenue</b>	<b>324,487</b>	<b>129,153</b>	<b>-</b>	<b>84,250</b>	<b>(73,056)</b>	<b>464,834</b>
Overhead expenses	(164,891)	(110,692)	-	(5,914)	1,009	(280,488)
of which :-						
Depreciation of property and equipment	(3,776)	(1,668)	-	(105)	-	(5,549)
Amortisation of intangible assets	(1,616)	(3,878)	-	(11)	-	(5,505)
(Additional)/write-back of allowance for impairment on loans, advances and financing/securities	(19,666)	(965)	-	-	-	(20,631)
<b>Segment results</b>	<b>139,930</b>	<b>17,496</b>	<b>-</b>	<b>78,336</b>	<b>(72,047)</b>	<b>163,715</b>
Finance costs	-	-	-	(10,106)	-	(10,106)
Share of results of joint ventures (net of tax)	-	-	(16,917)	-	-	(16,917)
Share of results of associate (net of tax)	-	-	6,516	-	-	6,516
<b>Profit before taxation and zakat</b>	<b>139,930</b>	<b>17,496</b>	<b>(10,401)</b>	<b>68,230</b>	<b>(72,047)</b>	<b>143,208</b>
Taxation and zakat						(42,469)
<b>Net profit for the individual quarter</b>						<b>100,739</b>
	<----- Preceding 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	340,352	136,006	-	4,695	-	481,053
Intersegment revenue	(6,183)	(2,992)	-	431,507	(422,332)	-
<b>Segment revenue</b>	<b>334,169</b>	<b>133,014</b>	<b>-</b>	<b>436,202</b>	<b>(422,332)</b>	<b>481,053</b>
Overhead expenses	(134,751)	(108,468)	-	(7,328)	1,970	(248,577)
of which :-						
Depreciation of property and equipment	(3,519)	(1,401)	-	(108)	-	(5,028)
Amortisation of intangible assets	(1,537)	(3,769)	-	(3)	-	(5,309)
(Additional)/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>21,524</b>	<b>-</b>	<b>428,874</b>	<b>(420,362)</b>	<b>283,925</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)	-	-	11,684	-	-	11,684
<b>Profit before taxation and zakat</b>	<b>253,889</b>	<b>21,524</b>	<b>12,780</b>	<b>418,067</b>	<b>(420,362)</b>	<b>285,898</b>
Taxation and zakat						(76,034)
<b>Net profit for the individual quarter</b>						<b>209,864</b>

## A21. SEGMENTAL INFORMATION ON REVENUE AND PROFIT (Cont.)

The segment analysis by activity for the individual and cumulative quarters ended 31 December 2015 and 31 December 2014 are as follows:-

	<----- Current year's cumulative quarter ended 31 December 2015 ----->					
	<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	1,276,961	507,860	-	17,671	-	1,802,492
Intersegment revenue	(22,418)	(9,466)	-	172,008	(140,124)	-
<b>Segment revenue</b>	<b>1,254,543</b>	<b>498,394</b>	<b>-</b>	<b>189,679</b>	<b>(140,124)</b>	<b>1,802,492</b>
Operating expenses	(628,358)	(438,952)	-	(20,312)	1,904	(1,085,718)
of which :-						
Depreciation of property and equipment	(15,044)	(5,763)	-	(409)	-	(21,216)
Amortisation of intangible assets	(6,200)	(15,214)	-	(34)	-	(21,448)
(Additional)/write-back of allowance for impairment on loans, advances and financing/securities	(164,950)	330	-	-	-	(164,620)
<b>Segment results</b>	<b>461,235</b>	<b>59,772</b>	<b>-</b>	<b>169,367</b>	<b>(138,220)</b>	<b>552,154</b>
Finance costs	-	-	-	(40,947)	-	(40,947)
Share of results of joint ventures (net of tax)	-	-	(18,908)	-	-	(18,908)
Share of results of associate (net of tax)	-	-	26,963	-	-	26,963
<b>Profit before taxation and zakat</b>	<b>461,235</b>	<b>59,772</b>	<b>8,055</b>	<b>128,420</b>	<b>(138,220)</b>	<b>519,262</b>
Taxation and zakat						(137,089)
<b>Net profit for the cumulative quarter</b>						<b>382,173</b>

	<----- Preceding 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	1,313,066	489,372	-	17,375	-	1,819,813
Intersegment revenue	(21,740)	(14,438)	-	578,896	(542,718)	-
<b>Segment revenue</b>	<b>1,291,326</b>	<b>474,934</b>	<b>-</b>	<b>596,271</b>	<b>(542,718)</b>	<b>1,819,813</b>
Operating expenses	(589,114)	(385,043)	-	(27,577)	4,040	(997,694)
of which :-						
Depreciation of property and equipment	(14,951)	(4,700)	-	(436)	-	(20,087)
Amortisation of intangible assets	(6,304)	(11,510)	-	(12)	-	(17,826)
(Additional)/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>87,971</b>	<b>-</b>	<b>568,694</b>	<b>(538,678)</b>	<b>838,117</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>88,888</b>	<b>29,521</b>	<b>506,993</b>	<b>(538,678)</b>	<b>806,854</b>
Taxation and zakat						(208,352)
<b>Net profit for the cumulative quarter</b>						<b>598,502</b>

