AFFINHOLDINGS

AFFIN HOLDINGS BERHAD

(23218-W)

Annual Report 2013

Cover Rationale

At AFFIN, we are committed to delivering premier investment and commercial banking solutions. Leveraging on our wealth of experience and expertise, we are optimistic of enhancing our market position with the right services and products for our clients. We will also explore opportunities for regional expansion as we believe there are long term prospects within Asia in which we can participate. By providing quality products and services, we hope to accelerate our development in fast growing markets and continue our growth momentum.

This year's cover design reflects the continuity of our growth as we carry on propelling our organisation towards a brighter future.

2013 **Annual Report**

AFFIN HOLDINGS
AFFIN HOLDINGS BERHAD
(23218-W)

inside

38th

Notice is hereby given that the Thirty-Eighth (38th) Annual General Meeting of AFFIN Holdings Berhad will be held at the Taming Sari Grand Ballroom, The Royale Chulan Hotel Kuala Lumpur on Monday, 21 April 2014 at 10:00 a.m.

Vision

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

Mission

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

NOTICE IS HEREBY GIVEN THAT the THIRTY-EIGHTH (38TH) 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, 21 April 2014 at 10.00 a.m. for the following purposes:-

Agenda

1. To receive the Audited Financial Statements for the financial year ended 31 December 2013 and the Reports of the Directors and Auditors thereon. **Resolution 1**

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

   2.1 Abd Malik bin A Rahman **Resolution 2**

   2.2 Tan Sri Dato' Seri Alauddin bin Dato' Mohd Sheriff **Resolution 3**

3. To re-elect the following Directors who retire in accordance with Article 110 of the Company's Articles of Association and being eligible, offer themselves for re-election:-

   3.1 Ignatius Chan Tze Ching **Resolution 4**

   3.2 Rosnah binti Omar **Resolution 5**

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

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

5. To approve Directors' Fees. **Resolution 7**

6. To re-appoint Auditors and to authorise the Directors to fix their remuneration. **Resolution 8**

7. **SPECIAL BUSINESS**
   To consider and if thought fit, to pass the following resolutions:-

7.1 Ordinary Resolution

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

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

Resolution 9

7.2 Ordinary Resolution

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

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

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

Resolution 10

7.3 Ordinary Resolution

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

"**THAT** authority be and is hereby given in line with Chapter 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, for the Company, its subsidiaries or any of them to enter into any of the transactions falling within the types of the Recurrent Related Party Transactions, particulars of which are set out in the Circular to Shareholders dated 28 March 2014 with the Related Parties as described in the said Circular, provided that such transactions are of revenue or trading nature, which are necessary for the day-to-day operations of the Company and/or its subsidiaries within the ordinary course of business of the Company and/or its subsidiaries, made on an arm's length basis and on normal commercial terms which are those generally available to the public and are not detrimental to the minority shareholders of the Company;

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

i. the conclusion of the next Annual General Meeting of the Company at which time the authority shall lapse unless by a resolution passed at a general meeting, the authority is renewed; or

ii. the expiration of the period within which the next Annual General Meeting after the date that is required by law to be held pursuant to Section 143(1) of the Companies Act, 1965; or

iii. revoked or varied by a resolution passed by the shareholders of the Company at a general meeting

whichever is earlier.

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

Resolution 11

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

By Order of the Board

NIMMA SAFIRA KHALID
Secretary

Kuala Lumpur
28 March 2014

Notes:

a. A member entitled to attend and vote at the above meeting may appoint one or more proxies (not more than two) on his behalf to attend and on show of hands or on a poll, to vote his stead. A proxy need not be a member of the Company. The completed instrument in writing appointing a proxy or proxies must be deposited at the Registered Office of the Company, 7th Floor, Chulan Tower, 3 Jalan Conlay, 50450 Kuala Lumpur not less than 48 hours before the time appointed to hold the meeting.

b. Reference is made to Recommendations 3.2 and 3.3 of the Malaysian Code of Corporate Governance 2012 (MCCG 2012) which states that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. YBhg Dato' Mustafa bin Mohamad Ali has served the Company as an Independent Director for more than eleven (11) years since his initial appointment on 28 November 2002. The Nomination Committee and the Board have determined at the annual assessment carried out on YBhg Dato' Mustafa bin Mohamad Ali that he remains independent in his mind and character. He participates actively in the Board as well as Board Committees' deliberations and decision making. YBhg Dato' Mustafa bin Mohamad Ali's long tenure with the Company has neither impair nor compromise his independent judgement. He continues to demonstrate the ability to ask hard questions, and remain objective in his views for the benefit of the Company.

c. The proposed ordinary resolution 9, 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 interest 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-Seventh Annual General Meeting held on 22 April 2013 and which will lapse at the conclusion of the Thirty-Eighth 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 10, if passed, will give authority to the Directors to allot and issue new AFFIN Holdings Berhad shares upon the election of the shareholders of the Company to reinvest the dividend declared by the Company (either an interim, final, special or any other dividend) from time to time pursuant to the Dividend Reinvestment Plan until conclusion of the next Annual General Meeting. A renewal of this authority will be sought at the next Annual General Meeting.

e. The proposed ordinary resolution 11, 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.

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 Abd Malik bin A Rahman

ii Tan Sri Dato' Seri Alauddin bin Dato' Mohd Sheriff

iii Ignatius Chan Tze Ching

iv Rosnah binti Omar

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

i Dato' Mustafa bin Mohamad Ali

The profile of the above Directors are set out on pages 28 to 33 of this Annual Report.

Details of Board Meetings

Four (4) Board Meetings and four (4) Special Board Meetings were held during the financial year ended 31 December 2013. Details of the meetings are as follows:

Date of Meeting	Time	Venue
18 February 2013	11.00 am	7th Floor, Chulan Tower
4 March 2013	5.30 pm	7th Floor, Chulan Tower
8 April 2013	6.20 pm	7th Floor, Chulan Tower
13 May 2013	9.00 am	7th Floor, Chulan Tower
27 May 2013	8.30 am	7th Floor, Chulan Tower
19 August 2013	9.00 am	7th Floor, Chulan Tower
26 September 2013	8.30 am	7th Floor, Chulan Tower
25 November 2013	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 2013 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	8/8
Tan Sri Dato' Seri Lodin bin Wok Kamaruddin	19 July 1986	8/8
Raja Dato' Seri Aman bin Raja Haji Ahmad	25 April 1991	8/8
Dato' Mustafa bin Mohamad Ali	28 November 2002	8/8
Abd Malik bin A Rahman	16 February 2011	8/8
Tan Sri Dato' Seri Alauddin bin Dato' Mohd Sheriff	23 December 2011	7/8
Tan Sri Jamaluddin bin Hj Ahmad Damanhuri (Resigned on 6 March 2013)	24 April 2012	0/2
Dr. the Hon. Sir David Li Kwok Po (Resigned on 6 August 2013)	21 May 2008	5/5
Professor Arthur Li Kwok-Cheung	21 May 2008	7/8
Ignatius Chan Tze Ching	6 August 2013	3/3
Adrian David Li Man Kiu (Alternate Director to Ignatius Chan Tze Ching)	21 May 2008	–
Peter Yuen Wai Hung (Alternate Director to Professor Arthur Li Kwok-Cheung)	5 September 2011	1/8

CORPORATE INFORMATION

Board of Directors

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

Rosnah binti Omar
(Appointed on 5 February 2014)

Professor Arthur Li Kwok-Cheung

Ignatius Chan Tze Ching
(Appointed on 6 August 2013)

Adrian Li Man Kiu
(Alternate Director to Ignatius Chan Tze Ching)

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

Dr. the Hon. Sir David Li Kwok-Po
(Resigned on 6 August 2013)

Tan Sri Jamaluddin bin Hj Ahmad Damanhuri
(Resigned on 6 March 2013)

Company Secretary

Nimma Safira binti Khalid

Registered Office

7th Floor, Chulan Tower
3 Jalan Conlay
50450 Kuala Lumpur
Telephone : 603-2142 9569
Fax : 603-2143 1057

Principal Bankers

AFFIN Bank Berhad
RHB Bank Berhad
Public Bank Berhad

Registrar

Boustead Management Services Sdn Bhd
13th Floor, Menara Boustead
69, Jalan Raja Chulan
50200 Kuala Lumpur
Telephone : 603-2141 9044
Fax : 603-2144 3016

Stock Exchange

Bursa Malaysia Securities Berhad
Stock Code : 5185
Stock Name : AFFIN

Website

http://www.affin.com.my

It has been another fruitful year for the Group and it gives me great pleasure to present the Group's performance for the financial year 2013

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

It was an interesting year marked by a jagged yet sure recovery of the global economy as developed nations regained some of their previous strength, closing the growth gap with emerging markets. The Eurozone made definite steps to emerge from its recession while in the US, the government reached a budget deal that has helped place the nation's finances on a firmer footing.

Indications of a recovering US economy earlier in the year had led to prospects of tapering of the Federal Reserve's Quantitative Easing (QE), which had repercussions in many emerging markets, including Malaysia. This was exacerbated by the much-awaited General Elections held in May 2013, following which confidence levels have returned and cogs in the wheels of the domestic financial machinery have resumed their momentum.

Although the domestic economy grew at a lower rate than in 2012, the fundamentals remain strong, boosted by measures such as the Government's Economic Transformation Programme (ETP). The financial industry, in particular, continued to perform well along with a strong capital market as well as private investments.

The highlight of the year for AFFIN Holdings Berhad (AHB) was our proposed acquisition of the investment banking, futures and asset-management businesses of Hwang-DBS (Malaysia) Bhd, which we believe would create synergies and unlock immense value for the Group. We signed an Exclusivity Agreement with Hwang-DBS in September 2013 and in January 2014, we entered into a Conditional Share Sale and Purchase Agreement. We are looking forward to report on further developments on the proposed acquisition within the second quarter of 2014.

It has been another fruitful year for all our subsidiaries and associate company, and it gives me great pleasure to provide a review of the Group's performance for the financial year 2013.

Group Financial Performance

Despite a challenging year in which Bank Negara Malaysia implemented various measures to curb rising household debt and a banking system flushed with liquidity, the Group's profit before taxation and zakat increased by RM30.2million or 3.6% to a new record profit of RM863.9million from RM833.7million in 2012. This was mainly due to the increase in net interest income and Islamic banking income totalling RM23.9million, higher loan recoveries of RM19.9million and lower allowance for loan impairment of RM27.3million. The other operating income and share of profit from our associate, however, declined by RM20.2million and RM8.8million respectively, while overhead expenses increased by RM16.3million.

These results were achieved on the back of an improved turnover of RM3.03billion (FY 2012 : RM2.97billion). As a result of the strong financial performance, the Group had achieved all its announced Key Performance Indicators (KPIs) for the financial year ended 31 December 2013.

On 31 December 2013, an interim dividend of 15.0sen per share in respect of the financial year amounting to RM224.2million was paid, in line with our dividend policy of providing shareholders with a minimum 50% payout based on the Company's profit after tax.

AFFIN Bank Berhad (ABB) Group

The banking industry continued to be pressured by compressed net interest margins (NIMs) which, along with competition, created a challenging business environment. However, driven to strengthen its business sustainability, ABB Group was able to pull in another commendable performance.

Several initiatives were employed towards maintaining or improving the Bank's asset quality. These included recalibrating the Consumer Credit Score Card System, rebalancing its loan portfolio and improving ABB's net impaired loan ratio from 1.11% in 2012 to 0.90% at the end of financial year 2013.

The year, overall, was positive for ABB Group, which recorded an 8.5% increase in profit after tax from RM525.3million in 2012 to RM569.8million on the back of an 8.0% growth in loans and 11.7% increase in total deposits. Total assets increased by 8.3% from RM52.1billion in 2012 to RM56.4billion, with a slightly improved return on asset after tax of 1.1% compared to 1.0% the previous year. The Group's cost to income ratio, meanwhile, improved to 44.5% from 45.2% and its return on equity after tax was 13.8%.

Various campaigns were organised by ABB to attract retail deposits, from a re-launch of the AFFIN Junior Saver (savings account) to the Chinese New Year Triple Fortune Promotion which offered higher interest rates and the opportunity for depositors to win a gold-plated work of art, and the Spend, Save & Win Campaign, which rewarded customers who maintained a minimum average balance in their deposit accounts while spending on their debit card and credit card. A definite highlight was the launching of the fourth highly successful O.M.G campaign – The Invasion of the O.M.G – which saw double-digit growth in savings and current and fixed deposits among new and existing conventional and Islamic account holders. Over 100,000 new accounts were created compared to previous years. Thanks to this campaign, which has truly caught the imagination of the Malaysian public. Besides rewarding loyal customers, the O.M.G campaigns have been a driver and catalyst in generating growth in deposits and new customers.

While the deposit campaigns were targeted at retail customers, ABB reached out specifically to small business owners through a six-month 'Experience IBG' Roadshow, which aimed to create awareness of the advantages and convenience of Interbank GIRO, a payment system that allows enterprises and individuals to perform banking transactions online. The roadshow, jointly organised with Bank Negara Malaysia, the Association of Banks Malaysia and the Association of Islamic Banking Institutions Malaysia, covered twelve (12) major towns in the country.

Supporting its product offerings, ABB continued to invest in its IT systems and processes in order to enhance operational efficiencies as well as to heighten its customer service delivery. Following the launch of Phase 2 of the Loans Origination System & Processes, customers across all businesses will benefit from an even faster loan approval process. As one of the initiatives to improve asset quality, the consumer credit score card system was recalibrated to enhance the predictive capability of credit scoring.

Also with the customer in mind, ABB continued to enhance its accessibility by adding three (3) new branches to its network during the year and relocating one branch to a more strategic location. The new branches were opened in Kota Kemuning in Selangor, Danga Bay in Johor and Lahad Datu in Sabah, bringing the total number as at end December 2013 to 103 branches nationwide. Meanwhile, the existing Kuantan branch was relocated during the year with a whole new set-up and equipment in the new premise to serve our customer better. Adding to greater customer convenience, two self-service machines which included cash deposit machines were installed, at PTPTL Shah Alam and the UiTM Shah Alam Campus, bringing the total number of off-site self-service machines to 108.

As competition within the financial industry intensifies, ABB recognises that it is critical to attract and retain the highest calibre of employees. ABB has therefore brought in key talents with the right skills to complement its needs. At the same time, ABB continuously improves its own training and development programmes to grow the skills required within its ranks. In 2013, ABB signed a Memorandum of Understanding with the Institute of Bankers Malaysia (IBBM) to enroll staff into The Chartered Banker Program, a recognised professional certification which addresses vital areas of finance and banking.

Another human capital initiative embarked by ABB is AFFIN Management Program, which is part of ABB's Human Capital Development Plan and the Young Talent Management Programme which aims to develop and support the banking career of young talents through engaging activities and competency program.

While building its key asset, namely its human capital, ABB is also focusing intently on risk management in order to safeguard its sustainability. It has put in place a robust Internal Capital Adequacy Assessment Process (ICAAP) framework in line with Bank Negara's guidelines, while adhering to the capital and liquidity standards as required by Basel III. This international capital adequacy requirement is to be applied in phases up to year 2019, and ABB is ensuring that all milestone targets are met along the way.

ABB's wholly owned subsidiary, AFFIN Islamic Bank Berhad (AiBB) registered a pre-tax and zakat profit of RM87.3million during the financial year. This was achieved mainly as a result of continued focus on increasing its consumer banking coverage by further expanding its distribution channels and the introduction of more innovative Shariah-based products, especially equity-based structures for saving and financing. Total gross financing grew 17.3% year-on-year to RM6.1billion with consumer financing contributing 60.2% of the total financing. Efforts to increase its customer deposit base led to a 6.2% or RM507.2million increase year-on-year to RM8.7billion (excluding treasury deposits), with retail deposits contributing to 50% of the total growth.

Going into 2014, ABB Group will strive to control loan growth and manage the balance sheet effectively in order to achieve its business targets. Amidst increased competition, margins will continue to be under pressure due to the impact of potential hike in OPR. As such, more emphasis will be given to increase its fee based income. ABB Group will also continue to undertake prudent asset-liability management to minimise further NIMs erosions through the roll-out of new banking products particularly in treasury, forex and wealth management in line with the Financial Sector Blueprint.

AFFIN Investment Bank Berhad (AIBB) Group

AIBB Group reported a lower profit before tax and zakat of RM85.0million for the financial year 2013 compared to RM91.1million for the previous financial year mainly due to lower investment income. On the other hand, the Group registered higher advisory and management fees and brokerage income compared to last year. Meanwhile AIBB's wholly owned subsidiary, AFFIN Fund Management Berhad reported a higher profit before tax and zakat of RM12.2million as compared to RM8.6million achieved the previous year mainly due to higher management fees and upfront fees from sale of unit trust.

In line with AIBB's plan to grow its business, a foreign institutional sales desk was formed. The establishment of the new desk was timely as AIBB signed a business collaboration agreement with Daiwa Securities Group Inc (Daiwa) from Japan, a leading international securities house. With the collaboration arrangement with Daiwa, it will open up numerous opportunities for the Bank to grow further and venture into regional markets. Domestically, the Bank will be on a different playing field and become among the top players once the merger with Hwang-DBS Investment Bank Berhad is completed, expected in the second half of 2014.

To better serve its retail stockbroking customers, AIBB strengthened its commitment with the renovation of its oldest and largest branch in Wisma Meru, Klang. The Klang branch which has been in operation since 1994 started renovation works in February 2013 involving 26,000 square feet of space. The branch was officially re-launched on 31 October 2013 after undergoing six months of renovation.

To further provide customers with better products and services, AIBB introduced eIPO@affinTrade, an internet share application service tailor-made exclusively for affinTrade customers with personal Central Depository System accounts. The service provides customers with the convenience of applying for new shares and eIPO financing online. eIPO@affinTrade also provides customers with easy access to view balloted results of the shares applied. The affinTrade accessibility is further expanded with the introduction of online trading apps for mobile devices.

AIBB continued to strengthen its position in the corporate finance and debt capital markets and was involved in several award winning transactions in 2013 where AIBB received the IFN Project Finance Deal of the Year award for Syndicated Facilities of up to RM2.1billion for Boustead Naval Shipyard Sdn Bhd. AIBB also received an award from The Asset Triple A Islamic Finance Awards 2013 for Best Islamic Project Finance for Malakoff Tanjung Bin Energy where AIBB acted as Joint Lead Managers for the RM4.5billion Sukuk Mudharabah and as Joint Lead Arrangers for the RM1.3billion Junior Term Loan facility.

AIBB's Research was rated by London-based The Financial Times and Starmine as the third best Stock Picker for Food, Household & Personal service. Meanwhile, an AIBB research analyst's call on a technology stock again made the cut under The Edge Best Analyst Call Awards 2013, two years in a row.

AFFIN Moneybrokers Sdn Bhd (AMBSB)

Trading activity in Malaysia was affected by financial market volatilities in the US and Europe, as well as the Malaysian General Election which was held in May 2013. Despite more cautious trading behaviour and a generally subdued environment, AMBSB managed to grow its market capitalisation to pull in a very commendable performance.

The company recorded a turnover of RM11.3million to achieve a net profit after tax of RM1.6million for the year ended 31 December 2013, with net assets as at year end at RM10.1million. In terms of revenue, Foreign Exchange brokerage contributed 26.0% of total net brokerage income at RM2.9million, followed by Swap/Foreign Deposits at RM2.0million (18.0% of total net brokerage), the Money Market at RM1.9million, Derivatives at RM1.9million, Fixed Income at RM1.8million and the Islamic Section at RM0.7million.

While contending with external headwinds, AMBSB continued to build on its internal resources by recruiting more high-calibre personnel, whose contributions will be more discernible once the tide turns.

The current economic indicators point to a drastic moderation in growth with inflationary concerns, while the short-term outlook is clouded by heighten external risks. There is scepticism in the market with the plan to internationalise the Ringgit in the near future. The encouragement by BNM for electronic trading is also a concern for the money brokers as this could open doors for foreign brokers to enter the domestic market. In a more positive note, the issuance of banking and finance licence by BNM to foreign financial institutions will provide more volume to the money broking industry.

