AFFIN HOLDINGS BERHAD
(23218-W)

annual
report 2012

NOTICE IS HEREBY GIVEN THAT the THIRTY-SEVENTH (37TH) ANNUAL GENERAL MEETING of AFFIN HOLDINGS BERHAD
WILL BE HELD AT THE TAMING SARI GRAND BALLROOM, THE ROYALE CHULAN HOTEL KUALA LUMPUR ON MONDAY, 22 APRIL 2013 AT 10:00 A.M.

thirtyseventh

ANNUAL GENERAL MEETING

TABLE OF CONTENTS

cover rationale

In the face of a challenging scenario and subdued growth of the global markets, AFFIN has nevertheless managed to gain momentum in the financial landscape and we are optimistic that we will further improve our performance in the coming year.

Through prudent and disciplined management of revenue and costs, we have maintained a robust and well-capitalised balance sheet. The quality of our business, our impressive growth options and our positive long term outlook give us the confidence to forge ahead with providing value-added service amongst our Group, maintaining focus on driving productivity initiatives and constantly delivering superior returns to our shareholders.

ourvision

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

ourmission

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 37th Annual General Meeting

NOTICE IS HEREBY GIVEN THAT THE THIRTY-SEVENTH (37TH) ANNUAL GENERAL MEETING OF AFFIN HOLDINGS BERHAD WILL BE HELD AT THE TAMING SARI GRAND BALLROOM, THE ROYALE CHULAN HOTEL, 5 JALAN CONLAY, 50450 KUALA LUMPUR ON MONDAY, 22 APRIL 2013 AT 10:00 A.M. for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2012 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 105 of the Company's Articles of Association:-

   2.1 Y. Bhg. Gen (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin RESOLUTION 2

   2.2 Professor Arthur Li Kwok Cheung RESOLUTION 3

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

   3.1 "That pursuant to Section 129 (6) of the Companies Act, 1965, Y. Bhg. 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 of an Independent Director." RESOLUTION 4

   3.2 "That pursuant to Section 129 (6) of the Companies Act, 1965, Dr. the Hon. Sir David Li Kwok Po be and is hereby re-appointed as Director of the Company to hold office until the next Annual General Meeting." RESOLUTION 5

4. To approve Directors' Fees. RESOLUTION 6

5. To re-appoint Auditors and to authorise the Directors to fix their remuneration. RESOLUTION 7

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 RESOLUTION 8

   "**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."

Notice of 37th Annual General Meeting

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") RESOLUTION 9

"**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;

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."

6.3 **Ordinary Resolution**

Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate") RESOLUTION 10

"**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 Part A of the Circular to Shareholders dated 29 March 2013 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.

Notice of 37th Annual General Meeting

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."

7. **Special Resolution**

   Proposed Adoption of New Articles of Association of the Company ("Proposed Adoption") RESOLUTION 11

   "**THAT** the regulations contained in the draft Articles of Association of the Company as set out in the Appendix 1 of Part B of the Circular to Shareholders dated 29 March 2013 be hereby approved and adopted as the new Articles of Association of the Company in substitution for and to the exclusion of the existing Articles of Association thereof."

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

By Order of the Board

NIMMA SAFIRA BINTI KHALID
Secretary

Kuala Lumpur
29 March 2013

Notes:

a. *A member entitled to attend and vote at the above 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 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 (MCCG 2012) which states that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. Y.Bhg. Dato' Mustafa bin Mohamad Ali has served the Company as an Independent Director for more than ten (10) years since his initial appointment on 28 November 2002. The Nomination Committee and the Board have determined at the annual assessment carried out on Y. Bhg. 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. Y. Bhg. 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 8, 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-Sixth Annual General Meeting held on 16 April 2012 and which will lapse at the conclusion of the Thirty-Seventh 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 9, if passed will give authority to the Directors to allot and issue new AFFIN 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 10, 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 Y. Bhg. Gen (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin
ii Professor Arthur Li Kwok Cheung

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

i Y. Bhg. Dato' Mustafa bin Mohamad Ali
ii Dr. the Hon. Sir David Li Kwok Po

Y. Bhg. Dato' Mustafa bin Mohamad Ali to continue to serve in the capacity of an Independent Director.

The profiles of the Directors are set out on pages 20 to 31 of this Annual Report.

DETAILS OF BOARD MEETINGS

Four (4) Board Meetings and three (3) Special Board Meetings were held during the financial year ended 31 December 2012. Details of the meetings are as follows:

Date of Meeting	Time	Venue
20 February 2012	9.00 am	7th Floor, Chulan Tower
16 April 2012	9.00 am	13th Floor, Bangunan LTAT
14 May 2012	9.00 am	7th Floor, Chulan Tower
5 June 2012	8.30 am	Mutiara 1, Ground Floor, The Royale Bintang Damansara Hotel
2 August 2012	1.00 pm	7th Floor, Chulan Tower
13 August 2012	9.00 am	7th Floor, Chulan Tower
19 November 2012	9.00 am	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 2012 are as follows:

Name of Directors	Date of Appointment	No. of Meetings Attended
Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin	17 October 2005	7/7
Tan Sri Dato' Seri Lodin bin Wok Kamaruddin	19 July 1986	7/7
Raja Dato' Seri Aman bin Raja Haji Ahmad	25 April 1991	6/7
Dato' Mustafa bin Mohamad Ali	28 November 2002	7/7
Abd Malik bin A Rahman	16 February 2011	7/7
Tan Sri Dato' Seri Alauddin bin Dato' Mohd Sheriff	23 December 2011	7/7
Tan Sri Jamaluddin bin Hj Ahmad Damanhuri *(Resigned on 6 March 2013)*	24 April 2012	5/5
Dr. the Hon. Sir David Li Kwok Po	21 May 2008	7/7
Professor Arthur Li Kwok Cheung	21 May 2008	6/7
Adrian David Li Man Kiu *(Alternate Director to Dr. the Hon. Sir David Li Kwok Po)*	21 May 2008	—
Peter Yuen Wai Hung *(Alternate Director to Professor Arthur Li Kwok Cheung)*	5 September 2011	—

Corporate Information

BOARD OF DIRECTORS

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

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

Raja 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

Tan Sri Jamaluddin bin Haji Ahmad Damanhuri
(Appointed on 24 April 2012 and resigned on 6 March 2013)

Dr. the Hon. Sir David Li Kwok Po

Professor Arthur Li Kwok Cheung

Adrian David Li Man Kiu
(Alternate Director to Dr. the Hon. Sir David Li Kwok Po)

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

COMPANY SECRETARY

Nimma Safira binti Khalid

REGISTERED OFFICE

7th Floor, Chulan Tower
3 Jalan Conlay
50450 Kuala Lumpur, Malaysia
Telephone: (03) 2142 9569
Fax: (03) 2143 1057

AUDITORS

PricewaterhouseCoopers
Level 10, 1 Sentral, Jalan Travers
Kuala Lumpur Sentral
P.O. Box 10192
50706 Kuala Lumpur
Malaysia

PRINCIPAL BANKERS

AFFIN Bank Berhad

RHB Bank Berhad

Public Bank Berhad

REGISTRAR

Boustead Management
Services Sdn Bhd
13th Floor, Menara Boustead
69, Jalan Raja Chulan
50200 Kuala Lumpur
Telephone: (03) 2141 9044
Fax: (03) 2144 3016

STOCK EXCHANGE

Bursa Malaysia Securities Berhad

Stock Code: 5185

Stock Name: AFFIN

WEBSITE

http://www.affin.com.my

Chairman's **Statement**

> "The Group achieved a 17.6% increase in pre tax profit from RM709.1 million in 2011 to RM833.7 million in 2012. The Group's Earnings Per Share (EPS) increased to 42.08 sen as compared to 33.99 sen in 2011."

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

Chairman's Statement

The year 2012 was once again marked by financial market volatilities as the Eurozone continued to grapple with unresolved sovereign debts and the US with a mounting fiscal cliff. Despite subdued global conditions, however, investors' risk appetite returned driven by continued liquidity and easy money in advanced economies. Along with concerted efforts of governments all over the world to ease monetary policies, there was massive equity fund flow into emerging markets, including Malaysia.

The economy in Malaysia was boosted by stronger than expected domestic demand and a robust services sector to achieve GDP growth of 5.6%. Though higher than the GDP growth of 5.1% in 2011, it still reflected a slowdown in net exports and manufacturing.

While the current scenario was challenging to financial companies, AFFIN Holdings Berhad (AHB) was able to record positive growth as a result of sound business fundamentals. This provides us with great confidence to further grow our products and services as we explore new and exciting business horizons.

GROUP FINANCIAL PERFORMANCE

The Group's performance as a whole reflected the individual performances of our subsidiaries and associate company to present a highly commendable report card for the year. AHB achieved a 17.6% increase in pre-tax profit from RM709.1 million in 2011 to RM833.7 million. This was mainly due to an increase in net interest income, Islamic banking income and other operating income totalling RM140.5 million, a higher share of profit of RM28.5 million from our associate company, AXA AFFIN General Insurance Berhad, and a higher write-back of allowance for loan impairment of RM10.5 million. Our earnings per share (EPS) increased to 42.08 sen as compared to 33.99 sen in 2011.

As a result of our strong performance, the Board of Directors declared and paid an interim dividend of 15% per share (franked dividend of 11.0 sen less 25% tax and a tax exempt dividend of 4.0 sen per share) on 28 December 2012. This was in line with a new policy, adopted in 2012, to pay a minimum dividend based on 50% of the Company's profit after tax for each financial year, provided that the distribution would not be detrimental to our cash requirements or any plans approved by the Board. This policy was developed to maintain a consistent and regular stream of returns to our valued shareholders.

Despite the challenging environment, all our subsidiaries continued to perform very well, and it gives me pleasure to summarise their operational and financial performance for the year.

Chairman's Statement

AFFIN BANK BERHAD (ABB) GROUP

ABB Group once again achieved yet another very positive performance. In the face of compressed net interest margins (NIMs) and intense competition, it managed to achieve 19.4% growth in profit after tax and zakat from RM440.0 million in 2011 to RM525.3 million. Its total assets expanded by 5.9% from RM49.2 billion to RM52.1 billion, while gross loans and advances grew by 12.2%, return on equity (ROE) after tax was 14.1% and the Bank achieved a cost to income ratio of 45.2%. ABB also grew its total deposit portfolio by 13.2% from RM36.5 billion in 2011 to RM41.3 billion in 2012. Continued focus on asset quality led to a lower net impaired loan ratio of 1.1% as compared to 1.2% in 2011.

The focus at ABB during the year was on growing the Bank's business and market presence. Building on the success of the O.M.G. deposit campaigns from previous years (O.M.G and O.M.G It's Back!), ABB launched its O.M.G The Trilogy campaign from July to December 2012. This aimed to increase savings, current and fixed deposits among new and existing conventional and Islamic account holders.

In collaboration with Permodalan Nasional Berhad (PNB), ABB also introduced a 24-hour, online ASNB Top-Up facility on 31 May 2012, making it one of only four banks in Malaysia to enable customers to increase their ASNB fund subscription online and the second bank to provide this service 24/7. Further technological innovations were seen in a new Loan Origination System to hasten the processing of loan applications and an enhanced Retail Internet Banking system to afford customers greater convenience during online transactions.

Three new branches were opened in Bangi, Klang and Cyberjaya, all in Selangor, bringing the network strength to 100 branches nationwide. In addition, three branches were strategically relocated to Ara Damansara and Puchong, in Selangor, and Muar, Johor, while 15 additional off-site ATMs were installed.

ABB's continuous efforts to improve its service delivery and enhance its relationship with customers led to several wins during the year. These included being ranked among the Top 30 Most Valuable Brands by the Association of Accredited Advertising Agents (4As), and being named the Best of Malaysia Service to Care Champion in the category of Conventional Banks with assets less than USD20 billion. The latter was awarded by MarkPlus Insight in conjunction with the Philip Kotler and the Christopher Lovelock Centre for Services Marketing.

Meanwhile, AFFIN Islamic Bank Berhad (AiBB), a 100% subsidiary of ABB, also achieved very encouraging results, with a 22.3% increase in total net income from 2011 to RM204.0 million, contributing to a 48.2% increase in profit after zakat and tax to RM73.8 million. There was a 20.9% increase in customer deposits to set a record high of RM9.0 billion. Meanwhile, total net financing, advances and other financing increased by 17.6% to reach RM5.1 billion with the retail sector contributing to 65% of this growth.

The year under review saw AiBB expanding its mortgage and car financing businesses, introducing new Syariah-based products and growing its fee-based as well as recurring income businesses. It also focused on developing its low cost deposits and retail deposits. In February 2012, AiBB opened its eighth full-fledged branch in Bangi, Selangor.

Chairman's Statement

AFFIN INVESTMENT BANK BERHAD (AIBB) GROUP

AIBB Group registered a profit before tax (PBT) of RM91.1 million for the financial year 2012 compared with RM88.9 million in 2011. Operating income grew 28.3% to RM84.7 million (2011: RM66.0 million) contributed mainly by growth in fee income (18.1%) and investment income (51.0%). The Group continued to improve its non-interest income ratio which stood at 71.8% as at 31 December 2012.

AIBB continued its retail stockbroking business expansion with the opening of its 6th branch in Bandar Bukit Tinggi in Klang in the first quarter of 2012, tapping on potential of 80,000 (residents) population and growing within the Bandar Bukit Tinggi township alone.

AIBB continued to strengthen its position in the corporate finance and debt capital markets and was involved in several notable transactions in 2012. It was the principal adviser, underwriter and joint placement agent to Gabungan AQRS Sdn Bhd's Initial Public Offering (IPO) of RM108.6 million. AIBB was also involved in the arrangement of a total of RM12.9 billion in debt fund raising in 2012.

It successfully completed a RM900 million structured bonds issue comprising RM272 million senior bonds and RM628 million guaranteed bonds for Mecuro Properties Sdn Bhd in its capacity as the principal adviser and lead arranger. This landmark transaction saw RM628 million of the RM900 million bond issue being credit-wrapped by two guarantors, Danajamin Nasional Berhad and RHB Bank Berhad. In addition, AIBB was the joint mandate lead arranger for a Syndicated Term Loan of RM720 million for 1Malaysia Development Bhd, as well as the joint mandated lead arranger for the Syndicated Facilities (Phase I Facilities) of up to RM2.1 billion for Boustead Naval Shipyard Sdn Bhd of which it garnered an IFN Project Finance Deal of the Year award.

AIBB's efforts were justly rewarded when it was rated by London-based The Financial Times and StarMine as the Top Stock Picker for Healthcare, Food, Household & Personal Products, Consumer Goods & Services and second best Top Stock Picker for Banks. Meanwhile, an AIBB research analyst's call on a technology stock made the cut under The Edge Best Analyst Call Awards 2012.

AIBB's fund management arm, AFFIN Fund Management Berhad (AFMB), recorded a 38.7% increase in PBT from RM6.2 million in 2011 to RM8.6 million. In July 2012, AFMB launched AFFIN 1Wholesale Fund and AFFIN 1-iWholesale Fund, bringing the total assets under management (AUM) to 10. As at end 2012, its total AUM stood at RM1.93 billion, an increase of 125.7% from RM855 million at end 2011.

AFMB further expanded its distribution channels through an agency sales team while it enhanced its collaborative efforts and marketing activities with the AFFIN Group.

AFFIN MONEYBROKERS SDN BHD (AMBSB)

Despite the global economic uncertainties, AMBSB managed to increase its revenue from the derivatives, money market and Islamic sections. Fixed Income contributed the most to brokerage revenue with RM2.7 million, followed by Foreign Exchange (RM2.5 million), Derivatives (RM2.1 million), SWAP/ACU (RM2.0 million), Money Market (RM1.9 million) and the Islamic Section (RM0.6 million). At the same time, the company managed to grow its net assets by 7.1% to RM11.3 million. However, its net turnover decreased by 3.2% from RM12.6 million in 2011 to RM12.2 million, due to dampened trading volume. Consequently, net profit dipped to RM1.9 million, down from RM2.4 million in 2011.

AMBSB continued to adopt new technologies to further improve productivity and operational efficiency, and is in the process of testing Odd Day Swap, which it intends to introduce to the market in the near future. Meanwhile, an e-Trade broking software is in the final stages of testing.

Towards enhancing its workforce, AMBSB continued to reinforce Continuing Professional Education for its licensed capital markets service representatives. It will also be focusing on team-building to improve staff engagement and productivity.

AXA AFFIN LIFE INSURANCE BERHAD (AALIB)

In 2012, AALIB increased its gross premium by 15.1% to RM229.3 million. This was the result mainly of weighted new business premium of RM100.2 million. Accordingly, AALIB recorded a pre-tax profit of RM3.9 million, a marked turnaround from the pre-tax loss of RM3.1 million in 2011. Also contributing to the improved earnings were higher investment income and realised gains as well as tighter cost management. Management expenses grew 1.7% to RM64.8 million compared with RM63.7 million in the preceding year. Despite the low interest rate environment, AALIB managed to grow and remain well-capitalised, with a capital adequacy ratio above the minimum supervisory requirement.

AALIB continued to invest in growing its agency force, forging closer ties with its bank partners and looking into new areas to enhance its revenue stream. For customers and distributors, operational excellence with a comprehensive range of product offerings remained top priority. The Wealth Protector and Wealth Invest investment linked plans were expanded with a wider choice of riders to cater to education, retirement and protection. At the same time, its focus on health was emphasised through a nationwide campaign themed *Health for LIFE.*

Having increased its agency force by 69% in 2011, AALIB's focus in 2012 was on improving sales and productivity. In addition to continuous training and motivation sessions, AALIB launched an AXA AFFIN Multimedia Recruitment Kit and Star System to present a rewarding career path to its agents.

Chairman's Statement

AXA AFFIN GENERAL INSURANCE BERHAD (AAGIB)

Following a year in which the focus was on consolidating the newly acquired BH Insurance (Malaysia) Berhad, AXA AFFIN General Insurance Berhad (AAGIB) closed 2012 with an 18.1% increase in gross written premium of RM826.9 million from RM700.4 million in 2011. The Motor and Health Insurance segments in particular performed very well, exceeding their growth targets. AAGIB's profit before tax also increased significantly from RM20.5 million in 2011 to RM120.4 million. However this was partly due to a change in computing of its unearned premium reserves (UPR).

Significantly, the company achieved growth with an improved combined ratio, allowing AAGIB to finance its own development.

In 2012, AAGIB ran several campaigns to reinforce its brand identity. The Regional Credential and Regional Health Campaigns have been running since the year before with the former encouraged customers to 'cross-over' from other general insurance plans to AXA AFFIN's policies, while the health campaign focused on ensuring Malaysians are able to pay for medical treatment to enjoy better quality life.

Riding on the recognition as The Most Preferred Brand for General Insurance at the BrandLaureate SMEs BestBrands Award 2011, there was enhanced emphasis on the SME segment in 2012, which saw AAGIB establishing a dedicated SME unit and launch launch several initiatives targeting small and medium enterprises. This was accompanied by the introduction of products catering to specific SME sectors – namely the Business Advantage Plus for Food & Beverage operators, Business Advantage Plus for Budget Hotel and for Learning Centres.

Towards improving its reach, AAGIB boosted its agency force by recruiting 340 new agents, bringing the total number to 2,808. The company is also working on expanding its bancassurance capabilities by building better relationships with target banks. At the same time, it is providing its customers with greater convenience by extending its online capabilities. As of 2012, customers can buy their travel and motor insurance, as well as check their claim status, online. These efforts contributing in achieving a higher level of customer satisfaction as measured by higher customer retention of 68.5% in 2012.

Internally, AAGIB also invested in greater employee engagement, which led to a higher employee engagement score of 79%, a marked improvement over 73% in 2011.

OUTLOOK

An immediate concern for financial institutions in Malaysia is on-going globalisation and liberalisation of the financial markets, as outlined in the Financial Sector Masterplan. This will see the entry of new and potentially bigger banks, brokerages and insurance companies. To face the ensuing competition, AHB plans to leverage on our strengths as an integrated financial services provider to offer cross-selling opportunities and other synergies to all our subsidiaries. We also plan to expand regionally, as we believe there are long-term prospects within Asia in which we can participate.

Chairman's Statement




Another challenge is the thinning of net interest margins, which we are managing by placing greater emphasis on fee-based income. ABB has been increasing its fee-based income and this will remain one of its main KPIs in the coming years. ABB will also focus on industries with high growth potential which have been targeted by the Economic Transformation Programme (ETP) while further tapping into the retail and SME segments. Prospects for the Islamic banking sector remain positive, as we believe heightened competition will catalyse further growth and innovation in products and customer service, thus strengthen the Islamic finance ecosystem.

Mindful of continued global uncertainties, AIBB remains optimistic of sustained capital market activity in Malaysia driven by consumption and private sector investment. These will provide the Bank with ample opportunities in fund raising, corporate finance advisory and stock broking. AFMB, meanwhile, is confident of being able to enhance its market position by focusing on its core activities in asset management and product development, while exploring opportunities for regional expansion together with the Group.

AMBSB is preparing for greater competition in the capital markets by establishing strategic links with international moneybroking companies, thus enhancing its own technology and expertise.

In the insurance sector, AALIB is committed to growing new business by further investing in its distribution channels and providing quality products and services to meet the expectations of customers, while AAGIB will maintain its growth momentum in the market segments and distribution channels where it is strong, and accelerate its development in fast-growing markets while providing quality service.

"We plan to leverage on our strengths as an integrated financial services provider to offer cross-selling opportunities and other synergies to all our subsidiaries. We also plan to expand regionally, as we believe there are long-term prospects within Asia in which we can participate."

Chairman's Statement

"We will focus on industries with high growth potential which have been targeted by the Economic Transformation Programme while further tapping into the retail and SME segments. As prospects for the Islamic banking sector remain positive, we believe that heightened competition will catalyse further growth and innovation in products and customer service, thus strengthen the Islamic finance ecosystem."

ACKNOWLEDGEMENTS

We have been through another challenging year, yet have emerged unscathed, thanks to the support of our various stakeholders. They include, first and foremost, our clients and business partners who have continued to inspire us to keep innovating and improving, as well as our highly valued shareholders – including Lembaga Tabung Angkatan Tentera, Boustead Holdings Berhad and The Bank of East Asia, Limited – whose faith in us has not wavered over the years. On behalf of the Board of Directors, thank you.

I would also like to acknowledge the steady support of the government and especially the Ministry of Finance and Ministry of Defence, as well as the regulatory bodies – Bank Negara Malaysia, Bursa Malaysia and the Securities Commission – for maintaining a fair and healthy financial environment in the country.

Our Board of Directors, as well as the Boards of our subsidiaries, also deserves special mention for guiding the Group, and ensuring the highest standards of governance are maintained at all times as we manoeuvred through the highs and lows of the year. I would also like to express my gratitude to the Managements of AHB and our subsidiaries as well as all our employees, for their dedication, hard work and commitment to the AHB Group of companies. With the same level of commitment and sense of purpose, we can only grow in strength to carve a brighter future for the Group and all our stakeholders.

CORPORATE SOCIAL RESPONSIBILITY

AFFIN Holdings Berhad (AHB) believes corporate organisations have a responsibility towards maintaining the highest level of integrity in their dealings with all their stakeholders, including the local communities where they operate. Accordingly, our Corporate Social Responsibility (CSR) programme goes beyond acts of philanthropy to encompass all our business actions and decisions as well as our community outreach initiatives and efforts to preserve the environment, which is critical to supporting the well-being of communities. Our CSR programme cuts across the four platforms of the Community, Marketplace, Workplace and the Environment, and will be reported accordingly.

COMMUNITY

The Company's involvement in the community takes many forms which include providing financial and other forms of aid to the poor and needy, sponsoring special community events or projects, and contributing to community organisations or causes. Meanwhile, we also positively encourage our employees to channel their time and effort in worthy causes, in the spirit of volunteerism.

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 their families. During the year, a total of RM3.0 million was channelled to Yayasan Warisan Perajurit, with RM1.0 million contributed by each of AHB, AFFIN Bank Berhad (ABB) and AFFIN Fund Management Berhad (AFMB). In addition, AHB donated a total of RM15,300 to various other organisations.

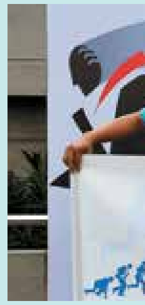
ABB's CSR calendar was filled with community-related programmes and donations. Among the beneficiaries of its donations were Yayasan Nurul Yaqeen (for its School in Hospital programme); the Star's Step-Up NiE, a pull-out that encourages creative learning among primary school students; the BHP Orange Run; and the BHPetrol-RTM TV programme, *Di Celah-Celah Kehidupan*, highlighting the plight of the marginalised. ABB also sponsored a total of RM170,000 towards the launch of two books – Lembaga Tabung Haji's *Wirid Terpilih untuk Dhuyufurrahman*; and Majlis Bekas Wakil Rakyat Malaysia's *100 Wira Negara*, which recognises Malaysians who have made significant contributions to national development.

Bringing cheer to the less fortunate, ABB in May sponsored 100 tickets for orphans from Rumah Amal Permata Hatiku, Gombak and Pusat Penjagaan Anak Yatim Nur Iman, Setapak to watch *Upin & Ipin The Musical* at Istana Budaya. During Ramadan, it treated 160 orphans and 30 new Muslim converts from the Klang Valley to a breaking of fast at its headquarters, Menara AFFIN.

The spirit of volunteerism at ABB, meanwhile, shone through at events such as its blood donation drive, and The Edge Rat Race, funds from which were channelled to 26 charitable organisations.

AFFIN Islamic Bank (AiBB) contributed over RM8.0 million of zakat to educational institutions, the underprivileged, the destitute, the Armed Forces and other charitable causes. It funded the home repairs of 70 hardcore poor in Bagan Datoh, Perak; and collaborated with the Majlis Agama Islam Dan Adat Melayu Terengganu (MAIDAM) and the State Government to build homes for another 40 underprivileged families.

Chairman's Statement



AiBB also sponsored RM90,000 towards Harian Metro's *Titipan Kasih* programme that targets the poor, orphans and single mothers, while extending financial support to Raudathus Sakinah, which provides shelter to teenagers, and channeling more than RM100,000 each to eight local universities as aid for underprivileged students. During the year, AIBB also contributed RM100,000 to improve the quality of life of the disabled.

Meanwhile, AFFIN Investment Bank Berhad (AIBB) continued to educate students on financial management via the TeenZ.FM programme, benefitting 124 students from 11 schools in Petaling Jaya in 2012. Since the Teenz.FM programme was initiated in 2008, AIBB has organised six sessions with total of 870 students from 123 schools.

In June 2012, AXA AFFIN Life Insurance Berhad (AALIB) and AXA AFFIN General Insurance Berhad (AAGIB) participated in the global 2012 AXA Corporate Responsibility (CR) Week, which saw 163,000 AXA employees walking, running or cycling in support of People Protection and to reduce CO2 emissions. For every 1km covered by an employee, AXA Group contributed €1 (RM4.14), the total sum collected in each country donated to a local NGO. In Malaysia, 700 employees covered 6,643km and the proceeds were channelled to Rumah Kasih Sayang, Rumah Amal Limpahan Kasih, Rumah Anak Yatim Belaian Kasih, Rumah Charis and Tara Bhavan Children's Home. In conjunction with CR Week, AALIB and AAGIB also organised blood donation drives with the support of National Blood Bank.

Under the AXA AFFIN MY Child Safety Programme, both companies educated school children on crime prevention and self-defense. AAGIB also organised workshops at four homes in addition to running safety messages on Mix.FM in December 2012.

AFFIN Moneybrokers Sdn Bhd made an annual donation to *Seeing is Believing*, a charitable cause organised by Standard Chartered Bank. In 2012, the Company also donated computers to two charity homes.

MARKETPLACE

The Company's success is built on 'doing the right thing' through values embedded in a culture of integrity, ethical behaviour, honesty and zero tolerance for fraud. These contribute to a high level of corporate governance which promotes a healthy marketplace. As part of our culture of openness and transparency, we actively engage with our shareholders and investors through the media, our Annual General Meetings and Extraordinary General Meetings, meetings with analysts and investors, corporate briefings and road shows.

AHB believes in promoting greater understanding of the financial world among Malaysians. Towards this end, ABB sponsored an Investment Talk on 15 January 2012, organised by the Federation of Chinese Associations (HuaZhong) and supported by *Sin Chew Daily*. AIBB, meanwhile, organised its own *Politics and Business*: *The Malaysian Connection* forum featuring a keynote address by former Prime Minister Tun Dr. Mahathir Mohamad. The forum, on 28 June 2012, provided an insight into economic cycles and the evolving political landscape from both a domestic and global perspective.

Chairman's Statement

WORKPLACE

AHB Group recognises that our people are our most important assets, hence we provide a conducive working environment in which our employees' well-being is taken care of while they are inspired to achieve their true potential via continuous training and personnel development opportunities.

We engage extensively with our employees to create a sense of belonging, and reward outstanding performance in order to attract and retain the most talented and committed personnel. We also have a structured talent and leadership development programme to identify and nurture potential leaders.

We also motivate our staff's children by rewarding those who achieve excellent results in their PMR and SPM examinations. In 2012, the ABB presented awards to 70 PMR and three SPM high-achievers, as well as two scholarships for tertiary education, up to a maximum of RM75,000 per scholar.

ENVIRONMENT

The Group takes into consideration the environmental impact of our actions when making business decisions and in managing our resources. We also promote greater appreciation of environmental issues among our employees and encourage eco-friendly practices.

Our subsidiaries carry out their own environmental programmes and, in 2012, ABB supported the Young Voices for Conservation programme organised by Treat Every Environment Special (TrEES). From June to November 2012, more than 500 students from 42 secondary schools worked at greening their school environment.

Board of Directors

FROM LEFT TO RIGHT:

Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin
Chairman
(Non-Independent Non-Executive Director)

Tan Sri Dato' Seri Lodin bin Wok Kamaruddin
Deputy Chairman
(Non-Independent Non-Executive Director)

Dato' Mustafa bin Mohamad Ali
(Independent Non-Executive Director)

Raja Dato' Seri Aman bin Raja Haji Ahmad
(Independent Non-Executive Director)

Dr. the Hon. Sir David Li Kwok Po
(Non-Independent Non-Executive Director)

Professor Arthur Li Kwok Cheung
(Non-Independent Non-Executive Director)

Tan Sri Dato' Seri Alauddin bin Dato' Mohd Sheriff
(Independent Non-Executive Director)

Tan Sri Jamaluddin bin Haji Ahmad Damanhuri
(Independent Non-Executive Director)
(Appointed on 24 April 2012 and resigned on 6 March 2013)

Abd Malik bin A Rahman
(Independent Non-Executive Director)

Directors' **Profile**

Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin
Chairman
Non-Independent Non-Executive Director

Directors' Profile

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

Chairman
Non-Independent Non-Executive Director

Gen (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin, a Malaysian aged 64, 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) Tan Sri Dato' Seri 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) Tan Sri Dato' Seri Mohd Zahidi is a graduate of Senior Executive Program in National and International Security Harvard University, USA, Command and General Staff College Philipines, 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. He is also made a member of the Malaysian-Indonesian Eminent Persons Group elected by the Prime Minister since July 2008.

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.

Raja Dato' Seri Aman bin Raja Haji Ahmad
Independent Non-Executive Director

Tan Sri Dato' Seri Lodin bin Wok Kamaruddin
Deputy Chairman
Non-Independent Non-Executive Director

Directors' Profile

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 64, 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 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, oil and gas, pharmaceuticals to shipbuilding. He is the Chief Executive of LTAT and the Group Managing Director of Boustead Holdings Berhad. Prior to joining LTAT, he was the General Manager of Perbadanan Kemajuan Bukit Fraser for 9 years.

Tan Sri Dato' Seri Lodin is the Chairman of Boustead Heavy Industries Corporation Berhad, Pharmaniaga Berhad, 1Malaysia Development Berhad (1MDB) and also sits on the Boards of MHS Aviation Berhad, AFFIN Bank Berhad, AFFIN Islamic Bank Berhad, AFFIN Investment Bank Berhad, AXA AFFIN Life Insurance Berhad, FIDE Forum and Badan Pengawas Pemegang Saham Minoriti Berhad. He graduated from the University of Toledo, Ohio, USA with a Bachelor of Business Administration and a Master of Business Administration Degree. 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.

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.

Raja Dato' Seri Aman bin Raja Haji Ahmad
Independent Non-Executive Director

Raja Dato' Seri Aman bin Raja Haji Ahmad, a Malaysian aged 67, 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 a member of the Nomination Committee and was a member of the Audit Committee until 30 October 2011 before appointed as the Chairman of the Audit Committee on 31 October 2011. Raja 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 Dato' Seri Aman sits on the Board of AFFIN 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 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.

Directors' Profile

Dato' Mustafa bin Mohamad Ali
Independent Non-Executive Director

Dato' Mustafa bin Mohamad Ali, a Malaysian aged 76, 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. Dato' Mustafa was the Chairman of the Nomination Committee until 31 December 2012 and remained as a member of the Committee thereafter. 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.

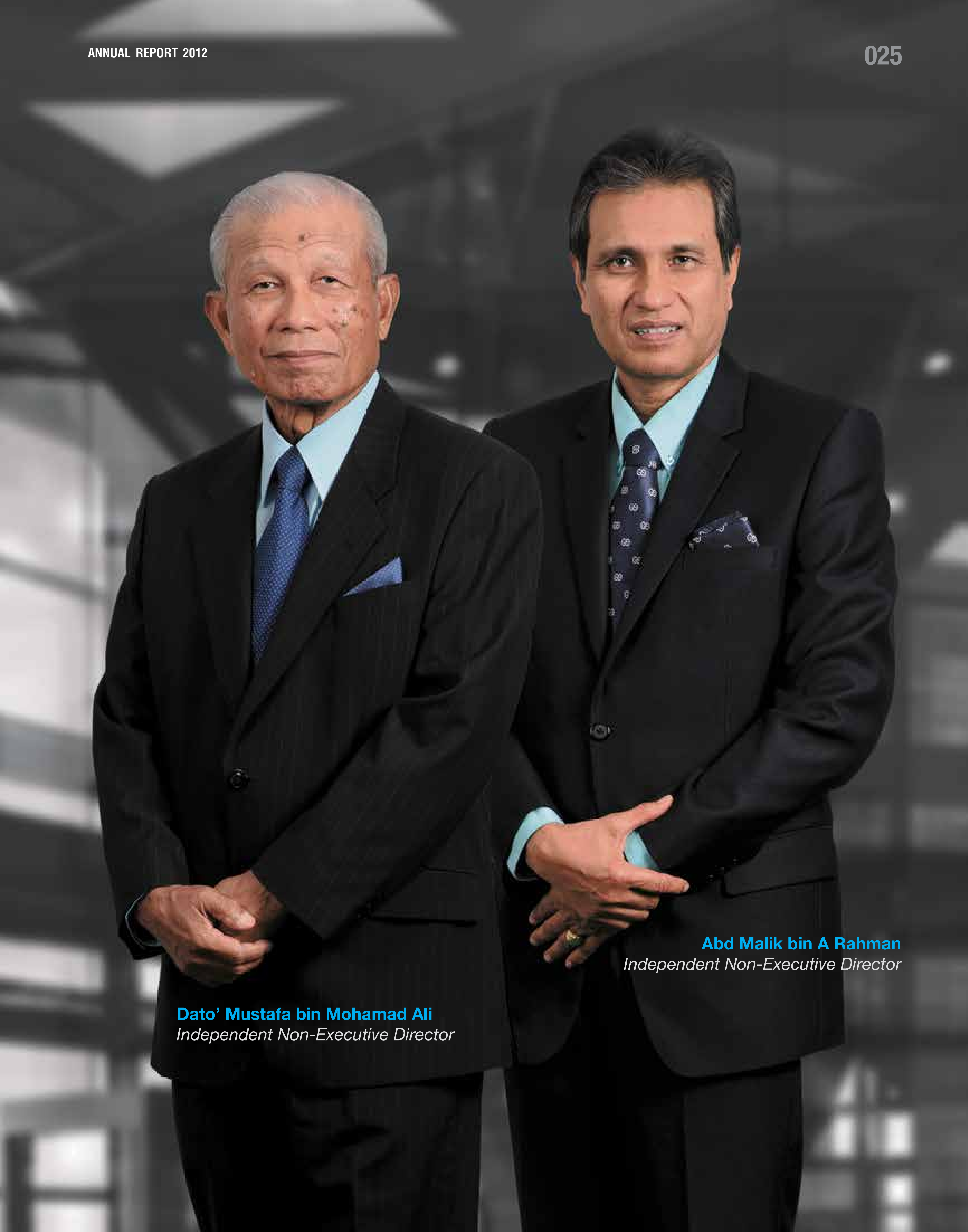
Abd Malik bin A Rahman
Independent Non-Executive Director

Encik Abd Malik bin A Rahman, a Malaysian aged 64, was appointed as an Independent Non-Executive Director of AFFIN Holdings Berhad on 16 February 2011. Encik Abd Malik is currently an Independent Non-Executive Director of Boustead Heavy Industries Corporation Berhad, CYL Corporation Bhd., Lee Swee Kiat Group Berhad and Innity Corporation Bhd as well as Director of several private limited companies. He is also a Director of AFFIN Investment Bank Berhad, a subsidiary of AFFIN Holdings 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 had 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.



Abd Malik bin A Rahman
Independent Non-Executive Director

Dato' Mustafa bin Mohamad Ali
Independent Non-Executive Director

Tan Sri Dato' Seri Alauddin bin Dato' Mohd Sheriff
Independent Non-Executive Director

Tan Sri Jamaluddin bin Haji Ahmad Damanhuri
Independent Non-Executive Director

Directors' Profile

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 66, was appointed as an Independent Non-Executive Director of AFFIN Holdings Berhad on 23 December 2011. He is a member of Nomination Committee with effect from 18 February 2013. 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.

Tan Sri Jamaluddin bin Haji Ahmad Damanhuri

Independent Non-Executive Director
(Appointed on 24 April 2012 and resigned on 6 March 2013)

Tan Sri Jamaluddin bin Haji Ahmad Damanhuri, aged 64 was appointed as an Independent Non-Executive Director of AFFIN Holdings Berhad on 24 April 2012. He was appointed as a member of Nomination Committee with effect from 12 August 2012 and subsequently appointed as the Chairman of the Committee with effect from 1 January 2013. Tan Sri Jamaluddin had his early education at the Malay College Kuala Kangsar, Perak. He then gained admission to pursue tertiary education at the University of Malaya in 1968 and graduated with B.A (Hons) 2nd Class Upper in 1971. In 1980-1982, he went on a Federal Government scholarship to pursue his Masters in Public Administration at the University of Southern California, Los Angeles, USA.

Upon graduation from the University Malaya, he joined the Malaysia Civil Service as an Administrative and Diplomatic officer in April 1971. In 1974, Tan Sri Jamaluddin started his career as Assistant Secretary in the Security Division in the Ministry of Home Affairs. Thereafter, he was holding the position of Senior Administrative Officer in Chief Medical and Health Office, Perak and subsequently at Kuala Lumpur General Hospital until 1980. On coming back from studies at the University of Southern California in 1982, he was promoted to the position of Deputy Secretary of the National Security Council (NSC). After 8 years in NSC, he was promoted to become the Deputy Director of Salary and Allowances Division in the Public Service Department (PSD) in Sept 1990. At PSD, he was very much involved in the formulation and the implementation of the New Remuneration System (SSB) replacing the Cabinet Committee Salary Scheme for the entire civil service. He then held the position of State Secretary of Perlis and Penang and Secretary General of Ministry of Home Affairs, Malaysia until his appointment as the Director General of the Public Service Department (PSD) on 1 February 2001. During the tenure as the Director General of PSD, he was responsible in leading a team of capable officers in formulating and implementing the Malaysian Remuneration System (SSM) to replace the SSB which had been in use since 1991.

