

# AFFIN HOLDINGS BERHAD

(Company no. 23218 - W)

## Condensed Interim Financial Statements

### Unaudited Statements of Financial Position As At 30 June 2016

		< ----- GROUP ----- >		< ----- COMPANY ----- >	
	Note	30/6/2016 RM'000	31/12/2015 RM'000	30/6/2016 RM'000	31/12/2015 RM'000
<b>ASSETS</b>					
Cash and short-term funds		5,945,530	4,441,700	26,862	45,393
Deposits and placements with banks and other financial institutions		391,922	497,161	-	-
Trade receivables	A9	856,543	551,579	-	-
Financial assets held-for-trading	A10	237,316	122,016	-	-
Financial investments available-for-sale	A10	12,983,572	13,085,556	-	-
Financial investments held-to-maturity	A10	514,295	459,368	-	-
Derivative financial assets		213,993	293,864	-	-
Loans, advances and financing	A11	42,744,593	43,345,290	-	-
Other assets	A12	206,233	225,869	306	305
Statutory deposits with Bank Negara Malaysia		1,532,070	1,782,450	-	-
Amount due from subsidiaries		-	-	1,004,215	1,004,446
Amount due from associate		51,838	58,560	51,838	58,560
Investment in subsidiaries		-	-	5,461,063	5,461,063
Investment in joint ventures		155,178	129,396	187,680	159,630
Investment in associate		297,439	269,774	15,623	15,623
Tax recoverable		89,799	75,994	2,136	2,459
Deferred tax assets		1,807	16,339	-	-
Property and equipment		432,083	434,639	74	128
Intangible assets		1,617,306	1,612,462	3	3
<b>TOTAL ASSETS</b>		<b>68,271,517</b>	<b>67,402,017</b>	<b>6,749,800</b>	<b>6,747,610</b>
<b>LIABILITIES AND EQUITY</b>					
Deposits from customers	B7	46,490,180	50,548,747	-	-
Deposits and placements of banks and other financial institutions	B7	8,504,123	3,385,439	-	-
Obligation on securities sold under repurchase agreements		1,279,282	1,740,946	-	-
Bills and acceptances payable		91,702	77,114	-	-
Trade payables		835,392	642,483	-	-
Derivative financial liabilities		352,951	555,867	-	-
Recourse obligation on loans sold to Cagamas Berhad		132,137	134,585	-	-
Other liabilities	A13	564,775	640,436	2,134	3,098
Provision for taxation		13,168	11,799	-	-
Deferred tax liabilities		69,230	31,505	27	27
Amount due to subsidiaries		-	-	400,254	400,253
Borrowings	B7	1,306,037	1,306,011	1,306,037	1,306,011
<b>TOTAL LIABILITIES</b>		<b>59,638,977</b>	<b>59,074,932</b>	<b>1,708,452</b>	<b>1,709,389</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 2015.*

**AFFIN HOLDINGS BERHAD**

(Company no. 23218 - W)

**Condensed Interim Financial Statements****Unaudited Statements of Financial Position As At 30 June 2016**

	< ----- GROUP ----- >		< ----- COMPANY ----- >	
Note	30/6/2016 RM'000	31/12/2015 RM'000	30/6/2016 RM'000	31/12/2015 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>	1,626,175	-	-
AFS revaluation reserves	<b>211,771</b>	64,833	-	-
Regulatory reserves	<b>244,411</b>	284,141	-	-
Retained profits	<b>2,374,174</b>	2,178,629	<b>912,687</b>	909,560
<b>Equity attributable to equity holders of the Company</b>	<b>8,585,192</b>	8,282,439	<b>5,041,348</b>	5,038,221
Non-controlling interest	<b>47,348</b>	44,646	-	-
<b>TOTAL EQUITY</b>	<b>8,632,540</b>	8,327,085	<b>5,041,348</b>	5,038,221
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>68,271,517</b>	67,402,017	<b>6,749,800</b>	6,747,610
<b>COMMITMENTS AND CONTINGENCIES</b>	<b>27,702,260</b>	27,995,755	-	-
<b>NET ASSETS PER SHARE (RM)</b>	<b>4.42</b>	4.26		

*The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2015.*

**AFFIN HOLDINGS BERHAD**  
(Company no. 23218 - W)  
**Condensed Interim Financial Statements**  
**Unaudited Income Statements For The Financial Quarter Ended 30 June 2016**

<u>GROUP</u>	Note	<---Individual Quarter Ended ---->		<---Cumulative Quarter Ended --->	
		30/6/2016 RM'000	30/6/2015 RM'000	30/6/2016 RM'000	30/6/2015 RM'000
Interest income	A14	652,743	633,258	1,291,059	1,251,218
Interest expense	A15	(405,419)	(398,474)	(814,048)	(792,691)
<b>Net interest income</b>		<b>247,324</b>	234,784	<b>477,011</b>	458,527
Islamic banking income		65,335	56,137	124,265	111,111
Other operating income	A16	164,056	158,277	302,360	308,234
<b>Net income</b>		<b>476,715</b>	449,198	<b>903,636</b>	877,872
Other operating expenses	A17	(287,341)	(260,066)	(559,959)	(530,604)
<b>Operating profit before allowance for impairment losses on loans, advances and financing</b>		<b>189,374</b>	189,132	<b>343,677</b>	347,268
Allowances for impairment losses on loans, advances and financing	A18	(2,167)	(13,716)	(592)	(137,840)
Write-back of impairment losses on securities	A19	-	1,791	-	23,547
<b>Operating profit</b>		<b>187,207</b>	177,207	<b>343,085</b>	232,975
Finance cost		(14,234)	(10,133)	(28,571)	(20,833)
Share of results of joint venture		(2,383)	(1,828)	(3,041)	(3,521)
Share of results of associate		15,178	12,631	27,220	18,014
<b>Profit before taxation and zakat</b>		<b>185,768</b>	177,877	<b>338,693</b>	226,635
Zakat		(3,155)	(229)	(3,353)	(440)
<b>Profit before taxation</b>		<b>182,613</b>	177,648	<b>335,340</b>	226,195
Taxation	B5	(41,931)	(35,162)	(76,855)	(48,895)
<b>Net profit for the financial period</b>		<b>140,682</b>	142,486	<b>258,485</b>	177,300
<b>Profit for the financial period attributable to :-</b>					
- Equity holders of the Company		137,396	139,388	252,962	169,473
- Non-controlling interest		3,286	3,098	5,523	7,827
		<b>140,682</b>	142,486	<b>258,485</b>	177,300
Earnings per share attributable to the equity holders of the Company (sen)					
- Basic	B11	7.07	7.17	13.02	8.72

*The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2015.*

**AFFIN HOLDINGS BERHAD**  
(Company no. 23218 - W)  
**Condensed Interim Financial Statements**  
**Unaudited Statement of Comprehensive Income**  
**For The Financial Quarter Ended 30 June 2016**

<u>GROUP</u>	<---Individual Quarter Ended ---->		<---Cumulative Quarter Ended --->	
	30/6/2016 RM'000	30/6/2015 RM'000	30/6/2016 RM'000	30/6/2015 RM'000
<b>Profit after taxation</b>	<b>140,682</b>	142,486	<b>258,485</b>	177,300
<b>Other comprehensive income/(loss):</b>				
Items that may be reclassified subsequently to profit or loss :-				
- Net fair value change in financial investments available-for-sale	55,539	(67,705)	198,258	7,512
- Net gain/(loss) transferred to profit or loss on disposal of financial investments available-for-sale	(2,295)	27,262	(6,804)	24,708
- Deferred tax on revaluation of financial investments available-for-sale	(12,390)	7,623	(45,555)	(7,823)
- Share of other comprehensive income/(loss) of an associated company	(92)	(678)	445	2,203
- Share of other comprehensive income/(loss) of a joint venture	199	(1,323)	773	(471)
<b>Other comprehensive income/(loss) for the financial period, net of tax</b>	<b>40,961</b>	(34,821)	<b>147,117</b>	26,129
<b>Total comprehensive income for the financial period</b>	<b>181,643</b>	107,665	<b>405,602</b>	203,429
<b>Total comprehensive income for the financial period attributable to :-</b>				
- Equity holders of the Company	177,862	104,567	399,900	195,830
- Non-controlling interest	3,781	3,098	5,702	7,599
	<b>181,643</b>	107,665	<b>405,602</b>	203,429

*The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2015.*

**AFFIN HOLDINGS BERHAD**  
(Company no. 23218 - W)  
**Condensed Interim Financial Statements**  
**Unaudited Income Statements For The Financial Quarter Ended 30 June 2016**

<u>COMPANY</u>	<----Individual Quarter Ended ---->		<----Cumulative Quarter Ended ---->	
	30/6/2016 RM'000	30/6/2015 RM'000	30/6/2016 RM'000	30/6/2015 RM'000
Interest income	14,059	9,632	27,611	18,849
Interest expense	-	-	-	-
<b>Net interest income</b>	<b>14,059</b>	9,632	<b>27,611</b>	18,849
Other operating income	-	-	<b>107,408</b>	66,031
<b>Net income</b>	<b>14,059</b>	9,632	<b>135,019</b>	84,880
Other operating expenses	(2,544)	(2,406)	(5,018)	(4,196)
<b>Operating profit before allowance for impairment losses on loans, advances and</b>	<b>11,515</b>	7,226	<b>130,001</b>	80,684
Allowance for impairment on loans, advances and financing	-	-	-	-
Allowance for impairment on other assets	-	-	-	-
<b>Operating profit</b>	<b>11,515</b>	7,226	<b>130,001</b>	80,684
Finance cost	(14,234)	(10,133)	(28,571)	(20,833)
<b>Profit/(loss) before taxation and zakat</b>	<b>(2,719)</b>	(2,907)	<b>101,430</b>	59,851
Zakat	-	-	-	-
<b>Profit/(loss) before taxation</b>	<b>(2,719)</b>	(2,907)	<b>101,430</b>	59,851
Taxation	(629)	(712)	(1,156)	(925)
<b>Net profit/(loss) for the financial period attributable to equity holders of the Company</b>	<b>(3,348)</b>	(3,619)	<b>100,274</b>	58,926

