



39th

Annual General Meeting of
AFFIN Holdings Berhad will be held at

COVER RATIONALE

The annual report cover features an intricate abstract design that symbolise the complexity of our business operations with multiple layers of triangles.

The triangles symbolise progress and they point in various directions to represent our subsidiaries' dynamic expansion and diverse objectives. The large red triangle mirrors the unity that bonds our entire group of companies as we evolve with a common goal.

Our distinctive corporate colours infuse the design with our corporate identity and they highlight our confidence and the opportunities that lie ahead.

Taming Sari Grand Ballroom,
The Royale Chulan,
Kuala Lumpur on

Monday, 20 April 2015 at 10:00 a.m.

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VISION

The preferred one stop financial services provider
committed to meeting and exceeding customers' expectations

MISSION

- Delivering premier investment and commercial banking solutions to satisfy the needs of our valued clients in all sectors;
- Adoption of best business and management practices, investment in technology and human resources and strategic alliances with reputable world class players; and
- Achieving continuous growth and prosperity for the shareholders

NOTICE OF 39TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the **THIRTY-NINTH (39TH) ANNUAL GENERAL MEETING** of **AFFIN HOLDINGS BERHAD** will be held at the Taming Sari Grand Ballroom, The Royale Chulan Kuala Lumpur, 5 Jalan Conlay, 50450 Kuala Lumpur on Monday, 20 April 2015 at 10.00 a.m. for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2014 and the Reports of the Directors and Auditors thereon.

Resolution 1

2. To re-elect the following Directors who retire by rotation and being eligible, offer themselves for re-election in accordance with Article 104 of the Company's Articles of Association:-

- 2.1 Tan Sri Dato' Seri Lodin bin Wok Kamaruddin

Resolution 2

- 2.2 Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad

Resolution 3

3. To consider and if thought fit, to pass the following resolution in accordance with Section 129(6) of the Companies Act, 1965:-

- 3.1 "That pursuant to Section 129(6) of the Companies Act, 1965, Dato' Mustafa bin Mohamad Ali be and is hereby re-appointed as Director of the Company to hold office until the next Annual General Meeting and that he continues to serve the Company in the capacity as an Independent Director."

Resolution 4

4. To approve Directors' Fees.

Resolution 5

5. To re-appoint Auditors and to authorise the Directors to fix their remuneration.

Resolution 6

6. SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions:-

6.1 Ordinary Resolution

Authority to Allot and Issue Shares in General Pursuant to Section 132D of the Companies Act, 1965

"THAT pursuant to Section 132D of the Companies Act, 1965, and subject to the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue shares in the capital of the Company from time to time and upon such terms and conditions and for such purposes as the Directors, may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are hereby also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing and quotation of the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

Resolution 7

6.2 Ordinary Resolution

Allotment and Issuance of New Ordinary Shares of RM1.00 each in AFFIN Holdings Berhad ("AFFIN Shares") in relation to the Dividend Reinvestment Plan by the Company that provides the Shareholders of the Company with the Option to Reinvest their whole or a portion of the Dividend for which the Reinvestment Option applies in New AFFIN Shares ("Dividend Reinvestment Plan")

"THAT pursuant to the Dividend Reinvestment Plan as approved by the shareholders at the Extraordinary General Meeting held on 16 April 2012, approval be and is hereby given to the Company to allot and issue such number of new AFFIN Shares upon the election of the shareholders of the Company to reinvest the dividend pursuant to the Dividend Reinvestment Plan until conclusion of the next Annual General Meeting upon such terms and conditions and to such shareholders as the Directors may, in their absolute discretion, deem fit and in the interest of the Company provided that the issue price of the said new AFFIN Shares shall be fixed by the Directors at not more than 10% discount to the adjusted volume-weighted average market price ("WAMP") for the 5 market days of AFFIN Shares immediately prior to the pricing fixing date, of which the WAMP shall be adjusted ex-dividend before applying the abovementioned discount in arriving at the issue price;

NOTICE OF 39TH ANNUAL GENERAL MEETING

AND THAT the Directors of the Company be and are hereby authorised to do all such acts, execute all such documents and to enter into all such transactions, arrangements and agreements, deeds or undertakings as may be necessary or expedient in order to give full effect to the Dividend Reinvestment Plan with full power to assent to any condition, variation, modification and/or amendment as may be imposed and/or agreed to by any relevant authorities or at the discretion of the Directors in the best interest of the Company.” **Resolution 8**

6.3 Ordinary Resolution

Proposed Renewal of Shareholders' Mandate and Additional Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")

“**THAT** authority be and is hereby given in line with Chapter 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, for the Company, its subsidiaries or any of them to enter into any of the transactions falling within the types of the Recurrent Related Party Transactions, particulars of which are set out in the Circular to Shareholders dated 27 March 2015 with the Related Parties as described in the said Circular, provided that such transactions are of revenue or trading nature, which are necessary for the day-to-day operations of the Company and/or its subsidiaries within the ordinary course of business of the Company and/or its subsidiaries, made on an arm's length basis and on normal commercial terms which are those generally available to the public and are not detrimental to the minority shareholders of the Company;

AND THAT such authority shall commence immediately upon the passing of this Ordinary Resolution until:-

- i. the conclusion of the next Annual General Meeting of the Company at which time the authority shall lapse unless by a resolution passed at a general meeting, the authority is renewed; or
- ii. the expiration of the period within which the next Annual General Meeting after the date that is required by law to be held pursuant to Section 143(1) of the Companies Act, 1965; or
- iii. revoked or varied by a resolution passed by the shareholders of the Company at a general meeting

whichever is earlier.

AND FURTHER THAT the Board of Directors be and is hereby authorised to do all acts, deeds and things as may be deemed fit, necessary, expedient and/or appropriate in order to implement the Proposed Shareholders' Mandate with full power to assent to all or any conditions, variations, modifications and/or amendments in any manner as may be required by any relevant authorities or otherwise and to deal with all matters relating thereto and to take all such steps and to execute, sign and deliver for and on behalf of the Company all such documents, agreements, arrangements and/or undertakings, with any party or parties and to carry out any other matters as may be required to implement, finalise and complete, and give full effect to the Proposed Shareholders' Mandate in the best interest of the Company.” **Resolution 9**

7. To transact any other ordinary business of the Company.

By Order of the Board

NIMMA SAFIRA KHALID
Secretary

Kuala Lumpur
27 March 2015

Notes:

- a. A member entitled to attend and vote at the above meeting may appoint one or more proxies (not more than two) on his behalf to attend and on show of hands or on a poll, to vote his stead. A proxy need not be a member of the Company. The completed instrument in writing appointing a proxy or proxies must be deposited at the Registered Office of the Company, 7th Floor, Chulan Tower, 3 Jalan Conlay, 50450 Kuala Lumpur not less than 48 hours before the time appointed to hold the meeting.
- b. Reference is made to Recommendations 3.2 and 3.3 of the Malaysian Code of Corporate Governance 2012 which states that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. YBhg Dato' Mustafa bin Mohamad Ali has served the Company as an Independent Director for more than twelve (12) years since his initial appointment on 28 November 2002. The Nomination Committee and the Board have determined at the annual assessment carried out on YBhg Dato' Mustafa bin Mohamad Ali that he remains independent in his mind and character. He participates actively in the Board as well as Board Committees' deliberations and decision making. YBhg Dato' Mustafa bin Mohamad Ali's long tenure with the Company has neither impair nor compromise his independent judgement. He continues to demonstrate the ability to ask hard questions, and remain objective in his views for the benefit of the Company.
- c. The proposed ordinary resolution 7, if passed, will give powers to the Directors to issue up to a maximum of 10% of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the interests of the Company. The authority will, unless revoked or varied by the Company in a General Meeting, expire at the conclusion of the next Annual General Meeting or the expiration of the period within which the next Annual General Meeting is required by law to be held, whichever is earlier.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the Thirty-Eighth Annual General Meeting held on 21 April 2014 and which will lapse at the conclusion of the Thirty-Ninth Annual General Meeting.

The General Mandate sought will provide flexibility to the Company for any possible fund raising activities, including but not limited for further placing of shares, for purpose of funding investment(s), working capital and/or acquisition(s).

- d. The proposed ordinary resolution 8, if passed, will give authority to the Directors to allot and issue new AFFIN Holdings Berhad shares upon the election of the shareholders of the Company to reinvest the dividend declared by the Company (either an interim, final, special or any other dividend) from time to time pursuant to the Dividend Reinvestment Plan until conclusion of the next Annual General Meeting. A renewal of this authority will be sought at the next Annual General Meeting.
- e. The proposed ordinary resolution 9, if passed, will enable the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature which are necessary for the day-to-day operations of the Company and/or its subsidiaries, subject to the transactions being carried out in the ordinary course of business of the Company and/or its subsidiaries and on normal commercial terms which are generally available to the public and not detrimental to the minority shareholders of the Company.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

NAME OF DIRECTORS STANDING FOR RE-ELECTION OR RE-APPOINTMENT

The directors who are retiring pursuant to the Articles of Association and seeking for re-election in the forthcoming AGM:-

- (i) Tan Sri Dato' Seri Lodin bin Wok Kamaruddin
- (ii) Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad

The following director who is over the age of seventy years and seeking re-appointment in the forthcoming AGM:-

- (i) Dato' Mustafa bin Mohamad Ali

The profile of the above directors are set out on pages 25 to 27 of this Annual Report.

DETAILS OF BOARD MEETINGS

Four (4) Board Meetings and five (5) Special Board Meetings were held during the financial year ended 31 December 2014. Details of the meetings are as follows:-

Date of Meeting	Time	Venue
16 January 2014	2.00 p.m.	7th Floor, Chulan Tower
17 February 2014	9.00 a.m.	7th Floor, Chulan Tower
10 March 2014	9.30 a.m.	7th Floor, Chulan Tower
12 May 2014	9.00 a.m.	7th Floor, Chulan Tower
28 May 2014	8.30 a.m.	7th Floor, Chulan Tower
08 July 2014	9.00 a.m.	7th Floor, Chulan Tower
11 August 2014	9.00 a.m.	7th Floor, Chulan Tower
03 November 2014	9.00 a.m.	7th Floor, Chulan Tower
24 November 2014	9.00 a.m.	7th Floor, Chulan Tower

DETAILS OF ATTENDANCE OF DIRECTORS

Details of attendance of directors at the Board meetings held during the financial year ended 31 December 2014 are as follows:-

Name of Directors	Date of Appointment	No. of Meetings Attended
Gen (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Haji Zainuddin	17 October 2005	9/9
Tan Sri Dato' Seri Lodin bin Wok Kamaruddin	19 July 1986	9/9
Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad	25 April 1991	8/9
Dato' Mustafa bin Mohamad Ali	28 November 2002	9/9
Abd Malik bin A Rahman	16 February 2011	9/9
Tan Sri Dato' Seri Alauddin bin Dato' Mohd Sheriff	23 December 2011	8/9
Rosnah binti Omar	5 February 2014	8/8
Professor Arthur Li Kwok Cheung*	21 May 2008	5/9
Ignatius Chan Tze Ching	6 August 2013	8/9
Peter Yuen Wai Hung (<i>Alternate Director to Professor Arthur Li Kwok Cheung</i>)	5 September 2011	3/9
Adrian David Li Man Kiu* (<i>Alternate Director to Ignatius Chan Tze Ching</i>)	21 May 2008	-

* Resigned on 31 December 2014

CORPORATE INFORMATION

BOARD OF DIRECTORS

Gen (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Haji Zainuddin
(Chairman)

Tan Sri Dato' Seri Lodin bin Wok Kamaruddin
(Deputy Chairman)

Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad

Dato' Mustafa bin Mohamad Ali

Abd Malik bin A Rahman

Tan Sri Dato' Seri Alauddin bin Dato' Mohd Sheriff

Ignatius Chan Tze Ching

Rosnah binti Omar
(Appointed on 5 February 2014)

Professor Arthur Li Kwok Cheung
(Resigned on 31 December 2014)

Peter Yuen Wai Hung
(Alternate Director to
Professor Arthur Li Kwok-Cheung)

Adrian David Li Man Kiu
(Alternate Director to Ignatius Chan Tze Ching)
(Resigned on 31 December 2014)

COMPANY SECRETARY

Nimma Safira binti Khalid

REGISTERED OFFICE

7th Floor, Chulan Tower
3 Jalan Conlay
50450 Kuala Lumpur

Telephone : 603-2142 9569
Fax : 603-2143 1057

PRINCIPAL BANKERS

AFFIN Bank Berhad
RHB Bank Berhad
Public Bank Berhad

REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd
Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur, Malaysia

Telephone : 603-2264 3883
Fax : 603-2282 1886

STOCK EXCHANGE

Bursa Malaysia Securities Berhad

Stock Code : 5185
Stock Name : AFFIN

WEBSITE

<http://www.affin.com.my>

CHAIRMAN'S STATEMENT



**Gen (R) Dato' Seri DiRaja Tan Sri
Mohd Zahidi bin Haji Zainuddin**
Chairman

IT HAS BEEN ANOTHER EVENTFUL YEAR FOR ALL OUR SUBSIDIARIES AND THE ASSOCIATE COMPANY, AND IT GIVES ME GREAT PLEASURE TO PROVIDE A REVIEW OF THE GROUP'S FINANCIAL PERFORMANCE AND REVIEW OF OPERATIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014.

In 2014, the global economy experienced an upturn due to increased manufacturing activity in developed and emerging economies with statistics showing an upward trend in the manufacturing in the US and China. Japan's economy also experienced stronger growth but weak consumer prices in the Eurozone made investors anxiously cautious.

Although some Asian economies experienced a steady build-up in inflationary pressure internally, rising asset bubbles and moderate growth, China's latest effort to shore up its economy has prompted the financial market to reconsider the region's prospects.

Recent gross domestic product growth figures indicate the continued growth of the US economy while the Eurozone economy hinged on the outcome of unconventional measures announced by the European Central Bank in avoiding a deflationary spell in the region.

On the domestic front, falling oil prices and the weakening ringgit have meant a greater focus on internal investment and spending by the government. GLCs, statutory bodies and subsidiaries have been asked to defer foreign purchases and asset acquisition as part of efforts to reduce the outflow of funds as well as support of the government's efforts to stimulate greater domestic consumption.

While a steady growth trend is predicted for the Malaysian economy, the forthcoming implementation of the Goods and Services Tax in April 2015 is expected to have an impact on inflation affecting growth and profitability. In addition, the 2015 growth forecast for the Malaysian economy has been reduced to 4.5% from 4.9% by the World Bank based on slower export growth and investment in the oil and gas industry coupled with moderate private consumption levels.

The highlight of the year under review is the completion of the acquisition and mergers of the investment banking, futures and asset-management businesses of Hwang-DBS (Malaysia) Berhad with the businesses of AFFIN Investment Bank Berhad and AFFIN Fund Management Berhad. The merger has created synergies and immense value for the Group and upon the completion of the mergers on 20 September 2014, the merged entities have been rebranded as Affin Hwang Capital.

It has been another eventful year for all our subsidiaries and the associate company, and it gives me great pleasure to provide a review of the Group's financial performance and review of operations for the financial year ended 31 December 2014.

GROUP FINANCIAL PERFORMANCE

Amidst a challenging operating environment with stiff competition among industry players and a squeeze in the net interest margin, the Group's profit before taxation and zakat (PBT) declined by RM38.6 million or 4.5% to RM825.3 million from RM863.9 million in 2013.

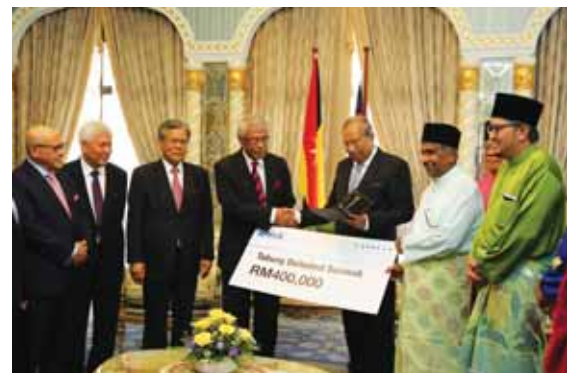
The increase in other operating income, net interest income and Islamic banking income of RM241.9 million, RM32.4 million and RM23.5 million respectively were overshadowed by increases in overhead expenses, net allowance for loan impairment and finance cost of RM266.3 million, RM49.8 million and RM19.2 million respectively. These results were achieved on the back of a higher interest income of RM2.44 billion compared to RM2.22 billion in 2013.

On 31 December 2014, a single-tier interim dividend of 15.0 sen per share in respect of the financial year amounting to RM291.4 millions was paid, in line with the Group's dividend policy of providing shareholders with a minimum 50% payout based on the Company's profit after tax.

AFFINBANK GROUP (AFFINBANK & AFFIN ISLAMIC)

The AFFINBANK Group which includes AFFIN Bank Berhad and AFFIN Islamic Bank Berhad recorded a profit after taxation and zakat (PAT) of RM543.7 million in 2014 with a 8.9% growth in net loans, advances and financing and a 4.3% increase in deposits respectively. Total assets increased by 5.5% from RM56.4 billion in 2013 to RM59.5 billion in the year under review.

Despite the challenging environment, the Group delivered encouraging results due to its focused business direction, proactive risk management and concerted efforts in attracting quality assets.



CHAIRMAN'S STATEMENT



Several highly anticipated products were introduced by AFFINBANK during the financial period under review, customised to targeted market segments. These include the Chinese New Year deposit 'Fortune Rides Your Way!' promotion offering special fixed deposit rates and the popular OMG customer rewards campaign. The Bank also launched the AFFINBANK World MasterCard aimed primarily at the affluent market segment.

In supporting local SMEs, AFFINBANK in collaboration with Credit Guarantee Corporation Malaysia Berhad launched portfolio guarantee financing at competitive rates enabling greater access to financing.

The Bank also embarked on an e-Payment campaign for its retail internet banking service, affinOnline to encourage greater online banking following Bank Negara Malaysia's 50 sen cheque processing fee which takes effect in January 2015.

In the area of IT and operations, the AFFINBANK Group embarked on various projects to enhance IT systems and operational processes with the aim of improving productivity and enhancing customer service. These include a treasury system upgrade to accommodate increased transaction levels as well as additional features and services for its ATM services. A project to introduce new grading models which is currently ongoing will enable a better assessment of customers for more effective loan management as well as improving asset quality.

In recognising various risks within the banking industry, the Bank has put in place comprehensive systems and processes to manage these risks. These include a robust ICAAP Framework (Internal Capital Adequacy Assessment Process-Pillar 2) to ensure adequate capital levels at all times in support of the Bank's risk profile and business strategies, continuous monitoring of events that could impact the banking sector and its operating environment as well as recommending appropriate measures to protect the Bank's position. In-depth reviews on the exposure to various industry segments to detect any sign of deterioration in asset quality are also conducted regularly.

The AFFINBANK Group continues to place a strong emphasis on human capital development and staff motivation to support and achieve its intended corporate objectives. To this end, a structured framework of continuous professional development is aimed at enabling employees to realise their full potential. Three programmes for fresh graduates were carried out to expose trainees to the banking industry for a year comprising technical and soft skills training and on-the-job attachments with different departments in the Bank. Skill levels of serving employees are constantly monitored and training provided when required. Training programmes are also tailored for senior management to enhance leadership capabilities and provide a ready talent pool for succession planning.

The Bank continues to see opportunities to grow its business in the consumer segment particularly mortgage loans, hire purchase and customer deposits and enhancement in wealth management products. Growth in the SME market and other sectors driven by the government's Economic Transformation Programme will also provide further opportunities. The AFFINBANK group will continue to enhance its brand value and visibility in the industry drawing on its experience and strong customer relationship.

AFFIN ISLAMIC, a wholly owned subsidiary of AFFINBANK continued to strengthen its presence in the Islamic banking sector with the introduction of a financing package for pilgrims called HUZ-i (Hajj, Umrah and Ziarah Financing-i) package and the launch of Term Deposit-I, which is a product based on the Shariah concept of Wakalah with underlying Commodity Murabahah and provides customers with fixed profit rates.

As part of its ongoing efforts to increase brand visibility, AFFINBANK Group opened a new AFFINBANK branch in Taman Demang, Selangor and an AFFIN ISLAMIC branch in Senawang, Negeri Sembilan bringing the total number of branches nationwide to 105 in addition to 116 off-site self service machines for better access and convenience.



AFFIN HWANG INVESTMENT BANK BERHAD (AFFIN HWANG IB) GROUP

AFFIN Hwang IB Group reported a PBT of RM107.4 million for the year ended 31 December 2014 which includes the acquired businesses of AFFIN Hwang Investment Bank Berhad (formerly known as HwangDBS Investment Bank Berhad). The PBT is net of the integration cost incurred during the merger between the two investment banking businesses of AFFIN and HwangDBS which also include the securities and asset management businesses. The businesses are rebranded as Affin Hwang Capital upon the completion of the merger on 20 September 2014. A significant portion of AFFIN Hwang IB Group's PBT contribution came from the asset management arm amounting to RM44.2 million.

Following the merger, Affin Hwang Capital now has a solid structure with an experienced senior management team and a large franchise nationwide offering an integrated and comprehensive range of products and services to better serve its customers, especially the retail sector across its securities and asset management businesses.

Affin Hwang Capital has also instituted efforts to increase its level of cross-selling of its products and services with the ultimate aim of creating a one-stop investment banking platform for institutional, corporate and retail clients. These efforts include reforming the investment banking coverage model for more focused client service and enhancing equity distribution capability via its expanded network of 21 securities and 8 asset management branches nationwide. Its treasury business has also been expanded to become a multi-product solutions provider to customers.

CHAIRMAN'S STATEMENT



In the securities segment, AFFIN Hwang IB has also reformed its institutional coverage to be segment-based with a client-focused research model for institutional equities. Its retail securities team plans to develop a market-leading online web portal as well as design and promote risk-based share margin financing products catering various segments of retail clients.

In the asset management segment, AFFIN Hwang Asset Management Berhad (formerly known as Hwang Investment Management Berhad) in collaboration with its partners launched the Wealth Protection & Wealth Distribution service to complement its wealth creation services. The service offers three important wealth management aspects, wealth creation, wealth protection and wealth distribution under one roof.

AFFIN Hwang Asset Management Berhad (AFFIN Hwang AM) became the first Malaysian company to launch a Luxembourg-registered Undertaking for Collective Investments in Transferable Securities Fund in November 2014. This marks the foray into the European market with two Asian equity focused funds namely Affin Hwang Select Asia Opportunity Fund and Affin Hwang Select Asia Quantum Fund.

AFFIN Hwang AM launched two more new investment solutions in December 2014. The Affin Hwang Select Asia Pacific (ex Japan) Balanced Fund is a fund that aims to provide growth and income opportunities through a diversified portfolio containing a balanced mixture of equities and fixed-income instruments while the Affin Hwang Select Asia Pacific (ex Japan) Dividend Fund is an equity fund that endeavours to provide investors with regular income and capital growth over the medium to long-term period.

2014 was also a notable year for awards. AFFIN Hwang IB's Al-Hadharah Boustead REIT received the accolade as the best privatisation exercise in 2014 by The Edge Malaysia and the transaction was also awarded Best Islamic Privatisation in 2014 from The Asset Triple A. In addition, its analysts were named Top Stock Pickers in three sector categories in the StarMine Asia 2014 Industry Analyst Awards.

AFFIN Hwang AM's funds received a number of awards in the year under review. The Affin Hwang Select Balance Fund received two awards from The Edge Lipper namely Best Fund – Mixed Asset MYR Balance, 5 Years and Best Fund – Mixed Asset MYR Balance, 10 Years while other awards by The Edge Lipper included Best Fund – Mixed Asset MYR Conservative, 5 Years for Affin Hwang Select Income Fund and Best Fund – Equity Malaysia Diversified, 5 Years for Affin Hwang Select Opportunity Fund. The Affin Hwang Aiman Growth Fund received the Best Islamic Malaysia Equity from Morningstar.

Moving forward, Affin Hwang Capital has put in place strategic initiatives to achieve its long-term business goals. These strategies are backed by a larger capital base to meet regulatory requirements and to support business growth.



AFFIN MONEYBROKERS SDN BHD (AMBSB)

AMBSB continued to maintain strong growth in market capitalisation amidst trying times registering a net turnover of RM12.9 million for the year ended 31 December 2014. This was significantly higher by 11%, compared to RM11.6 million for the previous year. Although a net profit of RM1.8 million fell short by 20% against a projection of RM2.2 million, it was still higher than the 2013 net profit of RM1.6 million.

Net assets totalled RM10.4 million as at 31 December 2014, representing an increase of 3.0%, compared to RM10.1 million in 2013. The increase in net turnover was due to volatile U.S. and European financial markets while uncertainties increased trading volume during the year.

Revenue contribution was higher by the Swap/Foreign Deposits, Foreign Exchange and Money Market sections compared to the previous year with the Swap/Foreign Deposits Section contributing the highest brokerage of RM3.8 million, representing 30.1% of total net brokerage income. Brokerage income contribution from the Foreign Exchange Section amounted to RM2.9 million representing 22.5% of total net brokerage income.

The Money Market section ranked third in terms of contributions with RM1.9 million or 14.9% of total net brokerage income while derivatives contributed RM1.6 million or 13.1% of the total net brokerage income. The Fixed Income and Islamic sections contributed RM1.4 million or 11.4% and RM0.9 million or 7.6% of total net brokerage income respectively.

AMBSB continues to be a highly cash generative business and this has enabled the company to maintain a progressive approach on the dividend paid to shareholders. An interim dividend of RM1.54 per share was paid in December 2014 for the year under review. AMBSB will continue to adapt to changing markets with effective corporate strategies, and strengthen its position through staff commitment and teamwork.

AXA AFFIN LIFE INSURANCE BERHAD (AALIB)

Gross premiums totalled RM329 million in 2014 representing a 4.5% increase from RM314.8 million the year before. AALIB delivered a PBT of RM8.9 million for the financial year ended 2014 compared to RM11.2 million recorded in 2013. Higher realised gains from investments amidst a volatile investment environment and tight cost management contributed to the improved PBT whereas higher reserves for future policyholder liabilities resulting from lower risk-free yield curve dampened the PBT. The capital adequacy ratio remains well above the supervisory requirement.

AALIB's agency distribution channel recorded a strong new business growth rate of 9% for 2014 on the back of increased manpower. The agency force expanded by 26% as a result of initiatives to enhance recruitment and retention while the bancassurance channel recorded 3% growth.

AALIB will continue to focus on sustaining the growth of its current distribution channels while initiatives to enhance recruitment, retention and productivity will continue to spur the agency channel to continue its growth momentum in 2015. Amidst an increasingly challenging and competitive environment AALIB will continue to leverage on AFFIN Bank Berhad's network for bancassurance and focus on customer centric initiatives and technology changes.



CHAIRMAN'S STATEMENT

AXA AFFIN GENERAL INSURANCE BERHAD (AAGIB)

An exceptionally strong performance saw AAGIB registered gross written premiums (GWP) totaling RM1.1 billion in 2014 compared to RM963.2 million. Significant milestone was achieved during the year by hitting the RM1 billion mark for GWP. The Motor, Health and SME segments were the key contributors to this double digit growth of 17.8%. AAGIB is now ranked 5th in the industry with a market share close to 7%.

The Agency distribution channel, representing more than 50% of AAGIB's activity, recorded 18% growth compared to 13% in 2013 while Broking and Alternative Distribution recorded the highest growth rates of 29.4% (RM40.7 million) and 77.2% (RM16.8 million) respectively against 2013. All other distribution channels performed as expected.

Underwriting profit totalled RM72.8 million compared to RM50.3 million in 2013, reflecting AAGIB's prudent underwriting and strong strategies to achieve higher profitable growth.



In 2016, the potential liberalisation of the insurance market and insurers' drive for business are expected to increase competition in the industry. Despite these challenges, AAGIB will continue to build market share focusing on customers and enhanced technology in 2015.

The achievements in 2014 are a reflection of the trust placed by valued customers as well as the dedication, support and commitment from the team, agents, distributors and business partners. AAGIB is confident that this coupled with strong strategies and prudent risk management, will enable AAGIB to continue to achieve profitable and sustainable long term growth.

ACKNOWLEDGEMENTS

Allow me to express my sincere appreciation to my fellow Board members and the Board members of subsidiary and associate companies for their invaluable contributions to the Group. I would like to put on record my sincere gratitude for the immense contributions of two directors of AHB, Professor Arthur Li Kwok Cheung and Mr. Adrian David Li Man Kiu, the alternate director to Mr. Ignatius Chan Tze Ching who stepped down on 31 December 2014.

On behalf of the Board of Directors, I also wish to thank the management team and employees of AHB, our subsidiaries and associate company for their commitment, hard work and their continuous, relentless support and contribution to the achievements of the Group.

I would also like to express our gratitude to our major shareholders, Lembaga Tabung Angkatan Tentera, Boustead Holdings Berhad, The Bank of East Asia, Limited and Employees Provident Fund as well as our clients and business partners for their unwavering support of AHB and its Group of companies in 2014.

The Board also wishes to record its sincere appreciation to Bank Negara Malaysia, Securities Commission, Bursa Malaysia and other relevant regulatory bodies for their invaluable support to the Group throughout year 2014.

CORPORATE SOCIAL RESPONSIBILITY

AS A RESPONSIBLE CORPORATE CITIZEN, AFFIN HOLDINGS BERHAD IS COMMITTED TO REACHING OUT TO COMMUNITIES THAT SUPPORT THE GROUP'S BUSINESSES. WE ARE PLEASED TO REPORT THAT DURING THE FINANCIAL YEAR 2014, OUR SUBSIDIARIES AND ASSOCIATE COMPANY HAVE CONTRIBUTED GENEROUSLY IN PROVIDING ASSISTANCE TO THE NEEDY, LESS FORTUNATE AND UNDERPRIVILEGED.

We believe in maintaining professionalism when dealing with all stakeholders, especially our customers and employees. As a patriotic Malaysian entity, we are committed to supporting government initiatives, including the efforts to create greater social and economic equity. We are also passionate about sustainability, and we wholeheartedly embrace environment-friendly business practices.

The Corporate Social Responsibility (CSR) statement is divided into four key categories namely Community, Marketplace, Workplace and Environment, in accordance with global best practices.



MARKETPLACE



COMMUNITY



ENVIRONMENT



WORKPLACE

CHAIRMAN'S STATEMENT



COMMUNITY



Given that our major shareholder is the Lembaga Tabung Angkatan Tentera (LTAT), the Group has a tradition of contributing to retired and serving Armed Forces personnel and families. A total of RM3.5 million was channelled to Yayasan Warisan Perajurit, with RM1.0 million each contributed by AHB and AFFINBANK and RM1.5 million contributed by AFFIN Fund Management Berhad.

A number of community activities were undertaken by AFFINBANK during the festive seasons. In conjunction with Chinese New Year, AFFINBANK management and employees distributed ang pows, festive gifts and dry food at an old folks' home in Kuala Lumpur while AFFINBANK and AFFIN ISLAMIC organised their annual 'Majlis Berbuka Puasa Bersama Anak Yatim, Saudara & Saudari Baru' at their head office to bring cheer to orphans. About 150 guests comprising orphans and new converts attended the event.

AFFINBANK continued its participation in the 'Sahabat Korporat' initiative organised by Lembaga Tabung Haji, by sponsoring the publication of a book titled 'Wirid Terpilih Untuk Dhuyufurrahman' for pilgrims to use during their stay in the holy land this year.

AFFINBANK was title sponsor for the inaugural fund raising golf tournament organised by OrphanCARE Foundation, an NGO established in 2008 to aid orphans and abandoned babies in Malaysia. The Bank also jointly participated in two BHP CSR initiatives namely TV series 'Di Celah-Celah Kehidupan' featuring poor individuals and raising funds for them and the BHPetrol Orange Run 2014, an annual fun charity run. Entry fees collected from the event were donated to family members of fallen armed forces personnel during the Lahad Datu incursion, the National Cancer Council of Malaysia (MAKNA) and the Good Samaritan Home.



AFFIN ISLAMIC donated RM18,437 to the Pertubuhan Pesakit Parah Miskin Malaysia, and RM19,566 to the Persatuan Kanak-Kanak Taiping from the AFFIN Barakah Charity Account-i. This Mudharabah savings account, launched in 2013, enables holders to donate a certain percentage of their monthly earned profit to charity.

Prior to the merger of the Investment Banking Group, AFFIN Investment Bank Berhad (AIBB) organised a Hari Raya gathering for leprosy patients and their family members at the Sungai Buloh Leprosarium and handed RM23,000 to eligible leprosy patients.

During the year, the merged entity under the new name Affin Hwang Capital contributed to the Elena Cooke Education Fund. Formed by the Bukit Bintang Girls' school alumni, the fund provides scholarships to underprivileged and needy students.

The joint venture company, AXA AFFIN Life Insurance Berhad (AALIB) launched the AXA 110 Cancer Care Project in collaboration with the National Cancer Society Malaysia (NCSM) in November 2013. The project involves AALIB's commitment to support and care for critical illness patients, especially those diagnosed with cancer. In conjunction with the launch, AALIB offered two new protection plans AXA 110 Cancer Care and AXA 110 Critical Illness (CI) Care. The launch also marked the introduction of the first and only online portal in Malaysia that allows customers to purchase a cancer plan online in 5 simple steps.

Through its collaboration with NCSM, which ended in June 2014, AALIB pledged to give back to the community by supporting cancer patients. The contribution by AALIB went towards the funding of one chemotherapy day-care usage at NCSM's Cancer Treatment Centre for up to 4,000 patients aimed at providing emotional comfort and lessen the financial burden for those affected by the illness.

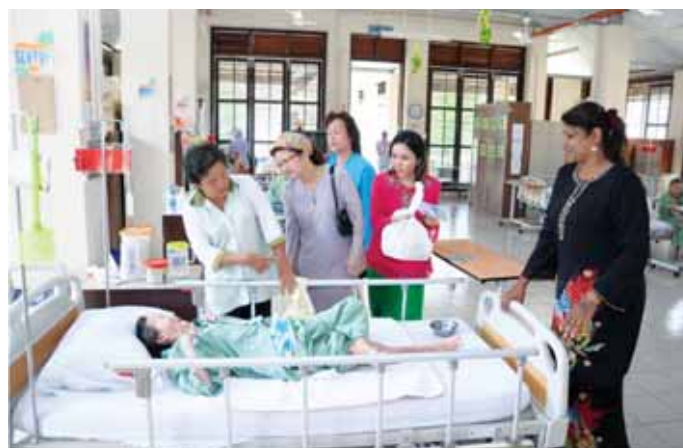


Twenty of AALIB's employees painted the Children's Home of Hope at the main building of the National Cancer Society (NCSM) in June 2014. The facility provides a better home for cancer patients whose families are in need of assistance.

Thirty volunteers from AAGIB, together with 73 children from Ephratha Home, Rumah Kasih Nurul Hasanah, Rumah Juara and Rumah K.I.D.S. participated in a Self-Defense and Crime Prevention Workshop at the Boulevard Hotel, Kuala Lumpur. The children were taught the basic skills of Aikido and crime prevention techniques when confronted with dangerous situations.

As part of flood relief efforts AAGIB and AALIB donated RM40,000 worth of school uniforms, bags, socks and mineral water to victims in Tanah Merah, Kelantan. A donation drive was also organised among employees of AAGIB, for the East Coast flood relief work.

AAGIB also organised a donation drive among its employees to donate necessities to underprivileged children from the Ephratha Home, Rumah Kasih Nurul Hasanah, Rumah Juara and Rumah K.I.D.S.



CHAIRMAN'S STATEMENT



MARKETPLACE



In the marketplace, the Group through its subsidiaries reinforced its strong standing in the industry while further enhancing customer relationships and brand value.

AFFINBANK once again provided a cash sponsorship of RM250,000 to the Raja Ashman Shah Asian Hockey Federation - Malaysian Hockey Confederation Academy in Ipoh, Perak to accelerate the growth and development of hockey in 34 Asian countries and also create a new development centre for hockey in Perak.

AFFINBANK also sponsored the Malaysian Armed Forces football team for the 2014 league season with sponsorship worth RM1.25 million.

In the area of education, the Bank sponsored The Star Newspaper-in-Education (NiE) Programme where newspapers were distributed to selected secondary schools nationwide with the aim of helping students to explore a more creative and innovative way of learning through the use of newspapers.

AFFINBANK AND AFFIN ISLAMIC jointly sponsored Utusan Malaysia's 'Tutor Pull-out' Programme. Distributed to primary and secondary students, the 'Tutor Pull-out' provides students and teachers with alternative learning material.

In conjunction with Hari Raya, AFFINBANK contributed RM100,000 worth of gift packages to the Welfare Fund of the Malaysian Armed Forces as a token of appreciation for the sacrifices and services of its personnel.

AFFINBANK and AFFIN ISLAMIC were the Official Bank and Strategic Partner for the Global Economic Symposium 2014 held in Kuala Lumpur. Organised by the Kiel Institute for the World, the symposium attracted world leaders to discuss ideas and solutions relating to global issues like financial crisis, unemployment, demographic changes, brain drains, poverty, cyber crimes and terrorism.

AFFINBANK also sponsored and promoted the Tabung Hari Pahlawan Campaign 2014, from August until October to provide a platform for the general public to make contributions and express their support for the armed forces.



WORKPLACE



Our workplace initiatives continued to create a conducive and rewarding work environment that aimed to inculcate a sense of belonging and loyalty towards the Group. The continued emphasis on training and development ensured employees at all levels had the opportunity to realise their full potential.

AFFINBANK presented awards to 127 children of its employees who excelled in their SPM, STPM or A-level examinations via the AFFIN Education Excellence Award. Since its launch in 2004, a total of RM1.7 million in cash awards have been disbursed to more than 600 deserving students. Under the AFFIN Education Excellence Award, AFFINBANK also awards scholarships worth RM60,000 to students pursuing their tertiary education in universities in Malaysia.

Employees of AFFINBANK were treated to a dinner and entertainment during its Hari Raya Open House event while three blood donation drives were organised in April and October at Menara AFFIN with more than 300 employees donating blood to the National Blood Bank. AAGIB's yearly blood donation drive saw a total of 82 donors participated in the 1-day event.

In promoting healthy lifestyles, AFFINBANK and Affin Hwang Capital participated in The Edge KL Rat Race and The Bursa Bull Run. The registration fees collected for both events were donated to various charities selected by the organiser.

Affin Hwang Capital participated in the 'Project Read: Run for Knowledge' charity run organised by Wah Seong Corporation Berhad. The proceeds from the run were distributed to underprivileged children, orphanages, orang asli villages and old folks' homes.

Affin Hwang Capital continued its Management Trainee Programme where selected university graduates underwent eight months of coaching and to gain exposure in various areas of banking.

AALIB organised a fire prevention talk which was conducted by the Fire Prevention Centre Malaysia and all its employees received Occupational Safety and Health (OSH) awareness training. AALIB also organised a Healthy Lifestyle Day at the Public Gallery, Chulan Tower. In conjunction with this event, a cardiologist from Prince Court Medical Centre was invited to talk on stress management while a free health check session was provided by Prince Court Medical Centre to all employees, agents and other tenants of the office building. In addition, a free Seifu Therapy Japanese massage session was provided to all.

In an effort by AAGIB to encourage people to take better care of their health, a free Health Screening programme was organised with the support of Gleneagles Medical Centre. More than 200 employees, agents and members of the public benefited from the 2-day programme.

CHAIRMAN'S STATEMENT



ENVIRONMENT

Being constantly aware of the environment in which we operate, we adopted sustainable business practices and continue to undertake programmes to preserve our natural surroundings in our day-to-day operations.

AFFINBANK continued to sponsor the Young Voices for Conservation Programme, organized by Treat Every Environment Special (TrEES) for the fourth year. The programme is targeted at secondary school students and focuses on producing a generation of inspired young leaders equipped with leadership and financial skills to protect the environment.

Employees of AAGIB were encouraged to walk, run or cycle to reduce CO₂ emissions and to maintain a healthy lifestyle. A total of 582 employees participated and a total of 1,186 hours of healthy activities were achieved. The funds generated from this event were given to Living Hope Malaysia. Employees of AAGIB were also encouraged to spend a minimum of 30 minutes to sort out used papers at their desks for recycling.



ZAKAT CONTRIBUTION

AFFIN ISLAMIC contributed a total of RM8.8 million in zakat for various causes and sections of the under-privileged population. This included RM1.6 million for funding monthly basic needs and medical expenses for families living in poverty.

AFFIN ISLAMIC also channelled a total of RM3.5 million towards educational aid. This included support to deserving students pursuing tertiary education in Universiti Teknologi Malaysia (UTM), Universiti Sains Islam Malaysia (USIM) and Universiti Teknologi MARA (UiTM). It also included assistance to school-going orphans and other underprivileged children via 'Back-To-School' programmes. AFFIN ISLAMIC also extended aid to individuals wishing to pursue studies in Shariah and Islamic thought.

AFFIN ISLAMIC also made a special zakat contribution of RM4.5 million to Universiti Teknologi MARA (UiTM) to build a commercial Islamic student centre, Kompleks At-Tijarah. AFFIN-UITM, located in the Puncak Alam Campus, consists of social welfare (Rukhsah), food and drinks, Dakwah and health centres. The facility was designed to strengthen students' understanding of Islam and their ability to live according to the tenets of the religion.

Among other contributions, AFFIN ISLAMIC also donated RM237,750 to newly converted muslims, and provided RM130,668 towards the settlement of debts for eligible individual recipients. The Bank also donated RM106,000 towards Riqab (rehabilitation aid); and RM2.2 million to the state zakat centres of Perlis, Perak, Kelantan, Melaka, Negeri Sembilan and Sarawak.

BOARD OF DIRECTORS





1. **Gen (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Haji Zainuddin**
Chairman
(Non-Independent Non-Executive Director)
2. **Tan Sri Dato' Seri Lodin bin Wok Kamaruddin**
Deputy Chairman
(Non-Independent Non-Executive Director)
3. **Tan Sri Dato' Seri Alauddin bin Dato' Mohd Sheriff**
(Independent Non-Executive Director)
4. **Dato' Mustafa bin Mohamad Ali**
(Independent Non-Executive Director)
5. **Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad**
(Independent Non-Executive Director)
6. **Abd Malik bin A Rahman**
(Independent Non-Executive Director)
7. **Rosnah binti Omar**
(Independent Non-Executive Director)
8. **Ignatius Chan Tze Ching**
(Non-Independent Non-Executive Director)

DIRECTORS' PROFILE



GEN (R) DATO' SERI DIRAJA TAN SRI MOHD ZAHIDI BIN HAJI ZAINUDDIN

Chairman

Non-Independent Non-Executive Director

Gen (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Haji Zainuddin, a Malaysian aged 66, was appointed as a Non-Independent Non-Executive Director and Chairman of the Board on 17 October 2005. He is also a member of the Remuneration and Nomination Committees. Gen (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi served the Malaysian Armed Forces for 39 years, holding many key appointments at field and ministerial level. He was the Chief of Defence Forces with the rank of General from 1 January 1999 till his retirement on 30 April 2005.

Gen (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi is a graduate of Senior Executive Program in National and International Security Harvard University, USA, Command and General Staff College Philippines, Joint Services Staff College Australia and National Defence College Pakistan. He also holds a Master of Science Degree (Defence and Strategic Studies) of Quaid-I-Azam University Islamabad, Pakistan.

His current directorships in other public companies include Cahya Mata Sarawak Berhad, Genting Malaysia Berhad, Bintulu Port Holdings Berhad, Genting Plantations Berhad and Parkson Asia Retail Ltd.

He is made a member of Dewan Negara Perak, elected by DYMM Paduka Seri Sultan Perak on 25 November 2006 and also a trustee of Yayasan Sultan Azlan Shah. On 23 April 2013, he was appointed as Orang Kaya Bendahara Seri Maharaja Perak by DYMM Paduka Seri Sultan Perak and consented by Dewan Negara Perak. On 4 April 2014, he was awarded "Kurniaan Darjah Kebesaran Seri Paduka Sultan Azlan Shah Perak Yang Amat DiMulia" (S.P.S.A) which carries the title "Dato' Seri DiRaja".

He does not have any family relationship with any Director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company. He has not been convicted of any offence.

TAN SRI DATO' SERI LODIN BIN WOK KAMARUDDIN

*Deputy Chairman
Non-Independent Non-Executive Director*

Tan Sri Dato' Seri Lodin bin Wok Kamaruddin, a Malaysian aged 66, was appointed as a Director of AFFIN Holdings Berhad on 19 July 1986. He was subsequently appointed as the Managing Director of the Company in February 1991 and redesignated as Deputy Chairman on 1 July 2008. He is a member of the Nomination Committee.

Tan Sri Dato' Seri Lodin pursued his undergraduate and postgraduate qualifications at University of Toledo, Ohio, USA where he earned his Bachelor of Business Administration and Master of Business Administration degrees. Tan Sri Dato' Seri Lodin has extensive experience in managing a provident fund and in the establishment, restructuring and management of various business interests ranging from plantation, trading, financial services, property development to oil and gas, pharmaceuticals and shipbuilding.

Presently, Tan Sri Dato' Seri Lodin is the Chairman of 1Malaysia Development Berhad, Boustead Heavy Industries Corporation Berhad, Boustead Petroleum Marketing Sdn Bhd, Pharmaniaga Berhad and MHS Aviation Berhad as well as the Deputy Chairman and Group Managing Director of Boustead Holdings Berhad. He is also the Chief Executive of Lembaga Tabung Angkatan Tentera ("LTAT"). Prior to joining LTAT, he was the General Manager for Perbadanan Kemajuan Bukit Fraser for nine (9) years.

Tan Sri Dato' Seri Lodin holds directorships in FIDE Forum, Badan Pengawas Pemegang Saham Minoriti Berhad, Boustead Properties Berhad and UAC Berhad. He also sits on the Board of AFFIN Bank Berhad, AFFIN Islamic Bank Berhad, AFFIN Hwang Investment Bank Berhad (formerly known as HwangDBS Investment Bank Berhad), AXA AFFIN Life Insurance Berhad and other private limited companies. He is also the Chairman of AFFIN Hwang Asset Management Berhad (formerly known as Hwang Investment Management Berhad).

Among the many awards Tan Sri Dato' Seri Lodin received to-date include the Chevalier De La Légion D'Honneur from the French Government, the Malaysian Outstanding Entrepreneurship Award, the Degree of Laws (honoris causa) from the University of Nottingham, United Kingdom, UiTM Alumnus of The Year 2010 Award and The Brand Laureate Most Eminent Brand ICON Leadership Award 2012 by Asia Pacific Brands Foundation and The Brand Laureate Corporate Leader of The Year Award 2013 – 2014.

He does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company. He has not been convicted of any offence.



DIRECTORS' PROFILE



RAJA TAN SRI DATO' SERI AMAN BIN RAJA HAJI AHMAD

Independent Non-Executive Director

Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad, a Malaysian aged 69, was appointed as a Director of AFFIN Holdings Berhad on 25 April 1991. He was redesignated as an Independent Non-Executive Director on 15 January 2008. He is the Chairman of Audit Committee and a member of the Nomination Committee.

