

AFFIN HOLDINGS BERHAD

(Company no. 23218 - W)

Condensed Interim Financial Statements

Unaudited Statements of Financial Position As At 30 September 2014

	< ----- GROUP ----- >	< ----- COMPANY ----- >		
Note	30/9/2014 RM'000	31/12/2013 RM'000	30/9/2014 RM'000	31/12/2013 RM'000
ASSETS				
Cash and short-term funds	6,982,086	9,331,374	242,674	131,710
Deposits and placements with banks and other financial institutions	344,520	468,585	-	4,460
Trade receivables	A9 547,068	176,706	-	-
Financial assets held-for-trading	A10 71,035	149,544	-	-
Financial investments available-for-sale	A10 11,852,324	8,767,991	-	-
Financial investments held-to-maturity	A10 833,930	624,033	-	-
Derivative financial assets	101,734	55,776	-	-
Loans, advances and financing	A11 39,037,255	36,909,384	-	-
Other assets	A12 258,970	309,011	352	68,494
Statutory deposits with Bank Negara Malaysia	1,770,850	1,545,144	-	-
Amount due from subsidiaries	-	-	604,286	904,972
Amount due from associate	67,226	67,257	67,226	67,257
Investment in subsidiaries	-	-	5,902,034	3,582,882
Investment in jointly controlled entities	137,189	135,539	146,880	146,880
Investment in associate	232,625	208,396	15,623	10,681
Tax recoverable	17,729	11,316	5,391	5,173
Deferred tax assets	15,221	14,475	-	-
Property and equipment	166,583	167,038	327	470
Intangible assets	1,611,215	1,009,988	4	1
TOTAL ASSETS	64,047,560	59,951,557	6,984,797	4,922,980
LIABILITIES AND EQUITY				
Deposits from customers	B8 49,119,793	47,353,514	-	-
Deposits and placements of banks and other financial institutions	B8 4,272,814	3,983,912	-	-
Bills and acceptances payable	86,549	90,208	-	-
Trade payables	558,203	179,078	-	-
Derivative financial liabilities	116,814	93,868	-	-
Recourse obligation on loans sold to Cagamas Berhad	266,188	397,790	-	-
Other liabilities	A13 570,252	467,454	2,414	19,634
Provision for taxation	5,285	36,405	-	-
Deferred tax liabilities	1,295	172	108	108
Amount due to subsidiaries	-	-	1,162,758	400,258
Borrowings	B8 972,407	972,432	972,407	972,432
TOTAL LIABILITIES	55,969,600	53,574,833	2,137,687	1,392,432

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

AFFIN HOLDINGS BERHAD

(Company no. 23218 - W)

Condensed Interim Financial Statements**Unaudited Statements of Financial Position As At 30 September 2014**

		< ----- GROUP ----- >		< ----- COMPANY ----- >	
	Note	30/9/2014 RM'000	31/12/2013 RM'000	30/9/2014 RM'000	31/12/2013 RM'000
EQUITY					
Share capital		1,942,949	1,494,576	1,942,949	1,494,576
Reserves:-					
Share premium		2,185,718	1,400,410	2,185,718	1,400,410
Statutory reserves	A14	1,367,500	1,469,048	-	-
AFS revaluation reserves	A14	47,480	15,148	-	-
Regulatory reserves	A14	145,704	-	-	-
Retained profits	A14	2,360,005	1,997,542	718,443	635,562
Equity attributable to equity holders of the Company		8,049,356	6,376,724	4,847,110	3,530,548
Non-controlling interest		28,604	-	-	-
TOTAL EQUITY		8,077,960	6,376,724	4,847,110	3,530,548
TOTAL LIABILITIES AND EQUITY		64,047,560	59,951,557	6,984,797	4,922,980
COMMITMENTS AND CONTINGENCIES		27,981,725	22,222,815	-	-
NET ASSETS PER SHARE (RM)		4.14	4.27		

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

AFFIN HOLDINGS BERHAD

(Company no. 23218 - W)

Condensed Interim Financial Statements

Unaudited Income Statements For The Financial Period Ended 30 September 2014

GROUP	Note	<----Individual Quarter Ended ---->		<---Cumulative Quarter Ended --->	
		30/9/2014	30/9/2013	30/9/2014	30/9/2013
		RM'000	RM'000	RM'000	RM'000
Revenue		937,168	764,093	2,606,517	2,253,973
Interest income	A15	628,638	564,418	1,800,307	1,647,665
Interest expense	A16	(384,869)	(327,299)	(1,098,200)	(959,479)
Net interest income		243,769	237,119	702,107	688,186
Net Islamic banking income		60,903	55,334	176,253	164,994
Other operating income	A17	200,489	98,859	468,232	291,236
Net income		505,161	391,312	1,346,592	1,144,416
Other operating expenses	A18	(298,546)	(175,440)	(739,256)	(521,511)
Operating profit before allowance for impairment on loans, advances and financing		206,615	215,872	607,336	622,905
Allowance for impairment on loans, advances and financing	A20	(12,638)	4,596	(35,166)	35,266
Allowance for impairment on other assets	A21	58	1,434	(285)	1,090
Operating profit		194,035	221,902	571,885	659,261
Finance cost		(13,359)	(10,734)	(50,894)	(31,853)
Share of results of jointly controlled entities		3,009	3,554	(854)	3,766
Share of results of associate		6,249	7,083	17,595	13,000
Profit before taxation and zakat		189,934	221,805	537,732	644,174
Zakat		(501)	(242)	(927)	(9,355)
Profit before taxation		189,433	221,563	536,805	634,819
Taxation	B6	(45,086)	(48,596)	(134,720)	(151,713)
Net profit for the financial period		144,347	172,967	402,085	483,106
Profit for the financial period attributable to :-					
- Equity holders of the Company		141,957	172,967	396,674	483,106
- Non-controlling interest		2,390	-	5,411	-
		144,347	172,967	402,085	483,106
Earnings per share attributable to the equity holders of the Company (sen)					
- Basic and fully diluted	B12	7.36	11.57	24.18	32.32

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

AFFIN HOLDINGS BERHAD
(Company no. 23218 - W)
Condensed Interim Financial Statements
Unaudited Statement of Comprehensive Income
For The Financial Period Ended 30 September 2014

<u>GROUP</u>	<---Individual Quarter Ended ---->		<---Cumulative Quarter Ended --->	
	30/9/2014 RM'000	30/9/2013 RM'000	30/9/2014 RM'000	30/9/2013 RM'000
Profit after taxation	144,347	172,967	402,085	483,106
Other comprehensive income:-				
- Net fair value change in financial investments available-for-sale	18,799	(14,019)	42,914	(57,915)
- Deferred tax on revaluation of financial investments available-for-sale	(5,738)	3,517	(10,599)	13,813
Other comprehensive income for the period, net of tax	13,061	(10,502)	32,315	(44,102)
Total comprehensive income for the financial period	157,408	162,465	434,400	439,004
Total comprehensive income for the financial period attributable to :-				
- Equity holders of the Company	155,059	162,465	429,006	439,004
- Non-controlling interest	2,349	-	5,394	-
	157,408	162,465	434,400	439,004

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

AFFIN HOLDINGS BERHAD
(Company no. 23218 - W)
Condensed Interim Financial Statements
Unaudited Income Statements For The Financial Period Ended 30 September 2014

<u>COMPANY</u>	<----Individual Quarter Ended ---->		<----Cumulative Quarter Ended ---->	
	30/9/2014 RM'000	30/9/2013 RM'000	30/9/2014 RM'000	30/9/2013 RM'000
Revenue	11,361	13,607	150,086	164,680
Interest income	11,361	13,607	33,428	39,575
Interest expense	-	-	-	-
Net interest income	11,361	13,607	33,428	39,575
Net Islamic banking income	-	-	-	-
Other operating income	-	57	116,658	125,162
Net income	11,361	13,664	150,086	164,737
Other operating expenses	(1,851)	(5,277)	(12,463)	(10,689)
Operating profit before allowance for impairment on loans, advances and financing	9,510	8,387	137,623	154,048
Allowance for impairment on loans, advances and financing	-	-	-	-
Allowance for impairment on other assets	-	-	-	-
Operating profit	9,510	8,387	137,623	154,048
Finance cost	(15,037)	(10,734)	(52,552)	(31,853)
Profit before taxation and zakat	(5,527)	(2,347)	85,071	122,195
Zakat	-	-	-	-
Profit before taxation	(5,527)	(2,347)	85,071	122,195
Taxation	(993)	(559)	(2,190)	(9,796)
Net profit for the financial period attributable to equity holders of the Company	(6,520)	(2,906)	82,881	112,399

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

AFFIN HOLDINGS BERHAD
 (Company no. 23218 - W)
Condensed Interim Financial Statements
Unaudited Statement of Comprehensive Income
Unaudited Income Statements For The Financial Period Ended 30 September 2014

<u>COMPANY</u>	<----Individual Quarter Ended ---->		<---Cumulative Quarter Ended --->	
	30/9/2014	30/9/2013	30/9/2014	30/9/2013
	RM'000	RM'000	RM'000	RM'000
Profit after taxation	(6,520)	(2,906)	82,881	112,399
Other comprehensive income	-	-	-	-
Total comprehensive income for the financial period attributable to equity holders of the Company	(6,520)	(2,906)	82,881	112,399

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

AFFIN HOLDINGS BERHAD
(Company no. 23218 - W)
Unaudited Condensed Consolidated Statement Of Changes In Equity
For The Financial Period Ended 30 September 2014

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

GROUP	Issued and fully paid ordinary shares of RM1 each		Non-distributable			Distributable		Total Shareholders' Equity RM'000	Non-controlling Interest RM'000	Total Equity RM'000
	Number of shares '000	Nominal value RM'000	Share premium RM'000	Statutory reserves RM'000	AFS revaluation reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000			
At 1 January 2014	1,494,576	1,494,576	1,400,410	1,469,048	15,148	-	1,997,542	6,376,724	-	6,376,724
Comprehensive income :										
- Net profit for the financial period	-	-	-	-	-	-	396,674	396,674	5,411	402,085
Other comprehensive income (net of tax) :										
- Financial investments available-for-sale	-	-	-	-	32,332	-	-	32,332	(17)	32,315
Total comprehensive income for the financial period	-	-	-	-	32,332	-	396,674	429,006	5,394	434,400
Issue of share capital pursuant to the Rights Issue as disclosed in Note A7	448,373	448,373	789,136	-	-	-	-	1,237,509	-	1,237,509
Share issue expenses	-	-	(3,828)	-	-	-	-	(3,828)	-	(3,828)
Non-controlling interest share of reserves of a subsidiary acquired during the year as disclosed in note A24 (a)	-	-	-	-	-	-	-	-	33,155	33,155
Gain/effect on dilution of interest in a subsidiary arising from the AFFIN Fund Acquisition as disclosed in Note A24 (c)	-	-	-	-	-	-	9,945	9,945	(9,945)	-
Transfer from statutory reserves	-	-	-	(101,548)	-	-	101,548	-	-	-
Transfer to regulatory reserves	-	-	-	-	-	145,704	(145,704)	-	-	-
At 30 September 2014	1,942,949	1,942,949	2,185,718	1,367,500	47,480	145,704	2,360,005	8,049,356	28,604	8,077,960
At 1 January 2013	1,494,576	1,494,576	1,400,410	1,293,665	108,763	-	1,747,090	6,044,504	-	6,044,504
Comprehensive income :										
- Net profit for the financial period	-	-	-	-	-	-	483,106	483,106	-	483,106
Other comprehensive income (net of tax) :										
- Financial investments available-for-sale	-	-	-	-	(44,102)	-	-	(44,102)	-	(44,102)
Total comprehensive income for the financial period	-	-	-	-	(44,102)	-	483,106	439,004	-	439,004
Transfer to statutory reserves	-	-	-	125,287	-	-	(125,287)	-	-	-
At 30 September 2013	1,494,576	1,494,576	1,400,410	1,418,952	64,661	-	2,104,909	6,483,508	-	6,483,508