*The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2015.*

**AFFIN HOLDINGS BERHAD**  
 (Company no. 23218 - W)  
**Condensed Interim Financial Statements**  
**Unaudited Statement of Comprehensive Income**  
**Unaudited Income Statements For The Financial Quarter Ended 30 June 2016**

<u>COMPANY</u>	<---Individual Quarter Ended ---->		<---Cumulative Quarter Ended --->	
	30/6/2016	30/6/2015	30/6/2016	30/6/2015
	RM'000	RM'000	RM'000	RM'000
<b>Profit/(loss) after taxation</b>	<b>(3,348)</b>	(3,619)	<b>100,274</b>	58,926
Other comprehensive income	-	-	-	-
<b>Total comprehensive income/(loss) for the financial period attributable to equity holders of the Company</b>	<b>(3,348)</b>	(3,619)	<b>100,274</b>	58,926

*The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2015.*

**AFFIN HOLDINGS BERHAD**  
(Company no. 23218 - W)  
**Unaudited Condensed Consolidated Statement Of Changes In Equity**  
**For The Financial Period Ended 30 June 2016**

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

<b>GROUP</b>	<b>Issued and fully paid ordinary shares of RM1 each</b>		<b>Non-distributable</b>				<b>Distributable</b>	<b>Total Shareholders' Equity RM'000</b>	<b>Non-controlling Interest RM'000</b>	<b>Total Equity RM'000</b>
	<b>Number of shares '000</b>	<b>Nominal value RM'000</b>	<b>Share premium RM'000</b>	<b>Statutory reserves RM'000</b>	<b>AFS revaluation reserves RM'000</b>	<b>Regulatory reserves RM'000</b>	<b>Retained profits RM'000</b>			
<b>At 1 January 2016</b>	1,942,949	1,942,949	2,185,712	1,626,175	64,833	284,141	2,178,629	<b>8,282,439</b>	44,646	<b>8,327,085</b>
Comprehensive income :										
- Net profit for the financial period	-	-	-	-	-	-	252,962	<b>252,962</b>	5,523	<b>258,485</b>
Other comprehensive income (net of tax) of which:-										
- Financial investments available-for-sale	-	-	-	-	145,720	-	-	<b>145,720</b>	179	<b>145,899</b>
- Share of other comprehensive income of an associated company	-	-	-	-	445	-	-	<b>445</b>	-	<b>445</b>
- Share of other comprehensive income of a joint venture	-	-	-	-	773	-	-	<b>773</b>	-	<b>773</b>
Total comprehensive income for the financial period	-	-	-	-	146,938	-	252,962	<b>399,900</b>	5,702	<b>405,602</b>
Transfer from regulatory reserves	-	-	-	-	-	(39,730)	39,730	-	-	-
Dividends declared and paid during the financial period	-	-	-	-	-	-	(97,147)	<b>(97,147)</b>	(3,000)	<b>(100,147)</b>
<b>At 30 June 2016</b>	<b>1,942,949</b>	<b>1,942,949</b>	<b>2,185,712</b>	<b>1,626,175</b>	<b>211,771</b>	<b>244,411</b>	<b>2,374,174</b>	<b>8,585,192</b>	<b>47,348</b>	<b>8,632,540</b>
<b>At 1 January 2015</b>	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 period	-	-	-	-	-	-	169,473	<b>169,473</b>	7,827	<b>177,300</b>
Other comprehensive income (net of tax) of which:-										
- Financial investments available-for-sale	-	-	-	-	24,324	-	-	<b>24,324</b>	73	<b>24,397</b>
- Share of other comprehensive income of an associated company	-	-	-	-	2,203	-	-	<b>2,203</b>	-	<b>2,203</b>
- Share of other comprehensive loss of a joint venture	-	-	-	-	(471)	-	-	<b>(471)</b>	-	<b>(471)</b>
Total comprehensive income for the financial period	-	-	-	-	26,056	-	169,473	<b>195,529</b>	7,900	<b>203,429</b>
Transfer from regulatory reserves	-	-	-	-	-	(53,085)	53,085	-	-	-
<b>At 30 June 2015</b>	<b>1,942,949</b>	<b>1,942,949</b>	<b>2,185,712</b>	<b>1,502,616</b>	<b>51,247</b>	<b>134,837</b>	<b>2,309,790</b>	<b>8,127,151</b>	<b>48,729</b>	<b>8,175,880</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 2015.

**AFFIN HOLDINGS BERHAD**  
(Company no. 23218 - W)  
**Unaudited Condensed Statement Of Changes In Equity**  
**For The Financial Period Ended 30 June 2016**

<-----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 2016</b>	1,942,949	1,942,949	2,185,712	909,560	<b>5,038,221</b>
Total comprehensive income for the financial period :					
- Net profit for the financial period	-	-	-	100,274	<b>100,274</b>
Dividends declared and paid during the financial period	-	-	-	(97,147)	<b>(97,147)</b>
<b>At 30 June 2016</b>	<b>1,942,949</b>	<b>1,942,949</b>	<b>2,185,712</b>	<b>912,687</b>	<b>5,041,348</b>
<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 period :					
- Net profit for the financial period	-	-	-	58,926	<b>58,926</b>
<b>At 30 June 2015</b>	<b>1,942,949</b>	<b>1,942,949</b>	<b>2,185,712</b>	<b>902,873</b>	<b>5,031,534</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 2015.*



**AFFIN HOLDINGS BERHAD**  
(Company no. 23218 - W)  
**Unaudited Condensed Consolidated Statement of Cash Flow**  
**For The Financial Period Ended 30 June 2016**

	30/6/2016 RM'000	30/6/2015 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	335,340	226,195
Adjustment for items not involving the movement of cash and cash equivalents:-	(305,029)	(169,323)
Operating profit before changes in working capital	<u>30,311</u>	<u>56,872</u>
Net changes in operating assets	699,309	(1,429,035)
Net changes in operating liabilities	522,301	(1,829,726)
Tax and zakat paid	(89,985)	(86,274)
Tax refund	5,440	586
Net cash generated from/(used in) operating activities	<u>1,167,376</u>	<u>(3,287,577)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received from securities	223,842	204,247
Net (purchase)/disposal of:		
- securities	251,300	839,206
- property and equipment	(23,356)	(14,903)
- intangible assets	(4,195)	(773)
Dividend received from:		
- financial investments held-to-maturity	-	1,180
- financial investments held-for-trading	467	-
- financial investments available-for-sale	9,986	7,629
Proceeds from disposal of foreclosed properties	588	1,234
Repayment of subordinated loan and other receivables by associate	6,722	(217)
Subscription of shares in a joint venture	(28,050)	(12,750)
Net cash generated from investing activities	<u>437,304</u>	<u>1,024,853</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase/(decrease) in borrowings	26	(66,607)
Dividends paid to shareholders	(97,147)	-
Dividends paid to non-controlling interest	(3,000)	-
Net cash used in financing activities	<u>(100,121)</u>	<u>(66,607)</u>
Net increase/(decrease) in cash and cash equivalents	1,504,559	(2,329,331)
Cash and cash equivalents at beginning of the period	4,393,076	7,312,405
Cash and cash equivalents at end of the period	<u>5,897,635</u>	<u>4,983,074</u>
<u>Analysis of cash &amp; cash equivalent</u>		
Cash and short-term funds	5,945,530	5,035,875
Adjustment for money held in trust on behalf of remisers	(47,895)	(52,801)
	<u>5,897,635</u>	<u>4,983,074</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 2015.*

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

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

The unaudited condensed financial statements have 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 2015.

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 2015. 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 2015.

**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 2015, except for the adoption of the following amendments to MFRS that are applicable to the Group and the Company effective for the financial year beginning on or after 1 January 2016:-

- Amendments to MFRS 11 "Joint Arrangements"
- Amendments to MFRS 116 "Property, Plant and Equipment"
- Amendments to MFRS 138 "Intangible Assets"

The adoption of these amendments is not expected to have any significant effect on the financial statements of the Group and the Company.

**A3. AUDITOR'S REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS**

The auditors' report on the audited financial statements for the financial year ended 31 December 2015 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 financial period under review.

**A6. CHANGES IN ESTIMATES**

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

**A7. DEBT AND EQUITY SECURITIES**

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

**A8. DIVIDENDS PAID**

A single-tier final dividend of 5.0 sen per share in respect of the previous financial year ended 31 December 2015 amounting to RM97,147,427.35 was paid on 8 June 2016.