The globalisation and liberalisation of financial markets, as outlined in the Financial Sectors Master Plan, may see the entry of new banks in the domestic market place. Also, the entry of foreign money broking companies competing in the domestic market is a real threat. As such, competitive negotiations in the industry will inevitably continue to capture larger market share and this invariable battle of discounts will effect brokerage income.

AXA AFFIN Life Insurance Berhad (AALIB)

AALIB continued along its upward trajectory to deliver a PBT of RM9.9million in 2013, which was more than three times the RM2.6million recorded in 2012. This significant improvement was contributed by the Life Fund which benefited from the increase in risk-free yield curve and strong growth in gross premiums. Gross premiums grew by 36.9% to RM314.0million from RM229.3million. The capital adequacy ratio was further strengthened, and remains well above the supervisory requirement.

With its strategic initiatives, AALIB managed to grow its agency distribution channel new business by 52.6% during the year. At the same time, it continued to enhance its bancassurance and direct marketing/telemarketing network, adding two new partners. Among existing banking partners, the sister company, ABB delivered strong new business growth of 27.7% during the year.

In line with its commitment to constantly innovate and redefine standards, AALIB launched the 110 Cancer Care project in collaboration with the National Cancer Society Malaysia to support and care for patients diagnosed with cancer. The first and only cancer care insurance online portal www.110cancercare.com was introduced alongside two new protection plans which provide early pay-outs to enable policyholders to seek early treatment.

AALIB had been expanding new business rapidly in the past years with a multi distribution strategy. The strong new business growth rates through the agency and ABB in 2013 encourages optimism that momentum will continue into 2014 for the company to register moderate growth amidst intense competition. The interest rate environment will continue to influence profitability levels as it impacts investment returns and reserving for policyholder liabilities.

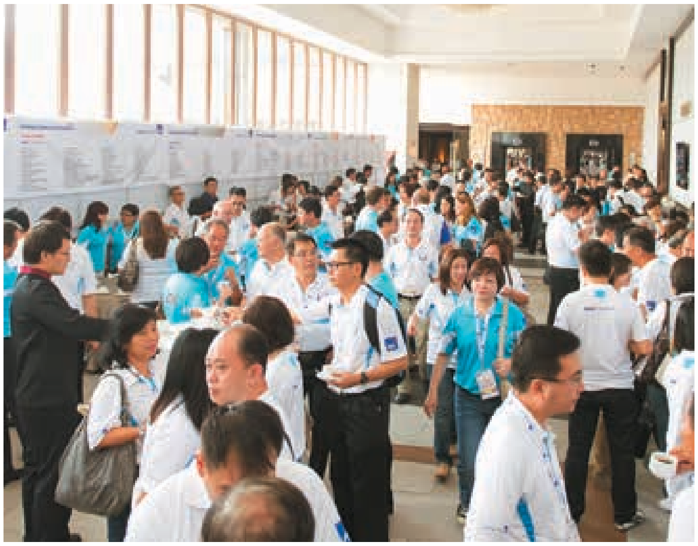
AXA AFFIN General Insurance Berhad (AAGIB)

Key strategies and action plans put in place in 2013 enabled AAGIB to maintain its growth momentum in existing core activities while implementing and accelerating new initiatives. This contributed to a 16.5% increase in gross written premiums from RM826.9million recorded in 2012 to RM963.2million. Although AAGIB's net underwriting profit of RM50.3million was RM22.2million lower than the profit of RM72.7million in 2012, this was mainly due to a one-off change in the basis of computation of Unearned Premium Reserves (UPR). Excluding the UPR adjustment, profitability in 2012 would have been at the same level as that in 2013.

Growth in Gross Written Premiums (GWP) came predominantly from commercial lines and agency business, as a direct result of stronger relationship with both local and international brokers and increase in the agency footprint. Other areas with notable progress in GWP are SME products, motorcyclists and Smart PA.

AAGIB's growth efforts over the last few years have led it to becoming the third largest operation under the AXA Asia Group, after Hong Kong and Singapore. Its ongoing Regional Health Campaigns in particular have singled out the company within the AXA General Insurance Asia group, contributing to it being presented the Best Health GWP Growth Award.

Given the overall economic constraints and climate in Malaysia, mergers and acquisitions, rapid development in the legal and regulatory environment and the impact of digital technology, greater challenges are expected in 2014. Strategies and plans for 2014 have been outlined to tackle these challenges with special focus on customer-centric services, better cost management and embracing changes required to reap the benefits of the digital world.



Outlook

The International Monetary Fund (IMF) expects the global economy to improve from 2.9% in 2013 to 3.6% in 2014, which would have positive spin-offs throughout the world. Although emerging markets are likely to see a continued withdrawal of capital as a result of the QE tapering, in Malaysia private investment is expected to be strong, underpinned by the implementation of projects under the ETP and economic corridors. Similarly, private consumption will be supported by sustained income growth and positive labour market conditions.

Going into 2014, ABB will strive for controlled loans growth and effective balance sheet management in order to achieve its business targets. In addition to increasing competition, margins are likely to come under greater pressure due to a potential hike in the overnight policy rate (OPR). As this would dampen ABB's net interest income, more emphasis will be given on increasing its fee based income with new banking products particularly in treasury, FOREX and wealth management. At the same time, there will be continued focus on prudent asset-liability management.

As a result of more realistic asset pricing, re-financing needs and industry consolidation as well as capital advisory works triggered by joint ventures, the Group expects the capital and money markets to be vibrant in 2014, with a greater number of bonds issued, mergers and acquisitions, and spin-offs, thereby providing ample potential for business growth. With the proposed merger of Hwang-DBS' investment banking, futures and asset-management businesses, AIBB will be better positioned to compete with other industry players in the investment banking, stock broking and asset management sectors.

Given the rapid expansion of new business by its agency as well as bancassurance in the past years, AALIB is confident of maintaining the momentum of growth in 2014 and beyond, despite intense competition. The higher interest rate environment would also act in the company's favour by allowing for higher returns on investments. AAGIB, meanwhile, aims to stimulate further business growth by focusing on customer service, better cost management and embracing IT more fully for greater efficiencies.

Acknowledgements

On behalf of the Board of Directors, I would like to thank all our stakeholders for their continued support of AHB and our Group of companies. This include our clients and business partners, as well as our principal shareholders, namely Lembaga Tabung Angkatan Tentera, Boustead Holdings Berhad and The Bank of East Asia, Limited. Given the highly competitive and dynamic industry we operate in, your contributions have been invaluable to the Group.

I would also like to thank my fellow Board members and Board members of subsidiary and associate companies for their commitment to the Group, and for their wisdom in guiding us and ensuring we keep an even keel as we journey through these challenging times. On behalf of the Board of Directors, I would like to commend our very capable Management, as well as the Managements of our subsidiaries and associate company for their dedication and hard work, which have been instrumental to all our successes to date.

I would like to put on record my sincere appreciation to the invaluable contributions by two Directors of the Company, Tan Sri Jamaluddin bin Haji Ahmad Damanhuri and Dr the Hon. Sir David Li Kwok Po who stepped down during the year. I would like to welcome Mr Ignatius Chan Tze Ching and Puan Rosnah binti Omar who were appointed Directors of the Company on 6 August 2013 and 5 February 2014.

Finally, I would like to express my heartfelt appreciation to the employees of the Group who truly have created a 'warga AFFIN' and who have internalised the Group's aspirations and contribute in inimitable ways towards our shared Vision – that of becoming the 'preferred one-stop financial services provider committed to meeting and exceeding customers' expectations'.

Corporate Social Responsibility

As a responsible organisation, AFFIN Holdings Berhad (AHB) recognises that we have a duty to give back to the communities that support our operations. Through our subsidiaries, we are proud to have made an indelible mark in the local landscape as a result of various contributions to the marginalised and underprivileged as well as in the spirit of volunteerism exhibited by our Senior Management and employees who willingly go out to lend a hand to the needy.

Other than our Group's extensive community outreach initiatives, we are also committed to maintaining the highest level of professionalism in our dealings with all stakeholders, and especially with customers and employees. At the same time, wherever possible, we support government initiatives aimed at creating greater social and economic equity such as increasing the employability of graduates, as well as its environmental agenda of maintaining a green, vibrant ecosystem.

Our two insurance companies, AXA AFFIN Life Insurance Berhad (AALIB) and AXA AFFIN General Insurance Berhad (AAGIB) carried out CSR programmes focusing mainly on health, environment and the community.

The above initiatives are detailed in this Corporate Social Responsibility (CSR) report, which has been delineated into four main categories namely Community, Marketplace, Workplace and Environment, in line with global best practice. AHB through its Islamic bank, AFFIN Islamic Bank Berhad (AiBB) also actively made zakat contribution in accordance with the Shariah requirements.

Community

Given that our major shareholder is the Lembaga Tabung Angkatan Tentera (LTAT), the Group has a tradition of contributing to retired and serving Armed Forces personnel and their families. During the year, a total of RM3.0million was channeled to Yayasan Warisan Perajurit, with RM1.0million each contributed by AHB, AFFIN Bank Berhad (ABB) and AFFIN Fund Management Berhad (AFMB). In addition, AHB also sponsored RM250,000.00 for the 'My Beautiful Day' Program held on 3 February 2013 towards youth development.

ABB has a tradition of giving back to the local communities, with two major sponsorship programmes carried out during the year. These represent ongoing community outreach initiatives that had begun prior to 2012. These were the sponsorship of BHPetrol's TV programme, Di Celah-Celah Kehidupan on RTM1 which features Malaysians in need of assistance; and sponsorship of The Star Newspaper in Education (NiE) programme.

For the TV programme Di Celah-Celah Kehidupan, ABB sets up accounts for the recipients of aid, with a start-up amount of RM1,000 each, thus providing a channel which members of the public can donate to the needy individuals. In support of the NiE programme, ABB distributes The Star to selected secondary schools nationwide to promote more creative ways of teaching English using interesting articles from the newspaper.

Among other sponsorships, ABB donated RM50,000 worth of table tennis equipment to selected schools in support of the Ministry of Education's "1Murid 1Sukan" policy; contribution to the publication of a book, "Himpunan Doa-Doa Terpilih Di Tanah Suci", to be distributed to pilgrims in support of the Sahabat Korporat Tabung Haji 1434H organised by Lembaga Tabung Haji; gave over RM160,000 for advertising and communication activities to promote the Tabung Hari Pahlawan Campaign commemorating the spirit of patriotism and sacrifices made by members of the armed forces; and contribution of 5,000 hand flags to the Ministry of Multimedia and Communication in conjunction with Merdeka celebrations.

ABB also contributed to various charitable programs in the spirit of goodwill during major festivals. In conjunction with Chinese New Year, Senior Management and employees visited the Old Folks Home at Jalan Ampang, where they treated the residents to lunch and gave them ang pow (money packets), snacks and drinks. For the Hari Raya celebration, ABB contributed RM100,000 worth of gift packages to the Welfare Fund of the Malaysian Armed Forces. Prior to this, ABB together with AiBB hosted a breaking fast for approximately 130 orphans from selected orphanages and 30 new Muslim converts from PERKIM.

ABB provided aid to victims of the floods in Kuantan, donating a total of RM20,000 worth of blankets, comforters, pillows and clothes which were distributed to the evacuees at all the flood relief centres with the help of the Malaysian Armed Forces.

AFFIN Investment Bank Berhad (AIBB), meanwhile, took part in a garage sale conducted by Rumah Pengasih Warga Prihatin, a home in Kajang for single mothers, people with special needs and orphans. AIBB also contributed ten bicycles for the home's children.

AALIB embarked on a strategic partnership with the National Cancer Society of Malaysia (NCSM) to launch 110 Cancer Care which is sold online and 110 CI Care, sold by the distributors. For each of these two products sold, the company is committed to funding usage of the Chemotherapy Day Care Unit at NCSM's cancer treatment centre by one cancer patient. Volunteers from AALIB also helped to clean and beautify NCSM's building during the company's Corporate Responsibility (CR) Week in June 2013. In addition, used items collected during CR Week from tenants of Chulan Tower, where AALIB is headquartered, were donated to NCSM's Children's Home of Hope.

AAGIB organised its annual blood donation drive which was opened to both staff as well as members of the public. It also collaborated with a leading medical centre in the Klang Valley to conduct free health screening for staff and walk-in customers at its office. Further in keeping with the theme of well-being, it ran a public safety campaign on radio, reminding Malaysians to be careful at home and on the road.

Marketplace

Within the marketplace, AHB – via our subsidiaries, further entrenched our position as a thought leader in financial matters while strengthening our customer relationship thus increasing our brand value.

ABB once again sponsored a public talk organised by the Federation of Chinese Associations Malaysia to promote the financial acumen of Malaysians. The talk, 'Where To Put Your Money in 2013', provided an update on the economic and investment outlook for the year. ABB also played its part to increase the employability of Malaysian graduates via the Skim Latihan 1Malaysia (SL1M), and was recognised by Minister in the Prime Minister's Department, YBhg Dato' Seri Abdul Wahid Omar, for its exemplary contributions to this programme.

More directly, ABB provided aid in various forms to a number of worthy organisations. Two blood donation drives were organised at Menara AFFIN for the National Blood Centre, which attracted over 300 volunteer staff. Not forgetting the media and regulators, the bank once again supported The Edge Bursa Kuala Lumpur Rat Race 2013 on 17 September 2013 by sending a team. Proceeds from the participation fees were donated to various charities in Malaysia.

AIBB, meanwhile, continued educating teenagers on the importance of saving and investing via its Teenz.fm financial literacy programme. The session this year was conducted in Bukit Tinggi, Klang near the bank's newest stockbroking branch, drawing 156 students from 12 schools.

Workplace

We seek to establish the Group as an employer of choice by creating a conducive and rewarding environment for employees. This is supported by the efforts of our subsidiaries and associate company to drive the professional growth of their staff and engage them in meaningful ways to create a sense of belonging and loyalty to the Group.

At ABB, young talents are groomed for career progression via the AFFIN Management Programme (AMP). In 2013, the eighth batch of AMP trainees underwent a series of modules in both functional and leadership competencies to prepare them for leadership roles. They were also given the opportunity to organise a community project to understand and internalise the CR culture at AHB, as well as to develop their own community leadership skills.

A new development during the year was the signing of a memorandum of understanding (MoU) with the Institute of Bankers Malaysia (IBBM) to enrol ABB employees into The Chartered Banker Program, a world-class programme conferred jointly by IBBM and the Chartered Banker Institute, UK.

In terms of employee engagement, the bank treated employees to a dinner and entertainment to celebrate Hari Raya, an annual event and a good platform for management to interact with staff in a casual setting, besides allowing staff to get to know a wider range of their colleagues.

The bank also reinforces its ties with employees by recognising children of staff who perform well in national examinations. In 2013, a total of 107 students received the AFFIN Education Excellence Award, bringing the total to more than 500 students receiving RM1.5million since the award was launched 10 years ago. The bank also awarded scholarships of RM60,000 each to deserving employees' children to help them pursue their tertiary education in universities in Malaysia.

At AALIB, employees got together for a walk in the KLCC Park during CR Week as part of the AXA Global Challenge Day. Also as part of CR Week, the company offered its employees 'Free Bone Checks', and organised health talks by experts from the National Cancer Society Malaysia on 'Cancer Detection & Prevention' and 'Diet & Lifestyle After Cancer'.

Focusing on risk management, AAGIB staff exchanged notes with one another on the theme of 'Risk Education and Research'.

Environment

To play our part in protecting the environment, we support the efforts of ongoing programmes that have a significant impact on the country's carbon footprint while encouraging our own people to adopt more environment-friendly practices in their daily working and personal lives.

ABB continued to sponsor the Young Voices for Conservation Programme organised by Treat Every Environment Special (TrEES) for the third year. The programme, which ran from January till November 2013, focused on empowering secondary school students with leadership and financial skills to run effective environmental projects. In November 2013, the teams with the best projects were rewarded at a prize-giving ceremony at which they also exhibited their projects for the benefit of teachers, media and other guests.

For its part, AALIB launched an initiative to switch off all lights in the office during the one-hour lunch break as well as when rooms are not occupied. Stickers were placed in every meeting room to remind users of their obligation to switch the lights off before leaving the room.

As part of the AXA Hearts in Action, AAGIB organised a programme called 'Grow Your Own Tree' in which volunteers got together with 90 children from four homes to plant 40 trees at the Forest Research Institute Malaysia (FRIM). AAGIB staff also took 10 minutes off their daily routine on 14 June 2013 to do their bit for the environment, well being and health during the company's Earth Minute, e.g., turning off PCs, watering plants, stretching etc.

Zakat Contribution

In line with its corporate vision and values, AiBB has undertaken various CSR activities including distributing its zakat to eligible members of the community. In 2013, AiBB reached out to the grassroots and made a different in the very basic aspect of living for the poor and needy. AiBB constructed several housing projects across the nation in Terengganu, Kelantan, Perak, Penang, Kedah and Pahang. These projects included building homes worth RM2.1million in Mukim Batu Rakit, Terengganu, RM100,000 in Pahang and rebuilding the 'Rumah Asnaf Miskin' in Bagan Datoh worth RM700,000.

AiBB also collaborated with TV Alhijrah in 2013, to contribute zakat of RM104,000 to assist deserving families to start up new businesses, and improved their quality of life. This initiative was aired on TV Alhijrah's 13-episode programme called, 'Man Jadda wajada' from 11 January to 5 April 2013.

Students were also at the core of AiBB's zakat contribution in 2013 and AiBB dedicated its zakat contribution to assist deserving poor students to have an equal access to education, with a total contribution of RM1.6million in 2013. AiBB also contributed RM2.8million to various zakat centres and RM700,000 to the Tabung Zakat Angkatan Tentera Malaysia. All in all, AiBB's total zakat contribution in 2013 amounted to RM7.8million.

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

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

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

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

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

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

7. **Rosnah binti Omar**
(Independent Non-Executive Director)

8. **Ignatius Chan Tze Ching**
(Non-Independent Non-Executive Director)

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

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 65, 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. On 23 April 2013, he was appointed as Orang Kaya Bendahara Seri Maharaja Perak by DYMM Paduka Seri Sultan Perak and consented by Dewan Negara Perak.

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

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

Tan Sri Dato' Seri Lodin bin Wok Kamaruddin, a Malaysian aged 65, was appointed as a Director of AFFIN Holdings Berhad on 19 July 1986. He was subsequently appointed as the Managing Director of the Company in February 1991 and redesignated as Deputy Chairman on 1 July 2008. He is a member of the Nomination Committee.

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

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

Tan Sri Dato' Seri Lodin holds directorships in FIDE Forum, Badan Pengawas Pemegang Saham Minoriti Berhad, Boustead Properties Berhad and UAC Berhad. He also sits on the Board of AFFIN Bank Berhad, AFFIN Islamic Bank Berhad, AXA AFFIN Life Insurance Berhad and other private limited companies.

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 68, was appointed as a Director of AFFIN Holdings Berhad on 25 April 1991. He was redesignated as an Independent Non-Executive Director on 15 January 2008. He is the Chairman of Audit Committee and a member of the Nomination Committee.

Raja 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.

Dato' Mustafa bin Mohamad Ali
Independent Non-Executive Director

Dato' Mustafa bin Mohamad Ali, a Malaysian aged 77, 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 65, was appointed as an Independent Non-Executive Director of AFFIN Holdings Berhad on 16 February 2011. Encik Malik is currently an Independent Non-Executive Director of Boustead Heavy Industries Corporation Berhad, CYL Corporation 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 has held various senior management positions in Peat Marwick Mitchell (KPMG), Esso Group of Companies, Colgate Palmolive (M) Sdn Bhd, Amway (Malaysia) Sdn Bhd, Fima Metal Box Berhad and Guinness Anchor Berhad. He was the General Manager, Corporate Services of Kelang Multi Terminal Sdn Bhd (Westports) from 1994 until 2003.

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

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

Tan Sri Dato' Seri Alauddin bin Dato' Mohd Sheriff, a Malaysian aged 67, was appointed as an Independent Non-Executive Director of AFFIN Holdings Berhad on 23 December 2011. He was a member of the Nomination Committee with effect from 18 February 2013 and thereafter became the Chairman of the Committee on 13 May 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.