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

AFFIN HOLDINGS BERHAD
(Company no. 23218 - W)
Unaudited Condensed Statement Of Changes In Equity
For The Financial Period Ended 30 September 2014

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

<u>COMPANY</u>	Issued and fully paid ordinary shares of RM1 each		Non-distributable	Distributable	Total Equity
	Number of shares '000	Nominal value RM'000	Share premium RM'000	Retained profits RM'000	
At 1 January 2014	1,494,576	1,494,576	1,400,410	635,562	3,530,548
Total comprehensive income for the financial period :					
- Net profit for the financial period	-	-	-	82,881	82,881
Total comprehensive income for the financial period	1,494,576	1,494,576	1,400,410	718,443	3,613,429
Issue of share capital pursuant to the Rights Issue as disclosed in Note A7	448,373	448,373	789,136	-	1,237,509
Share issue expenses	-	-	(3,828)	-	(3,828)
At 30 September 2014	1,942,949	1,942,949	2,185,718	718,443	4,847,110
At 1 January 2013	1,494,576	1,494,576	1,400,410	580,197	3,475,183
Total comprehensive income for the financial period :					
- Net profit for the financial period	-	-	-	112,399	112,399
At 30 September 2013	1,494,576	1,494,576	1,400,410	692,596	3,587,582

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

AFFIN HOLDINGS BERHAD
(Company no. 23218 - W)
Unaudited Condensed Consolidated Statement of Cash Flow
For The Financial Period Ended 30 September 2014

	< ----- 9 months Ended ----- >	
	30/9/2014	30/9/2013
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	536,805	634,819
Adjustment for non-operating and non-cash items	(262,041)	(175,667)
Operating profit before changes in working capital	<u>274,764</u>	<u>459,152</u>
Net changes in operating assets	(1,503,572)	(1,506,930)
Net changes in operating liabilities	(759,958)	1,858,739
Payment of tax and zakat	(191,688)	(187,283)
Tax refund	1,997	2,289
Net cash (used in)/generated from operating activities	<u>(2,178,457)</u>	<u>625,967</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received from securities	251,737	215,941
Net (purchase)/disposal of:		
- securities	(1,452,170)	755,541
- property and equipment	(3,116)	(7,638)
- intangible assets	(649)	(1,428)
Dividend received from:		
- financial investments held-to-maturity	1,241	-
- financial investments available-for-sale	7,865	3,913
Proceeds from disposal of foreclosed properties	9,600	17,985
Subscription of shares in a jointly controlled entity	-	(150)
Subscription of shares in associate	(4,942)	-
Amount due from associate	31	-
Cash flow arising from acquisition of subsidiaries		
- Acquisition of AFFIN Hwang Investment Bank Berhad as disclosed in Note A24 (a)	(302,929)	-
- Acquisition of Asian Islamic Investment Management Sdn Bhd as disclosed in Note A24 (d)	(10,624)	-
Net cash (used in)/generated investing activities	<u>(1,503,956)</u>	<u>984,164</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease)/increase in borrowings	(5,025)	35
Drawdown of bridging loans	1,300,485	-
Repayment of bridging loans	(1,300,485)	-
Proceed from issuance of shares	1,237,509	-
Net cash generated from financing activities	<u>1,232,484</u>	<u>35</u>
Net (decrease)/increase in cash and cash equivalents	(2,449,929)	1,610,166
Cash and cash equivalents at beginning of the period	<u>9,331,374</u>	<u>7,359,659</u>
Cash and cash equivalents at end of the period	<u>6,881,445</u>	<u>8,969,825</u>
<u>Analysis of cash & cash equivalent</u>		
Cash and short-term funds	6,982,086	8,979,526
Adjustment for money held in trust on behalf of remisers	(100,641)	(9,701)
	<u>6,881,445</u>	<u>8,969,825</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 2013.

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

A1. BASIS OF PREPARATION

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

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

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

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

A2. ACCOUNTING POLICIES AND METHODS OF COMPUTATIONS

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

- Amendment to MFRS 10 "Consolidated Financial Statements"
- Amendment to MFRS 12 "Disclosures of Interest in Other Entities"
- Amendment to MFRS 127 "Separate Financial Statements"
- Amendment to MFRS 132 " Financial Instruments: Presentation"
- Amendment to MFRS 136 "Impairment of Assets"
- Amendment to MFRS 139 "Financial Instrument: Recognition and Measurement"
- IC Interpretation 21 - "Levies"

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

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

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

Banking institutions are required to comply with the requirement by 31 December 2015. The adoption of the above 1.2% collective impairment provisions is not expected to have any impact to the profit or loss of the Banking subsidiaries. As the regulatory reserves does not qualify as common equity Tier I (CET I) Capital and Tier I Capital under the BNM's Capital Adequacy Framework (Capital Components), the adoption of this requirement by the Group during the current financial quarter has resulted a drop in CET I and Tier I capital ratios of the banking subsidiaries ranging from 0.13% to 0.79% accordingly.

A3. AUDITOR'S REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

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

A4. SEASONAL OR CYCLICAL FACTORS

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

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

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

A6. CHANGES IN ESTIMATES

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

A7. DEBT AND EQUITY SECURITIES

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

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

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

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

A8. DIVIDENDS PAID

No dividend has been paid during the quarter under review.

A9. TRADE RECEIVABLES

	Group	
	30/9/2014	31/12/2013
	RM'000	RM'000
Amount due from stock-broking clients	450,490	178,701
Amount due from Bursa Securities Clearing Sdn Bhd	28,748	-
Management fees receivable on fund management	71,938	1,657
	551,176	180,358
Less: Allowance for impairment		
- Collective impairment	(41)	(19)
- Individual impairment	(4,067)	(3,633)
	547,068	176,706

Movement in allowance for impairment on trade receivables :-

Collective impairment

Balance at the beginning of financial period/year	19	21
Allowance made during the financial period/year	293	134
Amount recovered during the financial period/year	(271)	(136)
Balance at the end of financial period/year	41	19

Individual impairment

Balance at the beginning of financial period/year	3,633	3,575
Arising from acquisition of HwangDBS Investment Bank Berhad	303	-
Allowance made during the financial period/year	225	232
Amount recovered during the financial period/year	(94)	(174)
Balance at the end of financial period/year	4,067	3,633

A10. FINANCIAL ASSETS

	Group	
	30/9/2014 RM'000	31/12/2013 RM'000
(a) <u>Financial assets held-for-trading</u>		
At fair value		
Bank Negara Malaysia Notes	-	149,544
Quoted Securities :-		
- Shares in Malaysia	28,813	-
- Unit Trusts in Malaysia	7,271	-
Unquoted Securities :-		
- Private Debt Securities in Malaysia	34,951	-
Total financial assets held-for-trading	<u>71,035</u>	<u>149,544</u>
(b) <u>Financial investments available-for-sale</u>		
At fair value		
Malaysian Government Securities	80,666	-
Malaysian Government Treasury Bills	383,047	-
Malaysian Government Sukuk	6,775	-
Malaysian Government Investment Issuance	2,915,408	2,361,979
Cagamas Bonds	85,735	85,228
Sukuk Perumahan Kerajaan	391,926	385,742
Khazanah Bonds	357,112	237,441
Bankers' Acceptance and Islamic Acceptance Bills	53,976	196,522
Bank Negara Malaysia Notes	1,121,185	629,674
Negotiable Instruments of Deposit and Islamic Debt Certificate	184,307	99,572
	<u>5,580,137</u>	<u>3,996,158</u>
Quoted Securities :-		
- Shares in Malaysia	35,989	27,631
- Private Debt Securities in Malaysia	9,762	2,167
- Unit Trust in Malaysia	181,900	-
- Reits in Malaysia	33,367	-
- Reits outside Malaysia	35,506	-
Unquoted Securities :-		
- Shares in Malaysia	187,265	165,656
- Private Debt Securities in Malaysia	5,180,500	4,039,105
- Private Debt Securities outside Malaysia	700,789	623,725
	<u>11,945,215</u>	<u>8,854,442</u>
Allowance for impairment of securities	(92,891)	(86,451)
Total financial investments available-for-sale	<u>11,852,324</u>	<u>8,767,991</u>
(c) <u>Financial investments held-to-maturity</u>		
At amortised cost		
Quoted Securities :-		
- Private Debt Securities in Malaysia	26,776	31,781
Unquoted Securities :-		
- Private Debt Securities in Malaysia	755,008	648,616
- Private Debt Securities Outside Malaysia	96,752	-
- Redeemable Convertible Unsecured Loan Stock in Malaysia	1,554	1,554
	<u>880,090</u>	<u>681,951</u>
Allowance for impairment of securities	(46,160)	(57,918)
Total financial investments held-to-maturity	<u>833,930</u>	<u>624,033</u>
Total securities held	<u>12,757,289</u>	<u>9,541,568</u>

A11. LOANS, ADVANCES AND FINANCING

(a) BY TYPE

	Group	
	30/9/2014 RM'000	31/12/2013 RM'000
Overdrafts	1,775,440	1,752,882
Term loans/financing :-		
- Housing loans/financing	5,717,068	5,510,534
- Syndicated term loans/financing	1,988,236	1,826,170
- Hire purchase receivables	10,690,832	10,524,044
- Business term loans/financing	13,208,983	12,825,062
Bills receivables	1,100,964	318,677
Trust receipts	249,944	435,591
Claims on customers under acceptance credits	1,076,457	986,666
Staff loans/financing (of which RM NIL to Directors)	142,411	146,065
Credit/charge cards	76,831	82,137
Revolving credit	3,347,637	2,988,889
Margin financing	232,752	56,705
Factoring	8,949	7,073
Gross loans, advances and financing	39,616,504	37,460,495
Less: Allowance for impairment		
- Collective impairment	(326,682)	(307,142)
- Individual impairment	(252,567)	(243,969)
Total net loans, advances and financing	39,037,255	36,909,384

(b) BY MATURITY STRUCTURE

Maturing within one year	8,768,057	7,427,643
One year to three years	4,769,938	5,109,102
Three years to five years	6,353,880	6,709,415
Over five years	19,724,629	18,214,335
	39,616,504	37,460,495

(c) BY TYPE OF CUSTOMER

Domestic non-banking institutions :-		
- Stock-broking companies	234	241
- Others	1,451,989	1,622,525
Domestic business enterprises :-		
- Small medium enterprises	6,866,658	5,932,508
- Others	14,180,727	13,847,266
Government and statutory bodies	105,589	162,591
Individuals	15,570,462	15,003,354
Foreign individuals	3,553	-
Other domestic entities	15,653	251,166
Foreign entities	1,421,639	640,844
	39,616,504	37,460,495

(d) BY INTEREST / PROFIT RATE SENSITIVITY

Fixed rate :-		
- Housing loans/financing	351,192	314,506
- Hire purchase receivables	10,690,832	10,524,043
- Other fixed rate loans/financing	3,865,910	4,181,013
- Margin financing	232,752	56,705
Variable rate :-		
- BLR plus	15,418,560	14,098,831
- Cost plus	9,057,258	8,285,397
	39,616,504	37,460,495

A11. LOANS, ADVANCES AND FINANCING (Cont.)