## A22. 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.

## A23. 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.

## A24. 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 :-

	31/12/2015	31/12/2014
	Principal Amount RM'000	Principal Amount RM'000
Direct credit substitutes	507,168	813,629
Transaction related contingent items	2,027,954	2,043,704
Short-term self-liquidating trade related contingencies	470,476	746,576
Obligation under underwriting commitments	25,500	17,122
Foreign exchange related contracts #		
- Less than one year	10,585,763	7,403,019
- One year to less than five years	1,256,815	1,260,435
- Five years and above	-	96,030
Interest rate related contracts #		
- Less than one year	652,116	1,156,279
- One year to less than five years	1,662,023	1,831,125
- Five years and above	597,000	390,148
Irrevocable commitments to extend credit		
- Maturity less than one year	7,687,062	8,987,864
- Maturity more than one year	1,717,346	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	618,204	322,761
Unutilised credit card lines	188,328	208,865
	<b>27,995,755</b>	<b>27,300,154</b>

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



## A25. 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
<b>As at 31 December 2015</b>												
<b>Trading derivatives</b>												
Foreign exchange contracts								-				
- Currency forwards	3,575,202	193,014	-	3,768,216	104,250	35,560	-	139,810	18,252	47	-	18,299
- Cross currency swaps	6,971,431	967,771	96,030	8,035,232	89,195	47,019	341	136,555	286,778	199,590	33,659	520,027
- Currency options	39,130	-	-	39,130	(12)	-	-	(12)	-	-	-	-
Interest rate contracts												
- Interest rate swaps	652,116	1,327,875	931,148	2,911,139	3,430	7,595	6,486	17,511	2,677	5,798	9,066	17,541
	<b>11,237,879</b>	<b>2,488,660</b>	<b>1,027,178</b>	<b>14,753,717</b>	<b>196,863</b>	<b>90,174</b>	<b>6,827</b>	<b>293,864</b>	<b>307,707</b>	<b>205,435</b>	<b>42,725</b>	<b>555,867</b>

### 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
	<b>8,559,298</b>	<b>1,767,555</b>	<b>1,810,183</b>	<b>12,137,036</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>

## **A25. 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 RM98.5 million (FYE 31/12/2014: RM2.0 million), while the notional amount of interest rate contract was RM854.9 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 RM524.0 million (FYE 31/12/2014: RM384.2 million) and RM82.6 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.

## A26. 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 and liabilities
- (b) 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.
- (c) Level 3 - valuations derived from valuation techniques in which one or more significant inputs are not based on observable market data.

<b>Group</b>	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>31 December 2015</b>				
<b>Assets</b>				
Financial assets held-for-trading	33,564	88,452	-	122,016
Financial investments available-for-sale *				
- Private debt securities	-	7,706,661	-	7,706,661
- Equity securities	98,733	-	223,554	322,287
- BNM and government	-	5,056,608	-	5,056,608
Derivative financial assets	-	293,864	-	293,864
	<b>132,297</b>	<b>13,145,585</b>	<b>223,554</b>	<b>13,501,436</b>
<b>Liabilities</b>				
Derivative financial liabilities	-	555,867	-	555,867
<b>31 December 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
- BNM and government	-	6,342,118	-	6,342,118
Derivative financial assets	-	170,035	-	170,035
	<b>111,337</b>	<b>12,711,534</b>	<b>147,564</b>	<b>12,970,435</b>
<b>Liabilities</b>				
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.

**A26. 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 year ended:-

<b>Group</b>	<b>31/12/2015</b> RM'000	<b>31/12/2014</b> RM'000
As at beginning of the financial year	147,564	134,312
Purchases	500	3,517
Sales	-	200
Exchanges differences	-	(3,716)
Total gains recognised in Other Comprehensive Income	75,576	12,225
Allowance for impairment losses	-	(550)
Amount arising from acquisition of a subsidiary	-	1,576
As at end of the financial year	<u>223,640</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.