**A9. TRADE RECEIVABLES**

	<b>Group</b>	
	<b>30/6/2016</b>	<b>31/12/2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Amount due from stock-broking clients		
- performing accounts	155,816	290,256
- impaired accounts	1,141	4,460
Amount due from brokers	165,731	141,493
Amount due from Bursa Securities Clearing Sdn Bhd	89,559	51,033
Management fees receivable on fund management	445,116	68,476
	<hr/>	<hr/>
	857,363	555,718
Less: Allowance for impairment		
- Collective impairment	(16)	(16)
- Individual impairment	(804)	(4,123)
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	<b>856,543</b>	<b>551,579</b>

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

**Collective impairment**

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

**Individual impairment**

Balance at the beginning of financial period/year	4,123	4,083
Allowance made during the financial period/year	616	108
Amount written-back during the financial period/year	(481)	(68)
Amount written-off during the financial period/year	(3,454)	-
	<hr/>	<hr/>
Balance at the end of financial period/year	<b>804</b>	<b>4,123</b>

## A10. FINANCIAL ASSETS

	Group	
	30/6/2016 RM'000	31/12/2015 RM'000
<b>(a) <u>Financial assets held-for-trading</u></b>		
<b>At fair value</b>		
Malaysian Government Securities	40,685	-
Malaysian Government Investment Issuance	61,695	-
Negotiable Instruments of Deposit	100,036	79,807
Quoted Securities :-		
- Shares in Malaysia	23,603	33,564
- Unit Trusts in Malaysia	6,227	8,645
Unquoted Securities :-		
- Private Debt Securities in Malaysia	5,070	-
Total financial assets held-for-trading	237,316	122,016
<b>(b) <u>Financial investments available-for-sale</u></b>		
<b>At fair value</b>		
Malaysian Government Securities	40,662	59,892
Malaysian Government Investment Issuance	2,010,598	2,538,871
Cagamas Bonds	67,535	20,102
Sukuk Perumahan Kerajaan	735,557	753,385
Khazanah Bonds	453,720	437,819
Negotiable Instruments of Deposit and Islamic Debt Certificate	588,031	1,004,703
	3,896,103	4,814,772
Quoted Securities :-		
- Shares in Malaysia	30,149	18,896
- Unit Trusts in Malaysia	273,433	240,850
- REITs in Malaysia	42,516	40,219
- REITs outside Malaysia	64,467	39,618
Unquoted Securities :-		
- Shares in Malaysia	229,280	227,133
- Private Debt Securities in Malaysia	7,757,325	7,051,910
- Private Debt Securities outside Malaysia	693,792	655,651
	12,987,065	13,089,049
Allowance for impairment losses of securities	(3,493)	(3,493)
Total financial investments available-for-sale	12,983,572	13,085,556
<b>(c) <u>Financial investments held-to-maturity</u></b>		
<b>At amortised cost</b>		
Unquoted Securities :-		
- Private Debt Securities in Malaysia	519,610	459,546
	519,610	459,546
Allowance for impairment losses of securities	(5,315)	(178)
Total financial investments held-to-maturity	514,295	459,368
<b>Total securities held</b>	<b>13,735,183</b>	<b>13,666,940</b>

## A11. LOANS, ADVANCES AND FINANCING

### (a) BY TYPE

	Group	
	30/6/2016	31/12/2015
	RM'000	RM'000
Overdrafts	1,851,245	1,960,022
Term loans/financing :-		
- Housing Loan/financing	6,489,526	6,172,180
- Syndicated term loans/financing	1,996,618	2,079,497
- Hire purchase receivables	11,894,461	12,000,990
- Business term loans/financing	14,038,698	13,416,080
- Other term loans/financing	544,759	702,427
Bills receivables	60,775	321,091
Trust receipts	271,021	298,417
Claims on customers under acceptance credits	909,134	1,016,613
Staff loans/financing (of which RM NIL to Directors)	156,046	154,076
Credit/charge cards	82,311	83,769
Revolving credit	4,729,116	5,420,534
Margin financing	186,879	157,979
Factoring	2,801	4,369
Other receivables	91,348	91,377
<b>Gross loans, advances and financing</b>	<b>43,304,738</b>	<b>43,879,421</b>
Less: Allowance for impairment losses		
- Collective impairment	(272,818)	(238,868)
- Individual impairment	(287,327)	(295,263)
<b>Total net loans, advances and financing</b>	<b>42,744,593</b>	<b>43,345,290</b>

### (b) BY MATURITY STRUCTURE

Maturing within one year	9,049,571	10,067,237
One year to three years	5,077,263	4,726,084
Three years to five years	6,993,299	6,937,257
Over five years	22,184,605	22,148,843
	<b>43,304,738</b>	<b>43,879,421</b>

### (c) BY TYPE OF CUSTOMER

Domestic banking institutions	890	-
Domestic non-banking institutions :-		
- Stock-broking companies	216	221
- Others	955,676	1,575,279
Domestic business enterprises :-		
- Small medium enterprises	12,890,763	9,135,776
- Others	10,344,277	14,016,404
Government and statutory bodies	1,415,276	1,137,674
Individuals	17,396,946	17,066,575
Foreign individuals	914	966
Other domestic entities	88,616	109,263
Foreign entities	211,164	837,263
	<b>43,304,738</b>	<b>43,879,421</b>

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

Fixed rate :-		
- Housing loans/financing	403,130	404,929
- Hire purchase receivables	11,897,084	12,003,958
- Other fixed rate loans/financing	3,658,837	4,077,555
- Margin financing	186,879	157,979
Variable rate :-		
- BLR plus	16,130,947	16,014,700
- Cost plus	11,027,861	11,220,300
	<b>43,304,738</b>	<b>43,879,421</b>

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

### (e) BY ECONOMIC PURPOSE

	Group	
	30/6/2016 RM'000	31/12/2015 RM'000
Construction	3,514,803	3,264,042
Purchase of landed property of which :-		
- Residential	6,739,670	6,427,607
- Non-residential	5,921,323	5,913,754
Purchase of securities	1,183,422	904,800
Purchase of transport vehicles	12,346,324	12,509,416
Fixed assets other than land and building	248,598	240,609
Personal use	707,160	745,582
Credit card	82,311	83,769
Consumer durable	894	852
Merger and acquisition	180,714	299,085
Working capital	11,746,958	13,000,464
Others	632,561	489,441
	<b>43,304,738</b>	<b>43,879,421</b>

### (f) BY SECTOR

Primary agriculture	842,684	692,126
Mining and quarrying	864,061	789,889
Manufacturing	2,000,918	2,341,341
Electricity, gas and water supply	334,980	244,682
Construction	2,985,674	3,576,344
Real estate	7,603,308	7,114,834
Wholesale and retail trade and restaurants and hotels	2,528,368	2,552,553
Transport, storage and communication	2,330,269	2,279,071
Finance, insurance and business services	3,255,013	4,399,043
Education, health and others	3,009,363	2,650,162
Household	17,524,081	17,185,511
Others	26,019	53,865
	<b>43,304,738</b>	<b>43,879,421</b>

### (g) BY GEOGRAPHICAL DISTRIBUTION

Perlis	181,119	155,914
Kedah	1,410,929	1,362,682
Pulau Pinang	2,356,625	2,156,877
Perak	1,385,826	1,304,444
Selangor	12,971,376	13,424,739
Wilayah Persekutuan	12,964,732	13,750,878
Negeri Sembilan	1,254,690	995,346
Melaka	1,023,400	1,003,701
Johor	3,789,251	3,557,500
Pahang	845,799	845,284
Terengganu	763,471	803,862
Kelantan	222,668	229,607
Sarawak	1,772,090	1,584,176
Sabah	1,632,508	1,622,166
Labuan	644,915	684,220
Outside Malaysia	85,339	398,025
	<b>43,304,738</b>	<b>43,879,421</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>30/6/2016</b>	<b>31/12/2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Balance at the beginning of financial period/year	834,222	747,776
Classified as impaired during the financial period/year	300,369	904,886
Reclassified as non-impaired during the financial period/year	(149,980)	(394,738)
Amount recovered during the financial period/year	(123,194)	(150,230)
Amount written-off during the financial period/year	(1,866)	(273,472)
	<b>859,551</b>	<b>834,222</b>

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

Construction	72,069	98,031
Purchase of landed property of which :-		
- Residential	203,751	180,137
- Non-residential	64,164	56,434
Purchase of securities	166	804
Purchase of transport vehicles	94,248	82,026
Fixed assets other than land and building	548	164
Personal use	30,388	20,539
Credit card	388	389
Consumer durable	16	16
Working capital	326,715	338,087
Others	67,098	57,595
	<b>859,551</b>	<b>834,222</b>

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

Primary agriculture	14,250	14,388
Mining and quarrying	32	15
Manufacturing	43,121	58,035
Electricity, gas and water supply	159	148
Construction	87,553	81,302
Real estate	101,614	121,692
Wholesale and retail trade and restaurants and hotels	61,997	48,914
Transport, storage and communication	3,375	3,314
Finance, insurance and business services	217,228	216,444
Education, health and others	641	2,602
Household	329,581	287,368
	<b>859,551</b>	<b>834,222</b>

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

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

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

	Group	
	30/6/2016	31/12/2015
	RM'000	RM'000
Perlis	560	680
Kedah	49,911	19,972
Pulau Pinang	49,139	42,525
Perak	20,791	18,793
Selangor	373,602	484,346
Wilayah Persekutuan	96,162	89,094
Negeri Sembilan	128,819	13,949
Melaka	16,806	7,231
Johor	26,795	25,596
Pahang	7,953	8,262
Terengganu	6,299	5,307
Kelantan	5,256	5,068
Sarawak	7,567	6,918
Sabah	23,858	20,614
Outside Malaysia	46,033	85,867
	<b>859,551</b>	<b>834,222</b>

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

**Collective impairment**

Balance at beginning of financial period/year	238,868	301,601
Allowance (net of write-back) made during the financial period/year	35,752	17,649
Amount written-off during the financial period/year	(1,802)	(80,382)
Balance at the end of financial period/year	<b>272,818</b>	<b>238,868</b>

**Individual impairment**

Balance at the beginning of financial period/year	295,263	263,498
Allowance made during the financial period/year	26,098	258,654
Amount recovered during the financial period/year	(28,556)	(7,293)
Amount written-off during the financial period/year	-	(193,087)
Unwinding discount of allowance	(3,511)	(33,004)
Exchange difference	(1,967)	6,495
Balance at the end of financial period/year	<b>287,327</b>	<b>295,263</b>

**A12. OTHER ASSETS**

Cheque clearing accounts	16,035	6,803
Foreclosed properties	7,970	4,906
Other debtors, deposits and prepayments	141,246	174,062
Amount due from joint ventures	40,820	39,936
Land held for sale	162	162
	<b>206,233</b>	<b>225,869</b>

**A13. OTHER LIABILITIES**

Bank Negara Malaysia and Credit Guarantee Corporation Funding Programmes	41,408	38,536
Margin and collateral deposits	135,909	131,678
Trust accounts for remisers	47,894	48,624
Defined contribution plan	10,027	18,303
Accrued employee benefits	1,275	886
Other creditors and accruals	197,206	301,115
Provision for zakat	4,166	3,493
Sundry creditors	126,890	97,801
	<b>564,775</b>	<b>640,436</b>