Tan Sri Jamaluddin retired from the public services in 2005. Post retirement, in 2006, Tan Sri Jamaluddin was appointed by the Yang Di Pertuan Agong as the Chairman of the Public Services Commission (PSC) for a period of five years and six months until November 2011. The position as the Chairman of PSC also came with the responsibility as the Chairman of Legal and Judicial Commission.

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

Dr. the Hon. Sir David Li Kwok Po
Non-Independent Non-Executive Director

Dr. the Hon. Sir David Li Kwok Po, a Chinese national aged 74 was appointed as a Non-Independent Non-Executive Director of AFFIN Holdings Berhad on 21 May 2008.

Sir David Li was a Member of the Legislative Council of Hong Kong from 1985 until 2012. He is a Member of the Banking Advisory Committee and a Member of the Council of the Treasury Markets Association. Sir David Li is the Pro-Chancellor of the University of Hong Kong, an Advisory Committee Member of the Chinese University of Hong Kong S.H Ho College, an Honorary Fellow of the School of Accountancy, Central University of Finance and Economics and a Companion of the Chartered Management Insititute.

Sir David Li is the Chairman and Chief Executive of The Bank of East Asia, Limited ("BEA"). He joined BEA in 1969 and was appointed a Director of BEA in 1977, Chief Executive in 1981, Deputy Chairman in 1995 and Chairman in 1997.

Sir David Li is the Chairman of The Chinese Banks' Association, Limited. He is the Honorary Chairman of the Chamber of Hong Kong Listed Companies. He is also an Emeritus Trustee of the Cambridge Foundation, and a Trustee Emeritus of the Institute for Advanced Study in Princeton. Sir David Li is Vice President of the Council of the Hong Kong Institute of Bankers and Chairman of the Saint Joseph's College Foundation Limited, a member of the Advisory Board of the Judge Business School at the University of Cambridge and a member of the International Advisory Council of the Cambridge Commonwealth Trust and Cambridge Overseas Trust. Sir David Li is Chairman of the Advisory Board of The Salvation Army, Hong Kong and Macau Command, Chairman of the Executive Committee of St. James' Settlement and he also serves on Hong Kong Red Cross Advisory Board. He is a Council Member of the Employers' Federation of Hong Kong, a Director of the David Li Kwok-Po Charitable Foundation Limited, a Founder Member and an Executive Committee Member of the Heung Yee Kuk Foundation Limited, Chairman and President of The Légion d'Honneur Club Hong Kong Chapter Association Limited, and Chairman of the Executive Committee of The Marco Polo Society Limited.

Sir David Li is a Director of CaixaBank, S.A., Guangdong Investment Limited, The Hong Kong and China Gas Company Limited, The Hong kong and Shanghai Hotels, Limited, Hong Kong Interbank Clearing Limited, The Hong Kong Mortgage Corporation Limited, PCCW Limited and San Miguel Brewery Limited.

Sir David Li is a member of the Board of Trustees of the Asia Society International Council, a member of the Asia Business Council, a member of The Deutsche Bank Asia Pacific Advisory Board, a member of the Munich Re Greater China Advisory Board, and Chairman Emeritus of the Asian Youth Orchestra Board. He serves on the advisory board of Federal Reserve Bank of New York's International Advisory Committee and Hospital for Special Surgery. Sir David Li is the Chairman of INSEAD East National Council, the Non-Executive Chairman for Edelman Asia-Pacific and a Senior Adviser of Metrobank.

Sir David Li graduated with a M.A (Economics and Law) from the University of Cambridge in 1968. He is a Fellow of Hong Kong Institute of Certified Public Accountants, Institute of Chartered Accountants in England and Wales, The Chartered Institute of Bankers, The British Computer Society, The Chartered Institute of Arbitrators, The Hong Kong Institute of Bankers and The Australian Society of Certified Practising Accountants.

He was also awarded Honorary Degree of Law from the University of Cambridge, University of Warwick, University of Hong Kong; an Honorary Degree of Doctor of Humane Letters from Trinity College, Hartford, Connecticut; Doctor of Letters honoris causa, from Macquarie University, Sydney; an Honorary Degree of Doctor of Science from Imperial College London and an Honorary Degree of Doctor of Business Administration from Edinburgh Napier University.

He is the brother of Professor Arthur Li Kwok Cheung and the father of Mr Adrian David Li Man Kiu, his alternate Director. Other than disclosed above, 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.

Dr. the Hon. Sir David Li Kwok Po
Non-Independent Non-Executive Director

Professor Arthur Li Kwok Cheung
Non-Independent Non-Executive Director

Directors' Profile

Professor Arthur Li Kwok Cheung
Non-Independent Non-Executive Director

Professor Arthur Li Kwok Cheung, a Chinese national aged 67, was appointed as a Non-Independent Non-Executive Director of AFFIN Holdings Berhad on 21 May 2008. Professor Li was the Secretary for Education and Manpower of the Government of HKSAR and a Member of the Executive Council from 2002 to 2007. Before these appointments, he was the Vice Chancellor of the Chinese University of Hong Kong (1996-2002) and was the Chairman of Department of Surgery and the Dean of Faculty of Medicine of the Chinese University of Hong Kong. Professor Li is currently a Deputy Chairman of The Bank of East Asia, Limited. He is also an Independent Non-Executive Director of BioDiem Ltd in Australia. He was a Non-Executive Director of China Mobile (Hong Kong) Limited, a Director of Glaxo-Wellcome Plc., an Independent Non-Executive Director of Henderson Cyber Limited, and the Non-Executive Chairman of the Board of Corus Hotels Plc (formerly Corus and Regal Hotel Group Plc).

Professor Li had held many important positions in various social service organisations, medical associations, and educational bodies, including the Education Commission, Committee on Science and Technology, the Hospital Authority, the Hong Kong Medical Council, the University Grants Committee, the College of Surgeons of Hong Kong, and the United Christian Medical Services Board. He was a member of the Board of Directors of the Hong Kong Science and Technology Parks Corporation and the Hong Kong Applied Science and Technology Research Institute, and Vice President of the Association of University Presidents of China. He was a Hong Kong Affairs Adviser to China. He is a member of the National Committee of the Chinese People's Political Consultative Conference.

Professor Li graduated with a MB BChir (Cantab) from the University of Cambridge in 1969. He is a qualified surgeon with post graduate qualifications from among others the Royal College of Surgeons of England, Royal College of Surgeons of Edinburgh, Royal Australasian College of Surgeons, American College of Surgeons of Hong Kong Academy of Medicine, He was also conferred various Honorary Fellows and Doctorates from United States of America, Hong Kong, Philippines, Japan and United Kingdom.

He is the brother of Dr the Hon Sir David Li Kwok Po and the uncle of Mr Adrian David Li Man Kiu, the alternate Director for Dr the Hon Sir David Li Kwok Po. Other than disclosed above, 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

AFFIN BANK BERHAD

Dato' Zulkiflee Abbas bin Abdul Hamid
Managing Director/Chief Executive Officer

AFFIN INVESTMENT BANK BERHAD

Maimoonah binti Hussain
Managing Director

Senior Management of AFFIN Holdings Berhad Group

AFFIN ISLAMIC BANK BERHAD

Kamarul Ariffin bin Mohd Jamil
Chief Executive Officer

AFFIN HOLDINGS BERHAD

Yu Choong Cheong
Executive Director

Senior Management of AFFIN Holdings Berhad Group

AXA AFFIN LIFE INSURANCE BERHAD

Loke Kah Meng
Chief Executive Officer

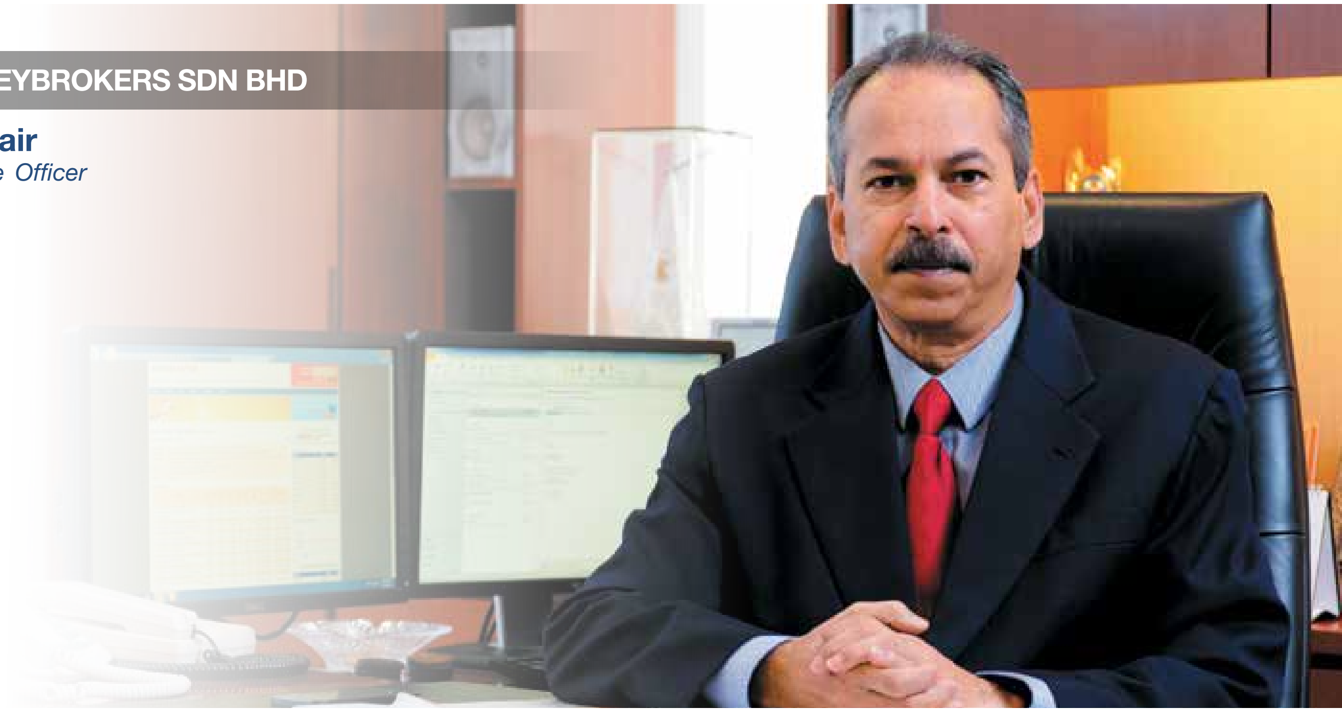
AXA AFFIN GENERAL INSURANCE BERHAD

Emmanuel Nivet
Chief Executive Officer

Senior Management of AFFIN Holdings Berhad Group

AFFIN MONEYBROKERS SDN BHD

Chandra Nair
Chief Executive Officer



AFFIN FUND MANAGEMENT BERHAD

Dato' Mohamad Ayob Abu Hassan
Chief Executive Officer

Senior Management of AFFIN Holdings Berhad Group

AFFIN HOLDINGS BERHAD GROUP

Kasinathan T. Kasipillai
Group Chief Risk Officer

AFFIN HOLDINGS BERHAD GROUP

Khatimah binti Mahadi
Group Chief Internal Auditor

Senior Management of AFFIN Holdings Berhad Group

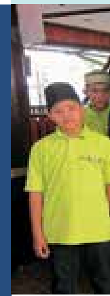
AFFIN HOLDINGS BERHAD

Nimma Safira binti Khalid
Company Secretary

AFFIN HOLDINGS BERHAD

Lee Yoke Kiow
Head, Finance

Corporate Governance **Statement**



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. 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.

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

As at 31 December 2012, the Board had nine (9) members comprising one (1) Non-Independent Non-Executive Chairman, one (1) Non-Independent Non-Executive Deputy Chairman, five (5) Independent Non-Executive Directors and two (2) Non-Independent Non-Executive Directors. One of the Independent Non Executive Director, Tan Sri Jamaluddin bin Haji Ahmad Damanhuri resigned on 6 March 2013.

(a) Board Members

Name of Directors	Executive/ Non-Executive Director	Independent/ Non-Independent Director
Gen (R) Tan Sri Dato' Seri Mohd Zahidi bin Hj Zainuddin *(Chairman)*	Non-Executive	Non-Independent
Tan Sri Dato' Seri Lodin bin Wok Kamaruddin *(Deputy Chairman)*	Non-Executive	Non-Independent
Raja 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
Tan Sri Dato' Seri Alauddin bin Dato' Mohd Sheriff	Non-Executive	Independent
Tan Sri Jamaluddin bin Haji Ahmad Damanhuri *(Appointed on 24 April 2012 and resigned on 6 March 2013)*	Non-Executive	Independent
Dr. the Hon. Sir David Li Kwok Po	Non-Executive	Non-Independent
Professor Arthur Li Kwok Cheung	Non-Executive	Non-Independent
Adrian David Li Man Kiu *(Alternate Director to Dr. the Hon. Sir David Li Kwok Po)*	Non-Executive	Non-Independent
Peter Yuen Wai Hung *(Alternate Director to Professor Arthur Li Kwok Cheung)*	Non-Executive	Non-Independent

Corporate Governance Statement

A brief description of the background of each Director is presented in 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 a majority of 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 and subsidiaries and associate company. The positions of Chairman and the Executive Director 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 Executive Director, 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.

The present Board comprises of a majority of Independent Directors to ensure balance and authority on 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 BNM/GP1 which requires 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.

Corporate Governance Statement

"The Board has formalised its Code of Conduct in the Board Policy Manual and has ensured compliance to the code of conduct during the year"

In its meeting on 24 May 2011, the Board has decided that the maximum tenure for an Independent Director is 15 years until year 2013. After 2013, the maximum tenure for an Independent Director will be reduced to 12 years. The grace period of two (2) years until 2013 will provide the time for the Company to look for suitable candidates to be appointed as Independent Directors in the Group companies to replace those Independent Directors who will reaching the maximum tenure of service.

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 years. In this respect, the Board intends to seek shareholders' approval with justifications during the Annual General Meeting of the Company and subsidiaries for the Independent Directors in the Group to remain as Independent Directors after serving a cumulative term of nine 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 which was approved by the Board on 19 November 2012; 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 has ensured compliance to the code of conduct during the year. The code of conduct of the Board has been made available on the corporate website on 22 October 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 whistle blowing policy of the Company was approved by the Board on 13 August 2012.

The Company's strategies to promote sustainability have been 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.

Corporate Governance Statement

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

Raja 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 reports 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.

Corporate Governance Statement

During the financial year ended 31 December 2012, seven (7) meetings were held. The details of attendance of each Director at the Board meetings held during his tenure of service are as follows:-

Name of Directors	Attendance at Board meetings
Gen (R) Tan Sri Dato' Seri Mohd Zahidi bin Hj Zainuddin	7/7
Tan Sri Dato' Seri Lodin bin Wok Kamaruddin	7/7
Raja Dato' Seri Aman bin Raja Haji Ahmad	6/7
Dato' Mustafa bin Mohamad Ali	7/7
Abd Malik bin A Rahman	7/7
Tan Sri Dato' Seri Alauddin bin Dato' Mohd Sheriff	7/7
Tan Sri Jamaluddin bin Hj Ahmad Damanhuri *(Appointed on 24 April 2012 and resigned on 6 March 2013)*	5/5
Dr. the Hon Sir David Li Kwok Po	7/7
Professor Arthur Li Kwok Cheung	6/7
Mr. Adrian David Li Man Kiu *(Alternate Director to Dr. the Hon Sir David Li Kwok Po)*	—
Mr. Peter Yuen Wai Hung *(Alternate Director to Professor Arthur Li Kwok Cheung)*	—

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 Companies Act 1965, 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.

Corporate Governance Statement

DIRECTORS' TRAINING

An integral element in the process of appointing new Directors requires new Directors to undergo an orientation program 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 to further enhance their skill and knowledge. Amongst the training programmes and seminars attended by the members of the Board in 2012 were:-

No.	Training Program	Conducted By	Attended By	Date
1	Main Components of the Regulatory Reform Agenda in Hong Kong	HK Institute of Certified Public Accountants	Dr. the Hon. Sir David Li Kwok Po	19 January 2012
2	Current Challenges in the Global Financial Markets	The British Chamber of Commerce in Hong Kong	Dr. the Hon. Sir David Li Kwok Po	27 February 2012
3	4th Annual Corporate Governance Summit Kuala Lumpur – Bringing Asia onto The Board	Genting Malaysia Berhad	Gen (R) Tan Sri Dato' Seri Mohd Zahidi bin Hj Zainuddin	5-6 March 2012
4	Mandatory Accreditation Programme	Bursatra Sdn Bhd	Tan Sri Dato' Seri Alauddin bin Dato' Mohd Sheriff	13-14 March 2012
5	KPMG Independent Non-Executive Director Forum	KPMG, Hong Kong	Professor Arthur Li Kwok Cheung	15 March 2012
6	Governance and Risk Management Practices for the Financial Markets in the 21st Century	ICLIF	Abd Malik bin A Rahman	19-22 March 2012
7	Entrepreneurs in Indonesia a) How will the Global Sovereign Debt Crisis impact Asia Pacific b) Demographic Dividend or Discount c) Update on Deutsche Bank in Asia Pacific d) Outlook for Indonesia's Economic Development e) Overview of Private Wealth Management in Asia Pacific	Deutsche Bank	Dr. the Hon. Sir David Li Kwok Po	29-30 March 2012
8	Anti-Money laundering & Counter Terrorist Financing Ordinance & related Guidelines	Training & Development Department, BEA	Dr. the Hon. Sir David Li Kwok Po	1 April 2012
9	Nomination & Remuneration Committee Programme	ICLIF	Raja Dato' Seri Aman bin Raja Haji Ahmad	4-5 April 2012
10	Bursa Malaysia Briefing	Harvard Business School Alumni Club of Malaysia	Dato' Mustafa bin Mohd Ali	25 April 2012

Corporate Governance Statement

No.	Training Program	Conducted By	Attended By	Date
11	Accounting & Regulatory Updates, Basel III Framework, Banking Banana Skin Survey, Future Trend in Banking	PriceWaterhouse Coopers/AFFIN Holdings Berhad	Gen (R) Tan Sri Dato' Seri Mohd Zahidi bin Hj Zainuddin Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Raja Dato' Seri Aman bin Raja Haji Ahmad Dato' Mustafa bin Mohd Ali Abd Malik bin A Rahman Tan Sri Dato' Seri Alauddin bin Dato' Mohd Sheriff Tan Sri Jamaluddin bin Haji Ahmad Damanhuri	2 May 2012
12	Hong Kong Listed Companies Directors Training	PCCW Limited	Dr. the Hon. Sir David Li Kwok Po	3 May 2012
13	Risk Management Committee Programme	ICLIF	Raja Dato' Seri Aman bin Raja Haji Ahmad	7-8 May 2012
14	Enterprise Risk Management – What a Director Must Know	Bursatra Sdn Bhd	Abd Malik bin A Rahman	9 May 2012
15	News Regulatory Measures Under Securities and Futures (Amendment) Ordinance Hong Kong Monetary Authority Supervisory Policy manual (SPM) – IC-5 "Stress Testing"	Deacons Hong Kong Monetary Authority	Dr. the Hon. Sir David Li Kwok Po	18 May 2012
16	In-house training on 'Listing rules and Corporate Governance Code update'	The Hong Kong institute of Directors	Professor Arthur Li Kwok Cheung	28 May 2012
17	FIDE Forum Launch	ICLIF	Tan Sri Dato' Seri Lodin bin Wok Kamaruddin	12 June 2012
18	Case Studies For Boardroom Excellence – Related Party Transaction – Doing It Right For Results	Genting Plantation Malaysia	Gen (R) Tan Sri Dato' Seri Mohd Zahidi bin Hj Zainuddin	18 June 2012
19	Roles of Board & Committees in financial reporting strategy	Bank Negara Malaysia/ ICLIF	Abd Malik bin A Rahman	18-21June 2012
20	KPMG Independent Non-Executive Director Forum	KPMG, Hong Kong	Professor Arthur Li Kwok Cheung	25 June 2012
21	Politics Decoded – Implications on Financial Markets	AFFIN Investment Bank Berhad	Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Raja Dato' Seri Aman bin Raja Haji Ahmad	28 June 2012

Corporate Governance Statement

No.	Training Program	Conducted By	Attended By	Date
22	HK's Anti-Money Laundering & Counter terrorist Financing Ordinance – Ask Not For Whom the Bell Tolls?	The British Chamber of Commerce in Hong Kong	Dr. the Hon. Sir David Li Kwok Po	28 June 2012
23	31st Management Conference (Plantation Division)	Genting Plantation Malaysia	Gen (R) Tan Sri Dato' Seri Mohd Zahidi bin Hj Zainuddin	8-11 July 2012
24	Mandatory Accreditation Programme	Bursatra Sdn Bhd	Tan Sri Jamaluddin bin Hj Ahmad Damanhuri	11-12 July 2012
25	Asia Directors' Series	Marsh & McLennan Companie	Dr. the Hon. Sir David Li Kwok Po	13 July 2012
26	Insurance Banana Skins – Risks Facing Insurer & Treasury Forward	ICLIF	Dato' Mustafa bin Mohd Ali	17 July 2012
27	Supervisory Policy Manual – revised CG-1 "Corporate Governance of Locally Incorp Authorised Institutions"	Hong Kong Monetary Authority	Dr. the Hon. Sir David Li Kwok Po	9 August 2012
28	Breakfast Talk on "Human Capital Management In The Boardroom"	ICLIF	Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Dato' Mustafa bin Mohd Ali	14 August 2012
29	Board Excellence	Cahya Mata Sarawak Berhad	Tan Sri Dato' Seri Mohd Zahidi bin Hj Zainuddin	3 September 2012
30	Forum on Islamic Banking	AFFIN Holdings Berhad	Gen (R) Tan Sri Dato' Seri Mohd Zahidi bin Hj Zainuddin Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Raja Dato' Seri Aman bin Raja Haji Ahmad Dato' Mustafa bin Mohd Ali Abd Malik bin A Rahman Tan Sri Jamaluddin bin Haji Ahmad Damanhuri Tan Sri Dato' Seri Alauddin bin Dato' Mohd Sheriff	5 September 2012
31	Sultan Azlan Shah Law Lecture	Yayasan Sultan Azlan Shah	Gen (R) Tan Sri Dato' Seri Mohd Zahidi bin Hj Zainuddin	5 September 2012
32	Handling Press Conferences, Media Interviews and Tricky Media Questions	ICLIF	Gen (R) Tan Sri Dato' Seri Mohd Zahidi bin Hj Zainuddin	11 September 2012

Corporate Governance Statement

No.	Training Program	Conducted By	Attended By	Date
33	Essential Elements of an Effective Audit Committee	MAICSA/Bandar Raya Development Berhad	Gen (R) Tan Sri Dato' Seri Mohd Zahidi bin Hj Zainuddin	13 September 2012
34	Nomination & Remuneration Committees	ICLIF	Dato' Mustafa bin Mohd Ali	13-14 September 2012
35	Bursa Malaysia Corporate Governance Programme 2012 – Duties of The Audit Committee	Bursa Malaysia	Abd Malik bin A Rahman	3 October 2012
36	Rebuilding Trust in the Financial Sector	AFFIN Holdings Berhad/ ICLIF	Gen (R) Tan Sri Dato' Seri Mohd Zahidi bin Hj Zainuddin Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Dato' Mustafa bin Mohd Ali Abd Malik bin A Rahman Tan Sri Jamaluddin bin Haji Ahmad Damanhuri Tan Sri Dato' Seri Alauddin bin Dato' Mohd Sheriff	8 October 2012
37	Global Consumer Banking Survey 2012-The Customer Takes Control	Bank Negara Malaysia/ Ernst & Young	Abd Malik bin A Rahman	9 October 2012
38	How will UK Tax Changes in April 2013 Affect International Mobile Clients	The British Chamber of Commerce in Hong Kong	Dr. the Hon. Sir David Li Kwok Po	18 October 2012
39	FIDE-ICAAP Program	ICLIF	Abd Malik bin A Rahman	1-2 November 2012
40	Understanding of GST for manufacturing in Malaysia	Tricor Tax Services Sdn Bhd	Abd Malik bin A Rahman	28 November 2012

Corporate Governance Statement

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. The Non-Executive Directors do not participate in decision on their own remuneration packages. 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 normally will 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 2012 of the Directors are as follows:-

Directors	**Fees (RM)**	**Allowances (RM)**	**Benefit in kind (RM)**	**Other Emoluments (RM)**	**Total (RM)**
Non-Executive Directors	1,826,068	343,300	41,337	—	2,210,705
Total	1,826,068	343,300	41,337	—	2,210,705

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

	No. of Directors
Non-Executive Directors:	
Nil	2
RM50,001 to RM100,000	4
RM250,001 to RM300,000	3
RM350,001 to RM400,000	1
RM600,001 to RM650,000	1

Corporate Governance Statement

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

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:-

Dato' Mustafa bin Mohamad Ali *(Chairman until 31 December 2012 and became a member effective from 1 January 2013)*	Independent Non-Executive Director
Gen (R) Tan Sri Dato' Seri Mohd Zahidi bin Hj Zainuddin	Non-Independent Non-Executive Director
Tan Sri Dato' Seri Lodin bin Wok Kamaruddin	Non-Independent Non-Executive Director
Raja Dato' Seri Aman bin Raja Haji Ahmad	Independent Non-Executive Director
Tan Sri Jamaluddin bin Hj Ahmad Damanhuri *(Appointed as a member on 13 August 2012, became the Chairman effective from 1 January 2013 and resigned on 6 March 2013)*	Independent Non-Executive Director
Tan Sri Dato' Seri Alauddin bin Dato' Mohd Sheriff *(Appointed as a member on 18 February 2013)*	*Independent Non-Executive Director*

The composition of the Nomination Committee complies with 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 was an Independent Director as required by BNM/GP1.

THE BOARD COMMITTEES (CONT'D)

b) Nomination Committee (cont'd)

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 Non-Executive 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;
- Taking the necessary steps to ensure that the Company meets its gender diversity policy;
- Reviewing regularly the status of Independent Directors;
- Ensuring existence of an appropriate framework and succession plan for the Executive Director and senior management of the Company;
- Recommending Directors who are retiring (by rotation) for re-election and termination of Board membership for appropriate reasons;
- Recommending to the Board the removal of a Director or CEO from the Board or management if the Director or CEO is inefficient, errant and negligent in discharging his/her responsibilities;
- Ensuring that all Board appointees undergo the necessary training programmes prescribed by the applicable statutory and regulatory bodies;
- Providing for 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;
- Establishing and implementing processes for assessing the effectiveness of the Board as a whole, the Committees of the Board and for assessing the contribution of each Director; 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.

Corporate Governance Statement

THE BOARD COMMITTEES (CONT'D)

b) Nomination Committee (cont'd)

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:-

i) noted the Bank Negara Malaysia's approval dates for the re-appointment of Directors and their respective expiry dates;

ii) noted status of compliance with BNM's requirement to have a majority of Independent Directors at AFFIN Holdings Berhad, AFFIN Bank Berhad, AFFIN Islamic Bank Berhad and AFFIN Investment Bank Berhad as per BNM letter dated 4 October 2010;

iii) recommended to the Board for the application to BNM for the appointment of Tan Sri Jamaluddin bin Haji Ahmad Damanhuri as an Independent Director of AFFIN Holdings Berhad;

iv) considered to appoint a new member for the Nomination Committee of AFFIN Holdings Berhad;

v) reviewed the terms of reference of Nomination Committee;

vi) discussed on the requirement of Code of Corporate Governance 2012 that an Independent Director should not exceed a cumulative term of service of nine (9) years and to seek shareholders' approval for those Independent Directors whose term of service exceed 9 years;

vii) discussed on the requirement of the Company to have gender diversity on its Board, i.e. to have 30% women participation in the Board by 2016;

viii) noted the list of trainings available for Directors in year 2012;

ix) noted the list of trainings attended by Directors of the Company in year 2012;

x) approved the re-appointment of Directors who retire by rotation at the next Annual General Meeting;

xi) conducted the Directors' Appraisal for the year 2012. The Directors were appraised based on their core competencies, namely integrity, commitment, ethics, governance, strategic perspective, business acumen, judgment, decision making, teamwork, communication and leadership;

xii) conducted an assessment of Board effectiveness and contribution as required by the Green Book under the Government Linked Companies (GLC) Transformation Programme;

xiii) discussed on the appointment of a new Chairman for the Nomination Committee with effect from 1st January 2013;

xiv) discussed and recommended to the Board the extension of service agreement of the Executive Director; and

xv) recommended to the Board for the application to Bank Negara Malaysia to re-appoint Tan Sri Dato' Seri Lodin bin Wok Kamaruddin as a Director and Deputy Chairman of the Company.

c) Remuneration Committee

The members of the Remuneration Committee are as follows:-

Dato' Mustafa bin Mohamad Ali (Chairman)	Independent Non-Executive Director
Gen (R) Tan Sri Dato' Seri Mohd Zahidi bin Hj 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 BOARD COMMITTEES (CONT'D)

c) Remuneration Committee (cont'd)

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

i) discussed on the token of appreciation to be accorded to a Director upon retirement/resignation;

ii) reviewed the terms of reference of Remuneration Committee; and

iii) considered and discussed on the revision of Directors' fees and benefits for the Company and the Group and approved bonus and increment for staff for year 2011 and Interim bonus for staff for year 2012.

SHAREHOLDERS

a) Dialogue between the Company and Investors

The Group values dialogue with investors. The aims of the investor relations program 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.

Corporate Governance Statement

SHAREHOLDERS (CONT'D)

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 MCCG 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 judgments and estimates.

b) Performance targets

On 21 February 2013, AFFIN Holdings Berhad announced its achievement of Headline Key Performance Indicators ("KPIs") for the financial year ended 31 December 2012 and Headline KPIs for the financial year ending 31 December 2013 as follows:-

HEADLINES KPIs ACHIEVED FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

No	Headline KPIs	As announced on 20 February 2012	As achieved	Variance
1	After Tax Return on Equity (ROE)	9.6%	10.8%	1.2%
2	After Tax Return on Assets (ROA)	1.0%	1.2%	0.2%
3	Gross Impaired Loan Ratio	2.7%	2.3%	0.4%
4	Earnings Per Share (EPS)	38.3 sen	42.08 sen	3.78 sen

The Group met all its announced KPIs for the financial year ended 31 December 2012.

ACCOUNTABILITY AND AUDIT (CONT'D)

b) Performance targets (cont'd)

HEADLINES KPIs FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2013

No	Headline KPIs	Targets
1	After Tax Return on Equity (ROE)	10.1%
2	After Tax Return on Assets (ROA)	1.1%
3	Gross Impaired Loan Ratio	2.2%
4	Earnings Per Share (EPS)	42.08 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 55 to 60 in this Annual Report.

Corporate Governance Statement

ACCOUNTABILITY AND AUDIT (CONT'D)

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 18 February 2013

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

Tan Sri Dato' Seri Lodin bin Wok Kamaruddin
Deputy Chairman

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 2012.

AUDIT COMMITTEE

The AC comprises of the following Directors:

1. **Raja 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.

Audit Committee Report

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.

Audit Committee Report

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.

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 followings:

- 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.

Audit Committee Report

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 2012, a total of four (4) 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 Dato' Seri Aman bin Raja Haji Ahmad *Chairman/Independent Non-Executive Director*	4/4
Dato' Mustafa bin Mohamad Ali *Member/Independent Non-Executive Director*	4/4
Abd Malik bin A Rahman *Member/Independent Non-Executive Director*	4/4

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. Executive Director of AFFIN Holdings Berhad and Group Chief Internal Auditor were invited to attend all four (4) AC meetings during the financial year. Head of Finance 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 two (2) 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 Holdings company and subsidiaries level for Financial Year Ended 31 December 2012. The AC had also reviewed the External Auditors' Audit Plan for the Financial Year Ending 31 December 2012.

Audit Committee Report

The AC had two (2) private meetings with the External Auditors without the presence of Management and Internal Auditors in year 2012. 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 Holding 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 2012 for continuous improvements.

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 2012:

EXTERNAL AUDIT

1) Reviewed the 2012 Audit Plan to ensure the scope of work adequately covered the activities of AFFIN Holdings Berhad 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 2013 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 followings:
    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.

Audit Committee Report

4) Reviewed the status report of Group Internal Audit activities for the Financial Year Ended 31 December 2012 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;

7) Reviewed the Audit Committee Terms of Reference and Group Internal Audit Manual; and

8) The total Group Internal Audit cost for year 2012 was RM2.7 million.

FINANCIAL RESULTS

1) Reviewed with the top Management the quarterly and half yearly unaudited financial results before recommending to the Board for their approval.

2) Reviewed with the top 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) Banking and Financial Institutions Act, 1989;
   d) Applicable approved accounting standards in Malaysia; and
   e) Other relevant legal and regulatory requirements.

RELATED PARTY TRANSACTIONS

1) 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

1) Reviewed the Statement on Risk Management and Internal Control and Audit Committee Report for inclusion in the Year 2012 Annual Report before recommending to the Board for approval.

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 risk management and system of internal controls practices are maintained throughout the Group.

b. The Board is of the view that the risk management and 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 adequate and effective to safeguard shareholders' investment, customers' interests and the Group's assets.

c. Notwithstanding this, there are on-going process for identifying, evaluating and managing the significant risks to ensure the effectiveness, adequacy and integrity of the risk management and system of internal controls. 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 risk management and system of internal controls 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, breaches of law or regulations unauthorised activities and fraud are reviewed by the Board.

2. Business Plan & Budget

a. The subsidiaries' 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 carries out regular reviews of the business processes and activities to assess the adequacy and effectiveness of risk management and system of internal controls 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 programs/training on controls and compliance including controls certification programs to further strengthen staff knowledge in creating a robust control and compliance environment.

Statement of Risk Management and Internal Control

4. Risk Management & Compliance Structure

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 program 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 programs 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.

Awards & Recognition

1. AFFIN Bank Berhad

a) Top 30 Most Valuable Brands by the Association of Accredited Advertising Agents (4As).

b) The Best of Malaysia Service To Care Champion 2012 Award in the category of Conventional Bank with assets less than USD20 billion awarded by MarkPlus Insight in conjunction with the Philip Kotler and the Christopher Lovelock Centre for Services Marketing.

c) Malaysia Service To Care Champion 2011 for Best Customer Satisfaction Award in the category of Conventional Bank with assets less than USD20 billion awarded by MarkPlus Insight in conjunction with the Philip Kotler and the Christopher Lovelock Centre for Services Marketing.

2. AFFIN Investment Bank Berhad

a) Rated by London-based The Financial Times and StarMine as the Top Stock Picker for Healthcare, Food, Household & Personal Products, Consumer Goods & Services.

b) Rated by London-based The Financial Times and StarMine as the Second Best Top Stock Picker for Banks.

c) The Investment Bank's research analyst's call on a technology stock made the cut under The Edge Best Analyst Call Awards 2012.

Five-Year Group **Financial Record**

OPERATING RESULTS

For the financial year ended 31 December (RM'Million)	2012	2011	2010	2009	2008
Revenue	2,972	2,656	2,273	2,009	2,115
Profit before taxation	834	709	638	497	404
Net profit attributable to equity holders of the Company	629	508	489	372	293

KEY BALANCE SHEET DATA

As at 31 December (RM'Million)	2012	2011	2010	2009	2008
Loans, advances and financing	34,163	30,437	26,574	22,497	19,928
Total assets	55,834	53,681	46,963	39,916	36,799
Deposits from customers	42,945	39,363	33,247	28,599	26,935
Total liabilities	49,790	48,089	41,762	35,180	32,387
Commitments and contingencies	19,097	20,068	18,902	17,891	22,682
Paid-up capital	1,495	1,495	1,495	1,494	1,494
Shareholders' equity	6,045	5,592	5,201	4,735	4,411

FINANCIAL RATIOS (%)

	2012	2011	2010	2009	2008
Profitability Ratios					
Net return on average shareholders' funds	10.81	9.41	9.84	8.13	6.77
Net return on average assets	1.15	1.01	1.12	0.97	0.80
Net return on average risk-weighted assets	1.72	1.57	1.80	1.42	1.13
Cost to income ratio	46.01	47.68	46.88	46.53	51.64
Asset Quality Ratios					
Gross impaired loans/non-performing loans ratio	2.28	2.84	3.64	3.71	5.78
Net impaired loans/non-performing loans ratio	1.62	2.28	2.98	2.20	3.20

Five-Year Group Financial Record

SHARE INFORMATION
Per share (sen)

	2012	2011	2010	2009	2008
Earnings					
– Basic and fully diluted	42.08	33.99	32.70	24.88	19.60
Gross Dividend	15.00	12.00	9.00	8.50	5.00
Net assets	404	374	348	317	295
Share price - high	375	362	326	254	278
Share price - low	287	231	247	114	114
Share price as at 31 December	344	308	309	252	152
Market capitalisation (RM'Million)	5,141	4,603	4,618	3,766	2,271

VALUATIONS ON SHARE

	2012	2011	2010	2009	2008
Gross dividend yield (%)	4.36	3.90	2.91	3.37	3.29
Dividend payout ratio (%):-					
– based on Company's profit after tax	65.31	60.62	69.72	95.34	59.82
Price to earnings multiple (times)	8.17	9.06	9.45	10.13	7.76

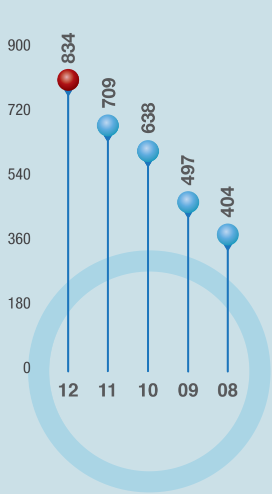
SEGMENT INFORMATION

Profit before tax by activity (RM'Million)	2012	2011	2010	2009	2008
Commercial banking	703	613	522	425	454
Investment banking	91	89	87	65	(40)
Insurance (net of tax)	35	–	27	12	(5)
Others	5	7	2	(5)	(5)
	834	709	638	497	404

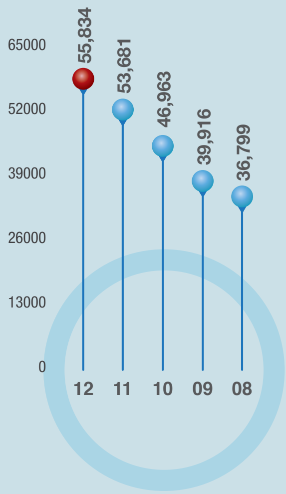
Paid-up Capital by Subsidiaries (RM'Million)	2012	2011	2010	2009	2008
AFFIN Bank Berhad	1,518.3	1,439.3	1,439.3	1,439.3	1,439.3
AFFIN Investment Bank Berhad	222.2	222.2	222.2	222.2	222.2
AFFIN Moneybrokers Sdn Bhd	1.0	1.0	1.0	1.0	1.0
AXA AFFIN Life Insurance Berhad	288.0	266.0	252.0	252.0	237.0

Charts of Five-Year
Group Financial Record

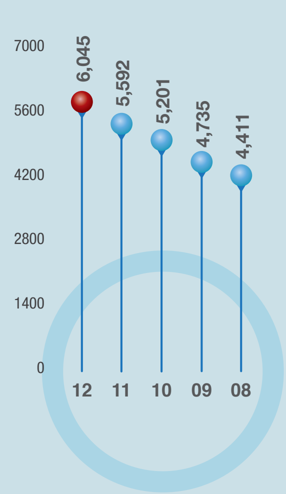
Profit Before Taxation
(RM Million)



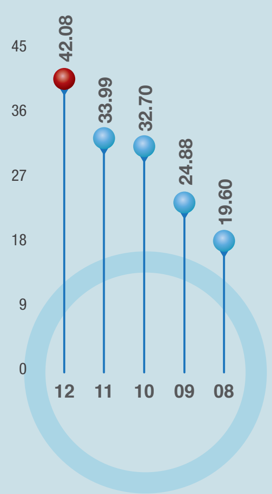
Total Assets
(RM Million)



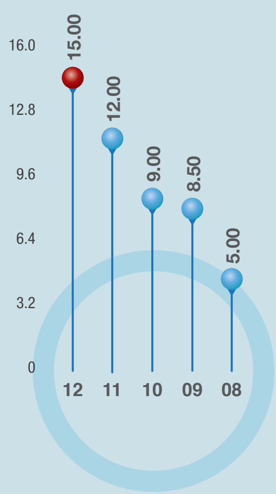
Shareholders' Equity
(RM Million)



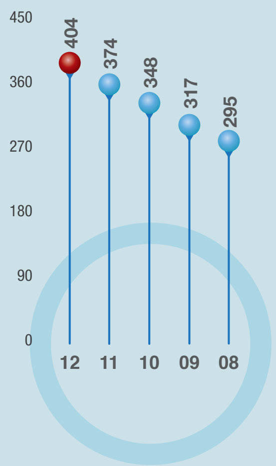
Earnings Basic Per Share
(Sen)



Gross Dividend Per Share
(Sen)



Net Assets Per Share
(Sen)



FINANCIAL STATEMENTS

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 2012.