## A27. CAPITAL ADEQUACY

With effect from 1 January 2013, the total capital and capital adequacy ratios of the Group are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework (Capital Components) dated 28 November 2012. In line with the transitional arrangements under the Bank Negara Malaysia's Capital Adequacy Framework (Capital Components), the minimum capital adequacy requirement for Common Equity Tier I ("CET I") Capital Ratio and Tier I Capital Ratio are 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 31 December 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	
	31/12/2015 RM'000	31/12/2014 RM'000	31/12/2015 RM'000	31/12/2014 RM'000	31/12/2015 RM'000	31/12/2014 RM'000
<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	1,688,770	460,000	360,000	780,000	780,000
Share premium	858,904	858,904	-	-	219,800	219,800
Statutory reserves	1,328,792	1,263,470	248,717	206,324	214,915	199,071
Retained profit	805,289	760,153	196,256	163,244	274,498	260,692
Unrealised gains/(losses) on AFS	101,388	30,893	(10,405)	(7,730)	(14,762)	5,347
	<u>4,783,143</u>	<u>4,602,190</u>	<u>894,568</u>	<u>721,838</u>	<u>1,474,451</u>	<u>1,464,910</u>
Less Regulatory adjustments:-						
- Goodwill	(156,604)	(150,690)	(426)	(891)	(320,046)	(314,772)
- Investments in subsidiaries	(195,630)	(77,815)	(260)	(130)	(106,200)	(124,563)
- Deferred tax assets	-	(218)	(3,598)	(2,900)	(7,770)	(5,990)
- 55% of cumulative gains of AFS	(55,763)	(16,991)	-	-	-	(2,941)
	<u>4,375,146</u>	<u>4,356,476</u>	<u>890,284</u>	<u>717,917</u>	<u>1,040,435</u>	<u>1,016,644</u>
Total CET I Capital	<u>4,375,146</u>	<u>4,356,476</u>	<u>890,284</u>	<u>717,917</u>	<u>1,040,435</u>	<u>1,016,644</u>
Total Tier I Capital (a)	<u>4,375,146</u>	<u>4,356,476</u>	<u>890,284</u>	<u>717,917</u>	<u>1,040,435</u>	<u>1,016,644</u>
<u>Tier II capital</u>						
Subordinated loans	820,000	480,000	-	-	-	-
Regulatory adjustments	220,148	135,347	58,400	49,020	5,594	3,556
Collective impairment #	110,058	129,134	23,750	21,120	9,423	9,001
Less : Investment in subsidiaries	(293,444)	(311,259)	(390)	(520)	(15,017)	(12,557)
	<u>856,762</u>	<u>433,222</u>	<u>81,760</u>	<u>69,620</u>	<u>-</u>	<u>-</u>
Total Tier II Capital (b)	<u>856,762</u>	<u>433,222</u>	<u>81,760</u>	<u>69,620</u>	<u>-</u>	<u>-</u>
Total Tier I & II Capital (a) + (b)	<u>5,231,908</u>	<u>4,789,698</u>	<u>972,044</u>	<u>787,537</u>	<u>1,040,435</u>	<u>1,016,644</u>
Capital base before proposed dividends	5,231,908	4,789,698	972,044	787,537	1,040,435	1,016,644
Proposed dividends	(104,366)	(66,031)	-	-	(3,042)	-
<b>Capital base after proposed dividends</b>	<b><u>5,127,542</u></b>	<b><u>4,723,667</u></b>	<b><u>972,044</u></b>	<b><u>787,537</u></b>	<b><u>1,037,393</u></b>	<b><u>1,016,644</u></b>
<b>b) The breakdown of risk-weighted assets :-</b>						
Credit risk	33,498,227	32,586,612	6,336,026	5,390,103	2,589,933	2,791,978
Market risk	323,855	284,148	3,650	2,590	279,305	191,477
Operational risk	1,951,219	1,954,278	403,377	366,578	365,105	325,813
<b>Total risk-weighted assets</b>	<b><u>35,773,301</u></b>	<b><u>34,825,038</u></b>	<b><u>6,743,053</u></b>	<b><u>5,759,271</u></b>	<b><u>3,234,343</u></b>	<b><u>3,309,268</u></b>
<b>c) Capital adequacy ratios :-</b>						
<u>Before deducting proposed dividends:-</u>						
CET I Capital Ratio	12.230%	12.510%	13.203%	12.465%	32.168%	30.721%
Tier I Capital Ratio	12.230%	12.510%	13.203%	12.465%	32.168%	30.721%
Total Capital Ratio	<u>14.625%</u>	<u>13.754%</u>	<u>14.415%</u>	<u>13.674%</u>	<u>32.168%</u>	<u>30.721%</u>
<u>After deducting proposed dividends:-</u>						
CET I Capital Ratio	11.938%	12.320%	13.203%	12.465%	32.074%	30.721%
Tier I Capital Ratio	11.938%	12.320%	13.203%	12.465%	32.074%	30.721%
Total Capital Ratio	<u>14.333%</u>	<u>13.564%</u>	<u>14.415%</u>	<u>13.674%</u>	<u>32.074%</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.

## A28. LIQUIDITY RISK

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

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

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

<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>31/12/2015</b>	<b>month</b>	<b>months</b>	<b>months</b>	<b>years</b>	<b>years</b>	<b>RM'000</b>
<b>Assets</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>
Cash and short-term funds	4,441,700	-	-	-	-	4,441,700
Deposits and placements with banks and other financial institutions	-	35,034	-	432,093	30,034	497,161
Trade receivables	545,319	6,157	103	-	-	551,579
Financial assets held-for-trading	42,209	5,114	74,693	-	-	122,016
Financial investments available-for-sale	459,278	974,812	1,169,219	4,683,514	5,798,733	13,085,556
Financial investments held-to-maturity	23,438	-	71,341	74,208	290,381	459,368
Derivative financial assets	24,667	85,319	96,102	85,198	2,578	293,864
Loans, advances and financing	3,799,165	1,543,279	2,311,424	11,650,950	24,040,472	43,345,290
Other assets	89,603	2,091	30,481	97,062	6,632	225,869
Statutory deposits with Bank Negara Malaysia	1,782,450	-	-	-	-	1,782,450
Amount due from associate	1,092	-	13,262	44,206	-	58,560
Other non-financial assets (Note 1)	3,598	-	48,705	340,030	2,146,271	2,538,604
<b>Total assets</b>	<b>11,212,519</b>	<b>2,651,806</b>	<b>3,815,330</b>	<b>17,407,261</b>	<b>32,315,101</b>	<b>67,402,017</b>

Note 1 : Other non-financial assets include investment in associate, investment in jointly controlled entities, property and equipment, intangible assets, taxation recoverable and deferred tax assets.