Rosnah binti Omar

Independent Non-Executive Director

Puan Rosnah binti Omar, a Malaysian aged 60, was appointed as an Independent Non-Executive Director of AFFIN Holdings Berhad on 5 February 2014. Puan Rosnah obtained the Bachelor of Economics (Hons) from University of Malaya in 1976 and started her banking career thereafter as graduate trainee with Bank Bumiputra Malaysia Berhad (BBMB). She attended the Advanced Management Programme in Wharton Management School and was attached and trained in Credit Suisse in London and Zurich on fixed income and gold trading. She was transferred to BBMB in London from 1984 to 1985 as the Head of Investment managing a USD500million investment portfolio for the branch. Puan Rosnah also had working experience with Prudential Bache, Bankers Trust International and Security Pacific Hoare Govett in London in the capital market development for the Asian clients in money, fixed income bond and asset backed securities market from 1986 to 1989.

In 1990 to 1998, she rejoined BBMB and headed the Branch in New York to restructure the branch operations under New York Banking Regulation. From 1993 to 1998, as the Senior General Manager, she spearheaded the Corporate Banking, Treasury and International Divisions of BBMB and championed the privatization projects for the Bank. She represented BBMB on the Board of the Merchant Bank (a venture with Rothschild in Malaysia), Securities Company, Labuan offshore entity and the futures and trust company. She was responsible for the overall strategic corporate lending for the Group.

In April 1998, Puan Rosnah joined NM Rothschild & Sons (Limited) Singapore as the Director of Malaysia Region overseeing the investment banking activities. She was a Board Member of NM Rothschild & Sons (Limited) Singapore. Puan Rosnah represented NM Rothschild on the Board of Bumiputra Merchant Bank Berhad and KN Kenanga Asset Management in Malaysia. In 2000, Puan Rosnah ventured in the risk management advisory business as Executive Director of PK Tech Sdn Bhd responsible for the Information Technology strategy for the company. From 2001 to 2003, Puan Rosnah became the CEO of Malaysia Building Society Berhad (MBSB), a subsidiary of EPF. She was responsible in restructuring the ailing company during her tenure in MBSB.

In July 2003, Puan Rosnah was appointed as the Director General of the Labuan Offshore Financial Services Authority (LOFSA). Puan Rosnah was on the Board of the Islamic International Financial Market (IIFM) based in Bahrain. Puan Rosnah became Chairman and Managing Director of Rothschild Malaysia Sdn Bhd in 2006. Puan Rosnah left Rothschild in 2008 after having re-established Rothschild's presence and operations in Malaysia to pursue her interest in Islamic Finance and Risk Management advisory. Puan Rosnah was the adviser on Islamic Finance for the Commonwealth Business Council in London.

She is currently, pursuing her PhD at the International Islamic University Malaysia. She has attended seminars by Institute of Shariah Research Academy for Islamic Finance (ISRA), Islamic Financial Services Board (IFSB) and Securities Commission as well as colloquiums by various universities and conferences on Islamic Banking.

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

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

Professor Arthur Li Kwok-Cheung, a Chinese national aged 68, was appointed as a Non-Independent Non-Executive Director of AFFIN Holdings Berhad on 21 May 2008. He is currently a Deputy Chairman of The Bank of East Asia, Limited. He is also an Independent Non-Executive Director of Shangri-La Asia Limited and Nature Flooring Holding Company Limited, a Non-Executive Director of BioDiem Limited and Director and Chairman of Digital Broadcasting Corporation Hong Kong Limited. Professor Li is a Member of the Executive Council of the Hong Kong Special Administrative Region and a member of the National Committee of the Chinese People's Political Consultative Conference.

Professor Li was the Secretary for Education and Manpower of the Government of Hong Kong Special Administrative Region (2002 to June 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. 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, a Non-Executive Director of The Wharf (Holdings) 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.

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, Hong Kong Academy of Medicine. He was also conferred various Honorary Fellowships and Doctorates from United States of America, Hong Kong, Philippines, Japan and United Kingdom.

He is the uncle of Mr. Adrian David Li Man Kiu, the alternate Director for Mr. Ignatius Chan Tze Ching. 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.

Ignatius Chan Tze Ching

Non-Independent Non-Executive Director

Mr Ignatius Chan Tze Ching, a Chinese national aged 57 was appointed as a Non-Independent Non-Executive Director of AFFIN Holdings Berhad (AHB) on 6 August 2013 replacing Dr the Hon. Sir David Li Kwok Po who resigned as a Director of AHB on the same date.

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

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

Mr Chan is also an Independent Non-Executive Director of three (3) companies namely Hong Kong Exchanges and Clearing Limited, Mongolian Mining Corporation (MMC) and Larry Jewelry International Company Limited (LJI). He is the Chairman of the Audit Committee of both MMC and LJI. He is also a Non-Executive Director of Rizal Commercial Banking Corporation and Honorary Advisory Vice President, Hong Kong Institute of Bankers.

Mr Chan is presently Deputy Chairman of Hong Kong Polytechnic University Council (Chairman of Executive Committee), member of Hong Kong Open University Sponsorship and Development Fund Committee, member of Hong Kong Red Cross Council (Chairman of Audit Committee), member of Executive Committee of Investor Education Centre, Securities and Futures Commission, member of Hong Kong Tourism Board and member of Standing Commission on Civil Service Salaries and Conditions of Service (SCCS).

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

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

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

1. **Dato' Zulkiflee Abbas bin Abdul Hamid**
Group Chief Executive Officer
AFFIN Holdings Berhad

Managing Director/Chief Executive Officer
AFFIN Bank Berhad

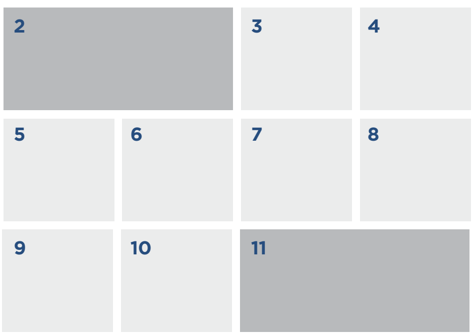
Dato' Zulkiflee Abbas bin Abdul Hamid, a Malaysian aged 57, was appointed as the Group Chief Executive Officer of AFFIN Holdings Berhad on 2 January 2014. He is presently holding dual position as the Group Chief Executive Officer of AFFIN Holdings Berhad and the Managing Director/Chief Executive Officer of AFFIN Bank Berhad, a position held by him since April 2009. Dato' Zulkiflee Abbas joined AFFIN Bank Berhad on 1 March 2005 as Director of Enterprise Banking. Subsequently in 2008, he was appointed as Executive Director of Banking, which encompassed both Business and Consumer Banking.

Dato' Zulkiflee Abbas carries with him more than 30 years of banking experience, both locally in Malaysia and internationally in London and New York. He has assumed pivotal roles in banking which included Regional Manager, Chief Credit Officer and Global Head of Banking Enterprise, among others.

Dato' Zulkiflee Abbas has also been entrusted by AFFIN Holdings Berhad since 1 December 2011 to lead the harmonisation of AFFIN Banking Group namely AFFIN Bank Berhad, AFFIN Islamic Bank Berhad and AFFIN Investment Bank Berhad. The mandate given to him was to ensure accountability over the achievement and performance of Group objectives, including the implementation of strategy, capacity building and business plan of AFFIN Banking Group.

Dato' Zulkiflee Abbas holds a Bachelor of Science (Marketing) from Southern Illinois University, USA and Masters in Business Administration from the same university.

He does not have any family relationship with 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.



2. **Maimoonah binti Hussain**
   Managing Director
   AFFIN Investment Bank Berhad

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

4. **Loke Kah Meng**
   Chief Executive Officer
   AXA AFFIN Life Insurance Berhad

5. **Emmanuel Nivet**
   Chief Executive Officer
   AXA AFFIN General Insurance Berhad

6. **Dato' Mohamad Ayob Abu Hassan**
   Chief Executive Officer
   AFFIN Fund Management Berhad

7. **Chandra Nair**
   Chief Executive Officer
   AFFIN Moneybrokers Sdn Bhd

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

9. **Khatimah binti Mahadi**
   Group Chief Internal Auditor
   AFFIN Holdings Berhad Group

10. **Lee Yoke Kiow**
    Executive Director
    AFFIN Holdings Berhad

11. **Nimma Safira binti Khalid**
    Company Secretary
    AFFIN Holdings Berhad

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

The Board currently has 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.

(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 Hj Ahmad Damanhuri *(Resigned on 6 March 2013)*	Non-Executive	Independent
Dr. the Hon. Sir David Li Kwok-Po *(Resigned on 6 August 2013)*	Non-Executive	Non-Independent
Professor Arthur Li Kwok-Cheung	Non-Executive	Non-Independent
Ignatius Chan Tze Ching *(Appointed on 6 August 2013)*	Non-Executive	Non-Independent
Peter Yuen Wai Hung *(Alternate Director to Professor Arthur Li Kwok-Cheung)*	Non-Executive	Non-Independent
Adrian David Li Man Kiu *(Alternate Director to Ignatius Chan Tze Ching)*	Non-Executive	Non-Independent
Rosnah binti Omar *(Appointed on 5 February 2014)*	Non-Executive	Independent

A brief description of the background of each Director is presented in pages 24 to 33 of this Annual Report.

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

(b) Board Balance, Duties and Responsibilities

The membership of the Board complies with the provision of MCCG in that at least one-third of the Board must be independent. The current Board consists of five (5) Independent Directors and four (4) Non-Independent Directors. The Directors have a wide range of business, financial and technical skills and experience. Together the members of the Board bring a mix of skills and experience required for the success of the Group.

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

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

The present Board has five (5) 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 and Main Market Listing Requirements of Bursa Malaysia which require that an Independent Director is independent of management and free from any business or other relationship, which could interfere with the exercise of independent judgement or the ability to act in the best interest of the Group. When assessing independence, the Board focuses beyond the Independent Director's background, economic and family relationships and considers whether the Independent Director can continue to bring independent and objective judgment to Board deliberations.

In its meeting on 24 May 2011, the Board resolved that the maximum tenure for an Independent Director is 15 years until year 2013. After 2013, the maximum tenure for an Independent Director would be reduced to 12 years. The grace period of two (2) years until 2013 would 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.

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

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

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

a) Reviewing and adopting a strategic plan for the Group;

b) Overseeing the conduct of the Company's business;

c) Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures;

d) Succession planning;

e) Overseeing the development and implementation of a corporate disclosure policy and procedures; and

f) Reviewing the adequacy and the integrity of the management information and internal control system of the Company.

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

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

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

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

During the financial year ended 31 December 2013, four (4) Board meetings and four (4) Special Board Meetings were held. The details of attendance of each Director at the Board meetings held during their tenure of service in financial year 2013 are as follows:-

Name of Directors	Attendance at Board meetings/ Special Board meetings
Gen (R) Tan Sri Dato' Seri Mohd Zahidi bin Hj Zainuddin	8/8
Tan Sri Dato' Seri Lodin bin Wok Kamaruddin	8/8
Raja Dato' Seri Aman bin Raja Haji Ahmad	8/8
Dato' Mustafa bin Mohamad Ali	8/8
Abd Malik bin A Rahman	8/8
Tan Sri Dato' Seri Alauddin bin Dato' Mohd Sheriff	7/8
Tan Sri Jamaluddin bin Hj Ahmad Damanhuri *(Resigned on 6 March 2013)*	0/2
Dr. the Hon Sir David Li Kwok-Po *(Resigned on 6 August 2013)*	5/5
Professor Arthur Li Kwok-Cheung	7/8
Ignatius Chan Tze Ching *(Appointed on 6 August 2013)*	3/3
Mr. Adrian David Li Man Kiu *(Alternate Director to Mr Ignatius Chan Tze Ching)*	–
Mr. Peter Yuen Wai Hung *(Alternate Director to Professor Arthur Li Kwok-Cheung)*	1/8

Supply of Information

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

Appointment and Re-election of Directors

(a) Appointment

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

(b) Re-election

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

Directors' Training

An integral element in the process of appointing new Directors requires new Directors to undergo an orientation 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 relevant to their duties and responsibilities to further enhance their skill and knowledge.

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

Mr Ignatius Chan Tze Ching, who was appointed as a Director of the Company on 6 August 2013, has attended and successfully completed the MAP.

Conferences, seminars and training programmes attended by Directors in year 2013 were:-

a) Corporate Governance

- Listing Rules changes to strengthen the false market avoidance requirement & consultation conclusion
- Corporate Governance Symposium 2013 "Corporate Governance in Vogue"
- Guidelines on disclosure of inside information
- Corporate Governance
- Annual Corporate and Regulatory Update 2013 – Highlights of the New Companies Ordinance and New Filling Requirements
- Forum on Future of Corporate Reporting
- Advocacy Sessions on Corporate Disclosure or Directors
- Plain Language Guide on connected transaction rules

b) Board/Board Committees' Conduct/Leadership

- Training for eBoard Meeting System – Boardpad
- KPMG Independent Non-Executive Directors Forum
- FIDE Core Program
- FIDE Education Program
- FIDE Governance in Groups Program
- Board Training by Lesley Campbell
- HKIB Fellowship Conferment Ceremony 2013 luncheon talk by Mr Arthur Yuen
- 2013 Annual Sessions Review (Hong Kong)
- Board Agenda Series: Board & Strategy – Where are we?
- Panel Member for Breakfast at Kuala Lumpur Golf & Country Club with Board Chairman
- Board Chairman Session
- KPMG Independent Non-Executive Directors' Education Program
- The Nomination/Remuneration Committee program
- Code of Conduct Refresher 2013
- Supervisory Policy Manual – Code of Conduct for Benchmark Submitters
- Supervisory Policy Manual – Supervisory Review Process
- Talk on 'Do Non-Executive Directors bring real value to the Board?'
- Audit Committee Conference 2013 – Powering for Effectiveness

c) Banking, Finance & Economy

- Inaugural Oliver Wyman Hong Kong – Financial Services CEO Forum
- Banking Fundamentals
- Recent Development and Introduction of Preferential Policies in Qianhai, Hong Kong
- Investor Conference "Standing at the Crossroads – Where to From Here"
- Briefing on Financial Services Act 2013 & Islamic Financial Services Act 2013
- Integrity Convention – Enforcement Agency Integrity Commission
- CEO Forum 2013 – The rest of the World and Malaysia: External Challenges to Malaysia's Growth
- 32nd Management Conference of Genting Plantations Berhad – Driving Innovation and Productivity to meet Industry Challenges "Inspire to Motivate" by Mr Khoo Swee Chiow
- Conference on Politics and Business – The Malaysian Connection
- Code of Conduct For Reference Banks for Hong Kong Interbank Offered Rate
- HKIB Annual Banking Conference
- Asean Business Partnership Symposium (Hong Kong)
- Breakfast Talk on "Best Of Corporate Malaysia Transformations"
- CEO Manpower Conference (Hong Kong)
- Briefing to Directors and Senior Management on
  i) Key Implications of the Financial Services Act 2013;
  ii) the Impact of Basel III on Capital and Liquidity;
  iii) New Audit Opinions;
  iv) Updates on the Accounting and Regulatory i.e. MFRS
- Peace & Security Forum 2013 – The Search for Human Security
- Apollo Management Asia Conference 2013

d) Risk Management/Insurance

- Tower's Watson 2013 Global Insurance Enterprise Risk Management Survey Results
- The Impact of Regulatory Change on Bank's Business Models
- Risk Management Committee Insurance Programme

Directors' Remuneration

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

The Board has established a formal and transparent remuneration policies and procedures to attract and retain Directors. The determination of the remuneration for Non-Executive Directors is a matter for the Board as a whole. The remuneration packages had taken into account of pay and employment conditions within the industry. The level of remuneration paid to Non-Executive Directors reflects the experience and level of responsibilities undertaken by the particular Non-Executive Director concerned. Non-Executive Directors are paid a basic fee as ordinary remuneration and paid a sum based on their responsibilities in the Committees. The fee is a fixed sum and not by a commission on or percentage of profits or turnover as stated in the Main Market Listing Requirements of BMSB. In determining the level of remuneration for Non-Executive Directors, the Board 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 2013 of the Directors are as follows:-

Directors	Fees (RM)	Allowances (RM)	Benefit in kind (RM)	Other Emoluments (RM)	Total (RM)
NON-EXECUTIVE DIRECTORS	2,067,434	377,700	41,837	60,000	2,546,971

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

Non-Executive Directors (Including Alternate Directors)	No. of Directors
Nil	1
RM1 to RM50,000	3
RM50,001 to RM100,000	-
RM100,001 to RM150,000	3
RM200,001 to RM250,000	-
RM250,001 to RM300,000	1
RM300,001 to RM350,000	1
RM350,001 to RM400,000	1
RM400,001 to RM450,000	1
RM700,001 to RM750,000	1

The Board Committees

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

- Audit Committee
- Nomination Committee
- Remuneration Committee

(a) Audit Committee

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

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

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

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

(b) Nomination Committee

The members of the Nomination Committee are as follows:-

Tan Sri Dato Seri Alauddin bin Dato' Mohd Sheriff
Independent Non-Executive Director
(Appointed as the Chairman on 13 May 2013)

Tan Sri Jamaluddin bin Hj. Ahmad Damanhuri
Independent Non-Executive Director
(Appointed as the Chairman on 1 January 2013 and resigned on 6 March 2013)

Dato' Mustafa bin Mohamad Ali
Independent Non-Executive Director
(Chairman until 31 December 2012 and became a member effective 1 January 2013)

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

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

The Nomination Committee has the following duties and responsibilities:-

- To recommend candidates for all directorships to be filled by shareholders or the Board;
- To recommend candidates to fill the seats on Board Committees;
- To recruit and retain the best available Directors;
- To assess the contribution of each individual Director;

- Reviewing annually the Board structure, size, composition and the balance between Executive Directors, Non-Executive Directors and Independent Directors to ensure that the Board has the appropriate mix of skills and experience including core competencies which Directors should bring to the Board and other qualities to function effectively and efficiently;

- To take necessary steps to ensure that women candidates are sought as part of the the Company's recruitment exercise to meets its gender diversity policy;

- To establish and implement processes for assessing the effectiveness of the Board as a whole, the Committees of the Board; the contribution of each Director;

- To review regularly the status of Independent Directors and ensure that they meet the criteria of Independent Directors as defined in the guidelines issued by BNM and in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad;

- To assess and recommend to the Board, the re-appointment of Directors and CEO upon the expiry of the respective terms of appointment as approved by BNM;

- To recommend Directors who are retiring at Annual General Meetings for re-election and termination of Board membership for appropriate reasons;

- To conduct assessments on the fitness and propriety of Directors, the CEO and the Company Secretary and making decisions on their appointments;

- To review regularly the list of key responsible persons (which include the Directors, CEO and Senior Officers) of the Company to ensure that the list is comprehensive and has included all key positions within the Company;

- To establish and to review regularly the internal policies on fit and proper procedures and assessment processes relating to key responsible persons and the Company Secretary;

- To assess on an annual basis, that the Directors, CEO and Senior Officers are not disqualified under section 59 of the Financial Services Act 2013 and that the Directors, CEO and Senior Officers continue to comply with the fit and proper criteria as approved by the Board;

- To assess on an annual basis, that the Company Secretary is not disqualified under Section 139C of the Companies Act 1965 and that he/she continues to comply with the fit and proper criteria as approved by the Board;

- To recommend to the Board the removal of a Director or CEO if he/she is disqualified under section 59 of the Financial Services Act 2013, no longer comply with fit and proper criteria as approved by the Board or is inefficient, errant and negligent in discharging his/her responsibilities;

- To recommend to the Board the removal of the Company Secretary if he/she is disqualified under section 139C of the Companies Act 1965 or he/she is no longer comply with fit and proper criteria as approved by the Board;

- To ensure existence of an appropriate framework and succession plan for the CEO and Senior Officers of the Company;

- To ensure that all Board appointees undergo the necessary training programmes prescribed by the applicable statutory and regulatory bodies;

- To provide adequate training and orientation of new Directors with respect to the business, structure and management of the Group as well as the expectations of the Board with regards to their contribution to the Board and Group;

- To carry out such other responsibilities as may be specified by BNM from time to time; and

- Considering other matters as referred to the Committee by the Board.