#### A14. INTEREST INCOME

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2016	30/6/2015	30/6/2016	30/6/2015
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing	476,002	461,347	953,112	917,563
Money at call and deposits with financial institutions	29,438	28,299	44,333	48,023
Financial assets held-for-trading	3,772	2,015	6,635	2,372
Financial investments available-for-sale	102,858	99,342	210,312	192,187
Financial investments held-to-maturity	9,151	5,961	13,530	12,060
Derivatives	29,962	34,994	59,425	70,975
Subordinated term loan	1,425	1,555	2,858	2,863
Others	104	184	(443)	297
	<b>652,712</b>	<b>633,697</b>	<b>1,289,762</b>	<b>1,246,340</b>
Accretion of discount less amortisation of premium	31	(439)	1,297	4,878
	<b>652,743</b>	<b>633,258</b>	<b>1,291,059</b>	<b>1,251,218</b>
of which :-				
Interest income earned on impaired loans, advances and financing	1,692	2,179	1,960	2,604

#### A15. INTEREST EXPENSE

Deposits and placements of banks and other financial institutions	22,792	5,862	38,544	26,366
Deposits from customers	343,966	350,632	696,187	689,889
Loans sold to Cagamas Berhad	1,440	1,491	2,882	2,983
Derivatives	27,880	31,227	54,927	62,983
Others	9,341	9,262	21,508	10,470
	<b>405,419</b>	<b>398,474</b>	<b>814,048</b>	<b>792,691</b>

#### A16. OTHER OPERATING INCOME

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2016	30/6/2015	30/6/2016	30/6/2015
	RM'000	RM'000	RM'000	RM'000
<u>Fee income</u>				
Gross brokerage	22,887	25,780	47,243	52,114
Underwriting fees	231	2,813	676	4,206
Portfolio management fees	44,897	46,713	88,252	85,490
Corporate advisory fees	1,597	1,675	4,108	3,075
Commission	4,657	4,326	8,306	8,059
Service charges and fees	16,951	15,426	29,576	29,514
Guarantee fees	5,900	5,742	13,488	11,895
Arrangement fees	1,334	454	4,229	2,842
Agency fees	509	694	894	1,124
Initial service charges	18,858	18,481	27,772	40,831
Other fee income	2,414	2,127	3,703	2,780
	120,235	124,231	228,247	241,930
<u>Income from financial instruments</u>				
Gains/(losses) arising on financial assets held-for-trading :-				
- net gains on disposal	6,999	4,287	11,794	12,374
- unrealised gains/(losses)	2,240	(814)	4,246	(20)
- gross dividend income	31	232	467	1,180
Gains/(losses) on derivatives :-				
- realised	496	1,288	1,559	2,764
- unrealised	9,698	(4,972)	1,240	(11,764)
Gains arising on financial investments available-for-sale :-				
- net gains on disposal	5,782	8,466	11,465	12,716
- gross dividend income	8,276	5,143	9,986	7,629
	33,522	13,630	40,757	24,879
<u>Other income</u>				
Foreign exchange gains/(losses)				
- realised	39,107	(39,281)	(46,240)	30,571
- unrealised	(31,709)	56,868	72,348	4,021
Rental income	372	339	833	710
Gains on disposal of property and equipment	26	56	125	96
Gains on disposal of foreclosed properties	49	142	153	338
Other non-operating income	2,454	2,292	6,137	5,689
	10,299	20,416	33,356	41,425
<b>Total other operating income</b>	<b>164,056</b>	<b>158,277</b>	<b>302,360</b>	<b>308,234</b>

## A17. OTHER OPERATING EXPENSES

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2016	30/6/2015	30/6/2016	30/6/2015
	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs</u>				
Wages, salaries and bonus	112,223	97,938	223,467	218,730
Defined contribution plan	18,913	16,336	37,471	35,639
Other personnel costs	18,193	18,212	35,532	33,505
	<u>149,329</u>	<u>132,486</u>	<u>296,470</u>	<u>287,874</u>
<u>Promotion and marketing-related expenses</u>				
Business promotion and advertisement	4,617	4,239	9,108	10,482
Entertainment	1,544	1,147	2,627	2,251
Travelling and accommodation	1,820	1,615	3,473	3,033
Dealers' handling fees	1,748	3,249	3,956	5,701
Commission and brokerage expenses	24,780	22,531	43,084	42,316
Dealers representative performance incentive	1,266	2,629	2,988	3,939
Others	1,769	2,259	3,640	4,045
	<u>37,544</u>	<u>37,669</u>	<u>68,876</u>	<u>71,767</u>
<u>Establishment-related expenses</u>				
Rental of premises	10,410	10,785	20,942	21,338
Equipment rental	608	565	1,350	1,385
Repair and maintenance	12,021	11,068	24,894	21,676
Depreciation of property and equipment	5,796	5,200	11,835	10,383
Amortisation of intangible assets	6,498	8,684	12,456	10,491
IT consultancy fee	16,473	16,532	32,549	33,109
Dataline rental	1,852	1,048	3,554	2,584
Security services	4,307	4,071	8,871	8,419
Electricity, water and sewerage	3,655	3,927	7,245	7,409
Insurance and indemnities	8,443	3,821	13,385	6,709
Others	1,180	1,117	2,632	2,643
	<u>71,243</u>	<u>66,818</u>	<u>139,713</u>	<u>126,146</u>
<u>General and administrative expenses</u>				
Telecommunication expenses	4,239	4,036	7,935	7,558
Directors' remuneration	1,116	647	1,748	1,212
Auditors' remuneration :-				
(i) Statutory audit fees				
- current year	599	541	1,200	1,086
(ii) Audit related fees	1	15	1	15
(ii) Non audit fees				
- current year	181	251	287	275
Professional fees	5,101	3,642	6,410	7,001
Property and equipment written-off	45	39	1,078	97
Intangible asset written-off	-	-	17	6
Postage and courier charges	967	721	2,115	1,729
Stationery and consumables	3,312	2,212	6,444	5,091
Donations	1,007	637	1,859	1,379
Settlement, clearing and bank charges	2,771	2,541	5,842	4,794
Stamp duties	340	58	387	103
Operational and litigation write-off expenses	(29)	37	(10)	162
Subscription fees	1,874	1,612	3,649	2,256
Transaction levy	2,140	2,480	4,038	4,478
Subsidies and allowances	861	253	1,710	537
SCORE fees	702	827	1,356	1,506
Others	3,998	2,544	8,834	5,532
	<u>29,225</u>	<u>23,093</u>	<u>54,900</u>	<u>44,817</u>
<b>Total other operating expenses</b>	<b><u>287,341</u></b>	<b><u>260,066</u></b>	<b><u>559,959</u></b>	<b><u>530,604</u></b>

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

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2016	30/6/2015	30/6/2016	30/6/2015
	RM'000	RM'000	RM'000	RM'000
Collective impairment				
- made/(written-back) during the financial period	24,497	(52,253)	35,751	(2,252)
Individual impairment				
- made during the financial period	21,144	77,926	26,714	164,285
- written-back during the financial period	(25,092)	(860)	(29,037)	(1,711)
Bad debts				
- recovered	(19,071)	(12,401)	(33,785)	(24,644)
- written-off	664	1,290	885	2,086
Additional allowance for impairment losses				
- other debtors	25	14	64	76
	<b>2,167</b>	<b>13,716</b>	<b>592</b>	<b>137,840</b>

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

Write-back of allowance for impairment losses				
- Financial investments available-for-sale	-	(46)	-	(46)
- Financial investments held-to-maturity	-	(1,745)	-	(23,501)
	-	<b>(1,791)</b>	-	<b>(23,547)</b>

## A20. SEGMENTAL INFORMATION ON REVENUE AND PROFIT

The segment analysis by activity for the individual and cumulative quarters ended 30 June 2016 and 30 June 2015 are as follows:-

	<----- Current year's individual quarter ended 30 June 2016 ----->					
	<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	334,362	138,364	-	3,989	-	476,715
Intersegment revenue	(5,065)	(7,079)	-	13,144	(1,000)	-
<b>Segment revenue</b>	<b>329,297</b>	<b>131,285</b>	<b>-</b>	<b>17,133</b>	<b>(1,000)</b>	<b>476,715</b>
Overhead expenses	(178,874)	(104,477)	-	(4,990)	1,000	(287,341)
of which :-						
Depreciation of property and equipment	(3,804)	(1,910)	-	(82)	-	(5,796)
Amortisation of intangible assets	(2,549)	(3,934)	-	(15)	-	(6,498)
(Additional)/write-back of allowance for impairment on loans, advances and financing/securities	(3,032)	865	-	-	-	(2,167)
<b>Segment results</b>	<b>147,391</b>	<b>27,673</b>	<b>-</b>	<b>12,143</b>	<b>-</b>	<b>187,207</b>
Finance costs	-	-	-	(14,234)	-	(14,234)
Share of results of joint ventures (net of tax)	-	-	(2,383)	-	-	(2,383)
Share of results of associate (net of tax)	-	-	15,178	-	-	15,178
<b>Profit before taxation and zakat</b>	<b>147,391</b>	<b>27,673</b>	<b>12,795</b>	<b>(2,091)</b>	<b>-</b>	<b>185,768</b>
Taxation and zakat						(45,086)
<b>Net profit for the individual quarter</b>						<b>140,682</b>
	<----- Preceding year's individual quarter ended 30 June 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	313,057	131,631	-	4,510	-	449,198
Intersegment revenue	(5,358)	(2,823)	-	8,589	(408)	-
<b>Segment revenue</b>	<b>307,699</b>	<b>128,808</b>	<b>-</b>	<b>13,099</b>	<b>(408)</b>	<b>449,198</b>
Overhead expenses	(141,922)	(113,453)	-	(5,099)	408	(260,066)
of which :-						
Depreciation of property and equipment	(3,720)	(1,373)	-	(107)	-	(5,200)
Amortisation of intangible assets	(1,462)	(7,214)	-	(8)	-	(8,684)
(Additional)/write-back of allowance for impairment on loans, advances and financing/securities	(12,379)	454	-	-	-	(11,925)
<b>Segment results</b>	<b>153,398</b>	<b>15,809</b>	<b>-</b>	<b>8,000</b>	<b>-</b>	<b>177,207</b>
Finance costs	-	-	-	(10,133)	-	(10,133)
Share of results of joint ventures (net of tax)	-	-	(1,828)	-	-	(1,828)
Share of results of associate (net of tax)	-	-	12,631	-	-	12,631
<b>Profit before taxation and zakat</b>	<b>153,398</b>	<b>15,809</b>	<b>10,803</b>	<b>(2,133)</b>	<b>-</b>	<b>177,877</b>
Taxation and zakat						(35,391)
<b>Net profit for the individual quarter</b>						<b>142,486</b>