**A28. 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>31/12/2015</b>	<b>month</b>	<b>months</b>	<b>months</b>	<b>years</b>	<b>years</b>	<b>Total</b>
<b>Liabilities</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>
Deposits from customers	21,735,151	12,733,069	14,932,551	1,147,976	-	50,548,747
Deposits and placements with banks and other financial institutions	2,230,823	892,078	262,538	-	-	3,385,439
Obligations on securities sold under repurchase agreement	95,370	1,645,576	-	-	-	1,740,946
Bills and acceptances payable	77,114	-	-	-	-	77,114
Trade payables	642,483	-	-	-	-	642,483
Derivatives financial liabilities	63,796	94,227	157,746	235,368	4,730	555,867
Recourse obligation on loans sold to Cagamas	-	806	-	133,779	-	134,585
Other liabilities	491,379	39,890	108,401	766	-	640,436
Other non-financial liabilities (Note 2)	15,104	-	11,826	-	16,374	43,304
Borrowings	2,890	3,121	300,000	300,000	700,000	1,306,011
<b>Total liabilities</b>	<b>25,354,110</b>	<b>15,408,767</b>	<b>15,773,062</b>	<b>1,817,889</b>	<b>721,104</b>	<b>59,074,932</b>
<b>Net liquidity gap</b>	<b>(14,141,591)</b>	<b>(12,756,961)</b>	<b>(11,957,732)</b>	<b>15,589,372</b>	<b>31,593,997</b>	<b>8,327,085</b>

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

**A28. 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>31/12/2014</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	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	1,163,361	905,936	1,762,776	5,731,838	3,053,709	12,617,620
Financial investments held-to-maturity	70,375	155,879	30,381	131,554	264,552	652,741
Derivative financial assets	20,967	33,773	76,660	36,410	2,225	170,035
Loans, advances and financing	3,221,525	1,911,412	2,469,763	11,009,745	21,879,571	40,492,016
Other assets	215,428	111	27,626	46,760	11,032	300,957
Statutory deposits with Bank Negara Malaysia	1,831,550	-	-	-	-	1,831,550
Amount due from associate	946	-	-	-	66,310	67,256
Other non-financial assets (Note 1)	3,118	-	4,105	536,823	1,645,640	2,189,686
<b>Total assets</b>	<b>14,496,991</b>	<b>3,009,812</b>	<b>4,371,493</b>	<b>17,815,346</b>	<b>26,984,515</b>	<b>66,678,157</b>

Note 1 : Other non-financial assets include investment in associate, investment in jointly controlled entities, property and equipment, intangible assets, taxation recoverable and deferred tax assets.



**A28. 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>31/12/2014</b>	<b>month</b>	<b>months</b>	<b>months</b>	<b>years</b>	<b>years</b>	<b>RM'000</b>
<b>Liabilities</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>
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	44,809	49,485	137,772	81,019	12,670	325,755
Recourse obligation on loans sold to Cagamas	-	834	-	138,313	-	139,147
Other liabilities (Note 2)	497,392	6,295	63,789	291	-	567,767
Other non-financial liabilities	19,741	-	28,097	4,349	110	52,297
Borrowings	3,052	3,096	-	966,310	-	972,458
<b>Total liabilities</b>	<b>27,866,996</b>	<b>15,230,268</b>	<b>13,595,016</b>	<b>2,000,646</b>	<b>12,780</b>	<b>58,705,706</b>
<b>Net liquidity gap</b>	<b>(13,370,005)</b>	<b>(12,220,456)</b>	<b>(9,223,523)</b>	<b>15,814,700</b>	<b>26,971,735</b>	<b>7,972,451</b>

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

## A29. OPERATIONS OF ISLAMIC BANKING

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

	Group	
	31/12/2015	31/12/2014
	RM'000	RM'000
<b>ASSETS</b>		
Cash and short-term funds	1,918,570	3,333,472
Deposits and placements with banks and other financial institutions	35,034	-
Financial investments available-for-sale	1,475,373	1,532,500
Financial investments held-to-maturity	76,283	82,754
Derivative financial assets	132	12
Financing, advances and other financing	9,201,909	7,163,621
Other assets	410,867	305,228
Statutory deposit with Bank Negara Malaysia	259,600	298,000
Deferred tax assets	3,598	2,900
Property and equipment	2,613	3,261
Intangible assets	426	891
<b>TOTAL ASSETS</b>	<b>13,384,405</b>	<b>12,722,639</b>
<b>LIABILITIES, ISLAMIC BANKING FUNDS</b>		
Deposits from customers	10,001,695	9,870,394
Deposits and placements of banks and other financial institutions	2,372,710	2,045,720
Derivative financial liabilities	1,035	34
Other liabilities	44,119	30,358
Provision for taxation	10,031	4,071
<b>Total Liabilities</b>	<b>12,429,590</b>	<b>11,950,577</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	460,000	360,000
Reserves	494,815	412,062
<b>Total Equity</b>	<b>954,815</b>	<b>772,062</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>13,384,405</b>	<b>12,722,639</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	<b>2,499,754</b>	<b>2,112,921</b>

**A29. OPERATIONS OF ISLAMIC BANKING (Cont.)**

**(ii) Unaudited Islamic Income Statements**

	<-----Group----->			
	Individual Quarter Ended 31/12/2015 RM'000	31/12/2014 RM'000	Cumulative Quarter Ended 31/12/2015 RM'000	31/12/2014 RM'000
Income derived from investment of depositors' funds and others	147,671	129,118	556,537	472,996
Income derived from investment of Shareholders' funds	11,209	8,891	39,774	33,586
Allowance for losses on financing, advances and other financing	(3,569)	(2,344)	(8,512)	(3,725)
	155,311	135,665	587,799	502,857
Income attributable to depositors	(93,615)	(77,780)	(356,017)	(290,628)
Income attributable to shareholders	61,696	57,885	231,782	212,229
Other operating expenses	(28,008)	(29,871)	(114,407)	(120,023)
Impairment loss	-	-	-	(550)
Profit before taxation and zakat	33,688	28,014	117,375	91,656
Zakat	(3,779)	(4,772)	(3,779)	(4,772)
Profit before taxation	29,909	23,242	113,596	86,884
Taxation	(7,960)	(6,423)	(28,811)	(20,288)
Net profit for the financial year attributable to the equity holders of the Company	21,949	16,819	84,785	66,596