(e) **BY ECONOMIC PURPOSE**

	Group	
	30/9/2014	31/12/2013
	RM'000	RM'000
Construction	2,942,427	2,082,699
Purchase of landed property of which :-		
- Residential	6,152,331	5,985,909
- Non-residential	5,380,998	5,009,095
Purchase of securities	751,338	433,206
Purchase of transport vehicles	11,325,181	11,232,452
Fixed assets other than land and building	326,203	238,059
Personal use	905,118	941,023
Credit card	76,831	82,137
Consumer durable	775	868
Merger and acquisition	422,972	370,192
Working capital	10,746,510	10,230,340
Others	585,820	854,515
	39,616,504	37,460,495

(f) **BY SECTOR**

Primary agriculture	452,955	478,281
Mining and quarrying	582,084	649,621
Manufacturing	2,155,011	2,538,773
Electricity, gas and water supply	379,187	359,796
Construction	4,062,459	3,467,735
Real estate	5,739,859	4,702,439
Wholesale and retail trade and restaurants and hotels	2,223,700	2,166,051
Transport, storage and communication	2,033,877	2,069,268
Finance, insurance and business services	5,084,144	4,465,887
Education, health and others	1,320,377	1,408,839
Household	15,572,004	15,146,265
Others	10,847	7,540
	39,616,504	37,460,495

(g) **BY GEOGRAPHICAL DISTRIBUTION**

Perlis	145,606	85,125
Kedah	1,141,646	1,088,305
Pulau Pinang	1,962,658	1,825,875
Perak	1,192,009	1,163,213
Selangor	12,581,099	11,557,789
Wilayah Persekutuan	11,089,287	10,924,938
Negeri Sembilan	878,535	813,316
Melaka	893,766	869,233
Johor	3,189,941	3,224,541
Pahang	809,080	755,143
Terengganu	909,951	989,295
Kelantan	231,172	244,022
Sarawak	1,205,504	1,137,113
Sabah	1,676,821	1,692,677
Labuan	508,644	553,770
Outside Malaysia	1,200,785	536,140
	39,616,504	37,460,495

A11. LOANS, ADVANCES AND FINANCING (Cont.)

(h) IMPAIRED LOANS, ADVANCES AND FINANCING

(i) Movements of impaired loans, advances and financing

	Group	
	30/9/2014 RM'000	31/12/2013 RM'000
Balance at the beginning of financial period/year	740,958	790,438
Classified as impaired during the financial period/year	412,784	432,629
Reclassified as non-impaired during the financial period/year	(217,160)	(298,268)
Amount recovered during the financial period/year	(108,700)	(132,998)
Amount written-off during the financial period/year	(54,391)	(50,843)
Amount converted to financial investments available-for-sale	(16,865)	-
	756,626	740,958

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

Construction	66,342	65,797
Purchase of landed property of which :-		
- Residential	253,874	272,103
- Non-residential	28,155	23,707
Purchase of securities	10,434	46,292
Purchase of transport vehicles	95,553	75,350
Fixed assets other than land and building	282	282
Personal use	8,613	7,937
Credit card	516	476
Consumer durable	13	14
Working capital	281,007	234,888
Others	11,837	14,112
	756,626	740,958

(iii) Impaired loans, advances and financing by sector

Primary agriculture	17,429	6,335
Mining and quarrying	8	-
Manufacturing	54,986	62,914
Electricity, gas and water supply	187	118
Construction	233,822	193,447
Real estate	366	190
Wholesale and retail trade and restaurants and hotels	44,216	43,373
Transport, storage and communication	6,096	9,542
Finance, insurance and business services	38,842	60,065
Education, health and others	1,898	1,868
Household	358,776	363,106
	756,626	740,958

A11. LOANS, ADVANCES AND FINANCING (Cont.)

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

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

	Group	
	30/9/2014	31/12/2013
	RM'000	RM'000
Perlis	446	472
Kedah	24,472	23,005
Pulau Pinang	38,508	18,781
Perak	15,511	14,081
Selangor	288,213	352,921
Wilayah Persekutuan	145,404	117,927
Negeri Sembilan	27,612	28,827
Melaka	9,170	8,368
Johor	34,768	46,552
Pahang	48,348	12,038
Terengganu	17,716	5,465
Kelantan	5,180	4,124
Sarawak	15,073	6,290
Sabah	13,043	11,298
Labuan	3	-
Outside Malaysia	73,159	90,809
	756,626	740,958

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

Collective impairment

Balance at the beginning of financial period/year	307,142	330,797
Amount converted to financial investments available-for-sale	4,300	-
Allowance (net of write-back) made during the financial period/year	30,996	13,913
Amount written-off during the financial period/year	(3,442)	(37,568)
Amount reclassified to individual impairment	(12,314)	-
Balance at the end of financial period/year	326,682	307,142

Individual impairment

Balance at the beginning of financial period/year	243,969	230,640
Amount converted to financial investments available-for-sale	(6,157)	-
Allowance made during the financial period/year	65,728	49,053
Amount recovered during the financial period/year	(4,232)	(5,181)
Amount written-off during the financial period/year	(50,870)	(12,974)
Unwinding discount of allowance	(8,215)	(17,825)
Exchange difference	30	256
Amount reclassified from collective impairment	12,314	-
Balance at the end of financial period/year	252,567	243,969

A12. OTHER ASSETS

Cheque clearing accounts	174,478	169,141
Foreclosed properties	9,367	15,825
Other debtors, deposits and prepayments	60,712	119,858
Amount due from jointly controlled entities	14,413	4,187
	258,970	309,011

A13. OTHER LIABILITIES

Bank Negara Malaysia and Credit Guarantee Corporation Funding Programmes	31,667	27,897
Margin and collateral deposits	141,878	108,258
Trust accounts for remisers	49,536	9,868
Defined contribution plan	14,622	13,912
Accrued employee benefits	28,913	1,060
Other creditors and accruals	301,294	295,057
Provision for zakat	2,342	11,402
	570,252	467,454

A14. RESERVES

	Group	
	30/9/2014 RM'000	31/12/2013 RM'000
Retained profits	2,360,005	1,997,542
AFS revaluation reserves	47,480	15,148
Statutory reserves	1,367,500	1,469,048
Regulatory reserves	145,704	-
	3,920,689	3,481,738

- (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 regulatory reserves are maintained by the banking subsidiaries in compliance with the BNM requirement of maintaining, in aggregate, collective allowance and regulatory reserves of no less than 1.2% of total outstanding loans/financing, net of individual impairment provisions. The regulatory reserves are to be maintained in addition to the impairment provisions as required under the MFRS and the amounts were set aside from the retained profits to a separate reserve within the equity to further strengthen buffers against potential losses.

A15. INTEREST INCOME

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	30/9/2014 RM'000	30/9/2013 RM'000	30/9/2014 RM'000	30/9/2013 RM'000
Loans, advances and financing	438,643	423,575	1,276,083	1,233,624
Money at call and deposit with financial institutions	48,037	43,037	128,267	124,310
Reverse repurchase agreements with financial institutions	-	-	-	188
Financial assets held-for-trading	736	-	1,567	149
Financial investments available-for-sale	82,384	66,922	225,906	200,201
Financial investments held-to-maturity	10,194	5,580	25,831	15,740
Derivatives	38,632	21,251	114,294	60,064
Subordinated term loan	1,336	1,338	3,967	3,968
Others	118	16	251	46
	620,080	561,719	1,776,166	1,638,290
Amortisation of premium less accretion of discount	8,558	2,699	24,141	9,375
	628,638	564,418	1,800,307	1,647,665
The above interest income includes interest/income earned on impaired loans, advances and financing - Unwinding discount of allowance (Net)	3,828	10,326	5,473	12,646

A16. INTEREST EXPENSE

Deposits and placements of banks and other financial institutions	13,793	31,395	50,052	85,201
Deposits from customers	331,442	267,382	925,343	792,210
Loans sold to Cagamas Berhad	3,075	4,766	11,098	14,439
Derivatives	35,217	22,987	108,338	65,293
Others	1,342	769	3,369	2,336
	384,869	327,299	1,098,200	959,479

A17. OTHER OPERATING INCOME

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	30/9/2014	30/9/2013	30/9/2014	30/9/2013
	RM'000	RM'000	RM'000	RM'000
<u>Fee income</u>				
Fees on loans, advances and financing	156	-	1,698	-
Net brokerage	34,992	18,772	87,446	57,607
Underwriting fees	3,581	336	10,055	535
Management fees	37,270	4,238	79,817	11,443
Corporate advisory fees	2,812	4,664	7,757	8,136
Commission	2,115	3,365	9,308	10,128
Service charges and fees	15,360	13,255	43,745	45,718
Guarantee fees	6,202	4,906	17,341	15,075
Arrangement fees	2,217	820	2,357	8,075
Agency fees	677	537	1,750	1,980
Upfront fees on sales of unit trust	13,211	7,380	32,920	7,726
Other fee income	8,173	687	17,167	1,417
	126,766	58,960	311,361	167,840
<u>Income from financial instruments</u>				
Gains on financial assets held-for-trading :-				
- net gains on disposal	18,784	102	28,813	2,549
- unrealised gains	(208)	1	1,167	446
- gross dividend income	885	-	1,241	-
Gains on derivatives :-				
- realised	5,289	946	6,499	2,288
- unrealised	(2,466)	2,532	4,640	7,055
Gains arising on financial investments available-for-sale :-				
- net gains on disposal	10,695	8,082	15,420	27,364
- gross dividend income	3,289	(3,661)	8,451	4,547
Gains arising on financial investments held-to-maturity :-				
- net gains on redemption	144	1,953	3,112	5,282
	36,412	9,955	69,343	49,531
<u>Other income</u>				
Foreign exchange (losses)/gains :-				
- realised	64,861	54,544	45,694	120,664
- unrealised	(43,097)	(39,598)	10,836	(70,410)
Rental income	383	387	1,141	1,189
Gains on disposal of property and equipment	205	866	4,879	4,063
Gains on disposal of foreclosed properties	349	10,049	3,142	10,057
Gain on disposal of subsidiaries	292	-	292	-
Gain on disposal of an associate	4,378	-	4,378	-
Other non-operating income	9,940	3,696	17,166	8,302
	37,311	29,944	87,528	73,865
Total other operating income	200,489	98,859	468,232	291,236