## A20. SEGMENTAL INFORMATION ON REVENUE AND PROFIT

The segment analysis by activity for the individual and cumulative quarters ended 30 June 2016 and 30 June 2015 are as follows:-

	<----- Current year's cumulative quarter ended 30 June 2016 ----->					
	<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	633,846	261,504	-	8,286	-	903,636
Intersegment revenue	(11,394)	(12,814)	-	133,188	(108,980)	-
Segment revenue	<u>622,452</u>	<u>248,690</u>	<u>-</u>	<u>141,474</u>	<u>(108,980)</u>	<u>903,636</u>
Operating expenses	(350,624)	(200,797)	-	(10,110)	1,572	(559,959)
of which :-						
Depreciation of property and equipment	(7,633)	(4,011)	-	(191)	-	(11,835)
Amortisation of intangible assets	(4,568)	(7,858)	-	(30)	-	(12,456)
(Additional)/write-back of allowance for impairment losses on loans, advances and financing/securities	(1,376)	784	-	-	-	(592)
<b>Segment results</b>	<u>270,452</u>	<u>48,677</u>	<u>-</u>	<u>131,364</u>	<u>(107,408)</u>	<u>343,085</u>
Finance costs	-	-	-	(28,571)	-	(28,571)
Share of results of joint ventures (net of tax)	-	-	(3,041)	-	-	(3,041)
Share of results of associate (net of tax)	-	-	27,220	-	-	27,220
Profit before taxation and zakat	<u>270,452</u>	<u>48,677</u>	<u>24,179</u>	<u>102,793</u>	<u>(107,408)</u>	<u>338,693</u>
Taxation and zakat						<u>(80,208)</u>
Net profit for the cumulative quarter						<u>258,485</u>

	<----- Preceding year's cumulative quarter ended 30 June 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	608,551	260,023	-	9,298	-	877,872
Intersegment revenue	(10,263)	(6,033)	-	83,001	(66,705)	-
Segment revenue	<u>598,288</u>	<u>253,990</u>	<u>-</u>	<u>92,299</u>	<u>(66,705)</u>	<u>877,872</u>
Operating expenses	(306,427)	(215,058)	-	(9,793)	674	(530,604)
of which :-						
Depreciation of property and equipment	(7,419)	(2,768)	-	(196)	-	(10,383)
Amortisation of intangible assets	(2,913)	(7,567)	-	(11)	-	(10,491)
(Additional)/write-back of allowance for impairment losses on loans, advances and financing/securities	(115,201)	908	-	-	-	(114,293)
<b>Segment results</b>	<u>176,660</u>	<u>39,840</u>	<u>-</u>	<u>82,506</u>	<u>(66,031)</u>	<u>232,975</u>
Finance costs	-	-	-	(20,833)	-	(20,833)
Share of results of joint ventures (net of tax)	-	-	(3,521)	-	-	(3,521)
Share of results of associate (net of tax)	-	-	18,014	-	-	18,014
Profit before taxation and zakat	<u>176,660</u>	<u>39,840</u>	<u>14,493</u>	<u>61,673</u>	<u>(66,031)</u>	<u>226,635</u>
Taxation and zakat						<u>(49,335)</u>
Net profit for the cumulative quarter						<u>177,300</u>

## A21. SUBSEQUENT MATERIAL EVENT

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

## A22. CHANGES IN THE COMPOSITION OF THE GROUP

There were no other significant changes in the composition of the Group during the financial period under review.

## A23. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group makes various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions. The commitments and contingencies are not secured over the assets of the Group.

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

	<b>Principal Amount</b>	
	<b>30/6/2016</b>	<b>31/12/2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Direct credit substitutes	710,375	507,168
Transaction related contingent items	2,078,186	2,027,954
Short-term self-liquidating trade-related contingencies	452,156	470,476
Obligation under underwriting commitments	72,000	25,500
Foreign exchange related contracts #		
- Less than one year	8,007,097	10,585,763
- One year to less than five years	1,171,883	1,256,815
Interest rate related contracts #		
- Less than one year	944,750	652,116
- One year to less than five years	1,480,148	1,662,023
- Five years and above	747,000	597,000
Irrevocable commitments to extend credit		
- Maturity less than one year	9,317,446	7,687,062
- Maturity more than one year	1,884,405	1,717,346
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	630,154	618,204
Unutilised credit card lines	206,660	188,328
	<b>27,702,260</b>	<b>27,995,755</b>

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

#### A24. DERIVATIVE FINANCIAL INSTRUMENTS

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

##### GROUP

	< ----- Contract/Notional Amount ----- >				< ----- Positive Fair Value ----- >				< ----- Negative Fair Value ----- >			
	Up To 1 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 30 June 2016</b>												
<b>Trading derivatives</b>												
Foreign exchange contracts												
- Currency forwards	2,912,058	232,584	-	3,144,642	18,335	22,349	-	40,684	106,086	1,787	-	107,873
- Cross currency swaps	5,095,039	843,269	96,030	6,034,338	116,253	31,933	332	148,518	67,922	126,809	25,132	219,863
- Currency options	-	-	-	-	-	-	-	-	-	-	-	-
Interest rate contracts												
- Interest rate swaps	944,750	1,336,000	891,148	3,171,898	3,907	6,096	14,788	24,791	3,557	9,675	11,983	25,215
	<b>8,951,847</b>	<b>2,411,853</b>	<b>987,178</b>	<b>12,350,878</b>	<b>138,495</b>	<b>60,378</b>	<b>15,120</b>	<b>213,993</b>	<b>177,565</b>	<b>138,271</b>	<b>37,115</b>	<b>352,951</b>

##### As at 31 December 2015

##### Trading derivatives

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>



#### **A24. DERIVATIVE FINANCIAL INSTRUMENTS (Cont.)**

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

##### **Market risk**

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at the reporting date, the notional amount of foreign exchange exposure which was not hedged and hence, exposed to market risk was RM48.5 million (FYE 31/12/2015: RM98.5 million), while the notional amount of interest rate contract was RM1,002.9 million (FYE 31/12/2015: RM854.9 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 RM383.9 million (FYE 31/12/2015: RM524.0 million) and RM96.5 million (FYE 31/12/2015: RM82.6 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 2015.

## A25. FAIR VALUE MEASUREMENTS

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

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

<b>Group</b>	<b>Level 1 RM'000</b>	<b>Level 2 RM'000</b>	<b>Level 3 RM'000</b>	<b>Total RM'000</b>
<b>30 June 2016</b>				
<b>Assets</b>				
Financial assets held-for-trading	23,603	213,713	-	237,316
Financial investments available-for-sale *				
- Private debt securities	-	8,451,203	-	8,451,203
- Equity securities	137,132	273,433	225,701	636,266
- BNM and government	-	3,896,103	-	3,896,103
Derivative financial assets	-	213,993	-	213,993
	<b>160,735</b>	<b>13,048,445</b>	<b>225,701</b>	<b>13,434,881</b>
<b>Liabilities</b>				
Derivative financial liabilities	-	352,951	-	352,951
<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	-	7,707,647	-	7,707,647
- Equity securities	98,733	-	223,554	322,287
- BNM and government	-	5,055,622	-	5,055,622
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

\* Net of allowance for impairment losses

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

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group 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 are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Such inputs are generally determined based on observable inputs of a similar nature, historical observations on the level of the input or other analytical techniques.

**A25. FAIR VALUE MEASUREMENTS (Cont.)**

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

The Group recognise transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. Transfers between fair value hierarchy primarily due to change in the level of trading activity, change in observable market activity related to an input, reassessment of available pricing information and change in the significance of the unobservable input. There were no transfers between Level 1, 2 and 3 of the fair value hierarchy during the financial period (2015: Nil)

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

<b>Group</b>	<b>30/6/2016</b> RM'000	<b>31/12/2015</b> RM'000
As at beginning of the financial period/year	223,554	147,486
Purchases	750	500
Sales	-	-
Exchanges differences	-	-
Total gains recognised in other comprehensive income	1,397	75,568
As at end of the financial period/year	<u>225,701</u>	<u>223,554</u>

**Effect of changes in significant unobservable assumptions to reasonably possible alternative**

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

## A26. CAPITAL ADEQUACY

With effect from 1 January 2013, the total capital and capital adequacy ratios of the Group are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework (Capital Components) dated 28 November 2012. In line with the transitional arrangements under the Bank Negara Malaysia's Capital Adequacy Framework (Capital Components), the minimum capital adequacy requirement for Common Equity Tier I ("CET I") Capital Ratio and Tier I Capital Ratio are 4.5% and 6.0% respectively for year 2016. The minimum regulatory capital adequacy requirement remains at 8.0% (2015: 8.0%) for total capital ratio.