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

	<-----Group----->			
	Individual Quarter Ended 31/12/2015 RM'000	31/12/2014 RM'000	Cumulative Quarter Ended 31/12/2015 RM'000	31/12/2014 RM'000
Profit after taxation	21,949	16,819	84,785	66,596
Other comprehensive income :-				
- Net fair value change in financial investments available-for-sale	13,447	(3,729)	(2,674)	1,381
- Deferred tax on revaluation of financial investments available-for-sale	(3,228)	894	642	(332)
Other comprehensive income/(loss) for the financial period, net of tax	10,219	(2,835)	(2,032)	1,049
<b>Total comprehensive income for the financial year attributable to the equity holders of the Company</b>	<b>32,168</b>	<b>13,984</b>	<b>82,753</b>	<b>67,645</b>

**A29. OPERATIONS OF ISLAMIC BANKING (Cont.)**

**(iv) Financing**

	<b>Group</b>	
	<b>31/12/2015</b>	<b>31/12/2014</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>By type</u>		
Cash line	314,426	203,963
Term financing		
- Housing financing	2,096,258	1,832,181
- Syndicated term financing	490,723	262,031
- Hire purchase receivables	2,710,393	2,044,709
- Business term financing	2,860,153	1,919,442
Bills receivables	36,637	12,189
Trust receipts	12,600	19,848
Interest-free accepted bills	123,897	121,416
Staff financing	9,536	9,629
Revolving credit	622,473	807,125
	<b>9,277,096</b>	<b>7,232,533</b>
Less : Allowance for impairment		
- Collective impairment	(36,671)	(37,393)
- Individual impairment	(38,516)	(31,519)
<b>Total net financing</b>	<b>9,201,909</b>	<b>7,163,621</b>

**(v) Impaired financing**

**(a) Movements of impaired financing**

Balance at the beginning of financial year	129,157	131,630
Classified as impaired during the financial year	108,375	90,964
Reclassified as non-impaired during the financial year	(67,897)	(54,830)
Amount recovered during the financial year	(18,862)	(34,076)
Amount written-off during the financial year	(9,065)	(4,531)
	<b>141,708</b>	<b>129,157</b>

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

**Collective impairment**

Balance at the beginning of financial year	37,393	33,719
Allowance (net of write-back) made during the financial year	5,958	6,383
Amount written-off during the financial year	(6,680)	(2,709)
	<b>36,671</b>	<b>37,393</b>

**Individual impairment**

Balance at the beginning of financial year	31,519	34,584
Allowance for impairment during the financial year	3,560	1,509
Amount recovered during the financial year	(47)	(3,782)
Amount written-off during the financial year	(2,383)	(1,813)
Unwinding of income	(628)	(763)
Exchange difference	6,495	1,784
	<b>38,516</b>	<b>31,519</b>

**A29. OPERATIONS OF ISLAMIC BANKING (Cont.)**

**(vi) Deposits from customers**

	<b>Group</b>	
	<b>31/12/2015</b>	<b>31/12/2014</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>By type of deposits</u>		
<b>Non-Mudharabah Funds</b>		
Demand deposits	2,435,998	2,664,058
Savings deposits	412,394	395,338
Negotiable Instruments of Deposits	-	249,412
Murabahah term deposits	6,413,389	5,190,631
Commodity Murabahah Deposit (CMD)	630,118	1,030,814
	<hr/>	<hr/>
	9,891,899	9,530,253
<b>Mudharabah Funds</b>		
General investment deposits	109,796	340,141
	<hr/>	<hr/>
Total deposits from customers	<u>10,001,695</u>	<u>9,870,394</u>

**A30. 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
<b>Total assets acquired</b>	<b>4,147,294</b>	<b>57,157</b>	<b>4,204,451</b>
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
<b>Total liabilities assumed</b>	<b>3,088,253</b>	<b>27,414</b>	<b>3,115,667</b>
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)
<b>Net cash outflow arising from the acquisition</b>	<b>302,929</b>	<b>-</b>	<b>302,929</b>