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 unit trusts management.

The principal activity of the jointly controlled entities 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 RM'000	Company RM'000
Profit before taxation and zakat	833,738	293,489
Taxation and zakat	(204,796)	(13,167)
Net profit for the financial year	628,942	280,322

DIVIDENDS

The dividends on ordinary shares paid by the Company since 31 December 2011 were as follows:-

	RM'000
In respect of the financial year ended 31 December 2012:-	
Interim franked dividend of 11.0 sen gross per share less 25% tax and a tax exempt dividend of 4.0 sen per share, paid on 28 December 2012	183,086

At the forthcoming Annual General Meeting, the directors do not propose 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

The directors who have held office during the period since the date of the last report are:-

Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin
Tan Sri Dato' Seri Lodin bin Wok Kamaruddin
Raja Dato' Seri Aman bin Raja Haji Ahmad
Dato' Mustafa bin Mohamad Ali
Dr. the Hon. Sir David Li Kwok Po
Professor Arthur Li Kwok Cheung
Abd Malik bin A Rahman
Tan Sri Dato' Seri Alauddin bin Dato' Mohd Sheriff
Tan Sri Jamaluddin bin Haji Ahmad Damanhuri (Appointed on 24.4.2012)
Adrian David Li Man Kiu (Alternate Director to Dr. the Hon. Sir David Li Kwok Po)
Peter Yuen Wai Hung (Alternate Director to Professor Arthur Li Kwok Cheung)

In accordance with Article 105 of the Company's Articles of Association, Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin and Professor Arthur Li Kwok Cheung retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

In accordance with Article 111 of the Company's Articles of Association, Tan Sri Jamaluddin bin Haji Ahmad Damanhuri retires and being eligible, offers himself for re-election at the forthcoming Annual General Meeting.

Pursuant to section 129(6) of the Companies Act, 1965, Dato' Mustafa bin Mohamad Ali and Dr. the Hon. Sir David Li Kwok Po retire and offer themselves 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 36 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' Report (continued)

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:-

	Number of ordinary shares of RM1 each			
The Company	**At 1.1.2012**	**Bought**	**Sold**	**At 31.12.2012**
Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin	30,000	–	–	30,000
Tan Sri Dato' Seri Lodin bin Wok Kamaruddin	808,714*	–	–	808,714*

* Shares held in trust by nominee company

Related Companies

<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>Boustead Petroleum Sdn Bhd</u>				
Tan Sri Dato' Seri Lodin bin Wok Kamaruddin	5,916,465	–	–	5,916,465
<u>Al-Hadharah Boustead REIT</u>				
Tan Sri Dato' Seri Lodin bin Wok Kamaruddin	250,000	–	–	250,000
<u>Pharmaniaga Berhad</u>				
Tan Sri Dato' Seri Lodin bin Wok Kamaruddin	3,184,538	2,700,266	202,918	5,681,886

	Number of ordinary shares of 50 sen each			
Related Company	**At 1.1.2012**	**Bought**	**Sold**	**At 31.12.2012**
<u>Boustead Holdings Berhad</u>				
Tan Sri Dato' Seri Lodin bin Wok Kamaruddin	26,011,599	2,601,159	420,000	28,192,758

	Number of redeemable preference shares of RM1 each			
Related Company	**At 1.1.2012**	**Bought**	**Sold**	**At 31.12.2012**
<u>Boustead Petroleum Sdn Bhd</u>				
Tan Sri Dato' Seri Lodin bin Wok Kamaruddin	50	–	–	50

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.

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; 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.

Directors' Report (continued)

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 28 February 2013.

TAN SRI DATO' SERI LODIN BIN WOK KAMARUDDIN
DIRECTOR

RAJA DATO' SERI AMAN BIN RAJA HAJI AHMAD
DIRECTOR

Kuala Lumpur
28 February 2013

Consolidated Statement of Financial Position

- 31 December 2012

	Note	31.12.2012 RM'000	Restated 31.12.2011 RM'000	Restated 1.1.2011 RM'000
ASSETS				
Cash and short-term funds	2	**7,359,658**	9,685,542	8,642,897
Deposits and placements with banks and other financial institutions	3	**492,356**	279,458	18,093
Reverse repurchase agreements with financial institutions		**20,057**	-	-
Trade receivables	4	**213,751**	160,239	270,012
Financial assets held-for-trading	5	**165,592**	149,832	149,945
Financial investments available-for-sale	6	**9,404,237**	9,122,892	8,592,533
Financial investments held-to-maturity	7	**548,324**	650,923	536,548
Derivative financial assets	8	**66,015**	47,023	51,626
Loans, advances and financing	9	**34,163,168**	30,436,846	26,574,066
Other assets	10	**313,277**	177,174	218,686
Statutory deposits with Bank Negara Malaysia	11	**1,507,480**	1,410,141	275,167
Amount due from associate	13	**67,240**	67,257	91,828
Investment in jointly controlled entities	15	**129,788**	115,430	113,311
Investment in associate	16	**183,696**	155,548	152,779
Taxation recoverable		**14,775**	30,445	76,291
Deferred tax assets	25	**-**	470	10,180
Property and equipment	17	**178,093**	178,649	176,897
Intangible assets	18	**1,006,784**	1,013,419	1,011,867
TOTAL ASSETS		**55,834,291**	53,681,288	46,962,726
LIABILITIES AND EQUITY				
Deposits from customers	19	**42,944,986**	39,363,414	33,247,279
Deposits and placements of banks and other financial institutions	20	**4,588,209**	6,867,047	6,852,598
Bills and acceptances payable		**152,400**	82,059	110,161
Trade payables	21	**213,690**	156,908	258,802
Derivative financial liabilities	22	**59,560**	96,954	70,195
Recourse obligation on loans sold to Cagamas Berhad	23	**413,549**	428,459	288,891
Other liabilities	24	**364,964**	387,448	516,111
Provision for taxation		**63,751**	16,401	188
Deferred tax liabilities	25	**16,335**	20,729	25,082
Borrowings	27	**972,343**	669,645	392,386
TOTAL LIABILITIES		**49,789,787**	48,089,064	41,761,693

Consolidated Statement of Financial Position (continued)

- 31 December 2012

	Note	31.12.2012 RM'000	Restated 31.12.2011 RM'000	Restated 1.1.2011 RM'000
EQUITY				
Share capital	28	**1,494,576**	1,494,576	1,494,576
Share premium		**1,400,410**	1,400,410	1,400,410
Reserves	29	**3,149,518**	2,697,238	2,306,047
TOTAL EQUITY		**6,044,504**	5,592,224	5,201,033
TOTAL LIABILITIES AND EQUITY		**55,834,291**	53,681,288	46,962,726
COMMITMENTS AND CONTINGENCIES	43(d)	**19,096,585**	20,067,994	18,901,770

The accounting policies on pages 85 to 106 and the notes on pages 107 to 214 form an integral part of these financial statements.

Company Statement of Financial Position
- 31 December 2012

	Note	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
ASSETS				
Cash and short-term funds	2	**33,209**	67,333	126,186
Deposits and placements with banks and other financial institutions	3	**101,958**	216,396	176,633
Other assets	10	**346**	384	319
Amount due from subsidiaries	12	**904,960**	603,062	300,756
Amount due from associate	13	**67,240**	67,257	91,828
Investment in subsidiaries	14	**3,582,882**	3,536,914	3,636,991
Investment in a jointly controlled entity	15	**146,880**	135,660	128,520
Investment in associate	16	**10,597**	10,597	10,597
Taxation recoverable		**5,021**	4,519	6,181
Property and equipment	17	**659**	895	734
Intangible assets	18	**4**	9	12
TOTAL ASSETS		**4,853,756**	4,643,026	4,478,757
LIABILITIES AND EQUITY				
Other liabilities	24	**5,829**	5,534	106,324
Deferred tax liabilities	25	**143**	587	141
Amount due to subsidiaries	26	**400,258**	589,313	689,348
Borrowings	27	**972,343**	669,645	392,386
TOTAL LIABILITIES		**1,378,573**	1,265,079	1,188,199
EQUITY				
Share capital	28	**1,494,576**	1,494,576	1,494,576
Share premium		**1,400,410**	1,400,410	1,400,410
Reserves	29	**580,197**	482,961	395,572
TOTAL EQUITY		**3,475,183**	3,377,947	3,290,558
TOTAL LIABILITIES AND EQUITY		**4,853,756**	4,643,026	4,478,757

The accounting policies on pages 85 to 106 and the notes on pages 107 to 214 form an integral part of these financial statements.

Income Statements

For The Financial Year Ended 31 December 2012

	Note	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Company 31.12.2012 RM'000	Company 31.12.2011 RM'000
Revenue	30	**2,971,723**	2,655,610	**309,519**	271,172
Interest income	31	**2,106,615**	1,972,102	**51,984**	34,629
Interest expense	32	**(1,209,786)**	(1,102,525)	**-**	-
Net interest income		**896,829**	869,577	**51,984**	34,629
Net Islamic banking income	33	**216,772**	198,933	**-**	-
		1,113,601	1,068,510	**51,984**	34,629
Other operating income	34	**408,458**	313,072	**292,519**	236,591
Net income		**1,522,059**	1,381,582	**344,503**	271,220
Other operating expenses	35	**(700,315)**	(658,761)	**(9,993)**	(8,631)
Operating profit before allowance for impairment on loans, advances and financing		**821,744**	722,821	**334,510**	262,589
Allowance for impairment on loans, advances and financing	37	**18,835**	8,331	**-**	-
Allowance for impairment on other assets	38	**(408)**	874	**-**	-
Operating profit		**840,171**	732,026	**334,510**	262,589
Finance cost	39	**(41,021)**	(22,521)	**(41,021)**	(22,521)
Share of results of jointly controlled entities		**1,823**	(4,590)	**-**	-
Share of results of associate		**32,765**	4,233	**-**	-
Profit before taxation and zakat		**833,738**	709,148	**293,489**	240,068
Taxation	40	**(197,710)**	(194,816)	**(13,167)**	(18,167)
Zakat		**(7,086)**	(6,337)	**-**	-
Net profit for the financial year attributable to equity holders of the Company		**628,942**	507,995	**280,322**	221,901
Earnings per share attributable to equity holders of the Company (sen) - Basic and fully diluted	41	**42.08**	33.99		

The accounting policies on pages 85 to 106 and the notes on pages 107 to 214 form an integral part of these financial statements.

Statements of Comprehensive Income

For The Financial Year Ended 31 December 2012

	Note	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Company 31.12.2012 RM'000	Company 31.12.2011 RM'000
Profit after taxation and zakat		**628,942**	507,995	**280,322**	221,901
Other comprehensive income:					
- Net fair value change in financial investments available-for-sale		**7,692**	24,510	**-**	-
- Deferred tax on revaluation of financial investments available-for-sale		**(1,268)**	(6,802)	**-**	-
Other comprehensive income for the financial year, net of tax		**6,424**	17,708	**-**	-
Total comprehensive income for the financial year		**635,366**	525,703	**280,322**	221,901
Attributable to equity holders of the Company:					
- Total comprehensive income		**635,366**	525,703	**280,322**	221,901

The accounting policies on pages 85 to 106 and the notes on pages 107 to 214 form an integral part of these financial statements.

Consolidated Statement of
Changes in Equity

For The Financial Year Ended 31 December 2012

	Note	< ---------- Attributable to Equity Holders of the Company					------- >
		Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	AFS revaluation reserves RM'000	Retained profits RM'000	Total equity RM'000
At 1 January 2012		**1,494,576**	**1,400,410**	**1,127,843**	**102,339**	**1,467,056**	**5,592,224**
Comprehensive income:							
- Net profit for the financial year		**-**	**-**	**-**	**-**	**628,942**	**628,942**
Other comprehensive income (net of tax):							
- Financial investments available-for-sale		**-**	**-**	**-**	**6,424**	**-**	**6,424**
Total comprehensive income for the financial year		**-**	**-**	**-**	**6,424**	**628,942**	**635,366**
Transfer to statutory reserves		**-**	**-**	**165,822**	**-**	**(165,822)**	**-**
Dividends declared and paid for the financial year	42	**-**	**-**	**-**	**-**	**(183,086)**	**(183,086)**
At 31 December 2012		**1,494,576**	**1,400,410**	**1,293,665**	**108,763**	**1,747,090**	**6,044,504**
At 1 January 2011		1,494,576	1,400,410	990,543	84,631	1,230,873	5,201,033
Comprehensive income:							
- Net profit for the financial year		-	-	-	-	507,995	507,995
Other comprehensive income (net of tax):							
- Financial investments available-for-sale		-	-	-	17,708	-	17,708
Total comprehensive income for the financial year		-	-	-	17,708	507,995	525,703
Transfer to statutory reserves		-	-	137,300	-	(137,300)	-
Dividends declared and paid for the financial year	42	-	-	-	-	(134,512)	(134,512)
At 31 December 2011		1,494,576	1,400,410	1,127,843	102,339	1,467,056	5,592,224

The accounting policies on pages 85 to 106 and the notes on pages 107 to 214 form an integral part of these financial statements.

Company Statement of
Changes in Equity

For The Financial Year Ended 31 December 2012

	Note	Share capital RM'000	Non-Distributable Share premium RM'000	Distributable Retained profits RM'000	Total equity RM'000
At 1 January 2012		**1,494,576**	**1,400,410**	**482,961**	**3,377,947**
Total comprehensive income for the financial year:					
- Net profit for the financial year		**-**	**-**	**280,322**	**280,322**
Dividends declared and paid for the financial year	42	**-**	**-**	**(183,086)**	**(183,086)**
At 31 December 2012		**1,494,576**	**1,400,410**	**580,197**	**3,475,183**
At 1 January 2011		1,494,576	1,400,410	395,572	3,290,558
Total comprehensive income for the financial year:					
- Net profit for the financial year		-	-	221,901	221,901
Dividends declared and paid for the financial year	42	-	-	(134,512)	(134,512)
At 31 December 2011		1,494,576	1,400,410	482,961	3,377,947

The accounting policies on pages 85 to 106 and the notes on pages 107 to 214 form an integral part of these financial statements.

Consolidated Statement of Cash Flows

For The Financial Year Ended 31 December 2012

	31.12.2012 RM'000	Restated 31.12.2011 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation and zakat	**833,738**	709,148
Adjustments for items not involving the movement of cash and cash equivalents:-		
Interest income from		
- financial assets held-for-trading	**(1,009)**	(64)
- financial investments available-for-sale	**(269,759)**	(266,477)
- financial investments held-to-maturity	**(29,889)**	(28,629)
Dividend income from		
- financial investments available-for-sale	**(4,100)**	(689)
- financial investments held-to-maturity	**-**	(9,705)
Amortisation of premium net of accretion of discount		
- financial investments available-for-sale	**(11,999)**	(24,211)
- financial investments held-to-maturity	**366**	(2,579)
Gain on disposal/redemption		
- financial assets held-for-trading	**(6,125)**	(5,466)
- financial investments available-for-sale	**(49,523)**	(41,252)
- financial investments held-to-maturity	**(19,466)**	(2,546)
Unrealised (gain)/loss on revaluation		
- financial assets held-for-trading	**188**	9
- derivatives	**(12,669)**	12,469
- foreign exchange	**(42,282)**	18,035
Allowance for/(write-back of) impairment loss		
- financial investments available-for-sale	**744**	(874)
- financial investments held-to-maturity	**(336)**	-
Depreciation of property and equipment	**20,313**	21,641
Property and equipment written-off	**182**	425
Gains arising from waiver of debts	**(8)**	(2,673)
Net gain on disposal of property and equipment	**(1,297)**	(139)
(Gain)/loss on disposal of foreclosed properties	**(10,141)**	272
Amortisation of intangible assets	**9,162**	9,779
Bad debts written-off	**7,784**	15,956
Share of results of jointly controlled entities	**(1,823)**	4,590
Share of results of associate	**(32,765)**	(4,233)
Additional allowance for impairment on loans, advances and financing		
- collective impairment	**3,296**	69,653
- individual impairment	**78,147**	106,475
- litigation losses	**-**	40,000
Additional allowance for impaired debts – other debtors	**157**	147
OPERATING PROFIT BEFORE CHANGES IN WORKING CAPITAL	**460,886**	619,062

Consolidated Statement of Cash Flows (continued)

For The Financial Year Ended 31 December 2012

	31.12.2012 RM'000	Restated 31.12.2011 RM'000
INCREASE/(DECREASE) IN OPERATING ACTIVITIES		
(Increase)/decrease in operating assets:-		
Deposits and placements with banks and other financial institutions	**(212,898)**	(261,365)
Reverse repurchase agreements with financial institutions	**(20,057)**	-
Financial assets held-for-trading	**(8,814)**	5,634
Loans, advances and financing	**(3,815,549)**	(4,054,864)
Statutory deposits with Bank Negara Malaysia	**(97,339)**	(1,134,974)
Trade receivables	**(53,512)**	109,773
Other assets	**(106,164)**	(92,339)
Increase/(decrease) in operating liabilities:-		
Deposits from customers	**3,581,572**	6,116,135
Deposits and placements of banks and other financial institutions	**(2,278,838)**	14,449
Bills and acceptances payable	**70,341**	(28,102)
Trade payables	**56,782**	(101,894)
Recourse obligation on loans sold to Cagamas Berhad	**(14,910)**	139,568
Other liabilities	**(66,057)**	(46,969)
Cash (used in)/generated from operating activities	**(2,504,557)**	1,284,114
Tax and zakat paid	**(163,874)**	(153,722)
Tax refund	**17,088**	11,257
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	**(2,651,343)**	1,141,649
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchase of financial investments available-for-sale	**(210,647)**	(437,831)
Net disposal/(purchase) of financial investments held-to-maturity	**122,035**	(109,250)
Proceeds from disposal of property and equipment	**4,372**	2,324
Proceeds from disposal of foreclosed properties	**21,611**	118,687
Purchase of property and equipment	**(23,584)**	(35,354)
Purchase of intangible assets	**(2,098)**	(1,986)
Capital injection into a jointly controlled entity	**(11,220)**	(7,140)
Interest received from		
- financial investments available-for-sale	**269,759**	266,477
- financial investments held-to-maturity	**29,889**	28,629
Dividend received from associate	**2,520**	-
Dividend received from		
- financial investments available-for-sale	**4,100**	689
- financial investments held-to-maturity	**-**	9,705
Amount due from associate	**17**	24,571
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	**206,754**	(140,479)

Consolidated Statement of Cash Flows (continued)

For The Financial Year Ended 31 December 2012

	31.12.2012 RM'000	Restated 31.12.2011 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in borrowings	**302,698**	277,259
Dividends paid to shareholders of the Company	**(183,086)**	(235,396)
NET CASH GENERATED FROM FINANCING ACTIVITIES	**119,612**	41,863
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(2,324,977)**	1,043,033
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**9,675,118**	8,632,085
CASH AND CASH EQUIVALENTS AT END OF YEAR	**7,350,141**	9,675,118
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and short-term funds (Note 2)	**7,359,658**	9,685,542
Adjustment for money held in trust on behalf of remisiers (Note 24)	**(9,517)**	(10,424)
Cash and cash equivalents	**7,350,141**	9,675,118

The accounting policies on pages 85 to 106 and the notes on pages 107 to 214 form an integral part of these financial statements.

Company Statement of Cash Flows

For The Financial Year Ended 31 December 2012

	31.12.2012 RM'000	31.12.2011 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation and zakat	**293,489**	240,068
Adjustments for items not involving the movement of cash and cash equivalents:-		
Gross dividends from subsidiaries	**(254,175)**	(236,543)
Gross dividends from associate	**(3,360)**	-
Depreciation of property and equipment	**244**	246
Amortisation of intangible assets	**5**	3
Gain on winding-up of a subsidiary	**(34,984)**	-
Gain on disposal of property and equipment	**-**	(48)
OPERATING PROFIT BEFORE CHANGES IN WORKING CAPITAL	**1,219**	3,726
INCREASE/(DECREASE) IN OPERATING ACTIVITIES		
Decrease/(increase) in operating assets:-		
Deposits and placements with banks and other financial institutions	**114,438**	(39,763)
Other assets	**38**	(65)
Increase in operating liabilities:-		
Other liabilities	**295**	94
Cash generated from/(used in) operating activities	**115,990**	(36,008)
Tax paid	**(1,882)**	(2,040)
Tax refund	**-**	1,938
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	**114,108**	(36,110)
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend received from subsidiaries	**242,784**	219,386
Dividend received from associate	**2,520**	-
Net cash movement in amount due from/to subsidiaries	**(301,937)**	(301,064)
Proceeds from disposal of property and equipment	**-**	48
Purchase of property and equipment	**(8)**	(407)
Amount due from associate	**17**	24,571
Capital injection into a licensed bank subsidiary	**(200,000)**	-
Capital injection into a jointly controlled entity	**(11,220)**	(7,140)
NET CASH USED IN INVESTING ACTIVITIES	**(267,844)**	(64,606)

Company Statement of Cash Flows (continued)

For The Financial Year Ended 31 December 2012

	31.12.2012 RM'000	31.12.2011 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in borrowings	**302,698**	277,259
Dividends paid to shareholders of the Company	**(183,086)**	(235,396)
NET CASH GENERATED FROM FINANCING ACTIVITIES	**119,612**	41,863
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(34,124)**	(58,853)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**67,333**	126,186
CASH AND CASH EQUIVALENTS AT END OF YEAR	**33,209**	67,333
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and short-term funds (Note 2)	**33,209**	67,333

The accounting policies on pages 85 to 106 and the notes on pages 107 to 214 form an integral part of these financial statements.

Summary of Significant Group Accounting Policies

For The Financial Year Ended 31 December 2012

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 provisions of 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 Syariah principles.

The financial statements of the Group and the Company for the year ended 31 December 2012 are the first set of financial statements prepared in accordance with the MFRS, including MFRS 1 'First-time adoption of MFRS'. The Group and the Company's first MFRS financial statements include at least three statements of financial position, two statements of income statements, two statements of comprehensive income, two statements of changes in equity and two statements of cash flows and related notes, including comparative information. The Group and the Company have consistently applied the same accounting policies in its opening MFRS statement of financial position at 1 January 2011 (transition date) and throughout all years presented, as if these policies had always been in effect. The effect and the change in accounting policy arising from the adoption of MFRS are disclosed in Note 51(a).

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 are based on the Directors' best knowledge of current events and actions, actual results may differ from these estimates.

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

The Group will apply the new standards, amendments to standards and interpretations in the following periods:

i. Financial year beginning on/after 1 January 2013

- MFRS 10 "Consolidated financial statements" (effective from 1 January 2013) changes the definition of control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. It establishes control as the basis for determining which entities are consolidated in the consolidated financial statements and sets out the accounting requirements for the preparation of consolidated financial statements. It replaces all the guidance on control and consolidation in MFRS 127 "Consolidated and separate financial statements" and IC Interpretation 112 "Consolidation – special purpose entities".

Summary of Significant Group Accounting Policies (continued)

For The Financial Year Ended 31 December 2012

1 BASIS OF PREPARATION (continued)

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

i. Financial year beginning on/after 1 January 2013 (continued)

- MFRS 11 "Joint arrangements" (effective from 1 January 2013) requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement, rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

- MFRS 12 "Disclosures of interests in other entities" (effective from 1 January 2013) sets out the required disclosures for entities reporting under the two new standards, MFRS 10 and MFRS 11, and replaces the disclosure requirements currently found in MFRS 128 "Investments in associates". It requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

- MFRS 13 "Fair value measurement" (effective from 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7 "Financial instruments: Disclosures", but apply to all assets and liabilities measured at fair value, not just financial ones.

- The revised MFRS 127 "Separate financial statements" (effective from 1 January 2013) includes the provisions on separate financial statements that are left after the control provisions of MFRS 127 have been included in the new MFRS 10.

- The revised MFRS 128 "Investments in associates and joint ventures" (effective from 1 January 2013) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of MFRS 11.

- Amendment to MFRS 101 "Presentation of items of Other Comprehensive Income" (effective from 1 July 2012) requires entities to separate items presented in 'other comprehensive income' ("OCI") in the statement of comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. The amendments do not address which items are presented in OCI.

- Amendment to MFRS 7 "Financial instruments: Disclosures" (effective from 1 January 2013) requires more extensive disclosures focusing on quantitative information about recognised financial instruments that are offset in the statement of financial position and those that are subject to master netting or similar arrangements irrespective of whether they are offset.

Summary of Significant Group Accounting Policies (continued)

For The Financial Year Ended 31 December 2012

1 BASIS OF PREPARATION (continued)

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

ii. Financial year beginning on/after 1 January 2014

- Amendment to MFRS 132 "Financial instruments: Presentation" (effective from 1 January 2014) does not change the current offsetting model in MFRS 132. It clarifies the meaning of 'currently has a legally enforceable right of set-off' that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. It clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.

iii. Financial year beginning on/after 1 January 2015

- MFRS 9 "Financial instruments - classification and measurement of financial assets and financial liabilities" (effective from 1 January 2015) replaces the multiple classification and measurement models in MFRS 139 with a single model that has only two classification categories: amortised cost and fair value. The basis of classification depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

  The accounting and presentation for financial liabilities and for de-recognising financial instruments has been relocated from MFRS 139, without change, except for financial liabilities that are designated at fair value through profit or loss ("FVTPL"). Entities with financial liabilities designated at FVTPL recognise changes in the fair value due to changes in the liability's credit risk directly in other comprehensive income ("OCI"). There is no subsequent recycling of the amounts in OCI to profit or loss, but accumulated gains or losses may be transferred within equity.

  The guidance in MFRS 139 on impairment of financial assets and hedge accounting continues to apply.

  MFRS 7 requires disclosures on transition from MFRS 139 to MFRS 9.

The Group 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 except for enhanced disclosure.

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors dated 28 February 2013.

Summary of Significant Group Accounting Policies (continued)

For The Financial Year Ended 31 December 2012

2 CONSOLIDATION

The consolidated financial statements include the financial statements of the Company, subsidiaries, jointly controlled entities and associates, made up to the end of the financial year.

(a) Subsidiaries

Subsidiaries are all entities over which the Group has power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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. Acquisition-related costs are expensed as incurred. 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 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. If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured at its acquisition-date fair value through profit or loss.

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 remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 CONSOLIDATION (continued)

(b) Jointly controlled entities

Jointly controlled entities are corporations, partnerships or other entities over which there is contractually agreed sharing of control by the Group with one or more parties where the strategic financial and operating decisions relating to the entities require unanimous consent of the parties sharing control.

The Group's interest in jointly controlled entities is accounted for in the financial statements by the equity method of accounting. Equity accounting involves recognising the Group's share of the post-acquisition results of jointly controlled entities in the income statement and its share of post-acquisition changes of the investee's reserves in other comprehensive income. The cumulative post-acquisition changes are adjusted against the cost of the investment and include goodwill on acquisition (net of accumulated impairment loss).

When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other unsecured receivables, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the jointly controlled entity.

Unrealised gains on transactions between the Group and its jointly controlled entity are eliminated to the extent of the Group's interest in the jointly controlled entity; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where necessary, adjustments have been made to the financial statements of jointly controlled entities to ensure consistency of accounting policies with those of the Group.

(c) Associates

Associates are those corporations, partnerships or other entities in which the Group exercises significant influence, but which it does not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not the power to exercise control over those policies.

Investments in associates are accounted for in the consolidated financial statements using equity method of accounting as described in Note 2(b) above.

(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 off the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Summary of Significant Group Accounting Policies (continued)

For The Financial Year Ended 31 December 2012

2 CONSOLIDATION (continued)

(f) Investments in subsidiaries, jointly controlled entity and associate

In the Company's separate financial statements, the investments in subsidiaries, jointly controlled entity and associate are carried at cost less accumulated impairment losses.

On disposal of investment in subsidiaries, jointly controlled entity and associate, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

3 INTANGIBLE ASSETS

Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries, jointly controlled entities and associates over the fair value of the Group's share of the identifiable net assets at the date of acquisition.

Goodwill on acquisition of subsidiaries are included in the statement of financial position as intangible assets. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicated that the goodwill may be impaired. The amount retained in the consolidated financial statements is stated at cost less accumulated impairment losses. Impairment losses on goodwill (inclusive of impairment losses recognised in a previous interim period) are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to the respective subsidiaries, representing the cash-generating units ("CGUs") of the Group for the purpose of impairment testing. The allocation is made to those CGUs that are expected to benefit from the synergies of the business combination in which goodwill arose identified according to operating segment.

Goodwill on acquisition of jointly controlled entities and associates are included in investments in jointly controlled entities and associates respectively. Such goodwill is tested for impairment as part of the overall balances.

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.

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. 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.

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 TRADE RECEIVABLES

Trade receivables arising from the stock-broking business are carried at cost net of impairment allowances.

The Group assesses at each reporting date whether there is objective evidence of impairment. It 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 (a 'loss event') and that loss event (or events) has an impact on the estimated collateral value.

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

- Breach of trading accounts terms and conditions;
- Significant financial difficulty;
- Probability of bankruptcy; and
- Conduct of dealer.

The Group assesses whether objective evidence of impairment exists individually for trade receivables. If the Group determines that no objective evidence of impairment exists for individual assessment, it will be collectively assessed for impairment.

The amount of the loss is measured as the difference between the carrying amount and the collateral value.

Impairment is collectively assessed based on historical loss experience, 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.

Change in accounting policy

Previously, the Group applied the Amendment to FRS 139 "Financial Instruments: Recognition and Measurement", which included an additional transitional arrangement for financial sectors, whereby BNM may prescribed the use of an alternative basis for collective assessment of impairments on loans, advances and financing. This transitional arrangement is prescribed in BNM's Guidelines on Classification and Impairment Provisions for Loans/Financing, whereby banking institutions are required to maintain collective allowances of at least 1.5% of total outstanding loans/financing, net of individual impairment allowances under the transitional provisions in the guidelines.

With effect from 1 January 2012, BNM has removed the transitional provision for banking institutions on collective evaluation of loan impairment assessment and loan loss provisioning to comply with MFRS 139 requirements. Exposures not individually known to be impaired are placed into pools of similar assets with similar risk characteristics to be collectively assessed for losses that have been incurred but not identified yet. The required loan loss allowance is estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the collective pool. The historical loss experience is adjusted based on current observable data. The effect of the change in accounting policy is disclosed in Note 51(a).

The impairment allowance is in conformity with the requirements of Chapter 11, Schedule 7, Rule 1104.1 of Rules of Bursa Malaysia Securities Berhad.

Summary of Significant Group Accounting Policies (continued)

For The Financial Year Ended 31 December 2012

7 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 branch 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.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially 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 and jointly controlled entity except where the timing of the reversal of the temporary difference can be controlled by the Group and it is possible 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.

8 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	4 to 10 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.

9 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.

Summary of Significant Group Accounting Policies (continued)

For The Financial Year Ended 31 December 2012

9 LEASES (continued)

Accounting by lessee (continued):-

(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.

Accounting by lessor:-

(i) *Finance leases*

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method so as to reflect a constant periodic rate of return.

(ii) *Operating leases*

When assets are leased out under an operating lease, the asset is included in the statement of financial position based on the nature of the asset. Lease income is recognised over the term of the lease on a straight-line basis.

10 FORECLOSED PROPERTIES

Foreclosed properties are stated at the lower of cost and net realisable value.

11 BILLS AND ACCEPTANCES PAYABLE

Bills and acceptances payable represent bills and acceptances rediscounted and outstanding in the market.

12 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.

12 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.

13 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.

14 OTHER 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.

Summary of Significant Group Accounting Policies (continued)

For The Financial Year Ended 31 December 2012

15 PROFIT EQUALISATION RESERVE

For the financial year beginning 1 January 2012, the wholly-owned Islamic banking subsidiary, namely AFFIN Islamic Bank Berhad ("AiSB") has adopted the Revised Guidelines on Profit Equalisation Reserve ("Revised PER Guidelines") issued by Bank Negara Malaysia on 19 May 2011. The revised guidelines are applicable to AiSB in managing the Displaced Commercial Risk ("DCR") in accordance with Shariah principles.

With the Revised PER Guidelines, the release of PER shall be appropriated from both Investment Account Holder ("IAH") and AiSB's portion based on the contractual profit sharing ratio at the point of utilisation. The amount of PER shall be limited to the maximum of the either PER of the IAH or AiSB's depending on prevailing profit sharing ratio.

The IAH portion of the existing PER shall be classified as a liability and is recognised at cost. Subsequent apportionments will be recognised in the income statement. The eventual distribution of PER as profit distributable to the IAH will be treated as an outflow of funds due to the settlement of the obligation to the IAH.

The PER of the AiSB's shall be classified as a separate reserve in equity and subsequent apportionments from and distributions to retained earnings will be treated as a transfer between reserves.

The change in accounting policy is accounted for prospectively and there is no financial impact to the result of the Group as disclosed in Note 51(b).

16 ZAKAT

This represents business zakat payable by the Group to comply with the principles of Syariah and as approved by the Syariah 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 2.5% of the net assets of the Islamic operations, 2.5% of the Syariah 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.

17 DIVIDENDS

Dividends on ordinary shares are recognised as liabilities when shareholders' right to receive the dividends is established.

18 RECOGNITION OF INTEREST AND FINANCING INCOME AND EXPENSES

Interest and financing income and expense for all interest/profit-bearing financial instruments measured at amortised cost and interest/profit bearing financial assets classified as held-for-trading and available-for-sale are recognised within "interest income", "interest expense" and "net 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.

18 RECOGNITION OF INTEREST AND FINANCING INCOME AND EXPENSES (continued)

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.

19 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.

20 FINANCIAL ASSETS

All financial assets 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 allocates financial assets to the following categories: loans, advances and financing; financial assets at fair value through profit or loss, financial investments available-for-sale; and financial investments held-to-maturity. Management determines the classification of its financial instruments at initial recognition.

a) Loans, advances and financing

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

Loans, advances and financing are initially recognised at fair value which is the cash consideration to originate or purchase the loan including any transaction costs and measured subsequently at amortised cost using the effective interest rate method, less impairment allowance.

An uncollectible loan, advance and financing or portion of a loan, advance and financing classified as bad is written-off after taking into consideration the realisable value of collateral, if any, when in the judgement of the management, there is no prospect of recovery.

Summary of Significant Group Accounting Policies (continued)

For The Financial Year Ended 31 December 2012

20 FINANCIAL ASSETS (continued)

a) Loans, advances and financing (continued)

At each reporting date, the Group assesses whether there is objective evidence that a loan or group of loans is impaired. A loan or a group of loans 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 loan (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the loan or group of loans that can be reliably estimated.

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

- Past due contractual payments;
- Significant financial difficulties of borrower;
- Probability of bankruptcy or other financial re-organisation;
- Default of related borrower;
- A breach of contract;
- The lender grants a concession to the borrower in relation to the borrower's financial difficulties;
- The disappearance of an active market for that financial asset because of financial difficulties; and
- Measurable decrease in estimated future cash flows from a group of financial assets.

The estimated period between a loss occurring and its identification for credit cards is six months and for all other loans are twelve months.

The Group first assess whether objective evidence of impairment exists individually for loans that are individually significant, and individually or collectively for loans that are not individually significant. If the Group determine that no objective evidence of impairment exists for an individually assessed loan, whether significant or not, it includes the loan in a group of loans with similar credit risk characteristics and collectively assesses them for impairment. Loans 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 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 rate. The carrying amount of the loan is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest 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.

For the purposes of a collective evaluation of impairment, loans 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 by being indicative of the borrowers' 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.

20 FINANCIAL ASSETS (continued)

a) Loans, advances and financing (continued)

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.

Change in accounting policy

Previously, the Group applied the Amendment to FRS 139 "Financial Instruments: Recognition and Measurement", which included an additional transitional arrangement for financial sectors, whereby BNM may prescribed the use of an alternative basis for collective assessment of impairments on loans, advances and financing. This transitional arrangement is prescribed in BNM's Guidelines on Classification and Impairment Provisions for Loans/Financing, whereby banking institutions are required to maintain collective allowances of at least 1.5% of total outstanding loans/financing, net of individual impairment allowances under the transitional provisions in the guidelines.

With effect from 1 January 2012, BNM has removed the transitional provision for banking institutions on collective evaluation of loan impairment assessment and loan loss provisioning to comply with MFRS 139 requirements. Exposures not individually known to be impaired are placed into pools of similar assets with similar risk characteristics to be collectively assessed for losses that have been incurred but not identified yet. The required loan loss allowance is estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the collective pool. The historical loss experience is adjusted based on current observable data.

The effect of the change in accounting policy is disclosed in Note 51(a).

b) Rescheduled and restructured loans

Where a loan shows evidence of credit weaknesses, the Group may seek to renegotiate the loan rather than to take possession of collateral. This may involve an extension of the payment arrangements via rescheduling or the renegotiation of new loan terms and conditions via restructuring. Management monitors the renegotiated loan to ensure that all the revised terms are met and that the repayments are made promptly for a continuous period. Where an impaired loan is renegotiated, the borrower must adhere to the revised and/or restructured repayment terms for a continuous period of six months before the loan is classified as non-impaired. These loans continue to be subjected to individual or collective impairment assessment.

c) Financial assets at fair value through profit or loss

This category comprises two sub-categories: financial assets classified as held-for-trading and financial assets designated at fair value through profit or loss upon initial recognition.

A financial asset 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 assets' when their fair values are positive. Financial assets held-for-trading consist of debt instruments, including money-market papers, traded corporate and bank loans, and equity instruments, as well as financial assets with embedded derivatives. They are recognised in the statement of financial position as 'Financial assets held-for-trading'.

20 FINANCIAL ASSETS (continued)

c) Financial assets at fair value through profit or loss (continued)

Financial instruments included in this category are recognised initially at fair value; transaction costs are taken directly to the income statement. Financial assets at fair value through profit or loss are subsequently carried at fair value. Changes in fair values including the effects of currency translation, interest and dividend income are recognised in the income statement in the period in which the changes arise.