Raja Tan Sri Dato' Seri Aman was the Chief Executive Officer of AFFIN Bank Berhad, a wholly owned subsidiary of AFFIN Holdings Berhad until May 2003. Presently, Raja Tan Sri Dato' Seri Aman sits on the board of AFFIN Hwang Investment Bank Berhad (formerly known as HwangDBS Investment Bank Berhad), a subsidiary of AFFIN Holdings Berhad. He is also presently a Director of Ahmad Zaki Resources Berhad and Tomei Consolidated Berhad.

Raja Tan Sri Dato' Seri Aman is a member of the Malaysian Institute of Accountants, a Certified Public Accountant and a Fellow of the Institute of Chartered Accountant of England and Wales. He held various positions in Maybank Group from 1974 to 1985 prior to joining AFFIN Bank Berhad in 1985 as an Executive Director/CEO. He left AFFIN Bank Berhad in 1992 to join Perbadanan Usahawan Nasional Berhad as the Chief Executive Officer for one year and was re-appointed as Chief Executive Officer of AFFIN Bank Berhad in 1995.

He does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company. He has not been convicted of any offence.

DATO' MUSTAFA BIN MOHAMAD ALI

Independent Non-Executive Director

Dato' Mustafa bin Mohamad Ali, a Malaysian aged 78, was appointed as an Independent Non-Executive Director of AFFIN Holdings Berhad on 28 November 2002. He is also the Chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee. Dato' Mustafa sits on the Board of AXA-AFFIN Life Insurance Berhad, a subsidiary of AFFIN Holdings Berhad.

Dato' Mustafa also sits on the Board of Batu Kawan Berhad. Dato' Mustafa graduated with a Bachelor of Arts (Honours) Degree majoring in Economics and Master of Arts from Cambridge University, UK. He also holds a Diploma in Advertising from the Advertising Association, UK. He has attended the Advanced Management Programme at the Harvard Business School, USA.

Dato' Mustafa held various positions, including as Marketing Director for Malaysian Tobacco Company from 1974 to 1979, Corporate Planning Executive for British-American Tobacco, Co. London from 1980 to 1982, Managing Director (Tobacco Division) for Malaysian Tobacco Company from 1982 to 1988, Director of Sime Darby (International Operation) from 1988 to 1992 and Regional Director of Sime Darby (Malaysian Region Operations) from 1992 to 1994. He was an Adviser for Kumpulan Guthrie from 1994 to 2002. Dato' Mustafa is currently a trustee of Harvard Business School Alumni, Club of Malaysia Foundation and the British Graduates Association.

He does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company. He has not been convicted of any offence.



DIRECTORS' PROFILE



ABD MALIK BIN A RAHMAN

Independent Non-Executive Director

Encik Abd Malik bin A Rahman, a Malaysian aged 66, was appointed as an Independent Non-Executive Director of AFFIN Holdings Berhad on 16 February 2011. Encik Malik is currently an Independent Non-Executive Director of Boustead Heavy Industries Corporation Berhad, CYL Corporation Berhad, Lee Swee Kiat Group Berhad and Innity Corporation Berhad as well as Director of several private limited companies including Boustead Penang Shipyard Sdn Bhd. He is also a Director of the subsidiaries of AFFIN Holdings Berhad namely AFFIN Hwang Investment Bank Berhad (formerly known as HwangDBS Investment Bank Berhad), and AFFIN Hwang Asset Management Berhad (formerly known as Hwang Investment Management Berhad).

He is a Chartered Accountant member of the Malaysian Institute of Accountants, Fellow of the Association of Chartered Certified Accountants (UK), a member of the Malaysian Institute of Certified Public

Accountants, member of Certified Financial Planners (USA), member of Chartered Management Institute (UK) and a member of the Malaysian Institute of Management.

Encik Malik has held various senior management positions in Peat Marwick Mitchell (KPMG), Esso Group of Companies, Colgate Palmolive (M) Sdn Bhd, Amway (Malaysia) Sdn Bhd, Fima Metal Box Berhad and Guinness Anchor Berhad. He was the General Manager, Corporate Services of Kelang Multi Terminal Sdn Bhd (Westports) from 1994 until 2003.

He does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company. He has not been convicted of any offence.

TAN SRI DATO' SERI ALAUDDIN BIN DATO' MOHD SHERIFF

Independent Non-Executive Director

Tan Sri Dato' Seri Alauddin bin Dato' Mohd Sheriff, a Malaysian aged 68, was appointed as an Independent Non-Executive Director of AFFIN Holdings Berhad on 23 December 2011. He is the Chairman of the Nomination Committee and a member of Board Risk Management Committee. He is currently an Independent Non-Executive Director of Malakoff Corporation Berhad.

Tan Sri Dato' Seri Alauddin holds a Degree of Barrister-at-Law of Inner Temple, London. He held various posts in the legal and judicial service since 1971. He started his career with the Judiciary as a Magistrate in Bukit Mertajam in 1971 and in Kangar in 1972. Thereafter, he was appointed as President of the Session's Court in Sungai Petani, Kuantan and Taiping. In 1977, he was appointed as Senior Federal Counsel with the Income Tax Department and the Attorney General's Chambers.

On 1 June 1979, he was seconded to Petronas Carigali as its Secretary cum Legal Advisor. Thereafter, he was appointed as the Legal Advisor to the State of Johor in October 1980. On 1 April 1982, he took the office of the Legal Advisor of Negeri Sembilan. He was again appointed as the Legal Advisor to the state of Johor in June 1983. He was appointed as the Chairman of the Advisory Board in the Prime Minister's Department since 1 June 1989.

Tan Sri Dato' Seri Alauddin was appointed as Judicial Commissioner of the High Court of Malaya in Kuala Lumpur on 1 February 1992 and was transferred to the High Court of Malaya in Johor in the same year. He was later elevated as the Judge of the High Court wherein he had served in the High Courts of Johor, Kangar and Alor Star before being elevated to the Court of Appeal on 15 April 2001.

After serving for about 3 years in the Court of Appeal, he was elevated to the Federal Court of Malaysia on 12 July 2004. During his tenure as a Judge of the Federal Court, he had the occasion of carrying out the duties and functions of the President of the Court of Appeal from 15 August 2006 until 4 September 2007.

On 5 September 2007, he was appointed as the Chief Judge of Malaya and on 18 October 2008, he was appointed as the President of the Court of Appeal until his retirement in August 2011.

He does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company. He has not been convicted of any offence.



ROSTNAH BINTI OMAR

Independent Non-Executive Director



Rosnah binti Omar, a Malaysian aged 61, was appointed as an Independent Non-Executive Director of AFFIN Holdings Berhad on 5 February 2014. She is the Chairman of Board Risk Management Committee for the Banking Group since 11 August 2014.

Rosnah has more than 30 years of Banking and Finance experience since 1976, having worked for Bank Bumiputra Malaysia Berhad (Kuala Lumpur, London and New York), Prudential Bache (London), Bankers Trust International (London) Security Pacific Hoare Govett (London) and NM Rothschild (Singapore). Her working exposure covered commercial and investment banking in Malaysia, London, New York and Singapore and asset management in Malaysia. She became Board Member of all the Bank Bumiputra Malaysia Berhad financial subsidiaries in Merchant banking, Securities Company, Futures entity and offshore operations in Labuan. Rosnah was also a Board Director in NM Rothschild in Singapore. She represented Rothschild in Bumiputra Merchant Bank, KN Kenanga Asset Management and Investment Management in Malaysia.

In 2000, Rosnah ventured in the risk management advisory business as Executive Director of PK Tech. Sdn Bhd responsible for the Information Technology strategy for the company. Subsequently, Rosnah became Chief Executive Officer (CEO) at Malaysia Building Society Berhad (MBSB), a subsidiary of the Employees Provident Fund (EPF) and a listed company on the KLSE from 2001-2003.

Rosnah was appointed the Director-General of the Labuan Offshore Financial Services Authority (LOFSA) by the Malaysian Government effective July 2003-June 2005. She was on the Board of the Islamic International Financial Market (IIFM) based in Bahrain and attended the first programme in International Centre for Leadership in Finance (ICLIF) conducted by the ICLIF Leadership and Governance Centre in Malaysia.

Rosnah became Chairman and Managing Director of Rothschild Malaysia Sdn Bhd in 2006. Rosnah left Rothschild in 2008 after having re-established Rothschild's operations in Malaysia to pursue her interest in Islamic Finance and Risk Management advisory. Rosnah was adviser on Islamic Finance for the Commonwealth Business Council in London and on Banking Risk in Malaysia with Algorithmics (Singapore). She has completed the Financial Institutions Directors' Education Program (FIDE) and the Advanced Risk Management conducted by International Centre for Leadership in Finance (ICLIF). She is currently pursuing her PhD in Islamic Finance at the International Islamic University Malaysia in the International Institute of Islamic Banking and Finance campus in Damansara.

She does not have any family relationship with any director and/or major shareholder of the Company, or any personal interest in any business arrangement involving the Company. She has not been convicted of any offence.

IGNATIUS CHAN TZE CHING

Non-Independent Non-Executive Director

Mr. Ignatius Chan Tze Ching a Chinese national aged 58 was appointed as a Non-Independent Non-Executive Director of AFFIN Holdings Berhad on 6 August 2013 replacing Dr the Hon. Sir David Li Kwok Po who resigned as a Director of AHB on the same date. He is a member of Board Risk Management Committee since 11 August 2014.

Mr. Chan started his career in banking industry with Citibank, Hong Kong as a Management Associate in 1980. He was posted to Japan from 1986 to 1994. In 1994, he returned to Hong Kong to become Country Treasurer and Head of Sales and Trading. In 1997, he became the Head of Citibank's Corporate banking business for Hong Kong. In 1999, he became Citigroup Country Officer for Hong Kong. In 2003, Mr. Chan was posted to Taiwan as Citigroup Country Officer. In 2004, he assumed the additional role of Chief Operating Officer for Greater China. In 2005, he returned from Taiwan to Hong Kong as Citigroup Country Officer for Hong Kong and Head of Corporate and Investment Banking business for Greater China, a position he held until his retirement from Citibank in 2007.

Thereafter, Mr. Chan worked briefly as Deputy Chief Executive for Bank of China (Hong Kong) in 2008. Mr. Chan is currently holding the position of Senior Advisor at The Bank of East Asia, Limited and CVC Capital partners.

Mr. Chan is also an Independent Non-Executive Director of two (2) companies namely Hong Kong Exchanges and Clearing Limited and Mongolian Mining Corporation (MMC). He is the Chairman of the Audit Committee of MMC. He is also a Non-Executive Director of Rizal Commercial Banking Corporation and Honorary Advisory Vice President, Hong Kong Institute of Bankers.

Mr. Chan is presently Deputy Chairman of Hong Kong Polytechnic University Council (Chairman of Executive Committee), member of Hong

Kong Open University Sponsorship and Development Fund Committee, member of Hong Kong Red Cross Council (Chairman of Audit Committee), member of Executive Committee of Investor Education Centre, Securities and Futures Commission, member of Hong Kong Tourism Board and member of Standing Commission on Civil Service Salaries and Conditions of Service (SCCS). Mr. Chan is member, Board of Directors, The Community Chest of Hong Kong and member of The Financial Reporting Council (FRC).

Among the past positions that Mr. Chan had held were Vice President and Fellow, Hong Kong Institute of Bankers, member of Banking Advisory Committee of the Hong Kong Monetary Authority, member of HKSAR Small and Medium Size Enterprises Committee, Council member of Hong Kong Treasury Markets Association, Council member of Employer's Federation of Hong Kong, Board member of Hong Kong Export Credit Insurance Corporation, Honorary Chairman of Hong Kong Chinese Bankers Club, Chairman of HKSAR Advisory Committee on Human Resources Development in the Financial Services Sector, member of HKSAR Advisory Committee on Board Market Development, Chairman of Financial & Treasury Services Committee, Hong Kong General Chamber of Commerce and Chairman of HKSAR Travel Industry Compensation Fund Management Board.

Mr. Chan obtained his Bachelor of Business Administration degree from University of Hawaii in 1977. He obtained his MBA degree from the same university in 1979 and his CPA from the American Institute of Certified Public Accountants in the same year.

He does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company. He has not been convicted of any offence.



SENIOR MANAGEMENT OF AFFIN HOLDINGS BERHAD GROUP



DATO' ZULKIFLEE ABBAS BIN ABDUL HAMID

Group Chief Executive Officer
AFFIN Holdings Berhad

Managing Director/Chief Executive Officer
AFFIN Bank Berhad

Dato' Zulkiflee Abbas bin Abdul Hamid, a Malaysian aged 58, was appointed as the Group Chief Executive Officer of AFFIN Holdings Berhad on 2 January 2014. He is also the Managing Director/Chief Executive Officer of AFFIN Bank Berhad, a position held by him since April 2009.

On 1 December 2011, Dato' Zulkiflee was accorded the mandate to drive AFFIN Banking Group's ("ABG") strategic and developmental agenda for all entities within the ABG namely: AFFIN Bank Berhad, AFFIN Islamic Bank Berhad and AFFIN Investment Bank Berhad (now known as AFFIN Hwang Investment Bank Berhad).

Prior to his current role, Dato' Zulkiflee was appointed the Director, Enterprise Banking upon joining AFFIN Bank Berhad on 1 March 2005. He was subsequently made the Executive Director, Banking in 2008 with expanded responsibilities in overseeing both Business and Consumer Banking.

Dato' Zulkiflee carries with him more than 31 years of local and international banking experience, covering all aspects of banking in Malaysia, London and New York. Throughout his career, he has assumed pivotal roles which include Regional Manager, Chief Credit Officer and Global Head of Enterprise Banking, amongst others.

Dato' Zulkiflee sits on the Board of ABM Investment Sdn Bhd, AFC Holdings (Malaysia) Sdn Bhd, Malaysia Electronic Payment System Sdn Bhd and Asian Institute of Chartered Bankers (formerly known as Institut Bank-Bank Malaysia). He is also a Council member of Association of Banks in Malaysia and a Trustee of Yayasan Budiman UiTM and Tabung RM1B Alumni Universiti Teknologi Mara.

Dato' Zulkiflee holds a Master in Business Administration (1981) and a Bachelor of Science degree in Marketing (1979), both from Southern Illinois University, USA.

He does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company. He has not been convicted of any offence.

Kamarul Ariffin bin Mohd Jamil
Chief Executive Officer
AFFIN Islamic Bank Berhad



Maimoonah binti Hussain
Group Managing Director
AFFIN Hwang
Investment Bank Berhad





Loke Kah Meng
Chief Executive Officer
AXA AFFIN Life Insurance Berhad



Akmal bin Hassan
Chief Executive Officer
Asian Islamic Investment Management Berhad



Chandra Nair
Chief Executive Officer
AFFIN Moneybrokers Sdn Bhd

Teng Chee Wai
Chief Executive Officer
AFFIN Hwang Asset Management Berhad



Emmanuel Nivet
Chief Executive Officer
AXA AFFIN General Insurance Berhad



Nimma Safira binti Khalid
Company Secretary
AFFIN Holdings Berhad



Lee Yoke Kiow
Executive Director
AFFIN Holdings Berhad



Khatimah binti Mahadi
Group Chief Internal Auditor
AFFIN Holdings Berhad Group

Kasinathan T. Kasipillai
Group Chief Risk Officer
AFFIN Holdings Berhad Group



CORPORATE GOVERNANCE STATEMENT

The MCCG sets out the broad principles and specific recommendations on structures and processes which the Company should adopt in making good corporate governance an integral part of its business dealings and culture and focuses on strengthening board structure and composition recognising the role of Directors as active and responsible fiduciaries. The Board is committed to ensuring that the highest standards of corporate governance are practised throughout the Group.

The Board of AFFIN Holdings Berhad fully subscribes and supports the Malaysian Code on Corporate Governance 2012 (MCCG) and the relevant provisions in the Bursa Malaysia Securities Berhad (BMSB) Main Market Listing Requirements.

CORPORATE GOVERNANCE WITHIN AFFIN HOLDINGS BERHAD

The Board recognises that corporate governance is a continuous process that requires periodic reassessment and refinement.

THE BOARD OF DIRECTORS

The Board has the responsibility for leading and controlling the Group including those pertaining to corporate governance, strategic direction and overseeing the investments and operations of the Group. The Board also has its own code of conduct which is stated in the Board Policy Manual.

COMPOSITION OF THE BOARD

The Board currently has eight (8) members comprising one (1) Non-Independent Non-Executive Chairman, one (1) Non-Independent Non-Executive Deputy Chairman, one (1) Non-Independent Non-Executive Director and five (5) Independent Non-Executive Directors.

(a) Board Members

The directors who have held office since the date of the last report and at the date of this report are: -

Name of Directors	Executive/ Non-Executive Director	Independent/ Non-Independent Director
Gen (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Haji Zainuddin (<i>Chairman</i>)	Non-Executive	Non-Independent
Tan Sri Dato' Seri Lodin bin Wok Kamaruddin (<i>Deputy Chairman</i>)	Non-Executive	Non-Independent
Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad	Non-Executive	Independent
Dato' Mustafa bin Mohamad Ali	Non-Executive	Independent
Abd Malik bin A Rahman	Non-Executive	Independent
Rosnah binti Omar [^]	Non-Executive	Independent
Tan Sri Dato' Seri Alauddin bin Dato' Mohd Sheriff	Non-Executive	Independent
Ignatius Chan Tze Ching	Non-Executive	Non-Independent
Professor Arthur Li Kwok Cheung [*]	Non-Executive	Non-Independent
Peter Yuen Wai Hung (<i>Alternate Director to Professor Arthur Li Kwok Cheung</i>)	Non-Executive	Non-Independent
Adrian David Li Man Kiu [*] (<i>Alternate Director to Ignatius Chan Tze Ching</i>)	Non-Executive	Non-Independent

[^] Appointed on 5 February 2014

^{*} Resigned on 31 December 2014

A brief description of the background of each director is presented in pages 24 to 31 of this Annual Report.

As directors should devote sufficient time to carry out their responsibilities, the Board will obtain this commitment from its members at the time of their appointment. The appointed director should notify the Chairman before accepting any new Directorship. The notification will include an indication of time that will be spent on the new appointment.

(b) Board Balance, Duties and Responsibilities

The membership of the Board complies with the provision of MCCG in that at least one-third of the Board must be independent. The current Board consists of five (5) Independent Directors and three (3) Non-Independent Directors. The directors have a wide range of business, financial and technical skills and experience. Together the members of the Board bring a mix of skills and experience required for the success of the Group.

The Board has established clear functions reserved for the Board and those delegated to the management. The Board deliberates the annual budget and business plan and approves the performance targets and the goals of the business to be met by the Company, subsidiaries and associated company. The positions of Chairman and Group Chief Executive Officer are held by different individuals, and the Chairman is a Non Executive member of the Board. There is a division of responsibility between the Chairman who is leading the Board in the oversight of management and the Group Chief Executive Officer, who is responsible for managing the overall business and day to day operations of the Company to ensure that there is a balance of power and authority, promotion of accountability and facilitation of division of responsibilities between them. There are clear duties and responsibilities for the Directors, Independent Directors, Chairman and Deputy Chairman as stated in the Board Policy Manual.

The current Chairman is not the previous Chief Executive Officer of the Company. The key duties and responsibilities of the Chairman are to provide leadership to the Board, chairing the meetings of the Board and shareholders, ensuring that the Board fully discharge of its responsibilities and acting as liaison person between the Board and the management.

CORPORATE GOVERNANCE STATEMENT

The present Board has five (5) Independent Directors to ensure balance authority of the Board as the Chairman of the Board is not an Independent Director. The presence of the Independent Non-Executive Directors of the necessary calibre and experience to carry sufficient weight in Board decisions provides a balance in the Board. Although all the Directors have equal responsibility for the Group's operations, the role of the Independent Non-Executive Directors is particularly important in providing an independent view, advice and judgement to take into account the interest of the Group, shareholders, employees and communities in which the Group conducts business.

The Board undertakes an assessment of its Independent Directors at the point of appointment of the director and prior to the application to BNM for the re-appointment of Independent Directors based on the criteria stated in Revised BNM/GP1 and Main Market Listing Requirements of Bursa Malaysia which require that an Independent Director is independent of management and free from any business or other relationship which could interfere with the exercise of independent judgement or the ability to act in the best interest of the Group. When assessing independence, the Board focuses beyond the Independent Director's background, economic and family relationships and considers whether the Independent Director can continue to bring independent and objective judgment to Board deliberations.

In its meeting on 24 May 2011, the Board resolved that the maximum tenure for an Independent Director is 15 years until year 2013. After 2013, the maximum tenure for an Independent Director would be reduced to 12 years.

The MCCG recommends that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years and the Independent Director may continue to serve on the Board subject to the director's re-designation as a Non-Independent Director. The MCCG also allows for the Board to seek shareholders' approval in the event it retains an Independent Director who has served in that capacity for more than nine (9) years.

On an annual basis, the Board considers the list of Independent Directors in AHB and its subsidiaries who have served in that capacity for a cumulative term of more than nine (9) years and the requirement of the respective Board of AHB and its subsidiaries to justify and seek shareholders' approval in Annual General Meeting in the event the respective Board decided to retain any of its Independent Directors who have served in that capacity for a cumulative term of more than nine (9) years.

In this respect, the Board of the Company and the subsidiaries intend to seek shareholders' approval with justifications during the Annual General Meeting of the Company and the subsidiaries for the Independent Directors in the Group to remain as Independent Directors after serving a cumulative term of nine (9) years.

The Board has established clear roles and responsibilities in discharging its fiduciary and leadership functions. The Board has assumed, amongst others the following duties and responsibilities during the financial year:-

- a) Reviewing and adopting a strategic plan for the Group;
- b) Overseeing the conduct of the Company's business;
- c) Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures;
- d) Succession planning;
- e) Overseeing the development and implementation of a corporate disclosure policy and procedures; and
- f) Reviewing the adequacy and the integrity of the management information and internal control system of the Company.

The Board has formalised its code of conduct in the Board Policy Manual and ensured compliance to the code of conduct during the year. The whistle blowing policy was approved by the Board on 13 August 2012. In line with the company's commitment to the highest standards of ethical and fair business conduct and ensuring high standard of governance and accountability, the Board has ensured compliance to the whistle blowing policy during the year.

The Company's strategies to promote sustainability were approved by the Board on 19 November 2012. The Company's commitments with respect to sustainability are in the core areas of workplace, marketplace, community and environment. The Company's involvement in the community takes many forms which include providing financial aid or in-kind to the poor and needy members of the society, sponsorship of special community events or projects, contribution of funds to community organisations or causes and activities with community and staff participation.

Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad is the Senior Independent Non-Executive Director, to whom concerns from the other directors, public or investors shall be conveyed.

Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad, the Chairman of the Audit Committee, is a member of the Malaysian Institute of Accountants ("MIA") and meets the requirements of Paragraph 15.09 (1)(c) of the BMSB Main Market Listing Requirements.

BOARD MEETINGS

The Chairman is responsible for ensuring that the Board meets on a regular basis throughout the year. The Board meets at least four (4) times a year, with additional meetings convened when necessary. It has a formal time schedule that is determined in advance. The notice of the meetings is circulated to Board members at least fourteen (14) days before the meeting and the agenda and Board papers are circulated at least seven (7) days before each meeting.

The Board has formalised its responsibilities and the terms of reference of its committees in the Board Policy Manual and has made them available in the corporate website of the Company.

The Board has a formal schedule of matters (including strategic and policy issues, financial decisions and the annual business plan) reserved to it. The Board and its committees are supplied with all necessary information to enable them to effectively discharge their responsibilities.

The quorum for the Board meetings is a minimum of 3 attendees or 50% of total board members, whichever is higher as set out in the Board Policy Manual and the revised Guidelines on Corporate Governance for Licensed Institution (Revised BNM/GP1). The Board records all its deliberations, in terms of the issues discussed and the conclusions in discharging its duties and responsibilities. All conclusions of the Board are duly recorded in the Board minutes.

During the financial year ended 31 December 2014, four (4) Board meetings and five (5) Special Board Meetings were held. The details of attendance of each director at the Board meetings held during their tenure of service in financial year 2014 are as follows:-

Name of Directors	Attendance at meetings
Gen (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Haji Zainuddin	9/9
Tan Sri Dato' Seri Lodin bin Wok Kamaruddin	9/9
Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad	8/9
Dato' Mustafa bin Mohamad Ali	9/9
Abd Malik bin A Rahman	9/9
Tan Sri Dato' Seri Alauddin bin Dato' Mohd Sheriff	8/9
Rosnah binti Omar [^]	8/8
Ignatius Chan Tze Ching	8/9
Professor Arthur Li Kwok Cheung [*]	5/9
Mr. Peter Yuen Wai Hung (<i>Alternate Director to Professor Arthur Li Kwok Cheung</i>)	3/9
Mr. Adrian David Li Man Kiu [*] (<i>Alternate Director to Mr Ignatius Chan Tze Ching</i>)	-

[^] Appointed on 5 February 2014

^{*} Resigned on 31 December 2014

CORPORATE GOVERNANCE STATEMENT

SUPPLY OF INFORMATION

All directors are entitled to information pertaining to the Group to enable them to effectively discharge their duties as directors. Occasions may arise when the Board has to seek legal, financial, governance or expert advice in the course of their duties. There are established procedures in place for any director to obtain independent professional advice at the cost of the Group. The directors also have unrestricted access to the information pertaining to the Group including the Group's auditors and consultants. All directors, particularly the Chairman, have unrestricted access to the advice and services of the Company Secretary for the purposes of the Board's affairs and the business. The Board also regularly consults the Company Secretary who is qualified and competent on procedural and regulatory requirements. The Company Secretary is responsible for ensuring compliance with the relevant regulations affecting the Group, including but not limited to the Financial Services Act 2013, Islamic Financial Services Act 2013, the Companies Act 1965, Capital Markets and Services Act 2007, the Main Market Listing Requirements of BMSB and the laws and regulations imposed by the Securities Commission.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

(a) Appointment

The Nomination Committee is in compliance with the best practice set out in MCCG on the appointment of members to the Board, and is subject to the approval of Bank Negara Malaysia. For new appointment of directors, the Board will set out expectations on time commitment for the new director and the protocols for accepting new Directorships.

(b) Re-election

The Company's Articles of Association provides for all directors to be subjected to re-election by rotation at each Annual General Meeting. The Articles of Association further provides for all directors to submit themselves for re-election at least once in three (3) years in compliance with the BMSB Main Market Listing Requirements. The re-appointment of directors is also subject to the approval of Bank Negara Malaysia.

DIRECTORS' TRAINING

An integral element in the process of appointing new directors requires new directors to undergo an orientation programme in respect of the businesses of the Group together with meeting the management teams within the Group, including reiterating the expectations of the Board with regard to individual members' contributions to the Board and the Group.

The Nomination Committee further ensures that its members have access to appropriate continuing education programmes and all Board members undergo the necessary training from time to time and are kept abreast with current regulatory issues and changing commercial risks. It is imperative that directors devote sufficient time to update their knowledge and enhance their skills through appropriate continuing education programmes and life-long learning. This will enable directors to sustain their active participation in board deliberations.

During the year, the directors have attended various courses and seminars relevant to their duties and responsibilities to further enhance their skill and knowledge.

Pursuant to the requirements of Bursa Malaysia, a newly appointed director is required to attend the Mandatory Accreditation Programme (MAP) by Bursa Malaysia. The director is required to complete the MAP within 4 months of his/her appointment.

Puan Rosnah binti Omar, who was appointed as a director of the Company on 5 February 2014, has attended and successfully completed the MAP.

Conferences, seminars and training programmes attended by directors in year 2014 were:-

- **Corporate Governance**

- Annual Corporate Governance Summit, Symposium and Seminar in 2014
- Anti-Money Laundering and Anti-Terrorism Financing Act 2001
- Using risk management as a catalyst for performance
- Best Practices in ensuring Boardroom effectiveness & accountability
- Advocacy Session on Corporate Disclosure for Directors
- Innovation Governance in practice
- Mandatory Accreditation Programme for Directors of Public Listed Companies
- Connected Transactions under the Listing Rules
- KPMG Independent Non-Executive Directors Forum: issues relating to corporate governance and updates on business, regulatory and accounting matters
- Disclosure of Interests under Securities and Futures Ordinance

- **Board/Board Committees' Conduct/Leadership**

- Dialogue session with Nomination Committee Members
- Business Leaders Dialogue with Prime Minister
- Dialogue sessions with Bank Negara Malaysia on Corporate Governance/Human Capital
- Corporate Disclosure for Directors
- Audit Committee Conference 2014
- A Comprehensive talent-based approach to Board Recruitment
- Summary of key changes (in relation to Director's duties) and Conflict of Interest under the new Companies Ordinance
- A Guide on Directors' Duties issued by Companies Registry
- Directors Duties, Conflict of Interests, Disclosure, Fair dealings, Secret Profits/Bribery, Directors Indemnification
- Managing Staff Integrity
- Independent Non-Executive Directors Forum

- **Banking/Finance/Economy**

- Financial Services Act 2013 & Islamic Financial Act 2013
- FIDE Forum Dialogue with Governor
- Key trends in Investment Banking & Equity Broking
- AFFIN Investment Conference Series 2014
- Dialogue with Prime Minister on Sustainability & Diversity
- Briefing session for the Securities Commission's Annual Report 2013
- High Level Roundtable on the Malaysian Code for Institutional Investors
- Key Trends in Investment Banking & Equity Broking
- Goods and Services Tax
- Mergers & acquisitions for Financial Institutions
- FIDE Core Programme
- Asian Financial Forum
- LME Asia Seminar
- Annual Senior Managers' Conference 2014 of Genting Malaysia Berhad

CORPORATE GOVERNANCE STATEMENT

• Risk Management/Insurance

- Recovery and Resolution Plan in Financial Institution
- Sharing and Use of Consumer Credit data through a Credit Reference Agency
- Exclusive Presentation and Dialogue by Tan Sri Andrew Sheng on Risk Management
- Roundtable Discussion on Financial Reporting on Insurance
- Board Leadership in Managing Cyber Security Risk in Financial Institutions
- Risk Management Elective Programme
- Supervisory Policy Manual on Recovery Planning
- Legal Liabilities, Insurance and Recent Trends on Directors and Officers
- Non-Executive Director Programme on Crisis Management
- Amendments to Companies Bill, Goods & Services Tax, Resolution and Recovery Planning and Cybercriminals in the Financial Sector

DIRECTORS' REMUNERATION

The objective of the Company's policy on directors' remuneration is to attract and retain directors of the calibre needed to lead the Group successfully.

The Board has established a formal and transparent remuneration policies and procedures to attract and retain directors. The determination of the remuneration for Non-Executive Directors is a matter for the Board as a whole. The remuneration packages had taken into account of pay and employment conditions within the industry. The level of remuneration paid to Non-Executive Directors reflects the experience and level of responsibilities undertaken by the particular Non-Executive Director concerned. Non-Executive Directors are paid a basic fee as ordinary remuneration and paid a sum based on their responsibilities in the Committees. The fee is a fixed sum and not by a commission on or percentage of profits or turnover as stated in the Main Market Listing Requirements of BMSB. In determining the level of remuneration for Non-Executive Directors, the Board will normally conduct a survey of the remuneration levels in the industry either by external consultants or the management. This survey will be tabled and presentation be made to the Remuneration Committee and Board for deliberation.

The considerations that the Board normally takes into account in determining the remuneration package of directors include:-

- a) membership of a director in committee(s);
- b) whether the director is a member or Chairman of committee(s);
- c) affordability;
- d) industry's practices/benchmarks; and
- e) reasonableness.

Fees payable to directors are recommended by the Remuneration Committee to the Board for approval by the shareholders at the Annual General Meeting. The Company reimburses reasonable expenses incurred by the directors in the course of performing their duties as directors.

The details of the remuneration for the financial year ended 31 December 2014 of the directors are as follows:-

Directors	Fees (RM)	Allowances (RM)	Benefit in kind (RM)	Other Emoluments (RM)	Total (RM)
NON-EXECUTIVE DIRECTORS	2,413,228	478,200	32,213	–	2,923,641

The number of directors whose total remuneration during the year fall within the following bands are as follows:-

Non-Executive Directors (Including Alternate Directors)	No. of Directors
Nil	–
RM 1 to RM 50,000	1
RM 100,001 to RM 150,000	4
RM 300,001 to RM 350,000	2
RM 450,001 to RM 500,000	2
RM 800,001 to RM 850,000	1

THE BOARD COMMITTEES

The current Board Committees to assist the Board in the execution of its responsibilities are as follows:-

- Audit Committee
- Nomination Committee
- Remuneration Committee
- Risk Management Committee

(a) Audit Committee

The present terms of reference of the Audit Committee are in compliance with the requirements of the BMSB Main Market Listing Requirements and the best practices contained in MCCG.

The Board recognises that an effective Audit Committee is vital to ensure the Company's financial statements is a reliable source of financial information. The Audit Committee ensures that the Company's financial statements comply with applicable financial reporting standards as this is integral to the reliability of financial statements.

The Board has established an internal audit function which reports directly to the Audit Committee. The Group Chief Internal Auditor has the relevant qualifications and be responsible for providing assurance to the Board that the internal controls are operating effectively. The Group internal audit is carrying out their functions according to the standards set by recognised professional bodies and conduct regular reviews and appraisals of the effectiveness of the governance, risk management and internal control processes within the Company. Periodic testing of the effectiveness and efficiency of the internal control procedures and processes is conducted to ensure that the system is viable and robust.

The internal audit function of the Group is performed in-house. The Chief Group Internal Auditor reports to the Audit Committee of AFFIN Holdings Berhad and the respective subsidiaries. As for AXA-AFFIN Life Insurance Berhad and AXA-AFFIN General Insurance Berhad, the Head of Internal Audit reports to the Audit Committee of the respective Company.

(b) Nomination Committee

The members of the Nomination Committee are as follows:-

Tan Sri Dato' Seri Alauddin bin Dato' Mohd Sheriff (Chairman)	Independent Non-Executive Director
Gen (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Haji Zainuddin	Non-Independent Non-Executive Director
Tan Sri Dato' Seri Lodin bin Wok Kamaruddin	Non-Independent Non-Executive Director
Dato' Mustafa bin Mohamad Ali	Independent Non-Executive Director
Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad	Independent Non-Executive Director

CORPORATE GOVERNANCE STATEMENT

The composition of the Nomination Committee complies with Revised BNM/GP1 which requires a minimum of five (5) members of which at least four (4) must be Non-Executive Directors. It also complies with the best practices in MCCG which requires the Committee to be composed exclusively of Non-Executive Directors, a majority of whom are independent. The Chairman of the Committee is an Independent Director as required by Revised BNM/GP1.

The Nomination Committee has the following duties and responsibilities:-

- To recommend candidates for all directorships to be filled by shareholders or the Board;
- To recommend candidates to fill the seats on Board Committees;
- To recruit and retain the best available directors;
- To assess the contribution of each individual director;
- Reviewing annually the Board structure, size, composition and the balance between Executive Directors, Non-Executive Directors and Independent Directors to ensure that the Board has the appropriate mix of skills and experience including core competencies which directors should bring to the Board and other qualities to function effectively and efficiently;
- To take necessary steps to ensure that women candidates are sought as part of the the Company's recruitment exercise to meets its gender diversity policy;
- To establish and implement processes for assessing the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each director;
- To review regularly the status of Independent Directors and ensure that they meet the criteria of Independent Directors as defined in the guidelines issued by BNM and in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad;
- To assess and recommend to the Board, the re-appointment of directors and CEO upon the expiry of the respective terms of appointment as approved by BNM;
- To recommend directors who are retiring at Annual General Meetings for re-election and termination of Board membership for appropriate reasons;
- To conduct assessments on the fitness and propriety of directors, the CEO and the Company Secretary and making decisions on their appointments;
- To review regularly the list of key responsible persons (which include the directors, CEO and Senior Officers) of the Company to ensure that the list is comprehensive and has included all key positions within the Company;
- To establish and review regularly the internal policies on fit and proper procedures and assessment processes relating to key responsible persons and the Company Secretary;
- To assess on an annual basis, that the directors, CEO and Senior Officers are not disqualified under Section 59 of the Financial Services Act 2013 and that the directors, CEO and senior officers continue to comply with the fit and proper criteria as approved by the Board;
- To assess on an annual basis, that the Company Secretary is not disqualified under Section 139C of the Companies Act 1965 and that he/she continues to comply with the fit and proper criteria as approved by the Board;
- To recommend to the Board the removal of a director or CEO if he/she is disqualified under Section 59 of the Financial Services Act 2013, no longer comply with fit and proper criteria as approved by the Board or is inefficient, errant and negligent in discharging his/her responsibilities;
- To recommend to the Board the removal of the Company Secretary if he/she is disqualified under Section 139C of the Companies Act 1965 or he/she is no longer comply with fit and proper criteria as approved by the Board;

- To ensure existence of an appropriate framework and succession plan for the CEO and senior officers of the Company;
- To ensure that all Board appointees undergo the necessary training programmes prescribed by the applicable statutory and regulatory bodies;
- To provide adequate training and orientation of new directors with respect to the business, structure and management of the Group as well as the expectations of the Board with regards to their contribution to the Board and Group;
- To carry out such other responsibilities as may be specified by BNM from time to time; and
- Considering other matters as referred to the Committee by the Board.

In carrying out its duties and responsibilities, the Nomination Committee is additionally guided by the Board Policy Manual.

The Nomination Committee has developed and maintained the criteria for core competencies to be assessed in the recruitment and annual assessment of the directors in the Board Policy Manual namely integrity, commitment, ethics, governance, strategic perspective, business acumen, judgment, decision making, teamwork, communication and leadership.

On 13 August 2012, the Board approved the proposed policy on Boardroom diversity. The Board, through the Nomination Committee will take steps to ensure that women candidates are sought as part of its recruitment exercise. Selection of women candidates to join the Board will be, in part, dependent on the pool of women candidates with the necessary skills, knowledge and experience. The ultimate decision will be based on merit and contributions the candidate brings to the Board.

The Board has every intention of meeting the 30% women participation target by 2016 as recommended by Corporate Governance Blueprint 2011 issued by the Securities Commission and will take the necessary measures to meet the target. The Nomination Committee is responsible to implement this policy and monitoring the progress towards the achievement of the target of 30% women participation in the Board by 2016.

The Committee had reviewed the size and composition of the Board and its committees and is of the opinion that the current Board and its committees possess the appropriate mix of skills and competencies required to effectively lead the Group.

The Nomination Committee held two (2) meetings during the financial year. All the members of the Nomination Committee attended the meetings. During the meetings, the Committee:-

- recommended to the Board the establishment and composition of Board Risk Management Committee at AHB;
- noted Bank Negara Malaysia's approval dates for the appointment and re-appointment of directors and Group Chief Executive Officer and their respective due dates for re-appointment;
- conducted the directors' appraisal for the year 2014. The directors were appraised based on their core competencies, namely integrity, commitment, ethics, governance, strategic perspective, business acumen, judgement, decision making, teamwork, communication and leadership;
- conducted an assessment of Board effectiveness as required by the Green Book under the Government Linked Companies (GLC) Transformation Programme;
- noted, deliberated and provide recommendation to the Board on the issues raised by Bank Negara Malaysia via its letter dated 26 June 2014 on Composite Risk Rating of AFFIN Bank Berhad pertaining to supervisory expectation on corporate governance;
- noted the the list of Independent Directors of AHB and its subsidiaries who have served as Independent Directors for a cumulative term of more than nine (9) years;
- recommended to the Board the re-appointment of directors who retire at the Annual General Meeting in year 2015; and
- noted the list of trainings available for directors and list of trainings attended by directors in year 2014.

CORPORATE GOVERNANCE STATEMENT

(c) Remuneration Committee

The members of the Remuneration Committee are as follows:-

Dato' Mustafa bin Mohamad Ali (Chairman)	Independent Non-Executive Director
Gen (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Haji Zainuddin	Non-Independent Non-Executive Director
Abd Malik bin A Rahman	Independent Non-Executive Director

As per recommendation of MCCG, the Remuneration Committee consists exclusively of three (3) Non-Executive Directors. The Chairman of the committee is an Independent Director.

The Remuneration Committee is responsible for setting the framework for the remuneration policy and for recommending to the Board the remuneration and benefits extended to the senior management of the Company.

In addition, the Remuneration Committee also reviews and approves the salary increment, bonus and other benefits extended to the Company's senior management.

The Remuneration Committee has the following duties and responsibilities:-

- Review the performance of senior management of the Company;
- Determine the level of make-up of the directors and senior management's remuneration so as to ensure that the Company attracts and retains the directors and senior management of the appropriate calibre, experience and quality needed to run the Group successfully. The level and make-up of the remuneration should be structured so as to link rewards with corporate and individual performance and commensurate with responsibilities;
- Develop policies, practices and recommend proposals appropriate to facilitate the recruitment and retention of directors and senior management of the Company; and
- Consider other matters as referred to the Committee by the Board.

The Remuneration Committee held three (3) meetings during the financial year. All the members of the Remuneration Committee attended the meetings. During the meetings, the Committee:-

- Noted, deliberated and recommended for Board's approval of the Directors' Remuneration in AHB and its subsidiaries for the financial year ending 31 December 2014; and
- Considered and recommended the proposed payment of bonus and annual salary increment to the staff of AHB.

(d) Group Board Risk Management Committee (GBRMC)

The members of the GBRMC are as follows:-

Rosnah binti Omar (Chairman)	Independent Non-Executive Director
Tan Sri Dato' Seri Alauddin bin Dato' Mohd Sheriff	Independent Non-Executive Director
Ignatius Chan Tze Ching	Non-Independent Non-Executive Director

The Committee was established on 11 August 2014 and has the following Terms of Reference:-

Composition and scope of the GBRMC

The GBRMC shall consist of not less than three (3) members comprising only Non-Executive Directors, of which the majority of members shall be Independent Directors. The GBRMC should be chaired by an Independent Director.

The Chairmen of the Board Risk Management Committees of AFFIN Bank Bhd, AFFIN Islamic Bank Bhd and AFFIN Hwang Investment Bank Bhd shall be invitees at GBRMC meetings. The Group Chief Executive Officer and CEOs representing the Banks above will also be invited to attend the GBRMC accordingly. The Group Chief Risk Officer (GCRO) shall be in attendance at the GBRMC meetings, with the Company Secretary acting as the Secretariat.

GBRMC represents a Board committee to assess and examine the adequacy of group risk management framework including the policies, procedures and processes for the Group. GBRMC is established to ensure that the Group wide enterprise risk management framework, policies and guidelines adequately protect AFFIN Banking Group comprising AFFIN Bank Berhad, AFFIN Islamic Bank Berhad, AFFIN Hwang Investment Bank Berhad (Banking Group) and any other financial institutions to be included against all identified risks. The enterprise risk management include credit, market, liquidity, interest rate and operational which incorporate legal, regulatory, reputational, human resource and anti-money laundering and counter financing of terrorism (AML/CFT) risks.

Quorum of GBRMC Meeting

Two (2) members present shall constitute a quorum.

Frequency of GBRMC Meetings

The GBRMC shall meet at least once every quarter basis to execute its responsibilities and tasks.

Detailed Scope of Responsibilities of GBRMC

- (i) Set the overall approach of the Banking Group's enterprise wide risk strategy for approval by the Board of AHB. The risk management framework and guidelines must enable the identification, measurement, managing, monitoring and reporting of all relevant and material risks on a group wide basis.
- (ii) The GBRMC shall ensure that the group risk management policies adequately protect the Banking Group against all risks identified in the scope above with group wide risk management framework detailing the policies, procedures and processes to address the Group's strategic business and operational risks.
- (iii) Review the risk appetite for the Group that are consistent with the Banking Group's risk appetite, strategic/business focus and prevailing business environment and ensure that the reviews on the risk appetite are effectively communicated throughout the Banking Group. The GBRMC is to certify that this is well integrated throughout and embedded into the business strategy, operations and culture of the Banking Group.
- (iv) Review and appraise risks inherent in all products and activities and evaluate reports on risks under stress scenarios and the capability of the Bank's capital to sustain such risks. Any new risks to the Banking Group are subject to adequate risk management policy and controls before being introduced or undertaken.
- (v) Review the capital management of the Group in accordance with the mandatory regulatory supervision on the reserves, loans and capital ratios by the Regulatory Authorities. Evaluate and make recommendation to the AHB's Board on all new subsidiaries and mergers and acquisition proposals to ensure soundness of investment by the Group.
- (vi) Discuss and consult with the Banking Group Board Risk Management Committee (BRMC) and the CEO's of the Banking Group on matters to administer and improve the enterprise wide risk management policy within the Group. The consultation includes operational matters and compliance adherence on the risk management's governance and internal controls including on new regulatory framework from the Regulatory Authorities.

CORPORATE GOVERNANCE STATEMENT

- (vii) Oversees the implementation of group wide risk management framework by reviewing the related reports submitted by the Chief Risk Officers on the adherence of the policies and procedures as approved by the Board of AHB. The reports include the respective monitoring and reporting of the BRMC in managing identified risk that may affects the financial stability and non-financial impact to the Banking Group. Reviews of critical risk matters should be made available immediately to GBRMC for information, considerations and actions to mitigate the identified risk.
- (viii) Submit a regular report on the overall adherence of regulatory compliances and implementation of the enterprise wide risk management policy for the Board of AHB's information and consideration. To submit and recommend to the Board where appropriate the measures to be undertaken on the Group Risk Management Policy and Guidelines on matters that will impact the performance of the business activities and the risk management controls of the Group. Minutes of the GBRMC shall be submitted to the Board for endorsement and notification.
- (ix) Address any matters that may affect the enterprise wide risk management controls and reporting to the Board and prepare the Risk Management Statement in the Annual Report for the Board's consideration and approval.

The Committee had two (2) meetings in 2014. All the members of the Committee attended the meetings. During the meetings, the Committee deliberated on the relevant regulatory compliance framework, formulation of Terms of Reference for the Committee, Group Risk Appetite and Risk Management Structure for the Group.

SHAREHOLDERS

(a) Dialogue between the Company and Investors

The Group values dialogue with investors. The aims of the investor relations programme are primarily to provide consistent and accurate information to shareholders and fund managers on the Group and to provide prompt feedback to senior management on investors' concerns and market perceptions thus, ensuring effectiveness of the information dissemination.

Various announcements, including quarterly financial results were made during the year to provide shareholders with information on the Group's performance and operations. The Group also holds meetings, briefings and road shows with investors and fund managers from time to time to update them on the latest developments and corporate exercises undertaken by the Group.

On 19 November 2012, the Board approved the corporate disclosure policy and procedures of the Company which are practical and comply with the Main Market Listing requirements of BMSB. It outlines the Company's approach towards the determination and dissemination of material information especially price-sensitive information, the circumstances under which the confidentiality of the information will be maintained and restrictions on insider trading. It also sets out the internal procedural guidelines to facilitate implementation and consistent disclosure practices across the Company.