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

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

On 13 August 2012, the Board approved the proposed policy on Boardroom diversity. The Board, through the Nomination Committee will take steps to ensure that women candidates are sought as part of its recruitment exercise. Selection of women candidates to join the Board will be, in part, dependent on the pool of women candidates with the necessary skills, knowledge and experience. The ultimate decision will be based on merit and contributions the candidate brings to the Board. The Board has every intention of meeting the 30% women participation target by 2016 as recommended by Corporate Governance Blueprint 2011 issued by the Securities Commission and will take the necessary measures to meet the target. The Nomination Committee is responsible to implement this policy and monitoring the progress towards the achievement of the target of 30% women participation in the Board by 2016.

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

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

- noted the Bank Negara Malaysia's approval dates for the re-appointment of Directors and their respective expiry dates;
- appointed new Chairman for the Nomination Committee;
- assessed and recommended to the Board for the re-appointment of Directors upon the expiry of BNM approval dates;
- assessed and recommended to the Board for the appointment of an independent woman director for the Company;
- reviewed the terms of reference of Nomination Committee;
- noted the policy document on 'fit and proper criteria' issued by BNM pursuant to The Financial Services Act 2013 and Islamic Financial Services Act 2013 and recommended for Board's approval the policy and procedures on fit and proper assessment of key responsible persons/company secretary as recommended by the policy document;
- noted the list of trainings available for Directors and trainings attended by Directors in year 2013;
- recommended to the Board the re-appointment of Directors who retire at the Annual General Meeting in year 2013;
- conducted the Directors' Appraisal for the year 2013. 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;
- noted the list of Independent Directors in the Group who have served in that capacity for a cumulative term of more than nine (9) years and the requirement of Malaysian Code of Corporate Governance that the respective board to justify and seek shareholders' approval in the event the respective Board decided to retain any of its Independent Directors who have served in that capacity for a cumulative term of more than nine (9) years;
- conducted an assessment of Board effectiveness as required by the Green Book under the Government Linked Companies (GLC) Transformation Programme; and
- recommended the proposed appointment of new Board members on the Board of Directors of HwangDBS Investment Bank Berhad (HDIBB) upon completion of the acquisition of HDIBB.

(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 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; and
- Develop policies, practices and recommend proposals appropriate to facilitate the recruitment and retention of Directors and senior management of the Company.
- 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:-

- noted the Directors' Remuneration in AFFIN Holdings Berhad and its subsidiaries for the financial year ending 31 December 2013;
- considered and recommended the proposed payment of bonus and annual salary increment to the staff of AFFIN Holdings Berhad; and
- reviewed the remuneration package of Senior Management of the Company.

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.

(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 26 February 2014, AFFIN Holdings Berhad announced its achievement of Headline Key Performance Indicators ("KPIs") for the financial year ended 31 December 2013 and Headline KPIs for the financial year ending 31 December 2014 as follows:-

Headline KPIS achieved for the financial year ended 31 December 2013

No	Headline KPIs	As announced on 21 February 2013	As achieved	Favourable Variance
1	After Tax Return on Equity (ROE)	10.1%	10.5%	0.4%
2	After Tax Return on Assets (ROA)	1.1%	1.1%	-
3	Gross Impaired Loan Ratio	2.20%	1.98%	0.22%
4	Earnings Per Share (EPS)	42.08 sen	43.49 sen	1.41 sen

The Group achieved all its announced headline KPIs for the financial year ended 31 December 2013.

Headline KPIs for the financial year ending 31 December 2014

No	Headline KPIs	Targets
1	After Tax Return on Equity (ROE)	9.2%
2	After Tax Return on Assets (ROA)	1.1%
3	Gross Impaired Loan Ratio	1.84%
4	Earnings Per Share (EPS)	36.0 sen

The Headline KPIs on ROE and EPS for the financial year ending 31 December 2014 are lower as compared to the ROE and EPS achieved for the financial year ended 31 December 2013, mainly due to the dilutive effect of the projected enlarged capital base to fund the proposed acquisition of HwangDBS Investment Bank Berhad and other financial services businesses from HwangDBS (Malaysia) Berhad. The said proposed acquisition is projected to be completed by the second quarter of 2014.

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 of Risk Management and Internal Control provided in pages 56 to 57 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 reviews and monitors 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 50 to 55 in this Annual Report.

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

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

In preparing these financial statements, the Directors have:

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

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

Signed on behalf of the Board of Directors in accordance with their resolution dated 17 February 2014.

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

Tan Sri Dato' Seri Lodin bin Wok Kamaruddin
Deputy Chairman

The Board of AFFIN Holdings Berhad is pleased to present the Report on Audit Committee (AC) for the Financial Year ended 31 December 2013

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) **En. Abd Malik bin A Rahman**
Member/Independent Non-Executive Director

Terms of Reference

1.0 OBJECTIVE

1.1 Audit Committee (AC) is established as a Committee of the Board of Directors. The primary objectives of AC are to:-

a) Establish the framework for and oversee the audit function of AFFIN Holdings Berhad;

b) Provide assistance to the Board in fulfilling its statutory and fiduciary responsibilities in ensuring that good Corporate Governance, system of internal controls, codes of conduct and compliance with regulatory and statutory requirements are maintained by the AFFIN Group;

c) Implement and support the function of the Board by reinforcing the independence and objectivity of the Group Internal Audit Division (GIA); and

d) Ensure that internal and external audit functions are properly conducted and audit recommendations are implemented effectively.

2.0 COMPOSITION AND APPOINTMENT

2.1 AC shall have at least three (3) members of whom all must be Non-Executive Directors with a majority of them being Independent Directors. The Chairman of the Committee shall be an Independent, Non-Executive Director. No Alternate Director shall be appointed to the AC.

2.2 At least one (1) member of the Committee must meet the criteria set by the Bursa Malaysia Securities Berhad's Main Market Listing Requirements.

2.3 AC members and the Chairman shall be appointed by the Board of Directors based on the recommendations of the Nomination Committee.

2.4 The Board shall review the Terms of Reference and performance of the AC and each of its members at least once every three (3) years to determine whether the AC has carried out its duties in accordance with its Terms of Reference.

2.5 If a member of the Committee resigns or for any reason ceases to be member in the AC resulting in non-compliance with the requirements, then the Board shall, within three (3) months of the events, appoint such number of new members as may be required.

2.6 The AC shall have no executive powers.

3.0 AUTHORITY

3.1 The AC, whenever necessary and reasonable for the performance of its duties, shall in accordance with the procedure determined by the Board and at the company's expense:

3.1.1 Have authority to investigate any matters within its Terms of Reference;

3.1.2 Be able to obtain external legal or other independent professional advice or other necessary resources to perform its duties;

3.1.3 Have full and unrestricted access to any information pertaining to the Group;

3.1.4 Have direct communication channels with the External Auditors, Internal Auditors and all employees of the Group;

3.1.5 Be able to convene meetings with the External and Internal Auditors; excluding the attendance of the Executive Members of the Committee at least twice a year; and

3.1.6 Report to the Regulatory Bodies on matters duly reported by it to the Board which have not been satisfactorily resolved resulting in a breach of any regulatory requirements.

4.0 MEETINGS

4.1 The quorum for a meeting of the Committee shall be two thirds (2/3) of the Committee with the majority present being Independent, Non-Executive Directors. If the Chairman is unable to attend any meeting, any other Independent, Non-Executive member present shall act as Chairman. All resolutions of the Committee shall be adopted by a simple majority vote, each member having one (1) vote. In case of equality of votes, the Chairman shall have a second or casting vote.

4.2 The AC shall meet at least four (4) times in a financial year with the objective of reviewing the internal audit reports and AFFIN Group's financial reporting. The AC complements this through regular meetings with the Senior Management and both the Internal and External Auditors to review the AFFIN Group's overall state of governance and internal controls. To ensure that critical issues are highlighted to all Board members in a timely manner, where possible, the AC meetings are convened before the Board meetings. The AC, through its Chairman, shall report to the Board after each meeting where issues can be further deliberated, if necessary.

4.3 Besides the minimum of four (4) AC meetings in a year, additional meetings shall be scheduled whenever deemed necessary by the AC's Chairman or the majority of the Committee members.

4.4 The notice of meeting should be served to the AC members at least seven (7) days before the meeting. The agendas and AC papers are to be circulated at least five (5) days before each meeting.

4.5 The Committee may invite other Directors, members of Management, counsel or any person as applicable to participate in the AC meetings as necessary to carry out the Committee's responsibilities.

4.6 The Company Secretary shall be the Secretary of the Committee. All the original Minutes of AC meetings are in the custody of the Company Secretary and shall be signed by the Chairman of the meeting at which the proceedings are held or by the Chairman of the next succeeding meeting. The signed minutes shall be conclusive evidence without any further proof of the facts thereon stated. Minutes of each meeting shall be distributed to all members of the AC and all the Directors.

4.7 Any inspection of such minutes should obtain prior approval from the Chairman of AC.

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 policy;
- Significant and unusual events or any going concern assumption;
- Significant adjustments arising from the audit; and
- Compliance with accounting standards, disclosure requirements and other legal requirements.

5.1.2 To act upon any request from the Board to investigate and report on any issues of concern as regard to the Management of the Group.

5.1.3 To obtain external professional advice and to invite outsiders with relevant experience to attend meetings, subject to the approval of the relevant regulatory body, where necessary.

5.1.4 To recommend to the Board the appointment of External Auditors and their audit fee.

5.1.5 To review with the external auditors the scope of the audit plan, system of internal controls, the audit reports (including Management letter and Management response), the assistance given by the Management and any findings or action to be taken.

5.1.6 To review the Group's business risk management process including adequacy of the Group's control environment.

5.1.7 To consider the major findings of internal investigations and Management response.

5.1.8 To review the findings of any examinations by regulatory authorities and the Management response.

5.1.9 To review existing policies and practices within the Group in order to regulate and streamline the same to ensure uniformity.

5.1.10 To ensure that the accounts are prepared in a timely and accurate manner with frequent reviews of the adequacy of provisions against contingencies, bad and doubtful debts.

5.1.11 To review any related party transactions that may arise within the AFFIN Group.

5.1.12 To review the adequacy of the scope, functions, competency and resources of the Group Internal Audit Division and the necessary authority to carry its work. The review may cover the planned audit work, internal audit programmes, the results of completed work and Management implementation of agreed actions as recommended by Group Chief Internal Auditor (GCIA). Where appropriate, the Committee may direct the Management to rectify and improve the system of internal controls and procedures based on the Internal Auditors' recommendations and suggestions for improvements.

Composition of Members and Meetings

During the financial year ended 31 December 2013, 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
En. 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. The Executive Director and Head of Finance were 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 holding company and subsidiaries level for financial year ended 31 December 2013. The AC had also reviewed the external auditors' audit plan for the financial year ending 31 December 2013.

The AC had two (2) private meetings with the external auditors without the presence of Management and Internal Auditors in year 2013. 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 2013 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 2013:-

External Audit

1) Reviewed the 2014 audit plan to ensure the scope of work adequately covered the activities of the holding company and its subsidiaries;

2) Reviewed the significant audit, accounting, taxation and other matters arising from their audit of the financial year and resolution of such issues highlighted in their report to the Committee for the Company and its subsidiaries; and

3) Reviewed and evaluated the external audit performance, objectivity and independence during the year before recommending to the Board for their re-appointment.

Group Internal Audit

1) Reviewed and approved the Group Internal Audit Plan and Training Budget for Year 2014 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;

4) Reviewed the status report of Group Internal Audit activities for the financial year ended 31 December 2013 to ensure all the planned activities were satisfactorily carried out;

5) Reviewed the summary of audit findings by subsidiaries' Internal Auditors to ensure significant audit findings by subsidiaries especially on the investigations, fraud and non-compliances with regulatory and statutory requirements were promptly resolved;

6) Reviewed quarterly status update on issues highlighted in the external auditors' audit reports compiled by the Internal Auditors based on submissions by the subsidiaries' Internal Auditors to ensure that significant issues were addressed and resolved on a timely basis; and

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

Summary of Activities of Group Internal Audit

1) Group Internal Audit is guided by its Group Internal Audit Charter. Its primary role is to assist the Group Audit Committee to discharge its duties and responsibilities by independently reviewing and reporting on the adequacy and integrity of the Group's risk management, internal control and governance processes;

2) Group Internal Audit adopt a risk-based approach towards the planning and conduct of audits, which is consistent with the Group's framework in designing, implementing and monitoring its internal control system;

3) The Group Internal Auditors closely monitored the implementation of the audit recommendations in order to obtain assurance that all major risk and control concerns have been duly addressed. Audit reports were presented to the management and Group Audit Committee;

4) Group Internal Audit worked closely with the external auditors to ensure that significant issues are duly addressed and resolved on a timely basis; and

5) The total Group Internal Audit cost for year 2013 was RM2.9million.

Financial Results

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

2) Reviewed with the senior management and external auditors the annual audited financial statements of the Company and the subsidiaries before recommending to the Board for their approval and release of the Group's results to Bursa Malaysia focusing on the matters set out in the following Requirements, Acts and Standards:-

   a) BMSB Main Market Listing Requirements;

   b) Provisions of the Companies Act;

   c) Financial Services Act and Islamic Financial Services Act;

   d) Applicable approved accounting standards in Malaysia; and

   e) Other relevant legal and regulatory requirements.

Related Party Transactions

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

Others

Reviewed the Statement of Risk Management and Internal Control and Audit Committee Report for inclusion in the Year 2013 Annual Report before recommending to the Board for approval.

1. Corporate Governance & Board's Oversight

a. The Board recognises and exercises overall responsibilities in promoting good corporate governance and ensuring sound system of internal controls and risk management practices are maintained throughout the Group.

b. The Board is of the view that the system of internal controls instituted by the Group's operating units for the year under review and up to the date of annual report is sound and sufficient to safeguard shareholders' investment, customers' interests and the Group's assets.

c. Notwithstanding this, there are on-going reviews to ensure the effectiveness, adequacy and integrity of the system. The control procedures are designed to manage rather than to eliminate completely all risks of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material errors, losses, fraud or the occurrence of unforeseeable circumstances.

d. The Board meets regularly to discuss matters related to system of internal control which covers inter alia financial, operational, compliance controls and risk management procedures.

e. Regular reports received from the Group's management on financial performance, key operating statistics, legal and regulatory compliance, breached of law or regulations unauthorised activities and fraud are reviewed by the Board.

f. The Board received assurance from Chief Executive Officers of the subsidiaries that the Group's risk management and system of internal controls is operating effectively, in all material aspects based on the risk management and internal control system.

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 carry out regular reviews of the business processes and activities to assess the effectiveness of internal control and highlight significant risks impacting the Group. The Audit Committees of the respective Boards conduct annual reviews on the adequacy of the scope of work and resources of Group Internal Audit Division.

b. The Audit Committees of the respective Board of Directors of the Company and its subsidiaries 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 strengthens staff knowledge in creating a robust control and compliance environment.

4. Group Risk Management & Compliance Framework

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

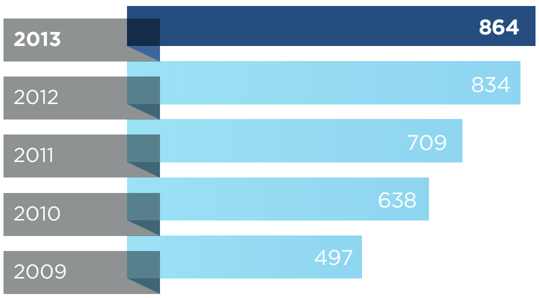
   There is a clearly defined framework and empowerment approved by the respective Board of main operating subsidiaries for acquisitions and disposals of property, plant and equipment, awarding tenders, applications for capital expenditure, writing off operational and credit items, approving general expenses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

FIVE-YEAR GROUP FINANCIAL RECORD

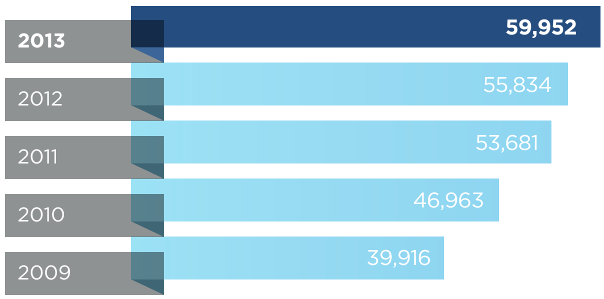
	2013	2012	2011	2010	2009
OPERATING RESULTS					
For the financial year ended 31 December (RM Million)					
Revenue	**3,029**	2,972	2,656	2,273	2,009
Profit before taxation and zakat	**864**	834	709	638	497
Net profit attributable to equity holders of the Company	**650**	629	508	489	372
KEY BALANCE SHEET DATA					
As at 31 December (RM Million)					
Loans, advances and financing	**36,909**	34,163	30,437	26,574	22,497
Total assets	**59,952**	55,834	53,681	46,963	39,916
Deposits from customers	**47,354**	42,945	39,363	33,247	28,599
Total liabilities	**53,575**	49,790	48,089	41,762	35,180
Commitments and contigencies	**22,223**	19,097	20,068	18,902	17,891
Paid-up capital	**1,495**	1,495	1,495	1,495	1,494
Shareholders' equity	**6,377**	6,045	5,592	5,201	4,735
FINANCIAL RATIOS (%)					
Profitability Ratios					
Net return on average shareholders' funds	**10.47**	10.81	9.41	9.84	8.13
Net return on average assets	**1.12**	1.15	1.01	1.12	0.97
Net return on average risk-weighted assets	**1.66**	1.72	1.57	1.80	1.42
Cost to income ratio	**46.97**	46.01	47.68	46.88	46.53
Asset Quality Ratios					
Gross impaired loans/non-performing loans ratio	**1.98**	2.28	2.84	3.64	3.71
Net impaired loans/non-performing loans ratio	**0.92**	1.13	1.32	2.21	2.20
Loan loss coverage	**74.38**	71.03	72.80	59.69	81.49
SHARE INFORMATION – Per share (sen)					
Earnings – Basic and fully diluted	**43.49**	42.08	33.99	32.70	24.88
Gross Dividend	**15.00**	15.00	12.00	9.00	8.50
Net assets	**427**	404	374	348	317
Share price – high	**435**	375	362	326	254
Share price – low	**313**	287	231	247	114
Share price as at 31 December	**415**	344	308	309	252
Market capitalisation (RM Million)	**6,202**	5,141	4,603	4,618	3,766
VALUATIONS ON SHARE					
Gross dividend yield (%)	**3.61**	4.36	3.90	2.91	3.37
Dividend payout ratio (%)					
– based on Company's profit after tax	**80.20**	65.31	60.62	69.72	95.34
Price to earnings multiple (times)	**9.54**	8.17	9.06	9.45	10.13
SEGMENT INFORMATION					
Profit before taxation and zakat by activity (RM Million)					
Commercial banking & hire purchase	**763**	703	613	523	425
Investment banking	**85**	91	89	87	65
Insurance (net of tax)	**29**	35	–	27	12
Others	**(13)**	5	7	1	(5)
	864	834	709	638	497

CHARTS OF FIVE-YEAR GROUP FINANCIAL RECORD

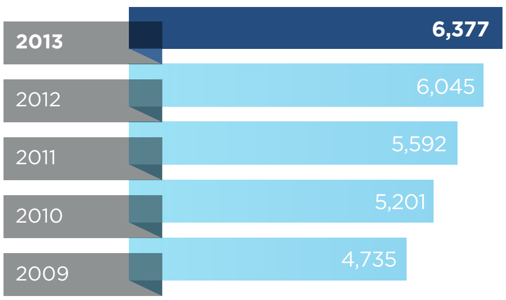
Profit Before Taxation and Zakat
(RM Million)



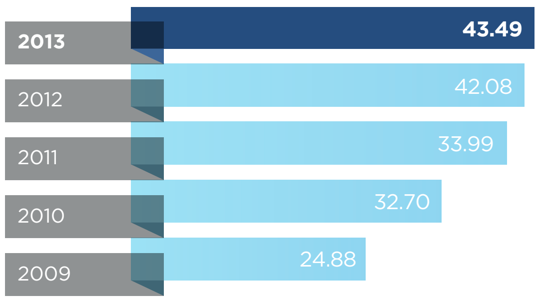
Total Assets
(RM Million)



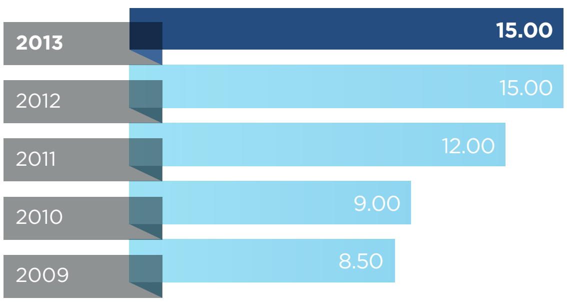
Shareholders' Equity
(RM Million)



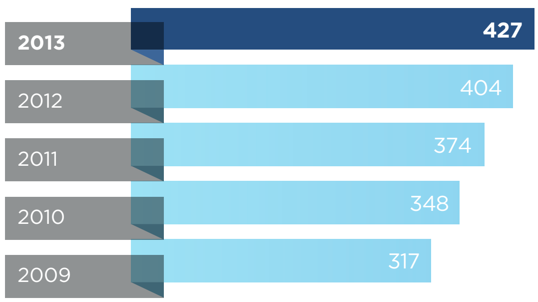
Earnings Per Share
(Sen)



Gross Dividend Per Share
(Sen)



Net Assets Per Share
(Sen)



Financial Statements

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 2013.