The Group may designate certain financial assets recognition as at fair value through profit or loss upon initial (fair value option). This designation cannot subsequently be changed. The fair value option is only applied when the following conditions are met:-

- the application of the fair value option reduces or eliminates an accounting mismatch that would otherwise arise; or
- the financial assets are part of a portfolio of financial instruments which is risk managed and reported to senior management on a fair value basis; or
- the financial assets consists of debt host and an embedded derivatives that must be separated.

Financial assets for which the fair value option is applied are recognised in the statement of financial position as 'Financial assets designated at fair value'. Fair value changes relating to financial assets designated at fair value through profit or loss are recognised in the income statement.

The Group may choose to reclassify a non-derivative financial asset held-for-trading out of this 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 have the intention and ability to hold it for the foreseeable future or until maturity.

d) Financial investments available-for-sale

Financial investments available-for-sale are non-derivative financial assets that are either designated in this category or not classified as loans and receivables, held-for-trading or held-to-maturity investments.

Financial instruments available-for-sale are initially recognised at fair value plus transaction costs and subsequently measured at fair value.

Investments in equity instruments where there is no quoted market price in an active market and whose fair value cannot be reliably measured, will be stated at cost.

Any gains or losses arising from the change in fair value adjustments are recognised directly in statement of comprehensive income except for impairment losses and foreign exchange gains or losses. When the financial asset is derecognised, the cumulative gains or loss previously recognised in statement of comprehensive income shall be transferred to the income statement.

Financial investments available-for-sale that would have met the definition of loans and receivables may only be transferred from the available-for-sale classification where the Group has the intention and the ability to hold the asset for the foreseeable future or until maturity.

20 FINANCIAL ASSETS (continued)

d) Financial investments available-for-sale (continued)

Impairment of financial investments available-for-sale is assessed when there is an objective evidence of impairment. Cumulative unrealised losses that had been recognised directly in equity shall be removed and recognised in income statement even though the securities have not been derecognised. Impairment loss in addition to the above unrealised losses is also recognised in the income statement. Subsequent reversal of impairment on debt instrument in the income statement is allowed when the decrease in impairment can be related objectively to an event occurring after the impairment was recognised.

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment resulting in the recognition of an impairment loss. Impairment losses recognised in the income statement on equity instruments shall not be reversed.

e) Financial investments held-to-maturity

Financial investments held-to-maturity are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity.

Financial investments held-to-maturity are initially recognised at fair value plus transaction costs, and subsequently measured at amortised cost using the effective interest method. Gains or losses are recognised in income statement when the securities are derecognised or impaired and through the amortisation process.

If, as a result of a change in intention or ability, it is no longer appropriate to classify a financial investment as held-to-maturity, the investment is reclassified as available-for-sale and re-measured at fair value, and the difference between its carrying amount and fair value shall be recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses.

Any sale or reclassification of a significant amount of financial investments held-to-maturity before maturity during the current financial year or preceding two financial years will “taint” the entire category and result in the remaining financial investments held-to-maturity being reclassified to available-for-sale except for sales or reclassification that:-

- are so close to maturity or call date that changes in the market rate of interest would not have significant effect on the financial asset’s fair value;
- occur after the Group has collected substantially all of the financial asset’s original principal; or
- are attributable to an isolated event that is beyond the Group’s control, non-recurring and could not have been reasonably anticipated by the Group.

Impairment of financial investments held-to-maturity is assessed when there is an objective evidence of impairment. The impairment loss is measured as the difference between the financial investments’ carrying amount and the present value of estimated future cash flows discounted at the financial investments’ original effective interest rate. Subsequent reversal of impairment is allowed in the event of an objective decrease in impairment. Recognition of impairment losses and its reversal is made through the income statement.

f) Recognition

The Group uses settlement date accounting for regular way contracts when recording financial asset transactions. Financial assets that are transferred to a third party but do not qualify for de-recognition are presented in the statement of financial position as “Assets pledged as collateral”, if the transferee has the right to sell or re-pledge them.

Summary of Significant Group Accounting Policies (continued)

For The Financial Year Ended 31 December 2012

20 FINANCIAL ASSETS (continued)

g) De-recognition

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Group and the Company test control to ensure that continuing involvement on the basis of any retained powers of control does not prevent de-recognition).

21 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 designated at fair value) and financial liabilities at amortised cost. Financial liabilities are derecognised when extinguished.

a) 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.

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.

Gains and losses arising from changes in fair value of financial liabilities classified held-for-trading are included in the income statement.

b) Financial 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. All the financial liabilities except for derivative financial liabilities of the Group and the Company are measured at amortised cost.

c) De-recognition

Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

22 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.

Malaysian Institute of Accountants ("MIA") has in September 2012 issued Financial Reporting Standards Implementation Committee ("FRSIC") Consensus 18 "Monies Held in Trust by Participating Organisations of Bursa Malaysia Securities Berhad", whereby it stipulates that the asset and liability in respect of trust monies held by a participating organisation shall not be recognised in the financial statements. The Group has applied this treatment with immediate effect and has restated the comparatives in the statement of financial position in accordance to MFRS 101, which includes the restatement of statement of financial position as at the beginning of the earliest comparative period as disclosed in Note 51(c).

23 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.

24 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are initially recognised at fair values on the date on which derivative contracts are entered into and are subsequently re-measured 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. The Group designated certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge); or (2) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge). Hedge accounting is used for designated derivatives provided certain criteria are met.

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessments, both at hedge inception and on an on-going basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Summary of Significant Group Accounting Policies (continued)

For The Financial Year Ended 31 December 2012

24 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used, is amortised to income statement over the period to maturity. The adjustment to the carrying amount of a hedged equity security remains in retained profits until disposal of the equity security.

b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in the statement of comprehensive income. The gain and loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in other comprehensive income are recycled to the income statement in the periods in which the hedged item will affect income statement (for example, when the forecast sale that is hedged takes place).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing at that time remains in other comprehensive income and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the income statement.

c) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. 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 qualify as hedges are deferred and amortised over the life of hedged assets or liabilities as adjustments to interest income or interest expense. 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.

25 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 Group’s functional and presentation currency.

25 CURRENCY TRANSLATION (continued)

Foreign currency 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 are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets are recognised in income statement as part of fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the fair value reserve in the statement of comprehensive income.

26 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Group does not recognise a contingent liability but discloses its existence in the financial statements. 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.

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.

Summary of Significant Group Accounting Policies (continued)

For The Financial Year Ended 31 December 2012

28 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) *Allowance for impairment 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.

(b) *Allowance for losses on loans, advances and financing*

In assessing assets for impairment, management judgement is required. The determination of the impairment allowance required for loans 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 in the 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, such as those to individuals and small business customers of the private and retail business, and for those loans 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.

(c) *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 2012

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 unit trusts management. The principal activities of the jointly controlled entities 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 2012 was 3,853 (31.12.2011: 3,790, 1.1.2011: 3,580) and 22 (31.12.2011: 22, 1.1.2011: 25) 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 Berhad.

2 CASH AND SHORT-TERM FUNDS

	Group			Company		
		Restated	Restated			
	31.12.2012	31.12.2011	1.1.2011	31.12.2012	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and bank balances with banks and other financial institutions	**209,572**	213,581	191,246	**58**	34	45
Money at call and deposits placements maturing within one month	**7,150,086**	9,471,961	8,451,651	**33,151**	67,299	126,141
	7,359,658	9,685,542	8,642,897	**33,209**	67,333	126,186

The cash and short-term funds is inclusive of remisiers' trust monies of RM9,516,802 (31.12.2011: RM10,423,865, 1.1.2011: RM10,811,964).

3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group			Company		
		Restated	Restated			
	31.12.2012	31.12.2011	1.1.2011	31.12.2012	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Licensed banks	**392,348**	279,458	18,093	**101,958**	216,396	176,633
Bank Negara Malaysia	**100,008**	-	-	**-**	-	-
	492,356	279,458	18,093	**101,958**	216,396	176,633

Included in deposits placed with banks and other financial institutions of the Group and the Company is RM2,571,000 (31.12.2011: RM2,492,000, 1.1.2011: RM2,419,000) pledged with licensed banks for term loan facilities of the Group and Company.

Notes to the Financial Statements (continued)

- 31 December 2012

4 TRADE RECEIVABLES

	Group		
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM'000	**RM'000**	**RM'000**
Amount due from stock-broking clients (a)	**129,025**	99,296	107,966
Amount due from Bursa Securities Clearing Sdn Bhd	**86,856**	63,752	165,326
Management fees receivable on fund management	**1,466**	974	896
	217,347	164,022	274,188
Allowance for impairment (b)			
- collective impairment	**(21)**	(211)	(190)
- individual impairment	**(3,575)**	(3,572)	(3,986)
	213,751	160,239	270,012

	Group	
	31.12.2012	**31.12.2011**
	RM'000	**RM'000**
(a) Movements of impaired amount due from clients are as follows:-		
Balance at beginning of financial year	**3,572**	3,986
Amount classified as impaired during the financial year	**161**	210
Amount recovered	**(158)**	(624)
Balance at end of financial year	**3,575**	3,572
(b) Movements in allowance for impairment on trade receivables:-		
Collective impairment		
Balance at beginning of financial year	**211**	190
Allowance made during the financial year	**(190)**	21
Balance at end of financial year	**21**	211
Individual impairment		
Balance at beginning of financial year	**3,572**	3,986
Allowance made during the financial year	**161**	210
Amounts recovered	**(158)**	(624)
Balance at end of financial year	**3,575**	3,572

5 FINANCIAL ASSETS HELD-FOR-TRADING

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
At fair value			
Bank Negara Malaysia Notes	**-**	149,832	99,853
Negotiable Instruments of Deposit	**150,276**	-	50,092
Unquoted securities			
- Private Debt Securities in Malaysia	**15,316**	-	-
Total financial assets held-for-trading	**165,592**	149,832	149,945

6 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
At fair value			
Malaysian Government Securities	**35,574**	675,045	1,529,606
Malaysian Government Treasury Bills	**-**	39,421	166,566
Malaysian Government Investment Issuance	**2,441,657**	3,846,939	2,233,111
Cagamas Bonds	**151,524**	181,510	222,915
Bank Negara Malaysia Sukuk	**-**	-	32,017
Sukuk Perumahan Kerajaan	**150,689**	-	-
Khazanah Bonds	**193,746**	14,262	13,250
Bankers' Acceptance and Islamic Acceptance Bills	**163,751**	-	556,994
Bank Negara Malaysia Notes	**884,069**	174,620	1,006,592
Negotiable Instruments of Deposit and Islamic Debt Certificate	**209,934**	102,121	141,072
	4,230,944	5,033,918	5,902,123
Quoted securities			
- Shares in Malaysia	**31,427**	47,762	58,669
- Private Debt Securities in Malaysia	**4,173**	2,167	2,167
- Irredeemable Convertible Unsecured Loan Stock in Malaysia	**4,124**	4,124	4,124
Unquoted securities			
- Shares in Malaysia	**151,946**	123,146	108,073
- Private Debt Securities in Malaysia	**4,458,510**	3,115,720	2,095,775
- Private Debt Securities outside Malaysia	**619,432**	872,823	511,858
	9,500,556	9,199,660	8,682,789
Allowance for impairment of securities	**(96,319)**	(76,768)	(90,256)
Total financial investments available-for-sale	**9,404,237**	9,122,892	8,592,533

Notes to the Financial Statements (continued)
- 31 December 2012

7 FINANCIAL INVESTMENTS HELD-TO-MATURITY

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
At amortised cost			
Quoted securities			
- Private Debt Securities in Malaysia	**31,781**	34,623	38,123
Unquoted securities			
- Private Debt Securities in Malaysia	**578,691**	704,232	586,104
- Redeemable Convertible Unsecured Loan Stock in Malaysia	**1,554**	12,919	13,340
	612,026	751,774	637,567
Allowance for impairment of securities	**(63,702)**	(100,851)	(101,019)
Total financial investments held-to-maturity	**548,324**	650,923	536,548

8 DERIVATIVE FINANCIAL ASSETS

	Group					
	31.12.2012		31.12.2011		1.1.2011	
	Contract/ Notional Amount RM'000	Assets RM'000	Contract/ Notional Amount RM'000	Assets RM'000	Contract/ Notional Amount RM'000	Assets RM'000
At fair value						
Foreign exchange derivatives						
- Currency forwards	**581,337**	**9,504**	246,290	2,433	240,549	2,381
- Cross currency swaps	**1,871,775**	**35,657**	859,504	14,350	1,326,525	33,029
Interest rate derivatives						
- Interest rate swaps	**740,057**	**20,854**	396,178	30,240	560,092	16,216
	3,193,169	**66,015**	1,501,972	47,023	2,127,166	51,626

9 LOANS, ADVANCES AND FINANCING

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
BY TYPE			
Overdrafts	**1,834,204**	1,856,907	1,971,364
Term loans/financing			
- Housing loans/financing	**5,176,283**	4,544,089	3,885,327
- Syndicated term loans/financing	**1,758,162**	1,645,276	1,394,211
- Hire purchase receivables	**9,595,286**	8,869,439	7,835,986
- Business term loans/financing	**11,476,993**	10,428,142	8,240,501
Bills receivables	**452,075**	42,928	39,077
Trust receipts	**435,425**	374,449	266,050
Claims on customers under acceptance credits	**1,040,695**	694,365	659,074
Staff loans/financing (of which RM Nil to directors)	**150,823**	155,279	160,557
Credit/charge cards	**85,258**	93,116	101,682
Revolving credit	**2,688,873**	2,318,313	2,566,889
Margin financing	**26,342**	45,056	40,955
Factoring	**4,186**	12,318	3,185
Gross loans, advances and financing	**34,724,605**	31,079,677	27,164,858
Less: Allowance for impairment			
- Collective impairment	**(330,797)**	(462,953)	(405,085)
- Individual impairment	**(230,640)**	(179,878)	(185,707)
Total net loans, advances and financing	**34,163,168**	30,436,846	26,574,066

Included in term loans are housing loans amounting to RM413,549,000 (31.12.2011: RM428,459,000, 1.1.2011: RM288,891,000) sold to Cagamas Berhad with recourse.

Included in business term loans/financing is a term financing of RM35.2 million (31.12.2011: RM23.3 million, 1.1.2011: RM13.5 million) granted by AFFIN Islamic Bank Berhad to a jointly controlled entity, namely AFFIN-i Nadayu Sdn Bhd (fka AFFIN-i Goodyear Sdn Bhd).

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
BY MATURITY STRUCTURE			
Maturing within one year	**7,310,427**	6,048,047	6,951,917
One year to three years	**3,888,636**	3,848,659	2,808,471
Three years to five years	**7,203,938**	5,523,193	4,475,504
Over five years	**16,321,604**	15,659,778	12,928,966
	34,724,605	31,079,677	27,164,858

Notes to the Financial Statements (continued)
- 31 December 2012

9 LOANS, ADVANCES AND FINANCING (continued)

	Group		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
BY TYPE OF CUSTOMER			
Domestic banking institutions	**1,335**	949	-
Domestic non-banking institutions			
- Stock-broking companies	**253**	-	270
- Others	**1,702,223**	2,078,889	2,146,330
Domestic business enterprises			
- Small medium enterprise	**5,185,194**	7,605,717	6,833,345
- Others	**12,885,089**	7,940,697	6,284,713
Government and statutory bodies	**117,523**	65,487	75,394
Individuals	**14,014,481**	12,961,182	11,549,238
Other domestic entities	**128,982**	164,857	45,584
Foreign entities	**689,525**	261,899	229,984
	34,724,605	31,079,677	27,164,858
BY INTEREST/PROFIT RATE SENSITIVITY			
Fixed rate			
- Housing loans/financing	**312,170**	289,374	292,884
- Hire purchase receivables	**9,595,286**	8,869,438	7,834,034
- Other fixed rate loans/financing	**4,240,497**	4,484,845	3,975,266
- Margin financing	**26,342**	45,056	31,356
Variable rate			
- BLR plus	**13,680,021**	11,271,790	10,210,602
- Cost plus	**6,870,289**	6,119,174	4,820,716
	34,724,605	31,079,677	27,164,858
BY ECONOMIC PURPOSE			
Construction	**2,119,630**	1,667,014	824,650
Purchase of landed property of which			
- Residential	**5,202,552**	4,654,475	4,014,078
- Non-residential	**4,738,255**	3,791,366	2,637,636
Purchase of securities	**137,344**	176,302	357,881
Purchase of transport vehicles	**10,032,763**	9,112,854	7,869,187
Fixed assets other than land and building	**330,383**	326,549	339,184
Personal use	**964,440**	827,086	731,288
Credit card	**85,258**	93,116	101,682
Consumer durable	**860**	958	1,067
Merger and acquisition	**615,084**	98,651	4,867
Working capital	**9,859,245**	9,924,518	9,912,895
Others	**638,791**	406,788	370,443
	34,724,605	31,079,677	27,164,858

9 LOANS, ADVANCES AND FINANCING (continued)

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
BY SECTOR			
Primary agriculture	**611,421**	539,364	532,442
Mining and quarrying	**473,549**	431,334	373,899
Manufacturing	**2,675,086**	2,294,794	1,834,288
Electricity, gas and water supply	**596,854**	172,860	215,707
Construction	**3,122,642**	2,553,635	2,494,920
Real estate	**3,789,840**	3,095,024	2,410,269
Wholesale and retail trade and restaurants and hotels	**1,799,305**	1,466,419	1,244,657
Transport, storage and communication	**1,880,894**	1,946,061	1,084,086
Finance, insurance and business services	**4,220,105**	4,288,464	4,421,179
Education, health and others	**1,326,793**	1,146,839	855,655
Household	**14,157,675**	13,092,597	11,654,880
Others	**70,441**	52,286	42,876
	34,724,605	31,079,677	27,164,858

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
BY GEOGRAPHICAL DISTRIBUTION			
Perlis	**84,463**	56,604	27,648
Kedah	**1,051,167**	942,274	902,980
Pulau Pinang	**1,665,271**	1,525,797	1,271,331
Perak	**1,037,353**	917,610	853,633
Selangor	**10,992,142**	9,524,022	7,753,378
Wilayah Persekutuan	**10,150,522**	9,399,510	9,114,769
Negeri Sembilan	**754,375**	753,916	721,564
Melaka	**767,272**	696,178	663,856
Johor	**2,825,308**	2,631,232	2,027,324
Pahang	**679,379**	633,914	623,000
Terengganu	**844,224**	580,189	567,382
Kelantan	**243,555**	268,161	256,176
Sarawak	**995,737**	1,072,628	806,070
Sabah	**1,533,859**	1,272,938	1,173,362
Labuan	**187,347**	262,731	277,901
Outside Malaysia	**912,631**	541,973	124,484
	34,724,605	31,079,677	27,164,858

Notes to the Financial Statements (continued)

- 31 December 2012

9 LOANS, ADVANCES AND FINANCING (continued)

	Group	
	31.12.2012 RM'000	31.12.2011 RM'000
IMPAIRED LOANS, ADVANCES AND FINANCING		
Movements of impaired loans, advances and financing		
Balance at beginning of financial year	**882,958**	989,769
Classified as impaired during the financial year	**558,599**	535,462
Reclassified as non-impaired during the financial year	**(375,518)**	(343,790)
Amount recovered	**(126,485)**	(186,621)
Amount written-off	**(149,116)**	(111,862)
Balance at end of financial year	**790,438**	882,958

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Impaired loans, advances and financing by economic purpose			
Construction	**61,437**	63,547	63,407
Purchase of landed property of which:			
- Residential	**329,360**	382,814	407,763
- Non-residential	**26,575**	34,354	44,744
Purchase of securities	**13,800**	3,000	3,020
Purchase of transport vehicles	**54,781**	106,606	81,586
Fixed assets other than land and building	**5,063**	17,758	3,633
Personal use	**6,738**	12,699	16,373
Credit card	**508**	499	636
Consumer durable	**29**	33	34
Working capital	**280,983**	260,129	368,356
Others	**11,164**	1,519	217
	790,438	882,958	989,769

9 LOANS, ADVANCES AND FINANCING (continued)

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Impaired loans, advances and financing by sector			
Primary agriculture	**7,482**	7,855	11,937
Mining and quarrying	**62**	-	50
Manufacturing	**73,295**	48,663	99,831
Electricity, gas and water supply	**1,641**	1,928	2,360
Construction	**181,800**	190,682	253,827
Real estate	**3,797**	4,159	8,263
Wholesale and retail trade and restaurants and hotels	**40,735**	50,369	65,303
Transport, storage and communication	**7,212**	5,086	4,633
Finance, insurance and business services	**63,880**	51,926	15,108
Education, health and others	**4,107**	8,547	8,301
Household	**399,141**	510,089	520,156
Others	**7,286**	3,654	-
	790,438	882,958	989,769

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Impaired loans, advances and financing by geographical distribution			
Perlis	**138**	332	840
Kedah	**24,622**	24,835	40,612
Pulau Pinang	**18,684**	25,585	30,120
Perak	**20,754**	23,884	16,202
Selangor	**382,049**	424,290	445,219
Wilayah Persekutuan	**142,360**	123,066	185,921
Negeri Sembilan	**31,248**	39,790	37,483
Melaka	**7,452**	16,229	15,854
Johor	**52,426**	65,744	88,097
Pahang	**10,058**	11,840	17,013
Terengganu	**3,681**	5,776	8,009
Kelantan	**4,153**	7,193	6,171
Sarawak	**5,741**	7,694	6,614
Sabah	**10,460**	15,533	14,387
Labuan	**21**	15	45
Outside Malaysia	**76,591**	91,152	77,182
	790,438	882,958	989,769

Notes to the Financial Statements (continued)

- 31 December 2012

9 LOANS, ADVANCES AND FINANCING (continued)

	Group	
	31.12.2012 RM'000	31.12.2011 RM'000
Movements in allowance for impairment on loans, advances and financing		
Collective impairment		
Balance at beginning of financial year	**462,953**	405,085
Allowance (net of write-back) made during the financial year	**3,486**	69,632
Amount written-off during the financial year	**(135,642)**	(12,118)
Exchange difference	**-**	354
Balance at end of financial year	**330,797**	462,953
Individual impairment		
Balance at beginning of financial year	**179,878**	185,707
Allowance made during the financial year	**80,860**	120,585
Amount recovered during the financial year	**(2,716)**	(13,696)
Amount written-off during the financial year	**(13,362)**	(98,012)
Unwinding discount of allowance	**(14,020)**	(14,706)
Balance at end of financial year	**230,640**	179,878

10 OTHER ASSETS

	Group			Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Cheque clearing accounts	**233,351**	104,755	4,160	**-**	-	-
Foreclosed properties (a)	**26,745**	40,950	161,261	**-**	-	-
Other debtors, deposits and prepayments (b)	**50,436**	28,722	50,520	**346**	382	319
Amount due from jointly controlled entities (c)	**2,745**	2,747	2,745	**-**	2	-
	313,277	177,174	218,686	**346**	384	319

10 OTHER ASSETS (continued)

	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000
(a) Foreclosed properties		
As at beginning of the financial year	**40,950**	161,261
Amount arising during the financial year	**-**	1,190
Disposal during the financial year	**(12,083)**	(118,959)
	28,867	43,492
Provision for diminution in value of foreclosed properties	**(2,122)**	(2,542)
As at end of the financial year	**26,745**	40,950

	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Group 1.1.2011 RM'000	Company 31.12.2012 RM'000	Company 31.12.2011 RM'000	Company 1.1.2011 RM'000
(b) Other debtors, deposits and prepayments						
Other debtors, deposits and prepayments	**60,353**	38,644	60,382	**346**	382	319
Less: Allowance for bad and doubtful debts	**(9,917)**	(9,922)	(9,862)	**-**	-	-
	50,436	28,722	50,520	**346**	382	319

(c) Amount due from jointly controlled entities

The amount due from jointly controlled entities are unsecured, interest-free and have no fixed term of repayment.

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 (continued)
- 31 December 2012

12 AMOUNT DUE FROM SUBSIDIARIES

	Company		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
10-year subordinated term loans to a licensed bank subsidiary:-			
- Term Loan I (a)	**300,920**	300,672	300,682
- Term Loan II (b)	**301,285**	301,178	-
- Term Loan III (c)	**302,755**	-	-
Other receivables (d)	**-**	1,212	74
	904,960	603,062	300,756

(a) The 10-year subordinated term loan I to a licensed bank subsidiary is unsecured and carries an interest rates ranging from 4.09% to 5.09% per annum during the financial year. The term loan has a bullet repayment on 10 March 2019.

(b) The 10-year subordinated term loan II to a licensed bank subsidiary is unsecured and carries an interest rate of 4.34% per annum during the financial year. The term loan has a bullet repayment on 25 May 2021.

(c) The 10-year subordinated term loan III to a licensed bank subsidiary is unsecured and carries an interest rate of 4.34% 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 have no fixed term of repayment.

13 AMOUNT DUE FROM ASSOCIATE

	Group and Company		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
3-year senior loan (a)	**-**	-	24,573
10-year subordinated loan (b)	**67,240**	67,255	67,255
Other receivable (c)	**-**	2	-
	67,240	67,257	91,828

(a) The 3-year senior loan to associate was unsecured and carried a fixed interest rate of 6.0% per annum. The senior loan had been fully repaid on 10 May 2011.

(b) The 10-year subordinated loan to associate is unsecured and carries a fixed interest rate of 8.0% per annum during the financial year. The subordinated loan has a bullet repayment on 28 April 2020.

(c) The other receivable from associate is unsecured, interest-free and has no fixed term of repayment.

14 INVESTMENT IN SUBSIDIARIES

	Company 31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Unquoted shares at cost	**3,582,882**	3,536,914	3,640,443
Allowance for impairment losses	**-**	-	(3,452)
	3,582,882	3,536,914	3,636,991

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

	Name	Principal activities	Issued and paid up share capital RM'000	Effective percentage of equity held 31.12.2012 %	31.12.2011 %	1.1.2011 %
1	AFFIN Bank Berhad	Provision of commercial banking and hire purchase services	1,518,337	**100**	100	100
	- AFFIN Islamic Bank Berhad	Provision of Islamic banking services	360,000	**100**	100	100
	- ABB Trustee Berhad #	Trustee management services	500	**100**	100	100
	- PAB Properties Sdn Bhd	Property management services	8,000	**100**	100	100
	- ABB Nominee (Tempatan) Sdn Bhd	Nominee services	40	**100**	100	100
	- ABB Nominee (Asing) Sdn Bhd	Nominee services	@	**100**	100	100
	- AFFIN Factors Sdn Bhd	Dormant	10,000	**100**	100	100
	- PAB Property Development Sdn Bhd	Dormant	250	**100**	100	100
	- PAB Property Management Services Sdn Bhd	Dormant	30	**100**	100	100
	- ABB Venture Capital Sdn Bhd	Dormant	@	**100**	100	100
	- AFFIN Futures Sdn Bhd	Dormant	13,000	**100**	100	100
	- ABB IT & Services Sdn Bhd	Dormant	2,000	**100**	100	100

Notes to the Financial Statements (continued)
- 31 December 2012

14 INVESTMENT IN SUBSIDIARIES (continued)

	Name	Principal activities	Issued and paid up share capital RM'000	Effective percentage of equity held 31.12.2012 %	31.12.2011 %	1.1.2011 %
	- BSNCB Nominees (Tempatan) Sdn Bhd	Dormant	500	**100**	100	100
	- BSNC Nominees (Tempatan) Sdn Bhd	Dormant	10	**100**	100	100
	- BSN Merchant Nominees (Tempatan) Sdn Bhd	Dormant	10	**100**	100	100
	- BSN Merchant Nominees (Asing) Sdn Bhd	Dormant	10	**100**	100	100
	- AFFIN Recoveries Berhad	Dormant	125,000	**100**	100	100
	- ABB Asset Management (M) Bhd	Dormant	@	**100**	100	100
	- AFFIN-ACF Nominees (Tempatan) Sdn Bhd	Dormant	25	**100**	100	100
2	AFFIN Investment Bank Berhad	Provision of investment banking services	222,246	**100**	100	100
	- AFFIN Fund Management Berhad	Asset management and management of unit trust	12,000	**100**	100	100
	- AFFIN Nominees (Tempatan) Sdn Bhd	Nominees services	@	**100**	100	100
	- AFFIN Nominees (Asing) Sdn Bhd	Nominees services	@	**100**	100	100
	- Classic Precision Sdn Bhd	Investment holding	10	**67**	67	67
	- Merchant Nominees (Tempatan) Sdn Bhd	In members' voluntary winding-up	-	**100**	100	100
	- Merchant Nominees (Asing) Sdn Bhd	In members' voluntary winding-up	-	**100**	100	100
3	AFFIN Moneybrokers Sdn Bhd	Money-broking	1,000	**100**	100	100

14 INVESTMENT IN SUBSIDIARIES (continued)

	Name	Principal activities	Issued and paid up share capital RM'000	Effective percentage of equity held 31.12.2012 %	31.12.2011 %	1.1.2011 %
4	AFFIN-ADB Sdn Bhd	Dissolved on 3 July 2011	-	**-**	-	100
5	AFFIN Capital Sdn Bhd	In members' voluntary winding-up	-	**100**	100	100
	- AFFIN Securities Sdn Bhd	Dissolved on 7 January 2012	-	**-**	100	100
6	AFFIN-ACF Holdings Sdn Bhd	Investment holding	338,382	**100**	100	100
	- AFFIN-ACF Capital Sdn Bhd	In members' voluntary winding-up	-	**100**	100	100
	- AFFIN Leasing Sdn Bhd	Dissolved on 6 October 2012	-	**-**	100	100
	- AFFIN-ACF Management Services Sdn Bhd	Dissolved on 15 June 2012	-	**-**	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

Notes to the Financial Statements (continued)

- 31 December 2012

15 INVESTMENT IN JOINTLY CONTROLLED ENTITIES

	Group			Company		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Unquoted shares at cost	**147,380**	136,160	129,020	**146,880**	135,660	128,520
Group's share of post-acquisition losses	**(17,592)**	(20,730)	(15,709)	**-**	-	-
	129,788	115,430	113,311	**146,880**	135,660	128,520

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Group's share of net assets	**129,788**	115,430	113,311

The summarised financial information of jointly controlled entities are as follows:-

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Revenue	**245,150**	236,937	268,671
Profit/(loss) after tax	**2,090**	(4,972)	1,609
Total assets	**1,087,334**	915,703	802,208
Total liabilities	**835,103**	686,634	582,567
Capital commitment for property and equipment	**-**	-	-

The jointly controlled entities were incorporated in Malaysia and the details are as follows:-

Name	Principal activities	Issued and paid up share capital RM'000	Percentage of equity held 31.12.2012 %	31.12.2011 %	1.1.2011 %
AXA AFFIN Life Insurance Berhad*	Underwriting of life insurance business	288,000	**51**	51	51
AFFIN-i Nadayu Sdn Bhd (fka AFFIN-i Goodyear Sdn Bhd)#	Property development	1,000	**50**	50	50

* Shareholding of AXA AFFIN Life Insurance Berhad held directly by the Company.

Shareholding of AFFIN-i Nadayu Sdn Bhd (fka AFFIN-i Goodyear Sdn Bhd) held directly by AFFIN Islamic Bank Berhad.

16 INVESTMENT IN ASSOCIATE

	Group			Company		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Unquoted shares at cost	**10,597**	10,597	10,597	**10,597**	10,597	10,597
Group's share of post-acquisition losses	**173,099**	144,951	142,182	**-**	-	-
	183,696	155,548	152,779	**10,597**	10,597	10,597

	Group		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Group's share of net assets	**184,222**	156,074	153,305
Discount on acquisition	**(526)**	(526)	(526)
Group's share of net assets	**183,696**	155,548	152,779

The summarised financial information of associate are as follows:-

	Group		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Revenue	**834,750**	736,702	615,594
Profit after tax	**90,118**	16,581	24,534
Total assets	**1,845,632**	1,616,703	1,604,814
Total liabilities	**1,287,928**	1,134,511	1,137,705
Capital commitment for property and equipment	**4,670**	3,736	3,459

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

Name	**Principal activities**	**Issued and paid up share capital RM'000**	**Percentage of equity held 31.12.2012 %**	**31.12.2011 %**	**1.1.2011 %**
AXA AFFIN General Insurance Berhad*	Underwriting of general insurance business	119,048	**33.6**	33.6	33.6

* Shareholding held directly by the Company

Notes to the Financial Statements (continued)

- 31 December 2012

17 PROPERTY AND EQUIPMENT

Group	Freehold land RM'000	<--- Leasehold land ---> 50 years or more RM'000	Less than 50 years RM'000	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
2012											
Cost											
At 1 January	22,811	12,862	5,380	32,013	89,069	118,223	62,287	7,679	1,876	87,886	440,086
- Additions	-	-	-	-	-	7,387	4,133	503	6,504	5,057	23,584
- Disposals	(1,685)	-	-	(2,063)	-	(637)	(199)	(1,189)	-	(2,608)	(8,381)
- Write-off	-	-	-	-	-	(2,675)	(928)	-	-	(2,182)	(5,785)
- Reclassification to intangible assets (Note 18)	-	-	-	-	-	-	-	-	(429)	-	(429)
At 31 December	21,126	12,862	5,380	29,950	89,069	122,298	65,293	6,993	7,951	88,153	449,075
Accumulated depreciation											
At 1 January	-	1,923	1,452	13,266	21,582	99,828	42,859	5,159	-	75,368	261,437
- Charge for the financial year	-	111	120	498	1,789	7,786	3,502	950	-	5,557	20,313
- Disposals	-	-	-	(802)	-	(607)	(181)	(1,110)	-	(2,604)	(5,304)
- Write-off	-	-	-	-	-	(2,663)	(766)	-	-	(2,175)	(5,604)
At 31 December	-	2,034	1,572	12,962	23,371	104,344	45,414	4,999	-	76,146	270,842
Impairment losses											
At 1 January	-	-	-	-	-	-	-	-	-	-	-
- Charge for the financial year	140	-	-	-	-	-	-	-	-	-	140
At 31 December	140	-	-	-	-	-	-	-	-	-	140
Net book value											
At 31 December	20,986	10,828	3,808	16,988	65,698	17,954	19,879	1,994	7,951	12,007	178,093

17 PROPERTY AND EQUIPMENT (continued)

Group	Freehold land RM'000	<--- Leasehold land ---> 50 years or more RM'000	Less than 50 years RM'000	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
2011											
Cost											
At 1 January	24,287	12,862	5,380	33,211	89,069	108,537	57,933	6,563	1,617	85,245	424,704
- Additions	-	-	-	-	-	11,621	4,966	1,647	11,469	5,651	35,354
- Disposals	(1,476)	-	-	(1,198)	-	(805)	(309)	(531)	-	(1,287)	(5,606)
- Write-off	-	-	-	-	-	(1,347)	(1,342)	-	-	(2,330)	(5,019)
- Reclassification to intangible assets (Note 18)	-	-	-	-	-	217	1,039	-	(11,210)	607	(9,347)
At 31 December	**22,811**	**12,862**	**5,380**	**32,013**	**89,069**	**118,223**	**62,287**	**7,679**	**1,876**	**87,886**	**440,086**
Accumulated depreciation											
At 1 January	-	1,811	1,332	13,273	19,793	94,291	40,861	4,781	-	71,665	247,807
- Charge for the financial year	-	112	120	535	1,789	7,517	3,481	864	-	7,223	21,641
- Disposals	-	-	-	(542)	-	(799)	(304)	(486)	-	(1,286)	(3,417)
- Write-off	-	-	-	-	-	(1,181)	(1,179)	-	-	(2,234)	(4,594)
At 31 December	**-**	**1,923**	**1,452**	**13,266**	**21,582**	**99,828**	**42,859**	**5,159**	**-**	**75,368**	**261,437**
Net book value											
At 31 December	**22,811**	**10,939**	**3,928**	**18,747**	**67,487**	**18,395**	**19,428**	**2,520**	**1,876**	**12,518**	**178,649**

Notes to the Financial Statements (continued)
- 31 December 2012

17 PROPERTY AND EQUIPMENT (continued)

Company	Renovations RM'000	Furniture and equipment RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Total RM'000
2012					
Cost					
At 1 January	**565**	**570**	**261**	**547**	**1,943**
- Additions	**-**	**5**	**3**	**-**	**8**
At 31 December	**565**	**575**	**264**	**547**	**1,951**
Accumulated depreciation					
At 1 January	**305**	**350**	**206**	**187**	**1,048**
- Charge for the financial year	**56**	**55**	**26**	**107**	**244**
At 31 December	**361**	**405**	**232**	**294**	**1,292**
Net book value					
At 31 December	**204**	**170**	**32**	**253**	**659**
2011					
Cost					
At 1 January	565	571	262	399	1,797
- Additions	-	3	6	398	407
- Write-off	-	(4)	(7)	-	(11)
- Disposal	-	-	-	(250)	(250)
At 31 December	565	570	261	547	1,943
Accumulated depreciation					
At 1 January	248	293	181	341	1,063
- Charge for the financial year	57	61	32	96	246
- Write-off	-	(4)	(7)	-	(11)
- Disposal	-	-	-	(250)	(250)
At 31 December	305	350	206	187	1,048
Net book value					
At 31 December	260	220	55	360	895

18 INTANGIBLE ASSETS

Group	Goodwill RM'000	Computer software RM'000	Total RM'000
2012			
Cost			
At 1 January	**989,741**	**131,418**	**1,121,159**
Reclassification from property and equipment (Note 17)	**-**	**429**	**429**
Additions	**-**	**2,098**	**2,098**
Disposal	**-**	**(29)**	**(29)**
At 31 December	**989,741**	**133,916**	**1,123,657**
Accumulated amortisation and impairment losses			
At 1 January	**-**	**107,740**	**107,740**
Charge for the financial year	**-**	**9,162**	**9,162**
Disposal	**-**	**(29)**	**(29)**
At 31 December	**-**	**116,873**	**116,873**
Net book value			
At 31 December	**989,741**	**17,043**	**1,006,784**
2011			
Cost			
At 1 January	989,741	120,112	1,109,853
Reclassification from property and equipment (Note 17)	-	9,347	9,347
Additions	-	1,986	1,986
Write-off	-	(4)	(4)
Disposal	-	(23)	(23)
At 31 December	989,741	131,418	1,121,159
Accumulated amortisation and impairment losses			
At 1 January	-	97,986	97,986
Charge for the financial year	-	9,779	9,779
Write-off	-	(3)	(3)
Disposal	-	(22)	(22)
At 31 December	-	107,740	107,740
Net book value			
At 31 December	989,741	23,678	1,013,419

Notes to the Financial Statements (continued)
- 31 December 2012

18 INTANGIBLE ASSETS (continued)

	Computer software 2012 RM'000	Computer software 2011 RM'000
Company		
Cost		
At 1 January	**20**	20
At 31 December	**20**	20
Accumulated amortisation and impairment losses		
At 1 January	**11**	8
Charge for the financial year	**5**	3
At 31 December	**16**	11
Net book value		
At 31 December	**4**	9

Goodwill

The carrying amount of goodwill has been allocated to the respective subsidiaries (based on their principal activities), representing the cash-generating units ("CGUs") of the Group as follows:-

	Carrying amount RM'000	Discount rate %
Cash generating units		
Commercial banking	829,478	10.52
Investment banking	97,346	11.33
Stock-broking	51,797	10.38
Money-broking	11,120	16.28
	989,741	

18 INTANGIBLE ASSETS (continued)

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 based on the historical Gross Domestic Product ("GDP") growth rate of Malaysia, revised for current economic conditions. The cash flows beyond the fifth year are assumed to grow at 5% on perpetual basis for all CGUs except for stockbroking where the cash flow projections are assumed to grow at conservative 1.0%.