There is also a dedicated section in the Company's website providing information to shareholders such as Board responsibilities, terms of reference of Board Committees and the annual report.

Direct engagement of the management in the Group and effective communication with shareholders provides a better appreciation of the Company's objectives, quality of its management and challenges, while also making the Company aware of the expectations and concerns of the shareholders. This will assist shareholders in evaluating the Company and facilitate the considered use of their votes.

(b) Annual General Meeting

The Annual General Meeting is the principal forum for dialogue with the shareholders. At each Annual General Meeting, the Board presents the progress and performance of the business and encourages shareholders to participate in the question and answer session. All the directors are available to respond to shareholders' questions during the meeting.

For re-election of directors, full information is provided with the notice of the meeting regarding directors who are retiring and whether they are willing to serve if re-elected.

Each item of special business included in the notice of the meeting is accompanied by a full explanation of the effects of a proposed resolution to facilitate understanding and evaluation of the issues involved. Separate resolutions are proposed for substantially separate issues at the meeting and the Chairman declares the number of proxy votes received both for and against each separate resolution.

The Board takes note of the recommendation by MCGG on the adoption of electronic voting and encourage poll voting to facilitate greater shareholder participation and inform shareholders of their right to demand a poll vote at the commencement of general meeting. The Company will make an announcement of the detailed results showing the number of votes cast for and against each resolution. The Company will also ensure that any vote of shareholders taken at the general meeting on the resolution approving related party transactions is taken on a poll.

ACCOUNTABILITY AND AUDIT

(a) Financial Reporting

In presenting the annual financial statements and quarterly announcements to shareholders, the directors aim to present a balanced and understandable assessment of the Group's position and prospects. This also applies to other price-sensitive public reports and reports to regulators. In preparing the financial statements, the directors consider that the Group had used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates.

(b) Performance targets

On 26 February 2015, AHB announced its achievement of Headline Key Performance Indicators ("KPIs") for the financial year ended 31 December 2014 and Headline KPIs for the financial year ending 31 December 2015 as follows:-

Headline KPIS achieved for the financial year ended 31 December 2014

No.	Headline KPIs	As announced on 26 February 2014	As achieved	% of achievement of Headline KPIs
1	After Tax Return on Equity (ROE)	9.2%	8.4%	91.3%
2	After Tax Return on Assets (ROA)	1.1%	1.0%	90.9%
3	Gross Impaired Loan Ratio	1.84%	1.82%	101.1%
4	Earnings Per Share (EPS)	36.0 sen	35.25 sen	97.9%

For the year ended 31 December 2014, the Group has only achieved its Headline KPIs on Gross Impaired Loan Ratio but not the KPIs on ROE, ROA and EPS. The Group reported a lower net profit for the year under review mainly due to the unbudgeted allowance for losses on one major impaired loan account, integration costs incurred in relation to the merger of the investment banking group as well as lower net interest income due to margin compression despite the 9.6% increase in loan base during the year.

CORPORATE GOVERNANCE STATEMENT

Headline KPIs for the financial year ending 31 December 2015

No.	Headline KPIs	Targets
1	After Tax Return on Equity (ROE)	8.0%
2	After Tax Return on Assets (ROA)	0.9%
3	Gross Impaired Loan Ratio	1.64%
4	Earnings Per Share (EPS)	33.00 sen

These Headline KPIs are targets or aspirations set by the Company as a transparent performance management practice. These headlines shall not be construed as either forecasts, projections or estimates of the Company or representations of any future performance, occurrence or matter as the headlines are merely a set of targets/aspirations of future performance aligned to the Company's strategy and may not be realised.

(c) Internal Control

The directors acknowledge their responsibility for the Group's system of internal controls covering not only financial controls but also operational and compliance controls as well as risk management, to safeguard shareholders' investments and the Group's assets. The Board believes that the internal control systems and procedures provide reasonable but not absolute assurance that assets are safeguarded, transactions are authorised and recorded properly and that material errors and irregularities are either detected or minimised to prevent recurrence. The Board has appointed the Audit Committee to review the effectiveness of control procedures and report to the Board on all findings for deliberations.

Some of the key elements of the Group's internal control systems are described below:-

- Clearly defined delegation of responsibilities to the Board Committees and the management of the Group, including authorisation levels for all business units. Each business unit has clear accountabilities for ensuring that appropriate risk management and control procedures are in place. These delegated responsibilities are subject to review throughout the year;
- Audits are undertaken at regular intervals to monitor compliance with policies and procedures; and
- Monitoring of results against the annual business plan, with major variances examined and management action taken.

There is an established framework to manage risks emanating from the operations of the Group. The Board has determined the Company's level of risk tolerance and actively identify, assess and monitor key business risks to safeguard shareholders' investments and the Company's assets. Details of the main features of the Company's risk management framework and the state of internal controls are further elaborated under the Statement on Internal Control provided separately in the Annual Report.

(d) Relationship with the auditors

Through the Audit Committee, the Group has established transparent and appropriate relationships with the Group's auditors, both external and internal. As the independence of external auditors can be impaired by the provision of non-audit services to the Company, the Audit Committee review and monitor the suitability and independence of external auditors. To ensure independence, the Company obtains written assurance from the external auditors confirming that they have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements. A report of the Audit Committee is provided in pages 52 to 57 in this Annual Report.

(e) Directors' Responsibilities in Respect of the Audited Financial Statements

The directors are required by the Companies Act, 1965 to prepare financial statements for each year which give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and of their results and cash flows for the financial year then ended.

In preparing these financial statements, the directors have:-

- adopted suitable accounting policies and applying them consistently;
- made judgements and estimates that are prudent and reasonable;
- ensured applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on the going concern basis, unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are responsible for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Company and which enable them to ensure that the financial statements comply with the Companies Act, 1965. The directors have overall responsibility for taking such steps that are reasonably open to them to safeguard the assets of the Group and the Company to prevent and detect fraud and other irregularities.

Signed on behalf of the Board of Directors in accordance with their resolution dated 11 February, 2015.

Gen (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Haji Zainuddin
Chairman

Tan Sri Dato' Seri Lodin bin Wok Kamaruddin
Deputy Chairman

STATEMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

1. CORPORATE GOVERNANCE & BOARD'S OVERSIGHT

- a. The Board recognises and exercises overall responsibilities in promoting good corporate governance and ensuring sound system of internal controls and risk management practices are maintained throughout the Group.
- b. The Board is of the view that the system of internal controls instituted by the Group's operating units for the year under review and up to the date of annual report is sound and sufficient to safeguard shareholders' investment, customers' interests and the Group's assets.
- c. Notwithstanding this, there are on-going reviews to ensure the effectiveness, adequacy and integrity of the system. The control procedures are designed to manage rather than to eliminate completely all risks of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material errors, losses, fraud or the occurrence of unforeseeable circumstances.
- d. The Board meets regularly to discuss matters related to system of internal control which covers inter alia financial, operational, compliance controls and risk management procedures.
- e. Regular reports received from the Group's management on financial performance, key operating statistics, legal and regulatory compliance, breached of law or regulations unauthorized activities and fraud are reviewed by the Board.
- f. The Board received assurance from Chief Executive Officers of the significant operating entities that the Group's risk management and system of internal controls is operating adequately and effectively in all material aspects based on the risk management and internal control system.

2. BUSINESS PLAN & BUDGET

- a. The significant operating entities' annual business plan and budget approved at their respective Boards are submitted to the Group management. The variances between the actual and targeted results are presented to the Board on a periodic basis to allow for timely responses and corrective actions to be taken to mitigate risks.

3. GROUP INTERNAL AUDIT (GIA)

- a. Group Internal Audit carry out regular reviews of the business processes and activities to assess the effectiveness of internal control and highlight significant risks impacting the Group. The Audit Committees of the respective Boards conduct annual reviews on the adequacy of the scope of work and resources of Group Internal Audit Division.
- b. The Audit Committees of the respective Boards regularly review and hold discussions with management on the action taken on internal control issues identified by Group Internal Audit, external auditors and regulatory authorities.
- c. The Audit Committees of the respective Boards follow up and monitor the status of actions on recommendations made by Group Internal Audit, the external auditors and regulatory authorities. In addition, it can direct investigations in respect of any specific instances or events, which are deemed to have violated internal policies pertaining to confidentiality or financial impropriety which has material impact on the Group.
- d. Shariah related findings are escalated to the Shariah Committee.
- e. GIA continuously conduct awareness programmes/training on controls and compliance including controls certification programmes to further strengthen staff knowledge in creating a robust control and compliance environment.

4. GROUP RISK MANAGEMENT & COMPLIANCE FRAMEWORK

- a. The Risk Management and Compliance Framework has been established and it is crucial in ensuring compliance with the regulatory and internal requirements. Regular reports from the Heads of the respective subsidiaries confirming their systems and procedures are in place to identify, control and report on the major risks such as credit risk, operational risk, market risk, IT risk, liquidity risk and Shariah non-compliance risk and etc. These are being escalated and reviewed by the Board. The Risk Management framework is cascaded downwards through the Management's efforts of fostering a risk-aware and control-conscious environment across the Group. To build a robust risk culture, certification programme have also been put in place.

5. ESCALATION PROCESS

- a. The channels of communication and procedures have been established for reporting immediately to the Board and appropriate levels of management any significant control failings or weaknesses that are identified together with details of corrective action being undertaken.

6. HUMAN RESOURCES

- a. The professionalism and competence of the human resources divisions of the respective subsidiaries are maintained through various initiatives including recruitment process, training, certification and re-skilling programmes to address the human capital requirement.
- b. A performance-based appraisal system has been established to evaluate and compensate/reward employees.

7. POLICIES & PROCEDURES

- a. Policies and Procedures covering all functions have been developed throughout the Group and approvals have been obtained from the relevant committees and Board. The policies and procedures are updated timely to incorporate changes to systems, work environment and guidelines issued by regulators.
- b. Empowerment and Approving Authority Policies

There is a clearly defined framework and empowerment approved by the main operating subsidiaries' respective Board for acquisitions and disposals of property, plant and equipment, awarding tenders, applications for capital expenditure, writing off operational and credit items, approving general expenses including donations, etc.

AUDIT COMMITTEE REPORT

The Board of AFFIN Holdings Berhad is pleased to present the Report on Audit Committee (AC) for the Financial Year ended 31 December 2014.

AUDIT COMMITTEE

The AC comprises of the following directors:-

- 1) **Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad**
Chairman/Independent Non-Executive Director
- 2) **Dato' Mustafa bin Mohamad Ali**
Member/Independent Non-Executive Director
- 3) **Abd Malik bin A Rahman**
Member/Independent Non-Executive Director

TERMS OF REFERENCE

1.0 OBJECTIVE

- 1.1 Audit Committee (AC) is established as a Committee of the Board of Directors. The primary objectives of AC are to:-
 - a) Establish the framework for and oversee the audit function of AFFIN Holdings Berhad;
 - b) Provide assistance to the Board in fulfilling its statutory and fiduciary responsibilities in ensuring that good Corporate Governance, system of internal controls, codes of conduct and compliance with regulatory and statutory requirements are maintained by the AFFIN Group;
 - c) Implement and support the function of the Board by reinforcing the independence and objectivity of the Group Internal Audit Division (GIA); and
 - d) Ensure that internal and external audit functions are properly conducted and audit recommendations are implemented effectively.

2.0 COMPOSITION AND APPOINTMENT

- 2.1 AC shall have at least three (3) members of whom all must be Non-Executive Directors with a majority of them being Independent Directors. The Chairman of the Committee shall be an Independent, Non-Executive Director. No alternate director shall be appointed to the AC.
- 2.2 At least one (1) member of the Committee must meet the criteria set by the Bursa Malaysia Securities Bhd's Main Market Listing Requirements.
- 2.3 AC members and the Chairman shall be appointed by the Board of Directors based on the recommendations of the Nomination Committee.
- 2.4 The Board shall review the Terms of Reference and performance of the AC and each of its members at least once every three (3) years to determine whether the AC has carried out its duties in accordance with its Terms of Reference.
- 2.5 If a member of the Committee resigns or for any reason ceases to be member in the AC resulting in non-compliance with the requirements, then the Board shall, within three (3) months of the events, appoint such number of new members as may be required.
- 2.6 The AC shall have no executive powers.

3.0 AUTHORITY

- 3.1 The AC, whenever necessary and reasonable for the performance of its duties, shall in accordance with the procedure determined by the Board and at the company's expense:-
- 3.1.1 Have authority to investigate any matters within its Terms of Reference;
 - 3.1.2 Be able to obtain external legal or other independent professional advice or other necessary resources to perform its duties;
 - 3.1.3 Have full and unrestricted access to any information pertaining to the Group;
 - 3.1.4 Have direct communication channels with the external auditors, internal auditors and all employees of the Group;
 - 3.1.5 Be able to convene meetings with the external and internal auditors; excluding the attendance of the Executive Members of the Committee at least twice a year; and
 - 3.1.6 Report to the Regulatory Bodies on matters duly reported by it to the Board which have not been satisfactorily resolved resulting in a breach of any regulatory requirements.

4.0 MEETINGS

- 4.1 The quorum for a meeting of the Committee shall be two thirds (2/3) of the Committee with the majority present being Independent, Non-Executive Directors. If the Chairman is unable to attend any meeting, any other Independent, Non-Executive member present shall act as Chairman. All resolutions of the Committee shall be adopted by a simple majority vote, each member having one (1) vote. In case of equality of votes, the Chairman shall have a second or casting vote.
- 4.2 The AC shall meet at least four (4) times in a financial year with the objective of reviewing the internal audit reports and AFFIN Group's financial reporting. The AC complements this through regular meetings with the senior management and both the internal and external auditors to review the AFFIN Group's overall state of governance and internal controls. To ensure that critical issues are highlighted to all Board members in a timely manner, where possible, the AC meetings are convened before the Board meetings. The AC, through its Chairman, shall report to the Board after each meeting where issues can be further deliberated, if necessary.
- 4.3 Besides the minimum of four (4) AC meetings in a year, additional meetings shall be scheduled whenever deemed necessary by the AC's Chairman or the majority of the Committee members.
- 4.4 The notice of meeting should be served to the AC members at least seven (7) days before the meeting. The agendas and AC papers are to be circulated at least five (5) days before each meeting.
- 4.5 The Committee may invite other directors, members of management, counsel or any person as applicable to participate in the AC meetings as necessary to carry out the Committee's responsibilities.
- 4.6 The Company Secretary shall be the Secretary of the Committee. All the original minutes of AC meetings are in the custody of the Company Secretary and shall be signed by the Chairman of the meeting at which the proceedings are held or by the Chairman of the next succeeding meeting. The signed minutes shall be conclusive evidence without any further proof of the facts thereon stated. Minutes of each meeting shall be distributed to all members of the AC and all the directors.
- 4.7 Any inspection of such minutes should obtain prior approval from the Chairman of AC.

AUDIT COMMITTEE REPORT

5.0 FUNCTIONS AND DUTIES

5.1 The functions and duties of AC shall include, but not limited to the following:-

- 5.1.1 To review the Quarterly Financial Results and Year-End Financial Statements prior to the approval by the Board focusing on the following:-
- Changes in or implementation of major accounting policies;
 - Significant and unusual events or any going concern assumption;
 - Significant adjustments arising from the audit; and
 - Compliance with accounting standards, disclosure requirements and other legal requirements.
- 5.1.2 To act upon any request from the Board to investigate and report on any issues of concern as regard to the management of the Group.
- 5.1.3 To obtain external professional advice and to invite outsiders with relevant experience to attend meetings, subject to the approval of the relevant regulatory body, where necessary.
- 5.1.4 To recommend to the Board the appointment of external auditors and their audit fee.
- 5.1.5 To review with the external auditors the scope of the audit plan, system of internal controls, the audit reports (including management letter and management response), the assistance given by the management and any findings or action to be taken.
- 5.1.6 To review the Group's business risk management process including adequacy of the Group's control environment.
- 5.1.7 To consider the major findings of internal investigations and management response.
- 5.1.8 To review the findings of any examinations by regulatory authorities and the management response.
- 5.1.9 To review existing policies and practices within the Group in order to regulate and streamline the same to ensure uniformity.
- 5.1.10 To ensure that the accounts are prepared in a timely and accurate manner with frequent reviews of the adequacy of provisions against contingencies, bad and doubtful debts.
- 5.1.11 To review any related party transactions that may arise within the AFFIN Group.
- 5.1.12 To review the adequacy of the scope, functions, competency and resources of the Group Internal Audit Division and the necessary authority to carry its work. The review may cover the planned audit work, internal audit programmes, the results of completed work and management implementation of agreed actions as recommended by Group Chief Internal Auditor (GCIA). Where appropriate, the Committee may direct the Management to rectify and improve the system of internal controls and procedures based on the internal auditors' recommendations and suggestions for improvements.

COMPOSITION OF MEMBERS AND MEETINGS

During the financial year ended 31 December 2014, a total of five (5) AC meetings were held. The AC members and details of the attendance of each member at the meetings are as follows:-

Composition and Name of Committee Member	No. of Meetings Attended Whilst in Office
Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad <i>Chairman/Independent Non-Executive Director</i>	5/5
Dato' Mustafa bin Mohamad Ali <i>Member/Independent Non-Executive Director</i>	5/5
Abd Malik bin A Rahman <i>Member/Independent Non-Executive Director</i>	5/5

The AHB's AC is in compliance with the principles and best practices set out in the Malaysian Code on Corporate Governance and they had met the criteria set by the Bursa Malaysia Securities Berhad (BMSB) Main Market Listing Requirements, Chapter 15 Part C, D and E on Audit Committee. The AC members comprised individuals with a diversity of skills, knowledge and caliber in providing independent, objectivity and effective oversight.

The AC meetings' agendas, relevant AC papers and audit reports were distributed to the AC members five (5) days prior to the date of the meetings. The Executive Director of AFFIN Holdings Berhad and Group Chief Internal Auditor were invited to attend all five (5) AC meetings during the financial year. The Executive Director, who was assuming the roles and responsibilities of Head of Finance during the financial year was invited to attend AC meetings specifically on issues related to financial information. This had allowed the AC members to have full consideration of the issues.

The Company's external auditors attended three (3) AC meetings during the period. There were discussions between the AC and the external auditors with regard to significant audit issues, changes in the implementation of major accounting policies, compliance with accounting standards and other legal requirements including regulatory requirement and business issues highlighted by them for both the Company and its subsidiaries level for financial year ended 31 December 2014. The AC had also reviewed the external auditors' Audit Plan for the financial year ended 31 December 2014.

The AC had two (2) private meetings with the external auditors without the presence of management and internal auditors in year 2014. In addition, the external auditors were invited to attend the Annual General Meeting to answer shareholders' question on audit related issues. The AC also had direct and unrestricted access to the internal auditors and had ad-hoc discussions with the internal auditor without the presence of management.

As the Board is ultimately responsible for the financial reporting and overall management of the Company and oversight of its subsidiaries, the Chairman of the Audit Committee had consistently briefed the Board of Directors on issues discussed at the AC meetings and the minutes of the AC meetings are tabled to the Board for information and action by the Board where appropriate.

AC members had attended trainings in the financial year ended 2014 for continuous improvements.

AUDIT COMMITTEE REPORT

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

The Audit Committee has carried out the following activities in discharging its duties and responsibilities for the financial year ended 31 December 2014:-

External Audit

- 1) Reviewed the 2014 Audit Plan to ensure the scope of work adequately covered the activities of the Company and its subsidiaries;
- 2) Reviewed the significant audit, accounting, taxation and other matters arising from their audit of the financial year and resolution of such issues highlighted in their report to the Committee for the Company and its subsidiaries; and
- 3) Reviewed and evaluated the external audit performance, objectivity and independence during the year before recommending to the Board for their re-appointment.

Group Internal Audit

- 1) Reviewed and approved the Group Internal Audit Plan and Training Budget for Year 2015 in ensuring that adequate scope and comprehensive coverage on the audit activities and principal risk areas are adequately identified and covered;
- 2) Reviewed and evaluated the adequacy of resources and the competencies of staff within the Group Internal Audit Division to execute the plan as well as the audit programmes used in the execution of internal auditors' job to ensure satisfactory performance of Group Internal Audit Division;
- 3) Reviewed the internal audit reports, audit recommendations made and management response to these recommendations with particular attention on the following:-
 - a) Control environment (integrity, ethical values and competency of the personnel);
 - b) Control activities (policies and procedures);
 - c) Risk assessment (identified and assessed relevant risks and its preventive measure); and
 - d) Monitor the status of corrective actions taken by management to rectify any deficiencies identified by internal audit as well as ensuring that all issues are adequately resolved on a timely basis;
- 4) Reviewed the status report of Group Internal Audit activities for the financial year ended 31 December 2014 to ensure all the planned activities were satisfactorily carried out;
- 5) Reviewed the summary of audit findings by subsidiaries' internal auditors to ensure significant audit findings by subsidiaries especially on the investigations, fraud and non-compliances with regulatory and statutory requirements were promptly resolved;
- 6) Reviewed quarterly status update on issues highlighted in the external auditors' Audit Reports compiled by the internal auditors based on submissions by the subsidiaries' internal auditors to ensure that significant issues were addressed and resolved on a timely basis; and
- 7) Reviewed the Audit Committee Terms of Reference and Group Internal Audit Manual.

SUMMARY OF ACTIVITIES OF GROUP INTERNAL AUDIT

- 1) Group Internal Audit is guided by its Group Internal Audit Charter. Its primary role is to assist the Group Audit Committee to discharge its duties and responsibilities by independently reviewing and reporting on the adequacy and integrity of the Group's risk management, internal control and governance processes;
- 2) Group Internal Audit adopt a risk-based approach towards the planning and conduct of audits, which is consistent with the Group's framework in designing, implementing and monitoring its internal control system;
- 3) The Group Internal Auditors closely monitored the implementation of the audit recommendations in order to obtain assurance that all major risk and control concerns have been duly addressed. Audit reports were presented to the management and Group Audit Committee;
- 4) Group Internal Audit worked closely with the external auditors to ensure that significant issues are duly addressed and resolved on a timely basis; and
- 5) The total Group Internal Audit cost for year 2014 was RM2.9 million.

FINANCIAL RESULTS

- 1) Reviewed with the senior management the quarterly and half yearly unaudited financial results before recommending to the Board for their approval.
- 2) Reviewed with the senior management and external auditors the annual audited financial statements of the Company and the subsidiaries before recommending to the Board for their approval and release of the Group's results to Bursa Malaysia focusing on the matters set out in the following Requirements, Acts and Standards:-
 - a) BMSB Main Market Listing Requirements;
 - b) Provisions of the Companies Act;
 - c) Financial Services Act and Islamic Financial Services Act;
 - d) Applicable approved accounting standards in Malaysia; and
 - e) Other relevant legal and regulatory requirements.

RELATED PARTY TRANSACTIONS

Reviewed related party transactions and recurrent related party transactions for compliance with the Main Market Listing Requirements of Bursa Malaysia and the appropriateness of such transactions entered into by the Company and its subsidiaries to avoid potential or actual conflict of interest to ensure the decisions are based on the best interest of the company and its shareholders.

OTHERS

Reviewed the Statement of Risk Management and Internal Control and Audit Committee Report for inclusion in the Year 2014 Annual Report before recommending to the Board for approval.

RISK MANAGEMENT

OVERVIEW

Risk management is a discipline at the core of the Group and encompasses all the activities that affect its risk profile.

The Group has a defined risk appetite approved by the Board. It is an expression of the risk we are prepared to assume. This dictates the development of our strategic plans and policies. We have a proper risk governance structure and proactively manage our risks in the interests of all stakeholders.

Risk management's goal is to optimise risk-reward trade-off. This is achieved by implementation of an effective risk management framework to adequately capture, assess and manage all risks the Group is exposed to.

The Group's aim is to achieve an appropriate balance between risk and return. Our risk profile is aligned to our business strategy and risk appetite. It is consistent with our business model and the core business activities we undertake.

GROUP RISK MANAGEMENT FRAMEWORK

The management of risk within the Group is governed by Group Risk Management Framework. The framework enables the Group to carry out systematic and proactive management of various risks faced on an ongoing basis. These include credit risk, market risk, operational risk, liquidity risk, shariah non-compliance risk, strategic risk and reputational risk.

The key elements of Group Risk Management Framework are as follows:-

- Risk Governance
- Risk Appetite
- Risk Management Policies and Processes
- Risk Culture

RISK GOVERNANCE STRUCTURE

The following diagram summarises the risk governance structure of the Banking Group:-

<ul style="list-style-type: none"> • SET OVERALL TONE • ESTABLISH RISK APPETITE & RISK MANAGEMENT POLICY 	Board of Directors	AUDIT AND EXAMINATION COMMITTEE (AEC)
	Group Board Risk Management Committee	
	Board Risk Management Committee (BRMC) at subsidiary levels	
<ul style="list-style-type: none"> • ENSURE IMPLEMENTATION OF RISK MANAGEMENT POLICY AND COMPLIANCE 	Board Committees	
	Board Loan Review & Recovery Committee at subsidiary levels	
	Shariah Committee	
	Management Committees	
	Group Management Committee	
	Group Management Loan Committee	
	Assets & Liabilities Management Committee at subsidiary levels	
	Liquidity Management Committee	
	Group Operational Risk Management Committee	
	Group Whistle Blowing Committee	
	Group Early Alert Committee	
	Independent Risk Management & Control Units	
	Risk Management	
	Compliance	
	Credit Control	
<ul style="list-style-type: none"> • COMPLIANCE WITH RISK MANAGEMENT POLICY 	Lines of Business	
	All Business and Support Units	

RISK MANAGEMENT

THREE LINES OF DEFENCE CONCEPT

The Group Risk Management and control environment is founded on the following three lines of defence model.

Functional Segregation	Key Responsibilities
1st Line of Defence <ul style="list-style-type: none"> Business and Support Units Business Risk Officers/ Support Risk Officers 	<p>Risk taking units execute and manage the risk-reward trade-off. They have primary responsibility to ensure their day-to-day operational activities are carried out within established policies, procedures, limits and risk appetite.</p> <p>Business/Support Risk Officers (namely Operational Risk Coordinators, Branch Anti-Money Laundering Officers and Business Continuity Plan Coordinators) are embedded within the business and support units and are accountable for compliance.</p>
2nd Line of Defence <ul style="list-style-type: none"> Group Risk Management Group Compliance Shariah Compliance and Secretariat 	<p>Risk control units are responsible for:-</p> <ul style="list-style-type: none"> Formulating and enhancing risk management and compliance frameworks; Reviewing risk management policies, parameters, methodologies and tools; Reviewing the adequacy of control measures; and Independent risk monitoring and compliance reporting.
3rd Line of Defence <ul style="list-style-type: none"> Group Internal Audit (GIA) 	<p>GIA provides:-</p> <ul style="list-style-type: none"> Independent assessment on the adequacy and effectiveness of risk policies and internal controls (1st & 2nd Lines); Assurance that the system of control effectiveness is working within the Group Risk Management Framework.

RISK APPETITE AND RISK MANAGEMENT POLICIES

The risk appetite statement embodies the Group's position concerning the amount and types of risk relative to the Group's strategic direction and business objectives.

The dedicated Board and Management committees assist in evaluating and managing the various risks inherent in the business of the Group. These committees are responsible for:-

- overseeing the development, implementation and assessment of the effectiveness of risk management policies;
- reviewing risk exposures and portfolio composition; and
- ensuring prompt action is taken to address identified risks.

All risk management policies and limits are subject to frequent review. This is to ensure they remain relevant and effective in managing risks in an evolving operating and regulatory environment.

CREDIT RISK MANAGEMENT

Credit risk is the potential financial loss arising from the failure of the customer to settle the financial and contractual obligations through lending/financing, hedging, trading and investing activities.

The management of credit risk includes the following processes:-

- New businesses are governed by the Annual Credit Plan;
- Assessment and quantification of credit risk are supported by the use of internal rating models, scorecard and decision support tool;
- Internal limits and related lending guidelines are introduced to manage large exposures and avoid undue concentration of credit risk. The risks and limits are monitored regularly;
- Corporate credits and large individual accounts are reviewed at least once a year against updated financial and other relevant information;
- Retail credits are actively monitored and managed on a portfolio basis;
- Early Alert Process is adopted to pro-actively identify, report and manage warning signs of potential credit deterioration; and
- Active portfolio monitoring is in place to understand and manage the overall risk profile, identify, analyse and mitigate adverse trends or specific areas of risk concerns.

MARKET RISK MANAGEMENT

Market risk is the potential loss arising from movement in market variables such as interest rates, equity prices, commodity prices, foreign exchange rates and in their implied volatilities.

The Group's exposure to market risk results largely from interest rate risk and foreign exchange rate risk.

The management of market risk includes the following processes:-

- Control limits are established based on risk appetite, market liquidity and business strategies as well as macroeconomic conditions. These limits are reviewed at least annually;
- Market risk stemming from the trading book is primarily controlled through the imposition of Cut-loss and Value-at-Risk ('VaR') Limits;
- Interest rate risk is quantified by analysing the repricing mismatch between the rate sensitive assets and rate sensitive liabilities. Net Interest Income simulation is conducted to assess the variation in earnings under various rates scenarios;
- The potential long term effects of the overall exposure is also tracked by assessing the impact on Economic Value of Equity ('EVE'); and
- Interest rate risk is managed through Earnings-at-Risk ('EaR') and Economic Value-at-Risk ('EVaR') limits.

Periodic stress tests are conducted to quantify market risk arising from low probability, abnormal market movements.

RISK MANAGEMENT

OPERATIONAL RISK MANAGEMENT

Operational risk is the risk of direct or indirect loss resulting from inadequate internal processes, people and systems or external events.

The management of operational risk includes the appointment of Operational Risk Coordinators at Business and Support Units. All Operational Risk Coordinators must satisfy an Internal Operational Risk (including anti-money laundering/counter financing of terrorism and business continuity management) Certification Program.

Operational Risk Awareness & Certification Program is conducted periodically to inculcate and reinforce risk management awareness culture amongst the staff.

The Group employs the following tools to manage operational risks:-

No.	Tool	Purpose
1.	Risk and Control Self Assessment (RCSA)	Identify and assess operational risks as well as the controls and their effectiveness.
2.	Key Control Standards (KCS)	Assess compliance with minimum control standards and manage these standards to reduce actual and potential losses.
3.	Key Risk Indicator (KRI)	Monitor and manage operational risk exposure over time.
4.	Loss Event Database (LED)	Collect and report loss incidents involving actual losses and 'near misses'.

LIQUIDITY & FUNDING RISK MANAGEMENT

Liquidity risk is the risk of loss due to inability to access funds at reasonable cost to fund the Group's operations and honour its financial commitments on due dates. Liquidity risk arises from the Group's funding structure and the management of its assets.

Funding risk is the risk that the Group does not have sufficiently stable and diverse sources of funding or the funding structure is inefficient.

The management of liquidity risk includes the following processes:-

- To measure and manage net funding requirements, the Group adopts BNM's New Liquidity Framework (NLF).
- The NLF is supported by indicative ratios on the funding structure to monitor the reliance on particular funding sources.
- Liquidity risk is tracked using internal and external qualitative and quantitative indicators.
- Liquidity stress tests are conducted to test resilience in a liquidity crisis.
- Contingency Funding Plan allows a systematic approach in handling liquidity disruption.
- Basel III Liquidity Standards – The Liquidity Coverage Ratio and Net Stable Funding Ratio are tracked monthly to assess the short term and long term liquidity risk profile.
- Pursue growth of customer deposits.

STRATEGIC RISK MANAGEMENT

Strategic risk arises from inappropriate business objectives, improper implementation of business strategies and weakness in responding to changes in market conditions and external factors.

Strategic risk is managed through an integrated approach where risk appetite, Shariah principles (for Islamic Banking), business objectives, budget and credit plans are all aligned. Periodic reviews are conducted and business strategies refined where appropriate to adapt to the evolving environment the Group operates in.

REPUTATIONAL RISK MANAGEMENT

Reputational risk is the potential for damage resulting in loss of earnings or adverse impact on market capitalisation of the Group as a result of existing or potential stakeholders taking a negative view of the Group or its actions.

The Group has activities to promote its image and brand as well as processes in place to identify emerging issues, anticipate threats and analyse trends to proactively manage and mitigate risks relating to its reputation. There are mechanisms in the origination and credit processes to identify and assess environmental and social risks.

Reputational Risk is a standard agenda item for deliberation at Group Operational Risk Management Committee meetings.

SHARIAH NON-COMPLIANCE RISK MANAGEMENT

Shariah non-compliance is the risk of failure to comply with the Shariah rules and principles as determined by the relevant Shariah Committee/Advisory Councils.

The Shariah Governance Framework and Group Operational Risk Management Framework have been established to manage Shariah Non-Compliance Risks.

Shariah Committee deliberates on Shariah issues and provides sound Shariah decisions. Independent Shariah reviews are conducted by the Shariah Review team and the findings are reported to the Shariah Committee. The Shariah Review team also provides training on Shariah compliance.

RISK CULTURE

The Group recognises that learning is a continuous journey and lifelong. It is committed to enhance the knowledge and relevant skill sets of its staff. It places strong emphasis in creating and enhancing risk awareness in the Organisation. Credit clinics are conducted by Group Risk on a once weekly basis using 'live' credit applications as case study material. Group Risk also conducts core Credit Risk and Operational Risk Workshops regularly.

Group Risk Management has implemented the following internal certification programmes:-

- Credit Certification for Business Banking;
- Credit Certification for Consumer Credit;
- Certification for Market Risk; and
- Certification for Operational Risk/AMLA/BCM.

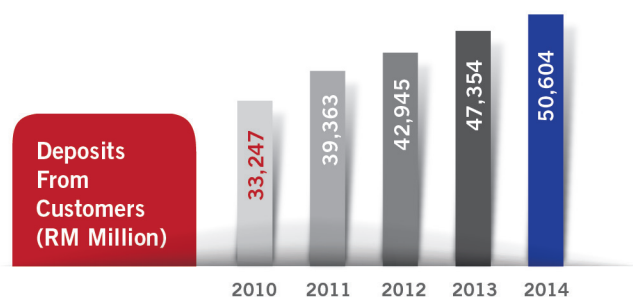
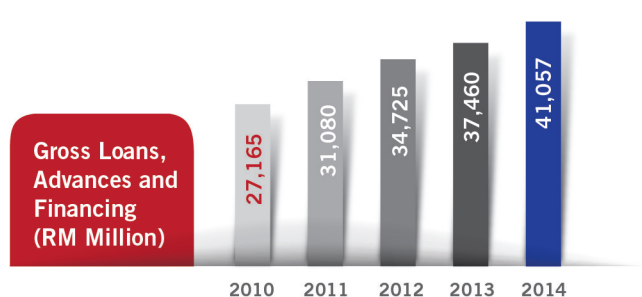
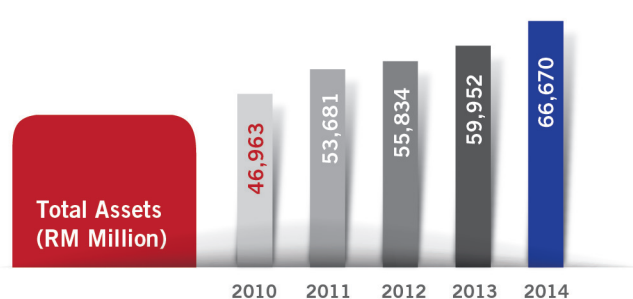
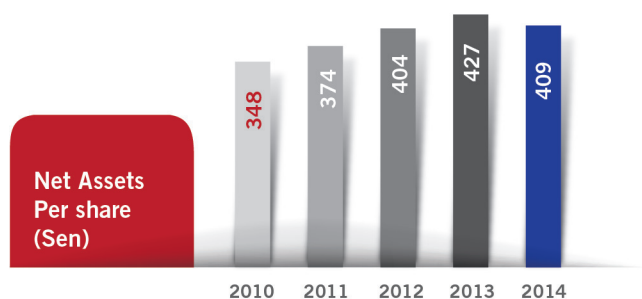
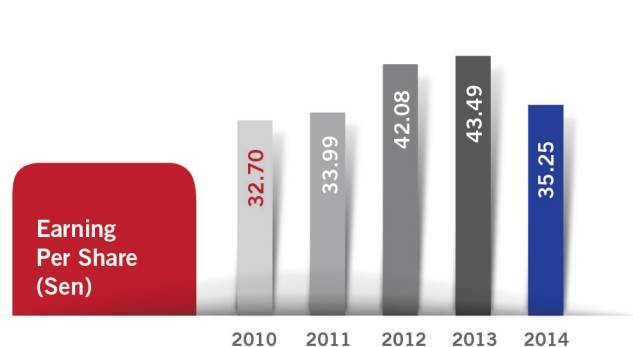
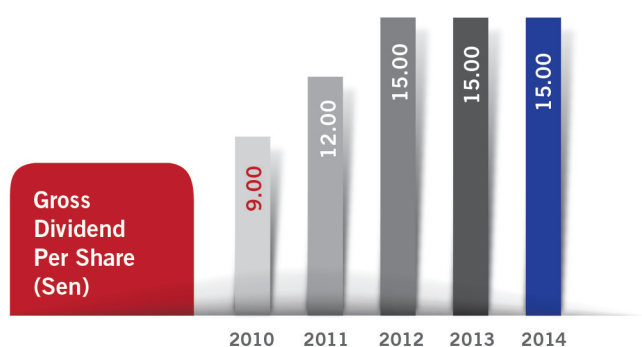
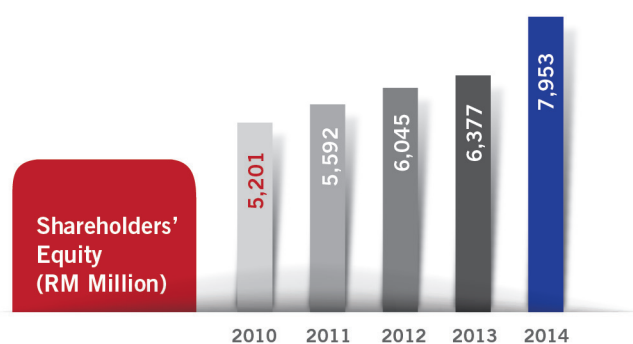
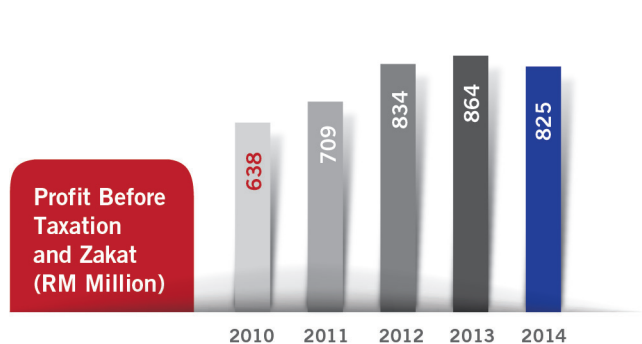
The aim of the above risk awareness and certification programmes is to:-

- Create a strong corporate governance and an effective enterprise wide risk management framework;
- Clearly defined roles and responsibilities enterprise-wide;
- Document clear policies and procedures; and
- Get commitment to comply with regulations and internal controls.

FIVE-YEAR GROUP FINANCIAL SUMMARY

	2014	2013	2012	2011	2010
OPERATING RESULTS					
For the financial year ended 31 December (RM Million)					
Revenue	1,824	1,526	1,522	1,382	1,365
Profit before taxation and zakat	825	864	834	709	638
Net profit attributable to equity holders of the company	605	650	629	508	489
KEY STATEMENTS OF FINANCIAL POSITION DATA					
As at 31 December (RM Million)					
Loans, advances and financing	40,492	36,909	34,163	30,437	26,574
Total assets	66,670	59,952	55,834	53,681	46,963
Deposits from customers	50,604	47,354	42,945	39,363	33,247
Total liabilities	58,686	53,575	49,790	48,089	41,762
Commitments and contingencies	27,300	22,223	19,097	20,068	18,902
Paid-up capital	1,943	1,495	1,495	1,495	1,495
Shareholders' equity	7,953	6,377	6,045	5,592	5,201
FINANCIAL RATIOS (%)					
Profitability Ratios					
Net return on average shareholders' funds	8.45	10.47	10.81	9.41	9.84
Net return on average assets	0.96	1.12	1.15	1.01	1.12
Net return on average risk-weighted assets	1.44	1.66	1.72	1.57	1.80
Cost to income ratio	53.90	46.97	46.01	47.68	46.88
Asset Quality Ratios					
Gross impaired loans ratio	1.82	1.98	2.28	2.84	3.64
Net impaired loans ratio	0.84	0.92	1.13	1.32	2.21
Loan loss coverage	75.57	74.38	71.03	72.80	59.69
SHARE INFORMATION – Per share (sen)					
Earnings - Basic and fully diluted	35.25	43.49	42.08	33.99	32.70
Gross Dividend	15.00	15.00	15.00	12.00	9.00
Net assets	409	427	404	374	348
Share price - high	426	451	375	362	326
Share price - low	274	328	287	231	247
Share price as at 31 December	290	415	344	308	309
Market capitalisation (RM Million)	5,635	6,202	5,141	4,603	4,618
VALUATION ON SHARE					
Gross dividend yield (%)	5.17	3.61	4.36	3.90	2.91
Dividend payout ratio (%):-					
- based on Company's profit after tax	51.53	80.20	65.31	60.62	69.72
Price to earnings multiple (times)	8.23	9.54	8.17	9.06	9.45
SEGMENT INFORMATION					
Profit before taxation and zakat by activity (RM Million)					
Commercial banking	720	763	703	613	523
Investment banking	107	85	91	89	87
Insurance (net of tax)	30	29	35	-	27
Others	(32)	(13)	5	7	1
	825	864	834	709	638

CHARTS OF FIVE-YEAR GROUP FINANCIAL SUMMARY



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DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and the Company for the financial year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are commercial banking and hire purchase business, Islamic banking business, investment banking and stock-broking, money-broking, fund and asset management.

The principal activity of the joint ventures are underwriting of life insurance business and property development while the associate is principally engaged in the underwriting of general insurance business.

FINANCIAL RESULTS

	Group	Company
	RM'000	RM'000
Profit before taxation and zakat	825,325	503,283
Zakat	(5,789)	-
Profit before taxation	819,536	503,283
Taxation	(207,180)	(3,456)
Net profit for the financial year	612,356	499,827

DIVIDENDS

The dividends on ordinary shares paid by the Company since 31 December 2013 were as follows:-

	RM'000
In respect of the financial year ended 31 December 2014:-	
A single-tier dividend of 15.0 sen per share was paid on 30 December 2014	291,442

The directors do not recommend the payment of any final dividend in respect of the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements and notes to the financial statements.

DIRECTORS' REPORT

DIRECTORS

The directors who have held office since the date of the last report and at the date of this report are:-

Gen. (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Haji Zainuddin
Tan Sri Dato' Seri Lodin bin Wok Kamaruddin
Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad
Dato' Mustafa bin Mohamad Ali
Professor Arthur Li Kwok Cheung (*Resigned on 31.12.2014*)
Abd Malik bin A Rahman
Tan Sri Dato' Seri Alauddin bin Dato' Mohd Sheriff
Ignatius Chan Tze Ching
Rosnah binti Omar
Adrian David Li Man Kiu (Alternate Director to Ignatius Chan Tze Ching) (*Resigned on 31.12.2014*)
Peter Yuen Wai Hung (Alternate Director to Professor Arthur Li Kwok Cheung)

In accordance with Article 104 of the Company's Articles of Association, Tan Sri Dato' Seri Lodin bin Wok Kamaruddin and Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad who retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

Pursuant to section 129(6) of the Companies Act, 1965, Dato' Mustafa bin Mohamad Ali retires and offers himself for re-appointment at the forthcoming Annual General Meeting.

DIRECTORS' BENEFITS

During and at end of the financial year, no arrangements subsisted to which the Company or its subsidiaries is a party, with the object or objects of enabling directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than directors' remuneration as disclosed in Note 35 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interest of directors in office at end of the financial year in shares in the Company and its related companies are as follows:-

The Company	Number of ordinary shares of RM1 each			
	At 1.1.2014	Bought	Sold	At 31.12.2014
Gen. (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Haji Zainuddin	30,000	10,000 [^]	-	40,000
Tan Sri Dato' Seri Lodin bin Wok Kamaruddin	808,714*	242,614 [^]	-	1,051,328*

* Shares held in trust by nominee company
[^] Subscription of shares pursuant to the rights issue

Related Companies	Number of ordinary shares of RM1 each			
	At 1.1.2014	Bought	Sold	At 31.12.2014
<u>Boustead Heavy Industries Corporation Berhad</u>				
Tan Sri Dato' Seri Lodin bin Wok Kamaruddin	2,000,000	-	-	2,000,000
Abd Malik bin A Rahman	3,000	-	-	3,000
<u>Al-Hadharah Boustead REIT</u>				
Tan Sri Dato' Seri Lodin bin Wok Kamaruddin	250,000	-	250,000 ^{^^}	-

^{^^} Pursuant to the privatisation of Al-Hadharah Boustead REIT on 29 January 2014

<u>Boustead Petroleum Sdn Bhd</u>				
Tan Sri Dato' Seri Lodin bin Wok Kamaruddin	5,916,465	-	-	5,916,465

Related Companies	Number of ordinary shares of 50 sen each			
	At 1.1.2014	Bought	Sold	At 31.12.2014
<u>Boustead Holdings Berhad</u>				
Tan Sri Dato' Seri Lodin bin Wok Kamaruddin	28,192,758	-	-	28,192,758
<u>Pharmaniaga Berhad</u>				
Tan Sri Dato' Seri Lodin bin Wok Kamaruddin	12,500,148	-	-	12,500,148
<u>Boustead Plantations Berhad</u>				
Tan Sri Dato' Seri Lodin bin Wok Kamaruddin	-	31,381,600 ^{^^^}	-	31,381,600
Abd Malik bin A Rahman	-	2,000 ^{^^^}	-	2,000

^{^^^} Subscription of shares pursuant to the initial public offering

Other than the above, the directors in office at end of the financial year did not have any other interest in the shares in the Company or its related companies during the financial year.

DIRECTORS' REPORT

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements of the Group and the Company were made out, the directors took reasonable steps:-

- (a) to ascertain that proper action had been taken in relation to the writing-off of bad debts and financing and the making of allowance for doubtful debts and financing and satisfied themselves that all known bad debts had been written-off and that adequate allowances had been made for doubtful debts and financing; and
- (b) to ensure that any current assets, other than debts and financing, which were unlikely to realise in the ordinary course of business, their value as shown in the accounting records of the Group and the Company, have been written-down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances:-

- (a) which would render the amounts written-off for bad debts and financing or the amount of allowances for doubtful debts and financing in the financial statements of the Group and the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

At the date of this report, there does not exist:-

- (a) any charge on the assets of the Group and the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group and the Company which has arisen since the end of the financial year.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group or the Company to meet their obligations when they fall due.