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	863,928	298,772
Zakat	(9,692)	–
Profit before taxation	854,236	298,772
Taxation	(204,215)	(19,221)
Net profit for the financial year	650,021	279,551

DIVIDENDS

The dividends on ordinary shares paid by the Company since 31 December 2012 were as follows:-

	RM'000
In respect of the financial year ended 31 December 2013:-	
An interim tax exemption dividend of 8.9 sen per share and a single-tier dividend of 6.1 sen per share, paid on 30 December 2013.	224,186

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 (Resigned on 6.8.2013)
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 (Resigned on 6.3.2013)
Ignatius Chan Tze Ching (Appointed on 6.8.2013)
Rosnah binti Omar (Appointed on 5.2.2014)
Adrian David Li Man Kiu (Alternate Director to Ignatius Chan Tze Ching)
Peter Yuen Wai Hung (Alternate Director to Professor Arthur Li Kwok-Cheung)

In accordance with Article 104 of the Company's Articles of Association, Abd Malik bin A Rahman and Tan Sri Dato' Seri Alauddin bin Dato' Mohd Sheriff who retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

In accordance with Article 110 of the Company's Articles of Association, Ignatius Chan Tze Ching and Rosnah binti Omar retire and being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

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

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than directors' remuneration as disclosed in Note 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' 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 1.1.2013**	**Bought**	**Sold**	**At 31.12.2013**
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				
Boustead Heavy Industries Corporation Berhad				
Tan Sri Dato' Seri Lodin bin Wok Kamaruddin	2,000,000	–	–	2,000,000
Abd Malik bin A Rahman	3,000	–	–	3,000
Boustead Petroleum Sdn Bhd				
Tan Sri Dato' Seri Lodin bin Wok Kamaruddin	5,916,465	–	–	5,916,465
Al-Hadharah Boustead REIT				
Tan Sri Dato' Seri Lodin bin Wok Kamaruddin	250,000	–	–	250,000
Pharmaniaga Berhad				
Tan Sri Dato' Seri Lodin bin Wok Kamaruddin	5,681,886	12,500,148^	–	12,500,148

^ *Shares split on 4 June 2013 involving the subdivision of every one (1) existing ordinary share of RM1.00 each into two (2) ordinary shares of RM0.50 each which give rise to the additional 11,363,772 shares and the bonus issue of 1,136,376 bonus shares after share split on the basis of 1 bonus share for every ten (10) subdivided shares held.*

	Number of ordinary shares of 50 sen each			
Related Company	**At 1.1.2013**	**Bought**	**Sold**	**At 31.12.2013**
Boustead Holdings Berhad				
Tan Sri Dato' Seri Lodin bin Wok Kamaruddin	28,192,758	–	–	28,192,758

	Number of redeemable preference shares of RM1 each			
Related Company	**At 1.1.2013**	**Bought**	**Sold**	**At 31.12.2013**
Boustead Petroleum Sdn Bhd				
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.

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 26 February 2014.

TAN SRI DATO' SERI LODIN BIN WOK KAMARUDDIN
Director

RAJA DATO' SERI AMAN BIN RAJA HAJI AHMAD
Director

Kuala Lumpur
26 February 2014

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
ASSETS					
Cash and short-term funds	2	**9,331,374**	7,359,658	**131,710**	33,209
Deposits and placements with banks and other financial institutions	3	**468,585**	492,356	**4,460**	101,958
Reverse repurchase agreements with financial institutions		**-**	20,057	**-**	-
Trade receivables	4	**176,706**	213,751	**-**	-
Financial assets held-for-trading	5	**149,544**	165,592	**-**	-
Financial investments available-for-sale	6	**8,767,991**	9,404,237	**-**	-
Financial investments held-to-maturity	7	**624,033**	548,324	**-**	-
Derivative financial assets	8	**55,776**	66,015	**-**	-
Loans, advances and financing	9	**36,909,384**	34,163,168	**-**	-
Other assets	10	**309,011**	313,277	**68,494**	346
Statutory deposits with Bank Negara Malaysia	11	**1,545,144**	1,507,480	**-**	-
Amount due from subsidiaries	12	**-**	-	**904,972**	904,960
Amount due from associate	13	**67,257**	67,240	**67,257**	67,240
Investment in subsidiaries	14	**-**	-	**3,582,882**	3,582,882
Investment in jointly controlled entities	15	**135,539**	129,788	**146,880**	146,880
Investment in associate	16	**208,396**	183,696	**10,681**	10,597
Taxation recoverable		**11,316**	14,775	**5,173**	5,021
Deferred tax assets	25	**14,475**	-	**-**	-
Property and equipment	17	**167,038**	178,093	**470**	659
Intangible assets	18	**1,009,988**	1,006,784	**1**	4
TOTAL ASSETS		**59,951,557**	55,834,291	**4,922,980**	4,853,756
LIABILITIES AND EQUITY					
Deposits from customers	19	**47,353,514**	42,944,986	**-**	-
Deposits and placements of banks and other financial institutions	20	**3,983,912**	4,588,209	**-**	-
Bills and acceptances payable		**90,208**	152,400	**-**	-
Trade payables	21	**179,078**	213,690	**-**	-
Derivative financial liabilities	22	**93,868**	59,560	**-**	-
Recourse obligation on loans sold to Cagamas Berhad	23	**397,790**	413,549	**-**	-
Other liabilities	24	**467,454**	364,964	**19,634**	5,829
Provision for taxation		**36,405**	63,751	**-**	-
Deferred tax liabilities	25	**172**	16,335	**108**	143
Amount due to subsidiaries	26	**-**	-	**400,258**	400,258
Borrowings	27	**972,432**	972,343	**972,432**	972,343
TOTAL LIABILITIES		**53,574,833**	49,789,787	**1,392,432**	1,378,573
EQUITY					
Share capital	28	**1,494,576**	1,494,576	**1,494,576**	1,494,576
Share premium		**1,400,410**	1,400,410	**1,400,410**	1,400,410
Reserves	29	**3,481,738**	3,149,518	**635,562**	580,197
TOTAL EQUITY		**6,376,724**	6,044,504	**3,530,548**	3,475,183
TOTAL LIABILITIES AND EQUITY		**59,951,557**	55,834,291	**4,922,980**	4,853,756
COMMITMENTS AND CONTINGENCIES	43(d)	**22,222,815**	19,096,585	**-**	-

The accounting policies on pages 75 to 93 and the notes on pages 94 to 189 form an integral part of these financial statements.

INCOME STATEMENTS
for the Financial Year Ended 31 December 2013

		Group		Company	
		2013	2012	2013	2012
	Note	RM'000	RM'000	RM'000	RM'000
Revenue	30	**3,029,014**	2,971,723	**367,221**	309,519
Interest income	31	**2,215,000**	2,106,615	**52,873**	51,984
Interest expense	32	**(1,298,209)**	(1,209,786)	**-**	-
Net interest income		**916,791**	896,829	**52,873**	51,984
Net Islamic banking income	33	**220,745**	216,772	**-**	-
		1,137,536	1,113,601	**52,873**	51,984
Other operating income	34	**388,213**	408,458	**314,405**	292,519
Net income		**1,525,749**	1,522,059	**367,278**	344,503
Other operating expenses	35	**(716,621)**	(700,315)	**(25,914)**	(9,993)
Operating profit before allowance for impairment on loans, advances and financing		**809,128**	821,744	**341,364**	334,510
Allowance for impairment on loans, advances and financing	37	**66,087**	18,835	**-**	-
Allowance for impairment on other assets	38	**2,079**	(408)	**-**	-
Operating profit		**877,294**	840,171	**341,364**	334,510
Finance cost	39	**(42,592)**	(41,021)	**(42,592)**	(41,021)
Share of results of jointly controlled entities		**5,221**	1,823	**-**	-
Share of results of associate		**24,005**	32,765	**-**	-
Profit before taxation and zakat		**863,928**	833,738	**298,772**	293,489
Zakat		**(9,692)**	(7,086)	**-**	-
Profit before taxation		**854,236**	826,652	**298,772**	293,489
Taxation	40	**(204,215)**	(197,710)	**(19,221)**	(13,167)
Net profit for the financial year attributable to equity holders of the Company		**650,021**	628,942	**279,551**	280,322
Earnings per share attributable to equity holders of the Company (sen) – Basic and fully diluted	41	**43.49**	42.08		

The accounting policies on pages 75 to 93 and the notes on pages 94 to 189 form an integral part of these financial statements.

	Note	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Profit after taxation		**650,021**	628,942	**279,551**	280,322
Other comprehensive income:					
Items that will be reclassified subsequently to profit or loss:					
– Net fair value change in financial investments available-for-sale		**(123,893)**	7,692	**-**	–
– Deferred tax on revaluation of financial investments available-for-sale	25	**30,278**	(1,268)	**-**	–
Other comprehensive income for the financial year, net of tax		**(93,615)**	6,424	**-**	–
Total comprehensive income for the financial year		**556,406**	635,366	**279,551**	280,322
Attributable to equity holders of the Company:					
– Total comprehensive income		**556,406**	635,366	**279,551**	280,322

The accounting policies on pages 75 to 93 and the notes on pages 94 to 189 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the Financial Year Ended 31 December 2013

		< Attributable to Equity Holders of the Company					>
		Share capital	Share premium	Statutory reserves	AFS revaluation reserves	Retained profits	Total equity
	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2013		**1,494,576**	**1,400,410**	**1,293,665**	**108,763**	**1,747,090**	**6,044,504**
Comprehensive income:							
- Net profit for the financial year		**-**	**-**	**-**	**-**	**650,021**	**650,021**
Other comprehensive income (net of tax):							
- Financial investments available-for-sale		**-**	**-**	**-**	**(93,615)**	**-**	**(93,615)**
Total comprehensive income for the financial year		**-**	**-**	**-**	**(93,615)**	**650,021**	**556,406**
Transfer to statutory reserves		**-**	**-**	**175,383**	**-**	**(175,383)**	**-**
Dividends declared and paid for the financial year	**42**	**-**	**-**	**-**	**-**	**(224,186)**	**(224,186)**
At 31 December 2013		**1,494,576**	**1,400,410**	**1,469,048**	**15,148**	**1,997,542**	**6,376,724**
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

The accounting policies on pages 75 to 93 and the notes on pages 94 to 189 form an integral part of these financial statements.

	Note	Share capital RM'000	Non-Distributable Share premium RM'000	Distributable Retained profits RM'000	Total equity RM'000
At 1 January 2013		**1,494,576**	**1,400,410**	**580,197**	**3,475,183**
Total comprehensive income for the financial year:					
– Net profit for the financial year		**–**	**–**	**279,551**	**279,551**
Dividends declared and paid for the financial year	**42**	**–**	**–**	**(224,186)**	**(224,186)**
At 31 December 2013		**1,494,576**	**1,400,410**	**635,562**	**3,530,548**
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

The accounting policies on pages 75 to 93 and the notes on pages 94 to 189 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the Financial Year Ended 31 December 2013

	2013 RM'000	2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit before taxation	**854,236**	826,652
Adjustments for items not involving the movement of cash and cash equivalents:-		
Interest income from:-		
– financial assets held-for-trading	**(230)**	(1,009)
– financial investments available-for-sale	**(262,140)**	(269,759)
– financial investments held-to-maturity	**(25,923)**	(29,889)
Dividend income from financial investments available-for-sale	**(4,058)**	(4,100)
Amortisation of premium net of accretion of discount:-		
– financial investments available-for-sale	**(12,051)**	(11,999)
– financial investments held-to-maturity	**(1,024)**	366
Gain on disposal/redemption:-		
– financial assets held-for-trading	**(3,336)**	(6,125)
– financial investments available-for-sale	**(32,823)**	(49,523)
– financial investments held-to-maturity	**(6,144)**	(19,466)
Unrealised (gain)/loss on revaluation:-		
– financial assets held-for-trading	**(455)**	188
– derivatives	**(8,055)**	(12,669)
– foreign exchange	**54,137**	(42,282)
(Write-back of)/additional allowance for impairment loss:-		
– financial investments available-for-sale	**(2,079)**	744
– financial investments held-to-maturity	**-**	(336)
Depreciation of property and equipment	**18,630**	20,313
Property and equipment written-off	**95**	182
Gains arising from waiver of debts	**-**	(8)
Net gain on disposal of property and equipment	**(4,064)**	(1,297)
Gain on disposal of foreclosed properties	**(11,041)**	(10,141)
Amortisation of intangible assets	**8,615**	9,162
Bad debts written-off	**4,583**	7,784
Share of results of jointly controlled entities	**(5,221)**	(1,823)
Share of results of associate	**(24,005)**	(32,765)
Additional allowance for impairment on loans, advances and financing:-		
– collective impairment	**13,911**	3,296
– individual impairment	**43,930**	78,147
(Write-back of)/additional allowance for impaired debts – other debtors	**(372)**	157
Zakat	**9,692**	7,086
OPERATING PROFIT BEFORE CHANGES IN WORKING CAPITAL	**604,808**	460,886

	2013 RM'000	2012 RM'000
(Increase)/decrease in operating assets:-		
Deposits and placements with banks and other financial institutions	**23,771**	(212,898)
Reverse repurchase agreements with financial institutions	**20,057**	(20,057)
Financial assets held-for-trading	**20,069**	(8,814)
Loans, advances and financing	**(2,808,640)**	(3,815,549)
Statutory deposits with Bank Negara Malaysia	**(37,664)**	(97,339)
Trade receivables	**37,045**	(53,512)
Other assets	**(32,495)**	(106,164)
Increase/(decrease) in operating liabilities:-		
Deposits from customers	**4,408,528**	3,581,572
Deposits and placements of banks and other financial institutions	**(604,297)**	(2,278,838)
Bills and acceptances payable	**(62,192)**	70,341
Trade payables	**(34,612)**	56,782
Recourse obligation on loans sold to Cagamas Berhad	**(15,759)**	(14,910)
Other liabilities	**126,755**	(66,057)
Cash generated from/(used in) operating activities	**1,645,374**	(2,504,557)
Tax and zakat paid	**(237,531)**	(163,874)
Tax refund	**510**	17,088
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	**1,408,353**	(2,651,343)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net disposal/(purchase) of financial investments available-for-sale	**557,986**	(210,647)
Net (purchase)/disposal of financial investments held-to-maturity	**(68,541)**	122,035
Proceeds from disposal of property and equipment	**7,552**	4,372
Proceeds from disposal of foreclosed properties	**21,961**	21,611
Purchase of property and equipment	**(22,206)**	(23,584)
Purchase of intangible assets	**(1,513)**	(2,098)
Subscription of shares in a jointly controlled entity	**(150)**	(11,220)
Interest received from:-		
– financial investments available-for-sale	**262,140**	269,759
– financial investments held-to-maturity	**25,923**	29,889
Dividend received from associate	**–**	2,520
Dividend received from financial investments available-for-sale	**4,058**	4,100
Amount due from associate	**(17)**	17
Purchase of shares in associate	**(84)**	–
NET CASH GENERATED FROM INVESTING ACTIVITIES	**787,109**	206,754

	2013 RM'000	2012 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in borrowings	**89**	302,698
Dividends paid to shareholders of the Company	**(224,186)**	(183,086)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	**(224,097)**	119,612
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**1,971,365**	(2,324,977)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**7,350,141**	9,675,118
CASH AND CASH EQUIVALENTS AT END OF YEAR	**9,321,506**	7,350,141
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and short-term funds (Note 2)	**9,331,374**	7,359,658
Adjustment for money held in trust on behalf of remisiers (Note 24)	**(9,868)**	(9,517)
Cash and cash equivalents	**9,321,506**	7,350,141

The accounting policies on pages 75 to 93 and the notes on pages 94 to 189 form an integral part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS
for the Financial Year Ended 31 December 2013

	2013 RM'000	2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**298,772**	293,489
Adjustments for items not involving the movement of cash and cash equivalents:-		
Gross dividends from subsidiaries	**(314,349)**	(254,175)
Gross dividend from associate	**-**	(3,360)
Depreciation of property and equipment	**204**	244
Amortisation of intangible assets	**3**	5
Property and equipment written-off	**4**	-
Gain on winding-up of a subsidiary	**-**	(34,984)
Gain on disposal of property and equipment	**(52)**	-
OPERATING (LOSS)/PROFIT BEFORE CHANGES IN WORKING CAPITAL	**(15,418)**	1,219
Decrease/(increase) in operating assets:-		
Deposits and placements with banks and other financial institutions	**97,498**	114,438
Other assets	**(68,148)**	38
Increase in operating liabilities:-		
Other liabilities	**13,805**	295
Cash generated from operating activities	**27,737**	115,990
Tax paid	**(1,555)**	(1,882)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**26,182**	114,108
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received from subsidiaries	**296,496**	242,784
Dividend received from associate	**-**	2,520
Net cash movement in amount due from subsidiaries	**(12)**	(301,937)
Proceeds from disposal of property and equipment	**52**	-
Purchase of property and equipment	**(19)**	(8)
Amount due from associate	**(17)**	17
Subscription of shares in a licensed bank subsidiary	**-**	(200,000)
Subscription of shares in a jointly controlled entity	**-**	(11,220)
Purchase of shares in associate	**(84)**	-
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	**296,416**	(267,844)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in borrowings	**89**	302,698
Dividends paid to shareholders of the Company	**(224,186)**	(183,086)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	**(224,097)**	119,612
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**98,501**	(34,124)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**33,209**	67,333
CASH AND CASH EQUIVALENTS AT END OF YEAR	**131,710**	33,209
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and short-term funds (Note 2)	**131,710**	33,209

The accounting policies on pages 75 to 93 and the notes on pages 94 to 189 form an integral part of these financial statements.

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 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.