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 ("WACC"), at the date of assessment of the CGUs.

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.

19 DEPOSITS FROM CUSTOMERS

	Group		
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM'000	**RM'000**	**RM'000**
By type of deposits			
Money market deposits	**859,141**	528,435	707,411
Demand deposits	**7,349,979**	6,166,557	5,063,061
Savings deposits	**1,710,748**	1,526,891	1,400,535
Fixed deposits	**26,808,102**	25,029,568	22,302,750
Negotiable instruments of deposit ("NID")	**5,383,884**	5,289,049	3,131,351
Special investment deposits	**833,132**	822,914	642,171
	42,944,986	39,363,414	33,247,279
Maturity structure of fixed deposits and NID are as follows:-			
Due within six months	**25,383,497**	24,666,976	22,157,063
Six months to one year	**6,469,401**	5,256,389	3,203,556
One year to three years	**137,768**	113,977	50,362
Three years to five years	**201,320**	281,275	23,120
	32,191,986	30,318,617	25,434,101
By type of customers			
Government and statutory bodies	**7,480,566**	7,650,536	5,581,922
Business enterprise	**13,808,996**	12,203,143	11,108,695
Individuals	**8,974,563**	6,763,627	5,027,100
Others	**12,680,861**	12,746,108	11,529,562
	42,944,986	39,363,414	33,247,279

Notes to the Financial Statements (continued)

- 31 December 2012

20 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Licensed banks	**3,436,442**	3,851,379	5,425,724
Licensed investment banks	**114,135**	978,487	279,224
Bank Negara Malaysia	**612,055**	794,523	308,497
Other financial institutions	**425,577**	1,242,658	839,153
	4,588,209	6,867,047	6,852,598
Maturity structure of deposits are as follows:-			
Due within six months	**4,587,226**	6,864,369	6,590,941
Six months to one year	**983**	2,678	261,657
	4,588,209	6,867,047	6,852,598

21 TRADE PAYABLES

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Amount due to stock-broking clients	**213,690**	156,908	258,802

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

22 DERIVATIVE FINANCIAL LIABILITIES

	Group					
	31.12.2012		31.12.2011		1.1.2011	
	Contract/ Notional Amount RM'000	Liabilities RM'000	Contract/ Notional Amount RM'000	Liabilities RM'000	Contract/ Notional Amount RM'000	Liabilities RM'000
At fair value						
Foreign exchange derivatives						
- Currency forwards	**340,155**	**2,870**	466,576	6,313	487,922	19,025
- Cross currency swaps	**1,188,783**	**23,725**	1,465,194	33,904	340,850	22,715
Interest rate derivatives						
- Interest rate swaps	**1,695,980**	**32,965**	1,950,454	56,737	919,193	28,455
	3,224,918	**59,560**	3,882,224	96,954	1,747,965	70,195

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 mortgages.

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

	Group			Company		
		Restated	Restated			
	31.12.2012	31.12.2011	1.1.2011	31.12.2012	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bank Negara Malaysia and Credit Guarantee Corporation Funding Programmes	**28,644**	36,071	43,009	**-**	-	-
Amount due to other shareholders of a subsidiary	**-**	529	10,541	**-**	-	-
Margin and collateral deposits	**82,131**	72,793	65,191	**-**	-	-
Trust accounts for remisiers	**9,517**	10,424	10,812	**-**	-	-
Cheque clearing accounts	**-**	-	44,616	**-**	-	-
Defined contribution plan (a)	**13,688**	11,595	12,616	**-**	-	-
Accrued employee benefits (b)	**1,381**	1,638	896	**107**	77	57
Other creditors and accruals	**219,174**	245,852	218,114	**5,722**	5,457	5,383
Provision for zakat	**10,429**	8,546	9,432	**-**	-	-
Dividends payable	**-**	-	100,884	**-**	-	100,884
	364,964	387,448	516,111	**5,829**	5,534	106,324

(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.

Notes to the Financial Statements (continued)
- 31 December 2012

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		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Deferred tax assets						
- to be recovered after more than 12 months	**-**	(122)	(2,472)	**-**	-	-
- to be recovered within 12 months	**-**	592	12,652	**-**	-	-
	-	470	10,180	**-**	-	-
Deferred tax liabilities						
- to be recovered after more than 12 months	**(6,315)**	(6,193)	(2,966)	**(57)**	(94)	(90)
- to be recovered within 12 months	**(10,020)**	(14,536)	(22,116)	**(86)**	(493)	(51)
	(16,335)	(20,729)	(25,082)	**(143)**	(587)	(141)
	(16,335)	(20,259)	(14,902)	**(143)**	(587)	(141)
At beginning of the financial year	**(20,259)**	(14,902)	34,518	**(587)**	(141)	(166)
Credited/(charged) to income statements (Note 40)	**6,638**	1,231	(47,088)	**444**	(446)	25
Charged to equity*	**(2,714)**	(6,588)	(2,332)	**-**	-	-
At end of the financial year	**(16,335)**	(20,259)	(14,902)	**(143)**	(587)	(141)

25 DEFERRED TAX ASSETS/(LIABILITIES) (continued)

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

	Group		Company	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
At beginning of the financial year	**(20,259)**	(14,902)	**(587)**	(141)
Credited/(charged) to income statements (Note 40)	**6,638**	1,231	**444**	(446)
- property and equipment	**142**	(89)	**43**	(47)
- intangible assets	**1,650**	(394)	**1**	1
- collective allowances	**(217)**	(8,961)	**-**	-
- provision for other liabilities	**4,638**	14,249	**-**	-
- amortisation of premium less accretion of discounts	**-**	1,511	**-**	-
- accumulated impairment loss on securities	**-**	(11,528)	**-**	-
- unabsorbed capital allowances	**21**	-	**-**	-
- others	**404**	6,443	**400**	(400)
Charged to equity*	**(2,714)**	(6,588)	**-**	-
At end of the financial year	**(16,335)**	(20,259)	**(143)**	(587)

* Excludes the net deferred tax liability of RM1,446,000 (2011: Net deferred tax assets of RM214,000) on revaluation of financial investments available-for-sale of associate and jointly controlled entity.

Notes to the Financial Statements (continued)

- 31 December 2012

25 DEFERRED TAX ASSETS/(LIABILITIES) (continued)

	Group			Company		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Subject to income tax:-						
Deferred tax assets (before offsetting):-						
Property and equipment	**29**	-	-	**-**	-	-
Provision for other liabilities	**24,662**	20,024	5,775	**-**	-	-
Collective allowances (transitional provision) for bad and doubtful financing	**-**	217	9,178	**-**	-	-
Accumulated impairment loss on securities	**2**	2	11,530	**-**	-	-
Unabsorbed capital allowances	**21**	-	-	**-**	-	-
	24,714	20,243	26,483	**-**	-	-
Offsetting	**(24,714)**	(19,773)	(16,303)	**-**	-	-
Deferred tax assets (after offsetting)	**-**	470	10,180	**-**	-	-
Deferred tax liabilities (before offsetting):-						
Property and equipment	**(5,904)**	(6,017)	(5,928)	**(142)**	(185)	(138)
Intangible assets	**(4,234)**	(5,884)	(5,490)	**(1)**	(2)	(3)
AFS revaluation reserves	**(30,917)**	(28,203)	(21,615)	**-**	-	-
Amortisation of premium less accretion of discounts	**-**	-	(1,511)	**-**	-	-
Others	**6**	(398)	(6,841)	**-**	(400)	-
	(41,049)	(40,502)	(41,385)	**(143)**	(587)	(141)
Offsetting	**24,714**	19,773	16,303	**-**	-	-
Deferred tax liabilities (after offsetting)	**(16,335)**	(20,729)	(25,082)	**(143)**	(587)	(141)

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		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Tax losses	**103,114**	104,171	105,595	**-**	-	-

26 AMOUNT DUE TO SUBSIDIARIES

The amount due to subsidiaries is unsecured, interest-free and has no fixed term of repayment.

27 BORROWINGS

	Group and Company		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Unsecured long-term borrowings:-			
(a) 5-year floating rate term loan	**301,984**	301,830	301,562
(b) 5-year floating rate term loan ("Term Loan II")	**301,207**	301,244	-
(c) 5-year floating rate term loan ("Term Loan III")	**302,581**	-	-
(d) 5-year fixed rate term loan	**66,571**	66,571	66,329
(e) 3-year floating rate term loan	-	-	24,495
	972,343	669,645	392,386

(a) <u>5-year floating rate term loan</u>

The 5-year floating rate term loan is unsecured and carries interest rates ranging from 3.84% to 4.84% 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.

(b) <u>5-year floating rate term loan ("Term Loan II")</u>

The 5-year floating rate term loan is unsecured and carries interest rate of 4.09% 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) <u>5-year floating rate term loan ("Term Loan III")</u>

The 5-year floating rate term loan is unsecured and carries interest rate of 4.09% 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) <u>5-year fixed rate term loan</u>

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 June 2010.

(e) <u>3-year floating rate term loan</u>

The 3-year floating rate term loan is unsecured and had been fully repaid on 10 May 2011.

Notes to the Financial Statements (continued)

- 31 December 2012

28 SHARE CAPITAL

Group and Company	Number of ordinary shares of RM1.00 each 31.12.2012 '000	31.12.2011 '000	1.1.2011 '000	Amount 31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Authorised:-						
Ordinary shares of RM1.00 each	**5,000,000**	5,000,000	5,000,000	**5,000,000**	5,000,000	5,000,000
Issued and fully paid up:-						
Ordinary shares of RM1.00 each	**1,494,576**	1,494,576	1,494,576	**1,494,576**	1,494,576	1,494,576

29 RESERVES

	Group 31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	Company 31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Retained profits	**1,747,090**	1,467,056	1,230,873	**580,197**	482,961	395,572
AFS revaluation reserves	**108,763**	102,339	84,631	**-**	-	-
Statutory reserves	**1,293,665**	1,127,843	990,543	**-**	-	-
	3,149,518	2,697,238	2,306,047	**580,197**	482,961	395,572

(a) A single tier company tax was introduced effective 1 January 2008. Under this single tier system, tax on a company's profits is a final tax, and dividends distributed to shareholders will be exempted from tax. Companies with Section 108 tax credit balance are given an option to elect to move to a single tier system immediately or allowed to use the Section 108 credit balance for the purpose of dividend distribution during a transitional period of 6 years until 31 December 2013.

The Company has elected to use its Section 108 credit balance for the purpose of dividend distribution during a transitional period of 6 years until 31 December 2013. The Section 108 balance of the Company as at 31 December 2007 will be frozen and can only be adjusted downwards for any tax discharged, remitted or refunded during the 6 years period.

As at 31 December 2012, the Company has a tax credit balance of RM2,429,350 under Section 108 of the Income Tax Act, 1967 and tax exempt account balance of RM61,221,715 under Section 12 of the Income Tax (Amendment) Act 1999, subject to agreement by the Inland Revenue Board.

(b) The statutory reserves of the Group are maintained in compliance with the provisions of the Banking and Financial Institutions Act, 1989 and Islamic Banking Act, 1983 and are not distributable as cash dividends.

(c) 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.

30 REVENUE

	Group		Company	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Gross interest income (Note 31)	**2,106,615**	1,972,102	**51,984**	34,629
Other operating income:-				
Fee income	**213,520**	188,495	**-**	-
Income from financial instruments	**94,471**	49,780	**-**	-
Dividend income	**-**	-	**257,535**	236,543
Foreign exchange gains				
- realised	**29,795**	74,440	**-**	-
- unrealised	**42,282**	(18,035)	**-**	-
Miscellaneous operating income	**1,396**	(935)	**-**	-
	381,464	293,745	**257,535**	236,543
Income from Islamic operations:-				
Income derived from investment of depositors' funds and others	**459,994**	368,911	**-**	-
Income derived from the investment of Islamic Banking Capital funds	**23,650**	20,852	**-**	-
	483,644	389,763	**-**	-
TOTAL OPERATING REVENUE	**2,971,723**	2,655,610	**309,519**	271,172

Notes to the Financial Statements (continued)
- 31 December 2012

31 INTEREST INCOME

	Group		Company	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Loans, advances and financing	**1,557,404**	1,427,055	**-**	-
Money at call and deposits with financial institutions	**149,966**	145,019	**6,211**	8,924
Reverse repurchase agreements with financial institutions	**117**	-	**-**	-
Financial assets held-for-trading	**1,009**	64	**-**	-
Financial investments available-for-sale	**269,759**	266,477	**-**	-
Financial investments held-to-maturity	**29,889**	28,629	**-**	-
Derivatives	**81,492**	72,134	**-**	-
Subordinated term loan	**5,320**	5,821	**45,773**	25,705
Others	**26**	113	**-**	-
	2,094,982	1,945,312	**51,984**	34,629
Amortisation of premium less accretion of discount	**11,633**	26,790	**-**	-
	2,106,615	1,972,102	**51,984**	34,629

	Group	
The above interest income includes interest/income earned on impaired loans, advances and financing - unwinding discount of allowance (Net)	**7,544**	12,663

32 INTEREST EXPENSE

	Group	
	31.12.2012 RM'000	31.12.2011 RM'000
Deposits and placements of banks and other financial institutions	**135,005**	116,264
Deposits from customers	**965,004**	887,891
Loans sold to Cagamas Berhad	**19,891**	14,913
Derivatives	**87,626**	81,967
Others	**2,260**	1,490
	1,209,786	1,102,525

33 NET ISLAMIC BANKING INCOME

	Group	
	31.12.2012 RM'000	31.12.2011 RM'000
Income derived from investment of depositors' funds and others	**459,994**	368,911
Less: Income attributable to depositors	**(266,872)**	(190,830)
	193,122	178,081
Income derived from investment of shareholders' funds	**23,650**	20,852
	216,772	198,933

34 OTHER OPERATING INCOME

	Group		Company	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Fee income:-				
Net brokerage	**53,946**	59,991	**-**	-
Underwriting fees	**2,284**	1,326	**-**	-
Portfolio management fees	**12,363**	10,083	**-**	-
Corporate advisory fees	**8,868**	6,421	**-**	-
Commission	**13,735**	13,178	**-**	-
Service charges and fees	**64,119**	52,107	**-**	-
Guarantee fees	**22,960**	25,783	**-**	-
Arrangement fees	**22,535**	9,187	**-**	-
Agency fees	**1,766**	1,995	**-**	-
Other fee income	**10,944**	8,424	**-**	-
	213,520	188,495	**-**	-
Income from financial instruments:-				
Gains/(losses) arising on financial assets held-for-trading				
- net gain on disposal	**6,125**	5,466	**-**	-
- unrealised losses	**(188)**	(9)	**-**	-
Gains/(losses) on derivatives				
- realised	**2,776**	2,600	**-**	-
- unrealised	**12,669**	(12,469)	**-**	-
Gains arising on financial investments available-for-sale				
- net gain on disposal	**49,523**	41,252	**-**	-
- gross dividend income	**4,100**	689	**-**	-
Gains arising on financial investments held-to-maturity				
- net gain on redemption	**19,466**	2,546	**-**	-
- gross dividend income	**-**	9,705	**-**	-
	94,471	49,780	**-**	-
Other income:-				
Foreign exchange gains/(losses)				
- realised	**29,795**	74,440	**-**	-
- unrealised	**42,282**	(18,035)	**-**	-
Rental income	**1,618**	1,952	**-**	-
Surplus on realisation of assets of a subsidiary previously placed under members' voluntary winding-up	**670**	-	**-**	-
Gain on winding-up of a subsidiary	**-**	-	**34,984**	-
Gains on disposal of property and equipment	**1,297**	139	**-**	48
Gains/(losses) on disposal of foreclosed properties	**10,141**	(272)	**-**	-
Gains arising from waiver of debts	**8**	2,673	**-**	-
Gross dividends received from subsidiaries	**-**	-	**254,175**	236,543
Gross dividends received from associate	**-**	-	**3,360**	-
Other non-operating income	**14,656**	13,900	**-**	-
	100,467	74,797	**292,519**	236,591
Total other operating income	**408,458**	313,072	**292,519**	236,591

Notes to the Financial Statements (continued)
- 31 December 2012

35 OTHER OPERATING EXPENSES

	Group		Company	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Personnel costs				
Wages, salaries and bonus	**321,388**	281,195	**2,895**	2,859
Defined contribution plan	**52,409**	45,372	**500**	497
Other personnel costs	**41,507**	43,138	**496**	519
	415,304	369,705	**3,891**	3,875
Promotion and marketing-related expenses				
Business promotion and advertisement	**9,709**	10,181	**-**	-
Entertainment	**3,912**	3,065	**-**	-
Travelling and accommodation	**4,001**	4,425	**-**	-
Dealer's handling fees	**1,205**	1,760	**-**	-
Others	**2,101**	2,140	**-**	-
	20,928	21,571	**-**	-
Establishment-related expenses				
Rental of premises	**28,138**	26,710	**802**	696
Equipment rental	**1,103**	1,054	**5**	6
Repair and maintenance	**35,125**	30,685	**90**	76
Depreciation of property and equipment	**20,313**	21,641	**244**	246
Amortisation of intangible assets	**9,162**	9,779	**5**	3
IT consultancy fee	**60,972**	57,272	**-**	-
Dataline rental	**4,324**	3,477	**-**	-
Security services	**12,109**	10,461	**-**	-
Electricity, water and sewerage	**9,959**	9,234	**20**	22
Insurance and indemnities	**5,474**	5,391	**47**	46
Others	**5,024**	5,273	**-**	-
	191,703	180,977	**1,213**	1,095
General and administrative expenses				
Telecommunication expenses	**7,238**	6,934	**37**	33
Auditors' remuneration	**2,027**	2,198	**209**	192
Professional fees	**7,020**	13,872	**1,208**	99
Property and equipment written-off	**182**	425	**-**	-
Postage and courier charges	**4,192**	3,895	**14**	5
Stationery and consumables	**9,484**	9,908	**15**	22
Commission and brokerage expenses	**5,653**	5,808	**-**	-
Donations	**3,929**	3,658	**1,013**	1,014
Settlement, clearing and bank charges	**5,991**	5,819	**2**	2
Stamp duties	**3,107**	3,099	**-**	8
Litigation losses	**3,633**	10,019	**-**	-
Commissioned dealers representative performance incentive	**3,035**	2,998	**-**	-
Subscription fees	**1,837**	1,602	**22**	17
Transaction levy	**1,475**	1,577	**-**	-
Subsidies and allowances	**865**	925	**-**	-
Others	**12,712**	13,771	**2,369**	2,269
	72,380	86,508	**4,889**	3,661
Total other operating expenses	**700,315**	658,761	**9,993**	8,631

35 OTHER OPERATING EXPENSES (continued)

	Group		Company	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
The above expenditure includes the following statutory disclosures:-				
Directors' remuneration (Note 36)	**2,211**	1,913	**1,266**	1,261
Auditors' remuneration:-				
- Statutory audit fees	**1,329**	1,242	**172**	159
- Under provision in prior year	**-**	14	**-**	-
- Audit related fees	**430**	340	**28**	26
- Non audit fees	**268**	602	**9**	7

36 DIRECTORS' REMUNERATION

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

<u>Non-executive directors</u>

Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Hj Zainuddin
Tan Sri Dato' Seri Lodin bin Wok Kamaruddin
Raja Dato' Seri Aman bin Raja Haji Ahmad
Dato' Mustafa bin Mohamad Ali
Dr. the Hon. Sir David Li Kwok Po
Professor Arthur Li Kwok Cheung
Abd Malik bin A Rahman
Tan Sri Dato' Seri Alauddin bin Dato' Mohd Sheriff
Tan Sri Jamaluddin bin Haji Ahmad Damanhuri (Appointed on 24.1.2012)
Adrian David Li Man Kiu (Alternate Director to Dr. the Hon. Sir David Li Kwok Po)
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	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Non-executive directors				
- fees	**1,826**	1,597	**1,027**	1,052
- other emoluments	**343**	276	**197**	169
- estimated money value of benefits-in-kind	**42**	40	**42**	40
Total directors' remuneration	**2,211**	1,913	**1,266**	1,261
Total directors' remuneration excluding estimated money value of benefits-in-kind	**2,169**	1,873	**1,224**	1,221

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

Notes to the Financial Statements (continued)

- 31 December 2012

36 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:-

	< ---------- 2012 -------- >		< --------- 2011 --------- >	
	Number of non-executive directors	Number of executive directors	Number of non-executive directors	Number of executive directors
Remuneration band:-				
RM1 – RM50,000	**-**	**-**	1	-
RM50,001 – RM100,000	**4**	**-**	3	-
RM100,001 – RM200,000	**-**	**-**	2	-
RM200,001 – RM300,000	**3**	**-**	2	-
RM300,001 – RM400,000	**1**	**-**	1	-
RM400,001 – RM500,000	**-**	**-**	1	-
RM500,001 – RM600,000	**-**	**-**	-	-
RM600,001 – RM700,000	**1**	**-**	-	-

37 ALLOWANCE FOR IMPAIRMENT ON LOANS, ADVANCES AND FINANCING

	Group	
	31.12.2012 RM'000	31.12.2011 RM'000
Collective impairment		
- written-back during the financial year	**3,296**	69,653
Individual impairment		
- made during the financial year	**81,021**	120,795
- written-back during the financial year	**(2,874)**	(14,320)
Bad debts		
- recovered	**(108,219)**	(240,562)
- written-off	**7,784**	15,956
Provision for litigation loss	**-**	40,000
Additional allowance for impaired debts		
- other debtors	**157**	147
	(18,835)	(8,331)

38 ALLOWANCE FOR IMPAIRMENT ON OTHER ASSETS

	Group	
	31.12.2012	31.12.2011
	RM'000	RM'000
Allowance made for impairment loss		
- Financial investments available-for-sale	**812**	945
- Financial investments held-to-maturity	**9,590**	-
Write-back of allowance for impairment loss		
- Financial investments available-for-sale	**(68)**	(1,819)
- Financial investments held-to-maturity	**(9,926)**	-
	408	(874)

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

39 FINANCE COST

	Group and Company	
	31.12.2012	31.12.2011
	RM'000	RM'000
Interest expenses		
- Term loans	**41,021**	22,521
	41,021	22,521

Notes to the Financial Statements (continued)

- 31 December 2012

40 TAXATION

	Group		Company	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Malaysian income tax:-				
- Current tax	**206,371**	179,105	**14,089**	17,718
- Deferred tax (Note 25)	**(6,638)**	(1,231)	**(444)**	446
	199,733	177,874	**13,645**	18,164
(Over)/under provision in prior years	**(2,023)**	16,942	**(478)**	3
	197,710	194,816	**13,167**	18,167

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	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Profit before tax	**833,738**	709,148	**293,489**	240,068
Tax on current year's profit based on statutory tax rate in Malaysia of 25% (2011: 25%)	**208,435**	177,287	**73,372**	60,017
Tax effect in respect of:-				
Non-allowable expenses	**4,439**	17,013	**1,377**	1,546
Non-taxable income	**(9,388)**	(4,587)	**(61,104)**	(43,399)
Recognition of deferred tax previously not recognised	**-**	11,629	**-**	-
Effect of different tax rate	**(3,510)**	(5,788)	**-**	-
Utilisation of previously unrecognised tax losses	**(243)**	(102)	**-**	-
Reversal of deferred taxation due to changes in tax treatment	**-**	(17,578)	**-**	-
(Over)/under provision in prior years	**(2,023)**	16,942	**(478)**	3
	197,710	194,816	**13,167**	18,167

Tax losses are analysed as follows:-

	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000
Tax savings as a result of utilisation of tax losses brought forward from previous years from which the related credit is recognised during the financial year	**61**	103

41 EARNINGS PER SHARE

The basic and diluted earnings per share of the Group has been calculated based on the net profit attributable to the equity holders of the Company of RM628,942,000 (2011: RM507,995,000) divided by the weighted average number of ordinary shares in issue of 1,494,575,806 (2011: 1,494,575,806) during the financial year.

	Group	
	31.12.2012 RM'000	**31.12.2011 RM'000**
Net profit attributable to equity holders of the Company	**628,942**	507,995
Weighted average number of ordinary shares in issue	**1,494,576**	1,494,576
Basic and diluted earnings per share (sen)	**42.08**	33.99

42 DIVIDENDS

Dividends declared for the financial year are as follows:-

	Group and Company			
	31.12.2012		**31.12.2011**	
	Gross dividend per share sen	**Amount of dividend net of tax RM'000**	**Gross dividend per share sen**	**Amount of dividend net of tax RM'000**
Ordinary shares				
- Interim dividend	**15.0**	**183,086**	12.0	134,512

At the forthcoming Annual General Meeting, the directors do not propose any final dividend in respect of the current financial year.

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

	Group and Company			
	31.12.2012		**31.12.2011**	
	Gross dividend per share sen	**Amount of dividend net of tax RM'000**	**Gross dividend per share sen**	**Amount of dividend net of tax RM'000**
Ordinary shares				
- Interim dividend	**15.0**	**183,086**	12.0	134,512

Notes to the Financial Statements (continued)

- 31 December 2012

43 COMMITMENTS AND CONTINGENCIES

	Group	
	31.12.2012	31.12.2011
	RM'000	RM'000
(a) Capital commitments		
Property and equipment:-		
Authorised capital expenditure contracted but not provided for	**2,864**	12,261
Capital expenditure approved by the Board but not contracted for	**19,006**	8,000
	21,870	20,261

(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 non-cancellable long-term commitments, net of sub-leases are as follows:-

	Group		Company	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
	RM'000	RM'000	RM'000	RM'000
Within one year	**26,386**	26,137	**808**	808
One year to five years	**18,584**	29,769	**813**	1,620

	Group	
	31.12.2012	31.12.2011
	RM'000	RM'000
(c) Operating commitments		
Operating expenditure approved by the Directors but not provided for in the financial statements amounted to approximately:-	**266,106**	266,202

43 COMMITMENTS AND CONTINGENCIES (continued)

(d) Other commitments and contingencies

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

Group	< ---- 31.12.2012 ---- > Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount* RM'000	Risk-Weighted Amount* RM'000
Direct credit substitutes	466,624	-	466,624	451,137
Transaction-related contingent items	2,147,100	-	1,073,550	924,690
Short-term self-liquidating trade-related contingencies	453,772	-	90,754	54,644
Obligation under underwriting commitments	-	-	-	-
Lending of banks' securities or the posting of securities as collateral by banks, including instances transactions where these arise out of repo-style transactions (i.e. repurchase/reverse repurchase and securities lending/borrowing transactions)	19,939	-	19,939	-
Foreign exchange related contracts #				
- less than one year	3,730,256	40,777	95,561	28,247
- one year to less than five years	251,794	4,384	17,127	6,430
Interest rate related contracts #				
- less than one year	107,156	563	122	49
- one year to less than five years	1,785,733	12,039	37,042	9,986
- five years and above	543,148	8,252	51,487	22,022
Irrevocable commitments to extend credit				
- maturity more than one year	2,978,964	-	1,489,482	1,395,014
- maturity less than one year	6,420,996	-	1,284,199	1,074,941
Unutilised credit card lines	191,103	-	38,221	28,693
	19,096,585	66,015	4,664,108	3,995,853

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

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

Notes to the Financial Statements (continued)

- 31 December 2012

43 COMMITMENTS AND CONTINGENCIES (continued)

(d) Other commitments and contingencies (continued)

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

	< --------------------- 31.12.2011	------------------- >		
Group	**Principal Amount RM'000**	**Positive Fair Value of Derivative Contracts RM'000**	**Credit Equivalent Amount* RM'000**	**Risk-Weighted Amount* RM'000**
Direct credit substitutes	455,606	-	455,606	441,960
Transaction-related contingent items	2,375,506	-	1,187,753	1,129,992
Short-term self-liquidating trade-related contingencies	973,727	-	194,745	159,463
Obligation under underwriting commitments	49,370	-	3,150	630
Lending of banks' securities or the posting of securities as collateral by banks, including instances transactions where these arise out of repo-style transactions (i.e. repurchase/reverse repurchase and securities lending/borrowing transactions)	-	-	-	-
Foreign exchange related contracts #				
- less than one year	2,987,564	15,942	49,028	17,625
- one year to less than five years	50,000	841	3,000	600
Interest rate related contracts #				
- less than one year	133,140	331	156	67
- one year to less than five years	1,739,469	12,932	44,397	11,098
- five years and above	474,023	16,977	43,899	10,295
Irrevocable commitments to extend credit				
- maturity more than one year	3,534,201	-	706,840	646,321
- maturity less than one year	7,105,886	-	1,421,178	1,128,748
Unutilised credit card lines	189,502	-	37,900	28,463
	20,067,994	**47,023**	**4,147,652**	**3,575,262**

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

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

43 COMMITMENTS AND CONTINGENCIES (continued)

(d) Other commitments and contingencies (continued)

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

Group	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount* RM'000	Risk-Weighted Amount* RM'000
	< ---------------------- 1.1.2011			-------------------- >
Direct credit substitutes	408,608	-	408,608	299,520
Transaction-related contingent items	2,387,456	-	1,193,728	1,022,073
Short-term self-liquidating trade-related contingencies	1,232,752	-	246,551	140,554
Obligation under underwriting commitments	19,691	-	9,845	1,969
Lending of banks' securities or the posting of securities as collateral by banks, including instances transactions where these arise out of repo-style transactions (i.e. repurchase/reverse repurchase and securities lending/borrowing transactions)	-	-	-	-
Foreign exchange related contracts #				
- less than one year	2,214,726	25,842	50,818	19,949
- one year to less than five years	181,120	9,568	15,897	6,326
Interest rate related contracts #				
- less than one year	93,784	642	14	3
- one year to less than five years	940,228	5,924	31,214	7,242
- five years and above	445,273	9,650	38,490	8,842
Irrevocable commitments to extend credit				
- maturity more than one year	4,256,209	-	-	-
- maturity less than one year	6,127,819	-	-	-
Unutilised credit card lines	594,104	-	118,821	89,026
	18,901,770	**51,626**	**2,113,986**	**1,595,504**

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

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

Notes to the Financial Statements (continued)

- 31 December 2012

44 LITIGATION AGAINST THE GROUP

(a) A syndicate of lenders, including AFFIN Bank Berhad (the 'Bank'), had granted facilities of RM62.5 million (the 'Facilities') to a Borrower to, inter alia, finance a development project. At borrower's request, the Facilities were restructured in 1999 but in July 2000, continued drawdown under the restructured Facilities was refused as borrower had failed to comply with conditions precedent for such drawdown. The lenders and borrower negotiated to resolve the default and the Facilities were restructured again in 2003. Further financing was also granted in 2004 and the Project was completed with certificate of fitness in January 2005.

Subsequent to the completion of the project, borrower brought a claim against the lead banker, as the agent of the syndicate lenders, for loss and damage arising from alleged breach of duty and obligations owed by the lead banker to the borrower in relation to various actions taken or omitted to be taken in disbursements and transactions under the Facilities. The lead banker filed an action against the borrower and its guarantor of the Facilities, for recovery of the amounts outstanding under the Facilities.

The 2 actions were consolidated and heard together at full trial. On 6 May 2009, the High Court granted judgment in favour of borrower against the lead banker, as an agent of the lenders, and dismissed the lenders' action for recovery of the Facilities. The judgment against the lead banker included a sum of RM115.5 million to be paid, as well as further damages to be assessed and an immediate release of all security granted by the borrower and its guarantors for the Facilities. The award of damages of RM115.5 million was made despite parties' agreement that the trial proceed only on issue of liability and no evidence of damage/loss was produced. If the judgment of 6 May 2009 is maintained, lead banker will seek contribution from the lenders, including the Bank. The Bank's share is about RM34.65 million.

The lead banker and agent appealed to the Court of Appeal against the High Court decision. An effort at mediation on 9 March 2012 failed as the parties could not come to a settlement. Hearing dates were then fixed for the appeal. The appeal has been argued twice before the Court of Appeal i.e. on 3 August 2012 and 9 November 2012. The hearing was continued on 23 January 2013 and 31 January 2013 and the Court of Appeal reserved its decision to a date to be fixed later.

The solicitors for the lead banker and the lenders have expressed the view that the lead banker and the lenders have a more than even chance of success in their appeal against the Judgment.

(b) Other than the above, there are various other legal suits against AFFIN Bank Berhad ("ABB") in respect of claims and counter claims of approximately RM73.8 million (31 December 2011: RM42.8 million). Based on legal advice, the Directors of the Bank are of the opinion that no provision for damages need to be made in the financial statements, as the probability of adverse adjudication against ABB is remote.

45 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.

The regulatory capital of requirements banking subsidiaries are determined based on Bank Negara Malaysia's Risk-Weighted Capital Adequacy Framework and all banking subsidiaries have complied with the minimum regulatory capital adequacy requirement of 8.0% (2011: 8.0%) for the risk-weighted capital ratio.

The components of the Group's capital base and capital adequacy ratios are disclosed in Note 46.

46 CAPITAL ADEQUACY

The Group implemented the Basel II – Risk Weighted Assets Computation under the BNM's Risk-Weighted Capital Adequacy Framework with effect from 1 January 2008. The Group has adopted the Standardised Approach for credit risk and market risk, and Basic Indicator Approach for operational risk computation.

The components of 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 Investment Bank are as follows:-

As at 31 December 2012	AFFIN Bank RM'000	AFFIN Islamic Bank RM'000	AFFIN Investment Bank RM'000
a) The components of the Tier I and Tier II capital:-			
Tier I capital			
Share capital	1,518,337	360,000	222,246
Share premium	529,337	-	142,270
Retained profits	659,603	148,950	65,544
Statutory reserves	1,017,200	143,451	184,163
	3,724,477	652,401	614,223
Less :- Goodwill	(137,323)	-	(53,061)
- Deferred tax assets	(10,227)	(600)	-
Total Tier I capital (a)	3,576,927	651,801	561,162
Tier II capital			
Subordinated loans	900,000	-	-
Collective impairment #	128,568	23,782	8,189
Total Tier II capital (b)	1,028,568	23,782	8,189
Total capital (a) + (b)	4,605,495	675,583	569,351
Less :- Investment in capital instruments of other banking institutions	(10,034)	-	(1,964)
- Investment in subsidiaries	(387,389)	-	(13,751)
Capital base before proposed dividends	4,208,072	675,583	553,636
Proposed dividends	(91,100)	-	(24,169)
Capital base after proposed dividends	4,116,972	675,583	529,467
b) The breakdown of risk-weighted assets:-			
Credit risk	28,731,138	4,135,300	1,534,927
Market risk	258,838	1,782	33,351
Operational risk	1,864,563	323,284	242,878
Total risk-weighted assets	30,854,539	4,460,366	1,811,156
c) Capital adequacy ratios:-			
Before deducting proposed dividends:-			
Core capital ratio	11.59%	14.61%	30.57%
Risk-weighted capital ratio	13.64%	15.15%	30.57%
After deducting proposed dividends:-			
Core capital ratio	11.30%	14.61%	29.23%
Risk-weighted capital ratio	13.34%	15.15%	29.23%

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

Notes to the Financial Statements (continued)

- 31 December 2012

46 CAPITAL ADEQUACY (continued)

As at 31 December 2011	AFFIN Bank RM'000	AFFIN Islamic Bank RM'000	AFFIN Investment Bank Restated RM'000
a) The components of the Tier I and Tier II capital:-			
Tier I capital			
Share capital	1,439,285	260,000	222,246
Share premium	408,389	-	142,270
Retained profits	530,489	112,149	51,071
Statutory reserves	904,624	106,420	167,948
	3,282,787	478,569	583,535
Less :- Goodwill	(137,323)	-	(53,061)
- Deferred tax assets	(3,659)	-	(224)
Total Tier I capital (a)	**3,141,805**	**478,569**	**530,250**
Tier II capital			
Subordinated loans	600,000	-	-
Collective impairment #	138,227	44,041	11,565
Total Tier II capital (b)	**738,227**	**44,041**	**11,565**
Total capital (a) + (b)	3,880,032	522,610	541,815
Less :- Investment in capital instruments of other banking institutions	(40,257)	-	(38,864)
- Investment in subsidiaries	(287,389)	-	(13,751)
Capital base before proposed dividends	3,552,386	522,610	489,200
Proposed dividends	(71,964)	-	(11,668)
Capital base after proposed dividends	**3,480,422**	**522,610**	**477,532**
b) The breakdown of risk-weighted assets:-			
Credit risk	27,608,268	3,983,070	1,758,115
Market risk	102,489	30,671	89,851
Operational risk	1,828,940	307,036	240,480
Total risk-weighted assets	**29,539,697**	**4,320,777**	**2,088,446**
c) Capital adequacy ratios:-			
Before deducting proposed dividends:-			
Core capital ratio	10.64%	11.08%	23.42%
Risk-weighted capital ratio	12.03%	12.10%	23.42%
After deducting proposed dividends:-			
Core capital ratio	10.39%	11.08%	22.87%
Risk-weighted capital ratio	11.78%	12.10%	22.87%

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

46 CAPITAL ADEQUACY (continued)

As at 1 January 2011	AFFIN Bank RM'000	AFFIN Islamic Bank RM'000	AFFIN Investment Bank Restated RM'000
a) The components of the Tier I and Tier II capital:-			
Tier I capital			
Share capital	1,439,285	260,000	222,246
Share premium	408,389	-	142,270
Retained profits	411,831	87,349	52,243
Statutory reserves	807,500	81,410	152,782
	3,067,005	428,759	569,541
Less :- Goodwill	(137,323)	-	(53,061)
- Deferred tax assets	-	(5,872)	(5,650)
Total Tier I capital (a)	**2,929,682**	**422,887**	**510,830**
Tier II capital			
Subordinated loans	300,000	-	-
Collective impairment #	111,304	42,234	9,332
Total Tier II capital (b)	**411,304**	**42,234**	**9,332**
Total capital (a) + (b)	3,340,986	465,121	520,162
Less :- Investment in capital instruments of other banking institutions	(39,858)	-	(16,358)
- Investment in subsidiaries	(287,429)	-	(13,751)
Capital base before proposed dividends	3,013,699	465,121	490,053
Proposed dividends	(71,964)	-	(16,668)
Capital base after proposed dividends	**2,941,735**	**465,121**	**473,385**
b) The breakdown of risk-weighted assets:-			
Credit risk	21,849,466	3,131,480	1,385,895
Market risk	91,973	4,599	28,522
Operational risk	1,776,655	285,924	213,925
Total risk-weighted assets	**23,718,094**	**3,422,003**	**1,628,342**
c) Capital adequacy ratios:-			
Before deducting proposed dividends:-			
Core capital ratio	12.35%	12.36%	30.10%
Risk-weighted capital ratio	12.71%	13.59%	30.10%
After deducting proposed dividends:-			
Core capital ratio	12.05%	12.36%	29.07%
Risk-weighted capital ratio	12.40%	13.59%	29.07%

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

Notes to the Financial Statements (continued)
- 31 December 2012

47 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

The related parties of, and their relationship with the Group and the Company are as follows:-

Related parties	Relationship
Subsidiaries of the Company as disclosed in Note 14	Subsidiaries
AXA AFFIN Life Insurance Berhad & AFFIN-i Nadayu Sdn Bhd (fka AFFIN-i Goodyear Sdn Bhd)	Jointly controlled entities
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, jointly controlled, 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 36.