A18. OTHER OPERATING EXPENSES

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	30/9/2014	30/9/2013	30/9/2014	30/9/2013
	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs</u>				
Wages, salaries and bonus	120,766	82,791	317,764	246,830
Defined contribution plan	18,388	13,571	50,261	40,234
Other personnel costs	16,960	10,703	42,409	32,234
	<u>156,114</u>	<u>107,065</u>	<u>410,434</u>	<u>319,298</u>
<u>Promotion and marketing-related expenses</u>				
Business promotion and advertisement	5,806	2,205	11,688	5,473
Entertainment	1,512	1,177	3,587	3,207
Travelling and accommodation	1,401	1,654	3,720	3,885
Dealers' handling fees	821	516	2,195	2,092
Commission	21,434	88	39,330	244
Others	3,321	547	4,506	1,681
	<u>34,295</u>	<u>6,187</u>	<u>65,026</u>	<u>16,582</u>
<u>Establishment-related expenses</u>				
Rental of premises	11,084	7,206	28,469	21,547
Equipment rental	1,003	322	2,299	820
Repair and maintenance	11,044	6,050	28,882	21,161
Depreciation of property and equipment	5,079	4,579	15,059	14,082
Amortisation of intangible assets	2,139	2,346	5,641	6,607
IT consultancy fee	15,823	13,492	45,164	45,917
Dataline rental	1,188	1,274	3,638	2,922
Security services	4,058	3,498	12,260	10,032
Electricity, water and sewerage	3,605	2,546	9,459	7,548
Insurance and indemnities	1,740	818	3,669	3,421
Others	649	812	2,852	2,976
	<u>57,412</u>	<u>42,943</u>	<u>157,392</u>	<u>137,033</u>
<u>General and administrative expenses</u>				
Telecommunication expenses	4,302	2,047	10,393	6,031
Directors' remuneration	821	534	2,271	1,630
Auditors' remuneration :-				
(i) Statutory audit	713	436	1,718	1,324
(ii) Under provision in prior year	-	-	-	1
(iii) Audit related fees	8	45	26	48
(iv) Non audit fees	91	561	415	792
Professional fees	29,330	4,426	34,761	8,622
Property and equipment written-off	57	45	95	45
Postage and courier charges	817	696	3,120	2,132
Stationery and consumables	2,949	2,245	7,191	6,916
Commission and brokerage expenses	1,202	545	2,856	2,841
Donations	388	1,092	4,779	2,685
Settlement, clearing and bank charges	1,949	1,665	5,896	5,545
Stamp duties	518	52	6,175	156
Write-back of litigation losses	-	(225)	-	(5,694)
Commissioned dealers representative performance incentive	3,494	1,030	9,580	2,962
Subscription fees	830	729	2,099	1,595
Transaction levy	1,729	573	4,940	1,712
Subsidies and allowances	227	283	756	856
Others	1,300	2,466	9,333	8,399
	<u>50,725</u>	<u>19,245</u>	<u>106,404</u>	<u>48,598</u>
Total other operating expenses	<u>298,546</u>	<u>175,440</u>	<u>739,256</u>	<u>521,511</u>

A19. DIRECTORS' REMUNERATION

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	30/9/2014	30/9/2013	30/9/2014	30/9/2013
	RM'000	RM'000	RM'000	RM'000
The aggregate amount of emoluments received and receivable by directors of the Company during the financial period are as follows :-				
<u>Non-executive directors</u>				
- fees	704	441	1,938	1,324
- other emoluments	107	81	304	274
- estimated money value of benefits-in-kind	10	12	29	32
	821	534	2,271	1,630

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

A20. ALLOWANCE FOR IMPAIRMENT ON LOANS, ADVANCES AND FINANCING

Collective impairment				
- Made during the financial period	18,976	4,222	20,379	15,816
Individual impairment				
- made during the financial period	12,531	10,812	76,668	22,388
- written-back during the financial period	(335)	(1,208)	(4,403)	(3,543)
Bad debts				
- recovered	(19,706)	(19,385)	(61,113)	(72,505)
- written-off	1,172	804	3,565	2,952
Additional/(write-back of) allowance for impaired debts				
- other debtors	-	159	70	(374)
	12,638	(4,596)	35,166	(35,266)

A21. ALLOWANCE FOR IMPAIRMENT ON OTHER ASSETS

(Write-back of)/additional allowance for impairment loss on financial investments available-for-sale	(58)	(1,434)	285	(1,090)
	(58)	(1,434)	285	(1,090)

A22. SEGMENTAL INFORMATION ON REVENUE AND PROFIT

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

RM '000	<----- Current year's individual quarter ended 30 September 2014 ----->					
	Commercial Banking	Investment Banking	Insurance	Others	Eliminations	Group
Segment revenue	741,002	191,759	-	3,071	-	935,832
Intersegment revenue	10,017	6,928	-	442	(17,387)	-
Unallocated revenue	-	-	-	1,336	-	1,336
Revenue	751,019	198,687	-	4,849	(17,387)	937,168
Segment results	160,602	24,730	-	851	8,364	194,547
Unallocated expenses	-	-	-	-	-	(13,871)
Share of results of :-						
- jointly controlled entities (net of tax)	-	-	3,009	-	-	3,009
- associate (net of tax)	-	(529)	6,778	-	-	6,249
Profit before taxation and zakat	160,602	24,201	9,787	851	8,364	189,934
Taxation and zakat						(45,587)
Net profit for the individual quarter						144,347
	<----- Preceding year's individual quarter ended 30 September 2013 ----->					
RM '000	Commercial Banking	Investment Banking	Insurance	Others	Eliminations	Group
Segment revenue	690,593	69,737	-	2,669	-	762,999
Intersegment revenue	9,438	5,677	-	479	(15,594)	-
Unallocated revenue	-	-	-	1,094	-	1,094
Revenue	700,031	75,414	-	4,242	(15,594)	764,093
Segment results	191,922	20,777	-	816	12,513	226,028
Unallocated expenses	-	-	-	-	-	(14,860)
Share of results of :-						
- jointly controlled entities (net of tax)	-	-	3,554	-	-	3,554
- associate (net of tax)	-	-	7,083	-	-	7,083
Profit before taxation and zakat	191,922	20,777	10,637	816	12,513	221,805
Taxation and zakat						(48,838)
Net profit for the individual quarter						172,967

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

<----- Current year's cumulative quarter ended 30 September 2014 ----->

RM '000	Commercial Banking	Investment Banking	Insurance	Others	Eliminations	Group
Segment revenue	2,158,847	434,991	-	8,708	-	2,602,546
Intersegment revenue	29,581	17,608	-	1,274	(48,463)	-
Unallocated revenue	-	-	-	3,971	-	3,971
Revenue	2,188,428	452,599	-	13,953	(48,463)	2,606,517
Segment results	466,241	84,140	-	2,197	26,970	579,548
Unallocated expenses	-	-	-	-	-	(58,557)
Share of results of :-						
- jointly controlled entities (net of tax)	-	-	(854)	-	-	(854)
- associate (net of tax)	-	-	17,595	-	-	17,595
Profit before taxation and zakat	466,241	84,140	16,741	2,197	26,970	537,732
Taxation and zakat						(135,647)
Net profit for the cumulative quarter						402,085

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

RM '000	Commercial Banking	Investment Banking	Insurance	Others	Eliminations	Group
Segment revenue	2,044,533	196,943	-	8,501	-	2,249,977
Intersegment revenue	26,964	17,574	-	1,192	(45,730)	-
Unallocated revenue	-	-	-	3,996	-	3,996
Revenue	2,071,497	214,517	-	13,689	(45,730)	2,253,973
Segment results	564,310	63,628	-	2,380	35,579	665,897
Unallocated expenses	-	-	-	-	-	(38,489)
Share of results of :-						
- jointly controlled entities (net of tax)	-	-	3,811	(45)	-	3,766
- associate (net of tax)	-	-	13,000	-	-	13,000
Profit before taxation and zakat	564,310	63,628	16,811	2,335	35,579	644,174
Taxation and zakat						(161,068)
Net profit for the cumulative quarter						483,106

A23. SUBSEQUENT MATERIAL EVENT

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

A24. CHANGES IN THE COMPOSITION OF THE GROUP

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

a) Acquisition of 100% of the Issued and Paid-up Share Capital of AFFIN Hwang Investment Bank Berhad (“AFFIN Hwang IB”) (fka HwangDBS Investment Bank Berhad) after the completion of the Pre-Closing Reorganisation (as defined herein) and the acquisition of 17% of the Issued and Paid-up Share Capital of AFFIN Hwang Asset Management Berhad (“AFFIN Hwang AM”) (fka Hwang Investment Management Berhad) [“Minority Shares”] held by Y.A.M. Tunku Dato’ Seri Nadzaruddin Ibni Almarhum Tuanku Ja’afar (“Minority Shareholder”)

On 15 April 2013, the Board of Directors of AFFIN Holdings Berhad (the "Company" or "AHB") announced that Bank Negara Malaysia ("BNM") had vide its letter dated 12 April 2013 stated that it had no objection for AHB to commence preliminary negotiations with Hwang Capital (Malaysia) Berhad (fka Hwang-DBS (Malaysia) Berhad) ("Hwang-DBS") to acquire and merge the businesses of AFFIN Hwang IB including other financial services businesses of Hwang-DBS with AFFIN banking group.

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

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

On 22 January 2014, the Company entered into a conditional share sale and purchase agreement ("SPA") with Hwang-DBS in relation to the Acquisition. In conjunction with the Acquisition, the Board of AHB also proposed to undertake the IB Merger.

Details of the Acquisition

The IB Acquisition entailed the acquisition of the AFFIN Hwang IB Shares held by Hwang-DBS and the acquisition of the Minority Shares held by the Minority Shareholder for a purchase consideration of RM1,363 million ("Base Price"), subject to NA adjustment as contemplated in the SPA, to be fully satisfied in cash ("Purchase Price").

Prior to the implementation of the Acquisition, Hwang-DBS would undertake a pre-closing reorganisation which is an internal restructuring exercise of Hwang-DBS involving the following :-

- (i) transfer by Hwang-DBS of its 100% interest in AFFIN Hwang Futures to AFFIN Hwang IB;
- (ii) transfer by Hwang-DBS of its 53% interest in AFFIN Hwang AM to AFFIN Hwang IB;
- (iii) transfer by Hwang-DBS of its 49% interest in AIIMAN to AFFIN Hwang IB; and
- (iv) transfer by AFFIN Hwang IB of its 100% interest in HwangDBS Custodian Services Sdn Bhd and its 51% interest in HwangDBS Vickers Research Sdn Bhd (hereinafter collectively referred to as the "Excluded Companies") to Hwang-DBS.