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

In the opinion of the directors:-

- (a) the results of the Group's and the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in Note 47 to the financial statements; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to substantially affect the results of the operations of the Group or the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events of the Group and the Company are disclosed in Note 46 to the financial statements.

SUBSEQUENT EVENTS

There were no material events subsequent to the reporting date that require disclosure or adjustment to the financial statements.

ULTIMATE HOLDING CORPORATE BODY

The directors regard Lembaga Tabung Angkatan Tentera, a corporate body established under the Tabung Angkatan Tentera Act, 1973, as the ultimate holding corporate body of the Company.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 6 March 2015.

TAN SRI DATO' SERI LODIN BIN WOK KAMARUDDIN
Director

RAJA TAN SRI DATO' SERI AMAN BIN RAJA HAJI AHMAD
Director

Kuala Lumpur
6 March 2015

STATEMENTS OF FINANCIAL POSITION

– 31 DECEMBER 2014

		Group		Company	
		2014	2013	2014	2013
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and short-term funds	2	7,360,588	9,331,374	33,760	131,710
Deposits and placements with banks and other financial institutions	3	383,692	468,585	85,087	4,460
Trade receivables	4	429,236	176,706	-	-
Financial assets held-for-trading	5	182,780	149,544	-	-
Financial investments available-for-sale	6	12,617,620	8,767,991	-	-
Financial investments held-to-maturity	7	652,501	624,033	-	-
Derivative financial assets	8	170,035	55,776	-	-
Loans, advances and financing	9	40,492,016	36,909,384	-	-
Other assets	10	300,957	309,011	394	68,494
Statutory deposits with Bank Negara Malaysia	11	1,831,550	1,545,144	-	-
Amount due from subsidiaries	12	-	-	604,313	904,972
Amount due from associate	13	67,256	67,257	67,256	67,257
Investment in subsidiaries	14	-	-	5,902,034	3,582,882
Investment in joint ventures	15	136,208	135,539	146,880	146,880
Investment in associate	16	241,457	208,396	15,623	10,681
Taxation recoverable		18,730	11,316	4,085	5,173
Deferred tax assets	25	13,954	14,475	-	-
Property and equipment	17	164,176	167,038	283	470
Intangible assets	18	1,606,920	1,009,988	4	1
TOTAL ASSETS		66,669,676	59,951,557	6,859,719	4,922,980
LIABILITIES AND EQUITY					
Deposits from customers	19	50,604,005	47,353,514	-	-
Deposits and placements of banks and other financial institutions	20	5,367,803	3,983,912	-	-
Bills and acceptances payable		94,308	90,208	-	-
Trade payables	21	582,166	179,078	-	-
Derivative financial liabilities	22	325,755	93,868	-	-
Recourse obligation on loans sold to Cagamas Berhad	23	139,147	397,790	-	-
Other liabilities	24	567,767	467,454	2,965	19,634
Provision for taxation		32,418	36,405	-	-
Deferred tax liabilities	25	138	172	68	108
Amount due to subsidiaries	26	-	-	911,620	400,258
Borrowings	27	972,458	972,432	972,458	972,432
TOTAL LIABILITIES		58,685,965	53,574,833	1,887,111	1,392,432
EQUITY					
Share capital	28	1,942,949	1,494,576	1,942,949	1,494,576
Share premium		2,185,712	1,400,410	2,185,712	1,400,410
Reserves	29	3,824,721	3,481,738	843,947	635,562
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		7,953,382	6,376,724	4,972,608	3,530,548
Non-controlling interest		30,329	-	-	-
TOTAL EQUITY		7,983,711	6,376,724	4,972,608	3,530,548
TOTAL LIABILITIES AND EQUITY		66,669,676	59,951,557	6,859,719	4,922,980
COMMITMENTS AND CONTINGENCIES		42(d)	27,300,154	22,222,815	-

The accounting policies on pages 82 to 98 and the notes on pages 99 to 198 form an integral part of these financial statements.

INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	Group		Company	
		2014	2013	2014	2013
		RM'000	RM'000	RM'000	RM'000
Interest income	30	2,444,401	2,215,000	43,892	52,873
Interest expense	31	(1,495,179)	(1,298,209)	-	-
Net interest income		949,222	916,791	43,892	52,873
Islamic banking income	32	244,223	220,745	-	-
Other operating income	33	1,193,445 630,105	1,137,536 388,213	43,892 538,218	52,873 314,405
Net income		1,823,550	1,525,749	582,110	367,278
Operating expenses	34	(982,960)	(716,621)	(17,126)	(25,914)
Operating profit before allowance for impairment losses on loans, advances and financing		840,590	809,128	564,984	341,364
Write-back of allowance for impairment losses on loans, advances and financing	36	16,284	66,087	-	-
(Allowance for)/write-back of allowance for impairment losses on securities	37	(286)	2,079	-	-
Operating profit		856,588	877,294	564,984	341,364
Finance costs	38	(61,701)	(42,592)	(61,701)	(42,592)
Share of results of joint ventures		242	5,221	-	-
Share of results of associates		30,196	24,005	-	-
Profit before taxation and zakat		825,325	863,928	503,283	298,772
Zakat		(5,789)	(9,692)	-	-
Profit before taxation		819,536	854,236	503,283	298,772
Taxation	39	(207,180)	(204,215)	(3,456)	(19,221)
Net profit for the financial year		612,356	650,021	499,827	279,551
Net profit for the financial year attributable to:-					
- Equity holders of the Company		605,271	650,021	499,827	279,551
- Non-controlling interest		7,085	-	-	-
		612,356	650,021	499,827	279,551
Earnings per share attributable to equity holders of the Company (sen)					
- Basic	40	35.25	43.49		

The accounting policies on pages 82 to 98 and the notes on pages 99 to 198 form an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

Note	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Profit after taxation	612,356	650,021	499,827	279,551
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				
- Net fair value change in financial investments available-for-sale	30,440	(125,213)	-	-
- Net gain transferred to profit or loss on disposal of financial investments available-for-sale	(3,282)	-	-	-
- Deferred tax on revaluation of financial investments available-for-sale	(7,182)	30,607	-	-
- Share of other comprehensive (loss)/income of an associated company	(1,160)	611	-	-
- Share of other comprehensive income of a joint venture	427	380	-	-
Other comprehensive income/(loss) for the financial year, net of tax	19,243	(93,615)	-	-
Total comprehensive income for the financial year	631,599	556,406	499,827	279,551
Total comprehensive income for the financial year attributable to :-				
- Equity holders of the Company	624,480	556,406	499,827	279,551
- Non-controlling interest	7,119	-	-	-
	631,599	556,406	499,827	279,551

The accounting policies on pages 82 to 98 and the notes on pages 99 to 198 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

		Attributable to Equity Holders of the Company								
Note		Share capital	Share premium	Statutory reserves	AFS revaluation reserves	Regulatory reserves	Retained profits	Total Shareholders' equity	Non-controlling interest	Total equity
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2014		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 year		-	-	-	-	-	605,271	605,271	7,085	612,356
Other comprehensive income (net of tax):										
of which :-										
- Financial investments available-for-sale		-	-	-	19,942	-	-	19,942	34	19,976
- Share of other comprehensive loss of an associated company		-	-	-	(1,160)	-	-	(1,160)	-	(1,160)
- Share of other comprehensive income of a joint venture		-	-	-	427	-	-	427	-	427
Total comprehensive income for the financial year		-	-	-	19,209	-	605,271	624,480	7,119	631,599
Issue of shares pursuant to the Rights Issue		28	448,373	789,136	-	-	-	1,237,509	-	1,237,509
Share issue expenses			-	(3,834)	-	-	-	(3,834)	-	(3,834)
Non-controlling interest arising from business combinations		47(a)	-	-	-	-	-	-	33,155	33,155
Gain/effect on dilution of interest in a subsidiary		46(c)	-	-	-	-	9,945	9,945	(9,945)	-
Transfer to statutory reserves			-	-	33,568	-	(33,568)	-	-	-
Transfer to regulatory reserves			-	-	-	187,922	(187,922)	-	-	-
Dividends paid for the financial year		41	-	-	-	-	(291,442)	(291,442)	-	(291,442)
At 31 December 2014		1,942,949	2,185,712	1,502,616	34,357	187,922	2,099,826	7,953,382	30,329	7,983,711

The accounting policies on pages 82 to 98 and the notes on pages 99 to 198 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Note	Attributable to Equity Holders of the Company					
	Share capital	Share premium	Statutory reserves	AFS revaluation reserves	Retained profits	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2013	1,494,576	1,400,410	1,293,665	108,763	1,747,090	6,044,504
Comprehensive income:						
- Net profit for the financial year	-	-	-	-	650,021	650,021
Other comprehensive income (net of tax):						
of which :-						
- Financial investments available-for-sale	-	-	-	(94,606)	-	(94,606)
- Share of other comprehensive income of an associated company	-	-	-	611	-	611
- Share of other comprehensive income of a joint venture	-	-	-	380	-	380
Total comprehensive income for the financial year	-	-	-	(93,615)	650,021	556,406
Transfer to statutory reserves	-	-	175,383	-	(175,383)	-
Dividends paid for the financial year	-	-	-	-	(224,186)	(224,186)
At 31 December 2013	1,494,576	1,400,410	1,469,048	15,148	1,997,542	6,376,724

The accounting policies on pages 82 to 98 and the notes on pages 99 to 198 form an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

		Share capital	Non- Distributable Share premium	Distributable Retained profits	Total equity
	Note	RM'000	RM'000	RM'000	RM'000
At 1 January 2014		1,494,576	1,400,410	635,562	3,530,548
Total comprehensive income for the financial year:					
- Net profit for the financial year		-	-	499,827	499,827
Issue of shares pursuant to the Rights Issue	28	448,373	789,136	-	1,237,509
Share issue expenses		-	(3,834)	-	(3,834)
Dividends paid for the financial year	41	-	-	(291,442)	(291,442)
At 31 December 2014		1,942,949	2,185,712	843,947	4,972,608
At 1 January 2013		1,494,576	1,400,410	580,197	3,475,183
Total comprehensive income for the financial year:					
- Net profit for the financial year		-	-	279,551	279,551
Dividends paid for the financial year	41	-	-	(224,186)	(224,186)
At 31 December 2013		1,494,576	1,400,410	635,562	3,530,548

The accounting policies on pages 82 to 98 and the notes on pages 99 to 198 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	2014	2013
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	819,536	854,236
Adjustments for items not involving the movement of cash and cash equivalents:-		
Interest income from:-		
- financial assets held-for-trading	(151,239)	(89,026)
- financial investments available-for-sale	(310,261)	(262,140)
- financial investments held-to-maturity	(40,587)	(25,923)
Dividend income from:-		
- financial assets held-for-trading	(1,791)	-
- financial investments available-for-sale	(11,162)	(4,756)
Accretion of discount less amortisation of premium:-		
- financial investments available-for-sale	(37,704)	(12,051)
- financial investments held-to-maturity	(1,092)	(1,024)
Gain on disposal/redemption:-		
- financial assets held-for-trading	(34,564)	(3,336)
- financial investments available-for-sale	(20,474)	(32,823)
- financial investments held-to-maturity	(3,500)	(6,144)
- derivatives	(7,147)	(3,156)
Unrealised (gain)/loss on revaluation:-		
- financial assets held-for-trading	(1,600)	(455)
- derivatives	(9,377)	(8,055)
- foreign exchange	113,411	54,137
Allowance for/(write-back of) impairment losses on securities	286	(2,079)
Depreciation of property and equipment	20,087	18,630
Property and equipment written-off	129	95
Net gain on disposal of property and equipment	(6,292)	(4,064)
Loss on disposal of intangible assets	21	-
Gain on disposal of foreclosed properties	(3,329)	(11,041)
Surplus on realisation of assets of a subsidiary previously placed under members' voluntary winding up	(107)	-
Amortisation of intangible assets	7,513	8,615
Bad debts written-off	4,381	4,583
Share of results of joint ventures	(242)	(5,221)
Share of results of associates	(30,196)	(24,005)
Net allowance for impairment losses on loans, advances and financing		
- collective impairment	33,521	13,911
- individual impairment	87,365	43,930
Allowance for/(write-back of) impairment losses – other debtors	350	(372)
Zakat	5,789	9,692
OPERATING PROFIT BEFORE CHANGES IN WORKING CAPITAL	421,725	512,158

	2014	2013
	RM'000	RM'000
INCREASE/(DECREASE) IN OPERATING ACTIVITIES		
<i>(Increase)/decrease in operating assets:-</i>		
Deposits and placements with banks and other financial institutions	84,893	23,771
Reverse repurchase agreements with financial institutions	-	20,057
Financial assets held-for-trading	270,902	108,865
Loans, advances and financing	(3,290,258)	(2,808,640)
Statutory deposits with Bank Negara Malaysia	(233,266)	(37,664)
Trade receivables	161,098	37,045
Other assets	(136,405)	(30,081)
<i>Increase/(decrease) in operating liabilities:-</i>		
Deposits from customers	2,416,569	4,408,528
Deposits and placements of banks and other financial institutions	(292,175)	(604,297)
Bills and acceptances payable	4,100	(62,192)
Trade payables	(32,165)	(34,612)
Recourse obligation on loans sold to Cagamas Berhad	(258,643)	(15,759)
Other liabilities	151,926	126,755
Cash (used in)/generated from operating activities	(731,699)	1,643,934
Tax and zakat paid	(245,048)	(237,531)
Tax refund	2,023	510
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	(974,724)	1,406,913
CASH FLOWS FROM INVESTING ACTIVITIES		
Net (purchase)/disposal of financial investments available-for-sale	(2,305,319)	557,986
Net disposal/(purchase) of financial investments held-to-maturity	280,726	(68,541)
Proceeds from disposal of property and equipment	13,035	7,552
Proceeds from disposal of foreclosed properties	10,055	21,961
Purchase of property and equipment	(17,496)	(22,206)
Purchase of intangible assets	(1,778)	(771)
Subscription of shares in a joint venture	-	(150)
Purchase of shares in associate	(4,942)	(84)
Interest received from:-		
- financial investments available-for-sale	310,261	262,140
- financial investments held-to-maturity	40,587	25,923
Dividend received from:-		
- financial investments available-for-sale	11,162	4,756
- financial investments held-to-maturity	1,791	-
Amount due from associate	1	(17)
Cash flow arising from acquisition of subsidiaries:-		
- Acquisition of AFFIN Hwang Investment Bank Berhad (Note 47(a))	(302,929)	-
- Acquisition of Asian Islamic Investment Management Sdn Bhd (Note 47(b))	(10,624)	-
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	(1,975,470)	788,549

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	2014	2013
	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of borrowings	297,055	89
Repayment of borrowings	(302,029)	-
Drawdown of bridging loans	1,300,485	-
Repayment of bridging loans	(1,300,485)	-
Proceeds from issuance of shares	1,237,509	-
Dividends paid to shareholders of the Company	(291,442)	(224,186)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	941,093	(224,097)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(2,009,101)	1,971,365
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	9,321,506	7,350,141
CASH AND CASH EQUIVALENTS AT END OF YEAR	7,312,405	9,321,506
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and short-term funds (Note 2)	7,360,588	9,331,374
Adjustment for money held in trust on behalf of remisiers (Note 24)	(48,183)	(9,868)
Cash and cash equivalents	7,312,405	9,321,506

The accounting policies on pages 82 to 98 and the notes on pages 99 to 198 form an integral part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	2014 RM'000	2013 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	503,283	298,772
Adjustments for items not involving the movement of cash and cash equivalents:-		
Gross dividends from subsidiaries	(538,217)	(314,348)
Depreciation of property and equipment	192	204
Amortisation of intangible assets	1	3
Property and equipment written-off	-	4
Gain on disposal of property and equipment	-	(52)
OPERATING LOSS BEFORE CHANGES IN WORKING CAPITAL	(34,741)	(15,417)
INCREASE/(DECREASE) IN OPERATING ACTIVITIES		
Decrease/(increase) in operating assets:-		
Deposits and placements with banks and other financial institutions	(80,627)	97,498
Other assets	64,267	(68,149)
(Decrease)/increase in operating liabilities:-		
Other liabilities	(16,669)	13,805
Cash (used in)/generated from operating activities	(67,770)	27,737
Tax paid	(2,409)	(1,555)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	(70,179)	26,182
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received from subsidiaries	538,217	296,496
Repayment of subordinated term loan by subsidiaries	300,659	(12)
Advances from subsidiaries	511,362	-
Proceeds from disposal of property and equipment	-	52
Purchase of property and equipment	(5)	(19)
Purchase of intangible assets	(4)	-
Amount due from associate	1	(17)
Acquisition of AFFIN Hwang Investment Bank Berhad	(1,319,352)	-
Subscription of shares in a licensed bank subsidiary	(500,000)	-
Subscription of shares in a licensed investment bank subsidiary	(499,800)	-
Purchase of shares in associate	(4,942)	(84)
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	(973,864)	296,416
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of borrowings	302,055	89
Repayment of borrowings	(302,029)	-
Drawdown of bridging loans	1,300,485	-
Repayment of bridging loans	(1,300,485)	-
Proceeds from issuance of shares	1,237,509	-
Dividends paid to shareholders of the Company	(291,442)	(224,186)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	946,093	(224,097)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(97,950)	98,501
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	131,710	33,209
CASH AND CASH EQUIVALENTS AT END OF YEAR	33,760	131,710
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and short-term funds (Note 2)	33,760	131,710

The accounting policies on pages 82 to 98 and the notes on pages 99 to 198 form an integral part of these financial statements.

SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements. These policies have been consistently applied to all the financial years presented, unless otherwise stated.

1 BASIS OF PREPARATION

The financial statements of the Group and the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements incorporate those activities relating to Islamic banking business which has been undertaken by the Group. Islamic banking refers generally to the acceptance of deposits and granting of financing under the Shariah principles.

The financial statements of the Group and the Company have been prepared under the historical cost convention, unless otherwise indicated in this summary of significant accounting policies.

The preparation of the financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 29 of the summary of significant group accounting policies.

a) Standards, amendments to published standards and interpretations that are applicable and effective to the Group

The new accounting standards, amendments and improvements to published standards and interpretations that are effective and applicable to the Group and the Company for the financial year beginning on or after 1 January 2014 are as follows:-

- Amendments to MFRS 132 "Offsetting Financial Assets and Financial Liabilities"
- Amendments to MFRS 136 "Recoverable Amount Disclosures for Non-Financial Assets"
- Amendments to MFRS 139 "Novation of Derivatives and Continuation of Hedge Accounting"
- Amendments to MFRS 10, MFRS 12 and MFRS 127 "Investment Entities"
- IC Interpretation 21 "Levies"

The adoption of the above accounting standards, amendments and improvements to published standards did not have any significant impact to the results of the Group and Company.

b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group but not yet effective.

The new accounting standards and amendments to standards and interpretations which are effective for annual periods beginning after 1 January 2015 are as follows:-

- Amendment to MFRS 11 'Joint arrangements' (effective from 1 January 2016) requires an investor to apply the principles of MFRS 3 'Business Combination' when it acquires an interest in a joint operation that constitutes a business. The amendments are applicable to both the acquisition of the initial interest in a joint operation and the acquisition of additional interest in the same joint operation. However, a previously held interest is not re-measured when the acquisition of an additional interest in the same joint operation results in retaining joint control.

1 BASIS OF PREPARATION (CONTINUED)

b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group but not yet effective (continued)

- Amendments to MFRS 116 'Property, plant and equipment' and MFRS 138 'Intangible assets' (effective from 1 January 2016) clarify that the use of revenue-based methods to calculate the depreciation and amortisation of an item of property, plant and equipment and intangible are not appropriate. This is because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

The amendments to MFRS 138 also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption can be overcome only in the limited circumstances where the intangible asset is expressed as a measure of revenue or where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

- Amendments to MFRS 10 and MFRS 128 regarding sale or contribution of assets between an investor and its associate or joint venture (effective from 1 January 2016) resolve a current inconsistency between MFRS 10 and MFRS 128. The accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business'. Full gain or loss shall be recognised by the investor where the non-monetary assets constitute a 'business'. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor to the extent of the other investors' interests. The amendments will only apply when an investor sells or contributes assets to its associate or joint venture. They are not intended to address accounting for the sale or contribution of assets by an investor in a joint operation.
- MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement". The complete version of MFRS 9 was issued in November 2014.

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the contractual cash flows characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

There is now a new expected credit losses model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The expected credit losses model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

- MFRS 15 'Revenue from contracts with customers' (effective from 1 January 2017) deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations.

The Group and the Company will apply these standards when effective. The adoption of the above standards, amendments to published standards and interpretations to existing standards are not expected to have any significant impact on the financial statements of the Group and the Company. The financial effect of the adoption of MFRS 9 and MFRS 15 are still being assessed by the Group and the Company.

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors dated 6 March 2015.

SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2 CONSOLIDATION

The consolidated financial statements include the financial statements of the Company, subsidiaries, joint ventures and associates, made up to the end of the financial year.

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition by acquisition basis, either at fair value or at non-controlling interest proportionate share of recognised amounts of acquiree's identifiable net assets.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of the consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Acquisition related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date, any gains or losses arising from such re-measurement are recognised in income statement.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The Group applies predecessor accounting to account for business combinations under common control. Under the predecessor accounting, assets and liabilities acquired are not restated to their respective fair values but at the carrying amounts from the consolidated financial statements of the ultimate holding company within the Group and adjusted to ensure uniform accounting policies of the Group. The difference between any consideration given and the aggregate carrying amounts of the assets and liabilities (as of the date of the transaction) of the acquired entity is recorded as an adjustment to retained earnings. No additional goodwill is recognised.

The acquired entity's results, assets and liabilities are consolidated from the date on which the business combination between entities under common control occurred. Consequently, the consolidated financial statements do not reflect the results of the acquired entity for the period before the transaction occurred. The corresponding amounts for the previous year are not restated.

Inter-company transactions, balances, unrealised gains and losses on transactions between group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 CONSOLIDATION (CONTINUED)

(b) Joint arrangements

A joint arrangement is an arrangement of which there is contractually agreed sharing of control by the Group with one or more parties, where decisions about the relevant activities relating to the joint arrangement require unanimous consent of the parties sharing control. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. A joint venture is a joint arrangement whereby the joint ventures have rights to the net assets of the arrangement. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities, relating to the arrangement.

The Group's interest in joint ventures is accounted for in the financial statements by the equity method of accounting. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of an associate' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to income statement where appropriate.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2 CONSOLIDATION (CONTINUED)

(d) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(e) Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to income statement.

(f) Investments in subsidiaries, joint ventures and associates

In the Company's separate financial statements, the investments in subsidiaries, joint ventures and associates are carried at cost less accumulated impairment losses.

On disposal of investment in subsidiaries, joint ventures and associates, the difference between disposal proceeds and the carrying amounts of the investments are recognised in income statement.

3 INTANGIBLE ASSETS

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the aggregate of the acquisition date fair value of consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the net of the acquisition date fair value of the identifiable assets acquired and liabilities assumed. If the fair value of consideration transferred, the amount of non-controlling interest and the fair value of previously held interest in the acquiree are less than the fair value of the net identifiable assets of the acquiree, the resulting gain is recognised in the income statement.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGU"), or groups of CGUs, that is expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less cost to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Computer software

Acquired computer software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives which are three to five years and are stated at cost less accumulated amortisation and accumulated impairment losses, if any.

3 INTANGIBLE ASSETS (CONTINUED)

Merchant bank license

The merchant bank license represents contribution by the investment banking subsidiary, namely, AFFIN Hwang Investment Bank Berhad to the Government of Malaysia for a license to carry on merchant banking business. The merchant bank license is considered to have an indefinite useful life, which is not amortised but assessed for impairment annually.

4 IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the assets' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus reserve.

5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash in hand, bank balances and deposits and placements maturing within one month which are held for the purpose of meeting short-term commitments and are readily convertible into cash without significant risk of changes in value.

6 INCOME TAX

Current tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period where the Group's subsidiaries and branches operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

Deferred tax

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised.

SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

6 INCOME TAX (CONTINUED)

Deferred tax (continued)

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax is recognised on temporary differences arising on investment in subsidiaries, joint ventures and associates except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on net basis.

7 PROPERTY AND EQUIPMENT AND DEPRECIATION

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Freehold land is not depreciated as it has an infinite life. Other property and equipment are depreciated on the straight line basis to write-off the cost of the assets or their revalue amounts, to their residual values over their estimated useful lives, summarised as follows:-

Buildings on freehold land	50 years
Leasehold buildings	50 years or over the remaining lease period, whichever is shorter
Renovation and leasehold premises	5 to 10 years or the period of the lease, whichever is greater
Furniture and equipment	3 to 10 years
Computer equipment and software	5 years
Motor vehicles	5 years

Depreciation on capital work-in-progress commences when the assets are ready for their intended use.

Residual value and useful lives of assets are reviewed, and adjusted if appropriate, at each reporting date.

At each reporting date, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount. Any subsequent increase in the recoverable amount is recognised in the income statement.

Gains and losses on disposal are determined by comparing proceeds with carrying amount and are recognised in the income statement.

8 LEASES

Accounting by lessee:-

(i) *Finance leases*

Leases of property and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a periodic constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property and equipment acquired under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to the carrying amount of the leased assets and recognised as an expense in income statement over the lease term on the same basis as the lease expense.

(ii) *Operating leases*

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on the straight line basis over the lease period.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are recognised in income statement when incurred.

9 FORECLOSED PROPERTIES

Foreclosed properties are stated at the lower of the carrying amount and fair value less cost to sell.

10 BILLS AND ACCEPTANCES PAYABLE

Bills and acceptances payable, which are financial liabilities, represent the banking subsidiaries' bills and acceptances rediscounted and outstanding in the market. Refer to Accounting Policy Note 19 for financial liabilities.

11 EMPLOYEE BENEFITS

Short-term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

Defined contribution plan

The defined contribution plan is a pension plan under which the Group pays fixed contributions to the National Pension Scheme, the Employees' Provident Fund ("EPF") and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

The Group's contribution to the defined contribution plans are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

11 EMPLOYEE BENEFITS (CONTINUED)

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without any possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

12 FINANCIAL GUARANTEE CONTRACTS

Financial guarantee contracts are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised.

The liability is subsequently recognised at the higher of the amount determined in accordance with MFRS 137 "Provisions, contingent liabilities and contingent assets" and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where financial guarantees in relation to loans or payables of subsidiaries are provided by the Group for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of investment in subsidiaries.

13 PROVISIONS

Provisions are recognised by the Group when all of the following conditions have been met:-

- (i) the Group has a present legal or constructive obligation as a result of past events;
- (ii) it is probable that an outflow of resources to settle the obligation will be required; and
- (iii) a reliable estimate of the amount of obligation can be made.

Where the Group expects a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost expense.

14 ZAKAT

This represents business zakat payable by the Group to comply with the principles of Shariah and as approved by the Shariah Supervisory Council. The Group only pays zakat on its Islamic operations and does not pay zakat on behalf of depositors or shareholders.

Zakat provision is calculated based on either 2.5775% of the prior year's net assets of the Islamic operations, 2.5% of the Shariah compliant income net of allocated cost or 2.5% of the net operating income from the management of Islamic funds, whichever applicable to the subsidiaries.

15 RECOGNITION OF INTEREST AND FINANCING INCOME AND EXPENSES

Interest and financing income and expense for all interest/profit-bearing financial instruments are recognised within "interest income", "interest expense" and "Islamic banking income" respectively in the income statement using the effective interest/profit method.

The effective interest/profit method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest and financing income or expense over the relevant period. The effective interest/profit rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest/profit rate, the Group takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

Interest or income on impaired financial assets is recognised using the rate of interest/profit used to discount the future cash flows for the purpose of measuring the impairment loss. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

When a loan/financing receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest/profit rate of the instrument, and continues unwinding the discount as interest/profit income. Interest/profit income on impaired loans/financing and receivables are recognised using the original effective interest/profit rate.

16 RECOGNITION OF FEES AND OTHER INCOME

Fees and commissions are recognised as income when all conditions precedent are fulfilled. Commitment fees for loans, advances and financing that are likely to be drawn down are deferred (together with related direct costs) and income which forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest/profit rate on the financial instrument.

Portfolio management fees, commitment fees, guarantee fees, agency fees and commissions are recognised as income based on time apportionment.

Corporate advisory fees, project feasibility study, management and participation fees, acceptance and underwriting commissions are recognised as income where progress payments are agreed, by reference to the stage of completion.

For stock-broking business, brokerage income is recognised on execution of contract.

For fund and unit trusts management, initial service charge and management fee are recognised as income on an accrual basis at the rates stated in the prospectus of the respective unit trust funds. Distribution income from the unit trust funds is recognised on the ex-distribution date.

Dividends are recognised when the right to receive payment is established.

Net profit from financial assets held at fair value through profit or loss and financial instruments available-for-sale are recognised upon disposal of the assets, as the difference between net disposals proceeds and the carrying amount of the assets.

SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

17 FINANCIAL ASSETS

Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available-for-sale and held-to-maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held-for-trading. A financial asset is classified in this category if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term. Derivatives are also categorised as held-for-trading unless there are designated as hedges (Summary of Accounting Policies - Note 22).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Financial investments available-for-sale

Financial investments available-for-sale are non-derivatives that are either designated in this category or not classified in any of the other categories.

Financial investments held-to-maturity

Financial investments held-to-maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the settlement date, the date that an asset is delivered to or by the Group.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in income statement.

Subsequent measurement - gains and losses

Financial investments available-for-sale and financial assets at fair value through income statement are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are subsequently carried at amortised cost using the effective interest/profit method.

Changes in the fair values of financial assets at fair value through profit or loss, including the effects of currency translation, interest and dividend income are recognised in income statement in the period in which the changes arise.

Changes in the fair value financial investments available-for-sale are recognised in other comprehensive income, except for impairment losses (Summary of Accounting Policies - Note 18) and foreign exchange gains and losses on monetary assets (Summary of Accounting Policies - Note 23).

Interest and dividend income on financial investments available-for-sale are recognised separately in income statements. Interest on financial investments available-for-sale calculated using the effective interest/profit method is recognised in income statements. Dividend income on available-for-sale equity instruments are recognised in income statements when the Group's right to receive payments is established.

17 FINANCIAL ASSETS (CONTINUED)

De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Loans and receivables that are factored out to banks and other financial institutions with recourse to the Group are not de-recognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

When available-for-sale financial assets are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to income statement.

Reclassification of financial assets

The Group may choose to reclassify and non-derivative financial assets held-for-trading out of the held-for-trading category where:-

- in rare circumstances, it is no longer held for the purpose of selling or repurchasing in the near term; or
- it is no longer held for purpose of trading, it would have met the definition of a loan and receivable on initial classification and the Group has the intention and ability to hold it for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at the fair value at the date of reclassification.

18 IMPAIRMENT OF FINANCIAL ASSETS

Assets carried at amortised cost

The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include amongst others:-

- past due contractual payments;
- significant financial difficulties of the borrower;
- probability of bankruptcy or other financial re-organisation;
- default of related borrower;
- breach of trading accounts terms and conditions;
- contract of dealer;
- measurable decrease in estimated future cash flows than was originally envisaged; and
- significant deterioration in issuer's credit rating.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in income statements. If "loan and receivables" or a "held-to-maturity investment" has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized such as an improvement in the debtor's credit rating, the reversal of the previously recognised impairment loss is recognised in income statements.

SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

18 IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

Assets carried at amortised cost (continued)

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

For loans, advances and financing, the Group first assess whether objective evidence of impairment exists individually for loans, advances and financing that are individually significant, and individually or collectively for loans, advances and financing that are not individually significant. If the Group determine that no objective evidence of impairment exists for individually assessed loans, advances and financing, whether significant or not, it includes the asset in a group of loans, advances and financing with similar credit risk characteristics and collectively assesses them for impairment.

Individual impairment allowance

Loans, advances and financing that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. Loans that are individually assessed for impairment and for which no impairment loss is required (over-collateralised loans) are collectively assessed as a separate segment.

The amount of the loss is measured as the difference between the loan's/financing's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the loan's original effective interest/profit rate. The carrying amount of the loan/financing is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a loan/financing has a variable interest rate, the discount rate for measuring any impairment losses is the current effective interest/profit rate determined under the contract.

The calculation of the present value of the estimated future cash flows of a collateralised loan reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Collective impairment allowance

For the purposes of a collective evaluation of impairment, loans, advances and financing are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such loans, advances and financing by being indicative of the borrower's ability to pay all amounts due according to the contractual terms of the loans being evaluated.

Future cash flows in a group of loans that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the loans in the Group and historical loss experience for loans with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of loans should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

Pursuant to Paragraph 13 of the Guideline on Classification and Impairment Provisions for Loans/Financing, Bank Negara Malaysia ('BNM') had issued a letter on 4 February 2014, which require 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. Banking institutions are required to comply with the requirement by 31 December 2015.

As at reporting date, the Group has maintained the collective impairment provisions and regulatory reserves of no less than 1.2% in the books by transferring RM187.9 million from retained profits to regulatory reserves.

18 IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

Assets classified as available-for-sale

The Group assess at the end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, the Group assess at each date of the statement of financial position whether there is any objective evidence that a financial investment or group of financial investments is impaired. The criteria the Group uses to determine whether there is objective evidence of impairment include non-payment of coupon or principal redemption, significant financial difficulty of issuer or obligor and significant drop in rating. In the case of equity securities classified as available-for-sale, in addition to the criteria above, a significant or prolonged decline in the fair value of the security below its cost is also considered as an indicator that the assets are impaired.

If any such evidence exists for available-for-sale financial assets, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in income statements. The amount of cumulative loss reclassified to profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in income statements. Impairment losses recognised in income statements on equity instruments classified as available-for-sale are not reversed through income statements.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in income statements, the impairment loss is reversed through income statements.

19 FINANCIAL LIABILITIES

All financial liabilities which include derivative financial instruments have to be recognised in the statement of financial position and measured in accordance with their assigned category.

The Group's holding in financial liabilities are in financial liabilities at fair value through profit or loss (including financial liabilities held-for-trading and those that are designated at fair value) and financial liabilities at amortised cost. Financial liabilities are initially recognised at fair value plus transaction costs for all financial liabilities not carried at fair value through profit or loss.

Financial liabilities at fair value through profit or loss

This category comprises two sub-categories: financial liabilities classified as held-for-trading and financial liabilities designated by the Group as at fair value through profit or loss upon initial recognition. The Group and the Company do not have any non-derivative financial liabilities designated at fair value through profit or loss.

A financial liability is classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held-for-trading unless they are designated and effective as hedging instruments. Derivatives are recognised in the statement of financial position as 'Derivative financial liabilities' when their fair values are negative.

Financial liabilities classified as held-for-trading are initially recognised at fair value, and transaction costs are expensed in profit or loss. Gains and losses arising from changes in fair value of financial liabilities classified held-for-trading are included in the income statement.

Other liabilities measured at amortised cost

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortised cost.

De-recognition

Financial liabilities are de-recognised when they have been redeemed or otherwise extinguished.

SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

20 OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liability simultaneously.

The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

21 SALE AND REPURCHASE AGREEMENTS

Securities purchased under resale agreements are securities which the Group has purchased with a commitment to resell at future dates. The commitment to resell the securities is reflected as an asset on the statements of financial position.

Conversely, obligations on securities sold under repurchase agreements are securities which the Group has sold from its portfolio, with a commitment to repurchase at future dates. Such financing and the obligation to repurchase the securities is reflected as a liability on the statement of financial position.

The difference between sale and repurchase price as well as purchase and resale price are amortised as interest income and interest expense respectively on an effective yield method.

22 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are initially recognised at fair values on the date on which derivative contracts are entered into and are subsequently remeasured at their fair values. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are classified as assets when fair values are positive and as liabilities when fair values are negative.

The best evidence of fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designed as a hedging instrument, and if so, the nature of the item being hedged.

As at reporting date, the Group has not designated any derivative as hedging instruments.

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

Gains and losses on interest rate swaps, futures, forward and option contracts that do not qualify as hedges are recognised in the current financial year using the mark-to-market method and are included in the income statement.

23 FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

23 FOREIGN CURRENCY TRANSLATION (CONTINUED)

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in the statement of comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Changes in the fair value of monetary financial assets denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the financial asset and other changes in the carrying amount of the financial asset. Translation differences related to changes in the amortised cost are recognised in income statement, and other changes in the carrying amount are recognised in the statement of comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit and loss are recognised in profit or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in other comprehensive income.

24 SHARE CAPITAL

Classification

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

Share issue costs

Incremental costs directly attributable to the issue of new shares or options are deducted against share premium account.

Dividend distribution

Distributions to holders of an equity instrument is recognised directly in equity and the corresponding liability is recognised in the period in which the dividends are approved.

25 BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred.

Borrowings are subsequently carried at amortised cost; any difference between initial recognised amount and the redemption value is recognised in income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

26 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Group does not recognise a contingent asset and liability other than those arising from business combination, but disclose its existence in the financial statement. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts.

SUMMARY OF SIGNIFICANT GROUP ACCOUNTING POLICIES

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

26 CONTINGENT LIABILITIES AND CONTINGENT ASSETS (CONTINUED)

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

27 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Board of Directors has been identified as the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments as well as making strategic decisions for the Group.

28 TRUST ACTIVITIES

The Group act as trustees in other fiduciary capabilities that result in holding or placing of assets on behalf of individuals, trust and other institutions. These assets and income arising thereon are excluded from the financial statements, as they are not assets of the Group.

29 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group and the Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. To enhance the information content of the estimates, certain variables that are anticipated to have material impact to the Group's and the Company's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

Allowance for impairment losses on loans, advances and financing

The accounting estimates and judgements related to the impairment of loans and provision for off-balance sheet positions is a critical accounting estimate because the underlying assumptions used for both the individually and collectively assessed impairment can change from period to period and may significantly affect the Group's results of operations.

In assessing assets for impairment, management judgement is required. The determination of the impairment allowance required for loans/financing which are deemed to be individually significant often requires the use of considerable management judgement concerning such matters as local economic conditions, the financial performance of the counterparty and the value of any collateral held, for which there may not be a readily accessible market. The actual amount of the future cash flows and their timing may differ from the estimates used by management and consequently may cause actual losses to differ from the reported allowances.

The impairment allowance for portfolios of smaller-balance homogenous loans/financing, such as those to individuals and small business customers of the private and retail business, and for those loans/financing which are individually significant but for which no objective evidence of impairment exists, is determined on a collective basis. The collective impairment allowance is calculated on a portfolio basis using statistical models which incorporate numerous estimates and judgements, and therefore is subject to estimation uncertainty. The Group performs regular review of the models and underlying data and assumptions as far as possible to reflect the current economic circumstances. The probability of default, loss given defaults, and loss identification period, amongst other things, are all taken into account during this review.

Estimated impairment of goodwill

The Group performs an impairment review on an annual basis to ensure that the carrying value of the goodwill does not exceed its recoverable amounts from cash-generating units to which the goodwill is allocated. The recoverable amount represents the present value of the estimated future cash flows expected to arise from continuing operations. Therefore, in arriving at the recoverable amount, management exercise judgement in estimating the future cash flows, growth rate and discount rate.

NOTES TO THE FINANCIAL STATEMENTS

– 31 DECEMBER 2014

1 GENERAL INFORMATION

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are commercial banking, Islamic banking business, investment banking and stock-broking, money-broking, fund and asset management. The principal activities of the joint ventures are underwriting of life insurance business and property development while the associate is principally engaged in general insurance business.

The number of employees in the Group and the Company as at 31 December 2014 was 4,815 (2013: 3,943) and 20 (2013: 20) employees respectively.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Market of the Bursa Malaysia Securities.

2 CASH AND SHORT-TERM FUNDS

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances with banks and other financial institutions	754,328	262,234	49	33
Money at call and deposits placements maturing within one month	6,606,260	9,069,140	33,711	131,677
	7,360,588	9,331,374	33,760	131,710

The cash and short-term funds is inclusive of remisiers' trust monies of RM48,183,000 (2013: RM9,867,502).

3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Licensed banks	383,692	468,585	85,087	4,460

Included in deposits placed with banks and other financial institutions of the Group and the Company is RM628,000 (2013: RM2,652,000) is set aside for term loan facilities of the Group and Company.

NOTES TO THE FINANCIAL STATEMENTS

– 31 DECEMBER 2014

4 TRADE RECEIVABLES

	Group	
	2014	2013
	RM'000	RM'000
Amount due from stock-broking clients		
- performing accounts	319,168	175,068
- impaired accounts (a)	4,420	3,633
Amount due from brokers	34,125	-
Amount due from Bursa Securities Clearing Sdn Bhd	26,849	-
Management fees receivable on fund management	48,776	1,657
	433,338	180,358
Allowance for impairment (b)		
- collective impairment	(19)	(19)
- individual impairment	(4,083)	(3,633)
	429,236	176,706
(a) Movements of impaired accounts are as follows:-		
Balance at beginning of financial year	3,633	3,575
Amount arising from acquisition of a subsidiary	786	-
Allowance made during the financial year	140	-
Amount classified as impaired during the financial year	-	232
Amount recovered during the financial year	(139)	(174)
Balance at end of financial year	4,420	3,633
(b) Movements in allowance for impairment on trade receivables:-		
<u>Collective impairment</u>		
Balance at beginning of financial year	19	21
Allowance (net of write-back) made during the financial year	-	(2)
Balance at end of financial year	19	19
<u>Individual impairment</u>		
Balance at beginning of financial year	3,633	3,575
Amount arising from acquisition of a subsidiary	303	-
Allowance made during the financial year	656	232
Amounts recovered during the financial year	(487)	(174)
Amounts written-off during the financial year	(22)	-
Balance at end of financial year	4,083	3,633

5 FINANCIAL ASSETS HELD-FOR-TRADING

At fair value

Bank Negara Malaysia Notes

Quoted securities

- Shares in Malaysia

- Unit Trusts in Malaysia

Unquoted securities

- Private Debt Securities in Malaysia

Total financial assets held-for-trading

Group	
2014	2013
RM'000	RM'000
149,904	149,544
18,903	-
8,983	-
4,990	-
182,780	149,544

6 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

At fair value

Malaysian Government Securities

Malaysian Government Treasury Bills

Malaysian Government Sukuk

Malaysian Government Investment Issuance

Cagamas Bonds

Sukuk Perumahan Kerajaan

Khazanah Bonds

Bankers' Acceptance and Islamic Acceptance Bills

Bank Negara Malaysia Notes

Negotiable Instruments of Deposit and Islamic Debt Certificate

Quoted securities

- Shares in Malaysia

- Private Debt Securities in Malaysia

- Unit Trusts in Malaysia

- REITs in Malaysia

- REITs outside Malaysia

Unquoted securities

- Shares in Malaysia

- Private Debt Securities in Malaysia

- Private Debt Securities outside Malaysia

Allowance for impairment losses of securities

Total financial investments available-for-sale

Group	
2014	2013
RM'000	RM'000
131,630	-
225,782	-
7,096	-
3,046,553	2,361,979
84,924	85,228
400,377	385,742
353,165	237,441
-	196,522
1,387,284	629,674
503,451	99,572
6,140,262	3,996,158
32,975	27,631
2,167	2,167
242,902	-
35,546	-
37,367	-
179,380	165,656
5,187,717	4,039,105
846,040	623,725
12,704,356	8,854,442
(86,736)	(86,451)
12,617,620	8,767,991

NOTES TO THE FINANCIAL STATEMENTS

– 31 DECEMBER 2014

6 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE (CONTINUED)

Movements in allowance for impairment losses of securities

Balance at beginning of financial year	86,451	96,319
Allowance made during the financial year	550	499
Amount written-back during the financial year	(264)	(2,578)
Amount written-off during the financial year	(6,506)	(7,789)
Transfer from allowance for impairment losses on loans, advances and financing	6,157	-
Exchange difference	348	-

Balance at end of financial year

Group	
2014	2013
RM'000	RM'000
86,451	96,319
550	499
(264)	(2,578)
(6,506)	(7,789)
6,157	-
348	-
86,736	86,451

7 FINANCIAL INVESTMENTS HELD-TO-MATURITY

At amortised cost

Quoted securities		
- Private Debt Securities in Malaysia	23,439	31,781
Unquoted securities		
- Private Debt Securities in Malaysia	673,340	648,616
- Redeemable Convertible Secured Loan Stocks	1,554	1,554

Allowance for impairment losses of securities

Total financial investments held-to-maturity

Movements in allowance for impairment losses of securities

Balance at beginning of financial year	57,918	63,702
Amount written-off during the financial year	(12,086)	(5,784)

Balance at end of financial year

Group	
2014	2013
RM'000	RM'000
23,439	31,781
673,340	648,616
1,554	1,554
698,333	681,951
(45,832)	(57,918)
652,501	624,033
57,918	63,702
(12,086)	(5,784)
45,832	57,918

8 DERIVATIVE FINANCIAL ASSETS

At fair value

Foreign exchange derivatives:

- Currency forwards
- Cross currency swaps
- Currency options
- Cross currency interest rate swaps

Interest rate derivatives:

- Interest rate swaps

Group		Group	
2014		2013	
Contract/ Notional Amount	Assets	Contract/ Notional Amount	Assets
RM'000	RM'000	RM'000	RM'000
1,623,987	88,506	312,079	6,960
2,290,742	39,177	1,230,649	19,660
367	1	-	-
198,687	18,431	-	-
2,411,000	23,920	1,754,685	29,156
6,524,783	170,035	3,297,413	55,776

9 LOANS, ADVANCES AND FINANCING

BY TYPE

- Overdrafts
- Term loans/financing
 - Housing loans/financing
 - Syndicated term loans/financing
 - Hire purchase receivables
 - Business term loans/financing
- Bills receivables
- Trust receipts
- Claims on customers under acceptance credits
- Staff loans/financing (of which RM Nil to directors)
- Credit/charge cards
- Revolving credit
- Margin financing
- Factoring

Gross loans, advances and financing

Less: Allowance for impairment losses

- Collective impairment
- Individual impairment

Total net loans, advances and financing

Group	
2014	2013
RM'000	RM'000
1,943,124	1,752,882
5,777,114	5,510,534
1,887,541	1,826,170
10,963,715	10,524,044
13,861,525	12,825,062
1,194,884	318,677
244,117	435,591
1,120,038	986,666
141,268	146,065
81,870	82,137
3,630,059	2,988,889
207,186	56,705
4,674	7,073
41,057,115	37,460,495
(301,601)	(307,142)
(263,498)	(243,969)
40,492,016	36,909,384

Included in term loans are housing loans sold to Cagamas Berhad with recourse amounting to RM139,147,000 (2013: RM397,790,000).

Included in business term loans/financing is a term financing of RM53.7 million (2013: RM47.4 million) and RM62.9 million (2013: RM68.9 million) granted by AFFIN Islamic Bank Berhad to its joint ventures, namely AFFIN-i Nadayu Sdn Bhd and KL South Development Sdn Bhd.