47 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

The Group and the Company do not have any individually or collectively 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		Jointly controlled entities / Associate		Substantial shareholder		Key management personnel	
Group	**31.12.2012 RM'000**	**31.12.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**	**31.12.2012 RM'000**	**31.12.2011 RM'000**
Income										
Interest income on advances	**-**	-	**36,339**	30,478	**1,789**	6,932	**6,901**	-	**55**	37
Interest income on private debt securities	**-**	-	**-**	-	**-**	-	**648**	3,146	**-**	-
Fee income	**118**	113	**15,589**	5,416	**-**	-	**-**	1,800	**-**	-
Brokerage income	**6,403**	5,813	**97**	1,441	**10**	-	**-**	-	**-**	-
Commission income	**-**	-	**-**	-	**6,867**	5,720	**-**	-	**-**	-
Others	**-**	-	**-**	9,562	**-**	1	**-**	91	**6**	4
	6,521	5,926	**52,025**	46,897	**8,666**	12,653	**7,549**	5,037	**61**	41
Expenses										
Interest expenses:-										
- deposits from other customers	**12,698**	15,034	**9,367**	4,864	**5,693**	4,539	**1**	-	**166**	55
Rental of premises	**301**	613	**17,416**	17,729	**-**	-	**-**	-	**-**	-
Insurance premium	**-**	-	**162**	-	**40,023**	38,393	**-**	-	**-**	-
Other expenses	**5**	-	**2,610**	2,781	**-**	-	**-**	-	**-**	-
	13,004	15,647	**29,555**	25,374	**45,716**	42,932	**1**	-	**166**	55

Notes to the Financial Statements (continued)
- 31 December 2012

47 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		Jointly controlled entities / Associate	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Income						
Interest income:-						
- money at call and deposits with financial institutions	**6,204**	8,907	**-**	-	**-**	-
- subordinated term loan/ senior loan	**40,453**	19,884	**-**	-	**5,319**	5,820
	46,657	28,791	**-**	-	**5,319**	5,820
Expenses						
Professional fees	**1,215**	134	**-**	-	**-**	-
Rental of premises	**-**	-	**803**	696	**-**	-
Other expenses	**-**	-	**294**	212	**-**	-
	1,215	134	**1,097**	908	**-**	-

47 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Related parties balances

Group	Ultimate holding corporate body RM'000	Other related parties RM'000	Jointly controlled entities / Associate RM'000	Substantial shareholder RM'000	Key management personnel RM'000
As at 31 December 2012					
Amount due from					
Loans and advances	-	1,159,926	35,223	386,219	3,370
Rental deposits	-	4,414	-	-	-
Purchase of securities	30,734	-	-	-	-
Management fees receivable	11	7,108	-	-	-
Subordinated/senior loan	-	-	67,240	-	-
Other assets	-	-	2,745	-	-
Financial investments available-for-sale	-	3,034	-	-	-
	30,745	1,174,482	105,208	386,219	3,370
Amount due to					
Deposits from customers	738,988	277,774	-	100	4,066
Deposits and placements of banks and other financial institutions	-	-	196,420	-	-
Sales of securities	64,955	-	-	-	-
Current accounts	66,856	276,215	11,172	200	12,807
	870,799	553,989	207,592	300	16,873
Commitments	-	1,404,613	-	-	-

47 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Related parties balances (continued)

Group	Ultimate holding corporate body RM'000	Other related parties RM'000	Jointly controlled entities / Associate RM'000	Substantial shareholder RM'000	Key management personnel RM'000
As at 31 December 2011					
Amount due from					
Loans and advances	-	855,026	26,108	-	1,809
Rental deposits	98	4,394	-	-	-
Purchase of securities	287	-	-	-	-
Management fees receivable	113	51	-	-	-
Subordinated/senior loan	-	-	67,255	-	-
Other assets	-	2,328	2,749	-	-
Financial investments available-for-sale	-	3,033	-	49,884	-
	498	**864,832**	**96,112**	**49,884**	**1,809**
Amount due to					
Deposits from customers	312,046	212,069	-	-	4,980
Deposits and placements of banks and other financial institutions	-	-	150,333	-	-
Sales of securities	58,266	-	-	-	-
Current accounts	95,998	145,184	14,997	156	11,112
	466,310	**357,253**	**165,330**	**156**	**16,092**
Commitments	**-**	**1,650,150**	**-**	**-**	**-**

47 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Related parties balances (continued)

Group	Ultimate holding corporate body RM'000	Other related parties RM'000	Jointly controlled entities / Associate RM'000	Substantial shareholder RM'000	Key management personnel RM'000
As at 1 January 2011					
Amount due from					
Loans and advances	-	482,343	13,504	-	2,322
Rental deposits	200	4,235	-	-	-
Management fees receivable	27	20	-	-	-
Subordinated/senior loan	-	-	91,828	-	-
Other assets	187	168	2,745	-	-
Financial investments available-for-sale	-	-	-	67,013	-
	414	**486,766**	**108,077**	**67,013**	**2,322**
Amount due to					
Deposits from customers	415,412	283,378	-	-	3,494
Deposits and placements of banks and other financial institutions	-	-	88,926	-	-
Sales of securities	9,739	-	-	-	-
Current accounts	112,803	84,391	(1,405)	191	5,036
Other liabilities	7	-	2,778	-	-
	537,961	**367,769**	**90,299**	**191**	**8,530**
Commitments	**-**	**1,825,302**	**-**	**-**	**-**

Notes to the Financial Statements (continued)

- 31 December 2012

47 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Related parties balances (continued)

Company	Subsidiaries			Other related parties			Jointly controlled entities / Associate		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Amount due from									
Cash and bank balances with banks and other financial institutions	**41**	17	26	**-**	-	-	**-**	-	-
Money at call and deposits placements maturing within one month	**33,150**	67,299	126,141	**-**	-	-	**-**	-	-
Deposits and placements with banks and other financial institutions	**101,196**	213,905	174,215	**-**	-	-	**-**	-	-
Subordinated/senior loan	**904,960**	601,850	300,682	**-**	-	-	**67,240**	67,255	91,828
Other assets	**-**	1,212	74	**201**	201	184	**-**	4	-
	1,039,347	884,283	601,138	**201**	201	184	**67,240**	67,259	91,828
Amount due to									
Interest-free advances	**400,258**	589,313	689,348	**-**	-	-	**-**	-	-
Other liabilities	**3,791**	3,730	3,674	**-**	-	-	**-**	-	-
	404,049	593,043	693,022	**-**	-	-	**-**	-	-

47 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	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Directors' fees	**1,027**	1,052	**1,027**	1,052
Directors' other emoluments	**197**	169	**197**	169
Salaries	**14,755**	12,270	**-**	-
Bonuses	**16,504**	13,590	**-**	-
Defined contribution plan ("EPF")	**5,331**	4,211	**-**	-
Other employee benefits	**2,103**	1,842	**-**	-
Benefits-in-kind	**556**	536	**42**	40
	40,473	33,670	**1,266**	1,261

Included in the above are Directors' remuneration as disclosed in Note 36.

48 SEGMENT ANALYSIS

The segment analysis is presented based on the principal activities of the subsidiaries. The Group's operations are principally conducted in Malaysia and accordingly, no analysis in respect of geographical segments has been presented.

The format of the segment analysis is based on the internal financial reporting system which reflects the Group's management reporting structure. 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.

Notes to the Financial Statements (continued)
- 31 December 2012

48 SEGMENT ANALYSIS (continued)

Investment Banking

The Investment Banking segment focuses on business of a merchant bank, stock-broking, fund and unit trusts 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 both corporate and institutional 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 Bursa Malaysia Securities Berhad, 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.

48 SEGMENT ANALYSIS (continued)

The segment analysis of the Group by activities in 2012 and 2011 are as follows:-

31.12.2012	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Eliminations RM'000	Group RM'000
Segment revenue	2,656,784	298,210	-	11,402	-	2,966,396
Intersegment revenue	43,464	20,749	-	1,517	(65,730)	-
Unallocated revenue	-	-	-	5,327	-	5,327
Revenue	2,700,248	318,959	-	18,246	(65,730)	2,971,723
Segment results	703,459	91,058	-	3,663	45,442	843,622
Unallocated expenses	-	-	-	(44,472)	-	(44,472)
Share of results of jointly controlled entities (net of tax)	-	-	2,053	(230)	-	1,823
Share of results of associate (net of tax)	-	-	32,765	-	-	32,765
Profit before taxation and zakat						833,738
Taxation and zakat						(204,796)
Net profit for the financial year						628,942
Segment assets	51,598,765	3,832,393	-	13,875	-	55,445,033
Investment in jointly controlled entities	-	-	129,728	60	-	129,788
Investment in associate	-	-	183,696	-	-	183,696
Unallocated assets	-	-	-	75,774	-	75,774
Total segment assets						55,834,291
Segment liabilities	46,484,183	2,329,422	-	1,651	-	48,815,256
Unallocated liabilities	-	-	-	974,531	-	974,531
Total segment liabilities						49,789,787

Non-cash items	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Unallocated RM'000	Group RM'000
Capital expenditure	21,074	4,268	-	332	8	25,682
Depreciation of property and equipment	17,784	2,165	-	120	244	20,313
Amortisation of intangible assets	8,568	587	-	2	5	9,162
Allowance for impairment on loans, advances and financing	76,169	5,274	-	-	-	81,443
Other non-cash items*	(310,922)	(138,263)	(34,818)	233	-	(483,770)

* Other non-cash items are mainly due to income earned from financial assets held-for-trading, financial investments available-for-sale and held-to-maturity.

Notes to the Financial Statements (continued)

- 31 December 2012

48 SEGMENT ANALYSIS (continued)

The segment analysis of the Group by activities in 2012 and 2011 are as follows (continued):-

31.12.2011	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Eliminations RM'000	Group RM'000
Segment revenue	2,346,635	291,454	-	11,683	-	2,649,772
Intersegment revenue	7,109	5,142	-	1,445	(13,696)	-
Unallocated revenue	-	-	-	5,838	-	5,838
Revenue	**2,353,744**	**296,596**	**-**	**18,966**	**(13,696)**	**2,655,610**
Segment results	613,275	88,855	-	3,848	28,657	734,635
Unallocated expenses	-	-	-	(25,130)	-	(25,130)
Share of results of jointly controlled entities (net of tax)	-	-	(4,380)	(210)	-	(4,590)
Share of results of associate (net of tax)	-	-	4,233	-	-	4,233
Profit before taxation and zakat						709,148
Taxation and zakat						(201,153)
Net profit for the financial year						**507,995**
Segment assets	49,360,679	3,959,807	-	13,052	-	53,333,538
Investment in jointly controlled entities	-	-	115,140	290	-	115,430
Investment in associate	-	-	155,548	-	-	155,548
Unallocated assets	-	-	-	76,772	-	76,772
Total segment assets						**53,681,288**
Segment liabilities	44,008,424	3,405,603	-	4,190	-	47,418,217
Unallocated liabilities	-	-	-	670,847	-	670,847
Total segment liabilities						**48,089,064**

Non-cash items	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Unallocated RM'000	Group RM'000
Capital expenditure	34,611	1,872	-	450	407	37,340
Depreciation of property and equipment	18,872	2,417	-	106	246	21,641
Amortisation of intangible assets	9,366	406	-	4	3	9,779
Allowance for impairment on loans, advances and financing	211,000	5,128	-	-	-	216,128
Other non-cash items*	(175,006)	(162,879)	147	152	(48)	(337,634)

* Other non-cash items are mainly due to income earned from financial assets held-for-trading, financial investments available-for-sale and held-to-maturity.

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. Exposure to credit risks for the Group arises primarily from lending activities by its banking subsidiaries. Credit risk arises mainly from corporate and consumer loans, advances and financing and loan commitments arising from such lending activities, but also arise from credit enhancement provided, such as financial guarantees, letters of credit and acceptances. The Group is also exposed to other credit risks arising from investments in debt securities and trading exposures, including non-equity trading portfolio assets, derivatives and settlement balances with market counterparties.

The management of credit in the Group is governed by a set of credit policies approved by the Board of Directors. 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 with a 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 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.

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit Risk measurement (continued)

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).

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, connected parties, and 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.

iii) Financing covenants (for credit related commitments and loans books)

The primary purpose of these instruments is to ensure that funds are available to a customer when required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit are collaterised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

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.

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit Risk (continued)

Credit Risk monitoring

Retail credits are actively monitored and managed on a portfolio basis by product type. A new collection management system has been implemented with a dedicated team 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-performing. As a rule, Watchlist accounts are either worked up or worked out within a period of twelve months.

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 commenced an Internal Credit Certification ('ICC') Programme for both Business Banking and Consumer Credit in July 2009 and August 2009 respectively. In October 2010, the Group introduced ICC-Market Risk with the Diagnostic Assessment conducted through the LMS.

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. It is envisaged that the core credit related group of personnel would all be certified within 2 to 3 years.

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.

Notes to the Financial Statements (continued)

- 31 December 2012

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit Risk (continued)

a) Maximum exposure to credit risk (continued)

The exposure to credit risk of the Group and the Company equals their carrying amount in the statement of financial position as at reporting date, except for the following:-

		Group		Company	
		Carrying Value RM'000	Maximum Credit Exposure RM'000	Carrying Value RM'000	Maximum Credit Exposure RM'000
31.12.2012					
Credit risk exposures of on-balance sheet assets					
Cash and short-term funds	*	**7,359,658**	**7,188,173**	**33,209**	**33,208**
Financial investments available-for-sale	#	**9,404,237**	**9,267,006**	**-**	**-**
Other assets	^	**313,277**	**271,134**	**346**	**286**
		17,077,172	**16,726,313**	**33,555**	**33,494**
Credit risk exposure of off-balance sheet items					
Financial guarantees		**2,613,724**	**1,540,174**	**-**	**-**
Loan commitments and other credit related commitments		**16,482,861**	**3,123,934**	**-**	**-**
Obligation under underwriting agreement		**-**	**-**	**-**	**-**
		19,096,585	**4,664,108**	**-**	**-**
Total maximum credit risk exposure		**36,173,757**	**21,390,421**	**33,555**	**33,494**
Restated – 31.12.2011					
Credit risk exposures of on-balance sheet assets					
Cash and short-term funds	*	9,685,542	9,544,049	67,333	67,332
Financial investments available-for-sale	#	9,122,892	8,980,533	-	-
Other assets	^	177,174	122,221	384	325
		18,985,608	18,646,803	67,717	67,657
Credit risk exposure of off-balance sheet items					
Financial guarantees		2,831,112	1,643,359	-	-
Loan commitments and other credit related commitments		17,187,512	2,501,143	-	-
Obligation under underwriting agreement		49,370	3,150	-	-
		20,067,994	4,147,652	-	-
Total maximum credit risk exposure		**39,053,602**	**22,794,455**	**67,717**	**67,657**

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit Risk (continued)

a) Maximum exposure to credit risk (continued)

		Group		Company	
		Carrying Value RM'000	Maximum Credit Exposure RM'000	Carrying Value RM'000	Maximum Credit Exposure RM'000
Restated – 1.1.2011					
Credit risk exposures of on-balance sheet assets					
Cash and short-term funds	*	8,642,897	8,537,309	126,186	126,185
Financial investments available-for-sale	#	8,592,533	8,466,001	-	-
Other assets	^	218,686	42,139	319	259
		17,454,116	17,045,449	126,505	126,444
Credit risk exposure of off-balance sheet items					
Financial guarantees		2,796,064	1,602,336	-	-
Loan commitments and other credit related commitments		16,086,015	501,805	-	-
Obligation under underwriting agreement		19,691	9,845	-	-
		18,901,770	2,113,986	-	-
Total maximum credit risk exposure		**36,355,886**	**19,159,435**	**126,505**	**126,444**

* including cash in-hand.
# including equity securities.
^ including prepayment.

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 67% as at 31 December 2012 (31.12.2011: 63%, 1.1.2011: 59%). The financial effects of collateral for the other financial assets are insignificant.

Notes to the Financial Statements (continued)
- 31 December 2012

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.

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The following tables analyse the Group's and the Company's financial assets and commitments and contingencies by industry concentration as at the reporting date:-

Group 31.12.2012	Short-term funds and placements with banks and other financial institutions RM'000	Reverse repurchase agreements with 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 and other assets RM'000	Derivative financial assets RM'000	On-balance sheet total RM'000	Commitments and contingencies RM'000
Agriculture	-	-	-	39,109	-	609,728	-	13	648,850	74,359
Mining and quarrying	-	-	-	-	-	473,549	-	481	474,030	30,460
Manufacturing	-	-	-	39,697	180,595	2,649,225	104	770	2,870,391	628,604
Electricity, gas and water	-	-	-	495,633	-	595,275	64	28	1,091,000	26,204
Construction	-	-	-	293,573	200,410	3,002,975	54	-	3,497,012	1,270,240
Real estate	-	-	-	46,138	-	3,777,029	454	-	3,823,621	592,892
General commerce	-	-	-	110,027	20,040	1,780,676	1,039	155	1,911,937	281,869
Transport, storage and communication	-	-	-	147,578	147,263	1,887,727	7,695	-	2,190,263	260,061
Finance, insurance and business services	842,976	-	165,592	4,400,263	-	4,181,636	3,751	64,568	9,658,786	838,062
Government and government agencies	6,817,977	20,057	-	3,527,316	-	117,522	213	-	10,483,085	137,225
Purchase of landed property, securities and vehicles	19,576	-	-	-	-	26,220	212,609	-	258,405	-
Others	-	-	-	167,672	16	15,392,403	258,923	-	15,819,014	524,132
Total	**7,680,529**	**20,057**	**165,592**	**9,267,006**	**548,324**	**34,493,965***	**484,906^**	**66,015**	**52,726,394**	**4,664,108**

* Not inclusive of collective allowance amounting to RM331 million.
^ Not inclusive of collective allowance on trade receivables amounting to RM21,000.

Risk concentrations for commitments and contingencies are based on the credit equivalent balances in Note 43.

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit Risk (continued)

b) Credit risk concentrations (continued)

Group Restated - 31.12.2011	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 and other assets RM'000	Derivative financial assets RM'000	On-balance sheet total RM'000	Commitments and contingencies RM'000
Agriculture	-	-	49,324	-	537,014	-	462	586,800	42,645
Mining and quarrying	-	-	-	-	431,334	-	-	431,334	37,417
Manufacturing	-	-	-	205,992	2,284,082	382	1,232	2,491,688	657,355
Electricity, gas and water	-	-	397,124	-	171,830	160	-	569,114	289
Construction	-	-	70,445	204,721	2,427,602	236	10	2,703,014	997,931
Real estate	-	-	20,638	-	3,093,154	672	-	3,114,464	369,397
General commerce	-	-	81,620	20,537	1,453,488	1,406	316	1,557,367	538,453
Transport, storage and communication	-	-	184,454	145,356	1,946,060	2,679	238	2,278,787	195,039
Finance, insurance and business services	804,069	149,832	3,306,201	27,362	4,265,860	2,909	44,765	8,600,998	681,831
Government and government agencies	9,019,438	-	4,736,026	16,186	61,386	346	-	13,833,382	119,731
Purchase of landed property, securities and vehicles	-	-	-	-	44,934	158,087	-	203,021	-
Others	-	-	134,701	30,769	14,183,055	115,794	-	14,464,319	507,564
Total	**9,823,507**	**149,832**	**8,980,533**	**650,923**	**30,899,799***	**282,671^**	**47,023**	**50,834,288**	**4,147,652**

* Not inclusive of collective allowance amounting to RM463 million.

^ Not inclusive of collective allowance on trade receivables allowance amounting to RM211,000.

Risk concentrations for commitments and contingencies are based on the credit equivalent balances in Note 43.

Notes to the Financial Statements (continued)

- 31 December 2012

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit Risk (continued)

b) Credit risk concentrations (continued)

Group Restated - 1.1.2011	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 and other assets RM'000	Derivative financial assets RM'000	On-balance sheet total RM'000	Commitments and contingencies RM'000
Agriculture	-	-	15,278	-	526,663	-	3	541,944	31,535
Mining and quarrying	-	-	-	-	373,899	-	244	374,143	1,053
Manufacturing	-	-	43,987	159,677	1,800,665	240	838	2,005,407	212,361
Electricity, gas and water	-	-	258,558	-	199,128	64	13	457,763	57
Construction	-	-	15,671	207,108	2,418,680	108	154	2,641,721	652,610
Real estate	-	-	15,065	-	2,401,148	527	-	2,416,740	185,829
General commerce	-	-	59,383	24,037	1,208,032	2,233	836	1,294,521	140,172
Transport, storage and communication	-	-	160,581	71,768	1,014,963	15,841	107	1,263,260	30,976
Finance, insurance and business services	267,539	149,945	2,750,494	27,361	4,415,793	9,035	49,279	7,669,446	236,660
Government and government agencies	8,287,863	-	4,967,893	16,186	75,394	95	-	13,347,431	135,825
Purchase of landed property, securities and vehicles	-	-	-	-	40,833	268,011	-	308,844	-
Others	-	-	179,091	30,411	12,503,953	16,187	152	12,729,794	486,908
Total	**8,555,402**	**149,945**	**8,466,001**	**536,548**	**26,979,151***	**312,341^**	**51,626**	**45,051,014**	**2,113,986**

* Not inclusive of collective allowance amounting to RM405 million.

^ Not inclusive of collective allowance on trade receivables amounting to RM190,000.

Risk concentrations for commitments and contingencies are based on the credit equivalent balances in Note 43.

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit Risk (continued)

b) Credit risk concentrations (continued)

Company	Short-term funds and placements with banks and other financial institutions RM'000	Other assets RM'000	On-balance sheet total RM'000
31.12.2012			
Finance, insurance and business services	**135,166**	**-**	**135,166**
Others	**-**	**286**	**286**
	135,166	**286**	**135,452**
31.12.2011			
Finance, insurance and business services	283,728	-	283,728
Others	-	325	325
	283,728	325	284,053
1.1.2011			
Finance, insurance and business services	302,818	-	302,818
Others	-	259	259
	302,818	259	303,077

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 car loans, charges over the vehicles financed; and
- For other loans, charges over business assets such as premises, inventories, trade receivables or deposits.

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit Risk (continued)

d) Total loan, 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 90 days or with impairment allowances.

i) Distribution of loans, advances and financing by credit quality

	Group		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Neither past due nor impaired	**31,282,117**	27,349,626	22,923,611
Past due but not impaired	**2,652,050**	2,847,093	3,251,478
Impaired	**790,438**	882,958	989,769
Gross loans, advances and financing	**34,724,605**	31,079,677	27,164,858
Less: Allowance for impairment			
- individual impairment	**(230,640)**	(179,878)	(185,707)
- collective impairment	**(330,797)**	(462,953)	(405,085)
Net loans, advances and financing	**34,163,168**	30,436,846	26,574,066

Past due but not impaired includes accounts within grace period amounting to RM1.0 billion (31.12.2011: RM0.9 billion, 1.1.2011: RM1.2 billion).

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		
	31.12.2012 RM'000	**31.12.2011 RM'000**	**1.1.2011 RM'000**
Quality classification:-			
Satisfactory *	**26,105,616**	22,891,692	19,086,537
Special mention #	**5,176,501**	4,457,934	3,837,074
	31,282,117	27,349,626	22,923,611

* Exposures demonstrate a strong capacity to meet financial commitments, with negligible or low probability of default and/or levels of expected loss.

\# Exposures require varying degrees of special attention and default risk is of greater concern.

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit Risk (continued)

d) Total loan, advances and financing - credit quality (continued)

iii) Loans past due but not impaired

Certain financing, advances and other loans are past due but not impaired as the collateral values of these loans are in excess of the principal and profit outstanding. Allowances for these loans may have been set aside on a portfolio basis. The Group's financing, advances and other loans which are past due but not impaired are as follows:-

		Group	
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM'000	**RM'000**	**RM'000**
Past due up to 30 days	**1,468,414**	1,472,097	1,768,351
Past due 30-60 days	**813,727**	948,649	996,340
Past due 60-90 days	**369,909**	426,347	486,787
	2,652,050	2,847,093	3,251,478

iv) Loans that are individually determined to be impaired as at reporting date

		Group	
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM'000	**RM'000**	**RM'000**
Analysis of impaired assets:-			
Gross impaired loans	**790,438**	882,958	989,769
Individually impaired loans	**147,644**	125,951	449,855

v) Collateral and other credit enhancements obtained

During the year, the Group obtained assets by taking possession of collateral held as security or calling upon other credit enhancements as follows:-

		Group Carrying Amount	
	31.12.2012	**31.12.2011**	**1.1.2011**
	RM'000	**RM'000**	**RM'000**
Nature of assets:-			
Condominium	**-**	1,190	-
Vacant industrial land	**-**	-	1,370

Foreclosed properties are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness. The carrying amount of foreclosed properties held by the Group as at reporting date has been classified as other assets as disclosed in Note 10.

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit Risk (continued)

e) Private debt securities, treasury bills and derivatives

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 an analysis of debt securities, treasury bills and other eligible bills by rating agency:-

Group	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
31.12.2012							
Financial assets held-for-trading:-							
- Private debt securities	-	-	-	15,316	150,276	-	165,592
Financial investments available-for-sale:-							
- Malaysian Government Securities	-	-	-	-	35,574	-	35,574
- Malaysian Government Treasury Bills	-	-	-	-	-	-	-
- Malaysian Government Investment Issuance	-	-	-	-	2,441,657	-	2,441,657
- Cagamas Bonds	151,524	-	-	-	-	-	151,524
- Bank Negara Malaysia Notes	-	-	-	-	884,069	-	884,069
- Others	120,550	-	160,085	-	407,346	-	687,981
- Quoted and Unquoted Shares in Malaysia	-	-	-	2,239	127,591	7,477	137,307
- Private debt securities	3,461,560	783,220	439,337	97,419	252,624	1,733	5,035,893
- Sukuk Perumahan Kerajaan	-	-	-	-	30,139	-	30,139
- Irredeemable Convertible Unsecured Loan Stock in Malaysia	-	-	-	-	-	93	93
Financial investments held-to-maturity:-							
- Private debt securities	-	-	-	-	462,774	85,550	548,324
Total	3,733,634	783,220	599,422	114,974	4,792,050	94,853	10,118,153

49 **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

Credit Risk (continued)

e) **Private debt securities, treasury bills and derivatives (continued)**

The table below presents an analysis of debt securities, treasury bills and other eligible bills by rating agency (continued):-

Group	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
31.12.2011							
Financial assets held-for-trading:-							
- Bank Negara Malaysia Notes	-	-	-	-	149,832	-	149,832
Financial investments available-for-sale:-							
- Malaysian Government Securities	-	-	-	-	675,045	-	675,045
- Malaysian Government Treasury Bills	-	-	-	-	39,421	-	39,421
- Malaysian Government Investment Issuance	-	-	-	-	3,846,939	-	3,846,939
- Cagamas Bonds	181,510	-	-	-	-	-	181,510
- Bank Negara Malaysia Notes	-	-	-	-	174,620	-	174,620
- Others	-	-	-	-	116,383	-	116,383
- Quoted and Unquoted Shares in Malaysia	-	-	-	2,932	135,179	4,326	142,437
- Private debt securities	2,215,898	580,189	631,809	226,598	288,459	3,490	3,946,443
- Irredeemable Convertible Unsecured Loan Stock in Malaysia	-	-	-	-	-	94	94
Financial investments held-to-maturity:-							
- Private debt securities	-	-	27,361	-	512,766	110,796	650,923
Total	**2,397,408**	**580,189**	**659,170**	**229,530**	**5,938,644**	**118,706**	**9,923,647**

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit Risk (continued)

e) Private debt securities, treasury bills and derivatives (continued)

The table below presents an analysis of debt securities, treasury bills and other eligible bills by rating agency (continued):-

Group	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
1.1.2011							
Financial assets held-for-trading:-							
- Bank Negara Malaysia Notes	-	-	-	-	99,853	-	99,853
- Negotiable Instruments of Deposits	-	-	-	-	50,092	-	50,092
Financial investments available-for-sale:-							
- Malaysian Government Securities	-	-	-	-	1,529,606	-	1,529,606
- Malaysian Government Treasury Bills	-	-	-	-	166,566	-	166,566
- Malaysian Government Investment Issuance	-	-	-	-	2,233,111	-	2,233,111
- Cagamas Bonds	222,915	-	-	-	-	-	222,915
- Bank Negara Malaysia Sukuk	-	-	-	-	32,017	-	32,017
- Bank Negara Malaysia Notes	-	-	-	-	1,006,592	-	1,006,592
- Others	-	-	-	-	711,316	-	711,316
- Quoted and Unquoted Shares in Malaysia	-	-	-	2,666	113,065	10,870	126,601
- Private debt securities	1,077,174	520,897	689,247	134,209	136,377	5,812	2,563,716
- Irredeemable Convertible Unsecured Loan Stock in Malaysia	-	-	-	-	-	93	93
Financial investments held-to-maturity:-							
- Private debt securities	-	-	27,361	-	388,922	120,265	536,548
Total	**1,300,089**	**520,897**	**716,608**	**136,875**	**6,467,517**	**137,040**	**9,279,026**

* 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.

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market Risk

Market risk is defined as the risk of losses to the Group's portfolio positions arising from movements in market prices. 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.

Market risk is primarily controlled through the imposition of Cut-loss, Value-at-Risk ('VaR') and Net Open Position Limits which are approved by both the Asset Liability Management Committee ('ALCO') and Board Risk Management Committee ('BRMC') in accordance with the Group's risk appetite. These limits are set and reviewed regularly according to a number of factors, including liquidity and the Group's business strategy. In addition, the Group conducts periodic stress test of its respective portfolios to ascertain the market risk under abnormal market conditions. For the asset liability mismatch position in the statement of financial position, the risk is measured using Net Interest Income simulations based on projected interest rate scenarios managed through limits set over time buckets together with an Overall Risk Tolerance Limit.

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.

The Variance-Covariance Parametric methodology is adopted to compute the potential loss amount. This is a statistically defined, probability-based approach that uses volatilities and correlations to quantify price risks. Under this methodology, a matrix of historical volatilities and correlations is computed from the past 100 business days' market data. VaR is then computed by applying these volatilities and correlations to the outstanding Trading Portfolio valued at current price levels.

The table below sets out a summary of the Group's VaR profile by financial instrument types and fixed income for the Trading Portfolio:-

Group	Balance RM'000	Average for the year RM'000	Minimum RM'000	Maximum RM'000
31.12.2012				
Instruments:-				
FX sport	634	906	604	1,468
FX sport (Metro Desk)	34	144	9	672
Government securities	-	-	-	4
Private debt securities	60	48	-	329
Fixed income:-				
Proprietary trading	-	12,559	-	1,162,178
Primary Subscription	-	18,697	-	988,251

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market Risk (continued)

a) Value-at-Risk ('VaR') (continued)

The table below sets out a summary of the Group's VaR profile by financial instrument types and fixed income for the Trading Portfolio (continued):-

Group	Balance RM'000	Average for the year RM'000	Minimum RM'000	Maximum RM'000
31.12.2011				
Instruments:				
FX swap	773	261	73	938
Government securities	4	-	-	7
1.1.2011				
Instruments:-				
FX swap	201	241	134	437
Government securities	-	1	-	11
Private debt securities	-	1	-	18
Fixed income:-				
Proprietary trading	-	101	-	1,283

Other Risk Measures

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.

iii) Sensitivity/Dollar Duration

Sensitivity/Dollar Duration is an additional measure of interest rate risk that is computed on a daily basis. It measures the change in value of a portfolio resulting from a 0.01% increase in interest rates. This measure identifies the Group's interest rate exposures that are most vulnerable to interest rate changes and it facilitates the implementation of hedging strategies.

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market Risk (continued)

Net interest income sensitivity

The table below shows the pre-tax net interest income sensitivity for the non-trading financial assets and financial liabilities held as at reporting date. The sensitivity has been measured using the Repricing Gap Simulation methodology based on parallel shifts in the interest rate.

Group	31.12.2012 +100 basis points RM million	31.12.2012 -100 basis points RM million	31.12.2011 +100 basis points RM million	31.12.2011 -100 basis points RM million	1.1.2011 +100 basis points RM million	1.1.2011 -100 basis points RM million
Impact on net interest income	**(13.7)**	**13.7**	(29.4)	29.4	(44.0)	44.0
As percentage of net interest income	**-1.2%**	**1.2%**	-2.8%	2.8%	-4.3%	4.3%

Foreign exchange risk sensitivity analysis

Group	Open position: US Dollar equivalent amount '000	Open position: Ringgit Malaysia equivalent amount '000	Open position: Ringgit Malaysia equivalent amount for 1% fall in US Dollar '000	Impact of 1% fall in US Dollar exchange rate '000
31.12.2012				
US Dollar	**(4,986)**	**(15,252)**	**(15,099)**	**153**
Others	**(4,334)**	**(13,255)**	**(13,123)**	**132**
31.12.2011				
US Dollar	(4,771)	(15,158)	(15,006)	152
Others	(11,621)	(36,921)	(36,551)	370
1.1.2011				
US Dollar	(8,834)	(27,238)	(26,965)	273
Others	(1,072)	(3,305)	(3,271)	34

a) The impact on the outstanding foreign exchange position as at 31 December 2012 for a one percent change in USD exchange rate from 3.0590 to 3.0284 was an increase of about RM285,069.

b) The impact on the outstanding foreign exchange position as at 31 December 2011 for a one percent change in USD exchange rate from 3.1770 to 3.1452 was an increase of about RM520,777.

c) The impact on the outstanding foreign exchange position as at 1 January 2011 for a one percent change in USD exchange rate from 3.0835 to 3.0527 was an increase of about RM304,360.

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.

Group	Euro RM'000	United States Dollar RM'000	Australian Dollar RM'000	Great Britain Pound RM'000	Japanese Yen RM'000	Others RM'000	Total RM'000
31.12.2012							
Assets							
Cash and short-term funds	6,724	132,764	229	2,170	972	25,761	168,620
Deposits and placements of banks and other financial institutions	-	129,692	79,833	-	-	-	209,525
Financial assets held-for-trading	-	15,316	-	-	-	-	15,316
Financial investments available-for-sale	-	281,278	225,188	-	-	112,966	619,432
Derivative financial assets	-	1,811	1,155	-	-	231	3,197
Loans, advances and financing	185	1,671,794	-	98,514	1,114	1,871	1,773,478
Other assets	-	590	-	-	-	-	590
Total financial assets	6,909	2,233,245	306,405	100,684	2,086	140,829	2,790,158
Liabilities							
Deposits from customers	110,212	173,009	8,996	7,337	170	6,153	305,877
Deposits and placements of banks and other financial institutions	-	762,293	88,780	-	-	12,521	863,594
Derivative financial liabilities	-	6,940	596	-	-	2,457	9,993
Other liabilities	-	9,440	265	-	-	-	9,705
Total financial liabilities	110,212	951,682	98,637	7,337	170	21,131	1,189,169
Net on-balance sheet financial position	(103,303)	1,281,563	207,768	93,347	1,916	119,698	1,600,989
Off-balance sheet credit commitments	540,691	555,469	61,321	1,107	1,933	17,375	1,177,896

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market Risk (continued)

b) Foreign exchange risk (continued)

Group	Euro RM'000	United States Dollar RM'000	Australian Dollar RM'000	Great Britain Pound RM'000	Japanese Yen RM'000	Others RM'000	Total RM'000
Restated - 31.12.2011							
Assets							
Cash and short-term funds	87,801	382,752	32,630	2,692	982	22,997	529,854
Deposits and placements of banks and other financial institutions	-	324,626	81,085	-	32,085	-	437,796
Financial investments available-for-sale	-	307,862	358,104	49,736	65,031	92,090	872,823
Derivative financial assets	-	2,166	1,098	25	-	183	3,472
Loans, advances and financing	338	1,105,888	-	97,872	473	1,619	1,206,190
Other assets	-	493	-	-	-	-	493
Total financial assets	**88,139**	**2,123,787**	**472,917**	**150,325**	**98,571**	**116,889**	**3,050,628**
Liabilities							
Deposits from customers	149,869	125,418	16,251	9,643	96	3,269	304,546
Deposits and placements of banks and other financial institutions	-	1,367,491	119,152	-	31,948	12,193	1,530,784
Derivative financial liabilities	-	9,036	947	1,315	-	1,213	12,511
Other liabilities	-	5,467	70	-	-	-	5,537
Total financial liabilities	**149,869**	**1,507,412**	**136,420**	**10,958**	**32,044**	**16,675**	**1,853,378**
Net on-balance sheet financial position	(61,730)	616,375	336,497	139,367	66,527	100,214	1,197,250
Off-balance sheet credit commitments	633,166	1,446,411	32,180	31,477	287,601	23,668	2,454,503

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market Risk (continued)

b) Foreign exchange risk (continued)

Group	Euro RM'000	United States Dollar RM'000	Australian Dollar RM'000	Great Britain Pound RM'000	Japanese Yen RM'000	Others RM'000	Total RM'000
Restated - 1.1.2011							
Assets							
Cash and short-term funds	3,205	163,867	2,049	2,058	3,114	33,399	207,692
Deposits and placements of banks and other financial institutions	-	147,276	15,685	-	29,604	7	192,572
Financial investments available-for-sale	-	334,828	39,823	46,893	59,302	30,184	511,030
Derivative financial assets	-	1,988	96	20	-	1,522	3,626
Loans, advances and financing	271	752,572	-	113	356	1,147	754,459
Total financial assets	**3,476**	**1,400,531**	**57,653**	**49,084**	**92,376**	**66,259**	**1,669,379**
Liabilities							
Deposits from customers	7,660	208,383	9,973	8,488	25,619	4,155	264,278
Deposits and placements of banks and other financial institutions	-	668,128	4,166	-	29,655	-	701,949
Derivative financial liabilities	-	8,478	98	3,410	-	374	12,360
Other liabilities	-	7,103	34	-	-	67	7,204
Total financial liabilities	**7,660**	**892,092**	**14,271**	**11,898**	**55,274**	**4,596**	**985,791**
Net on-balance sheet financial position	(4,184)	508,439	43,382	37,186	37,102	61,663	683,588
Off-balance sheet credit commitments	1,093,230	2,115,824	25,235	65,866	328,457	68,370	3,696,982

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 repricing or maturity dates. The off-balance sheet gap represents the interest/profit rate sensitive commitments and contingencies.