(collectively referred to as the "Pre-Closing Reorganisation").

Following the Pre-Closing Reorganisation, AHB would acquire the AFFIN Hwang IB Shares and the Minority Shares for the Purchase Price, to be fully satisfied in cash.

The Base Price of RM1,363 million comprises :-

- (i) RM1,088.00 million for 100% interest in AFFIN Hwang IB including 100% interest in AFFIN Hwang Nominees (Tempatan) Sdn Bhd (fka HDM Nominees (Tempatan) Sdn Bhd) and 100% interest in AFFIN Hwang Nominees (Asing) Sdn Bhd (fka HDM Nominees (Asing) Sdn Bhd) and excluding the Excluded Companies;
- (ii) RM262.00 million for the aggregate of 70% interest in AFFIN Hwang AM and 49% interest in AIIMAN; and
- (iii) RM13.00 million for 100% interest in AFFIN Hwang Futures.

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

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

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

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

- a) **Acquisition of 100% of the Issued and Paid-up Share Capital of AFFIN Hwang Investment Bank Berhad (“AFFIN Hwang IB”) (fka HwangDBS Investment Bank Berhad) after the completion of the Pre-Closing Reorganisation (as defined herein) and the acquisition of 17% of the Issued and Paid-up Share Capital of AFFIN Hwang Asset Management Berhad (“AFFIN Hwang AM”) (fka Hwang Investment Management Berhad) [“Minority Shares”] held by Y.A.M. Tunku Dato’ Seri Nadzaruddin Ibni Almarhum Tuanku Ja’afar (“Minority Shareholder”) (Cont.)**

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

	Acquiree's Fair Value RM'000
Assets	
Cash and short-term funds	1,155,430
Trade receivables	412,219
Securities held-for-trading	116,735
Securities available-for-sale	1,442,023
Securities held-to-maturity	304,602
Loans, advances and financing	417,641
Derivative assets	21,869
Other assets	42,397
Statutory deposits with Bank Negara Malaysia	53,140
Tax recoverable	72
Deferred tax assets	1,289
Investments in associate	13,359
Property, plant and equipment	4,016
Intangible assets	162,502
Total Assets	4,147,294
Liabilities	
Deposits from customers	833,922
Deposits and placements of banks and other financial institutions	1,676,066
Trade payables	435,253
Derivative liabilities	47,828
Other liabilities	89,397
Taxation	787
Borrowings	5,000
Total Liabilities	3,088,253
Net assets acquired	1,059,041
Less : Non Controlling Interest Share of NAV	(33,155)
Excess of acquisition cost over the fair value of net assets acquired	432,473
Total cost of acquisition	1,458,359
Less : Cash and short-term funds acquired	(1,155,430)
Cash flow arising from the acquisition	302,929

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	Acquiree's Fair Value RM'000
Assets	
Cash and short-term funds	1,106
Securities available-for-sale	14,475
Trade receivables	1,409
Other assets	198
Property, plant and equipment	220
Total Assets	17,408
Liabilities	
Other liabilities	1,470
Total Liabilities	1,470
Net assets acquired	15,938
Goodwill on acquisition	7,062
Total cost of acquisition	23,000
Less : Purchase consideration paid to AFFIN Hwang IB	(11,270)
Less : Cash and short-term funds acquired	(1,106)
Cash flow arising from the acquisition	10,624

The effect or gain of RM4,378,000 on disposal of 49% equity interest in AIIMAN held by AFFIN Hwang IB to AFFIN Hwang AM had been recognised as a gain on disposal of associate in the income statement for the period under review.

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

During the period under review, the Company acquired additional 1,055,933 ordinary shares of RM1.00 each representing 0.89% equity interest in AAGI at a price of RM4.68 per share. As at 30 September 2014, the Company's equity interest in AAGI stood at 34.51% as compared to 33.62% as at 31 December 2013.

A25. COMMITMENTS AND CONTINGENCIES

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

GROUP

	<-----30/9/2014----->				<-----31/12/2013----->			
	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount* RM'000	Risk- Weighted Amount* RM'000	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount* RM'000	Risk- Weighted Amount* RM'000
Direct credit substitutes	701,406	-	704,406	672,892	1,455,361	-	1,455,361	1,462,806
Transaction related contingent items	2,051,862	-	1,025,931	935,319	1,974,804	-	987,402	864,908
Short-term self-liquidating trade related contingencies	535,446	-	107,089	64,908	573,412	-	114,683	82,976
Obligation under underwriting commitments	-	-	-	-	260,244	-	-	-
Foreign exchange related contracts #								
- Less than one year	8,173,271	65,675	183,632	93,400	3,635,355	24,107	73,201	33,246
- One year to less than five years	1,465,483	13,394	141,191	55,531	594,154	2,513	57,307	16,657
- Five years and above	96,030	340	16,325	-	96,030	-	16,325	-
Interest rate related contracts #								
- Less than one year	1,235,405	6,302	4,900	1,351	793,040	4,112	2,271	820
- One year to less than five years	1,861,437	12,185	55,795	16,333	2,292,222	10,637	50,133	14,245
- Five years and above	360,148	3,838	31,054	8,979	703,148	14,407	66,112	28,314
Irrevocable commitments to extend credit #								
- Maturity more than one year	2,221,018	-	860,900	785,958	2,181,871	-	1,090,935	992,841
- Maturity less than one year	8,830,157	-	1,792,819	1,625,703	7,483,973	-	1,496,795	1,211,534
Commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	266,521	-	-	-	-	-	-	-
Unutilised credit card lines	183,541	-	36,708	27,206	179,201	-	35,840	26,839
	27,981,725	101,734	4,960,750	4,287,580	22,222,815	55,776	5,446,365	4,735,186

* The credit equivalent amount and risk-weighted amount are arrived at using the credit conversion factors as per Bank Negara Malaysia guidelines.

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

A26. DERIVATIVE FINANCIAL INSTRUMENTS

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

GROUP

	< ----- Contract/Notional Amount ----- >				< ----- Positive Fair Value ----- >				< ----- Negative Fair Value ----- >			
	Up To 1 RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000
As at 30 September 2014												
Trading derivatives												
Foreign exchange contracts												
- Currency forwards	3,917,088	414,305	-	4,331,393	34,221	5,212	-	39,433	20,483	4,831	-	25,314
- Cross currency swaps	4,080,720	459,682	687,526	5,227,928	31,771	1,242	7,280	40,293	39,987	10,258	19,845	70,090
- Currency options	175,463	-	-	175,463	(317)	-	-	(317)	2,118	-	-	2,118
Interest rate contracts												
- Interest rate swaps	1,235,405	874,438	1,347,147	3,456,990	6,302	5,293	10,730	22,325	4,763	4,200	10,329	19,292
	9,408,676	1,748,425	2,034,673	13,191,774	71,977	11,747	18,010	101,734	67,351	19,289	30,174	116,814

As at 31 December 2013

Trading derivatives

Foreign exchange contracts												
- Currency forwards	810,804	-	-	810,804	6,961	-	-	6,961	5,099	-	-	5,099
- Cross currency swaps	2,824,551	294,243	395,941	3,514,735	17,146	-	2,513	19,659	29,259	10,470	11,289	51,018
Interest rate contracts												
- Interest rate swaps	793,040	1,513,847	1,481,523	3,788,410	4,112	7,320	17,724	29,156	7,494	9,231	21,026	37,751
	4,428,395	1,808,090	1,877,464	8,113,949	28,219	7,320	20,237	55,776	41,852	19,701	32,315	93,868

A26. DERIVATIVE FINANCIAL INSTRUMENTS (Cont.)

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

Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at the reporting date, the notional amount of foreign exchange exposure which was not hedged and hence, exposed to market risk was RM115.4 million (FYE 31/12/2013: RM1.0 million), while the notional amount of interest rate contract was RM1,477.9 million (FYE 31/12/2013: RM1,813.0 million).

Credit risk

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the commercial bank has a gain position. As at the reporting date, the amounts of foreign exchange and interest rate credit risk, measured in terms of the cost to replace the profitable contracts, was RM341.1 million (FYE 31/12/2013: RM146.8 million) and RM91.7 million (FYE 31/12/2013: RM118.5 million) respectively. This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

Liquidity risk

Liquidity risk on derivatives is the risk that the derivative position cannot be closed out promptly. The exposure to liquidity risk is mitigated by entering into transactions where the underlying financial instruments are widely traded and also easily closed out through alternative markets.

Cash Requirement of the Derivatives

Cash requirements of the derivatives may arise from margin requirements to post cash collateral with counterparties as the fair value moves beyond the agreed upon threshold limits in the counterparties' favour, or upon downgrade in the Bank's credit ratings. As at the reporting date, there is no requirement for the Group to post any additional cash collateral on its derivative contracts.

Related Accounting Policies

The related accounting policies for off-balance sheet financial instruments applied in the condensed interim financial statements are consistent with those applied in the annual financial statements for the year ended 31 December 2013.

A27. FAIR VALUE MEASUREMENTS

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

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

Group

	Level 1 RM'000	Level 2 RM'000	Level 3 # RM'000	Total RM'000
30/9/2014				
Assets				
Financial assets held-for-trading	36,084	34,951	-	71,035
Financial investments available-for-sale *				
- Private debt securities	-	5,842,067	-	5,842,067
- Equity securities	99,004	-	149,217	248,221
- BNM and government securities	181,900	5,580,136	-	5,762,036
Derivative financial assets	-	101,734	-	101,734
Liabilities				
Derivative financial liabilities	-	117,490	-	117,490
31/12/2013				
Assets				
Financial assets held-for-trading	-	149,544	-	149,544
Financial investments available-for-sale *				
- Private debt securities	-	4,623,344	-	4,623,344
- Equity securities	14,177	-	134,312	148,489
- BNM and government securities	-	3,996,158	-	3,996,158
Derivative financial assets	-	55,776	-	55,776
Liabilities				
Derivative financial liabilities	-	93,868	-	93,868

* Net of allowance for impairment

The Group have determined that the net asset value of unquoted equity securities represents fair value at the financial year ended 31 December 2013, therefore there is no unobservable input used for these financial investments classified.

Financial instruments that are valued using quoted prices in active market are classified as Level 1 of the valuation hierarchy. These would include listed equities which are actively traded.

Where fair value is determined using quoted prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group then determine fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high. These would include corporate private debt securities, corporate notes and most of the Group's Over-the-Counter ('OTC') derivatives.

The Group classify financial instruments as Level 3 when there is reliance on unobservable inputs to the valuation model attributing to a significant contribution to the instrument value. Valuation reserves or pricing adjustments where applicable will be used to converge to fair value.