NOTES TO THE FINANCIAL STATEMENTS

– 31 DECEMBER 2014

9 LOANS, ADVANCES AND FINANCING (CONTINUED)

BY MATURITY STRUCTURE

Maturing within one year
One year to three years
Three years to five years
Over five years

Group	
2014	2013
RM'000	RM'000
9,678,740	7,427,643
4,609,944	5,109,102
6,813,615	6,709,415
19,954,816	18,214,335
41,057,115	37,460,495

BY TYPE OF CUSTOMER

Domestic non-banking institutions
- Stock-broking companies
- Others
Domestic business enterprises
- Small medium enterprises
- Others
Government and statutory bodies
Individuals
Foreign individuals
Other domestic entities
Foreign entities

231	241
1,304,372	1,622,525
7,731,103	5,932,508
14,680,028	13,847,266
92,725	162,591
15,833,956	15,003,354
3,084	-
13,634	251,166
1,397,982	640,844
41,057,115	37,460,495

BY INTEREST/PROFIT RATE SENSITIVITY

Fixed rate
- Housing loans/financing
- Hire purchase receivables
- Other fixed rate loans/financing
- Margin financing
Variable rate
- BLR plus
- Cost plus

362,329	314,506
10,967,008	10,524,043
3,823,349	4,181,013
207,186	56,705
16,064,029	14,098,831
9,633,214	8,285,397
41,057,115	37,460,495

9 LOANS, ADVANCES AND FINANCING (CONTINUED)

BY ECONOMIC PURPOSE

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

BY SECTOR

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

NOTES TO THE FINANCIAL STATEMENTS

– 31 DECEMBER 2014

9 LOANS, ADVANCES AND FINANCING (CONTINUED)

BY GEOGRAPHICAL DISTRIBUTION

	Group	
	2014	2013
	RM'000	RM'000
Perlis	130,950	85,125
Kedah	1,216,592	1,088,305
Pulau Pinang	2,000,495	1,825,875
Perak	1,171,747	1,163,213
Selangor	12,874,207	11,557,789
Wilayah Persekutuan	11,712,171	10,924,938
Negeri Sembilan	895,433	813,316
Melaka	982,343	869,233
Johor	3,254,531	3,224,541
Pahang	824,164	755,143
Terengganu	989,058	989,295
Kelantan	230,819	244,022
Sarawak	1,277,605	1,137,113
Sabah	1,705,599	1,692,677
Labuan	520,747	553,770
Outside Malaysia	1,270,654	536,140
	41,057,115	37,460,495

IMPAIRED LOANS, ADVANCES AND FINANCING

Movements of impaired loans, advances and financing

Balance at beginning of financial year	740,958	790,438
Classified as impaired during the financial year	543,093	432,629
Reclassified as non-impaired during the financial year	(289,556)	(298,268)
Amount recovered	(135,501)	(132,998)
Amount written-off	(94,353)	(50,843)
Amount converted to financial investments available-for-sale	(16,865)	-
Balance at end of financial year	747,776	740,958

Impaired loans, advances and financing by economic purpose

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

9 LOANS, ADVANCES AND FINANCING (CONTINUED)

Impaired loans, advances and financing by sector

	Group	
	2014	2013
	RM'000	RM'000
Primary agriculture	17,556	6,335
Manufacturing	53,950	62,914
Electricity, gas and water supply	246	118
Construction	258,070	193,447
Real estate	323	190
Wholesale and retail trade and restaurants and hotels	41,850	43,373
Transport, storage and communication	5,099	9,542
Finance, insurance and business services	38,442	60,065
Education, health and others	1,607	1,868
Household	330,633	363,106
	747,776	740,958

Impaired loans, advances and financing by geographical distribution

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

NOTES TO THE FINANCIAL STATEMENTS

– 31 DECEMBER 2014

9 LOANS, ADVANCES AND FINANCING (CONTINUED)

Movements in allowance for impairment on loans, advances and financing

Collective impairment

	Group	
	2014	2013
	RM'000	RM'000
Balance at beginning of financial year	307,142	330,797
Amount arising from acquisition of a subsidiary	4,299	-
Allowance (net of write-back) made during the financial year	45,835	13,913
Amount written-off during the financial year	(43,361)	(37,568)
Amount reclassified to individual impairment	(12,314)	-
Balance at end of financial year	301,601	307,142

Individual impairment

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

10 OTHER ASSETS

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Cheque clearing accounts	179,711	169,141	-	-
Foreclosed properties (a)	9,099	15,825	-	-
Other debtors, deposits and prepayments (b)	97,289	51,708	391	342
Amount due from joint ventures (c)	14,858	4,187	3	2
Deposit with an Escrow Agent (d)	-	68,150	-	68,150
	300,957	309,011	394	68,494

10 OTHER ASSETS (CONTINUED)

(a) Foreclosed properties

As at beginning of the financial year

Disposal during the financial year

As at end of the financial year

Group	
2014	2013
RM'000	RM'000
15,825	26,745
(6,726)	(10,920)
9,099	15,825

(b) Other debtors, deposits and prepayments

Other debtors, deposits and prepayments

Less: Allowance for bad and doubtful debts

Group		Company	
2014	2013	2014	2013
RM'000	RM'000	RM'000	RM'000
107,183	61,252	391	342
(9,894)	(9,544)	-	-
97,289	51,708	391	342

(c) Amount due from joint ventures

The amount due from joint ventures are unsecured and repayable on demand.

(d) Deposit with an Escrow Agent

The deposit with an Escrow Agent is in relation to the Acquisition of HwangDBS Investment Bank Berhad and other financial services businesses of Hwang-DBS (Malaysia) Berhad as disclosed in Note 46(a).

11 STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

The non-interest bearing statutory deposits are maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act 2009, the amounts of which are determined as a set percentages of total eligible liabilities.

NOTES TO THE FINANCIAL STATEMENTS

– 31 DECEMBER 2014

12 AMOUNT DUE FROM SUBSIDIARIES

10-year subordinated term loan to a licensed bank subsidiary:-

- Term Loan I (a)
- Term Loan II (b)
- Term Loan III (c)
- Other receivables (d)

Company	
2014	2013
RM'000	RM'000
-	300,921
301,370	301,288
302,940	302,756
3	7
604,313	904,972

- (a) The 10-year subordinated term loan I to a licensed bank subsidiary is unsecured and carries an interest rate ranging from 5.12% to 5.14% per annum during the financial year. The term loan has been fully prepaid by the subsidiary on 10 March 2014.
- (b) The 10-year subordinated term loan II to a licensed bank subsidiary is unsecured and carries an interest rates ranging from 4.37% to 4.71% per annum during the financial year. The term loan has a bullet repayment on 26 May 2021.
- (c) The 10-year subordinated term loan III to a licensed bank subsidiary is unsecured and carries an interest rates ranging from 4.37% to 4.71% per annum during the financial year. The term loan has a bullet repayment on 16 January 2022.
- (d) The other receivables from subsidiaries are unsecured, interest-free and repayable on demand.

13 AMOUNT DUE FROM ASSOCIATE

- 10-year subordinated loan (a)
- Other receivables (b)

Group and Company	
2014	2013
RM'000	RM'000
67,255	67,255
1	2
67,256	67,257

- (a) The 10-year subordinated loan to associate is unsecured and carries a fixed interest rate of 8.00% per annum during the financial year. The subordinated loan has a bullet repayment on 28 April 2020.
- (b) The other receivables from associate are unsecured, interest-free and repayable on demand.

14 INVESTMENT IN SUBSIDIARIES

	Company	
	2014	2013
	RM'000	RM'000
Unquoted shares at cost	5,902,034	3,582,882
Allowance for impairment losses	-	-
	5,902,034	3,582,882
Balance as at beginning of financial year	3,582,882	3,582,882
Acquisition of AFFIN Hwang Investment Bank Berhad	1,319,352	-
Subscription of shares in a licensed bank subsidiary	500,000	-
Subscription of shares in a licensed investment bank subsidiary	499,800	-
Balance as at end of financial year	5,902,034	3,582,882

The subsidiaries, all of which are incorporated in Malaysia, are as follows:-

Name	Principal activities	Issued and paid up share capital	Percentage of equity held	
			2014	2013
		RM'000	%	%
(1) AFFIN Bank Berhad	Provision of commercial banking and hire purchase services	1,688,770	100	100
- AFFIN Islamic Bank Bhd	Islamic banking business	360,000	100	100
- ABB Trustee Berhad #	Trustee management services	500	100	100
- PAB Properties Sdn Bhd	Property management services	8,000	100	100
- ABB Nominee (Tempatan) Sdn Bhd	Share nominee services	40	100	100
- ABB Nominee (Asing) Sdn Bhd	Dormant	@	100	100
- AFFIN Factors Sdn Bhd	Dormant	10,000	100	100
- PAB Property Development Sdn Bhd *	Dormant	250	100	100
- PAB Property Management Services Sdn Bhd	Dissolved on 2 September 2014	-	-	100
- ABB Venture Capital Sdn Bhd	Dissolved on 2 September 2014	-	-	100
- AFFIN Futures Sdn Bhd	Dormant	13,000	100	100
- ABB IT & Services Sdn Bhd	Dormant	2,000	100	100

NOTES TO THE FINANCIAL STATEMENTS

– 31 DECEMBER 2014

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name	Principal activities	Issued and paid up share capital RM'000	Percentage of equity held	
			2014 %	2013 %
- BSNCB Nominees (Tempatan) Sdn Bhd	Dormant	500	100	100
- BSNC Nominees (Tempatan) Sdn Bhd *	Dormant	10	100	100
- AFFIN Recoveries Berhad	Dormant	125,000	100	100
- AFFIN-ACF Nominees (Tempatan) Sdn Bhd *	Dormant	25	100	100
(2) AFFIN Hwang Investment Bank Berhad (fka HwangDBS Investment Bank Berhad)	Provision of investment banking services	780,000	100	-
- AFFIN Hwang Asset Management Berhad (fka Hwang Investment Management Berhad)	Asset Management and management of unit trust and private retirement scheme	10,000	70	-
- Asian Islamic Investment Management Sdn Bhd	Islamic fund management	10,000	70	-
- AFFIN Hwang Futures Sdn Bhd (fka HDM Futures Sdn Bhd)	Licensed futures brokers dealing in options and futures	5,000	100	-
- AFFIN Hwang Nominees (Asing) Sdn Bhd (fka HDM Nominees (Asing) Sdn Bhd)	Nominee services	^	100	-
- AFFIN Hwang Nominees (Tempatan) Sdn Bhd (fka HDM Nominees (Tempatan) Sdn Bhd)	Nominee services	5,000	100	-
- AFFIN Nominees (Asing) Sdn Bhd	Dormant	@	100	100
- AFFIN Nominees (Tempatan) Sdn Bhd	Dormant	@	100	100
- AFFIN Fund Management Berhad	Dormant	12,000	70	100

14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name	Principal activities	Issued and paid up share capital RM'000	Percentage of equity held	
			2014 %	2013 %
(3) AFFIN Moneybrokers Sdn Bhd	Money-broking	1,000	100	100
(4) AFFIN-ACF Holdings Sdn Bhd	Investment holding	338,382	100	100
- AFFIN-ACF Capital Sdn Bhd	Dissolved on 14 October 2014	-	-	100
(5) AFFIN Capital Sdn Bhd	In members' voluntary winding-up	-	100	100
(6) AFFIN Investment Bank Berhad	Dormant	222,246	100	100
- Classic Precision Sdn Bhd	In members' voluntary winding-up	-	67	67
- Merchant Nominees (Tempatan) Sdn Bhd	In members' voluntary winding-up	-	100	100

80% held by directors of AFFIN Bank Berhad, in trust for AFFIN Bank Berhad

@ Subsidiaries with issued and paid up share capital of RM2 each

^ Subsidiary with issued and paid up share capital of RM5 each

* Application to strike off the name of the company has been filed with Suruhanjaya Syarikat Malaysia ('SSM')

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14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of a subsidiary that have material non-controlling interests.

The summarised financial information of the asset management subsidiary, AFFIN Hwang Asset Management Berhad ("AHAM") acquired during the financial year has non-controlling interests that are material to the Group is set out below. The proportion of ownership interests and voting rights held by non-controlling interests is 30.0%. The summarised financial information below represents amounts before inter-company eliminations.

	2014 RM'000
Summarised financial position	
Total assets	324,797
Total liabilities	223,699
Net assets	101,098
Equity attributable to owners of the Company	101,098
Non-controlling interest ("NCI")	30,329
Summarised financial results	
Profit before taxation	33,649
Taxation	(10,032)
Other comprehensive income	109
Total comprehensive income	23,726
Summarised cash flows	
Net cash generated from operating activities	116,030
Net cash used in investing activities	(73,193)
Net increase in cash and cash equivalents	42,837
Profit allocated to NCI of the Group	7,085
Dividends paid to NCI of the Group	-
Movements in NCI	
Balance at beginning of the financial year	-
Share of reserves of a subsidiary acquired during the financial year	33,155
Gains/effect on dilution of interest in a subsidiary	(9,945)
Profit for the financial year	7,085
Other comprehensive income for the financial year	34
Dividends paid for the financial year	-
Balance at end of the financial year	30,329

15 INVESTMENT IN JOINT VENTURES

Unquoted shares at cost
Group's share of post-acquisition losses

Group		Company	
2014	2013	2014	2013
RM'000	RM'000	RM'000	RM'000
147,530	147,530	146,880	146,880
(11,322)	(11,991)	-	-
136,208	135,539	146,880	146,880

Information about joint ventures

Name	Principal activities	Issued and paid up share capital RM'000	Percentage of equity held	
			2014 %	2013 %
AXA AFFIN Life Insurance Berhad *	Underwriting of life insurance business	288,000	51	51
AFFIN-i Nadayu Sdn Bhd #	Property development	1,000	50	50
KL South Development Sdn Bhd #	Property development	500	30	30

* Shareholding held directly by the Company.

Shareholding held directly by AFFIN Islamic Bank Berhad.

The summarised financial information of the major joint venture namely AXA AFFIN Life Insurance Berhad ("AALI") is as follows:-

	Group	
	2014 RM'000	2013 RM'000
Revenue	329,022	314,808
Tax expense	5,645	367
Profit after taxation	473	10,644
Total assets	1,069,388	917,849
Total liabilities	802,314	652,087
Total comprehensive income	1,312	11,391
Cash and cash equivalents	73,116	61,572
Capital commitment for property and equipment	-	-
Reconciliation of the summarised financial information to the carrying amount of the interest in AALI recognised in the consolidated financial statements:-		
Opening net assets as at beginning of the financial year	265,762	254,371
Profit for the financial year	473	10,644
Other comprehensive income	839	747
Closing net assets as at end of the financial year	267,074	265,762
Interest in AALI :-		
- In percentage (%)	51%	51%
- In thousand (RM'000)	136,208	135,539

The financial information of AFFIN-i Nadayu Sdn Bhd and KL South Development Sdn Bhd is not significant to the Group.

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16 INVESTMENT IN ASSOCIATE

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Unquoted shares at cost	15,623	10,681	15,623	10,681
Group's share of post-acquisition profits	225,834	197,715	-	-
	241,457	208,396	15,623	10,681

The associate is incorporated in Malaysia and the details are as follows:-

Name	Principal activities	Issued and paid up share capital RM'000	Percentage of equity held	
			2014	2013
			%	%
AXA AFFIN General Insurance Berhad *	Underwriting of general insurance business	119,048	34.51	33.62

* Shareholding held directly by the Company

During the year, the Company acquired additional 1,055,933 ordinary shares of RM1.00 of AXA AFFIN General Insurance Berhad at RM4.68 per share.

The summarised financial information of associate are as follows:-

	Group	
	2014	2013
	RM'000	RM'000
Revenue	1,152,442	969,074
Profit after taxation	85,657	70,655
Total comprehensive income	82,371	73,254
Total assets	2,453,481	2,125,578
Total liabilities	1,749,576	1,504,044
Capital commitment for property and equipment	8,676	5,102
Reconciliation of the summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:-		
Opening net assets as at beginning of the financial year	621,534	548,280
Profit for the financial year	85,657	70,655
Other comprehensive (loss)/income	(3,286)	2,599
Closing net assets as at end of the financial year	703,905	621,534
Interest in associate:-		
- In percentage (%)	34.509%	33.622%
- In thousand (RM'000)	242,911	208,972
Discount on acquisition	(1,454)	(576)
	241,457	208,396

17 PROPERTY AND EQUIPMENT

Group 2014	Freehold land RM'000	Leasehold land		Buildings on freehold land RM'000	Buildings on leasehold land RM'000	Renovations RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Capital work-in- progress RM'000	Computers RM'000	Total RM'000
		50 years or more RM'000	Less than 50 years RM'000								
<u>Cost</u>											
As at beginning of the financial year	19,676	12,862	5,380	26,803	89,069	127,282	66,733	8,794	2,820	88,810	448,229
- Amount arising from acquisition of subsidiaries	-	-	-	-	-	8,957	18,230	4,150	-	32,022	63,359
- Additions	-	-	-	-	-	3,444	3,080	253	8,247	2,472	17,496
- Disposals	(440)	(520)	-	(435)	(8,087)	(2,982)	(535)	(1,713)	-	(3,318)	(18,030)
- Write-off	-	-	-	-	-	(1,890)	(2,081)	-	-	(503)	(4,474)
- Reclassification to intangible assets (Note 18)	-	-	-	-	-	-	-	-	(1,751)	(5,437)	(7,188)
As at end of the financial year	19,236	12,342	5,380	26,368	80,982	134,811	85,427	11,484	9,316	114,046	499,392
<u>Accumulated depreciation</u>											
As at beginning of the financial year	-	2,146	1,693	12,273	25,160	108,178	47,728	5,108	-	78,765	281,051
- Amount arising from acquisition of subsidiaries	-	-	-	-	-	7,429	15,513	3,121	-	26,593	52,656
- Charge for the financial year	-	106	120	438	1,491	7,101	4,262	1,532	-	5,037	20,087
- Disposals	-	(110)	-	(326)	(2,369)	(2,971)	(514)	(1,713)	-	(3,280)	(11,283)
- Write-off	-	-	-	-	-	(1,884)	(1,973)	-	-	(501)	(4,358)
- Reclassification to intangible assets (Note 18)	-	-	-	-	-	-	-	-	-	(3,077)	(3,077)
As at end of the financial year	-	2,142	1,813	12,385	24,282	117,853	65,016	8,048	-	103,537	335,076
<u>Impairment losses</u>											
As at beginning/end of the financial year	140	-	-	-	-	-	-	-	-	-	140
Net book value											
As at end of the financial year	19,096	10,200	3,567	13,983	56,700	16,958	20,411	3,436	9,316	10,509	164,176

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17 PROPERTY AND EQUIPMENT (CONTINUED)

Group 2013	Freehold land	Leasehold land		Buildings on freehold land	Buildings on leasehold land	Renovations	Furniture and equipment	Motor vehicles	Capital work-in- progress	Computers	Total
		50 years or more	Less than 50 years								
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Cost</u>											
As at beginning of the financial year	21,126	12,862	5,380	29,950	89,069	122,298	65,293	6,993	7,951	88,153	449,075
- Additions	-	-	-	-	-	8,180	2,747	2,734	6,032	2,513	22,206
- Disposals	(1,450)	-	-	(3,147)	-	(2,530)	(713)	(784)	-	(1,854)	(10,478)
- Write-off	-	-	-	-	-	(755)	(620)	(149)	-	(2)	(1,526)
- Reclassification	-	-	-	-	-	89	26	-	(115)	-	-
- Reclassification to intangible assets (Note 18)	-	-	-	-	-	-	-	-	(11,048)	-	(11,048)
As at end of the financial year	19,676	12,862	5,380	26,803	89,069	127,282	66,733	8,794	2,820	88,810	448,229
<u>Accumulated depreciation</u>											
As at beginning of the financial year	-	2,034	1,572	12,962	23,371	104,344	45,414	4,999	-	76,146	270,842
- Charge for the financial year	-	112	121	442	1,789	7,114	3,535	1,042	-	4,475	18,630
- Disposals	-	-	-	(1,131)	-	(2,530)	(691)	(784)	-	(1,854)	(6,990)
- Write-off	-	-	-	-	-	(750)	(530)	(149)	-	(2)	(1,431)
As at end of the financial year	-	2,146	1,693	12,273	25,160	108,178	47,728	5,108	-	78,765	281,051
<u>Impairment losses</u>											
As at beginning/end of the financial year	140	-	-	-	-	-	-	-	-	-	140
<u>Net book value</u>											
As at end of the financial year	19,536	10,716	3,687	14,530	63,909	19,104	19,005	3,686	2,820	10,045	167,038

17 PROPERTY AND EQUIPMENT (CONTINUED)

Company

2014

Cost

As at beginning of the financial year	565	574	272	398	1,809
- Additions	-	-	5	-	5
- Write-off	-	-	(3)	-	(3)

As at end of the financial year

565 574 274 398 1,811

Accumulated depreciation

As at beginning of the financial year	417	445	252	225	1,339
- Charge for the financial year	56	45	11	80	192
- Write-off	-	-	(3)	-	(3)

As at end of the financial year

473 490 260 305 1,528

Net book value

As at end of the financial year

92 84 14 93 283

2013

Cost

As at beginning of the financial year	565	575	264	547	1,951
- Additions	-	11	8	-	19
- Write-off	-	(12)	-	(149)	(161)

As at end of the financial year

565 574 272 398 1,809

Accumulated depreciation

As at beginning of the financial year	361	405	232	294	1,292
- Charge for the financial year	56	48	20	80	204
- Write-off	-	(8)	-	(149)	(157)

As at end of the financial year

417 445 252 225 1,339

Net book value

As at end of the financial year

148 129 20 173 470

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18 INTANGIBLE ASSETS

Goodwill on consolidation (a)
Intangible assets (b)
- Merchant Bank License
- Computer Software License

(a) Goodwill on consolidation

Cost

As at beginning of the financial year
Amount arising from acquisition of subsidiaries (Note 47)

As at end of the financial year

Impairment losses

As at beginning of the financial year
Amount arising from acquisition of subsidiaries

As at end of the financial year

Carrying value

Group	
2014	2013
RM'000	RM'000
1,535,818	989,741
52,500	-
18,602	20,247
1,606,920	1,009,988
989,741	989,741
566,277	-
1,556,018	989,741
-	-
20,200	-
20,200	-
1,535,818	989,741

Goodwill arising from acquisition of subsidiaries comprise the acquisition of 100% of the issued and paid-up share capital of HwangDBS Investment Bank Berhad (now known as AFFIN Hwang Investment Bank Berhad) and the 17% of the issued paid-up share capital of Hwang Investment Management Berhad (now known as AFFIN Hwang Asset Management Berhad) and the acquisition of the remaining 51% in Asian Islamic Investment Management Sdn Bhd (collectively referred to as "the Acquisitions").

As disclosed in Note 46, the Company completed the Acquisitions on 7 April 2014 and 19 September 2014 respectively. The fair valuation exercise of the identifiable assets acquired, liabilities and contingent liabilities assumed arising from the Acquisitions is currently in progress and has yet to be determined. Hence, the initial accounting for business combination is incomplete as at 31 December 2014. Based on the initial provisional fair values of identifiable assets acquired and liabilities assumed, the goodwill arising is approximately estimated to be RM432,473,000 for the acquisition of HwangDBS Investment Bank Berhad and RM3,601,000 for the acquisition of Asian Islamic Investment Management Sdn Bhd respectively (see Note 47(a) and 47(b)). As allowed by MFRS 3 "Business Combination", the Group will recognise any adjustments to the provisional goodwill amount recognised as a result of completing the initial accounting within the measurement period, which shall not exceed twelve months from the acquisition date. As such, goodwill impairment testing will be performed upon completion of the initial accounting for the business combination and allocation of the goodwill to the cash generating units.

18 INTANGIBLE ASSETS (CONTINUED)

Allocation of goodwill to cash-generating units

Goodwill has been allocated to the following cash-generating units ("CGUs").

Cash generating units ("CGU")	Group	
	2014	2013
	RM'000	RM'000
Commercial banking	829,478	829,478
Investment banking	325,050	97,346
Asset management	208,371	-
Stock-broking	161,799	51,797
Money-broking	11,120	11,120
	1,535,818	989,741

Goodwill is allocated to the Group's CGUs which are expected to benefit from the synergies of the acquisitions. For annual impairment testing purposes, the recoverable amount of the CGUs are based on their value-in-use calculations using the cash flow projections based on 5 years financial budgets of the respective subsidiaries, which were approved by directors. The cash flows beyond the fifth year are assumed to grow on perpetual basis based on forecasted Gross Domestic Product ("GDP") growth rate of Malaysia, adjusted for specific risk of the respective CGUs (see table below).

The cash flow projections are derived based on a number of key factors including past performance and management's expectations of the market developments. The discount rates used are based on the pre-tax weighted average cost of capital plus an appropriate risk premium where applicable, at the date of assessment of the CGUs.

During the financial year, no impairment charge was required for goodwill arising from all the CGUs. The directors are of the view that any reasonable possible changes to the assumptions applied are not likely to cause the recoverable amount of all the CGUs to be lower than its carrying amount.

The estimated terminal growth rates and discount rates used for value in use calculation are as follows:-

CGU	Discount Rate		Terminal Growth Rate	
	2014	2013	2014	2013
Commercial banking	11.44%	9.26%	4.05%	5.00%
Investment banking	7.74%	9.91%	3.00%	5.00%
Asset management	7.74%	N/A	3.00%	N/A
Stock-broking	7.74%	10.71%	3.00%	1.00%
Money-broking	10.92%	8.92%	4.00%	5.00%

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18 INTANGIBLE ASSETS (CONTINUED)

(b) Intangible assets

Group 2014

Cost

As at beginning of the financial year
Amount arising from acquisition of subsidiaries
Additions
Disposal
Reclassification from property and equipment (Note 17)

As at end of the financial year

Accumulated amortisation and impairment losses

As at beginning of the financial year
Charge for the financial year
Disposal
Reclassification from property and equipment (Note 17)

As at end of the financial year

Net book value

As at end of the financial year

2013

Cost

As at beginning of the financial year
Reclassification from property and equipment (Note 17)
Additions
Disposal
Write-off

As at end of the financial year

Accumulated amortisation and impairment losses

As at beginning of the financial year
Charge for the financial year
Disposal
Write-off

As at end of the financial year

Net book value

As at end of the financial year

Merchant Bank License*	Computer Software License	Total
RM'000	RM'000	RM'000
-	145,578	145,578
52,500	-	52,500
-	1,778	1,778
-	(789)	(789)
-	7,188	7,188
52,500	153,755	206,255
-	125,331	125,331
-	7,513	7,513
-	(768)	(768)
-	3,077	3,077
-	135,153	135,153
52,500	18,602	71,102
-	133,916	133,916
-	11,048	11,048
-	771	771
-	(148)	(148)
-	(9)	(9)
-	145,578	145,578
-	116,873	116,873
-	8,615	8,615
-	(148)	(148)
-	(9)	(9)
-	125,331	125,331
-	20,247	20,247

* The merchant bank license is assessed for impairment on an annual basis together with the goodwill impairment testing for the investment banking CGU as disclosed in Note 18(a).

18 INTANGIBLE ASSETS (CONTINUED)

(b) Intangible assets (continued) Company

Cost

As at beginning of the financial year
Additions

As at end of the financial year

Accumulated amortisation and impairment losses

As at beginning of the financial year
Charge for the financial year

As at end of the financial year

Net book value

As at end of the financial year

Computer Software License	
2014	2013
RM'000	RM'000
20	20
4	-
24	20
19	16
1	3
20	19
4	1

19 DEPOSITS FROM CUSTOMERS

By type of deposits

Money market deposits
Demand deposits
Savings deposits
Fixed deposits
Negotiable instruments of deposit ("NID")
Commodity Murabahah Deposits ("CMD")
Others

Group	
2014	2013
RM'000	RM'000
1,177,702	1,050,233
8,096,429	8,202,729
2,047,242	2,004,242
31,032,250	29,039,949
7,059,508	6,482,169
1,030,814	574,192
160,060	-
50,604,005	47,353,514
31,712,118	29,007,708
5,670,967	6,392,507
701,583	80,239
7,090	31,344
-	10,320
38,091,758	35,522,118

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

Due within six months
Six months to one year
One year to three years
Three years to five years
Five years and above

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19 DEPOSITS FROM CUSTOMERS (CONTINUED)

By type of customers

Government and statutory bodies
Business enterprises
Individuals
Domestic banking institutions
Domestic non-banking financial institutions
Foreign entities
Others

Group	
2014	2013
RM'000	RM'000
9,335,163	9,127,809
14,468,197	14,715,136
13,138,092	11,660,423
6,736,994	5,792,563
5,639,041	4,485,465
398,477	328,666
888,041	1,243,452
50,604,005	47,353,514

20 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

Licensed banks
Licensed investment banks
Bank Negara Malaysia
Other financial institutions

Group	
2014	2013
RM'000	RM'000
2,783,993	3,285,513
154,173	282,459
47,898	-
2,381,739	415,940
5,367,803	3,983,912
5,319,905	3,779,530
47,898	204,382
5,367,803	3,983,912

Maturity structure of deposits are as follows:-

Due within six months
Six months to one year

21 TRADE PAYABLES

Amount due to clients
Amount due to Bursa Securities Clearing Sdn Bhd

Group	
2014	2013
RM'000	RM'000
582,166	158,273
-	20,805
582,166	179,078

The trade payables represent amount payable under outstanding sales contracts in relation to the stock-broking business.

22 DERIVATIVE FINANCIAL LIABILITIES

At fair value:-

Foreign exchange derivatives:

- Currency swaps
- Currency forwards
- Cross currency swaps
- Currency option
- Cross currency interest rate swaps

Interest rate derivatives:

- Interest rate swaps

Group		Group	
2014		2013	
Contract/ Notional Amount	Liabilities	Contract/ Notional Amount	Liabilities
RM'000	RM'000	RM'000	RM'000
1,070,744	56,236	-	-
262,152	2,883	498,726	5,099
2,881,617	215,582	2,284,085	51,018
367	1	-	-
430,821	31,491	-	-
966,552	19,562	2,033,725	37,751
5,612,253	325,755	4,816,536	93,868

23 RECOURSE OBLIGATION ON LOANS SOLD TO CAGAMAS BERHAD

In the normal course of banking operations, the banking subsidiaries sell loans and advances to Cagamas Berhad with recourse to the banking subsidiaries at values equivalent to the unpaid principal balances of loans and advances due from borrowers.

The banking subsidiaries are liable in respect of housing loans and hire purchase portfolio sold directly and indirectly to Cagamas Berhad, under the condition that the banking subsidiaries undertake to administer the loans on behalf of Cagamas Berhad and to buy back any loans which are regarded as defective based on agreed prudential criteria. Such financing transactions and the obligations to buy back the loans are reflected as a liability in the reporting date.

24 OTHER LIABILITIES

Bank Negara Malaysia and Credit Guarantee

Corporation Funding Programmes

Margin and collateral deposits

Trust accounts for remisers

Defined contribution plan (a)

Accrued employee benefits (b)

Other creditors and accruals

Provision for zakat

Sundry creditors

Amount pledged by subsidiary

Group		Company	
2014	2013	2014	2013
RM'000	RM'000	RM'000	RM'000
33,602	27,897	-	-
145,430	108,258	-	-
48,183	9,868	-	-
15,301	13,912	-	-
31,322	1,060	59	55
199,387	151,775	2,831	2,433
5,037	11,402	-	-
89,505	143,282	75	13,294
-	-	-	3,852
567,767	467,454	2,965	19,634

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24 OTHER LIABILITIES (CONTINUED)

(a) Defined contribution plan

The Group contributes to the Employees Provident Fund (“EPF”), the national defined contribution plan. Once the contributions have been paid, the Group has no further payment obligations.

(b) Accrued employee benefits

This refers to the accruals for short-term employee benefits for leave entitlement. Under employment contract, employees earn their leave entitlement which they are entitled to carry forward and will lapse if not utilised in the following accounting period.

25 DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets and current tax liabilities and when the deferred tax related to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:-

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	13,954	14,475	-	-
Deferred tax liabilities	(138)	(172)	(68)	(108)
	13,816	14,303	(68)	(108)
Deferred tax assets				
- to be settled more than 12 months	45	-	-	-
- to be settled within 12 months	32,019	27,115	-	-
	32,064	27,115	-	-
Deferred tax liabilities				
- to be settled more than 12 months	(5,163)	(7,507)	(50)	(57)
- to be settled within 12 months	(13,085)	(5,305)	(18)	(51)
	(18,248)	(12,812)	(68)	(108)
	13,816	14,303	(68)	(108)
At beginning of the financial year	14,303	(16,335)	(108)	(143)
Amount arising from acquisition of subsidiaries	1,289	-	-	-
Credited to income statements (Note 39)	5,406	31	40	35
(Charged)/credited to equity	(7,182)	30,607	-	-
At end of the financial year	13,816	14,303	(68)	(108)

25 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

The movements in deferred tax assets and liabilities during the financial year are as follows:-

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At beginning of the financial year	14,303	(16,335)	(108)	(143)
Amount arising from acquisition of subsidiaries	1,289	-	-	-
Credited to income statements (Note 39)	5,406	31	40	35
- property and equipment	288	412	41	34
- intangible assets	1,173	(620)	(1)	1
- provision for other liabilities	3,947	264	-	-
- unabsorbed capital allowances	-	(21)	-	-
- others	(2)	(4)	-	-
(Charged)/credited to equity	(7,182)	30,607	-	-
At end of the financial year	13,816	14,303	(68)	(108)
Subject to income tax:-				
Deferred tax assets (before offsetting):-				
Intangible assets	45	-	-	-
Provision for other liabilities	28,873	24,926	-	-
Allowance for impairment of securities	2	2	-	-
AFS revaluation reserves	1,855	2,187	-	-
Offsetting	30,775	27,115	-	-
Amount arising from acquisition of subsidiaries	(18,110)	(12,640)	-	-
Deferred tax assets (after offsetting)	13,954	14,475	-	-
Deferred tax liabilities (before offsetting):-				
Property and equipment	(5,175)	(5,463)	(67)	(108)
Intangible assets	(3,726)	(4,854)	(1)	-
AFS revaluation reserves	(9,347)	(2,497)	-	-
Others	-	2	-	-
Offsetting	(18,248)	(12,812)	(68)	(108)
Deferred tax liabilities (after offsetting)	(138)	(172)	(68)	(108)

The Group did not recognise the unused tax losses of certain dormant subsidiaries as deferred tax assets as at the reporting date as follows:-

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Tax losses	98,860	99,209	-	-

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26 AMOUNT DUE TO SUBSIDIARIES

The amount due to subsidiaries is unsecured, interest-free and is repayable on demand.

27 BORROWINGS

Unsecured borrowings

- (a) 5-year floating rate term loan
- (b) 5-year floating rate term loan ("Term Loan II")
- (c) 5-year floating rate term loan ("Term Loan III")
- (d) 5-year fixed rate term loan
- (e) 5-year floating rate term loan ("Term Loan IV")

Group and Company	
2014	2013
RM'000	RM'000
-	302,029
301,295	301,213
302,773	302,590
66,590	66,600
301,800	-
972,458	972,432

(a) 5-year floating rate term loan

The 5-year floating rate term loan is unsecured and carries interest rates ranging from 4.87% to 4.89% per annum during the financial year, repayable in one (1) lump sum five (5) years from the date of first drawdown on 11 May 2009. The loan was fully repaid on 12 May 2014.

(b) 5-year floating rate term loan ("Term Loan II")

The 5-year floating rate term loan is unsecured and carries interest rates ranging from 4.12% to 4.46% per annum during the financial year, repayable in one (1) lump sum five (5) years from the date of first drawdown on 26 May 2011.

(c) 5-year floating rate term loan ("Term Loan III")

The 5-year floating rate term loan is unsecured and carries interest rates ranging from 4.12% to 4.46% per annum during the financial year, repayable in one (1) lump sum five (5) years from the date of first drawdown on 16 January 2012.

(d) 5-year fixed rate term loan

The 5-year fixed rate term loan is unsecured and carries a fixed interest rate of 5.32% per annum during the financial year, repayable in one (1) lump sum five (5) years from the date of first drawdown on 30 April 2010.

(e) 5-year floating rate term loan ("Term Loan IV")

The 5-year floating rate term loan is unsecured and carries interest rates ranging from 4.13% to 4.41% per annum during the financial year, repayable in one (1) lump sum five (5) years from the date of first drawdown on 12 May 2014.

28 SHARE CAPITAL

Group and Company	Number of ordinary shares of RM1.00 each		Amount	
	2014	2013	2014	2013
	'000	'000	RM'000	RM'000
Authorised:- Ordinary shares of RM1.00 each				
As at beginning/end of the financial year	5,000,000	5,000,000	5,000,000	5,000,000
Issued and fully paid up:- Ordinary shares of RM1.00 each				
As at beginning of the financial year	1,494,576	1,494,576	1,494,576	1,494,576
Issue of share capital pursuant to the Rights Issue	448,373	-	448,373	-
As at end of the financial year	1,942,949	1,494,576	1,942,949	1,494,576

During the financial year, the Company's issued and paid-up capital 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 pursuant to the 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 bridging 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.

29 RESERVES

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Retained profits	2,099,826	1,997,542	843,947	635,562
AFS revaluation reserves	34,357	15,148	-	-
Statutory reserves	1,502,616	1,469,048	-	-
Regulatory reserves	187,922	-	-	-
	3,824,721	3,481,738	843,947	635,562

- The statutory reserves of the Group are maintained in compliance with Section 47(2)(f) of the Financial Services Act 2013 and Section 57(2)(f) Islamic Financial Services Act 2013 and are not distributable as cash dividends.
- 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.
- The banking subsidiaries are required to maintain in aggregate collective impairment allowances and regulatory reserves of no less than 1.2% of the total outstanding loans, advances and financing, net of individual impairment allowances.

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30 INTEREST INCOME

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing	1,737,738	1,647,938	-	-
Money at call and deposits with financial institutions	160,111	171,295	8,708	6,095
Reverse repurchase agreements with financial institutions	-	234	-	-
Financial assets held-for-trading	151,239	89,026	-	-
Financial investments available-for-sale	310,261	262,140	-	-
Financial investments held-to-maturity	40,587	25,923	-	-
Subordinated term loans	5,305	5,305	35,184	46,778
Others	364	64	-	-
	2,405,605	2,201,925	43,892	52,873
Accretion of discount less amortisation of premium	38,796	13,075	-	-
	2,444,401	2,215,000	43,892	52,873
of which :-				
Interest income earned on impaired loans, advances and financing	7,933	11,219	-	-

31 INTEREST EXPENSE

	Group	
	2014	2013
	RM'000	RM'000
Deposits and placements of banks and other financial institutions	65,692	109,722
Deposits from customers	1,270,101	1,071,432
Loans sold to Cagamas Berhad	13,263	19,164
Derivatives	139,380	94,783
Others	6,743	3,108
	1,495,179	1,298,209

32 ISLAMIC BANKING INCOME

	Group	
	2014	2013
	RM'000	RM'000
Income derived from investment of depositors' funds and others	472,996	428,386
Less: Income attributable to depositors	(262,359)	(237,422)
	210,637	190,964
Income derived from investment of shareholders' funds	33,586	29,781
	244,223	220,745

33 OTHER OPERATING INCOME

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Fee income:-				
Gross brokerage	118,834	72,740	-	-
Underwriting fees	10,269	4,418	-	-
Portfolio management fees	121,145	15,660	-	-
Corporate advisory fees	10,190	12,716	-	-
Commission	14,553	13,873	-	-
Service charges and fees	59,778	62,905	-	-
Guarantee fees	23,853	21,243	-	-
Arrangement fees	13,294	13,224	-	-
Agency fees	2,190	2,801	-	-
Initial service charges	57,268	7,787	-	-
Other fee income	13,340	1,800	-	-
	444,714	229,167	-	-
Income from financial instruments:-				
Gains arising on financial assets held-for-trading				
- net gains on disposal	34,564	3,336	-	-
- unrealised gains	1,600	455	-	-
- gross dividend income	1,791	-	-	-
Gains on derivatives				
- realised	7,147	3,156	-	-
- unrealised	9,377	8,055	-	-
Gains arising on financial investments available-for-sale				
- net gains on disposal	20,474	32,823	-	-
- gross dividend income	11,162	4,756	-	-
Gains arising on financial investments held-to-maturity				
- net gains on redemption	3,500	6,144	-	-
	89,615	58,725	-	-
Other income:-				
Foreign exchange gains	63,469	66,908	-	-
Rental income	1,500	1,453	-	-
Gains on disposal of property and equipment	6,292	4,064	-	52
Gains on disposal of foreclosed properties	3,329	11,041	-	-
Surplus on realisation of assets of a subsidiary previously placed under members' voluntary winding up	107	-	-	-
Gross dividends received from subsidiaries	-	-	538,217	314,348
Other non-operating income	21,079	16,855	1	5
	95,776	100,321	538,218	314,405
Total other operating income	630,105	388,213	538,218	314,405

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34 OPERATING EXPENSES

Personnel costs

Wages, salaries and bonus
Defined contribution plan
Other personnel costs

Group		Company	
2014	2013	2014	2013
RM'000	RM'000	RM'000	RM'000
419,397	334,645	2,457	2,463
66,903	54,475	418	429
54,480	41,378	562	410
540,780	430,498	3,437	3,302
<u>Promotion and marketing-related expenses</u>			
Business promotion and advertisement	16,542	9,495	-
Entertainment	4,479	3,331	-
Travelling and accommodation	5,674	4,888	-
Dealer's handling fees	7,682	2,526	-
Commission	58,118	344	-
Others	6,648	2,186	-
99,143	22,770	-	-
<u>Establishment-related expenses</u>			
Rental of premises	39,227	28,750	802
Equipment rental	2,983	1,067	6
Repair and maintenance	38,326	29,506	153
Depreciation of property and equipment	20,087	18,630	192
Amortisation of intangible assets	7,513	8,615	1
IT consultancy fees	61,746	61,893	-
Dataline rental	4,523	3,890	-
Security services	17,690	13,566	-
Electricity, water and sewerage	12,903	10,354	25
Insurance and indemnities	5,531	4,492	45
Others	3,776	3,926	-
214,305	184,689	1,224	1,140
<u>General and administrative expenses</u>			
Telecommunication expenses	13,520	8,167	28
Auditors' remuneration	3,197	2,660	498
Professional fees	38,215	20,078	3,241
Property and equipment written-off	129	95	-
Postage and courier charges	3,439	2,782	4
Stationery and consumables	9,899	9,563	14
Commission and brokerage expenses	3,774	3,747	-
Donations	6,263	3,990	1,013
Settlement, clearing and bank charges	8,012	7,334	7
Stamp duties	6,232	198	5,592
Write-back of litigation losses	-	(4,210)	-
Commissioned dealers representative performance incentive	7,979	3,801	-
Subscription fees	2,920	2,160	28
Transaction levy	6,894	2,177	-
Subsidies and allowances	930	924	-
Others	17,329	15,198	2,040
128,732	78,664	12,465	21,472
Total operating expenses	982,960	716,621	17,126

34 OPERATING EXPENSES (CONTINUED)

The above expenditure includes the following statutory disclosures:-

Directors' remuneration (Note 35)

Auditors' remuneration:-

- Statutory audit fees
- Under provision in prior year
- Audit related fees
- Non audit fees

Group		Company	
2014	2013	2014	2013
RM'000	RM'000	RM'000	RM'000
2,924	2,547	1,507	1,447
1,611	1,337	204	172
-	2	-	-
513	581	62	58
1,073	740	232	568

35 DIRECTORS' REMUNERATION

The directors of the Company in office during the financial year are as follows:-

Non-executive directors

Gen. (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Haji Zainuddin

Tan Sri Dato' Seri Lodin bin Wok Kamaruddin

Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad

Dato' Mustafa bin Mohamad Ali

Professor Arthur Li Kwok Cheung (Resigned on 31.12.2014)

Abd Malik bin A Rahman

Tan Sri Dato' Seri Alauddin bin Dato' Mohd Sheriff

Ignatius Chan Tze Ching

Rosnah binti Omar

Adrian David Li Man Kiu (Alternate Director to Ignatius Chan Tze Ching) (Resigned on 31.12.2014)

Peter Yuen Wai Hung (Alternate Director to Professor Arthur Li Kwok Cheung)

The aggregate amount of emoluments receivables by directors of the Company during the financial year are as follows:-

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Non-executive directors				
- fees	2,414	2,067	1,237	1,136
- other emoluments	478	438	238	269
- estimated money value of benefits-in-kind	32	42	32	42
Total directors' remuneration	2,924	2,547	1,507	1,447
Total directors' remuneration excluding estimated money value of benefits-in-kind	2,892	2,505	1,475	1,405

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

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35 DIRECTORS' REMUNERATION (CONTINUED)

The number of directors of the Company whose total remuneration (including benefits-in-kind) received from the Group falls into the following remuneration bands:-

Remuneration band:-

RM1 – RM100,000
RM100,001 – RM200,000
RM200,001 – RM300,000
RM300,001 – RM400,000
RM400,001 – RM500,000
RM500,001 – RM600,000
RM600,001 – RM700,000
RM700,001 – RM800,000
RM800,001 – RM900,000

Group	
Number of Non-Executive Directors	
2014	2013
1	3
4	3
-	1
2	2
2	1
-	-
-	-
-	1
1	-

36 WRITE-BACK OF ALLOWANCE FOR IMPAIRMENT LOSSES ON LOANS, ADVANCES AND FINANCING

Collective impairment
- made during the financial year

Individual impairment
- made during the financial year
- written-back during the financial year

Bad debts
- recovered
- written-off

Allowance for/(write-back of) impairment losses
- other debtors

Group	
2014	2013
RM'000	RM'000
33,521	13,911
92,238 (4,873)	49,285 (5,355)
(141,901) 4,381	(128,139) 4,583
350	(372)
(16,284)	(66,087)

37 ALLOWANCE FOR/(WRITE-BACK OF ALLOWANCE FOR) IMPAIRMENT LOSSES ON SECURITIES

	Group	
	2014	2013
	RM'000	RM'000
Allowance made for impairment loss		
- Financial investments available-for-sale	550	499
Write-back of allowance for impairment loss		
- Financial investments available-for-sale	(264)	(2,578)
	286	(2,079)

Allowance for impairment loss on financial investments available-for-sale was made by certain subsidiaries to write-down the carrying value of the securities to the recoverable amount.