Group	<---- Non-trading Book				---->				
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Weighted Average Rate %
31.12.2012									
Assets									
Cash and short-term funds	7,127,570	-	-	-	-	232,088	-	7,359,658	2.96
Deposits and placements of banks and other financial institutions	88,649	303,650	1,973	40,000	55,000	3,084	-	492,356	3.59
Reverse repurchase agreements with financial institutions	-	-	19,939	-	-	118	-	20,057	3.07
Financial assets held-for-trading	-	-	-	-	-	-	165,592	165,592	3.09
Financial investments available-for-sale	490,977	819,681	954,904	3,668,134	3,264,570	205,971	-	9,404,237	3.45
Financial investments held-to-maturity	197,337	92,000	4,000	161,739	16	93,232	-	548,324	4.44
Loans, advances and financing									
- non-impaired	18,166,870	2,693,714	2,746,711	8,127,401	2,199,437	(330,763)*	-	33,603,370	5.48
- impaired	-	-	-	-	-	559,798^	-	559,798	
Other assets (1)	-	-	-	66,310	-	2,085,402	21,707	2,173,419	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	1,507,480	-	1,507,480	
Total assets	26,071,403	3,909,045	3,727,527	12,063,584	5,519,023	4,356,410	187,299	55,834,291	

Notes to the Financial Statements (continued)

- 31 December 2012

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market Risk (continued)

c) Interest/profit rate risk (continued)

Group	<---- Non-trading Book				---->				
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Weighted Average Rate %
31.12.2012									
Liabilities									
Deposits from customers	17,283,216	10,197,132	12,200,549	338,510	-	2,925,579	-	42,944,986	3.17
Deposits and placements of banks and other financial institutions	2,218,902	2,358,549	10,144	-	-	614	-	4,588,209	2.75
Bills and acceptances payable	-	-	-	-	-	152,400	-	152,400	-
Recourse obligation on loans sold to Cagamas Berhad	-	-	-	410,345	-	3,204	-	413,549	4.77
Other liabilities (2)	-	-	-	-	-	685,232	33,068	718,300	-
Borrowings	895,040	-	-	66,310	-	10,993	-	972,343	4.38
Total liabilities	20,397,158	12,555,681	12,210,693	815,165	-	3,778,022	33,068	49,789,787	
Shareholders' funds	-	-	-	-	-	6,044,504	-	6,044,504	
Total liabilities and shareholders' funds	20,397,158	12,555,681	12,210,693	815,165	-	9,822,526	33,068	55,834,291	
On-balance sheet interest sensitivity gap	5,674,245	(8,646,636)	(8,483,166)	11,248,419	5,519,023	(5,466,116)	154,231	-	
Off-balance sheet interest sensitivity gap	502,354	602,790	(91,805)	(1,148,313)	134,974	-	-	-	
Total interest sensitivity gap	6,176,599	(8,043,846)	(8,574,971)	10,100,106	5,653,997	(5,466,116)	154,231	-	

* The negative balance represents collective 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 allowance.

(1) Other assets include derivative financial assets, investment in associate, amount due from associate, investment in jointly controlled entities, trade receivables, property and equipment, intangible assets, taxation recoverable and other assets.

(2) Other liabilities include derivative financial liabilities, trade payables, provision for taxation, deferred tax liabilities and other liabilities.

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market Risk (continued)

c) Interest/profit rate risk (continued)

	<------------------------- Non-trading Book				------------------------->				
Group	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Weighted Average Rate %
Restated – 31.12.2011									
Assets									
Cash and short-term funds	9,450,859	-	-	-	-	234,683	-	9,685,542	2.86
Deposits and placements of banks and other financial institutions	5,041	59,102	1,913	188,696	20,000	4,706	-	279,458	3.34
Financial assets held-for-trading	-	-	-	-	-	-	149,832	149,832	3.01
Financial investments available-for-sale	58,945	326,161	598,385	6,514,000	1,404,625	220,776	-	9,122,892	3.89
Financial investments held-to-maturity	225,518	-	64,229	258,322	16	102,838	-	650,923	5.16
Loans, advances and financing									
- non-impaired	17,603,770	1,337,490	2,303,849	6,926,912	2,024,698	(462,953)*	-	29,733,766	4.97
- impaired	-	-	-	-	-	703,080^	-	703,080	
Other assets (1)	-	-	-	66,310	-	1,847,973	31,371	1,945,654	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	1,410,141	-	1,410,141	
Total assets	**27,344,133**	**1,722,753**	**2,968,376**	**13,954,240**	**3,449,339**	**4,061,244**	**181,203**	**53,681,288**	

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market Risk (continued)

c) **Interest/profit rate risk (continued)**

Group	<------ Non-trading Book ------>								
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Weighted Average Rate %
Restated - 31.12.2011									
Liabilities									
Deposits from customers	17,578,153	10,443,074	8,285,256	394,853	-	2,662,078	-	39,363,414	3.22
Deposits and placements of banks and other financial institutions	4,505,891	2,048,662	299,559	-	-	12,935	-	6,867,047	3.09
Bills and acceptances payable	-	-	-	-	-	82,059	-	82,059	-
Recourse obligation on loans sold to Cagamas Berhad	-	-	-	425,133	-	3,326	-	428,459	4.77
Other liabilities (2)	-	-	-	-	-	621,258	57,182	678,440	
Borrowings	600,000	-	-	66,310	-	3,335	-	669,645	3.28
Total liabilities	22,684,044	12,491,736	8,584,815	886,296	-	3,384,991	57,182	48,089,064	
Shareholders' funds	-	-	-	-	-	5,592,224	-	5,592,224	
Total liabilities and shareholders' funds	**22,684,044**	**12,491,736**	**8,584,815**	**886,296**	**-**	**8,977,215**	**57,182**	**53,681,288**	
On-balance sheet interest sensitivity gap	4,660,089	(10,768,983)	(5,616,439)	13,067,944	3,449,339	(4,915,971)	124,021	-	
Off-balance sheet interest sensitivity gap	605,163	764,268	34,550	(1,392,942)	(11,039)	-	-	-	
Total interest sensitivity gap	**5,265,252**	**(10,004,715)**	**(5,581,889)**	**11,675,002**	**3,438,300**	**(4,915,971)**	**124,021**	**-**	

* The negative balance represents collective 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 allowance.

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

(2) Other liabilities include derivative financial liabilities, trade payables, provision for taxation, deferred tax liabilities and other liabilities.

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market Risk (continued)

c) Interest/profit rate risk (continued)

Group	<---- Non-trading Book ---- Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000 ---->	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Weighted Average Rate %
Restated - 1.1.2011									
Assets									
Cash and short-term funds	8,479,240	-	-	-	-	163,657	-	8,642,897	2.76
Deposits and placements of banks and other financial institutions	551	-	17,537	-	-	5	-	18,093	2.83
Financial assets held-for-trading	-	-	-	-	-	92	149,853	149,945	2.81
Financial investments available-for-sale	436,715	970,463	786,749	5,566,677	642,024	189,905	-	8,592,533	3.75
Financial investments held-to-maturity	24,037	207,108	-	216,238	16	89,149	-	536,548	5.09
Loans, advances and financing									
- non-impaired	12,625,122	1,060,363	2,466,732	7,529,323	2,493,549	(405,085)*	-	25,770,004	4.97
- impaired	-	-	-	-	-	804,062^	-	804,062	
Other assets (1)	-	-	-	90,624	-	2,073,110	9,743	2,173,477	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	275,167	-	275,167	
Total assets	**21,565,665**	**2,237,934**	**3,271,018**	**13,402,862**	**3,135,589**	**3,190,062**	**159,596**	**46,962,726**	

Notes to the Financial Statements (continued)

- 31 December 2012

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market Risk (continued)

c) **Interest/profit rate risk (continued)**

Group	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Weighted Average Rate %
	<------ Non-trading Book				------>				
Restated - 1.1.2011									
Liabilities									
Deposits from customers	16,734,624	8,467,748	5,495,605	72,979	-	2,476,323	-	33,247,279	2.99
Deposits and placements of banks and other financial institutions	3,444,163	3,326,336	-	67,131	-	14,968	-	6,852,598	2.80
Bills and acceptances payable	-	-	-	-	-	110,161	-	110,161	-
Recourse obligation on loans sold to Cagamas Berhad	-	-	-	286,370	-	2,521	-	288,891	5.00
Other liabilities (2)	-	-	-	-	-	852,930	17,448	870,378	
Borrowings	324,314	-	-	66,310	-	1,762	-	392,386	3.30
Total liabilities	20,503,101	11,794,084	5,495,605	492,790	-	3,458,665	17,448	41,761,693	
Shareholders' funds	-	-	-	-	-	5,201,033	-	5,201,033	
Total liabilities and shareholders' funds	**20,503,101**	**11,794,084**	**5,495,605**	**492,790**	**-**	**8,659,698**	**17,448**	**46,962,726**	
On-balance sheet interest sensitivity gap	1,062,564	(9,556,150)	(2,224,587)	12,910,072	3,135,589	(5,469,636)	142,148	-	
Off-balance sheet interest sensitivity gap	299,637	455,305	(5,193)	(704,458)	(45,291)	-	-	-	
Total interest sensitivity gap	**1,362,201**	**(9,100,845)**	**(2,229,780)**	**12,205,614**	**3,090,298**	**(5,469,636)**	**142,148**	**-**	

* The negative balance represents collective 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 allowance.

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

(2) Other liabilities include derivative financial liabilities, trade payables, provision for taxation, deferred tax liabilities and other liabilities.

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market Risk (continued)

c) Interest/profit rate risk (continued)

Company	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Weighted Average Rate %
	<------------------------- Non-trading Book				------------------------->				
31.12.2012									
Assets									
Cash and short-term funds	33,109	-	-	-	-	100	-	33,209	3.20
Deposits and placements with banks and other financial institutions	585	97,520	3,773	-	-	80	-	101,958	3.22
Other assets (Note 1)	-	-	-	-	-	6,030	-	6,030	
Amount due from subsidiaries	900,000	-	-	-	-	4,960	-	904,960	4.49
Amount due from associate	-	-	-	66,310	-	930	-	67,240	8.00
Investment in subsidiaries	-	-	-	-	-	3,582,882	-	3,582,882	
Investment in jointly controlled entities	-	-	-	-	-	146,880	-	146,880	
Investment in associate	-	-	-	-	-	10,597	-	10,597	
Total assets	933,694	97,520	3,773	66,310	-	3,752,459	-	4,853,756	
Liabilities									
Other liabilities	-	-	-	-	-	5,829	-	5,829	
Deferred tax liabilities	-	-	-	-	-	143	-	143	
Amount due to subsidiaries	-	-	-	-	-	400,258	-	400,258	
Borrowings	900,000	-	-	66,310	-	6,033	-	972,343	4.25
Total liabilities	900,000	-	-	66,310	-	412,263	-	1,378,573	
Shareholders' funds	-	-	-	-	-	3,475,183	-	3,475,183	
Total liabilities and shareholders' funds	900,000	-	-	66,310	-	3,887,446	-	4,853,756	
On-balance sheet interest sensitivity gap	33,694	97,520	3,773	-	-	(134,987)	-	-	
Total interest sensitivity gap	33,694	97,520	3,773	-	-	(134,987)	-	-	

Note 1: Other assets include property and equipment, intangible assets, taxation recoverable and other assets.

Notes to the Financial Statements (continued)
- 31 December 2012

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market Risk (continued)

c) Interest/profit rate risk (continued)

Company	<---- Up to 1 month RM'000	> 1-3 months RM'000	Non-trading Book > 3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000 ---->	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Weighted Average Rate %
31.12.2011									
Assets									
Cash and short-term funds	67,209	-	-	-	-	124	-	67,333	3.28
Deposits and placements with banks and other financial institutions	567	211,784	3,712	-	-	333	-	216,396	3.33
Other assets (Note 1)	-	-	-	-	-	5,807	-	5,807	
Amount due from subsidiaries	600,000	-	-	-	-	3,062	-	603,062	4.20
Amount due from associate	-	-	-	66,310	-	947	-	67,257	8.00
Investment in subsidiaries	-	-	-	-	-	3,536,914	-	3,536,914	
Investment in jointly controlled entities	-	-	-	-	-	135,660	-	135,660	
Investment in associate	-	-	-	-	-	10,597	-	10,597	
Total assets	**667,776**	**211,784**	**3,712**	**66,310**	**-**	**3,693,444**	**-**	**4,643,026**	
Liabilities									
Other liabilities	-	-	-	-	-	5,534	-	5,534	
Deferred tax liabilities	-	-	-	-	-	587	-	587	
Amount due to subsidiaries	-	-	-	-	-	589,313	-	589,313	
Borrowings	600,000	-	-	66,310	-	3,335	-	669,645	3.28
Total liabilities	600,000	-	-	66,310	-	598,769	-	1,265,079	
Shareholders' funds	-	-	-	-	-	3,377,947	-	3,377,947	
Total liabilities and shareholders' funds	**600,000**	**-**	**-**	**66,310**	**-**	**3,976,716**	**-**	**4,643,026**	
On-balance sheet interest sensitivity gap	67,776	211,784	3,712	-	-	(283,272)	-	-	
Total interest sensitivity gap	**67,776**	**211,784**	**3,712**	**-**	**-**	**(283,272)**	**-**	**-**	

Note 1: Other assets include property and equipment, intangible assets, taxation recoverable and other assets.

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market Risk (continued)

c) Interest/profit rate risk (continued)

Company	Non-trading Book: Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Weighted Average Rate %
1.1.2011									
Assets									
Cash and short-term funds	125,998	-	-	-	-	188	-	126,186	3.00
Deposits and placements with banks and other financial institutions	551	172,204	3,657	-	-	221	-	176,633	3.05
Other assets (Note 1)	-	-	-	-	-	7,246	-	7,246	
Amount due from subsidiaries	300,000	-	-	-	-	756	-	300,756	3.47
Amount due from associate	-	-	-	90,624	-	1,204	-	91,828	5.07
Investment in subsidiaries	-	-	-	-	-	3,636,991	-	3,636,991	
Investment in jointly controlled entities	-	-	-	-	-	128,520	-	128,520	
Investment in associate	-	-	-	-	-	10,597	-	10,597	
Total assets	426,549	172,204	3,657	90,624	-	3,785,723	-	4,478,757	
Liabilities									
Other liabilities	-	-	-	-	-	106,324	-	106,324	
Deferred tax liabilities	-	-	-	-	-	141	-	141	
Amount due to subsidiaries	-	-	-	-	-	689,348	-	689,348	
Borrowings	324,314	-	-	66,310	-	1,762	-	392,386	3.29
Total liabilities	324,314	-	-	66,310	-	797,575	-	1,188,199	
Shareholders' funds	-	-	-	-	-	3,290,558	-	3,290,558	
Total liabilities and shareholders' funds	**324,314**	**-**	**-**	**66,310**	**-**	**4,088,133**	**-**	**4,478,757**	
On-balance sheet interest sensitivity gap	102,235	172,204	3,657	24,314	-	(302,410)	-	-	
Total interest sensitivity gap	**102,235**	**172,204**	**3,657**	**24,314**	**-**	**(302,410)**	**-**	**-**	

Note 1: Other assets include property and equipment, intangible assets, taxation recoverable and other assets.

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Operational Risk

Financial instruments comprise financial assets, financial liabilities and also off balance sheet financial instruments. The fair value of a financial instrument is the amount at which the instruments could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents estimates of fair values as at reporting date.

Quoted market prices, when available, are used as the measure of fair values. For financial instruments without quoted market prices, fair values are estimated using net present value or other valuation techniques. These techniques involve a certain degree of uncertainty depending on the assumptions used and judgements made regarding risk characteristics of various financial instruments, discount rates, estimate of future cash flows, future expected loss experience and other factors. Changes in these assumptions could materially affect these estimates and the resulting fair value.

Fair value information for non-financial assets and liabilities are excluded as they do not fall within the scope of FRS132 which requires fair values to be disclosed. This includes property and equipment, statutory deposits with Bank Negara Malaysia, investment in subsidiaries, other assets, tax recoverable, deferred tax and intangible assets.

Liquidity Risk

Liquidity risk is the risk of loss due to failure to access funds at reasonable cost to fund the Group's operations and meet its liabilities when they fall due. Liquidity risk arises from the Group's funding activities and the management of its assets.

To measure and manage net funding requirements, the Group adopts BNM's New Liquidity Framework ('NLF'). The NLF ascertains the liquidity condition based on the contractual and behavioural cash-flow of assets, liabilities and off-balance sheet commitments, taking into consideration the realisable cash value of the eligible liquefiable assets.

The Group employs liquidity risk indicators as an early alert of any structural change for liquidity risk management. The risk is measured monthly using internal and external qualitative and quantitative liquidity risk indicators. The Group also conducts liquidity stress tests to gauge the Group's resilience in the event of a funding crisis. In addition, the Group has in place the Contingency Funding Plan to deal with liquidity crisis and emergencies.

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 however, informed regularly of the liquidity situation in the Group.

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 payments.

i) Liquidity risk disclosure table based on contractual undiscounted cash flow:-

Group	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
31.12.2012						
Deposits from customers	**19,997,495**	**10,361,509**	**12,599,289**	**396,903**	**-**	**43,355,196**
Deposits and placements of banks and other financial institutions	**2,200,690**	**2,367,346**	**33,479**	**-**	**-**	**4,601,515**
Bills and acceptances payable	**152,400**	**-**	**-**	**-**	**-**	**152,400**
Trade payables	**213,690**	**-**	**-**	**-**	**-**	**213,690**
Recourse obligation on loans sold to Cagamas Berhad	**3,165**	**5,525**	**26,109**	**422,077**	**-**	**456,876**
Other liabilities	**325,732**	**22,315**	**6,366**	**10,551**	**-**	**364,964**
Borrowings	**3,361**	**7,285**	**31,941**	**1,048,826**	**-**	**1,091,413**
Total financial liabilities	**22,896,533**	**12,763,980**	**12,697,184**	**1,878,357**	**-**	**50,236,054**
Restated - 31.12.2011						
Deposits from customers	18,577,977	10,252,545	9,704,382	1,160,768	-	39,695,672
Deposits and placements of banks and other financial institutions	4,417,508	2,172,891	345,713	-	-	6,936,112
Bills and acceptances payable	82,059	-	-	-	-	82,059
Trade payables	156,908	-	-	-	-	156,908
Recourse obligation on loans sold to Cagamas Berhad	3,172	5,545	26,189	456,743	-	491,649
Other liabilities	345,551	14,774	18,374	10,783	110	389,592
Borrowings	261	6,535	20,488	731,096	-	758,380
Total financial liabilities	**23,583,436**	**12,452,290**	**10,115,146**	**2,359,390**	**110**	**48,510,372**
Restated - 1.1.2011						
Deposits from customers	19,168,005	8,545,654	5,628,271	73,198	-	33,415,128
Deposits and placements of banks and other financial institutions	3,592,490	3,345,603	69,750	-	-	7,007,843
Bills and acceptances payable	110,161	-	-	-	-	110,161
Trade payables	258,802	-	-	-	-	258,802
Recourse obligation on loans sold to Cagamas Berhad	3,226	3,106	19,021	310,879	-	336,232
Other liabilities	476,957	14,168	27,039	12,893	1,580	532,637
Borrowings	294	3,485	11,337	434,408	-	449,524
Total financial liabilities	**23,609,935**	**11,912,016**	**5,755,418**	**831,378**	**1,580**	**42,110,327**

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 payments.

i) Liquidity risk disclosure table based on contractual undiscounted cash flow (continued):-

Company	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
31.12.2012						
Other liabilities	**286**	**618**	**1,325**	**3,600**	**-**	**5,829**
Amount due to subsidiaries	**-**	**-**	**-**	**-**	**400,258**	**400,258**
Borrowings	**3,361**	**7,285**	**31,941**	**1,048,826**	**-**	**1,091,413**
Total financial liabilities	**3,647**	**7,903**	**33,266**	**1,052,426**	**400,258**	**1,497,500**
31.12.2011						
Other liabilities	248	587	968	3,731	-	5,534
Amount due to subsidiaries	-	-	-	-	589,313	589,313
Borrowings	261	6,535	20,488	731,096	-	758,380
Total financial liabilities	**509**	**7,122**	**21,456**	**734,827**	**589,313**	**1,353,227**
1.1.2011						
Other liabilities	101,083	617	950	3,674	-	106,324
Amount due to subsidiaries	-	-	-	-	689,348	689,348
Borrowings	294	3,485	11,337	434,408	-	449,524
Total financial liabilities	**101,377**	**4,102**	**12,287**	**438,082**	**689,348**	**1,245,196**

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 payments.

ii) Derivatives financial liabilities based on contractual undiscounted cash flow:-

Group	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
31.12.2012						
Derivatives settled on a net basis						
Interest rate derivative	**(1,374)**	**(1,696)**	**(4,776)**	**(9,741)**	**2,062**	**(15,525)**
Derivatives settled on a gross basis						
Foreign exchange derivatives:						
Outflow	**(523,356)**	**(648,351)**	**(352,435)**	**(126,927)**	**-**	**(1,651,069)**
Inflow	**522,534**	**643,932**	**347,851**	**124,546**	**-**	**1,638,863**
	(822)	**(4,419)**	**(4,584)**	**(2,381)**	**-**	**(12,206)**
31.12.2011						
Derivatives settled on a net basis						
Interest rate derivative	(966)	(2,249)	(10,358)	(32,457)	(9,918)	(55,948)
Derivatives settled on a gross basis						
Foreign exchange derivatives:						
Outflow	(769,225)	(414,998)	(769,504)	(102,284)	-	(2,056,011)
Inflow	768,365	411,915	766,701	99,207	-	2,046,188
	(860)	**(3,083)**	**(2,803)**	**(3,077)**	**-**	**(9,823)**
1.1.2011						
Derivatives settled on a net basis						
Interest rate derivative	(1,098)	(1,353)	(9,658)	(33,596)	(12,799)	(58,504)
Derivatives settled on a gross basis						
Foreign exchange derivatives:						
Outflow	(278,479)	(207,640)	(229,901)	(237,332)	-	(953,352)
Inflow	278,466	205,907	229,397	226,938	-	940,708
	(13)	**(1,733)**	**(504)**	**(10,394)**	**-**	**(12,644)**

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:-

Group	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
31.12.2012						
Assets						
Cash and short-term funds	7,359,658	-	-	-	-	7,359,658
Deposits and placements with banks and other financial institutions	8,654	236,537	14,185	101,746	131,234	492,356
Reverse repurchase agreements with financial institutions	-	-	20,057	-	-	20,057
Financial assets held-for-trading	165,592	-	-	-	-	165,592
Financial investments available-for-sale	488,890	741,874	1,052,706	4,521,097	2,599,670	9,404,237
Financial investments held-to-maturity	88,623	1,076	20,003	241,269	197,353	548,324
Derivative financial assets	11,209	26,370	18,534	3,836	6,066	66,015
Loans, advances and financing	1,894,114	1,741,946	1,669,939	11,096,734	17,760,435	34,163,168
Other assets (Note 1)	475,615	326	27,701	11,282	1,592,480	2,107,404
Statutory deposit with Bank Negara Malaysia	1,507,480	-	-	-	-	1,507,480
Total assets	11,999,835	2,748,129	2,823,125	15,975,964	22,287,238	55,834,291

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

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

<u>Liquidity Risk</u> (continued)

iii) Liquidity risk for assets and liabilities based on remaining contractual maturities (continued):-

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

Group	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
31.12.2012						
Liabilities						
Deposits from customers	19,993,962	10,294,209	12,317,834	338,981	-	42,944,986
Deposits and placements of banks and other financial institutions	2,211,548	2,371,526	5,135	-	-	4,588,209
Bills and acceptances payable	152,400	-	-	-	-	152,400
Derivative financial liabilities	9,769	19,817	11,512	17,247	1,215	59,560
Recourse obligation on loans sold to Cagamas Berhad	1,364	1,840	-	410,345	-	413,549
Other liabilities (Note 2)	543,731	23,630	67,457	10,550	13,372	658,740
Borrowings	2,842	3,191	-	966,310	-	972,343
Total liabilities	22,915,616	12,714,213	12,401,938	1,743,433	14,587	49,789,787
On-balance sheet gap	(10,915,781)	(9,966,084)	(9,578,813)	14,232,531	22,272,651	6,044,504
Off-balance sheet credit commitments	(21,095)	-	(12,032,058)	(53,133)	-	(12,106,286)
Derivatives	142,971	331,915	1,041,996	125,150	-	1,642,032
Net maturity mismatch	(10,793,905)	(9,634,169)	(20,568,875)	14,304,548	22,272,651	(4,419,750)

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

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

Group	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
Restated – 31.12.2011						
Assets						
Cash and short-term funds	9,685,542	-	-	-	-	9,685,542
Deposits and placements with banks and other financial institutions	570	-	1,920	256,962	20,006	279,458
Financial assets held-for-trading	149,832	-	-	-	-	149,832
Financial investments available-for-sale	72,371	358,981	717,129	6,532,485	1,441,926	9,122,892
Financial investments held-to-maturity	124,294	1,085	64,590	259,355	201,599	650,923
Derivative financial assets	11,735	10,901	7,197	2,886	14,304	47,023
Loans, advances and financing	1,749,958	754,134	1,213,500	9,316,405	17,402,849	30,436,846
Other assets (Note 1)	275,598	5,932	20,744	25,395	1,570,962	1,898,631
Statutory deposit with Bank Negara Malaysia	1,410,141	-	-	-	-	1,410,141
Total assets	**13,480,041**	**1,131,033**	**2,025,080**	**16,393,488**	**20,651,646**	**53,681,288**

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

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity Risk (continued)

iii) Liquidity risk for assets and liabilities based on remaining contractual maturities (continued):-

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

Group	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
Restated – 31.12.2011						
Liabilities						
Deposits from customers	20,186,736	10,427,097	8,354,350	395,231	-	39,363,414
Deposits and placements of banks and other financial institutions	4,516,769	2,064,135	286,143	-	-	6,867,047
Bills and acceptances payable	82,059	-	-	-	-	82,059
Derivative financial liabilities	20,130	16,716	15,200	28,597	16,311	96,954
Recourse obligation on loans sold to Cagamas Berhad	1,426	1,900	-	425,133	-	428,459
Other liabilities (Note 2)	502,507	17,772	32,545	8,434	20,228	581,486
Borrowings	261	3,074	-	666,310	-	669,645
Total liabilities	**25,309,888**	**12,530,694**	**8,688,238**	**1,523,705**	**36,539**	**48,089,064**
On-balance sheet gap	(11,829,847)	(11,399,661)	(6,663,158)	14,869,783	20,615,107	5,592,224
Off-balance sheet credit commitments	(89,974)	-	(13,493,662)	(1,549)	-	(13,585,185)
Derivatives	573,777	195,782	490,331	(33,068)	-	1,226,822
Net maturity mismatch	**(11,346,044)**	**(11,203,879)**	**(19,666,489)**	**14,835,166**	**20,615,107**	**(6,766,139)**

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

Notes to the Financial Statements (continued)

- 31 December 2012

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity Risk (continued)

iii) Liquidity risk for assets and liabilities based on remaining contractual maturities (continued):-

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

Group	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
Restated – 1.1.2011						
Assets						
Cash and short-term funds	8,642,897	-	-	-	-	8,642,897
Deposits and placements with banks and other financial institutions	584	-	17,509	-	-	18,093
Financial assets held-for-trading	149,945	-	-	-	-	149,945
Financial investments available-for-sale	459,275	992,929	888,070	5,586,606	665,653	8,592,533
Financial investments held-to-maturity	1,310	111,113	361	217,950	205,814	536,548
Derivative financial assets	12,856	15,994	5,818	9,879	7,079	51,626
Loans, advances and financing	2,493,261	801,219	1,722,140	7,539,664	14,017,782	26,574,066
Other assets (Note 1)	296,389	616	105,044	29,561	1,690,241	2,121,851
Statutory deposit with Bank Negara Malaysia	275,167	-	-	-	-	275,167
Total assets	**12,331,684**	**1,921,871**	**2,738,942**	**13,383,660**	**16,586,569**	**46,962,726**

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

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity Risk (continued)

iii) Liquidity risk for assets and liabilities based on remaining contractual maturities (continued):-

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

Group	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
Restated – 1.1.2011						
Liabilities						
Deposits from customers	19,109,520	8,521,244	5,543,033	73,482	-	33,247,279
Deposits and placements of banks and other financial institutions	3,451,325	3,333,549	67,724	-	-	6,852,598
Bills and acceptances payable	110,161	-	-	-	-	110,161
Derivative financial liabilities	7,861	14,877	18,727	21,809	6,921	70,195
Recourse obligation on loans sold to Cagamas Berhad	1,488	1,033	-	286,370	-	288,891
Other liabilities (Note 2)	739,711	9,735	23,119	(698)	28,316	800,183
Borrowings	200	1,562	-	390,624	-	392,386
Total liabilities	**23,420,266**	**11,882,000**	**5,652,603**	**771,587**	**35,237**	**41,761,693**
On-balance sheet gap	(11,088,582)	(9,960,129)	(2,913,661)	12,612,073	16,551,332	5,201,033
Off-balance sheet credit commitments	(9,845)	-	(13,700,237)	-	-	(13,710,082)
Derivatives	318,479	67,119	195,759	(32,263)	-	549,094
Net maturity mismatch	**(10,779,948)**	**(9,893,010)**	**(16,418,139)**	**12,579,810**	**16,551,332**	**(7,959,955)**

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

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

Company	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
31.12.2012						
Assets						
Cash and short-term funds	33,209	-	-	-	-	33,209
Deposits and placements with banks and other financial institutions	589	97,578	3,791	-	-	101,958
Other assets (Note 1)	-	-	5,021	-	1,009	6,030
Amount due from subsidiaries	2,755	2,205	-	-	900,000	904,960
Amount due from associate	930	-	-	-	66,310	67,240
Investment in subsidiaries	-	-	-	-	3,582,882	3,582,882
Investment in jointly controlled entities	-	-	-	-	146,880	146,880
Investment in associates	-	-	-	-	10,597	10,597
Total assets	37,483	99,783	8,812	-	4,707,678	4,853,756
Liabilities						
Other liabilities	286	618	1,325	3,600	-	5,829
Deferred tax liabilities	-	-	143	-	-	143
Amount due to subsidiaries	-	-	-	-	400,258	400,258
Borrowings	2,842	3,191	-	966,310	-	972,343
Total liabilities	3,128	3,809	1,468	969,910	400,258	1,378,573
On-balance sheet gap	34,355	95,974	7,344	(969,910)	4,307,420	3,475,183
Off-balance sheet credit commitments	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-
Net maturity mismatch	34,355	95,974	7,344	(969,910)	4,307,420	3,475,183

Note 1: Other assets include property and equipment, intangible assets, taxation recoverable and other assets.

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity Risk (continued)

iii) Liquidity risk for assets and liabilities based on remaining contractual maturities (continued):-

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

Company	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
31.12.2011						
Assets						
Cash and short-term funds	67,333	-	-	-	-	67,333
Deposits and placements with banks and other financial institutions	570	212,096	3,730	-	-	216,396
Other assets (Note 1)	2	-	4,519	-	1,286	5,807
Amount due from subsidiaries	1,212	1,178	672	-	600,000	603,062
Amount due from associate	947	-	-	-	66,310	67,257
Investment in subsidiaries	-	-	-	-	3,536,914	3,536,914
Investment in jointly controlled entities	-	-	-	-	135,660	135,660
Investment in associates	-	-	-	-	10,597	10,597
Total assets	**70,064**	**213,274**	**8,921**	**-**	**4,350,767**	**4,643,026**
Liabilities						
Other liabilities	248	587	968	3,731	-	5,534
Deferred tax liabilities	-	-	587	-	-	587
Amount due to subsidiaries	-	-	-	-	589,313	589,313
Borrowings	261	3,074	-	666,310	-	669,645
Total liabilities	**509**	**3,661**	**1,555**	**670,041**	**589,313**	**1,265,079**
On-balance sheet gap	69,555	209,613	7,366	(670,041)	3,761,454	3,377,947
Off-balance sheet credit commitments	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-
Net maturity mismatch	**69,555**	**209,613**	**7,366**	**(670,041)**	**3,761,454**	**3,377,947**

Note 1: Other assets include property and equipment, intangible assets, taxation recoverable and other assets.

Notes to the Financial Statements (continued)

- 31 December 2012

49 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity Risk (continued)

iii) Liquidity risk for assets and liabilities based on remaining contractual maturities (continued):-

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

Company	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
1.1.2011						
Assets						
Cash and short-term funds	126,186	-	-	-	-	126,186
Deposits and placements with banks and other financial institutions	554	172,405	3,674	-	-	176,633
Other assets (Note 1)	121	-	6,181	-	944	7,246
Amount due from subsidiaries	74	682	-	-	300,000	300,756
Amount due from associate	1,204	-	-	24,314	66,310	91,828
Investment in subsidiaries	-	-	-	-	3,636,991	3,636,991
Investment in jointly controlled entities	-	-	-	-	128,520	128,520
Investment in associates	-	-	-	-	10,597	10,597
Total assets	**128,139**	**173,087**	**9,855**	**24,314**	**4,143,362**	**4,478,757**
Liabilities						
Other liabilities	99,520	2,180	950	1,874	1,800	106,324
Deferred tax liabilities	-	-	51	90	-	141
Amount due to subsidiaries	-	-	-	-	689,348	689,348
Borrowings	200	1,562	-	390,624	-	392,386
Total liabilities	**99,720**	**3,742**	**1,001**	**392,588**	**691,148**	**1,188,199**
On-balance sheet gap	28,419	169,345	8,854	(368,274)	3,452,214	3,290,558
Off-balance sheet credit commitments	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-
Net maturity mismatch	**28,419**	**169,345**	**8,854**	**(368,274)**	**3,452,214**	**3,290,558**

Note 1: Other assets include property and equipment, intangible assets, taxation recoverable and other assets.

50 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets, financial liabilities and also off-balance sheet financial instruments. The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents estimates of fair values as at reporting date.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the uncertainties and assumptions could materially affect these estimates and the resulting fair value estimates.

In addition, fair value information for non-financial assets and liabilities is excluded as they do not fall within the scope of FRS 132 which requires the fair value information to be disclosed. These include property and equipment, investments in subsidiaries, jointly controlled entities and associate, deferred tax, land held for sale and intangible assets.

The fair value of the financial assets and financial liabilities of the Group and the Company approximated to their respective carrying value as at reporting date, except for the following:-

	Group		Company	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
31.12.2012				
Financial assets				
Financial investments held-to-maturity	**548,324**	**538,370**	**-**	**-**
Loans, advances and financing	**34,163,168**	**33,863,596**	**-**	**-**
Financial liabilities				
Deposits from customers	**42,944,986**	**42,870,695**	**-**	**-**
Recourse obligation on loans sold to Cagamas Berhad	**413,549**	**426,331**	**-**	**-**
Borrowings	**972,343**	**972,227**	**972,343**	**972,227**
31.12.2011				
Financial assets				
Financial investments held-to-maturity	650,923	637,927	-	-
Loans, advances and financing	30,436,846	30,146,059	-	-
Financial liabilities				
Deposits from customers	39,363,414	39,282,742	-	-
Recourse obligation on loans sold to Cagamas Berhad	428,459	450,380	-	-
Borrowings	669,645	669,527	669,645	669,527
1.1.2011				
Financial assets				
Financial investments held-to-maturity	536,548	548,501	-	-
Loans, advances and financing	26,574,066	26,310,157	-	-
Financial liabilities				
Deposits from customers	33,247,279	33,214,978	-	-
Recourse obligation on loans sold to Cagamas Berhad	288,891	303,270	-	-
Borrowings	392,386	392,154	392,386	392,154

50 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The fair values of the financial assets and liabilities are based on the following methodologies and assumptions:-

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 risks and maturity profile.

Financial assets held-for-trading, financial investments available-for-sale and financial investments held-to-maturity

The fair values of financial assets held-for-trading, financial investments available-for-sale and 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.

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.

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.

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.

Derivative financial instruments

The fair value of exchange rate and interest rate contracts is the estimated amount the Group would receive or pay to terminate the contracts at the reporting date.

50 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The fair values of the financial assets and liabilities are based on the following methodologies and assumptions (continued):-

Fair value measurements

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

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

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31.12.2012				
Assets				
Financial assets held-for-trading	**-**	**165,592**	**-**	**165,592**
Financial investments available-for-sale *				
- Private debt securities	**-**	**5,035,878**	**-**	**5,035,878**
- Equity securities	**16,721**	**-**	**120,604**	**137,325**
- BNM and government securities	**-**	**4,231,034**	**-**	**4,231,034**
Derivative financial assets	**-**	**66,015**	**-**	**66,015**
	16,721	**9,498,519**	**120,604**	**9,635,844**
Liabilities				
Derivative financial liabilities	**-**	**59,560**	**-**	**59,560**
31.12.2011				
Assets				
Financial assets held-for-trading	-	149,832	-	149,832
Financial investments available-for-sale *				
- Private debt securities	-	3,946,445	-	3,946,445
- Equity securities	21,521	-	120,916	142,437
- BNM and government securities	-	5,034,010	-	5,034,010
Derivative financial assets	-	47,023	-	47,023
	21,521	**9,177,310**	**120,916**	**9,319,747**
Liabilities				
Derivative financial liabilities	**-**	**96,954**	**-**	**96,954**

* Net of allowance for impairment

50 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair value measurements (continued)

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
1.1.2011				
Assets				
Financial assets held-for-trading	-	149,945	-	149,945
Financial investments available-for-sale *				
- Private debt securities	-	2,581,326	-	2,581,326
- Equity securities	20,720	-	105,881	126,601
- BNM and government securities	-	5,884,606	-	5,884,606
Derivative financial assets	-	51,626	-	51,626
	20,720	**8,667,503**	**105,881**	**8,794,104**
Liabilities				
Derivative financial liabilities	**-**	**70,195**	**-**	**70,195**

* Net of allowance for impairment

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

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

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

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

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

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

50 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair value measurements (continued)

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

Group	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Opening	**120,916**	105,881	25,331
New	**527**	-	-
Profit	**-**	200	-
Sales	**-**	(300)	-
AFS revaluation reserves	**(839)**	15,173	79,900
Allowance for impairment	**-**	(38)	-
Transfer in	**-**	-	650
Closing	**120,604**	120,916	105,881

Effect of changes in significant unobservable assumptions to reasonably possible alternative

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

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

51 CHANGES IN ACCOUNTING POLICIES

a) Transition to the MFRS framework

During the financial year, the Group has applied MFRS 1 "First-time Adoption of Malaysian Financial Reporting Standards" in the transition to the MFRS framework, which has resulted in the following change in accounting policy with effect 1 January 2012.

MFRS 139 Financial Instruments : Recognition and Measurement ("MFRS 139") - Accounting Policy on Collective Assessment Allowance for Loans, Advances and Financing

Previously, the Group applied the Amendment to FRS 139 "Financial Instruments: Recognition and Measurement", which included an additional transitional arrangement for financial sectors, whereby BNM may prescribed the use of an alternative basis for collective assessment of impairments on loans, advances and financing. This transitional arrangement is prescribed in BNM's Guidelines on Classification and Impairment Provisions for Loans/Financing, whereby banking institutions are required to maintain collective allowances of at least 1.5% of total outstanding loans/financing, net of individual impairment allowances under the transitional provisions in the guidelines.

Notes to the Financial Statements (continued)
- 31 December 2012

51 CHANGES IN ACCOUNTING POLICIES (continued)

a) Transition to the MFRS framework (continued)

With effect from 1 January 2012, BNM has removed the transitional provision for banking institutions on collective evaluation of loan impairment assessment and loan loss provisioning to comply with MFRS 139 requirements. Exposures not individually known to be impaired are placed into pools of similar assets with similar risk characteristics to be collectively assessed for losses that have been incurred but not identified yet. The required loan loss allowance is estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the collective pool. The historical loss experience is adjusted based on current observable data.

There is no significant financial impact arising from the retrospective application of MFRS 139 and accordingly, there are no restatements of both the opening balances of retained profits and allowance for collective impairment, which are allowed under MFRS 1.

b) Adoption of Revised Guidelines on Profit Equalisation Reserve ("Revised PER Guidelines") issued by Bank Negara Malaysia

For the financial year beginning 1 January 2012, the wholly-owned Islamic banking subsidiary, namely AFFIN Islamic Bank Berhad ("AiSB") has adopted the Revised Guidelines on Profit Equalisation Reserve ("Revised PER Guidelines") issued by Bank Negara Malaysia on 19 May 2011. The revised guidelines are applicable to AiSB in managing the Displaced Commercial Risk ('DCR') in accordance with Shariah principles.

With the Revised PER Guidelines, the release of PER shall be appropriated from both Investment Account Holder ('IAH') and AiSB's portion based on the contractual profit sharing ratio at the point of utilisation. The amount of PER shall be limited to the maximum of the either PER of the IAH or AiSB's depending on prevailing profit sharing ratio.