A27. FAIR VALUE MEASUREMENTS (Cont.)

The Group may also use valuation models or discounted cash flow technique to determine the fair value.

Most of the OTC derivatives are priced using valuation models. Where derivative products have been established in the markets for some time, the Group uses models that are widely accepted by the industry.

The valuation techniques and inputs used generally depend on the contractual terms and the risks inherent in the instrument as well as the availability of pricing information in the market. Principal techniques used include discounted cash flows, and other appropriate valuation models. OTC derivatives which are valued using unobservable inputs that are supported by little or no market activity which are significant to the fair value of the assets or liabilities are classified as Level 3.

The following table present the changes in Level 3 instruments for the financial period ended 30 September 2014 and period ended 31 December 2013 respectively:-

Group	30/9/2014	31/12/2013
	RM'000	RM'000
Opening	134,312	120,604
Purchases	19,775	-
(Loss)/ gains recognised in Other Comprehensive Income	(4,870)	13,708
Closing	<u>149,217</u>	<u>134,312</u>

Effect of changes in significant unobservable assumptions to reasonably possible alternative

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

In estimating its significance, the Group used an approach that is currently based on methodologies used for fair value adjustments. These adjustments reflect the values that the Group estimates are appropriate to adjust from the valuations produced to reflect for uncertainties in the inputs used. The methodologies used can be statistical or other relevant approved techniques.

A28. CAPITAL ADEQUACY

With effect from 1 January 2013, the total capital and capital adequacy ratios of the Group are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework (Capital Components) dated 28 November 2012. In line with the transitional arrangements under the Bank Negara Malaysia's Capital Adequacy Framework (Capital Components), the minimum capital adequacy requirement for Common Equity Tier I ("CET I") Capital Ratio and Tier I Capital Ratio are 3.5% and 4.5% respectively for year 2013. The minimum regulatory capital adequacy requirement remains at 8.0% (2013: 8.0%) for total capital ratio.

All banking subsidiaries namely, AFFIN Bank, AFFIN Islamic Bank, AFFIN Hwang Investment Bank have complied with the above minimum regulatory capital adequacy requirement as at 30 September 2014. The components of CET I, Tier I and Tier II capital, breakdown of risk-weighted assets and capital adequacy ratios of the banking subsidiaries as at the reporting date are summarised below :-

	AFFIN Bank		AFFIN Islamic Bank		AFFIN Investment Bank		AFFIN Hwang Investment Bank	
	30/9/2014 RM'000	31/12/2013 RM'000	30/9/2014 RM'000	31/12/2013 RM'000	30/9/2014 RM'000 [Note]	31/12/2013 RM'000	30/9/2014 RM'000	31/7/2013 RM'000 [Note]
a) The components of CET I, Tier I								
Tier II capital :-								
<u>CET I/Tier I capital</u>								
Share capital	1,688,770	1,518,337	360,000	360,000	-N/A-	222,246	780,000	-N/A-
Share premium	858,904	529,337	-	-	"	142,270	219,800	"
Statutory reserves	1,220,734	1,144,350	197,915	173,026	"	202,821	148,861	"
Retained profit	836,525	798,118	161,619	178,966	"	70,679	210,212	"
Unrealised gains/(losses) on AFS	41,692	6,533	(4,002)	(9,112)	"	2,762	2,670	"
	4,646,625	3,996,675	715,532	702,880	-N/A-	640,778	1,361,543	-N/A-
Less : Regulatory adjustments:-								
- Goodwill	(152,033)	(137,323)	(1,085)	-	-N/A-	(54,648)	(314,220)	-N/A-
- Deferred tax assets	-	(8,553)	(1,849)	(773)	"	(3,879)	(9,849)	"
- 55% of cumulative gains of AFS	(22,930)	(3,593)	-	-	"	(1,518)	(1,469)	"
- Investments in subsidiaries	(77,816)	-	(130)	-	"	(6,904)	(124,746)	"
Total CET I Capital	4,393,846	3,847,206	712,468	702,107	-N/A-	573,829	911,259	-N/A-
Total Tier I Capital (a)	4,393,846	3,847,206	712,468	702,107	-N/A-	573,829	911,259	-N/A-
<u>Tier II capital</u>								
Subordinated loans	480,000	810,000	-	-	-N/A-	-	-	-N/A-
Regulatory adjustments	99,644	-	42,235	-	-N/A-	-	3,826	-N/A-
Collective impairment #	123,430	123,103	20,162	20,470	"	6,847	8,548	"
Less : Investment in subsidiaries	(311,264)	(389,088)	(520)	(650)	"	(6,847)	(12,374)	"
Total Tier II Capital (b)	391,810	544,015	61,877	19,820	-N/A-	-	-	-N/A-
Total Tier I & II Capital (a) + (b)	4,785,656	4,391,221	774,345	721,927	-N/A-	573,829	911,259	-N/A-
Capital base before proposed dividends	4,785,656	4,391,221	774,345	721,927	-N/A-	573,829	911,259	-N/A-
Proposed dividends	(168,877)	(91,100)	-	-	"	(25,558)	-	"
Capital base after proposed dividends	4,616,779	4,300,121	774,345	721,927	-N/A-	548,271	911,259	-N/A-
b) The breakdown of risk-weighted assets :-								
Credit risk	31,853,518	31,911,266	4,951,024	4,712,068	-N/A-	1,480,154	2,497,969	-N/A-
Market risk	378,504	296,107	9,135	3,570	"	296,735	209,538	"
Operational risk	1,947,036	1,902,412	356,238	339,365	"	249,689	303,209	"
Total risk-weighted assets	34,179,058	34,109,785	5,316,397	5,055,003	-N/A-	2,026,578	3,010,716	-N/A-
c) Capital adequacy ratios :-								
<u>Before deducting proposed dividends:-</u>								
CET I Capital Ratio	12.855%	11.279%	13.401%	13.889%	-N/A-	28.315%	30.267%	-N/A-
Tier I Capital Ratio	12.855%	11.279%	13.401%	13.889%	"	28.315%	30.267%	"
Tier I Capital Ratio	14.002%	12.874%	14.565%	14.281%	"	28.315%	30.267%	"
<u>After deducting proposed dividends:-</u>								
CET I Capital Ratio	12.361%	11.012%	13.401%	13.889%	-N/A-	27.054%	30.267%	-N/A-
Tier I Capital Ratio	12.361%	11.012%	13.401%	13.889%	"	27.054%	30.267%	"
Total Capital Ratio	13.508%	12.607%	14.565%	14.281%	"	27.054%	30.267%	"

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

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

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

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

A29. LIQUIDITY RISK

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

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

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

Group	Up to 1	> 1-3	> 3-12	> 1-5	Over 5	Total
30/9/2014	month	months	months	years	years	Total
Assets	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	6,954,603	27,483	-	-	-	6,982,086
Deposits and placements with banks and other financial institutions	-	-	-	293,783	50,737	344,520
Financial assets held-for-trading	66,060	4,975	-	-	-	71,035
Financial investments available-for-sale	1,087,198	841,275	1,723,716	5,319,819	2,880,316	11,852,324
Financial investments held-to-maturity	72,025	11,547	167,264	275,711	307,383	833,930
Derivative financial assets	25,491	21,904	34,158	17,704	2,477	101,734
Loans, advances and financing	2,318,520	1,607,945	2,867,822	12,418,489	19,824,479	39,037,255
Other assets (Note 1)	1,510,420	2,619	62,969	14,885	1,462,933	3,053,826
Statutory deposits with Bank Negara Malaysia	1,770,850	-	-	-	-	1,770,850
Total assets	13,805,167	2,517,748	4,855,929	18,340,391	24,528,325	64,047,560

Note 1 : Other assets include investment in associate, amount due from associate, investment in jointly controlled entities, trade receivables, property and equipment, intangible assets, taxation recoverable, deferred tax assets and other assets.

A29. LIQUIDITY RISK (Cont.)

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

Group	Up to 1 month	> 1-3 months	> 3-12 months	> 1-5 years	Over 5 years	Total
30/9/2014	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Liabilities						
Deposits from customers	23,459,456	12,533,905	12,722,960	393,472	10,000	49,119,793
Deposits and placements with banks and other financial institutions	1,614,042	2,280,353	378,419	-	-	4,272,814
Bills and acceptances payable	86,549	-	-	-	-	86,549
Derivatives financial liabilities	24,500	13,570	37,465	34,743	6,536	116,814
Recourse obligation on loans sold to Cagamas	-	1,732	-	264,456	-	266,188
Other liabilities (Note 2)	1,039,004	7,040	74,023	13,845	1,123	1,135,035
Borrowings	3,014	3,083	-	966,310	-	972,407
Total liabilities	26,226,565	14,839,683	13,212,867	1,672,826	17,659	55,969,600
On-balance sheet gap	(12,421,398)	(12,321,935)	(8,356,938)	16,667,565	24,510,666	8,077,960
Off-balance sheet credit commitments	(1,749,106)	-	(11,547,444)	91,886	-	(13,204,664)
Derivatives	(183)	(2,136)	(8,218)	8,439	-	(2,098)
Net maturity mismatch	(14,170,687)	(12,324,071)	(19,912,600)	16,767,890	24,510,666	(5,128,802)

Note 2 : Other liabilities include trade payables, provision for taxation, deferred tax liabilities and other liabilities.

A29. LIQUIDITY RISK (Cont.)

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

Group	Up to 1	> 1-3	> 3-12	> 1-5	Over 5	Total
31/12/2013	month	months	months	years	years	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets						
Cash and short-term funds	9,331,374	-	-	-	-	9,331,374
Deposits and placements with banks and other financial institutions	608	72,150	9,298	324,607	61,922	468,585
Reverse repurchase agreements with financial institutions	-	-	-	-	-	-
Financial assets held-for-trading	149,544	-	-	-	-	149,544
Financial investments available-for-sale	219,411	897,061	965,331	4,029,488	2,656,700	8,767,991
Financial investments held-to-maturity	70,913	1,075	20,067	245,218	286,760	624,033
Derivative financial assets	8,965	22,884	8,136	4,068	11,723	55,776
Loans, advances and financing	1,688,609	1,516,105	2,148,811	8,196,180	23,359,679	36,909,384
Other assets (Note 1)	365,355	1,171	104,015	8,016	1,621,169	2,099,726
Statutory deposits with Bank Negara Malaysia	1,545,144	-	-	-	-	1,545,144
Total assets	13,379,923	2,510,446	3,255,658	12,807,577	27,997,953	59,951,557

Note 1 : Other assets include investment in associate, amount due from associate, investment in jointly controlled entities, trade receivables, property and equipment, intangible assets, taxation recoverable, deferred tax assets and other assets.

A29. LIQUIDITY RISK (Cont.)