All banking subsidiaries namely, AFFIN Bank, AFFIN Islamic Bank, AFFIN Hwang Investment Bank have complied with the above minimum regulatory capital adequacy requirement as at 30 June 2016. The components of CET I, Tier I and Tier II capital, breakdown of risk-weighted assets and capital adequacy ratios of the banking subsidiaries as at the reporting date are summarised below :-

	AFFIN Bank		AFFIN Islamic Bank		AFFIN Hwang Investment Bank	
	30/6/2016 RM'000	31/12/2015 RM'000	30/6/2016 RM'000	31/12/2015 RM'000	30/6/2016 RM'000	31/12/2015 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	460,000	780,000	780,000
Share premium	858,904	858,904	-	-	219,800	219,800
Statutory reserves	1,328,792	1,328,792	248,717	248,717	214,915	214,915
Retained profit	742,473	805,289	193,789	196,256	272,103	274,498
Unrealised gains/(losses) on AFS	206,662	101,388	11,431	(10,405)	33,686	(14,762)
	<u>4,825,601</u>	<u>4,783,143</u>	<u>913,937</u>	<u>894,568</u>	<u>1,520,504</u>	<u>1,474,451</u>
Less Regulatory adjustments:-						
- Goodwill and other intangibles	(171,267)	(156,604)	(194)	(426)	(317,157)	(320,046)
- Investments in subsidiaries/joint ventures	(293,444)	(195,630)	(390)	(260)	(107,402)	(106,200)
- Deferred tax assets ^	-	-	-	(3,598)	-	(7,770)
- 55% of cumulative unrealised gains of AFS	(113,664)	(55,763)	(6,287)	-	(18,527)	-
Total CET I Capital	<u>4,247,226</u>	<u>4,375,146</u>	<u>907,066</u>	<u>890,284</u>	<u>1,077,418</u>	<u>1,040,435</u>
Total Tier I Capital (a)	<u>4,247,226</u>	<u>4,375,146</u>	<u>907,066</u>	<u>890,284</u>	<u>1,077,418</u>	<u>1,040,435</u>
<u>Tier II capital</u>						
Subordinated loans	880,000	820,000	-	-	-	-
Regulatory adjustments	178,598	220,148	60,867	58,400	-	5,594
Collective impairment #	123,425	110,058	24,109	23,750	13,815	9,423
Less : Investment in subsidiaries/joint ventures	(195,630)	(293,444)	(260)	(390)	(13,815)	(15,017)
Total Tier II Capital (b)	<u>986,393</u>	<u>856,762</u>	<u>84,716</u>	<u>81,760</u>	<u>-</u>	<u>-</u>
Total Tier I & II Capital (a) + (b)	<u>5,233,619</u>	<u>5,231,908</u>	<u>991,782</u>	<u>972,044</u>	<u>1,077,418</u>	<u>1,040,435</u>
Capital base before proposed dividends	5,233,619	5,231,908	991,782	972,044	1,077,418	1,040,435
Proposed dividends	-	(104,366)	-	-	-	(3,042)
<b>Capital base after proposed dividends</b>	<b><u>5,233,619</u></b>	<b><u>5,127,542</u></b>	<b><u>991,782</u></b>	<b><u>972,044</u></b>	<b><u>1,077,418</u></b>	<b><u>1,037,393</u></b>
<b>b) The breakdown of risk-weighted assets :-</b>						
Credit risk	32,989,173	33,498,227	6,921,441	6,336,026	2,416,942	2,589,933
Market risk	256,905	323,855	46,823	3,650	289,770	279,305
Operational risk	1,943,359	1,951,219	421,031	403,377	395,748	365,105
<b>Total risk-weighted assets</b>	<b><u>35,189,437</u></b>	<b><u>35,773,301</u></b>	<b><u>7,389,295</u></b>	<b><u>6,743,053</u></b>	<b><u>3,102,460</u></b>	<b><u>3,234,343</u></b>
<b>c) Capital adequacy ratios :-</b>						
<u>Before deducting proposed dividends:-</u>						
CET I Capital Ratio	12.070%	12.230%	12.275%	13.203%	34.728%	32.168%
Tier I Capital Ratio	12.070%	12.230%	12.275%	13.203%	34.728%	32.168%
Total Capital Ratio	<u>14.873%</u>	<u>14.625%</u>	<u>13.422%</u>	<u>14.415%</u>	<u>34.728%</u>	<u>32.168%</u>
<u>After deducting proposed dividends:-</u>						
CET I Capital Ratio	12.070%	11.938%	12.275%	13.203%	34.728%	32.074%
Tier I Capital Ratio	12.070%	11.938%	12.275%	13.203%	34.728%	32.074%
Total Capital Ratio	<u>14.873%</u>	<u>14.333%</u>	<u>13.422%</u>	<u>14.415%</u>	<u>34.728%</u>	<u>32.074%</u>

^ Deferred tax assets exclude deferred tax arising from AFS revaluation reserves.

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

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

## A27. OPERATIONS OF ISLAMIC BANKING

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

	Group	
	30/6/2016 RM'000	31/12/2015 RM'000
<b>ASSETS</b>		
Cash and short-term funds	1,456,277	1,918,570
Deposits and placements with banks and other financial institutions	120,104	35,034
Financial investments available-for-sale	1,494,950	1,475,373
Financial investments held-to-maturity	72,107	76,283
Derivative financial assets	2,388	132
Financing, advances and other financing	10,649,632	9,201,909
Other assets	56,718	410,867
Statutory deposit with Bank Negara Malaysia	306,000	259,600
Deferred tax assets	-	3,598
Property and equipment	2,781	2,613
Intangible assets	194	426
<b>TOTAL ASSETS</b>	<b>14,161,151</b>	<b>13,384,405</b>
<b>LIABILITIES, ISLAMIC BANKING FUNDS</b>		
Deposits from customers	8,551,629	10,001,695
Deposits and placements of banks and other financial institutions	2,370,929	1,041,392
Investment accounts due to designated financial institutions	2,115,339	1,331,318
Derivative financial liabilities	4,333	1,035
Other liabilities	77,519	44,119
Provision for taxation	13,109	10,031
Deferred tax liabilities	2,237	-
<b>Total Liabilities</b>	<b>13,135,095</b>	<b>12,429,590</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	460,000	460,000
Reserves	566,056	494,815
<b>Total Equity</b>	<b>1,026,056</b>	<b>954,815</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>14,161,151</b>	<b>13,384,405</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	<b>2,591,415</b>	<b>2,499,754</b>

**A27. OPERATIONS OF ISLAMIC BANKING (Cont.)**

**(ii) Unaudited Islamic Income Statements**

	<-----Group----->			
	Individual Quarter Ended 30/6/2016 RM'000	30/6/2015 RM'000	Cumulative Quarter Ended 30/6/2016 RM'000	30/6/2015 RM'000
Income derived from investment of depositors' funds and others	143,550	96,719	273,455	225,416
Income derived from investment of investment account funds	26,538	40,809	45,719	40,809
Allowance for losses on financing, advances and other financing	11,408	(252)	8,873	(1,911)
	181,496	137,276	328,047	264,314
Income attributable to depositors	(116,672)	(90,689)	(217,565)	(173,476)
Income attributable to shareholders	64,824	46,587	110,482	90,838
Income derived from investment of Shareholders' funds	12,771	9,423	24,061	18,355
Other operating expenses	(31,657)	(27,677)	(63,112)	(57,338)
Profit before taxation and zakat	45,938	28,333	71,431	51,855
Zakat	(2,887)	-	(2,887)	-
Profit before taxation	43,051	28,333	68,544	51,855
Taxation	(7,387)	(6,716)	(13,899)	(12,473)
Net profit for the financial period attributable to the equity holders of the Company	35,664	21,617	54,645	39,382

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

	<-----Group----->			
	Individual Quarter Ended 30/6/2016 RM'000	30/6/2015 RM'000	Cumulative Quarter Ended 30/6/2016 RM'000	30/6/2015 RM'000
Profit after taxation	35,664	21,617	54,645	39,382
Other comprehensive income :-				
- Net fair value change in financial investments available-for-sale	6,087	(4,675)	21,837	2,885
- Deferred tax on revaluation of financial investments available-for-sale	(1,461)	1,122	(5,241)	(692)
Other comprehensive income/(loss) for the financial period, net of tax	4,626	(3,553)	16,596	2,193
<b>Total comprehensive income for the financial period attributable to the equity holders of the Company</b>	40,290	18,064	71,241	41,575

## A27. OPERATIONS OF ISLAMIC BANKING (Cont.)

### (iv) Financing

	Group	
	30/6/2016 RM'000	31/12/2015 RM'000
<u>By type</u>		
Cash line	216,953	314,426
Term financing		
- Housing financing	2,424,683	2,096,258
- Syndicated term financing	575,252	490,723
- Hire purchase receivables	2,888,186	2,710,393
- Business term financing	3,239,172	2,860,153
Bills receivables	47,265	36,637
Trust receipts	12,836	12,600
Interest-free accepted bills	124,025	123,897
Staff financing	10,338	9,536
Revolving credit	1,176,202	622,473
	10,714,912	9,277,096
Less : Allowance for impairment losses		
- Collective impairment	(42,010)	(36,671)
- Individual impairment	(23,270)	(38,516)
	(65,280)	(75,187)
<b>Total net financing</b>	<b>10,649,632</b>	<b>9,201,909</b>

### (v) Impaired financing

#### (a) Movements of impaired financing

Balance at the beginning of financial period/year	141,708	129,157
Classified as impaired during the financial period/year	49,298	108,375
Reclassified as non-impaired during the financial period/year	(28,942)	(67,897)
Amount recovered during the financial period/year	(57,034)	(18,862)
Amount written-off during the financial period/year	(3)	(9,065)
	105,027	141,708

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

##### **Collective impairment**

Balance at the beginning of financial period/year	36,671	37,393
Allowance (net of write-back) made during the financial period/year	5,339	5,958
Amount written-off during the financial period/year	-	(6,680)
	42,010	36,671

##### **Individual impairment**

Balance at the beginning of financial period/year	38,516	31,519
Allowance for impairment during the financial period/year	1,465	3,560
Amount recovered during the financial period/year	(14,689)	(47)
Amount written-off during the financial period/year	-	(2,383)
Unwinding discount of allowance	(56)	(628)
Exchange difference	(1,966)	6,495
	23,270	38,516