38 FINANCE COSTS

	Group and Company	
	2014	2013
	RM'000	RM'000
Interest expenses		
- Term loans	42,449	42,592
- Bridging loans	15,217	-
Upfront fees on bridging loans	3,075	-
Other finance cost on bridging loans	960	-
	61,701	42,592

39 TAXATION

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax:-				
- Current tax	212,540	203,854	2,692	19,254
- Deferred tax (Note 25)	(5,406)	(31)	(40)	(35)
	207,134	203,823	2,652	19,219
Under provision in prior years	46	392	804	2
	207,180	204,215	3,456	19,221

NOTES TO THE FINANCIAL STATEMENTS

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39 TAXATION (CONTINUED)

The numeric reconciliation between the applicable statutory income tax rate to the effective income tax rate of the Group and of the Company is as follows:-

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Profit before taxation after zakat	819,536	854,236	503,283	298,772
Tax on current year's profit based on statutory tax rate in Malaysia of 25% (2013: 25%)	204,884	213,559	125,821	74,693
Tax effect in respect of:-				
Non-allowable expenses	20,999	8,113	11,371	5,259
Non-taxable income	(13,567)	(10,633)	(134,540)	(60,733)
Recognition of deferred tax previously not recognised	-	(181)	-	-
Effect of different tax rate	(5,069)	(6,503)	-	-
Change in tax rate	(26)	390	-	-
Utilisation of previously unrecognised tax losses	(87)	(922)	-	-
Underprovision in prior years	46	392	804	2
	207,180	204,215	3,456	19,221

40 EARNINGS PER SHARE

The basic earnings per share of the Group has been calculated based on the net profit attributable to the equity holders of the Company of RM605,271,000 (2013: RM650,021,000) divided by the weighted average number of ordinary shares in issue of 1,716,919,549 (2013: 1,494,575,806) during the financial year.

	Group	
	2014	2013
	RM'000	RM'000
Net profit attributable to equity holders of the Company	605,271	650,021
Weighted average number of ordinary shares in issue	1,716,920	1,494,576
Basic earnings per share (sen)	35.25	43.49

41 DIVIDENDS

Dividends recognised as distribution to ordinary equity holders of the Company are as follows:-

Group and Company			
2014		2013	
Gross dividend per share	Amount of dividend	Gross dividend per share	Amount of dividend
sen	RM'000	sen	RM'000
Interim dividend :-			
- Single tier dividend	15.0	6.1	91,169
- Tax exempt dividend	-	8.9	133,017
	15.0	15.0	224,186

The directors do not recommend the payment of any final dividend in respect of the current financial year.

42 COMMITMENTS AND CONTINGENCIES

(a) Capital commitments

Property and equipment:-
Authorised capital expenditure contracted but not provided for
Capital expenditure approved by the Board but not contracted for

Group	
2014	2013
RM'000	RM'000
74,574	7,541
310	24,483
74,884	32,024

(b) Lease commitments

The Group has lease commitments in respect of rented premises and hired equipment, all of which are classified as operating leases. A summary of the future minimum lease payments under non-cancellable operating lease commitments are as follows:-

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Within one year	34,908	17,199	883	808
One year to five years	55,622	9,665	1,755	813

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42 COMMITMENTS AND CONTINGENCIES (CONTINUED)

(c) Operating commitments

Operating expenditure approved by the Directors but not provided for in the financial statements

Group	
2014	2013
RM'000	RM'000
138,051	201,823

(d) Other commitments and contingencies

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

Group

Direct credit substitutes *

Transaction-related contingent items

Short-term self-liquidating trade-related contingencies

Obligation under underwriting commitments

Foreign exchange related contracts #

- less than one year

- one year to less than five years

- five years and above

Interest rate related contracts #

- less than one year

- one year to less than five years

- five years and above

Irrevocable commitments to extend credit

- maturity less than one year

- maturity more than one year

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

Unutilised credit card lines

Principal Amount	
2014	2013
RM'000	RM'000
813,629	1,455,361
2,043,704	1,974,804
746,576	573,412
17,122	260,244
7,403,019	3,635,355
1,260,435	594,154
96,030	96,030
1,156,279	793,040
1,831,125	2,292,222
390,148	703,148
8,987,864	7,483,973
2,022,597	2,181,871
322,761	-
208,865	179,201
27,300,154	22,222,815

* Included in direct credit substitutes as above are financial guarantee contracts of RM588.6 million (2013: RM381.3 million) of which fair value at the time of issuance is zero.

The fair value of these derivatives has been recognised as "derivative financial assets" and "derivative financial liabilities" in the statement of financial position as disclosed in Note 8 and Note 22 to the financial statements.

43 CAPITAL MANAGEMENT

The Group actively manages its capital to counter underlying risks in its business activities and to enable future business growth. The Group's capital management strategy is to continue to maximise shareholders and stakeholders values via efficient capital structure, whilst ensuring compliance with regulatory capital requirements. The allocation of capital resources forms part of the Group's strategic planning review and is subject to the approval of the Board of Directors.

With effect from 1 January 2013, the total capital and capital adequacy ratios of the banking subsidiaries are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework (Capital Components) dated 28 November 2012. In line with the transitional arrangements under the Bank Negara Malaysia's Capital Adequacy Framework (Capital Components), the minimum capital adequacy requirement for Common Equity Tier I ("CET I") Capital Ratio and Tier I Capital Ratio are 4.0% and 5.5% respectively for year 2014. The minimum regulatory capital adequacy requirement remains at 8.0% (2013: 8.0%) for total capital ratio.

The components of the capital base and capital adequacy ratios of the banking subsidiaries are disclosed in Note 44.

44 CAPITAL ADEQUACY

The Group has adopted the Standardised Approach for credit risk and market risk, and Basic Indicator Approach for operational risk computation.

The components of CET I, Tier I and Tier II capital, breakdown of risk-weighted assets and capital adequacy ratios of all banking subsidiaries namely, AFFIN Bank, AFFIN Islamic Bank and AFFIN Hwang Investment Bank (formerly known as HwangDBS Investment Bank Berhad) are as follows:-

2014

a) The components of CET I, Tier I and Tier II Capital:-

CET I/Tier I capital

Share capital
Share premium
Statutory reserves
Retained profits
Unrealised gains/(losses) on AFS

Less : Regulatory adjustments :-

- Goodwill and other intangibles
- Investment in subsidiaries/joint ventures
- 55% of cumulative unrealised gains of AFS
- Deferred tax assets ^

Total CET I/Tier I Capital (a)

AFFIN Bank	AFFIN Islamic Bank	AFFIN Hwang Investment Bank
RM'000	RM'000	RM'000
[Note]		
1,688,770	360,000	780,000
858,904	-	219,800
1,263,470	206,324	199,071
760,153	163,244	260,692
30,893	(7,730)	5,347
4,602,190	721,838	1,464,910
(150,690)	(891)	(314,772)
(77,815)	(130)	(124,563)
(16,991)	-	(2,941)
(218)	(2,900)	(5,990)
4,356,476	717,917	1,016,644

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44 CAPITAL ADEQUACY (CONTINUED)

2014

a) The components of CET I, Tier I and Tier II Capital:-

Tier II Capital

Subordinated loans
Collective impairment #
Regulatory adjustments
Less : Investment in subsidiaries/joint ventures

Total Tier II Capital (b)

Total CET I/Tier I and Tier II Capital (a) + (b)

Proposed dividends

Capital base after proposed dividends

b) The breakdown of risk-weighted assets:-

Credit risk
Market risk
Operational risk

Total risk-weighted assets

c) Capital adequacy ratios:-

Before deducting proposed dividends:-

CET I capital ratio
Tier I capital ratio
Total capital ratio

After deducting proposed dividends:-

CET I capital ratio
Tier I capital ratio
Total capital ratio

AFFIN Bank	AFFIN Islamic Bank	AFFIN Hwang Investment Bank
RM'000	RM'000	RM'000
[Note]		
480,000	-	-
129,134	21,120	9,001
135,347	49,020	3,556
(311,259)	(520)	(12,557)
433,222	69,620	-
4,789,698	787,537	1,016,644
(66,031)	-	-
4,723,667	787,537	1,016,644
32,586,612	5,390,103	2,791,978
284,148	2,590	191,477
1,954,278	366,578	325,813
34,825,038	5,759,271	3,309,268
12.510%	12.465%	30.721%
12.510%	12.465%	30.721%
13.754%	13.674%	30.721%
12.320%	12.465%	30.721%
12.320%	12.465%	30.721%
13.564%	13.674%	30.721%

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

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

Note :-

As disclosed in Note 46 (a), HwangDBS Investment Bank Berhad (now known as 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.

As disclosed in Note 46 (b), AFFIN Investment Bank Berhad ceased its operations as an investment bank upon the completion of the IB Merger with AFFIN Hwang Investment Bank Berhad on 20 September 2014.

44 CAPITAL ADEQUACY (CONTINUED)

2013

a) The components of CET I, Tier I and Tier II Capital:-

CET I/Tier I capital

	AFFIN Bank RM'000	AFFIN Islamic Bank RM'000	AFFIN Investment Bank RM'000
Share capital	1,518,337	360,000	222,246
Share premium	529,337	-	142,270
Statutory reserves	1,144,350	173,026	202,821
Retained profits	798,118	178,966	70,679
Unrealised gains/(losses) on AFS	6,533	(9,112)	2,762
	3,996,675	702,880	640,778
Less : Regulatory adjustments :-			
- Goodwill and other intangibles	(137,323)	-	(54,648)
- Deferred tax assets ^	(8,553)	(773)	(3,879)
- 55% of cumulative unrealised gains of AFS	(3,593)	-	(1,518)
- Investment in subsidiaries/joint ventures	-	-	(6,904)
Total CET I/Tier I Capital (a)	3,847,206	702,107	573,829

Tier II Capital

Subordinated loans	810,000	-	-
Collective impairment #	123,103	20,470	6,847
Less : Investment in subsidiaries/joint ventures	(389,088)	(650)	(6,847)
Total Tier II Capital (b)	544,015	19,820	-
Total CET I/Tier I and Tier II Capital (a) + (b)	4,391,221	721,927	573,829
Proposed dividends	(91,100)	-	(25,558)
Capital base after proposed dividends	4,300,121	721,927	548,271

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44 CAPITAL ADEQUACY (CONTINUED)

2013

b) The breakdown of risk-weighted assets:-

	AFFIN Bank RM'000	AFFIN Islamic Bank RM'000	AFFIN Investment Bank RM'000
Credit risk	31,911,266	4,712,068	1,480,154
Market risk	296,107	3,570	296,735
Operational risk	1,902,412	339,365	249,689
Total risk-weighted assets	34,109,785	5,055,003	2,026,578

c) Capital adequacy ratios:-

Before deducting proposed dividends:-

CET I capital ratio	11.279%	13.889%	28.315%
Tier I capital ratio	11.279%	13.889%	28.315%
Total capital ratio	12.874%	14.281%	28.315%

After deducting proposed dividends:-

CET I capital ratio	11.012%	13.889%	27.054%
Tier I capital ratio	11.012%	13.889%	27.054%
Total capital ratio	12.607%	14.281%	27.054%

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

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

45 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

The related parties of, and their relationship with the Group and the Company are as follows:-

<u>Related parties</u>	<u>Relationship</u>
Subsidiaries of the Company as disclosed in Note 14	Subsidiaries
AXA AFFIN Life Insurance Berhad AFFIN-i Nadayu Sdn Bhd KL South Development Sdn Bhd	} Joint ventures
AXA AFFIN General Insurance Berhad	Associate
Lembaga Tabung Angkatan Tentera ("LTAT")	Ultimate holding corporate body, which is Government-Linked Investment Company ("GLIC") of the Government of Malaysia
Subsidiaries and associates of LTAT	Subsidiaries and associated companies of the Ultimate holding corporate body
The Bank of East Asia, Limited	Substantial shareholder
Key management personnel	The key management personnel of the Group and Company consists of:- - Directors of the Company - Chief Executive Officer/Managing Director of banking subsidiaries - Members of senior management team of banking subsidiaries
Related parties of key management personnel (deemed as related to the Company)	(i) Close family members and dependents of key management personnel (ii) Entities that are controlled, joint ventures, or for which significant voting power in such entity resides with, directly or indirectly by key management personnel or its close family members

Key management personnel include the directors of the Company in office during the year and their remuneration for the financial year is disclosed in Note 35.

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45 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

The Group and the Company do not have any significant transactions outside the ordinary course of business with the Government of Malaysia and government related entities. In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions and balances.

(a) The significant transactions of the Group and Company with the related parties

	Ultimate holding corporate body		Other related parties		Joint ventures/ Associate		Substantial shareholder		Key management personnel	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group										
Income										
Interest income on loans, advances and financing	-	-	44,890	38,736	6,548	2,674	24,548	3,660	86	81
Interest income on subordinated loan	-	-	-	-	5,305	5,305	-	-	-	-
Fee Income	265	128	1,456	10,896	296	-	-	-	-	-
Brokerage income	3,203	17,102	713	292	-	4	-	-	-	-
Commission income	-	-	-	-	8,244	7,197	-	-	-	-
Others	-	-	557	2,084	-	-	-	-	-	6
	3,468	17,230	47,616	52,008	20,393	15,180	24,548	3,660	86	87
Expenses										
Interest expenses:-										
- deposits from other customers	10,009	16,486	14,067	9,034	6,201	6,010	3	3	199	242
Rental of premises	239	239	15,209	18,258	-	-	-	-	-	-
Insurance premium	-	-	-	-	41,388	42,639	-	-	8	5
Other expenses	-	-	4,065	3,422	-	-	147	7	-	-
	10,248	16,725	33,341	30,714	47,589	48,649	150	10	207	247

45 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(a) The significant transactions of the Group and Company with the related parties (continued)

Company	Subsidiaries		Other related parties		Joint ventures/ Associate	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Income						
Interest income:-						
- money at call and deposits with financial institutions	8,704	6,082	-	-	-	-
- subordinated term loans	29,879	41,473	-	-	5,305	5,305
	38,583	47,555	-	-	5,305	5,305
Expenses						
Professional fees	2,458	1,200	-	-	-	-
Rental of premises	-	-	802	802	-	-
Other expenses	64	75	514	342	75	78
	2,522	1,275	1,316	1,144	75	78

NOTES TO THE FINANCIAL STATEMENTS

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45 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Related parties balances

	Ultimate holding corporate body		Other related companies		Joint ventures/ Associate		Substantial shareholder		Key management personnel	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group										
<u>Amount due from</u>										
Loans, advances and financing	-	-	1,230,233	1,029,221	116,696	47,380	925,399	274,274	2,540	2,812
Rental deposits	102	102	4,335	4,314	-	-	-	-	-	-
Purchase of securities	2,453	10,148	-	-	-	-	-	-	-	-
Fees receivable	-	128	394	5,825	-	62	-	-	-	-
Subordinated loan	-	-	-	-	67,255	67,255	-	-	-	-
Other assets	4	3	78	69	14,891	4,217	-	-	-	-
Financial investments available-for-sale	-	-	52,954	52,881	-	-	-	-	-	-
	2,559	10,381	1,287,994	1,092,310	198,842	118,914	925,399	274,274	2,540	2,812
<u>Amount due to</u>										
Deposits from customers	322,537	662,161	689,475	410,603	-	-	100	100	4,521	11,123
Deposits and placements of banks and other financial institutions	-	-	-	-	150,190	187,830	-	-	-	-
Sales of securities	1,835	1,540	-	-	-	-	-	-	-	-
Current accounts	97,771	160,123	217,775	323,642	2,447	9,426	149	194	6,643	6,002
	422,143	823,824	907,250	734,245	152,637	197,256	249	294	11,164	17,125
<u>Commitments</u>										
	-	-	1,699,327	1,285,050	92,010	68,115	36,615	168,854	-	-

45 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Related parties balances (continued)

Company	Ultimate holding corporate body		Subsidiaries		Other related companies		Joint ventures/ Associate	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Amount due from								
Cash and bank balances with banks and other financial institutions	-	-	32	16	-	-	-	-
Money at call and deposits placements maturing within one month	-	-	33,082	131,676	-	-	-	-
Deposits and placements with banks and other financial institutions	-	-	85,087	1,808	-	-	-	-
Subordinated term loans	-	-	604,310	904,964	-	-	67,255	67,255
Other assets	4	3	3	8	298	270	36	32
	4	3	722,514	1,038,472	298	270	67,291	67,287
Amount due to								
Interest-free advances	-	-	911,620	400,258	-	-	-	-
Other liabilities	-	-	7	5,089	-	-	-	-
	-	-	911,627	405,347	-	-	-	-

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45 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(c) Key management personnel compensation

The remuneration of key management personnel of the Group and Company during the year are as follows:-

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Directors' remuneration				
- fees	2,414	2,067	1,237	1,136
- other emoluments	478	438	238	269
Salaries	10,476	14,780	-	-
Bonuses	11,356	16,414	-	-
Defined contribution plan ("EPF")	3,750	5,334	-	-
Other employee benefits	1,392	1,939	-	-
Benefits-in-kind	481	860	32	42
	30,347	41,832	1,507	1,447

Included in the above are Directors' remuneration as disclosed in Note 35.

46 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) Acquisition of 100% of the Issued and Paid-up Share Capital of HwangDBS Investment Bank Berhad ("Hwang IB") (now known as AFFIN Hwang 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 Hwang Investment Management Berhad ("Hwang IM") (now known as AFFIN Hwang Asset 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-DBS (Malaysia) Berhad ("Hwang-DBS") (now known as Hwang Capital (Malaysia) Berhad) to acquire and merge the businesses of Hwang IB including other financial services businesses of Hwang-DBS with AFFIN banking group.

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

On 10 January 2014, the Company received a letter from BNM advising the Company that the Minister of Finance had granted its approvals under the Financial Services Act 2013 for the Proposed Acquisition and the proposed merger of 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.

46 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

- (a) Acquisition of 100% of the Issued and Paid-up Share Capital of HwangDBS Investment Bank Berhad ("Hwang IB") (now known as AFFIN Hwang 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 Hwang Investment Management Berhad ("Hwang IM") (now known as AFFIN Hwang Asset Management Berhad) ["Minority Shares"] held by Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Almarhum Tuanku Ja'afar ("Minority Shareholder") (continued)

Details of the Acquisition

The IB Acquisition entails the acquisition of the 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 Net Assets 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 HDM Futures to Hwang IB;
- (ii) transfer by Hwang-DBS of its 53% interest in Hwang IM to Hwang IB;
- (iii) transfer by Hwang-DBS of its 49% interest in AIIMAN to Hwang IB; and
- (iv) transfer by 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 "Proposed Pre-Closing Reorganisation").

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

Hwang IB [including HDM Nominees (Tempatan) Sdn Bhd and HDM Nominees (Asing) Sdn Bhd], Hwang IM, AIIMAN and HDM 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 Hwang IB which in turn owns 100% interest in HDM Nominees (Tempatan) Sdn Bhd and 100% interest in HDM Nominees (Asing) Sdn Bhd, 70% interest in Hwang IM, 49% interest in AIIMAN and 100% interest in HDM Futures Sdn Bhd.

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

The effect of the above transactions on the financial statements of the Group is disclosed in Note 47(a).

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46 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(b) Merger of the Businesses, Assets and Liabilities of AFFIN Investment Bank Berhad ("AIBB") with HwangDBS Investment Bank Berhad (now known as AFFIN Hwang 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 HwangDBS Investment Bank Berhad ("Hwang IB");
- (ii) the transfer of the entire business, including all assets and liabilities of AFFIN Nominees (Tempatan) Sdn Bhd to HDM Nominees (Tempatan) Sdn Bhd (now known as 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 HDM Nominees (Asing) Sdn Bhd (now known as 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.

The above has no financial impact to the Group financial statements.

(c) 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 Hwang Investment Management Berhad ("Hwang IM") (now known as AFFIN Hwang Asset Management Berhad) (AFFIN Fund Acquisition); and

Transfer of the whole of the Assets, Liabilities and Business Undertakings of AFFIN Fund to Hwang IM 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, Hwang IM entered into a Shares Transfer Agreement with AIBB to acquire 100% equity interest in AFFIN Fund ("AFFIN Fund Acquisition"). Hwang IM is 70% owned by HwangDBS Investment Bank Berhad ("Hwang IB") (now known as AFFIN Hwang Investment Bank Berhad) and AFFIN Fund is 100% owned by AIBB. Both 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.

46 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

- (c) 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 Hwang Investment Management Berhad ("Hwang IM") (now known as AFFIN Hwang Asset Management Berhad) (AFFIN Fund Acquisition); and

Transfer of the whole of the Assets, Liabilities and Business Undertakings of AFFIN Fund to Hwang IM after the AFFIN Fund Acquisition ("IM Merger")

(Collectively referred to as the "Fund Merger") (continued)

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, Hwang IM 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 Hwang IM ("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.

The IM Merger has no financial impact to the Group financial statements.

- (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 AIIMAN by Hwang Investment Management Berhad ("Hwang IM") (now known as AFFIN Hwang Asset Management Berhad) from Nikko Asset Management Asia Limited ("Nikko AM") and HwangDBS Investment Bank Berhad ("Hwang IB") (now known as AFFIN Hwang Investment Bank Berhad) ("AIIMAN" Acquisitions)

On 19 September 2014, Hwang IM 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 Hwang IB for the acquisition of 49% interest in AIIMAN held by Hwang IB for RM11,270,000 to be satisfied in cash.

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

The effect of the above transactions on the financial statements of the Group is disclosed in Note 47(b).

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47 BUSINESS COMBINATION

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

The initial provisional fair values of the identifiable assets and liabilities assumed arising from the acquisition of Hwang IB Group are summarised below:-

	Acquiree's Fair Value RM'000
Assets	
Cash and short-term funds	1,155,430
Trade receivables	412,219
Financial assets held-for-trading	116,735
Financial investments available-for-sale	1,442,023
Financial investments held-to-maturity	304,602
Loans, advances and financing	417,641
Derivative financial assets	21,869
Other assets	42,397
Statutory deposits with Bank Negara Malaysia	53,140
Taxation recoverable	72
Deferred tax assets	1,289
Investments in associate	6,892
Property and equipment	10,483
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 financial liabilities	28,575
Other liabilities	106,125
Provision for taxation	3,312
Borrowings	5,000
Total Liabilities	3,088,253
Provisional fair value of the identifiable assets and liabilities acquired	1,059,041
Less : Non-controlling interest	(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)
Net cash outflow arising from the acquisition	302,929

47 BUSINESS COMBINATION (CONTINUED)

- (a) Acquisition of 100% of the Issued and Paid-up Share Capital of HwangDBS Investment Bank Berhad ("Hwang IB") (now known as AFFIN Hwang 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 Hwang Investment Management Berhad ("Hwang IM") (now known as AFFIN Hwang Asset Management Berhad) ["Minority Shares"] held by Y.A.M. Tunku Dato' Seri Nadzaruddin Ibni Almarhum Tuanku Ja'afar ("Minority Shareholder") (continued)

Acquisition related costs

Acquisition related costs amounting to RM20.2 million are included in administration and general expenses in the consolidated income statement.

Revenue and profit contribution

The acquired business contributed consolidated revenue and net profit after tax of RM287.4 million and RM48.2 million respectively to the Group's financial results for the current financial year.

- (b) 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 AIIMAN by Hwang Investment Management Berhad ("Hwang IM") (now known as AFFIN Hwang Asset Management Berhad) from Nikko Asset Management Asia Limited ("Nikko AM") and HwangDBS Investment Bank Berhad ("Hwang IB") (now known as AFFIN Hwang Investment Bank Berhad) ("AIIMAN" Acquisitions")

The initial provisional fair value of the identifiable assets and liabilities assumed arising from the acquisition of AIIMAN are summarised below:-

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

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47 BUSINESS COMBINATION (CONTINUED)

- (b) 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 AIIMAN by AFFIN Hwang Investment Management Berhad ("Hwang IM") (now known as AFFIN Hwang Asset Management Berhad) from Nikko Asset Management Asia Limited ("Nikko AM") and HwangDBS Investment Bank Berhad ("Hwang IB") (now known as AFFIN Hwang Investment Bank Berhad) ("AIIMAN" Acquisitions") (continued)

The effect on the acquisition of the entire equity interest in AIIMAN resulted in a gain of RM917,585 which has been recognised in the Income Statements.

Acquisition related costs

Acquisition related costs amounting to RM194,000 are included in administration and general expenses in the consolidated income statement.

Revenue and profit contribution

The acquired business contributed consolidated revenue and net profit after tax of RM4.1 million and RM2.3 million respectively to the Group's financial results for the current financial year.

Revenue and profit of the combined entity

Had the above business combinations been consolidated from 1 January 2014, the revenue and profit after taxation of AFFIN Holdings Berhad Group for the year ended 31 December 2014 would have been RM1,927.6 million and RM633.0 million respectively.

48 SEGMENT ANALYSIS

Operating segments are reported in a manner consistent with the internal financial reporting system which reflects the Group's management reporting structure.

Segment results, assets and liabilities include items directly attributable to the segment as well as those that can be allocated on a reasonable basis.

The Group's operations are principally conducted in Malaysia and accordingly, no analysis in respect of geographical segments has been presented. The Group comprises the following main segments:-

Commercial Banking

The Commercial Banking segment focuses on business of banking in all aspects which includes Islamic Banking operations. Its activities are generally structured into two key areas, Consumer Banking and Enterprise Banking Services.

Consumer Banking comprises the full range of products and services offered to individuals, including savings and fixed deposits, remittance services, current accounts, consumer loans such as vehicle loans (i.e. hire purchase), housing loans, overdrafts and personal loans, credit cards, unit trusts and bancassurance products.

Enterprise Banking provides a full range of financial products and services to cater mainly the business and funding needs of corporate customers, ranging from large corporate and the public sector to small and medium enterprises. The products and services offered include long-term loans, project and equipment financing and short-term credit such as overdrafts and trade financing and other fee-based services.

48 SEGMENT ANALYSIS (CONTINUED)

Investment Banking

The Investment Banking segment focuses on business of a merchant bank, stock-broking, fund and asset management.

This segment focuses on business needs of mainly large corporate customers and financial institutions. The products and services offered to customers include advisory services and structuring of private debt securities, corporate finance and advisory services for corporate listings, mergers and acquisitions, capital raising through issues of equity and debt instruments, corporate and debts restructuring exercises.

It also provides structured lending solutions mainly in support of corporate finance and capital market activities as well as access to variety of funds and capital market investment products to corporate, institutional and individual investors for competitive returns and other investment benefits including portfolio diversification and liquidity enhancement.

The stock-broking business comprises institutional and retail stock-broking business for securities listed on local and foreign stock exchanges, investment management and research services.

Insurance

The insurance segment includes the business of underwriting all classes of general and life insurance businesses in Malaysia.

Others

Other business segments in the Group include operation of investment holding companies, money-broking and other related financial services whose results are not material to the Group and therefore do not render separate disclosure in the financial statements and have been reported in aggregate.

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48 SEGMENT ANALYSIS (CONTINUED)

The segment analysis of the Group by activities in 2014 and 2013 are as follows:-

	Commercial Banking	Investment Banking	Insurance	Others	Eliminations	Group
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2014						
Revenue						
External revenue	1,308,645	497,530	-	17,375	-	1,823,550
Intersegment revenue	(21,740)	(14,438)	-	578,896	(542,718)	-
Segment revenue	1,286,905	483,092	-	596,271	(542,718)	1,823,550
Operating expenses	(584,693)	(374,730)	-	(27,577)	4,040	(982,960)
of which :-						
Depreciation of property and equipment	(14,951)	(4,700)	-	(436)	-	(20,087)
Amortisation of intangible assets	(6,304)	(1,197)	-	(12)	-	(7,513)
(Allowances for)/write-back of allowance for impairment on loans, advances and financing/securities	17,918	(1,920)	-	-	-	15,998
Segment results	720,130	106,442	-	568,694	(538,678)	856,588
Finance costs	-	-	-	(61,701)	-	(61,701)
Share of results of joint ventures (net of tax)	-	-	242	-	-	242
Share of results of associate (net of tax)	-	917	29,279	-	-	30,196
Profit before taxation and zakat	720,130	107,359	29,521	506,993	(538,678)	825,325
Zakat						(5,789)
Profit before taxation						819,536
Taxation						(207,180)
Net profit for the financial year						612,356
Segment assets	59,718,124	6,487,165	-	86,722	-	66,292,011
Investment in joint ventures	-	-	136,208	-	-	136,208
Investment in associate	-	-	241,457	-	-	241,457
Total segment assets						66,669,676
Segment liabilities	53,207,512	4,500,973	-	977,480	-	58,685,965
Total segment liabilities						58,685,965
Other information						
Capital expenditure	14,133	4,838	-	303	-	19,274

48 SEGMENT ANALYSIS (CONTINUED)

The segment analysis of the Group by activities in 2014 and 2013 are as follows (continued):-

	Commercial Banking	Investment Banking	Insurance	Others	Eliminations	Group
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2013						
Revenue						
External revenue	1,300,543	209,116	-	16,090	-	1,525,749
Intersegment revenue	(29,373)	(16,791)	-	363,443	(317,279)	-
Segment revenue	1,271,170	192,325	-	379,533	(317,279)	1,525,749
Operating expenses	(565,186)	(119,044)	-	(35,322)	2,931	(716,621)
of which :-						
Depreciation of property and equipment	(16,019)	(2,195)	-	(416)	-	(18,630)
Amortisation of intangible assets	(7,989)	(622)	-	(4)	-	(8,615)
Write-back of allowance for impairment on loans, advances and financing/securities	56,438	11,728	-	-	-	68,166
Segment results	762,422	85,009	-	344,211	(314,348)	877,294
Finance costs	-	-	-	(42,592)	-	(42,592)
Share of results of joint ventures (net of tax)	(210)	-	5,431	-	-	5,221
Share of results of associate (net of tax)	-	-	24,005	-	-	24,005
Profit before taxation and zakat	762,212	85,009	29,436	301,619	(314,348)	863,928
Zakat						(9,692)
Profit before taxation						854,236
Taxation						(204,215)
Net profit for the financial year						650,021
Segment assets	56,149,599	3,299,950	-	158,073	-	59,607,622
Investment in joint ventures	-	-	135,539	-	-	135,539
Investment in associate	-	-	208,396	-	-	208,396
Total segment assets						59,951,557
Segment liabilities	50,605,074	1,981,353	-	988,406	-	53,574,833
Total segment liabilities						53,574,833
Other information						
Capital expenditure	17,937	4,711	-	329	-	22,977

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49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has set up objectives and policies to manage the risks that arise in connection with financial instruments. The risk management framework and policies of the Group are guided by specific objectives to ensure that comprehensive and adequate risk management policies are established to mitigate the salient risk elements in the operations of the Group. The establishment of the overall financial risk management objectives is consistent and in tandem with the strategy to create and enhance shareholders' value, whilst guided by a prudent and robust framework of risk management policies. In achieving the objective of maximising returns to shareholders, the Board takes cognisance of the risk elements that the Group is confronted with in its operations. In view of the multi-faceted risks inherent especially in the Group's operations in the banking sector, the Group places great emphasis on the importance of risk management and has put in place clear and comprehensive risk management mechanisms and strategies to identify, monitor, manage and control the relevant risk factors.

Credit Risk

Credit risk is the potential financial loss resulting from the failure of the customer or counterparty to settle the financial and contractual obligation to the Group. Credit risk emanates mainly from loans, advances and financing, loan commitments arising from such lending activities, as well as through financial transactions with counterparties including interbank money market activities, derivative instruments used for hedging and debt securities.

The management of credit risk in the Group is governed by a set of credit policies, guidelines and procedures. Approval authorities are delegated to Senior Management and the Group Management Loan Committee to implement the credit policies and ensure sound credit granting standards.

An independent Group Risk Management ("GRM") function headed by Group Chief Risk Officer ("GCRO") with direct reporting line to Board Risk Management Committee ("BRMC") is in place to ensure adherence to risk standards and discipline. Portfolio management risk reports are submitted regularly to BRMC.

Lending guidelines and credit strategies are formulated and incorporated in the Annual Credit Plan. New businesses are governed by the risk acceptance criteria and customer qualifying criteria/fitness standards prescribed in the Credit Plan. The Annual Credit Plan is reviewed at least annually and approved by the BRMC.

Credit Risk measurement

i) Loans, advances and financing

Credit evaluation is the process of analysing the creditworthiness of the prospective customer against the Group's underwriting criteria and the ability of the Group to make a return commensurate to the level of risk undertaken. A critical element in the evaluation process is the assignment of a credit risk grade to the counterparty. This assists in the risk assessment and decision making process. The Group has developed internal rating models to support the assessment and quantification of credit risk.

For consumer mass market products, statistically developed application scorecards are used by the Business to assess the risks associated with the credit application. The scorecards are used as a decision support tool at loan origination.

ii) Over-the-Counter ("OTC") Derivatives

The OTC derivatives credit exposure is computed using the Current Exposure Method. Under the Current Exposure Method, computation of credit equivalent exposure for interest rate and exchange rate related contracts is derived from the summation of the two elements; the replacement costs (obtained by marking-to-market) of all contracts and the potential future exposure of outstanding contracts (Add On charges depending on the specific remaining tenor to maturity).

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit Risk (continued)

Risk limit control and mitigation policies

The Group employs various policies and practices to control and mitigate credit risk.

i) Lending limits

The Group establishes internal limits and related lending guidelines to manage large exposures and avoid undue concentration of credit risk in its credit portfolio. The limits include single customer groupings, large exposure, connected parties, geographical and industry segments. These risks are monitored regularly and the limits reviewed annually or sooner depending on changing market and economic conditions.

The credit risk exposure for derivative and loan books is managed as part of the overall lending limits with customers together with potential exposure from market movements.

ii) Collateral

Credits are established against borrower's capacity to repay rather than rely solely on security. However, collateral may be taken to mitigate credit risk. The main collateral types accepted and given value by the Group are:

- Mortgage over residential properties;
- Charges over commercial real estate or vehicles financed;
- Charges over business assets such as business premises, inventory and accounts receivable; and
- Charges over financial instruments such as marketable equities.

Documentary and commercial letters of credit are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

iii) Credit related commitments

Commitment to extend credit represents unutilised portion of approved credit in the form of loans, guarantees or letters of credit. In terms of credit risk, the Group is potentially exposed to loss in an amount equal to the total unutilised commitments. However, the potential amount of loss is less than the total unutilised commitments, as most commitments to extend credit are contingent upon customers maintaining specific minimum credit standards.

The Group monitor the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than short-term commitments.

Credit Risk monitoring

Retail credits are actively monitored and managed on a portfolio basis by product type. A collection management system in place to promptly identify, monitor and manage delinquent accounts at early stages of delinquency.

Corporate credits and large individual accounts are reviewed by the Business Units at least once a year against updated information. This is to ensure that the credit grades remain appropriate and detect any signs of weaknesses or deterioration in the credit quality. Remedial action is taken where evidence of deterioration exists.

Early Alert Process is in place as part of a means to pro-actively identify, report and manage deteriorating credit quality. Watchlist accounts are closely reviewed and monitored with corrective measures initiated to prevent them from turning non-impaired. As a rule, Watchlist accounts are either worked up or worked out within a period of twelve months.

Active portfolio monitoring enables the Group to understand the overall risk profile and identify any adverse trends or areas of risk concentrations affecting asset quality so that appropriate actions are adopted to manage and mitigate risks.

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49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit Risk (continued)

Credit Risk culture

The Group recognise that learning is a continuous journey and is committed to enhance the knowledge and required skills of its staff. It places strong emphasis in creating and enhancing risk awareness in the organisation.

For effective and efficient staff learning, the Group has implemented an E-Learning Program with an online Learning Management System ("LMS"). The LMS provides staff with a progressive self-learning alternative at own pace.

Group Risk Management implements an Internal Credit Certification ("ICC") Programme for both Business Banking and Consumer Credit.

The aim of the ICCs is to assist the core credit related group of personnel in the Group achieve a minimum level of knowledge and analytical skills required to make sound corporate and commercial loans to customers.

a) Maximum exposure to credit risk

For financial assets recognised on the statement of financial position, the exposure to credit risk equals their carrying amount. For financial guarantees granted, the maximum exposure to credit risk is the maximum amount that the Group and the Company would have to pay if guarantee were to be called upon. For loan commitments and other commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

All financial assets of the Group and the Company are subject to credit risk except for cash in-hand, equity securities held as financial assets held-for-trading or financial investments available-for-sale, as well as non-financial assets.

The exposure to credit risk of the Group and the Company equals their carrying amount in the statements of financial position as at reporting date, except for the following:-

		Group		Company	
		Maximum Carrying Value	Credit Exposure	Maximum Carrying Value	Credit Exposure
		RM'000	RM'000	RM'000	RM'000
2014					
<u>Credit risk exposures of on-balance sheet assets</u>					
Cash and short-term funds	*	7,360,588	7,191,937	33,760	33,759
Financial assets held-for-trading	**	182,780	163,877	-	-
Financial investments available-for-sale	#	12,617,620	12,377,621	-	-
Other assets	^	300,957	266,373	394	316
		20,461,945	19,999,808	34,154	34,075
<u>Credit risk exposures of off-balance sheet assets</u>					
Financial guarantees	@	588,592	588,592	-	-
Loan commitments and other credit related commitments	@	14,557,404	4,246,848	-	-
Obligation under underwriting agreement	@	17,122	-	-	-
		15,163,118	4,835,440	-	-
Total maximum credit risk exposure		35,625,063	24,835,248	34,154	34,075

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit Risk (continued)

a) Maximum exposure to credit risk (continued)

	Group		Company		
	Maximum Carrying Value	Credit Exposure	Maximum Carrying Value	Credit Exposure	
	RM'000	RM'000	RM'000	RM'000	
2013					
<u>Credit risk exposures of on-balance sheet assets</u>					
Cash and short-term funds	*	9,331,374	9,164,030	131,710	131,709
Financial investments available-for-sale	#	8,767,991	8,619,502	-	-
Other assets	^	309,011	278,740	68,494	68,439
		18,408,376	18,062,272	200,204	200,148
<u>Credit risk exposures of off-balance sheet assets</u>					
Financial guarantees	@	381,327	381,327	-	-
Loan commitments and other credit related commitments	@	13,467,295	4,799,689	-	-
Obligation under underwriting agreement	@	260,244	-	-	-
		14,108,866	5,181,016	-	-
Total maximum credit risk exposure		32,517,242	23,243,288	200,204	200,148

The following have been excluded for the purpose of maximum credit risk exposure calculation:-

* Cash in-hand

** Investment in shares, warrants and REITs

Investment in quoted and unquoted shares

^ Prepayment

@ Amount stated at notional value

Whilst the Group and the Company's maximum exposure to credit risk is the carrying value of the assets, or in the case of off-balance sheet items, the amount guaranteed, committed or accepted, in most cases the likely exposure is far less due to collateral, credit enhancements and other actions taken to mitigate the credit exposure.

The financial effect of collateral held for loans, advances and financing is 66% (2013: 67%). The financial effects of collateral for the other financial assets are insignificant.

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49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit Risk (continued)

b) Credit risk concentrations

Credit risk is the risk of financial loss from the failure of customers to meet their obligations. Exposure to credit risk is managed through portfolio management. The credit portfolio's risk profiles and exposures are reviewed and monitored regularly to ensure that an acceptable level of risk diversification is maintained. Exposure to credit risk is also managed in part by obtaining collateral security and corporate and personal guarantees.

The credit risk concentrations of the Group and the Company, by industry concentration, as at the reporting date:-

Group	Short-term funds and placements with banks and other financial institutions RM'000	Financial assets held-for- trading RM'000	Financial investments available- for-sale RM'000	Financial investments held-to- maturity RM'000	Loans, advances and financing RM'000	Trade receivables, other assets and amount due from associate RM'000	Derivative financial assets RM'000	On- balance sheet total RM'000	Commitments and contingencies RM'000
2014									
Agriculture	-	-	40,049	-	679,067	-	119	719,235	74,395
Mining and quarrying	-	-	142,737	-	664,703	-	1,132	808,572	87,463
Manufacturing	-	-	157,458	75,053	2,028,154	43	3,620	2,264,328	640,111
Electricity, gas and water	-	-	586,290	-	375,911	689	37	962,927	2,175
Construction	-	4,990	335,861	190,155	3,903,662	89	2	4,434,759	1,377,741
Real estate	-	-	201,878	-	6,082,499	1,149	3	6,285,529	474,305
General commerce	-	-	85,872	23,439	2,150,076	672	372	2,260,431	428,305
Transport, storage and communication	-	-	379,875	104,949	2,097,224	3,768	35	2,585,851	319,217
Finance, insurance and business services	1,536,982	8,983	3,305,623	258,889	4,885,298	132,434	162,162	10,290,371	425,008
Government and government agencies	6,017,586	149,904	6,877,648	-	92,404	4,159	-	13,141,701	213,748
Purchase of landed property, securities and vehicles	21,061	-	-	-	-	378,722	-	399,783	-
Others	-	-	264,330	16	17,533,018	241,140	2,553	18,041,057	792,972
Total	7,575,629	163,877	12,377,621	652,501	40,492,016	762,865	170,035	62,194,544	4,835,440

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit Risk (continued)

b) Credit risk concentrations (continued)

Group	Short-term funds and placements with banks and other financial institutions	Financial assets held-for-trading	Financial investments available-for-sale	Financial investments held-to-maturity	Loans, advances and financing	Trade receivables, other assets and amount due from associate	Derivative financial assets	On-balance sheet total	Commitments and contingencies
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2013									
Agriculture	-	-	38,866	-	472,912	5,551	78	517,407	98,156
Mining and quarrying	-	-	-	-	648,276	-	-	648,276	121,024
Manufacturing	-	-	44,616	140,539	2,497,952	79	2,446	2,685,632	557,901
Electricity, gas and water	-	-	485,513	-	358,856	-	308	844,677	12,899
Construction	-	-	352,427	195,105	3,279,828	1,236	-	3,828,596	1,085,085
Real estate	-	-	93,688	1,525	4,687,653	1,928	-	4,784,794	435,212
General commerce	-	-	60,430	23,907	2,134,406	673	91	2,219,507	1,189,137
Transport, storage and communication	-	-	134,986	103,200	2,129,664	15	-	2,367,865	261,367
Finance, insurance and business services	1,652,773	-	2,557,930	159,741	4,359,035	72,514	52,853	8,854,846	476,028
Government and government agencies	7,959,802	149,544	4,674,667	-	117,213	214	-	12,901,440	158,639
Purchase of landed property, securities and vehicles	20,040	-	-	-	56,583	173,776	-	250,399	-
Others	-	-	176,379	16	16,167,006	266,717	-	16,610,118	785,568
Total	9,632,615	149,544	8,619,502	624,033	36,909,384	522,703	55,776	56,513,557	5,181,016

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49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit Risk (continued)

b) Credit risk concentrations (continued)

	Short-term funds and placements with banks and other financial institutions	Other assets	Amount due from subsidiaries	Amount due from associate	On- balance sheet total
	RM'000	RM'000	RM'000	RM'000	RM'000
Company					
2014					
Finance, insurance and business services	118,846	-	604,313	67,256	790,415
Others	-	316	-	-	316
	118,846	316	604,313	67,256	790,731
2013					
Finance, insurance and business services	136,169	-	904,972	67,257	1,108,398
Others	-	68,439	-	-	68,439
	136,169	68,439	904,972	67,257	1,176,837

c) Collateral

The main types of collateral obtained by the Group are as follows:-

- For personal housing loans, mortgages over residential properties;
- For commercial property loans, charges over the properties being financed;
- For hire purchase, charges over the vehicles or plant and machineries financed; and
- For other loans, charges over business assets such as premises, inventories, trade receivables or deposits.

d) Total loans, advances and financing - credit quality

All loans, advances and financing are categorised into "neither past due nor impaired", "past due but not impaired" and "impaired". Past due loans refer to loans that are overdue by one day or more. Impaired loans are loans with months-in-arrears more than 3 months or with impairment allowances.

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit Risk (continued)

d) Total loans, advances and financing - credit quality (continued)

i) Distribution of loans, advances and financing by credit quality

	Group	
	2014	2013
	RM'000	RM'000
Neither past due nor impaired	37,644,591	34,266,081
Past due but not impaired	2,664,748	2,453,456
Impaired	747,776	740,958
Gross loans, advances and financing	41,057,115	37,460,495
Less: Allowance for impairment losses		
- individual impairment	(263,498)	(243,969)
- collective impairment	(301,601)	(307,142)
Net loans, advances and financing	40,492,016	36,909,384

ii) Loans neither past due nor impaired

Analysis of loans, advances and financing that are neither past due nor impaired analysed based on the Group's internal credit grading system is as follows:-

	Group	
	2014	2013
	RM'000	RM'000
Quality classification:-		
Satisfactory *	34,080,778	31,053,725
Special mention #	3,563,813	3,212,356
	37,644,591	34,266,081

* Satisfactory: Exposures demonstrate a strong capacity to meet financial commitments, with negligible or low probability of default and/or levels of expected loss.

Special mention: Exposures require varying degrees of special attention and default risk is of greater concern.

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49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit Risk (continued)

d) Total loans, advances and financing - credit quality (continued)

iii) Loans past due but not impaired

Certain loans, advances and financing are past due but not impaired as the collateral values of these loans are in excess of the principal and interest/profit outstanding. Allowances for these loans may have been set aside on a portfolio basis. The Group's loans, advances and financing which are past due but not impaired are as follows:-

	Group	
	2014	2013
	RM'000	RM'000
Past due up to 30 days	1,530,159	1,333,146
Past due 30-60 days	801,073	767,638
Past due 60-90 days	333,516	352,672
	2,664,748	2,453,456

iv) Loans impaired

	Group	
	2014	2013
	RM'000	RM'000
Analysis of impaired assets:-		
Gross impaired loans	747,776	740,958
Individually impaired loans	442,035	142,800

v) Collateral and other credit enhancements obtained

During the year, the Group has obtained the following assets by taking possession of collateral held as security or calling upon other credit enhancements.

	Group	
	2014	2013
	RM'000	RM'000
Nature of assets:-		
Industrial and residential properties	9,099	15,825

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit Risk (continued)

e) Deposits and short-term funds, private debt securities, treasury bills and derivatives – credit quality

Private debt securities, treasury bills and other eligible bills included in financial assets held-for-trading and financial investments available-for-sale are measured on a fair value basis. The fair value will reflect the credit risk of the issuer.

Most listed and some unlisted securities are rated by external rating agencies. The Group mainly uses external credit ratings provided by RAM, MARC, Standard & Poors' or Moody's.