**A30. 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:-

	As reported RM'000	Adjustment RM'000	As restated RM'000
<b>a.) <u>Statement of Financial Position</u></b>			
<b><u>As at 31 December 2014</u></b>			
<b>Assets</b>			
Financial investments held-to-maturity	652,501	240	652,741
Intangible assets	1,606,920	8,241	1,615,161
<b>Liabilities</b>			
Deferred tax liabilities	138	19,741	19,879
<b>Equity</b>			
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
<b>b.) <u>Consolidation Income Statements</u></b>			
<b><u>For the individual quarter ended 31 December 2014</u></b>			
Interest income	650,251	(1,719)	648,532
- Amortisation of premium less accretion of discount	14,655	(1,719)	12,936
Other operating expenses	(245,140)	(3,437)	(248,577)
- Amortisation of intangible assets	(1,872)	(3,437)	(5,309)
Profit before taxation	286,192	(5,156)	281,036
Taxation	(72,460)	1,288	(71,172)
Profit after taxation	213,732	(3,868)	209,864
Profit for the financial period attributable to :-			
- Equity holders of the Company	212,058	(3,448)	208,610
- Non-controlling interest ("NCI")	1,674	(420)	1,254
<b><u>For the cumulative quarter ended 31 December 2014</u></b>			
Interest income	2,468,753	(8,158)	2,460,595
- Amortisation of premium less accretion of discount	38,796	(8,158)	30,638
Other operating expenses	(987,381)	(10,313)	(997,694)
- Amortisation of intangible assets	(7,513)	(10,313)	(17,826)
Profit before taxation	819,536	(18,471)	801,065
Taxation	(207,180)	4,617	(202,563)
Profit after taxation	612,356	(13,854)	598,502
Profit for the financial period attributable to :-			
- Equity holders of the Company	605,271	(12,594)	592,677
- Non-controlling interest ("NCI")	7,085	(1,260)	5,825

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

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

The Group reported a lower profit before tax and zakat ("PBT") of RM143.2 million for the current financial quarter ended 31 December 2015 as compared to RM285.9 million for the preceding year's corresponding quarter. For the year ended 31 December 2015, the Group's PBT of RM519.3 million also indicated a decrease of RM286.7 million or 35.6% as compared to RM806.9 million achieved in previous year. The drop in PBT was mainly attributable to higher allowance for loan impairment of RM147.3 million, lower recoveries of RM57.4 million and higher overhead expenses of RM88.0 million for the year under review. The share of losses in joint venture of RM18.9 million and the reduction in net interest income and other operating income totalling RM35.9 million were offset by the write-back of allowance for securities impairment of RM24.0 million, lower finance cost of RM20.8 million and higher Islamic Banking income of RM18.6 million.

#### Commercial Banking

The results of the commercial banking segment was mainly attributable to the AFFIN Bank Berhad ("ABB") Group which registered a lower PBT of RM139.9 million for the current financial quarter as compared to RM253.9 million for the preceding year's corresponding quarter. For the year ended 31 December 2015, the ABB Group's PBT of RM461.2 million also indicated a decrease of RM258.9 million or 36.0% as compared to RM720.1 million achieved in the previous year. This was mainly due to higher allowance for loan impairment of RM147.9 million, lower recoveries of RM57.5 million and the decrease in both other operating income and net interest income totalling RM55.3 million, net of the write-back of allowance for securities impairment of RM22.0 million and higher Islamic banking income of RM18.6 million.

The wholly-owned subsidiary, namely AFFIN Islamic Bank Berhad registered a higher PBT of RM33.7 million as compared to RM28.0 million for the preceding year's corresponding quarter. For the year ended 31 December 2015, the Islamic Bank also registered a higher PBT of RM117.4 million as compared to RM91.7 million for the same period last year. The increase in PBT of RM25.7 million or 28.1% was mainly due to higher operating income of RM24.3 million and lower overhead expenses of RM5.6 million net of higher allowance for financing losses of RM4.8 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 RM17.5 million for the current financial quarter as compared to RM21.5 million for the preceding year's corresponding quarter. For the year ended 31 December 2015, the Investment Banking Group also registered a lower PBT of RM59.8 million as compared to RM88.9 million achieved in the previous year. The increase in other operating income and net interest income totalling RM23.5 million were not sufficient to offset the increase in overhead expenses of RM53.9 million which includes staff rationalisation expenses of RM16.9 million. The PBT for the AFFIN Hwang IB Group is after taking into consideration the adjustments totalling RM24.5 million at AFFIN Holdings Berhad ("AHB") Group level, which comprised the fair value adjustment of RM10.5 million on held-to-maturity ("HTM") securities, amortisation of identifiable intangible assets of RM13.8 million and amortisation of premium of securities of RM0.2 million arising from the acquisition of HwangDBS Investment Bank Berhad in the previous year.

For the year ended 31 December 2015, the asset management businesses contributed a higher PBT of RM56.8 million as compared to RM38.6 million achieved last year. The increase in PBT of 47.1% was mainly due to higher other operating income of RM63.4 million net of higher overhead expenses of RM46.7 million. The increase in other operating income was mainly attributable to management fee income and fee on sale of unit trust of RM50.2 million and RM10.6 million respectively. The PBT for the asset management businesses is also after taking into consideration the amortisation of identifiable intangible asset of RM7.5 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 pre-tax loss of RM33.6 million for the current financial quarter as compared to a pre-tax profit of RM3.6 million for the preceding year's corresponding quarter. For the year ended 31 December 2015, AALI also reported a pre-tax loss of RM35.8 million as compared to a pre-tax profit of RM8.9 million achieved in the previous year mainly due to impact of strengthening policyholders' fund to support future policyholders' benefits as well as lower gains on disposal of investment securities.

AXA AFFIN General Insurance Berhad ("AAGI") reported a lower pre-tax profit of RM29.6 million for the current financial quarter as compared to RM43.0 million for the preceding year's corresponding quarter. For the year ended 31 December 2015, AAGI also reported a lower pre-tax profit of RM111.2 million as compared to RM120.4 million achieved in the previous year. The increase in earned premium of RM167.1 million mainly attributable to health and motor businesses and the increase in investment income of RM15.8 million were not sufficient to cushion the increase in net claims, overhead expenses and net commission incurred of RM123.1 million, RM55.6 million and RM12.7 million respectively.