**A27. OPERATIONS OF ISLAMIC BANKING (Cont.)**

**(vi) Deposits from customers**

	<b>Group</b>	
	<b>30/6/2016</b>	<b>31/12/2015</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>By type of deposits</u>		
<b>Non-Mudharabah Funds</b>		
Demand deposits	2,165,407	2,435,998
Savings deposits	454,954	412,394
Murabahah term deposits	5,292,457	6,413,389
Commodity Murabahah Deposit (CMD)	533,811	630,118
	<hr/> 8,446,629	<hr/> 9,891,899
<b>Mudharabah Funds</b>		
General investment deposits	105,000	109,796
	<hr/> 8,551,629	<hr/> 10,001,695
Total deposits from customers	<hr/> <b>8,551,629</b>	<hr/> <b>10,001,695</b>



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

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

The Group reported a higher profit before tax and zakat ("PBT") of RM185.8 million for the current financial quarter ended 30 June 2016 as compared to RM177.9 million for the preceding year's corresponding quarter. For the half-year ended 30 June 2016, the Group's PBT of RM338.7 indicated an increase of RM112.1 million or 49.5% as compared to RM226.6 million for the corresponding half-year ended 30 June 2015. The improved performance was mainly due to lower allowance for loan impairment of RM137.2 million, the increase in net interest income and Islamic banking income totalling RM31.6 million as well as higher share of profits in associate of RM9.2 million. These were partially offset by higher overhead expenses and higher finance cost of RM29.4 million and RM7.7 million respectively. In addition, there was a write-back of allowance for securities impairment of RM23.5 million in the previous financial year.

#### Commercial Banking

The results of the commercial banking segment was mainly attributable to the AFFIN Bank Berhad ("ABB") Group which registered a PBT of RM147.4 million for the current financial quarter as compared to RM153.4 million for the preceding year's corresponding quarter. For the half-year ended 30 June 2016, the ABB Group's PBT of RM270.5 million also indicated an increase of RM93.8 million or 53.1% as compared to RM176.7 million achieved in the previous year. The improved performance was mainly due to lower allowance for loan impairment of RM135.8 million, higher Islamic banking income and higher net interest income of RM13.2 million and RM10.2 million respectively. The overhead expenses however increased by RM44.2 million mainly due to higher personnel cost and higher PIDM insurance premium incurred during the year. In the previous year, there was a write-back of allowance for securities impairment of RM21.9 million.

The wholly-owned subsidiary, namely AFFIN Islamic Bank Berhad registered a higher PBT of RM45.9 million as compared to RM28.3 million for the preceding year's corresponding quarter. For the half-year ended 30 June 2016, the Company also registered a higher PBT of RM71.4 million as compared to RM51.9 million for the same period last year. The improved performance was mainly due to higher operating income of RM14.1 million and lower allowance for financing losses of RM10.8 million, net of higher overhead expenses of RM5.3 million.

#### Investment Banking

The results of the investment banking segment was attributed to AFFIN Hwang Investment Bank Berhad ["AFFIN Hwang IB"] Group which reported a higher PBT of RM27.7 million for the current financial quarter as compared to RM15.8 million for the preceding year's corresponding quarter. For the half-year ended 30 June 2016, the Investment Banking Group also registered a higher PBT of RM48.7 million as compared to RM39.8 million for the corresponding half-year ended 30 June 2015, mainly due to lower overhead expenses of RM14.3 million, net of lower other operating income of RM4.8 million attributed largely to the initial service fee income from fund and asset management businesses. The PBT was after the amortisation of identifiable intangible assets of RM6.9 million (30/6/2015: RM17.3 million which includes fair value adjustment of RM10.4 million on held-to-maturity securities) resulting from the acquisition of HwangDBS Investment Bank Berhad at AFFIN Holdings Berhad ("AHB") Group level.

For the half-year ended 30 June 2016, the asset management businesses contributed a lower PBT of RM23.1 million as compared to RM34.0 million achieved last year. This was mainly due to lower initial service fee income of RM13.1 million, partially offset by higher management fee income of RM2.9 million and lower overhead expenses of RM1.9 million. The PBT for the asset management businesses was also after taking into consideration the amortisation of identifiable intangible asset of RM3.7 million (30/6/2015: RM3.7 million) at AHB Group level.

#### Insurance

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

AXA AFFIN Life Insurance Berhad ("AALI") reported a higher pre-tax loss of RM4.8 million for the current financial quarter as compared to a pre-tax loss of RM2.9 million for the preceding year's corresponding quarter. For the half year ended 30 June 2016, AALI also reported a higher pre-tax loss of RM16.4 million as compared to the pre-tax loss of RM5.4 million for the previous year, mainly attributable to higher reserves for future policyholders' liabilities as a result of movement in MGS rate and higher expenses. These were partially offset by higher investment income attributed to fixed income securities and equities. For the period under review, the share of results in AALI of RM3.0 million was net of the adjustment of RM4.0 million on over-recognition of the Group's share of losses for the previous financial year, mainly due to the change of basis in recognising the reserve for undue Policyholders Reasonable Expectation (PRE).

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

### Insurance

AXA AFFIN General Insurance Berhad ("AAGI") reported a higher pre-tax profit of RM57.2 million for the current financial quarter as compared to RM50.7 million for the preceding year's corresponding quarter. For the half-year ended 30 June 2016, AAGI also reported a higher pre-tax profit of RM 92.9 million as compared to RM71.5 million achieved in the previous year. The improved performance was mainly due to higher earned premium of RM91.4 million attributable to health and motor businesses, higher investment income of RM6.5 million and higher gain on disposal of investment securities of RM8.8 million. These were partially offset by the increase in net claims, net commission incurred and overhead expenses of RM67.8 million, RM9.8 million and RM8.2 million respectively. Included in the share of results in AAGI of RM27.2 million for the period under review was an adjustment of RM3.2 million on under-recognition of the Group's share of profits for the previous financial year.

### Other business segment

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

AHB registered a pre-tax loss of RM2.7 million for the current financial quarter as compared to a pre-tax loss of RM2.9 million for the preceding year's corresponding quarter. For the half-year ended 30 June 2016, AHB reported a higher PBT of RM101.4 million as compared to RM59.9 million achieved in the previous year, mainly due to higher final dividend income from subsidiaries of RM41.4 million and higher interest income of RM8.8 million, net of higher finance cost of RM7.7 million.

AMB reported a lower pre-tax profit of RM0.4 million for the current financial quarter as compared to RM0.6 million for the preceding year's corresponding quarter. For the half-year ended 30 June 2016, AMB also reported a lower PBT of RM1.0 million as compared to RM1.5 million mainly due to lower net brokerage income net of lower overhead expenses.

For the half-year ended 30 June 2016, AACH reported a PBT of RM388,000 as compared to RM348,000 achieved in the previous year.

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

The Group reported a higher profit before tax and zakat ("PBT") of RM185.8 million for the current financial quarter as compared to RM152.9 million for the preceding quarter ended 31 March 2016. The improved performance was mainly due to the increase in other operating income, net interest income and Islamic banking income of RM25.7 million, RM17.6 million and RM6.4 million respectively, net of higher overhead expenses of RM14.7 million.

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

### Commercial Banking

The Malaysian economic growth moderated for the first half 2016, leading to a revised GDP growth rate of 4.0% to 4.5% (from 4.5% to 5.0%) for 2016. The slip was due to slower growth in consumer spending, lower commodity prices and followed by the devaluation of Ringgit. Nevertheless, the economy was sustained by strong investment from both public and private sectors.

For the second half of 2016, domestic demand continues to be the main driver of growth. Private consumption will be supported by growth in income and employment and measures implemented by the Government. The adjustment to the OPR from 3.25% to 3.0% will further ensure the domestic economy to continue to grow steadily amid stable inflation. The Bank will continue to remain vigilant to BNM future directions in preparation for potential emerging risks arising from Brexit event.

In 2016, the Bank will continue its journey to expand its customer reach and brand visibility. Some branches were relocated while several additional branches were opened in key population areas and as of the second quarter of 2016, two new branches were launched in Denai Alam and Tabuan Jaya.

The Bank also plans to target the small and medium enterprises (SME) segment, Generation Y population and capitalising on its sister companies from LTAT and Boustead Holdings Berhad group to enhance further growth. In the effort of rebalancing its portfolio, the Bank aims to increase the Mortgage financing aggressively while continues to grow its Hire Purchase portfolio.

Moving forward with the Group's Strategic Transformation Program, the Bank is also currently looking into business efficiency by the means of improving technical capabilities and building up talents. In its endeavour to best serve its customers, the Bank aims to offer complete product suite that includes the strengthening and development of digital and mobile banking. The Bank also has relaunched its popular Contactless Credit Card Program that eases the transaction in petrol stations (BHPetrol).

Despite the softer economic growth outlook, the Bank remains cautiously optimistic on the prospect for growth and continues to explore new products and services that satisfy the customers' needs with the best value possible.

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

#### Investment Banking

The Group remains cautiously optimistic of its growth and business prospects in 2016 as the country's resilient economic fundamentals are expected to cushion the uncertainty of potential external vulnerabilities such as the recent Brexit event. The Group's diversified business profile coupled by a sturdy capitalisation should mitigate the expected volatility in the financial markets.

The Group takes cognizant of the increasingly-competitive investment bank and asset management operating environment, which are highly dependent on the overall market sentiments. The Group will continue to build resilience across its businesses and drive efficiency savings in all its business operations. The businesses shall continue to work on collaborative efforts within the Group to increase its ability to offer a wider range of products and services to its enlarged clientele.

#### Insurance

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

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 as well as product development to cater to different 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 while starting its transformation journey into becoming a customer centric organisation via transformation projects and digital enablers.