The table below presents the deposits and short-term funds, private debt securities, treasury bills and other eligible bills that are neither past due nor impaired and impaired, analysed by rating:-

Group	Sovereigns RM'000	AAA RM'000	AA- to AA+ RM'000	A- to A+ RM'000	Lower than A- RM'000	Unrated RM'000	Impaired* RM'000	Total RM'000
2014								
Short-term funds	6,017,586	180,796	875,455	52,658	1,570	63,872	-	7,191,937
Deposits and placements with banks and other financial institutions	-	82,017	301,675	-	-	-	-	383,692
Financial assets held-for-trading:-								
- Unit trusts	-	-	-	-	-	8,983	-	8,983
- Bank Negara Malaysia Monetary Notes	149,904	-	-	-	-	-	-	149,904
- Private debt securities	-	4,990	-	-	-	-	-	4,990
Financial investments available-for-sale:-								
- Malaysian Government Treasury Bills	225,782	-	-	-	-	-	-	225,782
- Malaysian Government Securities	131,630	-	-	-	-	-	-	131,630
- Malaysian Government Investment Issuance	3,046,553	-	-	-	-	-	-	3,046,553
- Bank Negara Malaysia Monetary Notes	1,387,284	-	-	-	-	-	-	1,387,284
Balance carried forward	10,958,739	267,803	1,177,130	52,658	1,570	72,855	-	12,530,755

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49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit Risk (continued)

e) Deposits and short-term funds, private debt securities, treasury bills and derivatives – credit quality (continued)

The table below presents the deposits and short-term funds, private debt securities, treasury bills and other eligible bills that are neither past due nor impaired and impaired, analysed by rating (continued):-

Group	Sovereigns RM'000	AAA RM'000	AA- to AA+ RM'000	A- to A+ RM'000	Lower than A- RM'000	Unrated RM'000	Impaired* RM'000	Total RM'000
2014								
Balance brought forward	10,958,739	267,803	1,177,130	52,658	1,570	72,855	-	12,530,755
Financial investments available-for-sale:-								
- Sukuk Perumahan Kerajaan	400,377	-	-	-	-	-	-	400,377
- Malaysian Government Sukuk	7,096	-	-	-	-	-	-	7,096
- Negotiable Instruments of Deposit	-	-	423,335	80,116	-	-	-	503,451
- Khazanah Bonds	353,165	-	-	-	-	-	-	353,165
- Cagamas Bonds	-	84,924	-	-	-	-	-	84,924
- Private debt securities	1,325,761	1,879,035	1,785,674	403,554	324,783	275,641	9	5,994,457
- Unit trusts	-	-	-	-	-	242,902	-	242,902
Financial investments held-to-maturity:-								
- Private debt securities	-	-	-	25,940	-	559,122	67,439	652,501
Derivative financial assets	-	32,464	18,887	20,602	943	97,139	-	170,035
Total	13,045,138	2,264,226	3,405,026	582,870	327,296	1,247,659	67,448	20,939,663

* Net of allowance for impairment

Collateral is not generally obtained directly from the issuers of debt securities. Certain debt securities may be collateralised by specifically identified assets that would be obtainable in the event of default.

Deposits and short-term funds, private debt securities, treasury bills and derivatives which are past due but not impaired is not significant.

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit Risk (continued)

e) Deposits and short-term funds, private debt securities, treasury bills and derivatives – credit quality (continued)

The table below presents the deposits and short-term funds, private debt securities, treasury bills and other eligible bills that are neither past due nor impaired and impaired, analysed by rating (continued):-

Group	Sovereigns RM'000	AAA RM'000	AA- to AA+ RM'000	A- to A+ RM'000	Lower than A- RM'000	Unrated RM'000	Impaired* RM'000	Total RM'000
2013								
Short-term funds	7,959,801	494,940	428,570	196,934	75,073	8,712	-	9,164,030
Deposits and placements with banks and other financial institutions	-	99,401	369,184	-	-	-	-	468,585
Financial assets held-for-trading:-								
- Bank Negara Malaysia Monetary Notes	149,544	-	-	-	-	-	-	149,544
Financial investments available-for-sale:-								
- Malaysian Government Investment								
Issuance	2,361,979	-	-	-	-	-	-	2,361,979
- Bank Negara Malaysia Monetary Notes	629,674	-	-	-	-	-	-	629,674
- Sukuk Perumahan Kerajaan	385,742	-	-	-	-	-	-	385,742
- Negotiable Instruments of Deposit	-	-	-	-	19,529	-	-	19,529
- Khazanah Bonds	237,441	85,228	-	-	-	-	-	322,669
- Private debt securities	1,059,831	1,655,765	1,104,228	503,151	78,666	221,701	2	4,623,344
- Others	-	-	-	80,043	-	196,522	-	276,565
Financial investments held-to-maturity:-								
- Private debt securities	-	-	-	-	-	556,126	67,907	624,033
Derivative financial assets	-	16,693	28,839	1,865	250	8,129	-	55,776
Total	12,784,012	2,352,027	1,930,821	781,993	173,518	991,190	67,909	19,081,470

* Net of allowance for impairment

Collateral is not generally obtained directly from the issuers of debt securities. Certain debt securities may be collateralised by specifically identified assets that would be obtainable in the event of default.

Deposits and short-term funds, private debt securities, treasury bills and derivatives which are past due but not impaired is not significant.

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49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit Risk (continued)

e) Deposits and short-term funds, private debt securities, treasury bills and derivatives – credit quality (continued)

The table below presents the deposits and short-term funds that are neither past due nor impaired, analysed by rating (continued):-

Company	2014		2013	
	AAA	Total	AAA	Total
	RM'000	RM'000	RM'000	RM'000
Short-term funds	33,759	33,759	131,709	131,709
Deposits and placements with banks and other financial institutions	85,087	85,087	4,460	4,460

There are no deposits and short-term funds which are past due but not impaired or impaired.

f) Other financial assets – credit quality

Other financial assets of the Group and the Company that are neither past due nor impaired are summarised as below :-

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Trade receivables	429,236	176,706	-	-
Other assets	266,373	278,740	316	68,439
Amount due from subsidiaries	-	-	604,313	904,972
Amount due from associate	67,256	67,257	67,256	67,257

Other financial assets that are past due but not impaired or impaired are not significant.

Market Risk

Market risk is defined as the risk of losses to the Group's portfolio positions arising from movements in market factors such as interest rates, foreign exchange rates and changes in volatility. The Group is exposed to market risks from its trading and investment activities. The Group's market risk management objective is to ensure that market risk is appropriately identified, measured, controlled, managed and reported.

The Group's exposure to market risk stems primarily from interest rate risk and foreign exchange rate risk. Interest rate risk arises mainly from differences in timing between the maturities or re-pricing of assets, liabilities and derivatives. The Group is also exposed to basis risk when there is a mismatch between the change in price of a hedge and the change in price of the assets it hedges. Foreign exchange rate risk arises from unhedged positions of customers' requirements and proprietary positions.

The Group's market risk management control strategy is established based on its risk appetite, market liquidity and business strategies as well as macroeconomic conditions. These limits are reviewed at least on an annual basis.

Market risk arising from the Group's trading book is primarily controlled through the imposition of Cut-loss and Value-at-Risk ('VaR') limits.

The Group quantifies interest rate risk by analysing the repricing mismatch between the rate sensitive assets and rate sensitive liabilities. It also conducts Net Interest Income simulations to assess the variation in earnings under various rates scenarios. The potential long term effects of the Group's overall exposure is also tracked by assessing the impact on Economic Value of Equity ('EVE').

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market Risk (continued)

The Group's interest rate risk is managed through Earnings-at-Risk ('EaR') and Economic Value-at-Risk ('EVaR') limits.

In addition, the Group conducts periodic stress test of its respective business portfolios to ascertain market risk under abnormal market conditions.

The Group's Management, ALCO and BRMC are regularly kept informed of its risk profile and positions.

a) Value-at-Risk ('VaR')

Value-at-Risk ('VaR') is used to compute the maximum potential loss amount over a specified holding period of a Trading Portfolio. It measures the risk of losses arising from potential adverse movements in interest rates and foreign exchange rates that could affect values of financial instruments.

In May 2014, arising from the Treasury Management System Upgrade project, the Group changed its methodology of computing potential loss amount or Value-at-Risk ('VaR') to Historical Pricing Simulation Method ('HPS') from the current Variance Co-variance ('VCV') approach. HPS was chosen because it is a robust methodology able to cater for a spectrum of financial instruments.

The Historical Pricing Method uses the relative change of historical prices to estimate future potential changes in the market value of outstanding positions. The Group currently adopts 250 simulated business days for its HPS VaR computation. After applying these price changes to the outstanding portfolios, 250 simulated market values for the portfolio are generated and the change in the day-to-day market value is taken as simulated Profit & Loss ('P&L') for the portfolio. Since VaR calculates the worst expected loss over a given day horizon and confidence level under normal market condition, simulated 250 values are sorted from the lowest to the highest simulated P&L. The VaR focuses on the tail of the distribution (i.e the loss figures).

The table below sets out a summary of the Group's VaR profile by financial instrument types and fixed income for the Trading Portfolio:-

	Portfolio during the financial year			
	Balance as at 31/12/2014	Average balance	Minimum balance	Maximum balance
	RM'000	RM'000	RM'000	RM'000
Group				
2014				
Instruments:-				
FX swap	668	432	6	2,400
FX sport (Metro Desk)	138	222	31	776
FX option	5	206	5	550
FX related contract	-	31,061	-	262,399
Bonds	209	8,508	-	370,284
Government securities	1	-	-	3
2013				
Instruments:-				
FX swap	713	607	252	1,375
FX sport (Metro Desk)	88	150	6	678
Government securities	2	-	-	2
Private debt securities	-	-	-	60

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Market Risk (continued)

i) Mark-to-Market

Mark-to-Market valuation tracks the current market value of the outstanding financial instruments.

- ii) Stress testing

Stress tests are conducted to attempt to quantify market risk arising from low probability, abnormal market movements. The stress tests measure the change in value arising from range of extreme movements in the interest rates and foreign exchange rates based on past experience and simulated stress scenarios.

The table below shows the sensitivity for the financial assets and financial liabilities held as at reporting date.

Impact on profit after tax is measured using Repricing Gap Simulation methodology based on 100 basis point parallel shifts in interest/profit rate.

Impact on equity represents the changes in fair values of fixed income instruments held in available-for-sale portfolio arising from the shift in interest/profit rate.

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49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market Risk (continued)

Foreign exchange risk sensitivity analysis

An analysis of the exposure to assess the positive/(negative) impact of a one per cent change in exchange rate to the profit after tax are as follows:-

	Group	
	2014	2013
	RM'000	RM'000
+1%		
Euro	1,206	1,966
United States Dollar	35,715	39,853
Great Britain Pound	33	1,165
Australian Dollar	224	1,178
New Zealand Dollar	7	(13)
Japanese Yen	45	14
Others	10,929	3,811
	48,159	47,974
-1%		
Euro	(1,206)	(1,966)
United States Dollar	(35,715)	(39,853)
Great Britain Pound	(33)	(1,165)
Australian Dollar	(224)	(1,178)
New Zealand Dollar	(7)	13
Japanese Yen	(45)	(14)
Others	(10,929)	(3,811)
	(48,159)	(47,974)

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49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market Risk (continued)

b) Foreign exchange risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table summarises the Group's exposure to foreign currency exchange rate risk as at reporting date. Included in the table are the Group's financial instruments at carrying amounts, categorised by currency.

		Euro RM'000	United States Dollar RM'000	Great Britain Pound RM'000	Australian Dollar RM'000	New Zealand Dollar RM'000	Japanese Yen RM'000	Others RM'000	Total RM'000
Group									
2014									
Assets									
Cash and short-term funds		4,814	182,209	5,415	4,795	718	1,415	15,155	214,521
Financial investments held-for-trading		-	5	-	3	-	-	4	12
Financial investments available-for-sale		42,439	440,911	-	61,622	27,414	-	432,910	1,005,296
Derivative financial assets		373	63,987	15	38	-	75	663	65,151
Loans, advances and financing		195	1,302,416	-	-	-	-	962,170	2,264,781
Trade receivable		-	1,261	-	1,316	-	-	9,389	11,966
Other assets		-	12,161	-	-	-	-	19	12,180
Total financial assets		47,821	2,002,950	5,430	67,774	28,132	1,490	1,420,310	3,573,907
Liabilities									
Deposits from customers		80,243	298,048	6,305	9,582	-	3,952	10,490	408,620
Deposits and placements of banks and other financial institutions		-	519,215	-	2,200	-	-	47,898	569,313
Derivative financial liabilities		562	2,509	-	3	-	-	1,127	4,201
Trade payables		-	6,015	-	1,583	-	-	11,167	18,765
Other liabilities		29	3,325	-	1,353	1	-	1,512	6,220
Total financial liabilities		80,834	829,112	6,305	14,721	1	3,952	72,194	1,007,119
Net on-balance sheet financial position		(33,013)	1,173,838	(875)	53,053	28,131	(2,462)	1,348,116	2,566,788
Off-balance sheet commitments		193,781	3,578,304	5,319	(23,647)	(27,412)	8,470	109,550	3,844,365

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market Risk (continued)

b) Foreign exchange risk (continued)

	Euro	United States Dollar	Great Britain Pound	Australian Dollar	New Zealand Dollar	Japanese Yen	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group								
2013								
Assets								
Cash and short-term funds	7,594	245,259	4,637	16	-	1,399	31,534	290,439
Deposits and placements with banks and other financial institutions	-	67,299	-	29,289	-	-	26,969	123,557
Financial investments available-for-sale	46,552	304,943	-	86,216	25,636	-	160,378	623,725
Derivative financial assets	-	1,121	-	-	-	-	213	1,334
Loans, advances and financing	207	1,371,983	107,860	-	-	422	264,128	1,744,600
Other assets	-	892	-	-	-	-	928	1,820
Total financial assets	54,353	1,991,497	112,497	115,521	25,636	1,821	484,150	2,785,475
Liabilities								
Deposits from customers	77,562	221,478	14,962	6,010	-	9,839	16,520	346,371
Deposits and placements of banks and other financial institutions	-	127,415	-	40,569	26,936	-	13,008	207,928
Derivative financial liabilities	-	4,597	-	-	-	-	1,077	5,674
Other liabilities	-	3,388	-	-	-	-	-	3,388
Total financial liabilities	77,562	356,878	14,962	46,579	26,936	9,839	30,605	563,361
Net on-balance sheet financial position	(23,209)	1,634,619	97,535	68,942	(1,300)	(8,018)	453,545	2,222,114
Off-balance sheet commitments	285,323	3,695,618	57,795	87,955	-	9,932	54,566	4,191,189

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49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market Risk (continued)

c) Interest/profit rate risk

The tables below summarise the Group's and the Company's exposure to interest/profit rate risks. Included in the tables are the Group's and the Company's assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates. The off-balance sheet gap represents the interest/profit rate sensitive commitments and contingencies.

	Non-trading Book					Non-interest/ profit sensitive	Trading book	Total
	Up to 1 month	> 1-3 months	> 3-12 months	> 1-5 years	Over 5 years			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group								
2014								
Assets								
Cash and short-term funds	7,196,416	-	-	-	-	164,172	-	7,360,588
Deposits and placements with banks and other financial institutions	145,000	-	-	195,000	40,000	3,692	-	383,692
Financial assets held-for-trading	-	-	-	-	-	-	182,780	182,780
Financial investments available-for-sale	819,508	944,536	1,635,192	5,586,782	3,053,942	577,660	-	12,617,620
Financial investments held-to-maturity	-	401,728	96,804	60,576	19,891	73,502	-	652,501
Derivative financial assets	-	-	-	-	-	-	170,035	170,035
Loans, advances and financing								
- non-impaired	23,284,283	2,643,474	3,814,577	8,334,168	2,230,548	(299,311)*	-	40,007,739
- impaired	-	-	-	-	-	484,277 [^]	-	484,277
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	1,831,550	-	1,831,550
Other assets ⁽¹⁾	30,766	-	-	66,310	-	691,274	-	788,350
Total assets	31,475,973	3,989,738	5,546,573	14,242,836	5,344,381	3,526,816	352,815	64,479,132

* The negative balance represents collective impairment allowance for loans, advances and financing in accordance with the Group's accounting policy on allowance for impaired loans, advances and financing.

[^] Net of individual impairment allowance.

⁽¹⁾ Other assets include amount due from associate, trade receivables and other assets.

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market Risk (continued)

c) Interest/profit rate risk (continued)

	Non-trading Book					Non-interest/ profit sensitive	Trading book	Total
	Up to 1 month	> 1-3 months	> 3-12 months	> 1-5 years	Over 5 years			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group								
2014								
Liabilities								
Deposits from customers	20,971,576	12,729,546	12,776,559	806,015	-	3,320,309	-	50,604,005
Deposits and placements of banks and other financial institutions	2,574,052	2,315,221	464,273	-	-	14,257	-	5,367,803
Derivative financial liabilities	-	-	-	-	-	-	325,755	325,755
Bills and acceptances payable	-	-	-	-	-	94,308	-	94,308
Recourse obligation on loans sold to Cagamas Berhad	-	-	-	138,313	-	834	-	139,147
Other liabilities ⁽²⁾	-	-	-	-	-	1,149,933	-	1,149,933
Borrowings	900,000	-	-	66,310	-	6,148	-	972,458
Total liabilities	24,445,628	15,044,767	13,240,832	1,010,638	-	4,585,789	325,755	58,653,409
Net interest/profit sensitivity gap	7,030,345	(11,055,029)	(7,694,259)	13,232,198	5,344,381			

⁽²⁾ Other liabilities include trade payables and other liabilities.

NOTES TO THE FINANCIAL STATEMENTS

– 31 DECEMBER 2014

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market Risk (continued)

c) Interest/profit rate risk (continued)

	Non-trading Book					Non-interest/ profit sensitive	Trading book	Total
	Up to 1 month	> 1-3 months	> 3-12 months	> 1-5 years	Over 5 years			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group								
2013								
Assets								
Cash and short-term funds	9,111,505	-	-	-	-	219,869	-	9,331,374
Deposits and placements with banks and other financial institutions	90,605	205,000	62,034	95,000	10,000	5,946	-	468,585
Financial assets held-for-trading	-	-	-	-	-	-	149,544	149,544
Financial investments available-for-sale	210,041	866,642	833,378	3,989,928	2,649,879	218,123	-	8,767,991
Financial investments held-to-maturity	1,525	268,102	89,000	168,020	24,293	73,093	-	624,033
Derivative financial assets	-	-	-	-	-	-	55,776	55,776
Loans, advances and financing								
- non-impaired	20,097,625	2,113,938	3,518,593	8,652,979	2,336,402	(307,142)*	-	36,412,395
- impaired	-	-	-	-	-	496,989 [^]	-	496,989
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	1,545,144	-	1,545,144
Other assets ⁽¹⁾	5	4	18	66,340	-	470,782	-	537,149
Total assets	29,511,306	3,453,686	4,503,023	12,972,267	5,020,574	2,722,804	205,320	58,388,980

* The negative balance represents collective impairment allowance for loans, advances and financing in accordance with the Group's accounting policy on allowance for impaired loans, advances and financing.

[^] Net of individual impairment allowance.

⁽¹⁾ Other assets include amount due from associate, trade receivables and other assets.

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market Risk (continued)

c) Interest/profit rate risk (continued)

	Non-trading Book					Non-interest/ profit sensitive	Trading book	Total
	Up to 1 month	> 1-3 months	> 3-12 months	> 1-5 years	Over 5 years			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group								
2013								
Liabilities								
Deposits from customers	19,157,926	10,209,040	14,714,207	81,803	-	3,190,538	-	47,353,514
Deposits and placements of banks and other financial institutions	2,328,692	1,370,467	274,873	-	-	9,880	-	3,983,912
Derivative financial liabilities	-	-	-	-	-	-	93,868	93,868
Bills and acceptances payable	-	-	-	-	-	90,208	-	90,208
Recourse obligation on loans sold to Cagamas Berhad	-	-	-	394,708	-	3,082	-	397,790
Other liabilities ⁽²⁾	-	-	-	-	-	646,532	-	646,532
Borrowings	900,000	-	-	66,310	-	6,122	-	972,432
Total liabilities	22,386,618	11,579,507	14,989,080	542,821	-	3,946,362	93,868	53,538,256
Net interest/profit sensitivity gap	7,124,688	(8,125,821)	(10,486,057)	12,429,446	5,020,574			

⁽²⁾ Other liabilities include trade payables and other liabilities.

NOTES TO THE FINANCIAL STATEMENTS

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49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market Risk (continued)

c) Interest/profit rate risk (continued)

Company	Non-trading Book					Non-interest/ profit sensitive	Trading book	Total
	Up to 1 month	> 1-3 months	> 3-12 months	> 1-5 years	Over 5 years			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2014								
Assets								
Cash and short-term funds	33,669	-	-	-	-	91	-	33,760
Deposits and placements with banks and other financial institutions	-	85,000	-	-	-	87	-	85,087
Other assets	-	-	-	-	-	394	-	394
Amount due from subsidiaries	600,000	-	-	-	-	4,313	-	604,313
Amount due from associate	-	-	-	66,310	-	946	-	67,256
Total assets	633,669	85,000	-	66,310	-	5,831	-	790,810
Liabilities								
Other liabilities	-	-	-	-	-	2,965	-	2,965
Amount due to subsidiaries	-	-	-	-	-	911,620	-	911,620
Borrowings	900,000	-	-	66,310	-	6,148	-	972,458
Total liabilities	900,000	-	-	66,310	-	920,733	-	1,887,043
Net interest/profit sensitivity gap	(266,331)	85,000	-	-	-	-	-	-

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market Risk (continued)

c) Interest/profit rate risk (continued)

	Non-trading Book					Non-interest/ profit sensitive	Trading book	Total
	Up to 1 month	> 1-3 months	> 3-12 months	> 1-5 years	Over 5 years			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Company								
2013								
Assets								
Cash and short-term funds	131,523	-	-	-	-	187	-	131,710
Deposits and placements with banks and other financial institutions	605	-	3,834	-	-	21	-	4,460
Other assets	-	-	-	-	-	68,494	-	68,494
Amount due from subsidiaries	900,000	-	-	-	-	4,972	-	904,972
Amount due from associate	-	-	-	66,310	-	947	-	67,257
Total assets	1,032,128	-	3,834	66,310	-	74,621	-	1,176,893
Liabilities								
Other liabilities	-	-	-	-	-	19,634	-	19,634
Amount due to subsidiaries	-	-	-	-	-	400,258	-	400,258
Borrowings	900,000	-	-	66,310	-	6,122	-	972,432
Total liabilities	900,000	-	-	66,310	-	426,014	-	1,392,324
Net interest/profit sensitivity gap	132,128	-	3,834	-	-	-	-	-

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49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Operational Risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, action on or by people, infrastructure or technology or events which are beyond the bank's immediate control which have an operational impact, including natural disaster, fraudulent activities and money laundering/financing of terrorism.

The Group manages operational risk through a control based environment in which policies and procedures are formulated after taking into account individual unit's business activities, the market in which it is operating and regulatory requirement in force.

The Group adopts the Basic Indicator Approach for the purpose of calculating the capital requirement for operational risk. The capital requirement is calculated by taking 15% of the banking subsidiaries' average annual gross income over the previous three years.

Risk is identified through the use of assessment tools and measured using threshold/limits mapped against risk matrix. Monitoring and control procedures include the use of key control standards, independent tracking of risk, back-up procedures and contingency plans, including disaster recovery and business continuity plans. This is supported by periodic reviews undertaken by Group Internal Audit to ensure adequacy and effectiveness of the Group Operational Risk Management process.

The Group gathers, analyses and reports operational risk loss and 'near miss' events to Group Operational Risk Management Committee and Board Risk Management Committee. Appropriate preventive and remedial actions are reviewed for effectiveness and implemented to minimise the recurrence of such events.

As a matter of requirement, all Operational Risk Coordinators must satisfy an Internal Operational Risk (including anti-money laundering/counter financing of terrorism and business continuity management) Certification Program. These coordinators will first go through an on-line self-learning exercise before attempting on-line assessments to measure their skills and knowledge level. This will enable Group Risk Management to prescribe appropriate training and development activities for the coordinators.

Liquidity Risk

Liquidity risk is the current and prospective risk to earnings or capital arising from a bank's inability to meet its obligations when they fall due. Liquidity risk includes the inability to manage sudden decreases or changes in funding sources. Liquidity risk also arises from the failure to recognise changes in market conditions that affect the ability to liquidate assets quickly and with minimal loss in value.

Liquidity risk management is managed on Group basis. The objective of liquidity risk management is to ensure that there are sufficient funds to meet contractual and regulatory obligations without incurring unacceptable losses as well as to undertake new transactions. The Group's liquidity management process involves establishing liquidity risk management policies and limits, liquidity risk limits monitoring, stress testing and establishing contingency funding plans. These building blocks of liquidity risk management are subject to regular reviews to ensure relevance in the context of prevailing market conditions.

Liquidity monitoring is performed via projection of contractual and behavioral cash flows, which are built upon from BNM's Liquidity Framework ('LF'). The LF ascertains the liquidity condition based on the contractual and behavioral cash-flow of assets, liabilities and off-balance sheet commitments, taking into consideration the realisable cash value of the eligible liquefiable assets. The LF is also supported by indicative ratios on the Bank's funding structure to monitor the reliance on particular funding sources. Liquid assets in excess of regulatory requirements are maintained for contingency in the event of a liquidity crisis.

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity Risk (continued)

The Group employs liquidity risk indicators as an early alert of any structural change for liquidity risk management. Liquidity risk is tracked using internal and external qualitative and quantitative indicators. Liquidity positions in the major currencies are being closely monitored by tracking the availability of medium to long term foreign currency funding and adhering to the guiding principles for foreign currency assets creations.

The Group also conducts liquidity stress test to gauge its resilience in the event of a liquidity crisis. A Contingency Funding Plan is in place to alert and enable Management to act effectively and efficiently in handling liquidity disruption. The document encompasses early warning system, strategies, decision-making authorities, and courses of actions to be taken in the event of liquidity crisis and emergencies.

Basel III Liquidity Standards

The Basel Committee developed the Liquidity Coverage Ratio ('LCR') and Net Stable Funding Ratio ('NSFR') with the goal of strengthening the resilience of the banking systems. The LCR and NSFR are tracked monthly to assess the short term and long term liquidity risk profile of the banking subsidiaries.

The BRMC is responsible for the Group's liquidity policy although the strategic management of liquidity has been delegated to the ALCO. The BRMC is informed regularly on the liquidity situation in the Group.

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49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity Risk (continued)

The table below provides analysis of cash flow payables for financial liabilities based on remaining contractual maturities on undiscounted basis. The balances in the table below do not agree directly to the balances reported in the statement of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest/profit payments.

i) Liquidity risk disclosure table based on contractual undiscounted cash flow:-

	Up to 1 month	>1-3 months	>3-12 months	>1-5 years	Over 5 years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
2014						
Deposits from customers	24,064,017	12,941,155	13,187,001	963,743	347	51,156,263
Deposits and placements of banks and other financial institutions	2,625,947	2,332,482	472,699	-	-	5,431,128
Bills and acceptances payable	94,308	-	-	-	-	94,308
Trade payables	582,166	-	-	-	-	582,166
Recourse obligation on loans sold to Cagamas Berhad	-	2,572	7,729	139,712	-	150,013
Other liabilities	484,409	6,307	76,759	4,640	-	572,115
Borrowings	4,201	7,803	99,971	978,765	-	1,090,740
Total financial liabilities	27,855,048	15,290,319	13,844,159	2,086,860	347	59,076,733
2013						
Deposits from customers	22,084,267	10,385,696	15,138,432	155,798	11,033	47,775,226
Deposits and placements of banks and other financial institutions	2,427,120	1,380,607	279,553	-	-	4,087,280
Bills and acceptances payable	90,208	-	-	-	-	90,208
Trade payables	179,078	-	-	-	-	179,078
Recourse obligation on loans sold to Cagamas Berhad	2,791	5,312	263,436	150,442	-	421,981
Other liabilities	423,881	26,835	7,997	8,741	-	467,454
Borrowings	3,369	7,330	32,098	1,049,374	-	1,092,171
Total financial liabilities	25,210,714	11,805,780	15,721,516	1,364,355	11,033	54,113,398

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity Risk (continued)

i) Liquidity risk disclosure table based on contractual undiscounted cash flow (continued):-

	Up to 1 month	>1-3 months	>3-12 months	>1-5 years	Over 5 years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Company						
2014						
Other liabilities	721	654	1,590	-	-	2,965
Amount due to subsidiaries	911,620	-	-	-	-	911,620
Borrowings	4,201	7,803	99,971	978,765	-	1,090,740
Total financial liabilities	916,542	8,457	101,561	978,765	-	2,005,325
2013						
Other liabilities	14,278	458	1,296	3,600	-	19,632
Amount due to subsidiaries	400,258	-	-	-	-	400,258
Borrowings	3,369	7,330	32,098	1,049,374	-	1,092,171
Total financial liabilities	417,905	7,788	33,394	1,052,974	-	1,512,061

ii) Derivatives financial liabilities based on contractual undiscounted cash flow:-

	Up to 1 month	>1-3 months	>3-12 months	>1-5 years	Over 5 years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
2014						
<u>Derivatives settled on a net basis</u>						
Interest rate derivatives	1,193	(1,205)	(7,355)	(21,403)	(1,400)	(30,170)
<u>Derivatives settled on a gross basis</u>						
Foreign exchange derivatives:						
Outflow	(1,324,578)	(769,613)	(1,829,490)	(112,860)	(105,145)	(4,141,686)
Inflow	1,314,604	764,300	1,811,162	605,163	98,789	4,594,018
	(9,974)	(5,313)	(18,328)	492,303	(6,356)	452,332
2013						
<u>Derivatives settled on a net basis</u>						
Interest rate derivatives	(1,204)	(1,472)	(3,275)	2,242	6,142	2,433
<u>Derivatives settled on a gross basis</u>						
Foreign exchange derivatives:						
Outflow	(509,833)	(674,028)	(911,963)	(594,154)	(96,030)	(2,786,008)
Inflow	509,931	673,695	909,002	594,154	96,030	2,782,812
	98	(333)	(2,961)	-	-	(3,196)

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49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity Risk (continued)

iii) 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 and Company by remaining contractual maturities profile are as follows:-

	Up to 1 month	>1-3 months	>3-12 months	>1-5 years	Over 5 years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
2014						
Assets						
Cash and short-term funds	7,360,588	-	-	-	-	7,360,588
Deposits and placements with banks and other financial institutions	-	-	-	322,216	61,476	383,692
Trade receivables	426,353	2,701	182	-	-	429,236
Financial assets held-for-trading	182,780	-	-	-	-	182,780
Financial investments available-for-sale	1,163,361	905,936	1,762,776	5,731,838	3,053,709	12,617,620
Financial investments held-to-maturity	70,375	155,879	30,381	131,554	264,312	652,501
Derivative financial assets	20,967	33,773	76,660	36,410	2,225	170,035
Loans, advances and financing	3,221,525	1,911,412	2,469,763	11,009,745	21,879,571	40,492,016
Other assets	215,428	111	27,626	46,760	11,032	300,957
Statutory deposits with Bank Negara Malaysia	1,831,550	-	-	-	-	1,831,550
Amount due from associate	946	-	-	-	66,310	67,256
Other non-financial assets ⁽¹⁾	3,118	-	4,105	534,255	1,639,967	2,181,445
Total assets	14,496,991	3,009,812	4,371,493	17,812,778	26,978,602	66,669,676
Liabilities						
Deposits from customers	24,042,889	12,851,050	12,899,702	810,364	-	50,604,005
Deposits and placements of banks and other financial institutions	2,582,639	2,319,508	465,656	-	-	5,367,803
Bills and acceptances payable	94,308	-	-	-	-	94,308
Trade payables	582,166	-	-	-	-	582,166
Derivative financial liabilities	44,809	49,485	137,772	81,019	12,670	325,755
Recourse obligation on loans sold to Cagamas Berhad	-	834	-	138,313	-	139,147
Other liabilities	499,919	5,641	61,916	291	-	567,767
Other non-financial liabilities ⁽²⁾	-	-	28,097	4,349	110	32,556
Borrowings	3,052	3,096	-	966,310	-	972,458
Total liabilities	27,849,782	15,229,614	13,593,143	2,000,646	12,780	58,685,965
Net liquidity gap	(13,352,791)	(12,219,802)	(9,221,650)	15,812,132	26,965,822	

⁽¹⁾ Other non-financial assets include investment in associate, investment in joint ventures, property and equipment, intangible assets, taxation recoverable and deferred tax assets.

⁽²⁾ Other non-financial liabilities include provision for taxation and deferred tax liabilities.

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity Risk (continued)

iii) Liquidity risk for assets and liabilities based on remaining contractual maturities (continued):-

	Up to 1 month	>1-3 months	>3-12 months	>1-5 years	Over 5 years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
2013						
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
Trade receivables	176,706	-	-	-	-	176,706
Financial assets held-for-trading	149,544	-	-	-	-	149,544
Financial investments available-for-sale	219,411	897,061	965,331	4,029,488	2,656,700	8,767,991
Financial investments held-to-maturity	70,913	1,075	20,067	245,218	286,760	624,033
Derivative financial assets	8,965	22,884	8,136	5,220	10,571	55,776
Loans, advances and financing	1,688,609	1,516,105	2,148,811	8,196,180	23,359,679	36,909,384
Other assets	189,056	14	98,792	1,853	19,296	309,011
Statutory deposits with Bank Negara Malaysia	1,545,144	-	-	-	-	1,545,144
Amount due from associate	947	-	-	-	66,310	67,257
Other non-financial assets ⁽¹⁾	9,945	-	5,190	6,126	1,525,491	1,546,752
Total assets	13,391,222	2,509,289	3,255,625	12,808,692	27,986,729	59,951,557
Liabilities						
Deposits from customers	22,068,361	10,331,290	14,832,730	111,133	10,000	47,353,514
Deposits and placements of banks and other financial institutions	2,333,495	1,374,363	276,054	-	-	3,983,912
Bills and acceptances payable	90,208	-	-	-	-	90,208
Trade payables	179,078	-	-	-	-	179,078
Derivative financial liabilities	9,234	23,223	20,786	23,847	16,778	93,868
Recourse obligation on loans sold to Cagamas Berhad	1,297	1,786	123,243	271,464	-	397,790
Other liabilities	413,456	36,841	8,417	8,740	-	467,454
Other non-financial liabilities ⁽²⁾	2	-	36,575	-	-	36,577
Borrowings	2,881	303,241	-	666,310	-	972,432
Total liabilities	25,098,012	12,070,744	15,297,805	1,081,494	26,778	53,574,833
Net liquidity gap	(11,706,790)	(9,561,455)	(12,042,180)	11,727,198	27,959,951	

⁽¹⁾ Other non-financial assets include investment in associate, investment in joint ventures, property and equipment, intangible assets, taxation recoverable and deferred tax assets.

⁽²⁾ Other non-financial liabilities include provision for taxation and deferred tax liabilities.

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49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity Risk (continued)

iii) Liquidity risk for assets and liabilities based on remaining contractual maturities (continued):-

	Up to 1 month	>1-3 months	>3-12 months	>1-5 years	Over 5 years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Company						
2014						
Assets						
Cash and short-term funds	33,760	-	-	-	-	33,760
Deposits and placements with banks and other financial institutions	-	85,087	-	-	-	85,087
Other assets	-	-	-	-	394	394
Amount due from subsidiaries	2,943	1,370	-	-	600,000	604,313
Amount due from associate	946	-	-	-	66,310	67,256
Other non-financial assets ⁽¹⁾	-	-	4,085	-	6,064,824	6,068,909
Total assets	37,649	86,457	4,085	-	6,731,528	6,859,719
Liabilities						
Other liabilities	2,965	-	-	-	-	2,965
Amount due to subsidiaries	911,620	-	-	-	-	911,620
Deferred tax liabilities	-	-	68	-	-	68
Borrowings	3,052	3,096	-	966,310	-	972,458
Total liabilities	917,637	3,096	68	966,310	-	1,887,111
Net liquidity gap	(879,988)	83,361	4,017	(966,310)	6,731,528	

⁽¹⁾ Other non-financial assets include investment in subsidiaries, investment in associate, investment in joint ventures, property and equipment, intangible assets and taxation recoverable.

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity Risk (continued)

iii) Liquidity risk for assets and liabilities based on remaining contractual maturities (continued):-

	Up to 1 month	>1-3 months	>3-12 months	>1-5 years	Over 5 years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Company						
2013						
Assets						
Cash and short-term funds	131,710	-	-	-	-	131,710
Deposits and placements with banks and other financial institutions	608	-	3,852	-	-	4,460
Other assets	-	-	68,156	-	338	68,494
Amount due from subsidiaries	2,763	302,209	-	-	600,000	904,972
Amount due from associate	947	-	-	-	66,310	67,257
Other non-financial assets ⁽¹⁾	-	-	5,173	-	3,740,914	3,746,087
Total assets	136,028	302,209	77,181	-	4,407,562	4,922,980
Liabilities						
Other liabilities	2,870	11,348	1,816	3,600	-	19,634
Amount due to subsidiaries	400,258	-	-	-	-	400,258
Deferred tax liabilities	-	-	108	-	-	108
Borrowings	2,880	3,242	300,000	666,310	-	972,432
Total liabilities	406,008	14,590	301,924	669,910	-	1,392,432
Net liquidity gap	(269,980)	287,619	(224,743)	(669,910)	4,407,562	

⁽¹⁾ Other non-financial assets include investment in subsidiaries, amount due from subsidiaries, investment in associate, amount due from associate, investment in joint ventures, property and equipment, intangible assets and taxation recoverable.

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50 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group and the Company measure fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Valuations derived from valuation techniques in which one or more significant inputs are not based on observable market data.

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

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

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

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

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

50 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2014				
Assets				
Financial assets held-for-trading	18,903	163,877	-	182,780
Financial investments available-for-sale *				
- Private debt securities	-	5,994,458	-	5,994,458
- Equity securities	92,434	41,046	147,564	281,044
- Money market instruments	-	6,342,118	-	6,342,118
Derivative financial assets	-	170,035	-	170,035
	111,337	12,711,534	147,564	12,970,435
Liabilities				
Derivative financial liabilities	-	325,755	-	325,755
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
- Money market instruments	-	3,996,158	-	3,996,158
Derivative financial assets	-	55,776	-	55,776
	14,177	8,824,822	134,312	8,973,311
Liabilities				
Derivative financial liabilities	-	93,868	-	93,868

* Net of allowance for impairment losses

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50 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

	2014	2013
	RM'000	RM'000
Group		
As at beginning of the financial year	134,312	120,604
Purchases	9,674	-
Sales	(10,221)	-
Exchange differences	548	-
Total gains recognised in other comprehensive income	12,225	13,708
Allowance for impairment losses	(550)	-
Amount arising from acquisition of a subsidiary	1,576	-
As at end of the financial year	147,564	134,312

Effect of changes in significant unobservable assumptions to reasonably possible alternative

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

Qualitative information about the fair value measurements using significant unobservable inputs (Level 3):-

Group	Fair Value Assets		Valuation techniques	Unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
	2014 RM'000	2013 RM'000			
Financial investments available-for-sale					
- Unquoted shares	147,564	134,312	Net tangible assets	Net tangible assets	Higher net tangible assets results in higher fair value

In estimating its significance, the Group uses 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.

50 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following tables analyse within the fair value hierarchy of the Group's and the Company's assets and liabilities not measured at fair value as at reporting date but for which fair value is disclosed:-

	Carrying value RM'000	Fair Value			Total RM'000
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
Group					
2014					
Financial assets					
Financial investments held-to-maturity	652,501	-	649,709	-	649,709
Loans, advances and financing	40,492,016	-	40,207,095	-	40,207,095
	41,144,517	-	40,856,804	-	40,856,804
Financial liabilities					
Deposits from customers	50,604,005	-	50,605,254	-	50,605,254
Deposits and placements of banks and other financial institutions	5,367,803	-	5,367,441	-	5,367,441
Recourse obligation on loans sold to Cagamas Berhad	139,147	-	140,764	-	140,764
Borrowings	972,458	-	973,634	-	973,634
	57,083,413	-	57,087,093	-	57,087,093
2013					
Financial assets					
Financial investments held-to-maturity	624,033	-	619,407	-	619,407
Loans, advances and financing	36,909,384	-	36,613,829	-	36,613,829
	37,533,417	-	37,233,236	-	37,233,236
Financial liabilities					
Deposits from customers	47,353,514	-	47,288,110	-	47,288,110
Deposits and placements of banks and other financial institutions	3,983,912	-	3,984,399	-	3,984,399
Recourse obligation on loans sold to Cagamas Berhad	397,790	-	406,113	-	406,113
Borrowings	972,432	-	973,177	-	973,177
	52,707,648	-	52,651,799	-	52,651,799

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50 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following tables analyse within the fair value hierarchy of the Group's and the Company's assets and liabilities not measured at fair value as at reporting date but for which fair value is disclosed (continued):-

	Carrying value RM'000	Fair Value			
		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Company					
2014					
Financial liabilities					
Borrowings	972,458	-	973,634	-	973,634
2013					
Financial liabilities					
Borrowings	972,432	-	973,177	-	973,177

Other than as disclosed above, the total fair value of each financial assets and liabilities presented on the statements of financial position as at reporting date of the Group and the Bank approximates the total carrying amount.

The fair value estimates were determined by application of the methodologies and assumptions described below:-

Short-term funds and placements with banks and other financial institutions

For short-term funds and placements with banks and other financial institutions with maturities of less than six months, the carrying amount is a reasonable estimate of the fair value.

For amounts with maturities of six months or more, fair values have been estimated by reference to current rates at which similar deposits and placements would be made with similar credit ratings and maturities.

Financial investments held-to-maturity

The fair values of financial investments held-to-maturity are reasonable estimates based on quoted market prices. In the absence of such quoted prices, the fair values are based on the expected cash flows of the instruments discounted by indicative market yields for the similar instruments as at reporting date or the audited net tangible asset of the invested company.

Loans, advances and financing

Loans and advances of the Group comprise of floating rate loans and fixed rate loans. For performing floating rate loans, the carrying amount is a reasonable estimate of their fair values.

The fair values of performing fixed rate loans are arrived at using the discounted cash flows based on the prevailing market rates of loans and advances with similar credit ratings and maturities.

The fair values of impaired loans and advances, whether fixed or floating are represented by their carrying values, net of individual and collective allowances, being the reasonable estimate of recoverable amount.

Other assets and liabilities

The carrying value less any estimated allowance for financial assets and liabilities included in other assets and other liabilities are assumed to approximate their fair values as these items are not materially sensitive to the shift in market interest rates.

50 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The fair value estimates were determined by application of the methodologies and assumptions described below (continued).

Deposits from customers, banks and other financial institutions, bills and acceptances payable

The carrying values of deposits and liabilities with maturities of six months or less are assumed to be reasonable estimates of their fair values. Where the remaining maturities of deposits and liabilities are above six months, their estimated fair values are arrived at using the discounted cash flows based on prevailing market rates currently offered for similar remaining maturities.

The estimated fair value of deposits with no stated maturity, which include non-interest bearing deposits, approximates carrying amount which represents the amount repayable on demand.

Recourse obligation on loans sold to Cagamas Berhad

For floating rate loans sold to Cagamas Berhad, the carrying value is generally a reasonable estimate of their fair values.

The fair values of fixed rate loans sold to Cagamas Berhad are arrived at using the discounted cash flow methodology at prevailing market rates of similarly profiled loans.

Borrowings

For fixed rate borrowings, the estimate of fair value is based on discounted cash flow model using prevailing lending rates for borrowings with similar risks and remaining term to maturity.

For floating rate borrowings, the carrying value is generally a reasonable estimate of their fair values.

51 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

In accordance with MFRS 132 "Financial Instruments: Presentation", the Group report financial assets and financial liabilities on a net basis on the statements of financial position only if there is a legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The following table shows the impact of netting arrangement on:

- All financial assets and liabilities that are reported net on statements of financial position; and
- All derivative financial instruments and reverse purchase and repurchased agreements and other similar secured lending and borrowing agreements that are subject to enforceable master netting arrangements or similar agreements, but do not qualify for statements of financial position netting.

The table identifies the amounts that have been offset in the statements of financial position and also those amounts that are covered by enforceable netting arrangements (offsetting arrangements and financial collateral) but do not qualify for netting under the requirements of MFRS 132 described above.

The "Net amounts" presented below are not intended to represent the Group's actual exposure to credit risk, as a variety of credit mitigation strategies are employed in addition to netting and collateral arrangements.

NOTES TO THE FINANCIAL STATEMENTS

– 31 DECEMBER 2014

51 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

Related amount not offset

Derivative financial assets and liabilities

The 'Financial instruments' column identifies financial assets and liabilities that are subject to set off under netting agreements, such as the ISDA Master Agreement or derivative exchange or clearing counterparty agreements, whereby all outstanding transactions with the same counterparty can be offset and close-out netting applied across all outstanding transaction covered by the agreements if an event of default or other predetermined events occur.

Financial collateral refers to cash and non-cash collateral obtained, typically daily or weekly, to cover the net exposure between counterparties by enabling the collateral to be realised in an event of default or if other predetermined events occur.

	Effects of offsetting on the statement of financial position			Related amounts not offset		
	Gross amount RM'000	Amount offset RM'000	Net amount reported on statement of financial position RM'000	Financial instruments RM'000	Financial collateral RM'000	Net amount RM'000
Group						
2014						
Derivatives financial assets	170,035	-	170,035	(49,087)	-	120,948
Trade receivables						
- Amount due from Bursa Securities Clearing Sdn Bhd	3,588,102	(3,158,866)	429,236	-	-	429,236
	3,758,137	(3,158,866)	599,271	(49,087)	-	550,184
Derivatives financial liabilities	325,755	-	325,755	(18,777)	(25,697)	281,281
Trade payables						
- Amount due to Bursa Securities Clearing Sdn Bhd	3,741,032	(3,158,866)	582,166	-	-	582,166
	4,066,787	(3,158,866)	907,921	(18,777)	(25,697)	863,447

51 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

Related amount not offset (continued)

Derivative financial assets and liabilities (continued)

	Effects of offsetting on the statement of financial position			Related amounts not offset		
	Gross amount	Amount offset	Net amount reported on statement of financial position	Financial instruments	Financial collateral	Net amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2013						
Derivatives financial assets	55,776	-	55,776	(42,030)	-	13,746
Trade receivables						
- Amount due from						
Bursa Securities Clearing Sdn Bhd	1,187,175	(1,010,469)	176,706	-	-	176,706
	1,242,951	(1,010,469)	232,482	(42,030)	-	190,452
Derivatives financial liabilities	93,868	-	93,868	(42,342)	-	51,526
Trade payables						
- Amount due to						
Bursa Securities Clearing Sdn Bhd	1,206,707	(1,027,629)	179,078	-	-	179,078
	1,300,575	(1,027,629)	272,946	(42,342)	-	230,604

52 CLIENTS TRUST ACCOUNTS

As at 31 December 2014, cash held in trust for the clients by the Group amounted to RM471,253,000 (2013: RM290,144,430). These amounts are not recognised in the financial statements as they are held by the Group's fiduciary capacity.

NOTES TO THE FINANCIAL STATEMENTS

– 31 DECEMBER 2014

53 SUPPLEMENTARY INFORMATION DISCLOSED PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

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 and Company into realised and unrealised profits as at reporting date is disclosed as follows:-

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<u>Total retained profits of AFFIN Holdings Berhad and its subsidiaries:-</u>				
- Realised	2,067,594	1,675,523	844,015	635,670
- Unrealised				
- deferred tax recognised in the income statement	23,708	14,676	(68)	(108)
- other items of income and expenses	79,501	40,596	-	-
	2,170,803	1,730,795	843,947	635,562
<u>Total share of retained profits in associate:-</u>				
- Realised	216,357	187,712	-	-
- Unrealised	4,161	3,527	-	-
<u>Total share of retained profits/(losses) in joint ventures :-</u>				
- Realised	(13,758)	(19,690)	-	-
- Unrealised	(1,080)	4,610	-	-
	2,376,483	1,906,954	843,947	635,562
Add: Consolidation adjustments	(276,657)	90,588	-	-
Total Group retained profits as per consolidated financial statements	2,099,826	1,997,542	843,947	635,562

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.