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

The new and revised accounting standards and amendments to published standards that are effective and applicable to the Group and the Company for the financial year beginning 1 January 2013 are as follows:-

- MFRS 10 "Consolidated Financial Statements"
- MFRS 11 "Joint Arrangements"
- MFRS 12 "Disclosures of Interest in Other Entities"
- MFRS 13 "Fair Value Measurement"
- Revised MFRS 127 "Separate Financial Statements"
- Revised MFRS 128 "Investments in Associates and Joint Ventures"
- MFRS 3 "Business Combinations" (IFRS 3 Business Combinations issued by IASB in March 2004)
- Amendment to MFRS 7 "Financial Instruments: Disclosures"
- Amendment to MFRS 101 "Presentation of Items of Other Comprehensive Income"
- Amendment to MFRS 119 "Employee Benefits"
- Amendment to MFRS 134 "Interim Financial Reporting"
- Amendments to MFRS 10, MFRS 11 and MFRS 12 "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance"
- Annual improvements 2009-2011 Cycle
  - MFRS 1 "First-time Adoption of Malaysian Financial Reporting Standards" – Repeated application of MFRS 1 and borrowing costs
  - MFRS 101 "Presentation of Financial Statements" – Clarification of the requirements for comparative information
  - MFRS 116 "Property, Plant and Equipment" – Classification of servicing equipment
  - MFRS 132 "Financial Instrument: Presentation" – Tax effect of distribution to holders of equity instruments
  - MFRS 134 "Interim Financial Reporting" – Interim financial reporting and segment information for total assets and liabilities

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

1 BASIS OF PREPARATION (continued)

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

i 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.
- Amendments to MFRS 10, MFRS 12 and MFRS 127 (effective 1 January 2014) introduce an exception to consolidation of investment entities. Investment entities are entities whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both and evaluate the performance of its investments on fair value basis. The amendments require investment entities to measure particular subsidiaries at fair value instead of consolidating them.
- Amendment to MFRS 136 "Impairment of Assets" (effective 1 January 2014) clarify that disclosure of recoverable amount is required for an asset or cash generating unit when an impairment loss has been recognised or reversed during the period. When the recoverable amount of impaired assets is based on fair value less costs of disposal, additional information about fair value measurement is required. This amendment removes the unintended requirement to disclose the recoverable amount for a cash-generating unit (containing goodwill or indefinite lived intangible assets) when no impairment loss has been recognised or reversed during the period.
- Amendment to MFRS 139 "Financial Instrument: Recognition and Measurement" Novation of Derivatives and Continuation of Hedge Accounting (effective 1 January 2014) provides relief from discontinuing hedge accounting in a situation where a derivative (which has been designated as a hedging instrument) is novated to effect clearing with a central counterparty as a result of laws or regulation, subject to meeting the following criteria – the parties to the hedging instrument agree that the central counterparty replaces the original counterparty, other changes to the hedging instrument are limited to those that are necessary to effect replacement of the counterparty.

ii. Financial year beginning on/after 1 January 2017

- MFRS 9 "Financial Instruments – Classification and Measurement of Financial Assets and Financial Liabilities" (effective from 1 January 2017) replaces the parts of MFRS 139 that relate to the classification and measurement of financial instruments. MFRS 9 requires financial assets to be classified into two determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the MFRS 139 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

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 and Company except for MFRS 9. The financial effect of adoption of MFRS 9 is still being assessed by the Group and the Company.

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors dated 26 February 2014.

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

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. 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 recognise any non-controlling interest in the acquiree on an acquisition by acquisition basis enter at fair value or at non-controlling interest proportionate share of recognised assets of acquired identified net assets.

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 acquisition-date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date 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.

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

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 classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor.

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

(c) Associates

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

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

(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.

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

If the Group determines that no objective evidence of impairment exists for individual assessment, it will be collectively assessed for impairment in a pool of similar assets with similar risk characteristic for losses that have been incurred but not yet identified. The required impairment 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.

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 branches operate and generate taxable income.

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

Deferred tax

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

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

7 INCOME TAX (continued)

Deferred tax (continued)

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, jointly controlled entities and associates 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.

(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.

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.

15 PROFIT EQUALISATION RESERVE

The wholly-owned Islamic banking subsidiary, namely AFFIN Islamic Bank Berhad ("AiBB") 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 AiBB in managing the Displaced Commercial Risk (''DCR'') in accordance with Syariah principles.

With the Revised PER Guidelines, the release of PER shall be appropriated from both Investment Account Holder (''IAH'') and AiBB'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 either the PER of IAH or AiBB'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 AiBB'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.

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 2.5775% of the prior year's 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.

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.

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 vary between three months and twelve months.

The Group first assesses 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 determines 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.

20 FINANCIAL ASSETS (continued)

(a) Loans, advances and financing (continued)

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.

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.

(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'.

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.

20 FINANCIAL ASSETS (continued)

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

The Group may designate certain financial assets upon initial recognition as at fair value through profit or loss (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 consist 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 assets 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 the purpose of trading, it would have met the definition of a loan and receivable on initial classification and the Group has the intention and ability to hold it for the foreseeable future or until maturity.

(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 losses 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.

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.

For debt securities, impairment is assessed based on the similar criteria used to assess financial investment held-to-maturity.

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.

20 FINANCIAL ASSETS (continued)

(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.

(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 are 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.

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 AND HEDGE ACCOUNTING

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.

(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.

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.

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 losses on loans, advances and financing*

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

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

The impairment allowance for portfolios of smaller-balance homogenous loans, 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.

b) *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.

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 2013 was 3,943 (2012: 3,853) and 20 (2012: 22) employees respectively.

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

2 CASH AND SHORT-TERM FUNDS

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances with banks and other financial institutions	**262,234**	209,572	**33**	58
Money at call and deposits placements maturing within one month	**9,069,140**	7,150,086	**131,677**	33,151
	9,331,374	7,359,658	**131,710**	33,209

The cash and short-term funds is inclusive of remisiers' trust monies of RM9,867,502 (2012: RM9,516,802).

3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Licensed banks	**468,585**	392,348	**4,460**	101,958
Bank Negara Malaysia	**–**	100,008	**–**	–
	468,585	492,356	**4,460**	101,958

Included in deposits placed with banks and other financial institutions of the Group and the Company is RM2,652,000 (2012: RM2,571,000) pledged with licensed banks for term loan facilities of the Group and Company.

4 TRADE RECEIVABLES

	Group 2013 RM'000	Group 2012 RM'000
Amount due from stock-broking clients		
– performing accounts	**175,068**	125,450
– impaired accounts (a)	**3,633**	3,575
Amount due from Bursa Securities Clearing Sdn Bhd	**–**	86,856
Management fees receivable on fund management	**1,657**	1,466
	180,358	217,347
Allowance for impairment (b)		
– collective impairment	**(19)**	(21)
– individual impairment	**(3,633)**	(3,575)
	176,706	213,751

(a) Movements of impaired amount due from clients are as follows:-

	2013 RM'000	2012 RM'000
Balance at beginning of financial year	**3,575**	3,572
Amount classified as impaired during the financial year	**232**	161
Amount recovered	**(174)**	(158)
Balance at end of financial year	**3,633**	3,575

(b) Movements in allowance for impairment on trade receivables:-

Collective impairment	2013 RM'000	2012 RM'000
Balance at beginning of financial year	**21**	211
Allowance made/(reversed) during the financial year	**134**	(190)
Amounts recovered	**(136)**	–
Balance at end of financial year	**19**	21

Individual impairment	2013 RM'000	2012 RM'000
Balance at beginning of financial year	**3,575**	3,572
Allowance made during the financial year	**232**	161
Amounts recovered	**(174)**	(158)
Balance at end of financial year	**3,633**	3,575

5 FINANCIAL ASSETS HELD-FOR-TRADING

	Group	
	2013	**2012**
	RM'000	**RM'000**
At fair value		
Bank Negara Malaysia Notes	**149,544**	–
Negotiable Instruments of Deposit	**-**	150,276
Unquoted securities		
– Private Debt Securities in Malaysia	**-**	15,316
Total financial assets held-for-trading	**149,544**	165,592

6 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Group	
	2013	**2012**
	RM'000	**RM'000**
At fair value		
Malaysian Government Securities	**-**	35,574
Malaysian Government Investment Issuance	**2,361,979**	2,441,657
Cagamas Bonds	**85,228**	151,524
Sukuk Perumahan Kerajaan	**385,742**	150,689
Khazanah Bonds	**237,441**	193,746
Bankers' Acceptance and Islamic Acceptance Bills	**196,522**	163,751
Bank Negara Malaysia Notes	**629,674**	884,069
Negotiable Instruments of Deposit and Islamic Debt Certificate	**99,572**	209,934
	3,996,158	4,230,944
Quoted securities		
– Shares in Malaysia	**27,631**	31,427
– Private Debt Securities in Malaysia	**2,167**	4,173
– Irredeemable Convertible Unsecured Loan Stock in Malaysia	**-**	4,124
Unquoted securities		
– Shares in Malaysia	**165,656**	151,946
– Private Debt Securities in Malaysia	**4,039,105**	4,458,510
– Private Debt Securities outside Malaysia	**623,725**	619,432
	8,854,442	9,500,556
Allowance for impairment of securities	**(86,451)**	(96,319)
Total financial investments available-for-sale	**8,767,991**	9,404,237

Movements in allowance for impairment loss		
Balance at beginning of financial year	**96,319**	76,767
Allowance made during the financial year	**499**	812
Amount written-back during the financial year	**(2,578)**	(68)
Amount written-off during the financial year	**(7,789)**	(9,976)
Transfer from financial investments held-to-maturity	**-**	28,784
Balance at end of financial year	**86,451**	96,319

7 FINANCIAL INVESTMENTS HELD-TO-MATURITY

	Group 2013 RM'000	Group 2012 RM'000
At amortised cost		
Quoted securities		
– Private Debt Securities in Malaysia	**31,781**	31,781
Unquoted securities		
– Private Debt Securities in Malaysia	**648,616**	578,691
– Redeemable Convertible Unsecured Loan Stock in Malaysia	**1,554**	1,554
	681,951	612,026
Allowance for impairment of securities	**(57,918)**	(63,702)
Total financial investments held-to-maturity	**624,033**	548,324
Movements in allowance for impairment loss		
Balance at beginning of financial year	**63,702**	100,851
Allowance made during the financial year	**-**	9,590
Amount written-back during the financial year	**-**	(9,926)
Amount written-off during the financial year	**(5,784)**	(8,029)
Transfer to financial investments available-for-sale	**-**	(28,784)
Balance at end of financial year	**57,918**	63,702

8 DERIVATIVE FINANCIAL ASSETS

	Group 2013		Group 2012	
	Contract/ Notional Amount RM'000	Assets RM'000	Contract/ Notional Amount RM'000	Assets RM'000
At fair value				
Foreign exchange derivatives:				
– Currency forwards	**312,079**	**6,960**	581,337	9,504
– Cross currency swaps	**1,230,649**	**19,660**	1,871,775	35,657
Interest rate derivatives:				
– Interest rate swaps	**1,754,685**	**29,156**	740,057	20,854
	3,297,413	**55,776**	3,193,169	66,015

8 DERIVATIVE FINANCIAL ASSETS (continued)

	Group 2013 RM'000	Group 2012 RM'000
By maturity structure		
Maturing within one year	**28,219**	41,340
One year to three years	**7,320**	12,848
Three years to five years	**5,597**	3,575
Over five years	**14,640**	8,252
	55,776	66,015

9 LOANS, ADVANCES AND FINANCING

	Group 2013 RM'000	Group 2012 RM'000
BY TYPE		
Overdrafts	**1,752,882**	1,834,204
Term loans/financing		
– Housing loans/financing	**5,510,534**	5,176,283
– Syndicated term loans/financing	**1,826,170**	1,758,162
– Hire purchase receivables	**10,524,044**	9,595,286
– Business term loans/financing	**12,825,062**	11,476,993
Bills receivables	**318,677**	452,075
Trust receipts	**435,591**	435,425
Claims on customers under acceptance credits	**986,666**	1,040,695
Staff loans/financing (of which RM Nil to directors)	**146,065**	150,823
Credit/charge cards	**82,137**	85,258
Revolving credit	**2,988,889**	2,688,873
Margin financing	**56,705**	26,342
Factoring	**7,073**	4,186
Gross loans, advances and financing	**37,460,495**	34,724,605
Less: Allowance for impairment		
– Collective impairment	**(307,142)**	(330,797)
– Individual impairment	**(243,969)**	(230,640)
Total net loans, advances and financing	**36,909,384**	34,163,168

Included in term loans are housing loans amounting to RM397,790,000 (2012: RM413,549,000) sold to Cagamas Berhad with recourse.

Included in business term loans/financing is a term financing of RM47.4million (2012: RM35.2million) granted by AFFIN Islamic Bank Berhad to a jointly controlled entity, namely AFFIN-i Nadayu Sdn Bhd.

9 LOANS, ADVANCES AND FINANCING (continued)

	Group 2013 RM'000	Group 2012 RM'000
BY MATURITY STRUCTURE		
Maturing within one year	**7,427,643**	7,310,427
One year to three years	**5,109,102**	3,888,636
Three years to five years	**6,709,415**	7,203,938
Over five years	**18,214,335**	16,321,604
	37,460,495	34,724,605
BY TYPE OF CUSTOMER		
Domestic banking institutions	**-**	1,335
Domestic non-banking institutions		
- Stock-broking companies	**241**	253
- Others	**1,622,525**	1,702,223
Domestic business enterprises		
- Small medium enterprise	**5,932,508**	5,185,194
- Others	**13,847,266**	12,885,089
Government and statutory bodies	**162,591**	117,523
Individuals	**15,003,354**	14,014,481
Other domestic entities	**251,166**	128,982
Foreign entities	**640,844**	689,525
	37,460,495	34,724,605
BY INTEREST/PROFIT RATE SENSITIVITY		
Fixed rate		
- Housing loans/financing	**314,506**	312,170
- Hire purchase receivables	**10,524,043**	9,595,286
- Other fixed rate loans/financing	**4,181,013**	4,240,497
- Margin financing	**56,705**	26,342
Variable rate		
- BLR plus	**14,098,831**	13,680,021
- Cost plus	**8,285,397**	6,870,289
	37,460,495	34,724,605

9 LOANS, ADVANCES AND FINANCING (continued)

	Group 2013 RM'000	Group 2012 RM'000
BY ECONOMIC PURPOSE		
Construction	**2,082,699**	2,119,630
Purchase of landed property of which		
– Residential	**5,985,909**	5,202,552
– Non-residential	**5,009,095**	4,738,255
Purchase of securities	**433,206**	137,344
Purchase of transport vehicles	**11,232,452**	10,032,763
Fixed assets other than land and building	**238,059**	330,383
Personal use	**941,023**	964,440
Credit card	**82,137**	85,258
Consumer durable	**868**	860
Merger and acquisition	**370,192**	615,084
Working capital	**10,230,340**	9,859,245
Others	**854,515**	638,791
	37,460,495	34,724,605

	Group 2013 RM'000	Group 2012 RM'000
BY SECTOR		
Primary agriculture	**478,281**	611,421
Mining and quarrying	**649,621**	473,549
Manufacturing	**2,538,773**	2,675,086
Electricity, gas and water supply	**359,796**	596,854
Construction	**3,467,735**	3,122,642
Real estate	**4,702,439**	3,789,840
Wholesale and retail trade and restaurants and hotels	**2,166,051**	1,799,305
Transport, storage and communication	**2,069,268**	1,880,894
Finance, insurance and business services	**4,465,887**	4,220,105
Education, health and others	**1,408,839**	1,326,793
Household	**15,146,265**	14,157,675
Others	**7,540**	70,441
	37,460,495	34,724,605

9 LOANS, ADVANCES AND FINANCING (continued)

	Group 2013 RM'000	Group 2012 RM'000
BY GEOGRAPHICAL DISTRIBUTION		
Perlis	**85,125**	84,463
Kedah	**1,088,305**	1,051,167
Pulau Pinang	**1,825,875**	1,665,271
Perak	**1,163,213**	1,037,353
Selangor	**11,557,789**	10,992,142
Wilayah Persekutuan	**10,924,938**	10,150,522
Negeri Sembilan	**813,316**	754,375
Melaka	**869,233**	767,272
Johor	**3,224,541**	2,825,308
Pahang	**755,143**	679,379
Terengganu	**989,295**	844,224
Kelantan	**244,022**	243,555
Sarawak	**1,137,113**	995,737
Sabah	**1,692,677**	1,533,859
Labuan	**553,770**	187,347
Outside Malaysia	**536,140**	912,631
	37,460,495	34,724,605
IMPAIRED LOANS, ADVANCES AND FINANCING		
Movements of impaired loans, advances and financing		
Balance at beginning of financial year	**790,438**	882,958
Classified as impaired during the financial year	**432,629**	558,599
Reclassified as non-impaired during the financial year	**(298,268)**	(375,518)
Amount recovered	**(132,998)**	(126,485)
Amount written-off	**(50,843)**	(149,116)
Balance at end of financial year	**740,958**	790,438
Impaired loans, advances and financing by economic purpose		
Construction	**65,797**	61,437
Purchase of landed property of which:		
- Residential	**272,103**	329,360
- Non-residential	**23,707**	26,575
Purchase of securities	**46,292**	13,800
Purchase of transport vehicles	**75,350**	54,781
Fixed assets other than land and building	**282**	5,063
Personal use	**7,937**	6,738
Credit card	**476**	508
Consumer durable	**14**	29
Working capital	**234,888**	280,983
Others	**14,112**	11,164
	740,958	790,438

9 LOANS, ADVANCES AND FINANCING (continued)

	Group 2013 RM'000	Group 2012 RM'000
Impaired loans, advances and financing by sector		
Primary agriculture	**6,335**	7,482
Mining and quarrying	**-**	62
Manufacturing	**62,914**	73,295
Electricity, gas and water supply	**118**	1,641
Construction	**193,447**	181,800
Real estate	**190**	3,797
Wholesale and retail trade and restaurants and hotels	**43,373**	40,735
Transport, storage and communication	**9,542**	7,212
Finance, insurance and business services	**60,065**	63,880
Education, health and others	**1,868**	4,107
Household	**363,106**	399,141
Others	**-**	7,286
	740,958	790,438
Impaired loans, advances and financing by geographical distribution		
Perlis	**472**	138
Kedah	**23,005**	24,622
Pulau Pinang	**18,781**	18,684
Perak	**14,081**	20,754
Selangor	**352,921**	382,049
Wilayah Persekutuan	**117,927**	142,360
Negeri Sembilan	**28,827**	31,248
Melaka	**8,368**	7,452
Johor	**46,552**	52,426
Pahang	**12,038**	10,058
Terengganu	**5,465**	3,681
Kelantan	**4,124**	4,153
Sarawak	**6,290**	5,741
Sabah	**11,298**	10,460
Labuan	**-**	21
Outside Malaysia	**90,809**	76,591
	740,958	790,438

9 LOANS, ADVANCES AND FINANCING (continued)

	Group 2013 RM'000	Group 2012 RM'000
Movements in allowance for impairment on loans, advances and financing		
Collective impairment		
Balance at beginning of financial year	**330,797**	462,953
Allowance (net of write-back) made during the financial year	**13,913**	3,486
Amount written-off during the financial year	**(37,568)**	(135,642)
Balance at end of financial year	**307,142**	330,797
Individual impairment		
Balance at beginning of financial year	**230,640**	179,878
Allowance made during the financial year	**49,053**	80,860
Amount recovered during the financial year	**(5,181)**	(2,716)
Exchange difference	**256**	–
Amount written-off during the financial year	**(12,974)**	(13,362)
Unwinding discount of allowance	**(17,825)**	(14,020)
Balance at end of financial year	**243,969**	230,640

10 OTHER ASSETS

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Cheque clearing accounts	**169,141**	233,351	**–**	–
Foreclosed properties (a)	**15,825**	26,745	**–**	–
Other debtors, deposits and prepayments (b)	**51,708**	50,436	**342**	346
Amount due from jointly controlled entities (c)	**4,187**	2,745	**2**	–
Deposit with an Escrow Agent (d)	**68,150**	–	**68,150**	–
	309,011	313,277	**68,494**	346

(a) Foreclosed properties

	Group 2013 RM'000	Group 2012 RM'000
As at beginning of the financial year	**26,745**	40,950
Disposal during the financial year	**(10,920)**	(12,083)
	15,825	28,867
Provision for diminution in value of foreclosed properties during the year	**–**	(2,122)
As at end of the financial year	**15,825**	26,745

(b) Other debtors, deposits and prepayments

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Other debtors, deposits and prepayments	**61,252**	60,353	**342**	346
Less: Allowance for bad and doubtful debts	**(9,544)**	(9,917)	**–**	–
	51,708	50,436	**342**	346

(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.