## **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").

AMB reported a lower pre-tax profit of RM0.2 million for the current financial quarter as compared to RM0.8 million for the preceding year's corresponding quarter. For the year ended 31 December 2015, AMB also reported a slightly lower pre-tax profit of RM2.3 million as compared to RM2.5 million achieved in the previous year, mainly due to lower net brokerage income net of lower overhead expenses.

AHB registered a lower pre-tax profit of RM67.8 million for the current financial quarter as compared to RM418.2 million for the preceding year's corresponding quarter. For the year ended 31 December 2015, AHB also reported a lower pre-tax profit of RM125.3 million as compared to RM503.3 million for the same period last year, mainly due to the reduction in both dividend income and interest income of RM470.5 million and RM5.8 million respectively, net of lower finance cost and lower overhead expenses by RM20.8 million and RM7.2 million respectively. At Company level, there was a gain on winding-up of a subsidiary of RM70.4 million during the year.

AACH reported a PBT of RM0.9 for the year ended 31 December 2015 as compared to RM1.2 million for the preceding year's corresponding period.

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

The Group reported a lower profit before tax and zakat ("PBT") of RM143.2 million for the current financial quarter as compared to RM149.4 million for the preceding quarter ended 30 Sept 2015, mainly due to share of losses in joint venture of RM16.9 million as compared to share of profits of RM1.5 million for the preceding quarter, lower net interest income of RM6.5 million and higher overhead expenses of RM5.9 million. For the quarter under review, both other operating income and share of results in associate were higher by RM9.7 million and RM4.1 million respectively while allowance for loan impairment was lower by RM8.9 million.

## **B3. PROSPECTS FOR FINANCIAL YEAR 2016**

### Commercial Banking

Gross Domestic Product ("GDP") growth for Malaysia is projected to be remained within the range of 4.5% to 5.0% for year 2016. The decline in crude oil price together with the challenging external environment and US rate hikes continue to pose headwinds to the Malaysian Government budget, trade balance and exchange rate.

Amid softer economic growth outlook and increasing regulated business environment, the Bank is confident that the domestic economy still holds opportunities for business growth and intends to pursue these opportunities prudently, focusing on both retail and business segments. The Bank will continue to ensure that its loan portfolio is well managed through proactive account management.

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 be guided by its strategic plans. The Bank has put further emphasis on transactional banking as a major source of fee income and will further enhance its brand recognition and visibility by increasing its domestic footprint while exploring the potential of establishing a presence in ASEAN and beyond.

The Bank believes that the strong relationship built with its customers will put the bank in good stead to further grow its business in targeted key segments and will continue to collaborate and leverage on Group synergy by exploring potential business opportunities with the LTAT/Boustead Group of Companies.

### Investment Banking

Malaysia's real GDP growth is expected to grow at around 5% in 2016, about the same pace of growth estimated for 2015, supported by domestic demand and a recovery in exports. The sound economic fundamentals in Malaysia will likely act as a buffer to mitigate against potential vulnerabilities arising from the external front.

The Bank remains cautiously optimistic of the growth and business prospects for 2016. The Bank's diversified business profile coupled by a sturdy capitalisation should mitigate the expected volatility in the financial markets. The recently concluded strategic alliance agreement with Thanachart Securities Plc (Thanachart), a leading securities house in Thailand, will further consolidate the Bank's position as the leading brokerage in Malaysia and support its ambition to grow regionally.

The asset management segment will continue to grow its business and capitalises on growth opportunities in the retail and high net worth business segments to further expand its assets under administration (AUA) and client base. Under the merged asset management group that is backed by the investment bank and the AFFIN Banking Group, it is optimistic on its performance through collaborative efforts within these groups and its ability to offer a wider range of products and services to its enlarged clientele.

### B3. PROSPECTS FOR FINANCIAL YEAR 2016 (Cont.)

#### Insurance

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

The Malaysian life insurance industry continued to grow at a moderate rate. AXA AFFIN Life Insurance (AALI) expects to continue its growth trajectory on the back of favourable demographics and relatively low insurance penetration. This continuous growth is to be achieved through expanding reach of consumers through various distribution channels and platforms alongside product development to suit various needs.

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

The Insurance sector is expected to remain stable in 2016 amidst the local and global economic challenges, underpinned by the industry's solid capitalisation. Domestic demand stability and low insurance penetration will continue to support the sector despite the lower automotive sales and private consumption in 2015 as consumers were adjusting to the GST implementation. AAGI remains focused on growing the key business lines, getting ready for the de-tariffication and transformation projects.