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

Group	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	> 1-5 years RM'000	Over 5 years RM'000	Total RM'000
31/12/2013						
Liabilities						
Deposits from customers	22,068,361	10,331,290	14,832,730	111,133	10,000	47,353,514
Deposits and placements with banks and other financial institutions	2,333,495	1,374,363	276,054	-	-	3,983,912
Bills and acceptances payable	90,208	-	-	-	-	90,208
Derivatives financial liabilities	9,234	22,725	21,284	23,847	16,778	93,868
Recourse obligation on loans sold to Cagamas	1,297	1,786	123,243	271,464	-	397,790
Other liabilities (Note 2)	591,506	38,223	44,575	8,741	64	683,109
Borrowings	2,881	3,241	-	966,310	-	972,432
Total liabilities	25,096,982	11,771,628	15,297,886	1,381,495	26,842	53,574,833
On-balance sheet gap	(11,717,059)	(9,261,182)	(12,042,228)	11,426,082	27,971,111	6,376,724
Off-balance sheet credit commitments	(1,509,030)	-	(11,589,431)	-	-	(13,098,461)
Derivatives	(51)	(1,049)	(4,334)	(3,654)	-	(9,088)
Net maturity mismatch	(13,226,140)	(9,262,231)	(23,635,993)	11,422,428	27,971,111	(6,730,825)

Note 2 : Other liabilities include trade payables, provision for taxation, deferred tax liabilities and other liabilities.

A30. OPERATIONS OF ISLAMIC BANKING

(i) Unaudited Islamic Statements of Financial Position

	Group	
	30/9/2014 RM'000	31/12/2013 RM'000
ASSETS		
Cash and short-term funds	2,251,464	4,506,301
Deposits and placements with banks and other financial institutions	-	120,016
Derivative financial assets	93	-
Financial investments available-for-sale	1,454,371	1,283,123
Financial investments held-to-maturity	86,511	85,064
Loans, advances and financing	6,610,335	6,048,876
Other assets	53,116	46,702
Statutory deposit with Bank Negara Malaysia	268,300	233,000
Deferred tax assets	1,745	2,960
Property and equipment	3,477	3,046
Intangible assets	1,085	1,666
TOTAL ASSETS	10,730,497	12,330,754
LIABILITIES, ISLAMIC BANKING FUNDS		
Deposits from customers	8,374,480	9,290,544
Deposits and placements of banks and other financial institutions	1,463,855	2,242,480
Other liabilities	131,592	91,282
Provision for tax	2,492	2,031
Total Liabilities	9,972,419	11,626,337
SHAREHOLDERS' EQUITY		
Share capital	360,000	360,000
Reserves	398,078	344,417
Total Equity	758,078	704,417
TOTAL LIABILITIES AND EQUITY	10,730,497	12,330,754
COMMITMENTS AND CONTINGENCIES	1,992,272	1,667,189

A30. OPERATIONS OF ISLAMIC BANKING (Cont.)

(ii) Unaudited Islamic Income Statements

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	30/9/2014 RM'000	30/9/2013 RM'000	30/9/2014 RM'000	30/9/2013 RM'000
Income derived from investment of depositors' funds and others	115,382	108,162	343,878	315,924
Income derived from investment of Shareholders' funds	8,549	7,378	24,695	22,107
Allowance for losses on financing	(1,267)	(283)	(1,381)	28
	122,664	115,257	367,192	338,059
Income attributable to depositors	(69,906)	(68,226)	(213,215)	(195,136)
Income attributable to shareholders	52,758	47,031	153,977	142,923
Other operating expenses	(31,170)	(26,164)	(89,785)	(76,522)
Impairment loss	-	-	(550)	-
	21,588	20,867	63,642	66,401
Share of results of a jointly controlled entity	-	(165)	-	(210)
Profit before taxation and zakat	21,588	20,702	63,642	66,191
Zakat	-	-	-	(8,583)
Profit before taxation	21,588	20,702	63,642	57,608
Taxation	(5,435)	(4,772)	(13,865)	(15,148)
Net profit for the financial period attributable to the equity holders of the Company	16,153	15,930	49,777	42,460

(iii) Unaudited Statements of Comprehensive Islamic Income

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	30/9/2014 RM'000	30/9/2013 RM'000	30/9/2014 RM'000	30/9/2013 RM'000
Profit after taxation	16,153	15,930	49,777	42,460
Other comprehensive income :-				
- Net fair value change in financial investments available-for-sale	3,331	(2,082)	5,110	(6,703)
- Deferred tax on revaluation of financial investments available-for-sale	(799)	521	(1,226)	1,676
Other comprehensive income for the financial period, net of tax	2,532	(1,561)	3,884	(5,027)
Total comprehensive income for the financial period attributable to the equity holders of the Company	18,685	14,369	53,661	37,433

A30. OPERATIONS OF ISLAMIC BANKING (Cont.)

(iv) Financing

	Group	
	30/9/2014 RM'000	31/12/2013 RM'000
<u>By type</u>		
Cash line	175,594	182,947
Term financing		
- Housing financing	1,783,697	1,712,692
- Syndicated term financing	259,539	268,072
- Hire purchase receivables	1,928,505	1,795,689
- Business term financing	1,910,988	1,610,756
Bills receivables	4,416	32,260
Trust receipts	14,051	25,702
Claims on customers under acceptance credits	131,992	67,474
Staff financing	9,792	10,880
Revolving credit	459,225	410,707
	6,677,799	6,117,179
Less : Allowance for impairment		
- Collective impairment	(37,540)	(33,719)
- Individual impairment	(29,924)	(34,584)
Total net financing	6,610,335	6,048,876

(v) Impaired financing

(a) Movements of impaired financing

Balance at the beginning of financial period/year	131,630	129,792
Classified as impaired during the financial period/year	68,264	69,047
Reclassified as non-impaired during the financial period/year	(38,720)	(45,964)
Amount recovered during the financial period/year	(31,387)	(19,782)
Amount written-off during the financial period/year	(1,813)	(1,463)
Balance at the end of financial period/year	127,974	131,630

(b) Movements in the allowance for impairment on financing

Collective impairment

Balance at the beginning of financial period/year	33,719	34,936
Additional allowance for impairment during the financial period/year	3,821	242
Amount written-off during the financial period/year	-	(1,459)
Balance at the end of financial period/year	37,540	33,719

Individual impairment

Balance at the beginning of financial period/year	34,584	35,095
Allowance for impairment during the financial period/year	1,497	690
Amount recovered during the financial period/year	(3,739)	(434)
Amount written-off during the financial period/year	(1,813)	-
Unwinding of discount of allowance	(628)	(1,045)
Exchange difference	23	278
Balance at the end of financial period/year	29,924	34,584

A30. OPERATIONS OF ISLAMIC BANKING (Cont.)

(vi) Deposits from customers

	Group	
	30/9/2014	31/12/2013
	RM'000	RM'000
<u>By type of deposits</u>		
Non-Mudharabah Funds		
Demand deposits	2,258,931	2,717,722
Savings deposits	388,407	227,884
Murabahah term deposits	3,759,516	1,021,789
Commodity Murabahah Deposit (CMD)	725,773	-
	7,132,627	3,967,395
Mudharabah Funds		
Demand deposits	-	37,631
Savings deposits	-	136,702
General investment deposits	1,239,531	4,574,624
Special investment deposits	2,322	574,192
	1,241,853	5,323,149
Total deposits from customers	8,374,480	9,290,544

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

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

The Group reported a lower profit before tax and zakat ("PBT") of RM189.9 million for the current financial quarter ended 30 September 2014 as compared to RM221.8 million for the preceding year's corresponding quarter. For the 9 months ended 30 September 2014, the Group's PBT of RM537.7 million also indicated a decrease of RM106.4 million or 16.5% as compared to RM644.2 million for the same period last year. For the period under review, the other operating income, net interest income and Islamic banking income were higher by RM177.0 million, RM13.9 million and RM11.3 million respectively. However, these were not sufficient to offset the increase in overhead expenses, allowance for loan impairment and finance cost of RM217.7 million, RM59.0 million and RM19.0 million respectively, as well as the reduction in loan recovery of RM11.4 million.

Commercial Banking

The results of the commercial banking segment is mainly attributable to the AFFIN Bank Berhad ("ABB") Group which registered a lower PBT of RM160.6 million for the current financial quarter as compared to RM191.8 million for the preceding year's corresponding quarter. For the 9 months ended 30 September 2014, the ABB Group also registered a lower PBT of RM466.2 million as compared to RM564.1 million achieved in the previous year, mainly due to increase in the allowance for loan impairment and overhead expenses of RM60.8 million and RM32.1 million respectively, and the reduction in loan recovery of RM4.2 million. The increase in overhead expenses was in turn due to the increase in personnel costs, computer maintenance and security services of RM16.6 million, RM3.5 million and RM2.2 million respectively.

The wholly-owned subsidiary, namely AFFIN Islamic Bank Berhad registered a slightly lower PBT of RM63.6 million for the 9 months ended 30 September 2014 as compared to RM66.2 million for the same period last year. The increase in operating income of RM12.5 million was not sufficient to offset the increase in overhead expenses and allowance for financing loss of RM13.3 million and RM1.4 million respectively.

Investment Banking

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

The Investment Banking Group reported a lower PBT of RM24.2 million for the current financial quarter as compared to RM59.2 million for the preceding year's corresponding quarter. For the 9 months ended 30 September 2014, the Investment Banking Group registered a higher PBT of RM84.1 million as compared to RM63.6 million achieved in the previous year. The improved performance was mainly due to the increase in other operating income and net interest income of RM185.1 million and RM26.1 million respectively, net of higher overhead expenses of RM184.2 million, all of which were mainly attributable to AFFIN Hwang IB net of the integration cost of RM26.5 million incurred on the merger of the Investment Banking Group.

For the 9 months ended 30 September 2014, the asset management businesses contributed a total pre-tax profit of RM33.6 million as compared to RM10.1 million for the same period last year, mainly attributable to the PBT of AFFIN Hwang AM of RM23.1 million for the period under review. The PBT of AFFIN Hwang AM of RM23.1 million was made up of the other operating income and net interest income of RM103.4 million and RM1.3 million respectively, net of overhead expenses of RM81.6 million. The other operating income was in turn attributed to management fee income and upfront fee on sale of unit trust of RM68.1 million and RM32.9 million respectively.

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

Insurance

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

AXA AFFIN Life Insurance Berhad ("AALI") reported a higher pre-tax profit of RM7.9 million for the current financial quarter as compared to RM7.4 million for the preceding year's corresponding quarter. For the 9 months ended 30 September 2014, AALI reported a lower pre-tax profit of RM5.3 million as compared to RM7.6 million for the corresponding period ended 30 September 2013, mainly due to higher reserves for future policyholders' liabilities of RM6.6 million arising from the downward shift of the MGS yield curve as oppose to a release for future policyholders' liabilities of RM10.9 million in the preceding year's corresponding period, reduction in direct marketing and tele-marketing premium income and reinsurance premium totalling RM3.0 million. This was partially offset by higher gains on disposal of equities of RM9.3 million, lower overhead expenses of RM4.7 million and lower claims incurred of RM2.2 million. Included in the share of results in AALI of RM0.9 million for the period under review was an adjustment of RM2.2 million on over-recognition of Group's share of profit for the previous financial year, mainly due to additional tax charge of RM5.2 million provided by AALI.