### B4. VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

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

### B5. TAXATION

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2016	30/6/2015	30/6/2016	30/6/2015
	RM'000	RM'000	RM'000	RM'000
Malaysian Taxation :-				
- Income tax based on profit for the financial period	39,983	42,142	70,006	54,898
Deferred tax :-				
- Relating to originating temporary differences	2,027	(6,980)	6,701	(6,013)
Under provision in prior years :-				
- Current taxation	(79)	-	148	10
	<b>41,931</b>	<b>35,162</b>	<b>76,855</b>	<b>48,895</b>

For the current and preceding year's corresponding period, the Group's effective tax rate was lower than the statutory tax rate, mainly due to certain income not subject to tax or subject to lower tax rate, net of certain expense not deductible for tax purposes.

## **B6. STATUS OF CORPORATE PROPOSALS**

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

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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. BNM had vide its letter dated 6 November 2015 stated that it had no objection to AFFIN's application for an extension of four (4) months up to 29 February 2016 to complete its negotiations with DAIWA in relation to the Proposal.

On 29 February 2016, AHIB had on behalf of the Board of Directors of AHB announced that an application to BNM has been made for the approval of BNM for the Proposal.

Further announcements will be made to Bursa Malaysia Securities Berhad in due course following receipt of the decision from BNM.

### **b) Proposed acquisition of additional equity interest in AXA AFFIN General Insurance Berhad ("AAGI") ("Proposed Acquisition")**

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AFFIN Holdings Berhad (the "Company" or "AHB") had on 25 March 2016 announced that Bank Negara Malaysia ("BNM") had vide its letter dated 25 March 2016 stated that it had no objection in principle for AHB to commence negotiations with Felda Marketing Services Sdn Bhd, AXA Asia and subsequently with the minority shareholders to acquire additional shares in AAGI in relation to the Proposed Acquisition, subject to all parties concluding negotiations within 6 months from the date of the said letter.

Currently, AHB holds approximately 34.51% equity interest in AAGI and AAGI is principally engaged in the underwriting of all classes of general insurance business.

The said approval should not be construed as approval for the Proposed Acquisition. Upon concluding negotiations, 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 Proposed Acquisition.

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

## B7. GROUP BORROWINGS AND DEBT SECURITIES

### (i) Deposits from Customers

	Group	
	30/6/2016 RM'000	31/12/2015 RM'000
<u>By Type of Deposits:-</u>		
Money Market Deposits	664,716	1,637,103
Demand Deposits	7,051,511	7,740,255
Savings Deposits	2,006,513	1,951,353
Fixed Deposits	28,010,612	31,816,220
Negotiable Instruments of Deposits ('NIDs')	8,093,159	6,581,758
Commodity Murabahah Deposit (CMD)	533,812	630,118
Other deposits	129,857	191,940
	46,490,180	50,548,747

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

Due within six months	29,002,235	31,832,375
Six months to one year	6,843,589	5,417,628
One year to three years	85,860	1,142,315
Three years to five years	172,087	5,660
	36,103,771	38,397,978

By Type of Customers:-

Government and statutory bodies	7,303,144	8,724,822
Business enterprises	11,984,602	15,654,194
Individuals	12,468,973	12,284,299
Domestic banking institutions	7,970,113	6,556,250
Domestic non-banking financial institutions	5,821,071	5,888,596
Foreign Entities	400,346	431,589
Others	541,931	1,008,997
	46,490,180	50,548,747

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

By Type of Institutions:-

Licensed banks	6,992,363	2,333,764
Licensed investment banks	225,002	3,680
Bank Negara Malaysia	403,007	-
Other financial institutions	883,751	1,047,995
	8,504,123	3,385,439

By Maturity Structure:-

Due within six months	8,504,123	3,385,439
	8,504,123	3,385,439

### (iii) Borrowings

Unsecured :-

One year or less (short-term)	302,746	301,306
More than one year (medium/long-term)	1,003,291	1,004,705
	1,306,037	1,306,011

## B8. 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>30/6/2016</b>	<b>31/12/2015</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Total retained profits of AFFIN Holdings Berhad and its subsidiaries :-</u>		
- Realised	2,237,208	2,018,252
- Unrealised		
- deferred tax recognised in the income statement	10,149	18,469
- other items of income and expense	122,833	157,623
	2,370,190	2,194,344
<u>Total share of retained profits in associate:-</u>		
- Realised	268,096	242,070
- Unrealised	6,605	5,412
<u>Total share of retained losses in joint ventures :-</u>		
- Realised	(37,922)	(32,540)
- Unrealised	1,135	(1,206)
	2,608,104	2,408,080
Add: Consolidation adjustments	(233,930)	(229,451)
Total Group retained profits as per consolidated financial statements	2,374,174	2,178,629

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.

## B9. MATERIAL LITIGATION

- a) A claim by the Plaintiff against AFFIN Bank Berhad ("ABB") vide Write of Summons and Statement of Claim dated 22 January 2016 ("Writ") for the following:-
- RM56,885,317.82 together with interest at 5% per annum from 1999 till full settlement as alleged damages;
  - SGD9,928,473.75 together with interest at 5% per annum from 2013 till full settlement as alleged losses;
  - RM776,331.00 being alleged losses of Plaintiff's shares in Berlian Ferries Pte. Ltd which was transferred out as a result of his in 2013 with interest at 5% per annum from 2013 till full settlement as alleged losses;
  - RM500,000 as cost in respect of legal proceedings in Singapore.

ABB had on 25 January 1996 given Suria Barisan (M) Sdn Bhd ("Suria") a credit facility of RM21.6 million ("Facility") against security of unquoted shares belonging to Naval Dockyard Sdn Bhd and guaranteed by the Plaintiff and Puan Norashikin Binti Abdul Latiff ("Guarantor").

Suria, the Plaintiff and the Guarantor ("All") defaulted in the Facility which led to ABB filing a debt recovery action against All of them in 1999. Judgement was obtained against All on 8 July 2004.

The Plaintiff was made bankrupt on 17 January 2013. The bankruptcy was set aside in September 2015 on the grounds that he was solvent due to a third party, Chenet Finance Ltd ("Chenet") being ordered by a Singapore Court to pay damages to the Director General of Insolvency Malaysia ("DGI") as receiver of Plaintiff's Estate. ABB has appealed and Case Management ("CM") has been fixed on 24 June 2016.

The Plaintiff's claim ("Claim") is premised on alleged wrongful acts by ABB as follows:-

- failure to sell 7.2 million shares in Naval Dockyard Sdn Bhd ("NDSB shares") which was pledged by Suria to the Bank as security for the Facility on a timely basis. On this claim, Plaintiff claims damages under (i) above;
- allowed the release of the Guarantor from her liability upon payment of a certain sum pursuant to her Guarantee without giving the same opportunity to the Plaintiff;
- ABB had corresponded with the opponent of Plaintiff in Singapore to prevent the Plaintiff from claiming his assets in Singapore. Plaintiff has alleged conspiracy between ABB and the opponent of the Plaintiff in Singapore. On this claim, Plaintiff claims losses under (ii) above;
- ABB had wrongfully made Plaintiff a bankrupt in 2013 which bankruptcy was set aside in 2015. On this claim, Plaintiff claims losses under (iii) above;
- The Plaintiff is also claiming the amount of (iv) above being cost of proceedings incurred by him in Singapore.

ABB has a good defence ("Defence") on the merits with regard to each of the alleged wrongful act as follows:-

- the sale of NDSB Shares was subject to the approval from the relevant authorities as per the terms of the Facility Agreement and the price has to be based on the offer from the approved prospective buyer;
- the release of the Guarantor is the prerogative of ABB pursuant to the terms of the Guarantee Agreement;
- the Plaintiff's bankruptcy is based on a judgement of Court;
- ABB's legal firm has corresponded with the legal firm of the Plaintiff's opponent in Singapore only to inform the status of the Plaintiff proceedings in Malaysia and any alleged conspiracy is denied;
- The claim for cost is unreasonable as ABB was not in any way involved in the Singapore proceedings.

The above Claim against ABB by the Plaintiff is as a result of the Debt Recovery Action against the Plaintiff which was commenced in the ordinary course of business.

The Board of Directors of ABB are of the view that save for the orders, cost and other relief sought by the Plaintiff, which will materialize only if the Court rules in the Plaintiff's favour, the Writ and Statement of Claim is not expected to result in any immediate losses, material, financial and operational impact on ABB for the current financial year ending 31 December 2016.

On 15 August 2016, the matter came up for hearing for the Plaintiff's Application for Discovery of Documents whereby the Court fixed the said matter for decision on 1 November 2016. The Court has also fixed the full trial dates on 13 February to 16 February 2017.

Further announcements will be made on material developments from time to time.

- b) Other than the above, there are various legal suits against AFFIN Bank Berhad ("ABB") in respect of claims and counter claims of approximately RM83.1 million (31 December 2015: RM68.1 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.

## B10. DIVIDENDS

No dividend has been proposed for the quarter under review.

**B11. EARNINGS PER SHARE**

	-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	30/6/2016	30/6/2015	30/6/2016	30/6/2015
Net profit attributable to equity holders of the Company (RM'000)	<u>137,396</u>	139,388	<u>252,962</u>	169,473
Weighted average number of ordinary shares in issue	<u>1,942,948,547</u>	1,942,948,547	<u>1,942,948,547</u>	1,942,948,547
Basic earnings per share (sen)	<u>7.07</u>	7.17	<u>13.02</u>	8.72

The basic earnings per share of the Group for the current financial quarter ended 30 June 2016 has been calculated based on the net profit attributable to the equity holders of the company of RM137,396,000 (2015: RM139,388,000) divided by the weighted average number of ordinary shares in issue during the current financial quarter of 1,942,948,547 (2015: 1,942,948,547).

The basic earnings per share of the Group for the cumulative quarter ended 30 June 2015 has been calculated based on the net profit attributable to the equity holders of the company of RM252,962,000 (2015: RM169,473,000) divided by the weighted average number of ordinary shares in issue during the current financial quarter of 1,942,948,547 (2015: 1,942,948,547).