### 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 31 December 2015 is summarised below :-

<u>Headline KPIs</u>	<u>As announced for the financial year 2015</u>	<u>Actual Achieved 31/12/2015</u>
(i) After Tax Returns on Equity (ROE)	8.0%	4.6%
(ii) After Tax Returns on Assets (ROA)	0.9%	0.6%
(iii) Gross Impaired Loan Ratio	1.64%	1.90%
(iv) Earnings Per Share (EPS)	33.00 sen	19.01 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</u>		<u>Cumulative Quarter Ended</u>	
	<u>31/12/2015</u>	<u>31/12/2014</u>	<u>31/12/2015</u>	<u>31/12/2014</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	35,651	69,588	123,668	212,540
Deferred tax :-				
- Relating to originating temporary differences	(7,620)	459	(3,431)	(10,023)
Under provision in prior years :-				
- Current taxation	10,390	1,125	11,999	46
	<u>38,421</u>	<u>71,172</u>	<u>132,236</u>	<u>202,563</u>

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

## 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.

On 19 October 2015, AHIB had on behalf of the Board of Directors of AHB announced that an application had been submitted to BNM to seek its approval for an extension of time for both parties to conclude the negotiation for 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	
	31/12/2015 RM'000	31/12/2014 RM'000
<u>By Type of Deposits:-</u>		
Money Market Deposits	1,637,103	1,177,702
Demand Deposits	7,740,255	8,096,429
Savings Deposits	1,951,353	2,047,242
Fixed Deposits	31,816,220	31,032,250
Negotiable Instruments of Deposits ('NIDs')	6,581,758	7,059,508
Commodity Murabahah Deposit (CMD)	630,118	1,030,814
Other deposits	191,940	160,060
	<u>50,548,747</u>	<u>50,604,005</u>
 Maturity structure of fixed deposits and NIDs are as follows:-		
Due within six months	31,837,424	31,712,118
Six months to one year	5,412,579	5,670,967
One year to three years	1,142,315	701,583
Three years to five years	5,660	7,090
	<u>38,397,978</u>	<u>38,091,758</u>
 <u>By Type of Customers:-</u>		
Government and statutory bodies	8,724,822	9,335,163
Business enterprises	15,654,194	14,468,197
Individuals	12,284,299	13,138,092
Domestic banking institutions	6,556,250	6,736,994
Domestic non-banking financial institutions	5,888,596	5,639,041
Foreign Entities	431,589	398,477
Others	1,008,997	888,041
	<u>50,548,747</u>	<u>50,604,005</u>

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

<u>By Type of Institutions:-</u>		
Licensed banks	2,333,764	2,783,993
Licensed investment banks	3,680	154,173
Bank Negara Malaysia	-	47,898
Other financial institutions	1,047,995	2,381,739
	<u>3,385,439</u>	<u>5,367,803</u>
 <u>By Maturity Structure:-</u>		
Due within six months	3,385,439	5,319,905
Six months to one year	-	47,898
	<u>3,385,439</u>	<u>5,367,803</u>

## B8. GROUP BORROWINGS AND DEBT SECURITIES (Cont.)

### (iii) Borrowings

	<b>Group</b>	
	<b>31/12/2015</b>	<b>31/12/2014</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Unsecured :-</u>		
One year or less (short-term)	301,306	66,590
More than one year (medium/long-term)	1,004,705	905,868
	<u>1,306,011</u>	<u>972,458</u>

## B9. REALISED AND UNREALISED UNAPPROPRIATED PROFITS

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

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

	<b>Group</b>	
	<b>31/12/2015</b>	<b>31/12/2014</b>
	<b>RM'000</b>	<b>RM'000</b>
		<b>(Restated)</b>
<u>Total retained profits of AFFIN Holdings Berhad and its subsidiaries :-</u>		
- Realised	2,018,252	2,070,159
- Unrealised		
- deferred tax recognised in the income statement	18,469	21,157
- other items of income and expense	157,623	79,487
	<u>2,194,344</u>	<u>2,170,803</u>
<u>Total share of retained profits in associate:-</u>		
- Realised	242,070	217,552
- Unrealised	5,412	2,966
<u>Total share of retained losses in joint ventures :-</u>		
- Realised	(32,540)	(13,758)
- Unrealised	(1,206)	(1,080)
	<u>2,408,080</u>	<u>2,376,483</u>
Add: Consolidation adjustments	(229,451)	(289,251)
Total Group retained profits as per consolidated financial statements	<u>2,178,629</u>	<u>2,087,232</u>

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 RM68.1 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

- a) A final dividend of 5.0 sen per share has been proposed for the current financial year ended 31 December 2015, subject to the shareholders' approval at the forthcoming Annual General Meeting as follows:

Amount per share	: Single-tier dividend of 5.0 sen per share
Date payable	: To be announced later
Date of entitlement	: To be announced later

- b) Total dividends for the current financial year : 7.99 sen per share, comprising of a single-tier interim dividend of 2.99 sen per share and the proposed single-tier final dividend of 5.0 sen per share
- Total dividend for the previous financial year : Single-tier interim dividend of 15.0 sen per share

## B12. EARNINGS PER SHARE

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2015	31/12/2014 (Restated)	31/12/2015	31/12/2014 (Restated)
Net profit attributable to equity holders of the Company (RM'000)	<u>97,407</u>	208,610	<u>369,269</u>	592,677
Weighted average number of ordinary shares in issue	<u>1,942,948,547</u>	1,942,948,547	<u>1,942,948,547</u>	1,716,919,549
Basic earnings per share (sen)	<u>5.01</u>	10.74	<u>19.01</u>	34.52

The basic earnings per share of the Group for the current financial quarter ended 31 December 2015 have been calculated based on the net profit attributable to the equity holders of the company of RM97,407,000 (2014: 208,610,000) divided by the weighted average number of ordinary shares in issue during the current financial quarter of 1,942,948,547 (2014: 1,942,948,547).

The basic earnings per share of the Group for the cumulative quarter ended 31 December 2015 have been calculated based on the net profit attributable to the equity holders of the company of RM369,269,000 (2014: RM592,677,000) divided by the weighted average number of ordinary shares in issue during the current financial quarter of 1,942,948,547 (2014: 1,716,919,549).