AXA AFFIN General Insurance Berhad ("AAGI") reported a higher pre-tax profit of RM27.7 million for the current financial quarter as compared to RM22.1 million for the preceding year's corresponding quarter. For the 9 months ended 30 September 2014, AAGI also reported a higher pre-tax profit of RM77.3 million as compared to RM46.0 million achieved in the previous year. The improved performance was mainly due to higher earned premium of RM130.3 million attributable to health and motor businesses as well as higher investment income of RM7.3 million for the period under review. These were partially offset by the increase in net claims, overhead expenses and net commission incurred of RM64.5 million, RM27.6 million and RM16.3 million respectively. Included in the share of results in AAGI of RM17.6 million for the period under review was an adjustment of RM0.7 million on over-recognition of Group's share of profit for the previous financial year.

Other business segment

The result of the other business segment is mainly attributable to AFFIN Moneybrokers Sdn Bhd ("AMB"), similar to the proceeding year's corresponding quarter. AMB reported a pre-tax profit of RM0.7 million for the quarter under review. However, the Company reported a lower pre-tax profit of RM1.7 million for the 9 months ended 30 September 2014 as compared to RM1.9 million achieved last year, mainly due to higher overhead expenses net of higher net brokerage income.

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

The Group reported a higher profit before tax and zakat ("PBT") of RM189.9 million for the current financial quarter as compared to RM162.0 million for the preceding quarter ended 30 June 2014. The improved performance was mainly due to the increase in other operating income, net interest income and Islamic banking income totalling of RM34.8 million as well as the reduction in both allowance for loan impairment and finance cost of RM16.2 million and RM13.6 million and respectively. The overhead expenses however increased by RM38.2 million for the quarter under review, mainly attributable to the additional integration cost of RM24.1 million incurred in connection to the merger between AFFIN Investment Banking Group and AFFIN Hwang Investment Banking Group.

B3. PROSPECT FOR FINANCIAL YEAR 2014

Commercial Banking

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

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

B3. PROSPECT FOR FINANCIAL YEAR 2014 (Cont.)

Commercial Banking (Cont.)

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

The Bank will continue to actively leverage on Group synergy by exploring potential business opportunities with its major shareholders, the Lembaga Tabung Angkatan Tentera and the Boustead Group of Companies.

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

Investment Banking

The Investment Banking Group is optimistic on the potential opportunities in the capital markets from the ongoing implementation of projects under the Economic Transformation Programme (ETP) and various domestic economic corridors. The capital markets shall continue to provide potential business activities for the Group, mainly from the financing needs arising from the ETP.

The Group also looks forward to its equity broking collaboration with Daiwa Securities Group Inc. of Japan and realising the benefits/synergies from the mergers of the investment banking, stockbroking, asset management and futures businesses of AFFIN Hwang Investment Bank Berhad with that of AFFIN Investment Bank Berhad. The Group is positive that the mergers would create a stronghold for AFFIN Holdings Berhad in the investment banking space, with the combined entity becoming one of the top brokerage houses and asset managers in Malaysia.

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

Insurance

AXA AFFIN Life Insurance ("AALI")

AALI had been expanding new business rapidly in the past years with a multi distribution strategy and expects to register moderate growth for 2014, amidst an increasingly challenging and competitive environment.

AXA AFFIN General Insurance ("AAGI")

Greater challenges are expected in 2014 given the overall economic constraints and climate in Malaysia, mergers and acquisitions, rapid development in the legal and regulatory environment and impact of digital technology. Hence, AAGI strategies and plans for 2014 have been outlined to tackle the challenges with special focus on customer centricity, better cost management and embrace changes required to reap the benefits of the digital world. AAGI's investment in human capital and technology will continue as in the past. With these strategies in place, AAGI is confident that dedicated staff, positive mind set and hard work will deliver the desired results for 2014.

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

The achievement of Headline KPI's for the 9 months ended 30 September 2014 as compared to the announced headline Key Performance Indicators (KPIs) for the financial year 2014 are summarised below :-

<u>Headline KPIs</u>	<u>As announced for the financial year 2014</u>	<u>Actual Achieved 9 months ended 30/9/2014</u>
(i) After Tax Returns on Equity (ROE)	9.2%	5.5%
(ii) After Tax Returns on Assets (ROA)	1.1%	0.6%
(iii) Gross Impaired Loan Ratio	1.84%	1.91%
(iv) Earnings Per Share (EPS)	36.00 sen	24.18 sen

B5. VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

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

B6. TAXATION

	<-----Group----->			
	Individual Quarter Ended 30/9/2014 RM'000	30/9/2013 RM'000	Cumulative Quarter Ended 30/9/2014 RM'000	30/9/2013 RM'000
Malaysian Taxation :-				
- Income tax based on profit for the financial year	55,645	59,693	142,952	148,527
Deferred tax :-				
- Relating to originating temporary differences	(11,880)	(6,767)	(7,153)	1,897
Under/(over) provision in prior years :-				
- Current taxation	1,321	(4,330)	(1,079)	1,289
	45,086	48,596	134,720	151,713

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

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

B7. STATUS OF CORPORATE PROPOSALS

There were no other corporate proposals announced but not completed as at 30 September 2014.

B8. GROUP BORROWINGS AND DEBT SECURITIES

(i) Deposits from Customers

	Group	
	30/9/2014 RM'000	31/12/2013 RM'000
<u>By Type of Deposits:-</u>		
Money Market Deposits	423,935	1,050,233
Demand Deposits	7,948,593	8,202,729
Savings Deposits	2,087,801	2,004,242
Fixed Deposits	29,723,451	29,039,949
Negotiable Instruments of Deposits ('NIDs')	8,167,703	6,482,169
Special Investment Deposits	2,322	574,192
Commodity Murabahah Deposit (CMD)	725,773	-
Others	40,215	-
	49,119,793	47,353,514

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

Due within six months	32,054,577	29,007,708
Six months to one year	5,332,005	6,392,507
One year to three years	254,177	80,239
Three years to five years	240,250	31,344
Five years and above	10,145	10,320
	37,891,154	35,522,118

By Type of Customers:-

Government and statutory bodies	8,286,693	9,127,809
Business enterprises	14,136,676	14,715,136
Individuals	13,468,387	11,660,423
Others	13,228,037	11,850,146
	49,119,793	47,353,514

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

By Type of Institutions:-

Licensed banks	2,971,547	3,285,513
Licensed investment banks	577,528	282,459
Bank Negara Malaysia	432,092	-
Other financial institutions	291,647	415,940
	4,272,814	3,983,912

By Maturity Structure:-

Due within six months	4,266,919	3,779,530
Six months to one year	5,895	204,382
	4,272,814	3,983,912

(iii) Borrowings

Unsecured :-

One year or less (short-term)	66,571	302,029
More than one year (medium/long-term)	905,836	670,403
	972,407	972,432

B9. REALISED AND UNREALISED UNAPPROPRIATED PROFITS

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

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

	Group	
	30/9/2014	31/12/2013
	RM'000	RM'000
<u>Total retained profits of AFFIN Holdings Berhad and its subsidiaries :-</u>		
- Realised	2,325,159	1,675,523
- Unrealised		
- deferred tax recognised in the income statement	24,425	14,676
- other items of income and expense	60,100	40,596
	2,409,684	1,730,795
<u>Total share of retained profits in associate:-</u>		
- Realised	207,862	187,712
- Unrealised	972	3,527
<u>Total share of retained profits/(losses) in jointly controlled entities :-</u>		
- Realised	(14,602)	(19,690)
- Unrealised	(1,332)	4,610
	2,602,584	1,906,954
Add: Consolidation adjustments	(242,579)	90,588
Total Group retained profits as per consolidated financial statements	2,360,005	1,997,542

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

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

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

B10. MATERIAL LITIGATION

There are various legal suits against the Bank in respect of claims and counter claims of approximately RM137.4 million (2013: RM117.6 million). Based on legal advice, the Directors are of the opinion that no provision for damages need to be made in the financial statements, as the probability of adverse adjudication against the Bank is remote.

B11. DIVIDENDS

An interim single-tier dividend of 15.0 sen per share has been declared for the financial year ending 31 December 2014 as follows:-

Amount per share	:	Single-tier dividend of 15.0 sen per share
Previous corresponding period	:	Tax exemption dividend of 8.9 sen per share and single-tier dividend of 6.1 sen per share
Date payable	:	30 December 2014
Date of entitlement	:	15 December 2014
Total dividend for the current financial period	:	Single-tier dividend of 15.0 sen per share

The above interim dividend has not been reflected as liability in this interim financial statements. Upon declaration, the dividend will be accounted for in equity as an appropriation of retained earnings for the financial year ending 31 December 2014.

B12. EARNINGS PER SHARE

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	30/9/2014	30/9/2013	30/9/2014	30/9/2013
Net profit attributable to equity holders of the Company (RM'000)	<u>141,957</u>	172,967	<u>396,674</u>	483,106
Weighted average number of ordinary shares in issue	<u>1,928,327,697</u>	1,494,575,806	<u>1,640,748,604</u>	1,494,575,806
Basic and diluted earnings per share (sen)	<u>7.36</u>	11.57	<u>24.18</u>	32.32

The basic and diluted earnings per share of the Group for the current financial quarter ended 30 September 2014 have been calculated based on the net profit attributable to the equity holders of the company of RM141,957,000 (30 September 2013: RM172,967,000) divided by the weighted average number of ordinary shares in issue during the current financial quarter of 1,928,327,697 (30 September 2013: 1,494,575,806).

The basic and diluted earnings per share of the Group for the cumulative quarter ended 30 September 2014 have been calculated based on the net profit attributable to the equity holders of the company of RM396,674,000 (30 September 2013: RM483,106,000) divided by the weighted average number of ordinary shares in issue during the current financial quarter of 1,640,748,604 (30 September 2013: 1,494,575,806).

B13. ECONOMIC PROFIT/(LOSS)

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	30/9/2014	30/9/2013	30/9/2014	30/9/2013
	RM'000	RM'000	RM'000	RM'000
Net profit attributable to equity holders of the Company for the financial period	141,957	172,967	396,674	483,106
Less: Economic charge	(199,233)	(163,642)	(585,144)	(480,324)
Economic profit/(loss) attributable to equity holders of the Company for the financial period	<u>(57,276)</u>	9,325	<u>(188,470)</u>	2,782

Formula for calculation of economic charge:

(i) Economic charge = Cost of equity x Average total equity for the financial year

(ii) Cost of equity = Beta x Market risk premium + Risk-free rate

Beta = 5-year adjusted Bloomberg Beta

Market risk premium = the market return in excess of the return earned on risk-free assets.

Risk-free rate = the rate of return of a 10-year Malaysian Government Securities at the closing of the reporting period.