(d) Deposit with an Escrow Agent

The deposit with an Escrow Agent is in relation to the Proposed Acquisition of HwangDBS Investment Bank Berhad and other financial services businesses of Hwang-DBS (Malaysia) Berhad as disclosed in Note 48 (b) to the financial statements

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.

12 AMOUNT DUE FROM SUBSIDIARIES

	Company	
	2013	2012
	RM'000	RM'000
10-year subordinated term loan to a licensed bank subsidiary:-		
– Term Loan I (a)	**300,921**	300,920
– Term Loan II (b)	**301,288**	301,285
– Term Loan III (c)	**302,756**	302,755
Other receivables (d)	**7**	–
	904,972	904,960

(a) The 10-year subordinated term loan I to a licensed bank subsidiary is unsecured and carries an interest rate of 5.09% per annum during the financial year. The term loan will be fully prepaid by the subsidiary on 10 March 2014.

(b) The 10-year subordinated term loan II to a licensed bank subsidiary is unsecured and carries an interest rates ranging from 4.34% to 4.40% per annum during the financial year. The term loan has a bullet repayment on 26 May 2021.

(c) The 10-year subordinated term loan III to a licensed bank subsidiary is unsecured and carries an interest rates ranging from 4.34% to 4.35% 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	
	2013	2012
	RM'000	RM'000
10-year subordinated loan (a)	**67,255**	67,240
Other receivable (b)	**2**	–
	67,257	67,240

(a) The 10-year subordinated loan to associate is unsecured and carries a fixed interest rate of 8.00% per annum during the financial year. The subordinated loan has a bullet repayment on 28 April 2020.

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

14 INVESTMENT IN SUBSIDIARIES

	Company 2013 RM'000	Company 2012 RM'000
Unquoted shares at cost	**3,582,882**	3,582,882
Allowance for impairment losses	**–**	–
	3,582,882	3,582,882

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

Name	Principal activities	Issued and paid up share capital RM'000	Percentage of equity held 2013 %	Percentage of equity held 2012 %
(1) AFFIN Bank Berhad	Provision of commercial banking and hire purchase services	1,518,337	**100**	100
– AFFIN Islamic Bank Bhd	Islamic banking business	360,000	**100**	100
– ABB Trustee Berhad #	Trustee management services	500	**100**	100
– PAB Properties Sdn Bhd	Property management services	8,000	**100**	100
– ABB Nominee (Tempatan) Sdn Bhd	Share nominee services	40	**100**	100
– ABB Nominee (Asing) Sdn Bhd	Share nominee services	@	**100**	100
– AFFIN Factors Sdn Bhd	Dormant	10,000	**100**	100
– PAB Property Development Sdn Bhd	Dormant	250	**100**	100
– PAB Property Management Services Sdn Bhd	Dormant	30	**100**	100
– ABB Venture Capital Sdn Bhd	Dormant	@	**100**	100
– AFFIN Futures Sdn Bhd	Dormant	13,000	**100**	100
– ABB IT & Services Sdn Bhd	Dormant	2,000	**100**	100
– BSNCB Nominees (Tempatan) Sdn Bhd	Dormant	500	**100**	100
– BSNC Nominees (Tempatan) Sdn Bhd	Dormant	10	**100**	100

14 INVESTMENT IN SUBSIDIARIES (continued)

Name	Principal activities	Issued and paid up share capital	Percentage of equity held	
			2013	2012
		RM'000	%	%
- BSN Merchant Nominees (Asing) Sdn Bhd	Dormant	10	**100**	100
- AFFIN Recoveries Berhad	Dormant	125,000	**100**	100
- ABB Asset Management (M) Berhad	Dissolved on 22 November 2013	-	**-**	100
- AFFIN-ACF Nominees (Tempatan) Sdn Bhd	Dormant	25	**100**	100
(2) AFFIN Investment Bank Berhad	Provision of investment banking services	222,246	**100**	100
- AFFIN Fund Management Berhad	Asset management and management of unit trust	12,000	**100**	100
- AFFIN Nominees (Tempatan) Sdn Bhd	Nominees services	@	**100**	100
- AFFIN Nominees (Asing) Sdn Bhd	Nominees services	@	**100**	100
- Classic Precision Sdn Bhd	In members' voluntary winding-up	-	**67**	67
- Merchant Nominees (Tempatan) Sdn Bhd	In members' voluntary winding-up	-	**100**	100
- Merchant Nominees (Asing) Sdn Bhd	Dissolved on 2 October 2013	-	**-**	100
(3) AFFIN Moneybrokers Sdn Bhd	Money-broking	1,000	**100**	100
(4) AFFIN Capital Sdn Bhd	In members' voluntary winding-up	-	**100**	100
(5) AFFIN-ACF Holdings Sdn Bhd	Investment holding	338,382	**100**	100
- AFFIN-ACF Capital Sdn Bhd	In members' voluntary winding-up	-	**100**	100

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

@ Subsidiaries with issued and paid up share capital of RM 2 each

15 INVESTMENT IN JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Unquoted shares at cost	**147,530**	147,380	**146,880**	146,880
Group's share of post-acquisition losses	**(11,991)**	(17,592)	**-**	-
	135,539	129,788	**146,880**	146,880

	Group	
	2013	2012
	RM'000	RM'000
Group's share of net assets	**135,539**	129,788
The summarised financial information of the major jointly controlled entity namely AXA AFFIN Life Insurance Berhad ("AALI") is as follows:-		
Revenue	**355,943**	253,169
Profit after tax	**10,184**	3,014
Total assets	**929,311**	1,036,240
Total liabilities	**652,614**	773,845
Capital commitment for property and equipment	**-**	-
Reconciliation of the summarised financial information to the carrying amount of the interest in AALI recognised in the consolidated financial statements:-		
Opening net assets 1 January	**254,371**	228,489
Profit for the financial year	**10,644**	2,550
Other comprehensive income	**747**	1,332
Purchase of additional interest	**-**	22,000
Closing net assets 31 December	**265,762**	254,371
Interest in AALI:-		
– In percentage (%)	**51%**	51%
– In thousand (RM'000)	**135,539**	129,729
Aggregate information of other jointly controlled entities that are not individually material:-		
The Group's share of losses for the year	**(210)**	(230)
Aggregate carrying amount of the Group's interest in these jointly controlled entities	**-**	59

15 INVESTMENT IN JOINTLY CONTROLLED ENTITIES (continued)

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

Name	Principal activities	Issued and paid up share capital	Percentage of equity held	
			2013	2012
		RM'000	%	%
AXA AFFIN Life Insurance Berhad*	Underwriting of life insurance business	288,000	**51**	51
AFFIN-i Nadayu Sdn Bhd #	Property development	1,000	**50**	50
KL South Development Sdn Bhd #	Property development	500	**30**	–

* Shareholding held directly by the Company.

Shareholding held directly by AFFIN Islamic Bank Berhad.

16 INVESTMENT IN ASSOCIATE

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Unquoted shares at cost	**10,681**	10,597	**10,681**	10,597
Group's share of post-acquisition profits	**197,715**	173,099	**–**	–
	208,396	183,696	**10,681**	10,597

	Group	
	2013	2012
	RM'000	RM'000
Group's share of net assets	**208,972**	184,222
Discount on acquisition	**(576)**	(526)
Group's share of net assets	**208,396**	183,696

16 INVESTMENT IN ASSOCIATE (continued)

	Group 2013 RM'000	Group 2012 RM'000
The summarised financial information of associate is as follows:-		
Revenue	**968,844**	834,750
Profit after tax	**70,943**	89,819
Total assets	**2,135,917**	1,865,074
Total liabilities	**1,504,044**	1,307,743
Capital commitment for property and equipment	**5,102**	4,670
Reconciliation of the summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:-		
Opening net assets 1 January	**548,280**	474,275
Profit for the financial year	**70,655**	82,611
Other comprehensive income	**2,599**	(8,606)
Closing net assets 31 December	**621,534**	548,280
Interest in associate:-		
– In percentage (%)	**33.622%**	33.600%
– In thousand (RM'000)	**208,972**	184,222

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 2013 %	Percentage of equity held 2012 %
AXA AFFIN General Insurance Berhad*	Underwriting of general insurance business	119,048	**33.62**	33.60

* Shareholding held directly by the Company

During the year, the Company acquired additional 26,498 ordinary shares of RM1.00 of AXA AFFIN General Insurance Berhad at RM3.17 per share.

17 PROPERTY AND EQUIPMENT

		<---- Leasehold land ---->									
	Freehold land	50 years or more	Less than 50 years	Buildings on freehold land	Buildings on leasehold land	Renovations	Furniture and equipment	Motor vehicles	Capital work-in-progress	Computers	Total
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2013											
Cost											
At 1 January	21,126	12,862	5,380	29,950	89,069	122,298	65,293	6,993	7,951	88,153	449,075
- Additions	-	-	-	-	-	8,180	2,747	2,734	6,032	2,513	22,206
- Disposals	(1,450)	-	-	(3,147)	-	(2,530)	(713)	(784)	-	(1,854)	(10,478)
- Write-off	-	-	-	-	-	(755)	(620)	(149)	-	(2)	(1,526)
- Reclassification	-	-	-	-	-	89	26	-	(115)	-	-
- Reclassification to intangible assets (Note 18)	-	-	-	-	-	-	-	-	(11,048)	-	(11,048)
At 31 December	19,676	12,862	5,380	26,803	89,069	127,282	66,733	8,794	2,820	88,810	448,229
Accumulated depreciation											
At 1 January	-	2,034	1,572	12,962	23,371	104,344	45,414	4,999	-	76,146	270,842
- Charge for the financial year	-	112	121	442	1,789	7,114	3,535	1,042	-	4,475	18,630
- Disposals	-	-	-	(1,131)	-	(2,530)	(691)	(784)	-	(1,854)	(6,990)
- Write-off	-	-	-	-	-	(750)	(530)	(149)	-	(2)	(1,431)
At 31 December	-	2,146	1,693	12,273	25,160	108,178	47,728	5,108	-	78,765	281,051
Impairment losses											
At 1 January/ 31 December	140	-	-	-	-	-	-	-	-	-	140
Net book value											
At 31 December	19,536	10,716	3,687	14,530	63,909	19,104	19,005	3,686	2,820	10,045	167,038

17 PROPERTY AND EQUIPMENT (continued)

Group	Freehold land	<---- Leasehold land ----> 50 years or more	Less than 50 years	Buildings on freehold land	Buildings on leasehold land	Renovations	Furniture and equipment	Motor vehicles	Capital work-in-progress	Computers	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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/ 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)

	Renovations	Furniture and equipment	Computer equipment and software	Motor vehicles	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Company					
2013					
Cost					
At 1 January	**565**	**575**	**264**	**547**	**1,951**
– Additions	**–**	**11**	**8**	**–**	**19**
– Write-off	**–**	**(12)**	**–**	**(149)**	**(161)**
At 31 December	**565**	**574**	**272**	**398**	**1,809**
Accumulated depreciation					
At 1 January	**361**	**405**	**232**	**294**	**1,292**
– Charge for the financial year	**56**	**48**	**20**	**80**	**204**
– Write-off	**–**	**(8)**	**–**	**(149)**	**(157)**
At 31 December	**417**	**445**	**252**	**225**	**1,339**
Net book value					
At 31 December	**148**	**129**	**20**	**173**	**470**
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

18 INTANGIBLE ASSETS

	Goodwill RM'000	Computer Software RM'000	Total RM'000
Group			
2013			
Cost			
At 1 January	**989,741**	**133,916**	**1,123,657**
Reclassification from property and equipment (Note 17)	**-**	**11,048**	**11,048**
Additions	**-**	**1,513**	**1,513**
Disposal	**-**	**(148)**	**(148)**
Write-off	**-**	**(9)**	**(9)**
Adjustment	**-**	**(742)**	**(742)**
At 31 December	**989,741**	**145,578**	**1,135,319**
Accumulated amortisation and impairment losses			
At 1 January	**-**	**116,873**	**116,873**
Charge for the financial year	**-**	**8,615**	**8,615**
Disposal	**-**	**(148)**	**(148)**
Write-off	**-**	**(9)**	**(9)**
At 31 December	**-**	**125,331**	**125,331**
Net book value			
At 31 December	**989,741**	**20,247**	**1,009,988**
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

18 INTANGIBLE ASSETS (continued)

	Computer Software	
	2013	2012
	RM'000	RM'000
Company		
Cost		
At 1 January/31 December	**20**	20
Accumulated amortisation and impairment losses		
At 1 January	**16**	11
Charge for the financial year	**3**	5
At 31 December	**19**	16
Net book value		
At 31 December	**1**	4

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	Discount rate
	RM'000	%
Cash generating units		
Commercial banking	**829,478**	9.26
Investment banking	**97,346**	9.91
Stock-broking	**51,797**	10.71
Money-broking	**11,120**	8.92
	989,741	

Goodwill is allocated to the Group's CGUs which are expected to benefit from the synergies of the acquisitions. For annual impairment testing purposes, the recoverable amount of the CGUs are based on their value-in-use calculations using the cash flow projections based on 5 years financial budgets of the respective subsidiaries, which were approved by directors 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	
	2013	2012
	RM'000	RM'000
By type of deposits		
Money market deposits	**1,050,233**	859,141
Demand deposits	**8,202,729**	7,349,979
Savings deposits	**2,004,242**	1,710,748
Fixed deposits	**29,039,949**	26,808,102
Negotiable instruments of deposit ("NID")	**6,482,169**	5,383,884
Special investment deposits	**574,192**	833,132
	47,353,514	42,944,986
Maturity structure of fixed deposits and NID are as follows:-		
Due within six months	**29,007,708**	25,383,497
Six months to one year	**6,392,507**	6,469,401
One year to three years	**80,239**	137,768
Three years to five years	**31,344**	201,320
Five years and above	**10,320**	–
	35,522,118	32,191,986
By type of customers		
Government and statutory bodies	**9,127,809**	7,480,566
Business enterprise	**14,715,136**	13,808,996
Individuals	**11,660,423**	8,974,563
Others	**11,850,146**	12,680,861
	47,353,514	42,944,986

20 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group	
	2013	2012
	RM'000	RM'000
Licensed banks	**3,285,513**	3,436,442
Licensed investment banks	**282,459**	114,135
Bank Negara Malaysia	**-**	612,055
Other financial institutions	**415,940**	425,577
	3,983,912	4,588,209
Maturity structure of deposits are as follows:-		
Due within six months	**3,779,530**	4,587,226
Six months to one year	**204,382**	983
	3,983,912	4,588,209

21 TRADE PAYABLES

	Group	
	2013	2012
	RM'000	RM'000
Amount due to clients	**158,273**	213,690
Amount due to Bursa Securities Clearing Sdn Bhd	**20,805**	-
	179,078	213,690

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

22 DERIVATIVE FINANCIAL LIABILITIES

	Group 2013		Group 2012	
	Contract/ Notional Amount	Liabilities	Contract/ Notional Amount	Liabilities
	RM'000	RM'000	RM'000	RM'000
At fair value:-				
Foreign exchange derivatives:				
– Currency forwards	**498,726**	**5,099**	340,155	2,870
– Cross currency swaps	**2,284,085**	**51,018**	1,188,783	23,725
Interest rate derivatives:				
– Interest rate swaps	**2,033,725**	**37,751**	1,695,980	32,965
	4,816,536	**93,868**	3,224,918	59,560

	Group 2013	Group 2012
	RM'000	RM'000
By maturity structure		
Maturing within one year	**41,852**	23,852
One year to three years	**19,528**	24,676
Three years to five years	**11,880**	4,584
Over five years	**20,608**	6,448
	93,868	59,560

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	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Bank Negara Malaysia and Credit Guarantee Corporation Funding Programmes	**27,897**	28,644	**-**	-
Margin and collateral deposits	**108,258**	82,131	**-**	-
Trust accounts for remisiers	**9,868**	9,517	**-**	-
Defined contribution plan (a)	**13,912**	13,688	**-**	-
Accrued employee benefits (b)	**1,060**	1,381	**55**	107
Other creditors and accruals	**295,057**	219,174	**15,727**	1,931
Provision for zakat	**11,402**	10,429	**-**	-
Amount pledged by subsidiary	**-**	-	**3,852**	3,791
	467,454	364,964	**19,634**	5,829

(a) Defined contribution plan

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

(b) Accrued employee benefits

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

25 DEFERRED TAX ASSETS/(LIABILITIES)

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

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets				
– to be recovered after more than 12 months	(5,425)	–	–	–
– to be recovered within 12 months	19,900	–	–	–
	14,475	–	–	–
Deferred tax liabilities				
– to be recovered after more than 12 months	(121)	(6,315)	(57)	(57)
– to be recovered within 12 months	(51)	(10,020)	(51)	(86)
	(172)	(16,335)	(108)	(143)
	14,303	(16,335)	(108)	(143)
At beginning of the financial year	(16,335)	(20,259)	(143)	(587)
Credited to income statements (Note 40)	31	6,638	35	444
Credited/(charged) to equity*	30,607	(2,714)	–	–
At end of the financial year	14,303	(16,335)	(108)	(143)

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

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
At beginning of the financial year	(16,335)	(20,259)	(143)	(587)
Credited to income statements (Note 40)	31	6,638	35	444
– property and equipment	412	142	34	43
– intangible assets	(620)	1,650	1	1
– collective allowances	–	(217)	–	–
– provision for other liabilities	264	4,638	–	–
– unabsorbed capital allowances	(21)	21	–	–
– others	(4)	404	–	400
Credited/(charged) to equity*	30,607	(2,714)	–	–
At end of the financial year	14,303	(16,335)	(108)	(143)

* The deferred tax on revaluation of financial investment available-for-sale of RM30,278,000 (2012: RM1,218,000) as shown in the Statements of Comprehensive Income includes the net deferred tax asset of RM329,000 (2012: Net deferred tax liability of RM1,446,000) on revaluation of financial investments available-for-sale of associate and jointly controlled entity.

25 DEFERRED TAX ASSETS/(LIABILITIES) (continued)

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Subject to income tax:-				
Deferred tax assets (before offsetting):-				
Property and equipment	**-**	29	**-**	-
Provision for other liabilities	**24,926**	24,662	**-**	-
Allowance for impairment of securities	**2**	2	**-**	-
AFS revaluation reserves	**2,187**	-	**-**	-
Unabsorbed capital allowances	**-**	21	**-**	-
	27,115	24,714	**-**	-
Offsetting	**(12,640)**	(24,714)	**-**	-
Deferred tax assets (after offsetting)	**14,475**	-	**-**	-
Deferred tax liabilities (before offsetting):-				
Property and equipment	**(5,463)**	(5,904)	**(108)**	(142)
Intangible assets	**(4,854)**	(4,234)	**-**	(1)
AFS revaluation reserves	**(2,497)**	(30,917)	**-**	-
Others	**2**	6	**-**	-
	(12,812)	(41,049)	**(108)**	(143)
Offsetting	**12,640**	24,714	**-**	-
Deferred tax liabilities (after offsetting)	**(172)**	(16,335)	**(108)**	(143)

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	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Tax losses	**99,209**	103,114	**-**	-

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	
	2013	**2012**
	RM'000	**RM'000**
Unsecured borrowings		
(a) 5-year floating rate term loan	**302,029**	301,984
(b) 5-year floating rate term loan ("Term Loan II")	**301,213**	301,207
(c) 5-year floating rate term loan ("Term Loan III")	**302,590**	302,581
(d) 5-year fixed rate term loan	**66,600**	66,571
	972,432	972,343

(a) 5-year floating rate term loan

The 5-year floating rate term loan is unsecured and carries interest rate of 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 (i.e. 12 May 2014).

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

The 5-year floating rate term loan is unsecured and carries interest rates ranging from 4.09% to 4.15% per annum during the financial year, repayable in one (1) lump sum five (5) years from the date of first drawdown on 26 May 2011.

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

The 5-year floating rate term loan is unsecured and carries interest rates ranging from 4.09% to 4.10% per annum during the financial year, repayable in one (1) lump sum five (5) years from the date of first drawdown on 16 January 2012.