The IAH portion of the existing PER shall be classified as a liability and is recognised at cost. Subsequent apportionments will be recognised in the income statement. The eventual distribution of PER as profit distributable to the IAH will be treated as an outflow of funds due to the settlement of the obligation to the IAH.

The PER of the AiSB's shall be classified as a separate reserve in equity and subsequent apportionments from and distributions to retained earnings will be treated as a transfer between reserves.

The change in accounting policy is accounted for prospectively and there is no financial impact to the results of the Group.

c) Adoption of Financial Reporting Standards Implementation Committee ("FRSIC") Consensus 18 "Monies Held in Trust by Participating Organisations of Bursa Malaysia Securities Berhad"

Financial Reporting Standards Implementation Committee ("FRSIC") Consensus 18 "Monies Held in Trust by Participating Organisations of Bursa Malaysia Securities Berhad" clarifies that client trust monies with corresponding liabilities should not be recognised as assets on the statement of financial position of the Group. The Group has applied FRSIC Consensus 18 for the first time in the current year. FRSIC Consensus 18 requires retrospective application.

In order to comply with FRSIC Consensus 18, the Group has changed its accounting policy on the recognition of client trust monies. In the past, client trust monies were recognised and treated in the same manner as cash and short term funds, while the corresponding liabilities were recognised and treated in the same manner as other liabilities. Under FRSIC Consensus 18, client trust monies and the corresponding liability are not recognised.

As a result, cash and short term funds and other liabilities have been restated as at 31 December 2011 and 1 January 2011 respectively. As at 31 December 2012, there were no client trust monies with the corresponding liabilities recognised in the statement of financial position.

51 CHANGES IN ACCOUNTING POLICIES (continued)

c) Adoption of Financial Reporting Standards Implementation Committee ("FRSIC") Consensus 18 "Monies Held in Trust by Participating Organisations of Bursa Malaysia Securities Berhad" (continued)

The effect of the changes in accounting policy described above on the financial positions of the Group as at 31 December 2011 and 1 January 2011 are as follows:-

	< ------------------------ Group	------------------------ >	
	As previously stated RM'000	Effect of FRSIC Consensus 18 RM'000	As restated RM'000
Statement of Financial Position As At 31 December 2011			
Cash and short-term funds	9,740,308	(54,766)	9,685,542
Other liabilities	442,214	(54,766)	387,448
Statement of Financial Position As At 1 January 2011			
Cash and short-term funds	8,684,235	(41,338)	8,642,897
Other liabilities	557,449	(41,338)	516,111

Notes to the Financial Statements (continued)
- 31 December 2012

52 SUPPLEMENTARY INFORMATION DISCLOSED PURSUANT TO BURSA MALAYSIA SECURTIES 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	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Total retained profits of AFFIN Holdings Berhad and its's subsidiaries:-				
- Realised	**1,450,553**	1,193,538	**580,340**	483,548
- Unrealised				
- deferred tax recognised in the income statement	**14,579**	7,941	**(143)**	(587)
- other items of income and expenses	**45,250**	26,176	**-**	-
	1,510,382	1,227,655	**580,197**	482,961
Total share of retained profits in associate:-				
- Realised	**167,302**	134,411	**-**	-
- Unrealised	**2,452**	2,578	**-**	-
Total share of accumulated losses in jointly controlled entities:-				
- Realised	**(20,511)**	(22,564)	**-**	-
	1,659,625	1,342,080	**580,197**	482,961
Add: Consolidation adjustments	**87,465**	124,976	**-**	-
Total Group retained profits as per consolidated financial statements	**1,747,090**	1,467,056	**580,197**	482,961

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 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 73 to 214 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 2012 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 28 February 2013.

TAN SRI DATO' SERI LODIN BIN WOK KAMARUDDIN
DIRECTOR

RAJA DATO' SERI AMAN BIN RAJA HAJI AHMAD
DIRECTOR

Kuala Lumpur
28 February 2013

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 73 to 214 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 28 February 2013, before me.

COMMISSIONER FOR OATHS

Independent
Auditors' Report

to the Members of AFFIN Holdings Berhad (Company No. 23218-W)
(Incorporated in Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of AFFIN Holdings Berhad, which comprise the statements of financial position as at 31 December 2012 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 51 on pages 73 to 213.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia, and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatements, 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 have been properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2012 and of their financial performance and cash flows for the year then ended.

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.

Independent Auditors' Report

to the Members of AFFIN Holdings Berhad (Company No. 23218-W)
(Incorporated in Malaysia)

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 52 on page 214 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. 2682/10/13 (J))
Chartered Accountant

Kuala Lumpur
28 February 2013

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

Not applicable.

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 2012.

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 2012.

4. Sanctions / penalties

There were no material 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 2012.

5. Non-audit fees

	GROUP RM'000	COMPANY RM'000
Non-audit fees paid to external auditors for the financial year ended 31 December 2012	268	9

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 2012.

7. Profit guarantee

There were no profit guarantees given by the Company and its subsidiaries during the financial year ended 31 December 2012.

8. Revaluation policy of landed properties

The Group does not revalue its landed properties classified as Property, Plant and Equipment.

9. Material contracts

There were no material contracts outside the ordinary course of business entered by AFFIN Holdings Berhad and its subsidiaries during the financial year.

10. Recurrent related party transactions of a revenue or trading nature

At the Annual General Meeting held on 16 April 2012, 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 Practise Note No. 12 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the details of recurrent related party transactions conducted during the financial year ended 31 December 2012 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	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholders LTAT and Boustead	49
	Irat Hotels & Resorts Sdn Bhd (Irat)	Rental payment by AHB for rental of office premises, car park and utilities charges payable monthly for a lease term renewable every three (3) years and payment for other related services	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholders LTAT and Boustead	832
	Boustead Travel Services Sdn Bhd (Boustead Travel)	Provision of traveling related services to AHB	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholders LTAT and Boustead	60
	Boustead Hotels & Resort Sdn Bhd (Boustead Hotels & Resorts)	Hotel facilities and refreshment provided to AHB	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholders LTAT and Boustead	114

Additional Disclosure (continued)

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	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholders LTAT and Boustead	22
	Tricor Investor Services Sdn Bhd	Special registrar services provided to AHB	Interested Directors Dr. the Hon. Sir David Li Kwok Po, Professor Arthur Li Kwok Cheung, Adrian David Li Man Kiu and Peter Yuen Wai Hung Interested Major Shareholder The Bank of East Asia, Limited	5
	Boustead Information Technology Sdn Bhd (Boustead Information Technology)	Provision of information technology support services and facility for external storage to AHB	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholders LTAT and Boustead	14
	Boustead Holdings Bhd (Boustead)	Provision of training for Directors and staff in the Group	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholders LTAT and Boustead	-
AFFIN Bank Berhad (ABB)	Boustead Travel	Provision of traveling related services to ABB	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholders LTAT and Boustead	762

Additional Disclosure (continued)

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)	Perbadanan Perwira Niaga Malaysia (Perwira Niaga)	Rental payment for rental of office premises and service charge for two (2) years at Lumut Branch and three (3) years at Gemas branch, rental payment for space of Automated Teller Machine (ATM) at Tentera Laut Diraja Malaysia Teluk Sepanggar, Kota Kinabalu every three (3) years, rental payment for ATM machine at PUSASDA, Port Dickson every two (2) years, rental payment for ATM machine at Kem Sri Mersing every two (2) years	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholders LTAT and Boustead	123
	Boustead Properties Sdn Bhd (Boustead Properties)	Rental payment for rental of office premises and car park payable monthly for a lease term renewable every five (5) years (Menara AFFIN)	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholders LTAT and Boustead	11,082
	Lembaga Tabung Angkatan Tentera (LTAT)	Rental payment for rental of office premises and car park payable monthly for a lease term renewable every three (3) years	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholders LTAT and Boustead	301
	Boustead Advertising	Advertisement in media and other services provided to ABB	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholders LTAT and Boustead	19

Additional Disclosure (continued)

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 Curve Sdn Bhd (Boustead Curve)	Rental payment for rental of office premises, car parking and utilities charges for a lease term renewable every three (3) years and payment for other related services (The Curve)	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholders LTAT and Boustead	132
	Boustead Hotels and Resorts	i. Hotel facilities and refreshment provided to ABB ii. Rental of ATM machine installed at The Royale Chulan Kuala Lumpur Hotel	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholders LTAT and Boustead	440 12
	Boustead Petroleum Marketing Sdn Bhd	i. LED advertising charges and related expenses ii. Rental payment for ATM machine at BHP petrol stations	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholders LTAT and Boustead	70 162
AFFIN Islamic Bank Bhd (AFFIN Islamic)	Boustead Travel	Provision of traveling related services to AFFIN Islamic	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholders LTAT and Boustead	238
	Boustead Hotels and Resorts	Hotel facilities and refreshment provided to AFFIN Islamic	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholders LTAT and Boustead	63

Additional Disclosure (continued)

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 Bank Berhad (AFFIN Investment)	Boustead Realty Sdn Bhd (Boustead Realty)	Rental payment by AFFIN Investment for rental of 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)	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholders LTAT and Boustead	1,739
	Boustead Travel	Provision of traveling related services to AFFIN Investment	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholders LTAT and Boustead	567
	Boustead Petroleum	Petrol consumption	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholders LTAT and Boustead	30
	Boustead Curve	Rental payment for rental of office premises, car parking and utilities charges for a lease term renewable every three (3) years and payment for other related services (The Curve)	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholders LTAT and Boustead	349
	Boustead Advertising	Advertisement in media and other services provided to AFFIN Investment	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholders LTAT and Boustead	20

Additional Disclosure (continued)

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)	Irat	Rental payment by AFFIN Investment for rental of office premises, car parking and utilities charges for a renewable lease term every three (3) years and payment for other related services (Chulan Tower)	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholders LTAT and Boustead	3,034
	Boustead Hotels & Resorts	Hotel facilities and refreshment provided to AFFIN Investment	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholders LTAT and Boustead	213
	Boustead	Rental of conference room meeting by AFFIN Investment	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholders LTAT and Boustead	2
	Sure Reach Tricor Record Management Sdn Bhd	Payment for document storage services	Interested Directors Dr. the Hon. Sir David Li Kwok Po, Professor Arthur Li Kwok Cheung, Adrian David Li Man Kiu and Peter Yuen Wai Hung Interested Major Shareholders The Bank of East Asia, Limited	–
AFFIN Fund Management Berhad (AFFIN Fund)	Boustead Realty	Rental payment by AFFIN Fund for rental of office premises and car park payable monthly for a lease term renewable every three (3) years and payment for other related services (Menara Boustead)	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholders LTAT and Boustead	491

Additional Disclosure (continued)

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 (continued)	LTAT	Management fees by LTAT to AFFIN Fund	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholders LTAT and Boustead	118
	Boustead REIT	Management fees by Boustead REIT to AFFIN Fund	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholders LTAT and Boustead	73
AFFIN Moneybrokers	Boustead Realty	Rental payment by AFFIN Moneybrokers for rental of office premises and car park payable monthly for a lease term renewable every three (3) years and payment for other related services	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholders LTAT and Boustead	335
	Boustead Advertising	Artwork and material charges for printing of annual report provided to AFFIN Moneybrokers	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholders LTAT and Boustead	2
	Boustead Travel	Provision of traveling related services to AFFIN Moneybrokers	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholders LTAT and Boustead	100

Additional Disclosure (continued)

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 rental of office premises, car park and utilities charges for lease term renewable every three (3) years and payment for other related services	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholders LTAT and Boustead	1,506
	AXA Asia Pacific Ltd	Provision of information technology and other support services to AXA AFFIN Life	Interested Directors Kevin John Wright and Loke Kah Meng Interested Major Shareholders AXA Asia Pacific Ltd	9,558
	AXA Asia Pacific Ltd	Software development and license fees by AXA Asia Pacific Ltd to AXA AFFIN Life	Interested Directors Kevin John Wright and Loke Kah Meng Interested Major Shareholders AXA Asia Pacific Ltd	4,598
	Boustead Travel	Provision of traveling related services to AXA AFFIN Life	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholders LTAT and Boustead	663
	Boustead Hotels & Resorts	Provision of hotel facilities and refreshment to AXA AFFIN Life	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin Interested Major Shareholders LTAT and Boustead	82
SUB-TOTAL				**37,980**

Particulars of Properties

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 31/12/2012 (RM)
1	HS(M) 6367, PT 7485 Mukim of Chenor District of Maran	Nadi Kota Bandar Pusat Jengka 26400 Jengka Pahang	Single storey bungalow/ Branch premises (Jengka) CRC	Leasehold 99 Years Expiry: 21/8/2091	L: 20,056 B: 2,100	22	423,881
2	HS(D) 39216, K1 PT 2068, Mukim and District of Petaling	No. 1, Jln TK 1/11A Tmn Kinrara, Section 1, Batu 7½, Jln Puchong 58200 Selangor	3 storey basement shop office/ Branch premises (Kinrara) CRC	Leasehold Expiry: 27/8/2091	L: 3,900 B: 15,600	18	1,460,854
3	Town Lease No. 017541374 & 017541383 Lots 82 & 83, Blok K Mukim of Karamunsing District of K. Kinabalu	Lot 19 & 20 Sadong Jaya Complex Jalan Juara Ikan 3 Karamunsing 88300 K. Kinabalu Sabah	4 storey shop office/ Branch premises (Kota Kinabalu) CRC	Leasehold 999 Years Expiry: 21/1/2901	L: 2,780 B: 10,144	19	2,283,269
4	PT 3686 & 3687 HS(D) 5167 & 5168 Mukim 1 District of Seberang Perai Tengah Pulau Pinang	No. 10 Jln Todak 1 Pusat Bandar Seberang Jaya 13700 Perai Penang	4 storey shop office/ Branch premises (Seberang Jaya) CRC	Leasehold 99 Years Expiry: 21/10/2092	L: 3,681 B: 13,716	16	1,821,030
5	HS(D) 52849, 52850, 52988 & 52989 PT 2, 3, 6620 & 6621 Mukim of Batu District of W. 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 99 Years Expiry: 01/1/2086	L: 4,950 B: 16,733	17	1,028,474
6	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/HPC	Leasehold 60 Years Expiry: 21/1/2050	L: 3,190 B: 8,371	16	858,376
7	HS(D) 143324, PT 18, Seksyen 14, Bandar Shah Alam Selangor	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 99 Years Expiry: 11/5/2100	L: 32,561 B: 81,400	13	42,654,679

Particulars of Properties (continued)

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 31/12/2012 (RM)
8	HS(M) 14862 & 14863 PT 21350 & 21351 Tempat Bukit Raja Mukim of Kapar District of Klang Selangor	No. 29 & 31 Jalan Tiara 3 Bandar Baru Kelang 41150 Kelang Selangor	2 units 4 storey shop office/ Branch premises (Klang Utara) CRC	Leasehold 99 Years Expiry: 8/5/2093	L: 3,300 B: 13,200	15	2,723,383
9	Sub-Lot 13, Lot 3060 District of Bintulu	Sub Lot 13 Off Lot 3299 Bintulu Town District Off Jalan Diwarta 97000 Bintulu Sarawak	1 unit 3 storey shop office/ Branch premises (Bintulu) CRC	Leasehold 60 Years Expiry: 29/3/2055	L: 3,240 B: 9,720	15	655,394
10	PTD 62642 & 62643 HS (D) 227069 & 227070 Mukim of Pulai District of Johor Bahru Johor Bahru	No. 49 & 51 Jalan Sri Perkasa 2/1 Taman Tampoi Utama 81200 Tampoi Johor Bahru	2 adjacent lots / 3 storey shop house/ Branch premises (Tampoi) CRC	Leasehold 99 Years Expiry: 13/4/2094	L: 5,468 B: 10,710	15	1,280,247
11	Lot 27/28, Seksyen 1 No. Hakmilik 980/981 Mukim of Pekan Batu	No. 840 & 842, Bt 4½ Jalan Ipoh 51200 Kuala Lumpur	4½ storey building (with basement)/ Branch premises (Batu Cant.) CRC	Leasehold 60 Years Expiry: 13/1/2037	L: 3,081 B: 9,243	27	1,580,355
12	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 [C7/5O/86-1, C7/5O/86-2, C7/5O/86-4, & C7/5O/86-3]	4 storey shop office (Corner Unit)/ Branch premises (Wangsa Maju)	Leasehold 99 Years Expiry: 19/4/2083	L: 4,480 B: 14,920	14	2,578,005
	HS(D) 96848 (30437 [New]) Lot/PT 6537 (28034 [New]) Mukim of Setapak District & State of Wilayah Persekutuan	No. 4, Jln 1/27F KLSC Wangsa Maju 53300 Kuala Lumpur [C7/5O/85-1, C7/5O/85-3]	3 storey shop office/ Branch premises (Wangsa Maju) CRC	Leasehold 99 Years Expiry: 19/4/2083	L: 1,920 B: 5,760	14	

Particulars of Properties (continued)

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 31/12/2012 (RM)
13	PTD 112746 HS(D) 380770 PTD 112747 HS(D) 380771 Mukim of Plentong District of Johor Bahru	No. 40 & 41 Pusat Perniagaan Pasir Gudang Jalan Bandar, 81700 Pasir Gudang, Johor	2 units 2 storey shop office/ Vacant branch premises (Pasir Gudang)	Leasehold 99 Years Expiry: 20/9/2084	L: 2,800 B: 4,327	17	594,914
14	Developer's Lot S03 & S04 PT 72, HS(D) 7295 District of Port Dickson Negeri Sembilan	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 99 Years Expiry: 31/1/2085	L: 3,532 B: 9,900	16	788,278
15	Lots 436 & 437 Geran No. 12256 & 12257 Section 13 District of Kota Bharu Kelantan New Title : HS(D) KB. 4/98, No. PT 136 & 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	2 units 3 storey shop office/ Branch premises (Kota Bharu) CRC	Leasehold 66 Years Expiry: 9/3/2064	L: 3,200 B: 9,152	27	881,042
16	HS(M) 6836 P.T. 14531 Mukim of Damansara District of Petaling Jaya Selangor	No. 101, 201, 301, 401 & 501, Block C, Menara Glomac, Kelana Business Centre 97, Jalan 227/2 47301 Kelana Jaya Selangor	Branch premises (Kelana Jaya) CRC	Leasehold 99 Years Expiry: 21/11/2092	L: N/A B: No 101: 3,916 No 201: 4,893 No 301: 6,916 No 401: 6,916 No 501: 6,916	12	8,041,907

Particulars of Properties (continued)

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 31/12/2012 (RM)
17	HS(D) 103053 Lot No. 770, Section 11 District of Petaling Town of Shah Alam Selangor	No. 11, Kompleks Perdagangan Umno, Persiaran Damai 40000 Shah Alam Selangor Darul Ehsan	1 unit 4 storey shop office/ Branch premises	Leasehold 99 Years Expiry: 12/5/2095	L: 1,650 B: 8,000	12	1,995,798
	HS(D) 103053 Lot No. 770, Section 11 District of Petaling Town of Shah Alam Selangor	No. 12, Kompleks Perdagangan Umno, Persiaran Damai 40000 Shah Alam Selangor Darul Ehsan	1 unit 4 storey shop office/ Branch premises	Leasehold 99 Years Expiry: 12/5/2095	L: 1,650 B: 8,000		
18	HS(D) 9980 PT 4370 Mukim & District of Port Dickson New Title :- Lot No. 287, PN 2474/M1/3/48, Mukim of Bandar Port Dickson	Corus Lagoon Apartment Unit B-L3-06 Batu 2, Jalan Pantai 71000 Port Dickson Negeri Sembilan	Holiday resort apartment	Leasehold 99 Years Expiry: 06/7/2087	L: Not Applicable B: 792	12	145,686
19	HS(D) 1772, PT 2851 Mukim of Kijal District of Kemaman Terengganu	Awana Kijal Beach Resort Apartment 13B (2 Rooms), & 19A (3 Rooms), Baiduri Apartment, Km 28, Jalan Kemaman-Dungun, 24100 Kijal Terengganu	Holiday resort apartment	Leasehold 99 Years Expiry: 27/11/2091	B: 1,107	12	316,458
20	Lot 1894 Title No. 1289 & Lot 1895 Title No. 1290, Daerah & Bandar Kuala Terengganu, Terengganu	63 & 63A, Jalan Sultan Ismail 20200 Kuala Terengganu Terengganu	3 storey shop office/ Branch premises (Kuala Terengganu) CRC	Leasehold 99 Years Expiry: 18/12/2048	L: 4,171 B: 8,128	12	1,561,123
21	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 90 Years Expiry: 19/12/2075	L: 4,430 B: 10,031	32	494,041

Particulars of Properties (continued)

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 31/12/2012 (RM)
22	Lot 247 & 248, Section 49, Lease of State Land	Lots 247 & 248, Section 49, KTLD, Jalan Tunku Abdul Rahman, 93100 Kuching	2 units 4 storey shop office/ Branch premises (Kuching) CRC/HPC	Leasehold 56 Years Expiry: 24/7/2044	L: 2,500 B: 9,405	26	955,571
23	Lot (PT) 34827 HS(M) 18, 32987 Mukim of Ampang District of Ulu Langat (Held Under, Corner Unit HS(D) 16878, PT. 20871 & Intermediate Unit, HS(D) 16879, PT. 20872, Mukim of Ampang District of Ulu Langat State of Selangor	No. 1 & 3 Jalan Pandan Indah 4/2, Pandan Indah 55100 Kuala Lumpur	2 units 3½ storey apartment/vacant	Leasehold 99 Years Expiry: 14/4/2087	L: 4,843 B: 16,227	19	3,167,832
24	HS(D) 5217 PT. 90 Section 1 Town of Port Swethenham District of Klang	No. 1, Jln Berangan 42000 Port Klang Selangor	4 storey shop office/ Branch premises (Port Klang) CRC	Freehold	L: 3,000 B: 12,768	31	460,617
25	HS(D) 892, PT. 6727/24 Mukim of Kuala Kuantan District of Kuantan Pahang	No. 1 Jln Tun Dr Ismail 25740 Kuantan Pahang	3½ storey shop office/ Branch premises (Kuantan) CRC	Freehold	L: 3,367 B: 12,800	21	552,862
26	Lot 119, Section 14 PT. 15727 & 15728 GRN 62485 HS(D) 11547 & 11548 Mukim of Ampang Town of Ampang District of Ulu Langat	No. 11 & 11A Jln Mamanda 7/1 Ampang Point 68000 Ampang Selangor	5 storey shop office (Grd Flr & First Floor)/ Branch premises (Ampang Jaya) CRC	Freehold	L: 3,261 B: 5,658.4	16	1,090,918
27	Plots 65 & 66 HS(D) 7570 & 7571 also known as HS(D) 14249 & HS(D) 14250, Lot 8552 & 8553 Mukim 12, South West District Pulau Pinang	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	20	1,068,354

Particulars of Properties (continued)

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 31/12/2012 (RM)
28	HS(D) 2874 & PTB 4161 T/Ship of Kluang District of Kluang Johor	No. 503 Jln Mersing 86000 Kluang, Johor	3 storey shop office/ Branch premises (Kluang) CRC/HPC	Freehold	L: 6,000 B: 9,944	19	480,429
29	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	2 units 4 storey shop office/ Branch premises (Subang Jaya) CRC	Freehold	L: 3,520 B: 9,944	19	995,140
30	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	2 units 3 storey shop office/ Branch premises (Bangsar) CRC	Freehold	L: 4,659 B: 11,858	21	3,316,167
31	HS(M) 4961 & HS(M) 4962 PT. 457 & PT. 458 Mukim of Kajang District of Ulu Langat Selangor	No. 2 & 3, Jln Saga Tmn Sri Saga Off Jln Sg Chua 43000 Kajang Selangor	2 units 3 1/2 storey shop office/ Branch premises (Kajang) CRC	Freehold	L: 3,510 B: 11,136	17	225,604
32	GM 2251 & 2252 Lots 3991 & 3992 Mukim 5 District of Seberang Perai Utara Pulau Pinang	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	17	523,315
33	HS(D) 73618 & 73619 PT 5733 & 5734 Mukim of Labu District of Seremban Negeri Sembilan	No. 5733 & 5734 Jln TS 2/1 Tmn Semarak, Phase II 71800 Nilai Negeri Sembilan	2 units 3 storey shop office/ Branch premises (Nilai) CRC	Freehold	L: 3,600 B:10,800	18	712,696
34	PTD 48474 & 48475 HS(D) 86046 & 86047 Mukim of Plentong District of Johor Bahru Johor Bahru	No. 130 & 132 Jln Rosmerah 2/17 Tmn Johor Jaya 81100 Johor	2 units 3 storey shop office/ Branch premises (Johor Jaya) CRC	Freehold	L: 4,773 B: 14,319	18	1,515,664
35	HS(D) 67773 & 67774 Lots 29427 & 29428 Mukim of Kuala Lumpur W. 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	21	3,639,653

Particulars of Properties (continued)

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 31/12/2012 (RM)
36	Lots 14127 & 14128 Grants 7792 & 7793 Mukim of Setapak District of Kuala Lumpur W. Persekutuan	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	24	1,822,462
37	PTD 100479 & 100480 Mukim of Plentong District of Johor Bahru Johor Bahru	No. 23 & 25, Jalan Permas 10/2, Permas Jaya, 81750 Masai, Johor Bahru	2 units 4 storey shop office/ Branch premises (Permas Jaya) CRC	Freehold	L: 3,840 B: 13,440	19	1,834,530
38	HS(D) 16728, PTD 9887 & HSD(D) 16729, PTD 9888, Mukim of Simpang Kanan, District of Batu Pahat	No. 3 & 4 Jalan Merah Taman Bukit Pasir 83000 Batu Pahat, Johor	2 units 3 storey shop house/ Branch premises (Batu Pahat) CRC	Freehold	L: 3,080 B: 16,227	22	764,515
39	PT Lot 24178 & 24179 HS(D) 41954 & 41955 Mukim of Cheras District of Ulu Langat	No. 39 & 41 Taming Permai Business Park Jalan Balakong 43300 Selangor	2 units 3 storey shop office with Basement/ Vacant CRC	Freehold	L: 5,565 B: 15,288	15	2,399,319
40	Lots 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 units 3 storey shop office with Basement/ Branch premises (Kuah) CRC	Freehold	L: 3,304 B: 9,912	15	1,278,944
41	HS(D) 7156, 7157, 7187 & 7188 PT 34, 35, 65 & 66 Bandar Bukit Baru Seksyen 11 District of Melaka Tengah	N0. 7, 7-1, 7-2, 7-3A, 7-3B, 7-4A, 7-4B No. 8, 8-1, 8-2, 8-3A, 8-3B, 8-4A, 8-4B Jalan DR1, Delima Point Taman Delima Point 75150 Melaka	2 units 5 storey shop office/ Branch premises (Bukit Baru) CRC	Freehold	L: 3,509 B: 17,160	16	1,433,536

Particulars of Properties (continued)

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 31/12/2012 (RM)
42	Lot 1 Mukim of Padang Cina (Known As Grant 999409181) Town of Kulim District of Kulim Kedah	Suite B.4 KHTP Business Centre Kulim Hi-Tech Park 09000 Kulim, Kedah	Office/commercial complex (ground floor) KHTP Business Centre (5 storey shop office)/unoccupied Branch premises (Kulim Hi-Tech)	Freehold	L: 9,064.36 B: 9,064.36	14	1,945,218
43	Geran No 48649, Lot No 8066, H.S. (D) 895, No PT. 1201, Mukim of Padang China, District of Kulim Kedah	Lot E189 Kulim Golf & Country Resort Kulim, Kedah	Vacant land	Freehold	L: 9,534	12	162,078
44	Title No. 35120 Lot No. 86, Section 2 Town of Batu Feringhi North East District Of Penang New Title : Lot No 666 Geran HBM 107/M1/22/124 Mukim of Bandar Batu Feringgi, Sek 2 Daerah Timur Laut Pulau Pinang	Sri Sayang Resort Apartment Unit No. 22-06, 22nd storey Batu Feringhi Pulau Pinang	An end unit 3 bedroom apartment/ Holiday resort apartment	Freehold	L: Not Applicable B: 911	12	178,601
45	HS(D) 23766 PT 199, Section 40 Mukim of Kuala Lumpur W. Persekutuan	133, Jalan Bunus off Jalan Masjid India 50100 Kuala Lumpur	1 unit 5 Storey Shop Office/Branch Premises (Jalan Bunus)	Freehold	L: 1,539.9 B: 7,699.8	12	3,249,180

Particulars of Properties (continued)

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 31/12/2012 (RM)
46	HS(D) 120238 & 120239 PT 39 & 40 Pekan Desa Puchong District of Petaling Selangor SP : RM4,310,000.00 Paid 8% (Received Nov '12)	No 16 & 18, Jalan Bandar 3, Pusat Bandar Puchong 47100 Puchong, Selangor	2 units 4 storey shop office/ Branch premises (Puchong) CRC	Freehold	L: 3,300 B: 12,400	12	1,067,015
47	GM 405, Lot 1927 GM 407, Lot 2007 GM 409, Lot 2006 Mukim of Nibong Tanah Merah, Kelantan	Lot PT 1995/1996 Bandar Baru Bukit Bunga 17700 Tanah Merah, Kelantan	1 unit 2 storey shop office/ Branch premises (Jeli) CRC	Freehold	L: 2,000 B: 4,000	12	292,508
48	HS(D) 36868, Lot 25724, Mukim of Petaling Selangor	No. 161, Jalan SS2/24 47300 Petaling Jaya Selangor	3 storey shop house/ Branch premises (SS2) HPC	Freehold	L: 2,268 B: 8,902	32	841,235
49	HS(D) 194608, PT 1106, Pekan Serdang, Daerah Petaling, Selangor	No. 36, Jalan PSK 3 Pusat Perdagangan Seri Kembangan 43300 Seri Kembangan Selangor	3 storey shop house/ Branch premises (Seri Kembangan) CRC	Freehold	L: 3,563 B: 10,684	12	1,390,193

Particulars of Properties (continued)

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 31/12/2012 (RM)
50	Unit No. P1-01-32, Held Under Hakmilik, Strata No Berdaftar Geran 61929/M1/1/53, Lot No. 1594, Seksyen 2, Bandar Tanjong Tokong				L: 1,037 B: 7,732		
	Unit No. P1-02-32, Held Under Hakmilik, Strata No Berdaftar Geran 61929/ M1/2/121, Lot No. 1594, Seksyen 2, Bandar Tanjong Tokong				L: N/A B: 7,732		
	Unit No. P1-03-32, Held Under Hakmilik, Strata No Berdaftar Geran 61929/M1 Menara B/3/223, Lot No. 1594, Seksyen 2, Bandar Tanjong Tokong	98-G-32 To 98-3A-32 Block 32 Prima Tanjung Business Centre Jalan Tanjung Tokong 10470 Pulau Pinang	5 storey shop office/Branch premises (Fettes Park) CRC	Freehold	L: N/A B: 7,732	12	1,832,771
	Unit No. P1-04-32, Held Under Hakmilik, Strata No Berdaftar Geran 61929/M1 Menara B/4/257, Lot No. 1594, Seksyen 2, Bandar Tanjong Tokong				L: N/A B: 7,732		
	Unit No. P1-05-32, Held Under Hakmilik, Strata No Berdaftar Geran 61929/M1 Menara B/5/259, Lot No. 1594, Seksyen 2, Bandar Tanjong Tokong				L: N/A B: 7,732		

Particulars of Properties (continued)

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 31/12/2012 (RM)
51	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 shophouse / Branch premises (Seberang Perai)	Freehold	L: 4,779.2 B: 13,760	27	1,626,349
52	HS(M) 2926 & 2925 PT. 21346 & 21345 Mukim of Petaling W. Persekutuan	No. 10 & 12 Jln Radin Tengah Bandar Baru Seri Petaling 57000 Kuala Lumpur	2 units 3 storey shop office / Branch premises (Seri Petaling)	Leasehold Expiry: 5/4/2078	L: 3,840 B: 11,520	29	556,121
53	HS(D) 16521 & 16496 PT. 8912/1367 & PT. 8912/1366 Mukim of Kuala Lumpur District of Petaling	No. 20 & 22 Jln 21/12, Sea Park 46730 Petaling Jaya Selangor	2 units 2 storey shop office with Basement / Branch premises (Seapark)	Freehold	L: 3,230 B: 9,750	28	1,413,855
54	Town Lease: 107516432 Town Lease: 107516441 Town Lease: 107516450 District of Tawau	TB 281, 282 & 283 Jln Haji 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	28	1,486,826
55	PT Nos 3672, 3673, 3674, 3675, 3676 & 3677 All within Mukim of Damansara District of Petaling Selangor 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	6 units 4 storey shop office (Investment Properties)	Freehold	L: 46,093	18	7,300,000
56	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 (self occupied as branch)	Leasehold Expiry: 4/10/2082	L: 2,740	30	278,500
							125,850,796

Shareholding **Statistics**

as at 28 February 2013

ANALYSIS OF SHAREHOLDINGS as at 28 February 2013

Size of Shareholdings	No. of Holders	%	No. of Shares	%
Less than 100	728	4.61	18,082	0.00
100 to 1,000	2,776	17.56	2,433,707	0.16
1,001 to 10,000	10,212	64.61	38,671,021	2.59
10,001 to 100,000	1,840	11.64	55,280,224	3.70
100,001 to 74,728,790*	245	1.55	111,803,576	7.48
74,728,791** & above	4	0.03	1,286,369,196	86.07
Total	**15,805**	**100.00**	**1,494,575,806**	**100.00**

* Less than 5% of issued shares

** 5% and above of issued shares

LIST OF TOP 30 SHAREHOLDERS as at 28 February 2013

	Name	Shareholdings	%
1	Lembaga Tabung Angkatan Tentera	525,834,263	35.18
2	Maybank Nominees (Asing) Sdn Bhd The Bank of East Asia Limited Hong Kong for The Bank of East Asia Limited (Investment Ac)	351,494,226	23.52
3	Boustead Holdings Berhad Account Non-Trading	309,240,407	20.69
4	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	99,800,300	6.68
5	Citigroup Nominees (Asing) Sdn Bhd CBNY for Dimensional Emerging Markets Value Fund	9,611,900	0.64
6	HSBC Nominees (Asing) Sdn Bhd BNY Brussels for Wisdomtree Emerging Markets Smallcap Dividend Fund	4,654,395	0.31
7	HSBC Nominees (Asing) Sdn Bhd Exempt An for The Bank of New York Mellon (Mellon Acct)	4,635,400	0.31
8	Citigroup Nominees (Tempatan) Sdn Bhd ING Insurance Berhad (Inv-Il Par)	3,480,600	0.23
9	HSBC Nominees (Asing) Sdn Bhd Exempt An for JPMorgan Chase Bank, National Association (Australia)	3,324,400	0.22
10	HSBC Nominees (Asing) Sdn Bhd Exempt An for JPMorgan Chase Bank, National Association (U.S.A.)	3,198,700	0.21
11	Public Nominees (Asing) Sdn Bhd Pledged Securities Account for Mayland Parkview Sdn Bhd (KLC)	2,154,000	0.14
12	Amanahraya Trustees Berhad AFFIN Quantum Fund	2,043,000	0.14
13	Citigroup Nominees (Asing) Sdn Bhd CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	2,015,500	0.14

Shareholding Statistics (continued)

as at 28 February 2013

	Name	Shareholdings	%
14	HSBC Nominees (Asing) Sdn Bhd TNTC for LSV Emerging Markets Equity Fund L.P.	1,801,000	0.12
15	HSBC Nominees (Asing) Sdn Bhd BNY Brussels for City Of New York Group Trust	1,773,000	0.12
16	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Alliance Inv)	1,750,000	0.12
17	Citigroup Nominees (Asing) Sdn Bhd Exempt An for OCBC Securities Private Limited (Client A/C-NR)	1,653,600	0.11
18	Employees Provident Fund Board	1,500,000	0.10
19	CIMB Group Nominees (Tempatan) Sdn Bhd CIMB Bank Berhad (EDP 2)	1,390,000	0.09
20	Pertubuhan Peladang Kebangsaan	1,250,000	0.08
21	Citigroup Nominees (Asing) Sdn Bhd CBNY for DFA Emerging Markets Small Cap Series	1,218,500	0.08
22	Cartaban Nominees (Asing) Sdn Bhd SSBT Fund NT6P for Canada Pension Plan Investment Board	1,145,500	0.08
23	Fang Inn	1,117,000	0.08
24	Amanahraya Trustees Berhad AFFIN Select Growth Fund	1,077,100	0.07
25	HSBC Nominees (Asing) Sdn Bhd Exempt An for Morgan Stanley & Co. International Plc (Client)	1,020,000	0.07
26	HSBC Nominees (Asing) Sdn Bhd Exempt An for JPMorgan Chase Bank National Association (Saudi Arabia)	939,200	0.06
27	Cartaban Nominees (Asing) Sdn Bhd Exempt An for State Street Bank & Trust Company (West CLTOD67)	839,400	0.06
28	Cimsec Nominees (Tempatan) Sdn Bhd CIMB Bank for Dato' Che Lodin Bin Wok Kamaruddin (MM0197)	808,714	0.06
29	Cartaban Nominees (Asing) Sdn Bhd SSBT Fund SD4N for Government of The Province of Alberta	780,900	0.05
30	Cartaban Nominees (Asing) Sdn Bhd SSBT Fund 2CIA for Emerging Markets Value Trust (JHVIT)	711,300	0.05
	Total	**1,342,262,305**	**89.81**

LIST OF SUBSTANTIAL SHAREHOLDERS as at 28 February 2013

	Name	Direct Shareholdings	%	Indirect Shareholdings	%
1	Lembaga Tabung Angkatan Tentera (LTAT)	525,834,263	35.18	309,240,407*	20.69
2	The Bank of East Asia, Limited	351,494,226	23.52	–	–
3	Boustead Holdings Berhad (BHB)	309,240,407	20.69	–	–

* Deemed interested by virtue of LTAT's interest in BHB.

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Proxy Form

AFFIN HOLDINGS BERHAD (23218-W)
(Incorporated In Malaysia)

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-Seventh Annual General Meeting of the Company to be held on Monday, 22 April 2013 at 10:00 a.m. at the Taming Sari Grand Ballroom, The Royale Chulan 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 the Financial Statements and the Reports of the Directors and Auditors thereon		
2.	To re-elect Y. Bhg. Gen (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin as Director		
3.	To re-elect Professor Arthur Li Kwok Cheung as Director		
4.	To re-appoint Y. Bhg. Dato' Mustafa bin Mohamad Ali as Director and that he continues to serve the Company in the capacity of an Independent Director		
5.	To re-appoint Dr. the Hon. Sir David Li Kwok Po as Director		
6.	To approve Directors' Fees		
7.	To re-appoint Auditors and to authorise Directors to fix their remuneration		
8.	To authorise the Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965		
9.	To approve the allotment and issuance of new ordinary shares pursuant to the Dividend Reinvestment Plan		
10.	To approve the Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue of Trading Nature		
11.	To approve the Proposed Adoption of New Articles of Association of the Company		

No. Of Shares Held	

____
Signature or common seal of Shareholder(s)

Signed this __________ day of ___________ 2013

Notes:

1. 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.
2. 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.
3. 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.
4. Unless voting instructions are indicated in the spaces provided above, the proxy may vote as he thinks fit.
5. 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.
6. Only members registered in the Record of Depositors as at 12 April 2013 shall be eligible to attend the 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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www.affin.com.my

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