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Tan Sri Dato' Seri Lodin bin Wok Kamaruddin and Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad, two of the directors of AFFIN Holdings Berhad, state that, in the opinion of the directors, the accompanying financial statements set out on pages 72 to 198 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2014 and of the results and cash flows of the Group and the Company for the financial year ended on that date in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution dated 6 March 2015.

TAN SRI DATO' SERI LODIN BIN WOK KAMARUDDIN

Director

RAJA TAN SRI DATO' SERI AMAN BIN RAJA HAJI AHMAD

Director

Kuala Lumpur
6 March 2015

DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Lee Yoke Kiow, the officer primarily responsible for the financial management of AFFIN Holdings Berhad, do solemnly and sincerely declare that in my opinion, the financial statements set out on pages 72 to 198 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

LEE YOKE KIOW

Subscribed and solemnly declared by the above named Lee Yoke Kiow at Kuala Lumpur in Malaysia on 6 March 2015, before me.

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HOLDINGS BERHAD (COMPANY NO. 23218-W) (INCORPORATED IN MALAYSIA)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of AFFIN Holdings Berhad on pages 72 to 197, which comprise the statements of financial position as at 31 December 2014 of the Group and of the Company, and the statements of income, comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Note 1 to Note 52.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- c) Our audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 53 on page 198 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on 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, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS

(No. AF: 1146)

Chartered Accountants

SOO HOO KHOON YEAN

(No. 2682/10/15 (J))

Chartered Accountant

Kuala Lumpur

6 March 2015

ADDITIONAL DISCLOSURE

PURSUANT TO LISTING REQUIREMENTS

The information set out below is disclosed in accordance with the Main Market Listing Requirements of Bursa Malaysia Sdn Bhd ("BMSB"):-

1. Utilisation of proceeds from corporate proposal

During the financial year, the Company's issued and paid-up capital 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 pursuant to the 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 gross proceeds from the Rights Issue of RM1,237.5 million was used to fund the partial repayment of bridging loans of RM1.05 billion and the capital injection of RM200.0 million into AFFIN Bank Berhad.

2. Share buy-backs during the financial year

The Company did not carry out any share buy-backs exercise during the financial year ended 31 December 2014.

3. Options, warrants or convertible securities exercised

No options, warrants or convertible securities were issued by the Company or exercised during the financial year ended 31 December 2014.

4. Sanctions/penalties

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, directors and management by the relevant regulatory bodies during the financial year ended 31 December 2014.

5. Non-audit fees

Non-audit fees paid to external auditors for the financial year ended 31 December 2014

Group	Company
RM'000	RM'000
1,073	232

6. Variation in result

There were no profit estimate, forecast and projection issued by AFFIN Holdings Berhad and its subsidiary companies during the financial year ended 31 December 2014.

7. Profit guarantee

There were no profit guarantees given by the Company and its subsidiaries during the financial year ended 31 December 2014.

8. Revaluation policy of landed properties

The Group does not revalue its landed properties classified as Property, Plant and Equipment.

9. Material contracts

The were no material contacts outside the ordinary course of business entered by the Group during the financial year except for the following and those disclosed in Note 46 to the financial statements :-

- On 28 March 2014, AHB and each of (a) RHB Bank Berhad, RHB Investment Bank Berhad and OCBC Bank (Malaysia) Berhad, (b) RHB Bank Berhad and OCBC Bank (Malaysia) Berhad and (c) RHB Islamic Bank Berhad had entered into the facility agreements for an aggregate bridge loan facility of up to RM1.4 billion, to fund the acquisition of 100% interest in HwangDBS Investment Bank Berhad (now known as AFFIN Hwang Investment Bank Berhad) and its related companies as disclosed in Note 46(a) to the Financial Statements.
- On 29 May 2014, AHB, HwangDBS Investment Bank Berhad and collectively RHB Investment Bank Berhad, Public Investment Bank Berhad, AmInvestment Bank Berhad and Credit Suisse Securities (Malaysia) Sdn Bhd had entered into a Management and Underwriting Agreement relating to the renounceable rights issue of 448,372,741 new ordinary shares of RM1.00 each as mentioned in item (1) above.

10. Recurrent Related Party Transactions of a Revenue or Trading Nature

At the Annual General Meeting held on 21 April 2014, the Company obtained Shareholders' Mandate to allow the Group to enter into recurrent related party transactions of a revenue or trading nature.

In accordance with Section 3.1.5 of Practice Note No. 12 of the BMSB Main Market Listing Requirements, the details of recurrent related party transactions conducted during the financial year ended 31 December 2014 pursuant to the Shareholders' Mandate are disclosed as follows:-

Name of Company	Related Company	Nature of Transaction	Interested Directors/Major Shareholders/Person(s) Connected to Interested Directors or Interested Major Shareholders	Value of Transaction RM'000
AFFIN Holdings Berhad (AHB)	Boustead Management Services Sdn Bhd	Provision of share registrar services to AHB	<u>Interested Directors</u> Gen. (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin <u>Interested Major Shareholders</u> LTAT and Boustead	46
	Irat Hotels & Resorts Sdn Bhd (Irat)	Rental payment by AHB for office premises, car park and utilities charges payable monthly for a lease term renewable every three (3) years and payment for other related services	<u>Interested Directors</u> Gen. (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin <u>Interested Major Shareholders</u> LTAT and Boustead	835
	Boustead Travel Services Sdn Bhd (Boustead Travel)	Provision of travelling related services to AHB	<u>Interested Directors</u> Gen. (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin <u>Interested Major Shareholders</u> LTAT and Boustead	59
	Boustead Hotels & Resorts Sdn Bhd (Boustead Hotels & Resorts)	Hotel facilities and refreshment provided to AHB	<u>Interested Directors</u> Gen. (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin <u>Interested Major Shareholders</u> LTAT and Boustead	224

ADDITIONAL DISCLOSURE

PURSUANT TO LISTING REQUIREMENTS

Name of Company	Related Company	Nature of Transaction	Interested Directors/Major Shareholders/Person(s) Connected to Interested Directors or Interested Major Shareholders	Value of Transaction RM'000
AHB (continued)	Boustead Advertising Sdn Bhd (Boustead Advertising)	Advertisement in media and other services provided to AHB	<u>Interested Directors</u> Gen. (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin <u>Interested Major Shareholders</u> LTAT and Boustead	16
	Tricor Investor Services Sdn Bhd	Special registrar services provided to AHB	<u>Interested Directors</u> Professor Arthur Li Kwok Cheung, Ignatius Chan Tze Ching, Adrian David Li Man Kiu and Peter Yuen Wai Hung <u>Interested Major Shareholder</u> The Bank of East Asia, Limited	134
	Boustead Information Technology Sdn Bhd (Boustead Information Technology)	Provision for information technology support services and facility for external storage to AHB	<u>Interested Directors</u> Gen. (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin <u>Interested Major Shareholders</u> LTAT and Boustead	2
	Boustead Holdings Bhd (Boustead)	Provision of training for Directors and staff in the Group	<u>Interested Directors</u> Gen. (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin <u>Interested Major Shareholders</u> LTAT and Boustead	-
AFFIN Bank Berhad (ABB)	Perbadanan Perwira Niaga Malaysia (Perwira Niaga)	Rental payment by ABB for office premises, service charge and space for Automated Teller Machine (ATM) at various locations for a lease period ranging from two (2) to three (3) years	<u>Interested Directors</u> Gen. (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin <u>Interested Major Shareholders</u> LTAT and Boustead	130

Name of Company	Related Company	Nature of Transaction	Interested Directors/Major Shareholders/Person(s) Connected to Interested Directors or Interested Major Shareholders	Value of Transaction RM'000
ABB (continued)	Boustead Travel	Provision of travelling related services to ABB	<u>Interested Directors</u> Gen. (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin <u>Interested Major Shareholders</u> LTAT and Boustead	847
	Boustead Properties Sdn Bhd (Boustead Properties)	Rental payment by ABB for office premises and car park payable monthly for a lease term renewable every five (5) years (Menara AFFIN)	<u>Interested Directors</u> Gen. (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin <u>Interested Major Shareholders</u> LTAT and Boustead	11,684
	Lembaga Tabung Angkatan Tentera (LTAT)	Rental payment by ABB for office premises and car park payable monthly for a lease term renewable every three (3) years	<u>Interested Directors</u> Gen. (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin <u>Interested Major Shareholders</u> LTAT and Boustead	239
	Boustead Advertising	Advertisement in media and other services provided to ABB	<u>Interested Directors</u> Gen. (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin <u>Interested Major Shareholders</u> LTAT and Boustead	23
	Boustead Curve Sdn Bhd (Boustead Curve)	Rental payment by ABB for office premises, car parking and utilities charges for a lease term renewable every three (3) years and payment for other related services (The Curve)	<u>Interested Directors</u> Gen. (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin <u>Interested Major Shareholders</u> LTAT and Boustead	140

ADDITIONAL DISCLOSURE

PURSUANT TO LISTING REQUIREMENTS

Name of Company	Related Company	Nature of Transaction	Interested Directors/Major Shareholders/Person(s) Connected to Interested Directors or Interested Major Shareholders	Value of Transaction RM'000
ABB (continued)	Boustead Hotels & Resorts	Hotel facilities and refreshment provided to ABB	<u>Interested Directors</u> Gen. (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin <u>Interested Major Shareholders</u> LTAT and Boustead	1,004
	Boustead Hotels & Resorts	Rental payment by ABB for space of ATM machine at The Royale Chulan Kuala Lumpur Hotel	<u>Interested Directors</u> Gen. (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin <u>Interested Major Shareholders</u> LTAT and Boustead	12
	Boustead Petroleum Marketing Sdn Bhd (Boustead Petroleum)	LED advertising charges and related expenses to ABB	<u>Interested Directors</u> Gen. (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin <u>Interested Major Shareholders</u> LTAT and Boustead	91
	Boustead Petroleum	Rental payment by ABB for space of ATM machine at BHP petrol stations	<u>Interested Directors</u> Gen. (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin <u>Interested Major Shareholders</u> LTAT and Boustead	165
AFFIN Islamic Bank Bhd (AFFIN Islamic)	Boustead Travel	Provision of travelling related services to AFFIN Islamic	<u>Interested Directors</u> Gen. (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin <u>Interested Major Shareholders</u> LTAT and Boustead	61

Name of Company	Related Company	Nature of Transaction	Interested Directors/Major Shareholders/Person(s) Connected to Interested Directors or Interested Major Shareholders	Value of Transaction RM'000
AFFIN Islamic (continued)	Boustead Hotels & Resorts	Hotel facilities and refreshment provided to AFFIN Islamic	<u>Interested Directors</u> Gen. (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin <u>Interested Major Shareholders</u> LTAT and Boustead	-
AFFIN Investment Bank Berhad (AFFIN Investment)	Boustead Realty Sdn Bhd (Boustead Realty)	Rental payment by AFFIN Investment for office premises and car park fees payable monthly for a lease term renewable every three (3) years and payment for other related services (Menara Boustead)	<u>Interested Directors</u> Gen. (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin <u>Interested Major Shareholders</u> LTAT and Boustead	1,196
	Boustead Travel	Provision of travelling related services to AFFIN Investment	<u>Interested Directors</u> Gen. (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin <u>Interested Major Shareholders</u> LTAT and Boustead	331
	Boustead Petroleum	Petrol consumption	<u>Interested Directors</u> Gen. (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin <u>Interested Major Shareholders</u> LTAT and Boustead	12
	Boustead Curve	Rental payment by AFFIN Investment for office premises, car parking and utilities charges for a lease term renewable every three (3) years and payment for other related services (The Curve)	<u>Interested Directors</u> Gen. (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin <u>Interested Major Shareholders</u> LTAT and Boustead	232

ADDITIONAL DISCLOSURE

PURSUANT TO LISTING REQUIREMENTS

Name of Company	Related Company	Nature of Transaction	Interested Directors/Major Shareholders/Person(s) Connected to Interested Directors or Interested Major Shareholders	Value of Transaction RM'000
AFFIN Investment (continued)	Boustead Advertising	Design artwork, marketing advertisement, signing ceremonies, backdrop and other related services provided to AFFIN Investment	<u>Interested Directors</u> Gen. (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin <u>Interested Major Shareholders</u> LTAT and Boustead	10
	Irat	Rental payment by AFFIN Investment for office premises, car parking and utilities charges for a renewable lease term every three (3) years and payment for other related services (Chulan Tower)	<u>Interested Directors</u> Gen. (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin <u>Interested Major Shareholders</u> LTAT and Boustead	2,036
	Boustead Hotels & Resorts	Hotel facilities and refreshment provided to AFFIN Investment for staff in-house training and other expenses	<u>Interested Directors</u> Gen. (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin <u>Interested Major Shareholders</u> LTAT and Boustead	123
	Boustead	Rental of conference room meeting by AFFIN Investment	<u>Interested Directors</u> Gen. (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin <u>Interested Major Shareholders</u> LTAT and Boustead	1
	Sure Reach Tricor Record Management Sdn Bhd	Payment by AFFIN Investment for document storage services	<u>Interested Directors</u> Professor Arthur Li Kwok Cheung, Ignatius Chan Tze Ching, Adrian David Li Man Kiu and Peter Yuen Wai Hung <u>Interested Major Shareholder</u> The Bank of East Asia, Limited	2

Name of Company	Related Company	Nature of Transaction	Interested Directors/Major Shareholders/Person(s) Connected to Interested Directors or Interested Major Shareholders	Value of Transaction RM'000
AFFIN Fund Management Berhad (AFFIN Fund)	Boustead Realty	Rental payment by AFFIN Fund for office premises and car park payable monthly for a lease term renewable every three (3) years and payment for other related services (Menara Boustead)	<u>Interested Directors</u> Gen. (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin <u>Interested Major Shareholders</u> LTAT and Boustead	345
	LTAT	Management fees by LTAT to AFFIN Fund	<u>Interested Directors</u> Gen. (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin <u>Interested Major Shareholders</u> LTAT and Boustead	88
AFFIN Moneybrokers Sdn Bhd (AFFIN Moneybrokers)	Boustead Realty	Rental payment by AFFIN Moneybrokers for office premises and car park payable monthly for a lease term renewable every three (3) years and payment for other related services	<u>Interested Directors</u> Gen. (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin <u>Interested Major Shareholders</u> LTAT and Boustead	359
	Boustead Advertising	Artwork and material charges for printing of annual report provided to AFFIN Moneybrokers	<u>Interested Directors</u> Gen. (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin <u>Interested Major Shareholders</u> LTAT and Boustead	2
	Boustead Travel	Provision of travelling related services to AFFIN Moneybrokers	<u>Interested Directors</u> Gen. (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin <u>Interested Major Shareholders</u> LTAT and Boustead	99

ADDITIONAL DISCLOSURE

PURSUANT TO LISTING REQUIREMENTS

Name of Company	Related Company	Nature of Transaction	Interested Directors/Major Shareholders/Person(s) Connected to Interested Directors or Interested Major Shareholders	Value of Transaction RM'000
AXA AFFIN Life Insurance Berhad (AXA AFFIN Life)	Irat	Rental payment by AXA AFFIN Life for office premises, car park and utilities charges for lease term renewable every three (3) years and payment for other related services	<u>Interested Directors</u> Gen. (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin <u>Interested Major Shareholders</u> LTAT and Boustead	1,691
	AXA Asia Pacific Ltd	Provision of information technology and other support services to AXA AFFIN Life	<u>Interested Directors</u> Kevin John Wright and Loke Kah Meng <u>Interested Major Shareholder</u> AXA Asia Pacific Ltd	8,667
	AXA Asia Pacific Ltd	Software development and license fees by AXA Asia Pacific Ltd to AXA AFFIN Life	<u>Interested Directors</u> Kevin John Wright and Loke Kah Meng <u>Interested Major Shareholder</u> AXA Asia Pacific Ltd	4,923
	Boustead Travel	Provision of travelling related services to AXA AFFIN Life	<u>Interested Directors</u> Gen. (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin <u>Interested Major Shareholders</u> LTAT and Boustead	636
	Boustead Hotels & Resorts	Hotel facilities and refreshment provided to AXA AFFIN Life	<u>Interested Directors</u> Gen. (R) Dato' Seri DiRaja Tan Sri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin <u>Interested Major Shareholders</u> LTAT and Boustead	114
Total				36,579

PARTICULARS OF PROPERTIES

AS AT 31 DECEMBER 2014

No.	Title/Lot No.	Location/Address	Description/ Existing Use	Tenure	Area Sq. Ft L : Land Area B : Built-Up Area	Approx. Age of Building (Years)	Net Book Value as at 31/12/2014 (RM)
1	HS(D) 5217 PT. 90 Section 1 Town of Port Swettenham District of Klang	No. 1, Jln Berangan 42000 Port Klang Selangor Darul Ehsan	4 Storey Shop Office / Branch Premises (Port Klang) CRC	Freehold	L : 3,000 B : 12,768	33	434,043
2	Lot 51412 & 51413 HS(D) 23844 & 23843 PT. 3479 & 3480 Mukim of Kuala Lumpur District of W. Persekutuan	No. 4 & 6 Jalan Telawi 3 Bangsar Baru 59100 Kuala Lumpur Wilayah Persekutuan	2 Units 3 Storey Shop Office / Branch Premises (Bangsar) CRC	Freehold	L : 4,659 B : 11,858	23	3,187,060
3	HS(M) 4961 PT. 457 HS(M) 4962 PT. 458 Mukim of Kajang District of Ulu Langat	No. 2 & 3, Jln Saga Tmn Sri Saga off Jln Sg Chua 43000 Kajang Selangor Darul Ehsan	2 Units 3 1/2 Storey Shop Office / Branch Premises (Kajang) CRC	Freehold	L : 3,510 B : 11,136	19	220,082
4	Plot 65 & 66 HS(D) 7570 & 7571 Lot 8552 & 8553 Mukim 12 District of Barat Daya	No. 124 & 126 Jalan Mayang Pasir Tmn Sri Tunas 11950 Bayan Baru Pulau Pinang	2 Units 3 Storey Shop Office / Branch Premises (Bayan Baru) CRC	Freehold	L : 3,080 B : 8,360	22	1,016,864
5	HS(D) 11547, 11548 PT. 15727, 15728 Mukim of Ampang	No. 11 & 11A Jln Mamanda 7/1 Ampang Point 68000 Ampang Selangor Darul Ehsan	5 Storey Shop Office (Occupied Ground & 1st Floor Only) / Branch Premises (Ampang Jaya) CRC	Freehold	L : 3,261 B : 5,658.4	18	1,024,802
6	HS(D) 52849, 52850, 52988 & 52989 PT. 2, 3, 6620 & 6621 Mukim of Batu District of Wilayah Persekutuan	No. 81, 83 & 85 Jalan 2/3A Pusat Pasar Borong km 12, Jalan Ipoh 68100 Batu Caves Kuala Lumpur	3 Units 4 Storey Shop Office / Branch Premises (Selayang) CRC	Leasehold / Expiry : 01/01/2086	L : 4,950 B : 16,733	19	983,434
7	HS(D) 39216, K1 PT. 2068 Mukim and District of Petaling	No. 1, Jln TK 1/11A Tmn Kinrara Section 1 Batu 7 ½ Jln Puchong 58200 Selangor Darul Ehsan	3 Storey Shop Office + Basement / Branch Premises (Kinrara) CRC	Leasehold / Expiry : 27/8/2091	L : 3,900 B : 15,600	20	1,396,975
8	HS(D) 9406, Lot 8226 & PT. 4045 HS(D) 9407, Lot 8227 & PT. 4046 Mukim of Damansara District of Petaling	No. 7 & 9 Jln SS 15/8A 47500 Petaling Jaya Selangor Darul Ehsan	2 Units 4 Storey Shop Office / Branch Premises (Subang Jaya) CRC	Freehold	L : 3,520 B : 9,944	21	972,228
9	HS(D) 2874 & PTD 4161 Township of Kluang District of Kluang	No. 503 Jln Mersing 86000 Kluang Johor Darul Takzim	3 Storey Shop Office / Branch Premises (Kluang) CRC/HPC	Freehold	L : 6,000 B : 9,944	21	466,028
10	HS(M) 6367, PT. 7485 Mukim of Chenor District of Maran	Nadi Kota Bandar Pusat Jengka 26400 Jengka Pahang Darul Makmur	Single Storey Bungalow / Branch Premises (Jengka) CRC	Leasehold / Expiry : 21/8/2091	L : 20,056 B : 2,100	24	397,272

PARTICULARS OF PROPERTIES

AS AT 31 DECEMBER 2014

No.	Title/Lot No.	Location/Address	Description/ Existing Use	Tenure	Area Sq. Ft L : Land Area B : Built-Up Area	Approx. Age of Building (Years)	Net Book Value as at 31/12/2014 (RM)
11	GM 2251 & 2252 Lot 3991 & 3992 Mukim 5 District of Seberang Perai Utara	No. 1317 & 1318 Tmn Sepakat off Jln Butterworth 13200 Kepala Batas Seberang Prai Utara Pulau Pinang	2 Units 3 Storey Shop Office / Branch Premises (Kepala Batas) CRC	Freehold	L : 2,390 B : 6,920	19	508,733
12	Town Lease No. 017541374 & 017541383 Lot 82 & 83, Blok K Mukim of Karamunsing District of Kota Kinabalu	Lot 19 & 20 Sadong Jaya Complex Jalan Juara Ikan 3 Karamunsing 88300 Kota Kinabalu Sabah	4 Storey Shop Office / Branch Premises (Kota Kinabalu) CRC	Leasehold / Expiry : 21/1/2901	L : 2,780 B : 10,144	21	2,229,298
13	HS(D) 73618 & 73619 PT. 5733 & 5734 Mukim of Labu District of Seremban	No. 5733 & 5734 Jln TS 2/1 Tmn Semarak, Phase II 71800 Nilai, N. Sembilan	2 Units 3 Storey Shop Office / Branch Premises (Nilai) CRC	Freehold	L : 3,600 B : 10,800	20	691,278
14	HS(D) 7156, 7157, 7187 & 7188 PT. 34, 35, 65 & 66 Bandar Bukit Baru Seksyen 11 District of Melaka Tengah	No. 7 & 8, Jalan DR1 Delima Point Taman Delima Raya 75150 Melaka	2 Units 5 Storey Shop Office / Branch Premises (Bukit Baru) CRC	Freehold	L : 3,509 B : 17,160	18	1,401,906
15	HS(D) 143324, PT. 18 Seksyen 14 Bandar Shah Alam Selangor Darul Ehsan	A. Commercial Land Precint 3.4 Pusat Bandar Shah Alam B. Bangunan AFFIN Bank	16-Storey Building With 4 Storey Basement Building (Bangunan AFFIN Bank Shah Alam)	Leasehold / Expiry : 11/5/2100	L : 32,561 B : 81,400	15	40,453,049
16	Lot S03 & S04 PT. 72, HS(D) 7295 District of Port Dickson	No. 3 & 4, Jalan Aman Kawasan Penambakan Laut Bandar Port Dickson 71009 Negeri Sembilan	2 Units 3 Storey Shop Office / Branch Premises (Port Dickson) CRC	Leasehold / Expiry : 31/1/2085	L : 3,532 B : 9,900	18	752,082
17	Lot 2387 & 2388 Block 5 District of Miri	Lot 2387 & 2388 Jalan Boulevard 1A Boulevard Commercial Centre 3km, Jalan Miri-Pujut 98000 Miri, Sarawak	2 Units 3 Storey Shop Office / Branch Premises (Miri) CRC	Leasehold / Expiry : 21/1/2050	L : 3,190 B : 8,371	18	809,654
18	PTD 48474 & 48475 HS(D) 86046 & 86047 Mukim of Plentong District of Johor Bharu	No. 130 & 132 Jln Rosmerah 2/17 Tmn Johor Jaya 81100 Johor Darul Takzim	2 Units 3 Storey Shop Office / Branch Premises (Johor Jaya) CRC	Freehold	L : 4,773 B : 14,319	20	1,484,477
19	PTD 100479 & 100480 Mukim of Plentong District of Johor Bahru	No. 23 & 25 Jalan Permas 10/2 Permas Jaya 81750 Masai Johor Bahru Johor Darul Takzim	2 Units 4 Storey Shop Office / Branch Premises (Permas Jaya) CRC	Freehold	L : 3,840 B : 13,440	21	1,805,440
20	PT. 3686 & 3687 HS(D) 5167 & 5168 Mukim 1 District of Seberang Perai Tengah Penang	No. 10 Jln Todak 1 Pusat Bandar Seberang Jaya 13700 Perai Penang	4 Storey Shop Office / Branch Premises (Seberang Jaya) CRC	Leasehold / Expiry : 21/10/2092	L : 3,681 B : 13,716	18	1,744,552

No.	Title/Lot No.	Location/Address	Description/ Existing Use	Tenure	Area Sq. Ft L : Land Area B : Built-Up Area	Approx. Age of Building (Years)	Net Book Value as at 31/12/2014 (RM)
21	Lot 175 & 176 PT. 1386 & 1387 Grant 6787 Mukim of Kuah District of Langkawi	No. 149-A, 149-B & 149-C No. 151-A, 151-B & 151-C Persiaran Bunga Raya Langkawi Mall 07000 Kuah Langkawi Kedah	2 Adjacent Lot 3 Storey Shop Office / Branch Premises (Kuah) CRC	Freehold	L : 3,304 B : 9,912	17	1,255,862
22	Lot 1894 Title No. 1289 & Lot 1895 Title No. 1290 Daerah & Bandar Kuala Terengganu Negeri Terengganu	63 & 63A, Jalan Sultan Ismail 20200 Kuala Terengganu Terengganu Darul Iman	3 Storey Shop Office / Branch Premises (Kuala Terengganu) CRC	Leasehold / Expiry : 18/12/2048	L : 4,171 B : 8,128	14	1,474,394
23	Lot 14127 & 14128 Grants 7792 & 7793 Mukim of Setapak District of Kuala Lumpur	No. 159 & 161 Jalan Genting Kelang 53300 Setapak Kuala Lumpur	2 Units 3 Storey Shop Office with Basement / Branch Premises (Setapak) CRC	Freehold	L : 4,306 B : 17,224	26	1,788,200
24	HS(D) 67774 & 67773 Lot 29427 & 29428 Mukim of Kuala Lumpur District & State of Wilayah Persekutuan	No. 47 & 49 Jalan Tun Mohd Fuad 3 Taman Tun Dr Ismail 60000 Kuala Lumpur	2 Units 3 Storey Shop Office / Branch Premises (TTDI) CRC	Freehold	L : 5,138 B : 11,250	23	3,630,851
25	HS(D) 16728, PTD 9887 & HS(D) 16729, PTD 9888 Mukim of Simpang Kanan District of Batu Pahat	No. 3 & 4 Jalan Merah Taman Bukit Pasir 83000 Batu Pahat Johor Darul Takzim	2 Units 3 Storey Shop House / Branch Premises (Batu Pahat) CRC	Freehold	L : 3,080 B : 16,227	24	752,780
26	HS(M) 14862 & 14863 PT. 21350 & 21351 Tempat Bukit Raja Mukim of Kapar District of Klang	No. 29 & 31 Jalan Tiara 3 Bandar Baru Kelang 41150 Kelang Selangor Darul Ehsan	2 Units 4 Storey Shop Office / Branch Premises (Klang Utara) CRC	Leasehold / Expiry : 8/5/2093	L : 3,300 B : 13,200	17	2,627,555
27	PTD 62642 & 62643 HS(D) 227069 & 227070 Mukim of Pulai District of Johor Bahru	No. 49 & 51 Jalan Sri Perkasa 2/1 Taman Tampoi Utama 81200 Tampoi Johor Bahru Johor Darul Takzim	2 Adjacent Lot 3 Storey Shop House / Branch Premises (Tampoi) CRC	Leasehold / Expiry : 13/4/2094	L : 5,468 B : 10,710	17	1,222,902
28	Lot 436 & 437 Geran No. 12256 & 12257 Section 13 District of Kota Bharu New Title:- HS(D) KB. 4/98, No. PT. 133 & HS(D) KB. 5/98 No. PT. 134, Section 13 District of Kota Bharu	No. 3788 H & 3788 I Section 13 Jalan Sultan Ibrahim 15050 Kota Bharu Kelantan Darul Naim	2 Units 3 Storey Shop Office / Branch Premises (Kota Bharu) CRC	Leasehold / Expiry : 09/03/2064	L : 3,200 B : 9,152	29	837,404
29	Sub-Lot 13 Lot 3060 District of Bintulu	Sub Lot 13, off Lot 3299 Bintulu Town District off Jalan Diwarta 97000 Bintulu Sarawak	1 Units 3 Storey Shop Office / Branch Premises (Bintulu) CRC	Leasehold / Expiry : 29/3/2055	L : 3,240 B : 9,720	17	621,068

PARTICULARS OF PROPERTIES

AS AT 31 DECEMBER 2014

No.	Title/Lot No.	Location/Address	Description/ Existing Use	Tenure	Area Sq. Ft L : Land Area B : Built-Up Area	Approx. Age of Building (Years)	Net Book Value as at 31/12/2014 (RM)
30	Lot 27/28, Seksyen 1 No. Hakmilik 980/981 Mukim of Pekan Batu	No. 840 & 842 Bt 4 ½ Jalan Ipoh 51200 Kuala Lumpur	4 1/2 Storey Building with Basement / Branch Premises (Batu Cantonment) CRC	Leasehold / Expiry : 13/01/2037	L : 3,081 B : 9,243	29	1,449,115
31	HS(M) 6836 PT. 14531 Mukim of Damansara District of Petaling	No. 301, 401 & 501 Block C, Menara Glomac Kelana Business Centre 97, Jalan 227/2 47301 Kelana Jaya Selangor Darul Ehsan	Branch Premises	Leasehold / Expiry : 21/11/2092	L : N/A B No. 301 : 6,916 No. 401 : 6,916 No. 501 : 6,916	14	5,348,032
32	HS(D) 96849 (30438 [New]) Lot/PT. 6536 (28035 [New]) Mukim of Setapak District & State of Wilayah Persekutuan	No. 2, Jln 1/27F KLSC Wangsa Maju 53300 Kuala Lumpur [C7/50/86-1&C7/50/86-2 C7/50/86-4, C7/50/86-3]	4 Storey Shop Office Corner Unit / Branch Premises (Wangsa Maju) CRC	Leasehold / Expiry : 19/04/2083	L : 4,480 B : 14,920	16	2,432,005
	HS(D) 96848 (30437) Lot/PT. 6537 (28034) Mukim of Setapak District & State of Wilayah Persekutuan	No. 4, Jln 1/27F KLSC Wangsa Maju 53300 Kuala Lumpur [C7/50/85-1, C7/50/85-3]	3 Storey Shop Office / Branch Premises (Wangsa Maju) CRC	Leasehold / Expiry : 19/04/2083	L : 1,920 B : 5,760		
33	HS(D) 23766 PT. 199, Section 40 Mukim Kuala Lumpur	133, Jalan Bunus off Jalan Masjid India 50100 Kuala Lumpur	1 Unit 4 1/2 Storey Shop Office / Branch Premises (Jalan Bunus) CRC	Freehold	L : 1,539.9 B : 7,699.8	14	3,220,276
34	GM 405, Lot 1927 GM 407, Lot 2007 GM 409, Lot 2006 Mukim Nibong Tanah Merah Kelantan	Lot PT. 1995/1996 Bandar Baru Bukit Bunga 17700 Tanah Merah Kelantan Darul Naim	1 Unit 2 Storey Shop Office / Branch Premises (Jeli) CRC	Freehold	L : 2,000 B : 4,000	14	282,376
35	HS(D) 103053 Lot No. 770, Section 11 District of Petaling Town of Shah Alam	No. 11 & 12 Kompleks Perdagangan UMNO Persiaran Damai 40000 Shah Alam Selangor Darul Ehsan	1 Unit 4 Storey Shop Office / Branch Premises (BIC, Mortgage & Storage)	Leasehold / Expiry : 12/05/2095	L : 1,650 B : 8,000	14	1,890,756
36	HS(D) 4705 & 4706 District of Melaka Tengah	No. 200 & 201 Taman Melaka Raya off Jalan Parameswara 75000 Melaka	2 Units 3 Storey Shop Office / Branch Premises (Melaka Raya) CRC/HPC	Leasehold / Expiry : 19/12/2075	L : 4,430 B : 10,031	34	474,579
37	HS(D) 36868, Lot 25724 Mukim of Petaling	SS2 (AIBB/HPC) No. 161, Jalan SS2/24 47300 Petaling Jaya Selangor Darul Ehsan	3 Storey Shop House / Branch Premises (SS2) CRC	Freehold	L : 2,268 B : 8,902	34	825,271
38	Lot 247 & 248 Section 49 Lease of State Land	Lot 247 & 248 Section 49 KTL D Jalan Tunku Abdul Rahman 93100 Kuching Sarawak	2 Units 4 Storey Shop Office / Branch Premises (Kuching) CRC/HPC	Leasehold / Expiry : 24/07/2044	L : 2,500 B : 9,405	28	895,060

No.	Title/Lot No.	Location/Address	Description/ Existing Use	Tenure	Area Sq. Ft L : Land Area B : Built-Up Area	Approx. Age of Building (Years)	Net Book Value as at 31/12/2014 (RM)
39	HS(D) 194608 PT. 1106 Pekan Serdang Daerah Petaling Selangor Darul Ehsan	No. 36, Jalan PSK 3 Pusat Perdagangan Seri Kembangan 43300 Seri Kembangan Selangor Darul Ehsan	3 Storey Shop House / Branch Premises (Seri Kembangan) CRC	Freehold	L : 3,563 B : 10,684	14	1,335,156
40	Lot 1 Mukim of Padang Cina District of Kulim	Suite B.4 KHTP Business Centre Kulim Hi-Tech Park 09000 Kulim Kedah Darul Aman	Office / Commercial Complex KHTP Business Centre (Ground Floor of 5 Storey Office / Commercial Complex)	Freehold	L : 9,064.36 B : 9,064.36	16	1,840,071
41	Unit No. P1-01-32 Unit No. P1-02-32 Unit No. P1-03-32 Unit No. P1-04-32 Unit No. P1-05-32 Held Under Hakmilik Strata No Berdaftar Geran 61929/M1/1/53 Lot No. 1594, Seksyen 2 Bandar Tanjung Tokong	98-G-32 to 98-3A-32 Block 32 Prima Tanjung Business Centre Jalan Tanjung Tokong 10470 Pulau Pinang	5 Storey Shop Office	Freehold	L : 1,037 B : 7,732	14	1,754,790
42	Geran No 48649 Lot No. 8066 HS(D) 895 No. PT. 1201 Mukim Padang China District of Kulim	Lot E189 Kulim Golf & Country Resort Kulim Kedah Darul Aman	Vacant Land	Freehold	L : 9,534	14	162,078
43	HS(D) 9980 PT. 4370 Mukim & District Port Dickson New Title:- Lot No. 287 PN 2474 / M1 / 3/48 Mukim Bandar Port Dickson Daerah Port Dickson	Corus Lagoon Apartment Unit B-L3-06 Batu 2, Jalan Pantai 71000 Port Dickson Negeri Sembilan Darul Khusus	1 Unit Apartment	Leasehold / Expiry : 06/07/2087	L : N/A B : 792	14	138,018
44	Title No. 35120 Lot No. 86, Section 2 Town of Batu Feringhi North East District of Penang New Title:- Lot No. 66, Geran HBM 107 / M1 / 22 / 124 Mukim Bandar Batu Peringgi Sek. 2, Daerah Timur Laut Negeri Pulau Pinang	Sri Sayang Resort Apartment Unit No. 22-06 22 nd Storey Batu Feringhi Pulau Pinang	1 Unit 3 Bedroom Apartment	Freehold	L : N/A B : 911	14	169,201

PARTICULARS OF PROPERTIES

AS AT 31 DECEMBER 2014

No.	Title/Lot No.	Location/Address	Description/ Existing Use	Tenure	Area Sq. Ft L : Land Area B : Built-Up Area	Approx. Age of Building (Years)	Net Book Value as at 31/12/2014 (RM)
45	HS(D) 1772 PT. 2851 Mukim of Kijal District of Kemaman	Awana Kijal Beach Resort Apartment (2 Rooms) 13B, Baiduri Apartment km 28, Jalan Kemaman-Dungun 24100 Kijal Terengganu Darul Iman	1 Unit 2 Bedroom Apartment	Leasehold / Expiry : 27/11/2091	L : N/A B : 892	14	134,036
46	HS(D) 1772 PT. 2851 Mukim of Kijal District of Kemaman	Awana Kijal Beach Resort Apartment (3 Rooms) 19A, Baiduri Apartment km 28, Jalan Kemaman-Dungun 24100 Kijal Terengganu Darul Iman	1 Unit 3 Bedroom Apartment	Leasehold / Expiry : 27/11/2091	L : N/A B : 1,107	14	165,766
47	HS(D) 807 & 808 PT. 2592 & 2593 District of Seberang Perai Utara	No. 55 & 57, Tmn Selat Jln Bagan Luar 12710 Butterworth Pulau Pinang	2 Units 4 Storey Shop Office / Branch Premises	Freehold	L : 4,779.2 B : 13,760	29	1,459,842
48	HS(M) 2926 & 2925 PT. 21346 & 21345 Mukim of Petaling District of W.P.	No. 10 & 12 Jln Radin Tengah Bandar Baru Seri Petaling 57000 Kuala Lumpur	2 Units 3 Storey Shop Office / Branch Premises	Leasehold / Expiry : 05/04/2078	L : 3,840 B : 11,520	31	529,972
49	HS(D) 16521 & 16496 PT. 8912 / 1367 & PT. 8912 / 1366 Mukim of Kuala Lumpur District of Petaling	Sea Park No. 20 & 22 Jln 21/12, Sea Park 46730 Petaling Jaya Selangor Darul Ehsan	2 Units 2 Storey Shop Office + Basement / Branch Premises (Sea Park)	Freehold	L : 3,230 B : 9,750	30	1,388,672
50	Town Lease : 107516432 Town Lease : 107516441 Town Lease : 107516450 District of Tawau	Tb 281, 282 & 283 Jln Hj Karim Town Extension 11 91008 Tawau Sabah	3 Units 4 Storey Shop Office / Branch Premises (Tawau)	Leasehold / Expiry : 31/12/2895	L : 6,720 B : 13,440	30	1,460,757
51	PT. Nos. 3672, 3673, 3674, 3675, 3676 & 3677 Mukim of Damansara District of Petaling Title No. HS(D) 78045, 78046, 78047, 78048, 78049 & 78050	41, 43, 45, 47, 49 & 51 Jalan SS 6/12 Kelana Jaya 47301 Petaling Jaya Selangor Darul Ehsan	6 Units 4 Storey Shop Office (Asset Held For Sale)	Freehold	L : 12,044 B : 46,093	21	7,300,000
52	Lot 400 Mukim of Kawasan Bandar XXXIX District of Melaka Tengah Melaka	No. 596 Jln Melaka Raya 10 Taman Melaka Raya Bandar Hilir 75000 Melaka	2 Storey Shop Office	Leasehold / Expiry: 10/04/2082	L : 1,580 B : 2,790	28	266,500
							111,112,602

SHAREHOLDING STATISTICS

AS AT 27 FEBRUARY 2015

ANALYSIS OF SHAREHOLDINGS AS AT 27 FEBRUARY 2015

Size of Shareholdings	No. of Holders	%	No. of Shares	%
Less than 100	722	4.34	15,475	0.00
100 to 1,000	2,063	12.41	1,539,944	0.08
1,001 to 10,000	10,780	64.86	40,377,834	2.08
10,001 to 100,000	2,745	16.52	74,430,200	3.83
100,001 to 97,147,426*	307	1.85	134,304,271	6.91
97,147,427** and above	4	0.02	1,692,280,823	87.10
Total	16,621	100.00	1,942,948,547	100.00

* Less than 5% of issued shares

** 5% and above of issued shares

LIST OF TOP 30 SHAREHOLDERS AS AT 27 FEBRUARY 2015

	Name	Shareholdings	%
1	LEMBAGA TABUNG ANGKATAN TENTERA	685,537,141	35.28
2	MAYBANK NOMINEES (ASING) SDN BHD THE BANK OF EAST ASIA LIMITED HONG KONG FOR THE BANK OF EAST ASIA LIMITED (INVESTMENT AC)	456,942,493	23.52
3	BOUSTEAD HOLDINGS BERHAD ACCOUNT NON-TRADING	402,012,529	20.69
4	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	147,788,660	7.61
5	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DIMENSIONAL EMERGING MARKETS VALUE FUND	11,682,950	0.60
6	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR AIA BHD.	8,029,060	0.41
7	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	3,560,800	0.18
8	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (AUSTRALIA)	3,359,400	0.17
9	DB (MALAYSIA) NOMINEE (ASING) SDN BHD SSBT FUND RCER FOR ROCK CREEK EMERGING MARKETS FUND SPC, LTD	3,288,800	0.17
10	AMANAHRAYA TRUSTEES BERHAD PUBLIC GROWTH FUND	3,000,000	0.15
11	PUBLIC NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MAYLAND PARKVIEW SDN BHD (KLC)	2,800,200	0.15
12	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-NR)	2,017,200	0.10
13	HSBC NOMINEES (ASING) SDN BHD TNTC FOR LSV EMERGING MARKETS EQUITY FUND L.P.	1,801,000	0.09
14	FANG INN	1,715,510	0.09

SHAREHOLDING STATISTICS

AS AT 27 FEBRUARY 2015

LIST OF TOP 30 SHAREHOLDERS AS AT 27 FEBRUARY 2015 (CONTINUED)

	Name	Shareholdings	%
15	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEGGED SECURITIES ACCOUNT FOR HII YU HO	1,410,000	0.07
16	KEY DEVELOPMENT SDN.BERHAD	1,308,580	0.07
17	AMANAHRAYA TRUSTEES BERHAD PUBLIC OPTIMAL GROWTH FUND	1,300,000	0.07
18	PERTUBUHAN PELADANG KEBANGSAAN	1,250,000	0.06
19	DB (MALAYSIA) NOMINEE (ASING) SDN BHD SSBT FUND NYLS FOR CITY OF NEW YORK GROUP TRUST	1,175,970	0.06
20	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (U.K.)	1,169,400	0.06
21	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEGGED SECURITIES ACCOUNT FOR LAW ZOO SHONG	1,105,100	0.06
22	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DFA EMERGING MARKETS SERIES	1,087,300	0.06
23	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR THE BANK OF NEW YORK MELLON (MELLON ACCT)	1,076,140	0.06
24	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR DATO' CHE LODIN BIN WOK KAMARUDDIN (MM0197)	1,051,328	0.05
25	G.T.Y HOLDINGS SDN BHD	1,000,000	0.05
26	TAN CHAN CHAI	1,000,000	0.05
27	DB (MALAYSIA) NOMINEE (ASING) SDN BHD STATE STREET LONDON FUND DIMH FOR DIMENSIONAL FUND PLC	991,750	0.05
28	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEGGED SECURITIES ACCOUNT FOR LIM AIK FONG (E-BBB/SNG)	967,800	0.05
29	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DFA EMERGING MARKETS VALUE TRUST (JHVIT)	924,690	0.05
30	CITIGROUP NOMINEES (ASING) SDN BHD CBNY FOR DFA EMERGING MARKETS SMALL CAP SERIES	902,950	0.05
TOTAL		1,751,256,751	90.13

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 27 FEBRUARY 2015

	Name	Direct Shareholdings	%	Indirect Shareholdings	%
1	LEMBAGA TABUNG ANGKATAN TENTERA (LTAT)	685,537,141	35.28	402,532,529 *	20.72
2	THE BANK OF EAST ASIA LIMITED	456,942,493	23.52	-	-
3	BOUSTEAD HOLDINGS BERHAD (BHB)	402,012,529	20.69	520,000 #	0.03
4	EMPLOYEES PROVIDENT FUND	147,788,660	7.61		

* Deemed interest by virtue of LTAT's interest in BHB

Deemed interest by virtue of BHB's interest in UAC Berhad

I/We, _____ NRIC (New) No. / Company No. _____
(Full Name in Block Capitals)
of _____
being a member/members of **AFFIN HOLDINGS BERHAD** hereby appoint _____
_____ NRIC (New) No. _____ of _____
_____ and/or _____
_____ NRIC (New) No. _____ of _____

or failing him, the CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the Thirty-Ninth (39th) Annual General Meeting of the Company to be held on Monday, 20 April 2015 at 10:00 a.m. at the Taming Sari Grand Ballroom, The Royale Chulan Hotel Kuala Lumpur, 5 Jalan Conlay, 50450 Kuala Lumpur and at any adjournment thereof.

My/our proxy is to vote as indicated below:-

	Resolution	For	Against
1.	To receive and adopt the Audited Financial Statements and the Reports of the Directors and Auditors thereon		
2.	To re-elect YBhg. Tan Sri Dato' Seri Lodin bin Wok Kamaruddin as Director		
3.	To re-elect YM Raja Tan Sri Dato' Seri Aman bin Raja Haji Ahmad as Director		
4.	To re-appoint YBhg. Dato' Mustafa bin Mohamad Ali as Director and that he continues to serve the Company in the capacity as an Independent Director		
5.	To approve Directors' Fees		
6.	To re-appoint Auditors and to authorise Directors to fix their remuneration		
7.	To authorise the Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965		
8.	To approve the allotment and issuance of new ordinary shares pursuant to the Dividend Reinvestment Plan		
9.	To approve the Proposed Shareholders' Mandate and Additional Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		

Signed this _____ day of _____ 2015

Signature or common seal of Shareholder(s)

CDS Account No.:	
No. of shares held:	
Proportion of shareholdings represented by proxies	First Proxy : % Second Proxy : % <hr/> 100%
Contact No.:	

NOTES:

- A member entitled to attend or vote at the meeting may appoint a proxy or proxies (not more than two) to attend and vote instead of him. A proxy need not be a member.
- Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
- The instrument appointing a proxy in the case of any individual shall be signed by the appointer or his attorney and in the case of a corporation, under its common seal or under the hand of the officer duly authorised.
- Unless voting instructions are indicated in the spaces provided above, the proxy may vote as he thinks fit.
- The instrument appointing a proxy must be deposited at the Registered Office of the Company, located at 7th Floor, Chulan Tower, 3 Jalan Conlay, 50450 Kuala Lumpur not less than forty-eight hours before the time of the Meeting or any adjournment thereof.
- Only member registered in the Record of Depositors as at 13 April 2015 shall be eligible to attend meeting or appoint a proxy to attend and vote on his/her behalf.

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STAMP

AFFIN HOLDINGS BERHAD
7th Floor, Chulan Tower
3 Jalan Conlay
50450 Kuala Lumpur

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