(d) 5-year fixed rate term loan

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

28 SHARE CAPITAL

	Number of ordinary shares of RM1.00 each		Amount	
	2013	2012	2013	2012
Group and Company	'000	'000	RM'000	RM'000
Authorised:-				
Ordinary shares of RM1.00 each	**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

29 RESERVES

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Retained profits	**1,997,542**	1,747,090	**635,562**	580,197
AFS revaluation reserves	**15,148**	108,763	**-**	-
Statutory reserves	**1,469,048**	1,293,665	**-**	-
	3,481,738	3,149,518	**635,562**	580,197

(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 2013, the Company has a tax credit balance of RM2,429,387 under Section 108 of the Income Tax Act, 1967 and tax exempt account balance of RM168,743 under Section 12 of the Income Tax (Amendment) Act 1999.

(b) The statutory reserves of the Group are maintained in compliance with the provisions of the Financial Services Act 2013 and Islamic Financial Services Act 2013 and are not distributable as cash dividends.

(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	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Gross interest income (Note 31)	**2,215,000**	2,106,615	**52,873**	51,984
Other operating income:-				
Fee income	**229,167**	213,520	**-**	–
Income from financial instruments	**58,725**	94,471	**-**	–
Dividend income	**-**	–	**314,348**	257,535
Foreign exchange gains/(losses)				
– realised	**121,045**	29,795	**-**	–
– unrealised	**(54,137)**	42,282	**-**	–
Miscellaneous operating income	**1,047**	1,396	**-**	–
	355,847	381,464	**314,348**	257,535
Income from Islamic operations:-				
Income derived from investment of depositors' funds and others	**428,386**	459,994	**-**	–
Income derived from the investment of Islamic Banking Capital funds	**29,781**	23,650	**-**	–
	458,167	483,644	**-**	–
TOTAL OPERATING REVENUE	**3,029,014**	2,971,723	**367,221**	309,519

31 INTEREST INCOME

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing	**1,647,938**	1,557,404	**-**	-
Money at call and deposits with financial institutions	**171,295**	149,966	**6,095**	6,211
Reverse repurchase agreements with financial institutions	**234**	117	**-**	-
Financial assets held-for-trading	**230**	1,009	**-**	-
Financial investments available-for-sale	**262,140**	269,759	**-**	-
Financial investments held-to-maturity	**25,923**	29,889	**-**	-
Derivatives	**88,796**	81,492	**-**	-
Subordinated term loan	**5,305**	5,320	**46,778**	45,773
Others	**64**	26	**-**	-
	2,201,925	2,094,982	**52,873**	51,984
Amortisation of premium less accretion of discount	**13,075**	11,633	**-**	-
	2,215,000	2,106,615	**52,873**	51,984
The above interest income includes interest/income earned on impaired loans, advances and financing – unwinding discount of allowance (Net)	**11,219**	7,544	**-**	-

32 INTEREST EXPENSE

	Group	
	2013	2012
	RM'000	RM'000
Deposits and placements of banks and other financial institutions	**109,722**	135,005
Deposits from customers	**1,071,432**	965,004
Loans sold to Cagamas Berhad	**19,164**	19,891
Derivatives	**94,783**	87,626
Others	**3,108**	2,260
	1,298,209	1,209,786

33 NET ISLAMIC BANKING INCOME

	Group	
	2013	2012
	RM'000	RM'000
Income derived from investment of depositors' funds and others	**428,386**	459,994
Less: Income attributable to depositors	**(237,422)**	(266,872)
	190,964	193,122
Income derived from investment of shareholders' funds	**29,781**	23,650
	220,745	216,772

34 OTHER OPERATING INCOME

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Fee income:-				
Net brokerage	**72,740**	53,946	**-**	-
Underwriting fees	**4,418**	2,284	**-**	-
Portfolio management fees	**15,660**	12,363	**-**	-
Corporate advisory fees	**12,716**	8,868	**-**	-
Commission	**13,873**	13,735	**-**	-
Service charges and fees	**62,905**	64,119	**-**	-
Guarantee fees	**21,243**	22,960	**-**	-
Arrangement fees	**13,224**	22,535	**-**	-
Agency fees	**2,801**	1,766	**-**	-
Other fee income	**9,587**	10,944	**-**	-
	229,167	213,520	**-**	-
Income from financial instruments:-				
Gains/(losses) arising on financial assets held-for-trading				
- net gains on disposal	**3,336**	6,125	**-**	-
- unrealised gains/(losses)	**455**	(188)	**-**	-
Gains on derivatives				
- realised	**3,156**	2,776	**-**	-
- unrealised	**8,055**	12,669	**-**	-
Gains arising on financial investments available-for-sale				
- net gains on disposal	**32,823**	49,523	**-**	-
- gross dividend income	**4,756**	4,100	**-**	-
Gains arising on financial investments held-to-maturity				
- net gains on redemption	**6,144**	19,466	**-**	-
	58,725	94,471	**-**	-
Other income:-				
Foreign exchange gains/(losses)				
- realised	**121,045**	29,795	**-**	-
- unrealised	**(54,137)**	42,282	**-**	-
Rental income	**1,453**	1,618	**-**	-
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	**4,064**	1,297	**52**	-
Gains on disposal of foreclosed properties	**11,041**	10,141	**-**	-
Gains arising from waiver of debts	**-**	8	**-**	-
Gross dividends received from subsidiaries	**-**	-	**314,348**	254,175
Gross dividend received from associate	**-**	-	**-**	3,360
Other non-operating income	**16,855**	14,656	**5**	-
	100,321	100,467	**314,405**	292,519
Total other operating income	**388,213**	408,458	**314,405**	292,519

35 OTHER OPERATING EXPENSES

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Personnel costs				
Wages, salaries and bonus	**334,645**	321,501	**2,463**	2,895
Defined contribution plan	**54,475**	52,409	**429**	500
Other personnel costs	**41,378**	41,691	**410**	496
	430,498	415,601	**3,302**	3,891
Promotion and marketing-related expenses				
Business promotion and advertisement	**9,495**	9,762	**-**	-
Entertainment	**3,331**	3,912	**-**	-
Travelling and accommodation	**4,888**	4,048	**-**	-
Dealer's handling fees	**2,526**	1,205	**-**	-
Others	**2,186**	2,106	**-**	-
	22,426	21,033	**-**	-
Establishment-related expenses				
Rental of premises	**28,750**	28,064	**802**	802
Equipment rental	**1,067**	1,103	**6**	5
Repair and maintenance	**29,506**	35,116	**61**	90
Depreciation of property and equipment	**18,630**	20,313	**204**	244
Amortisation of intangible assets	**8,615**	9,162	**3**	5
IT consultancy fee	**61,893**	60,972	**-**	-
Dataline rental	**3,890**	4,324	**-**	-
Security services	**13,566**	12,109	**-**	-
Electricity, water and sewerage	**10,354**	9,959	**22**	20
Insurance and indemnities	**4,492**	5,474	**42**	47
Others	**3,926**	5,024	**-**	-
	184,689	191,620	**1,140**	1,213
General and administrative expenses				
Telecommunication expenses	**8,167**	7,341	**26**	37
Auditors' remuneration	**2,660**	2,034	**798**	209
Professional fees	**20,078**	7,031	**14,927**	1,208
Property and equipment written-off	**95**	182	**4**	-
Postage and courier charges	**2,782**	4,150	**4**	14
Stationery and consumables	**9,563**	9,625	**12**	15
Commission and brokerage expenses	**4,091**	5,715	**-**	-
Donations	**3,990**	3,929	**1,263**	1,013
Settlement, clearing and bank charges	**7,334**	5,995	**12**	2
Stamp duties	**198**	3,102	**-**	-
(Write-back of)/allowance for litigation losses	**(4,210)**	3,633	**-**	-
Commissioned dealers representative performance incentive	**3,801**	3,035	**-**	-
Subscription fees	**2,160**	2,218	**24**	22
Transaction levy	**2,177**	1,475	**-**	-
Subsidies and allowances	**924**	865	**-**	-
Others	**15,198**	11,731	**4,402**	2,369
	79,008	72,061	**21,472**	4,889
Total other operating expenses	**716,621**	700,315	**25,914**	9,993

35 OTHER OPERATING EXPENSES (continued)

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
The above expenditure includes the following statutory disclosures:-				
Directors' remuneration (Note 36)	**2,547**	2,211	**1,447**	1,266
Auditors' remuneration:-				
– Statutory audit fees	**1,337**	1,329	**172**	172
– Under provision prior year	**2**	–	**–**	–
– Audit related fees	**581**	430	**58**	28
– Non audit fees	**740**	275	**568**	9

36 DIRECTORS' REMUNERATION

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

Non-executive directors

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 (Resigned on 6.8.2013)
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 (Resigned on 6.3.2013)
Ignatius Chan Tze Ching (Appointed on 6.8.2013)
Adrian David Li Man Kiu (Alternate Director to Ignatius Chan Tze Ching)
Peter Yuen Wai Hung (Alternate Director to Professor Arthur Li Kwok Cheung)

36 DIRECTORS' REMUNERATION (continued)

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

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Non-executive directors				
– fees	**2,067**	1,826	**1,136**	1,027
– other emoluments	**438**	343	**269**	197
– estimated money value of benefits-in-kind	**42**	42	**42**	42
Total directors' remuneration	**2,547**	2,211	**1,447**	1,266
Total directors' remuneration excluding estimated money value of benefits-in-kind	**2,505**	2,169	**1,405**	1,224

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

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

	Group	
	Number of Non-Executive Directors	
	2013	2012
Remuneration band:-		
RM1 – RM50,000	**3**	–
RM50,001 – RM100,000	**–**	4
RM100,001 – RM200,000	**3**	–
RM200,001 – RM300,000	**1**	3
RM300,001 – RM400,000	**2**	1
RM400,001 – RM500,000	**1**	–
RM500,001 – RM600,000	**–**	–
RM600,001 – RM700,000	**–**	1
RM700,001 – RM800,000	**1**	–

37 ALLOWANCE FOR IMPAIRMENT ON LOANS, ADVANCES AND FINANCING

	Group	
	2013	**2012**
	RM'000	**RM'000**
Collective impairment		
– made during the financial year	**13,911**	3,296
Individual impairment		
– made during the financial year	**49,285**	81,021
– written-back during the financial year	**(5,355)**	(2,874)
Bad debts		
– recovered	**(128,139)**	(108,219)
– written-off	**4,583**	7,784
(Write-back of)/additional allowance for impaired debts		
– other debtors	**(372)**	157
	(66,087)	(18,835)

38 ALLOWANCE FOR IMPAIRMENT ON OTHER ASSETS

	Group	
	2013	**2012**
	RM'000	**RM'000**
Allowance made for impairment loss		
– Financial investments available-for-sale	**499**	812
– Financial investments held-to-maturity	**–**	9,590
Write-back of allowance for impairment loss		
– Financial investments available-for-sale	**(2,578)**	(68)
– Financial investments held-to-maturity	**–**	(9,926)
	(2,079)	408

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	
	2013	2012
	RM'000	RM'000
Interest expenses		
– Term loans	**42,592**	41,021

40 TAXATION

	Group		Company	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax:-				
– Current tax	**203,854**	206,371	**19,254**	14,089
– Deferred tax (Note 25)	**(31)**	(6,638)	**(35)**	(444)
	203,823	199,733	**19,219**	13,645
Under/(over) provision in prior years	**392**	(2,023)	**2**	(478)
	204,215	197,710	**19,221**	13,167

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	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Profit before taxation and zakat	**863,928**	833,738	**298,772**	293,489
Tax on current year's profit based on statutory tax rate in Malaysia of 25% (2012: 25%)	**215,982**	208,435	**74,693**	73,372
Tax effect in respect of:-				
Non-allowable expenses	**7,617**	4,439	**5,259**	1,377
Non-taxable income	**(12,560)**	(9,388)	**(60,733)**	(61,104)
Recognition of deferred tax previously not recognised	**(181)**	–	**–**	–
Effect of different tax rate	**(6,503)**	(3,510)	**–**	–
Change in tax rate	**390**	–	**–**	–
Utilisation of previously unrecognised tax losses	**(922)**	(243)	**–**	–
Under/(over) provision in prior years	**392**	(2,023)	**2**	(478)
	204,215	197,710	**19,221**	13,167

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 RM650,021,000 (2012: RM628,942,000) divided by the weighted average number of ordinary shares in issue of 1,494,575,806 (2012: 1,494,575,806) during the financial year.

	Group	
	2013	2012
	RM'000	RM'000
Net profit attributable to equity holders of the Company	**650,021**	628,942
Weighted average number of ordinary shares in issue	**1,494,576**	1,494,576
Basic and diluted earnings per share (sen)	**43.49**	42.08

42 DIVIDENDS

Dividends declared for the financial year and recognised as distribution to ordinary equity holders of the Company are as follows:-

	Group and Company			
	2013		2012	
	Gross dividend per share	Amount of dividend	Gross dividend per share	Amount of dividend
	sen	RM'000	sen	RM'000
Interim dividend:-				
– Single tier dividend	**6.1**	**91,169**	–	–
– Tax exempt dividend	**8.9**	**133,017**	4.0	59,783
– Franked dividend	**-**	**-**	11.0	123,303
	15.0	**224,186**	15.0	183,086

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

43 COMMITMENTS AND CONTINGENCIES

	Group 2013 RM'000	Group 2012 RM'000
(a) Capital commitments		
Property and equipment:-		
Authorised capital expenditure contracted but not provided for	**7,541**	2,864
Capital expenditure approved by the Board but not contracted for	**24,483**	19,006
	32,024	21,870

(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	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Within one year	**17,199**	26,601	**808**	808
One year to five years	**9,665**	17,517	**813**	1,621

	Group 2013 RM'000	Group 2012 RM'000
(c) Operating commitments		
Operating expenditure approved by the Directors but not provided for in the financial statements amounted to approximately:-	**201,823**	266,106

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.

	< ------------ 2013 ------------ >			
	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount*	Risk-Weighted Amount*
Group	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	1,455,361	-	1,455,361	1,462,806
Transaction-related contingent items	1,974,804	-	987,402	864,908
Short-term self-liquidating trade-related contingencies	573,412	-	114,683	82,976
Obligation under underwriting commitments	260,244	-	-	-
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	3,635,355	24,107	73,201	33,246
– one year to less than five years	594,154	2,513	57,307	16,657
– five years and above	96,030	-	16,325	-
Interest rate related contracts#				
– less than one year	793,040	4,112	2,271	820
– one year to less than five years	2,292,222	10,637	50,133	14,245
– five years and above	703,148	14,407	66,112	28,314
Irrevocable commitments to extend credit				
– maturity more than one year	2,181,871	-	1,090,935	992,841
– maturity less than one year	7,483,973	-	1,496,795	1,211,534
Unutilised credit card lines	179,201	-	35,840	26,839
	22,222,815	55,776	5,446,365	4,735,186

* *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" in the statement of financial position and disclosed in Note 8 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.

	< ------------------------ 2012 -------------------------- >			
	Principal Amount	Positive Fair Value of Derivative Contracts	Credit Equivalent Amount*	Risk-Weighted Amount*
Group	RM'000	RM'000	RM'000	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" in the statement of financial position and disclosed in Note 8 to the financial statements.*

44 LITIGATION AGAINST THE GROUP

(a) A syndicate of lenders, including AFFIN Bank Berhad (the 'Bank'), had granted facilities of RM62.5million (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 RM115.5million 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 RM115.5million 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 RM34.65million.

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.

On 27 September 2013, the Court of Appeal allowed the Bank's appeal with cost of RM120,000 and set-aside the award of damages of RM115.5million. The judgement was also entered against the borrower and the guarantors for the outstanding Facilities.

The borrower and the guarantor have applied for leave to appeal to the Federal Court against the Court of Appeal decision of 27 September 2013. The Federal Court application for leave to appeal was fixed for hearing on 29 January 2014.

On 29 January 2014, the application for leave to appeal to the Federal Court was dismissed with costs of RM30,000.

(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 RM117.6million (31 December 2012: RM73.8million). 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.

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

The components of the capital base and capital adequacy ratios of the banking subsidiaries are disclosed in Note 46.

46 CAPITAL ADEQUACY

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

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

	AFFIN Bank RM'000	AFFIN Islamic Bank RM'000	AFFIN Investment Bank RM'000
2013			
(a) The components of CET I, Tier I and Tier II Capital:-			
CET I/Tier I Capital			
Share capital	1,518,337	360,000	222,246
Share premium	529,337	-	142,270
Statutory reserves	1,144,350	173,026	202,821
Retained profits	798,118	178,966	70,679
Unrealised gains/(losses) on AFS	6,533	(9,112)	2,762
	3,996,675	702,880	640,778
Less : - Goodwill	(137,323)	-	(54,648)
- Deferred tax assets^	(8,553)	(773)	(3,879)
- 55% of cumulative unrealised gains of AFS	(3,593)	-	(1,518)
- Investment in subsidiaries	-	-	(6,904)
Total CET I/Tier I Capital (a)	3,847,206	702,107	573,829
Tier II Capital			
Subordinated loans	810,000	-	-
Collective impairment#	123,103	20,470	6,847
Total Tier II Capital (b)	933,103	20,470	6,847
Total Capital (a)+(b)	4,780,309	722,577	580,676
Less : - Investment in capital instruments of other banking institutions	-	(650)	-
- Investment in subsidiaries	(389,088)	-	(6,847)
Capital base before proposed dividends	4,391,221	721,927	573,829
Proposed dividends	(91,100)	-	(25,558)
Capital base after proposed dividends	4,300,121	721,927	548,271

46 CAPITAL ADEQUACY (continued)

	AFFIN Bank RM'000	AFFIN Islamic Bank RM'000	AFFIN Investment Bank RM'000
2013			
(b) The breakdown of risk-weighted assets:-			
Credit risk	**31,911,266**	**4,712,068**	**1,480,154**
Market risk	**296,107**	**3,570**	**296,735**
Operational risk	**1,902,412**	**339,365**	**249,689**
Total risk-weighted assets	**34,109,785**	**5,055,003**	**2,026,578**
(c) Capital adequacy ratios:-			
Before deducting proposed dividends:-			
CET I capital ratio	**11.279%**	**13.889%**	**28.315%**
Tier I capital ratio	**11.279%**	**13.889%**	**28.315%**
Total capital ratio	**12.874%**	**14.281%**	**28.315%**
After deducting proposed dividends:-			
CET I capital ratio	**11.012%**	**13.889%**	**27.054%**
Tier I capital ratio	**11.012%**	**13.889%**	**27.054%**
Total capital ratio	**12.607%**	**14.281%**	**27.054%**

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

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

46 CAPITAL ADEQUACY (continued)

	AFFIN Bank RM'000	AFFIN Islamic Bank RM'000	AFFIN Investment Bank RM'000
2012			
(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
Statutory reserves	1,017,200	143,451	184,163
Retained profits	659,603	149,390	65,544
	3,724,477	652,841	614,223
Less : – Goodwill	(137,323)	–	(53,061)
– Deferred tax assets ^	(10,227)	(600)	–
Total Tier I Capital (a)	3,576,927	652,241	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	676,023	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	676,023	553,636
Proposed dividends	(91,100)	–	(24,169)
Capital base after proposed dividends	4,116,972	676,023	529,467

46 CAPITAL ADEQUACY (continued)

	AFFIN Bank RM'000	AFFIN Islamic Bank RM'000	AFFIN Investment Bank RM'000
2012			
(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	11.590%	14.623%	30.568%
Risk-weighted capital ratio	13.640%	15.156%	30.568%
After deducting proposed dividends:-			
Core capital ratio	11.300%	14.623%	29.234%
Risk-weighted capital ratio	13.340%	15.156%	29.234%

^ Deferred tax assets exclude deferred tax arising from AFS revaluation reserves.
# Qualifying collective impairment is restricted to allowances on the unimpaired loans, advances and financing.

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 & KL South Development 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 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	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Income										
Interest income on advances	**-**	-	**38,736**	36,339	**7,979**	7,108	**3,660**	6,901	**81**	55
Interest income on private debt securities	**-**	-	**-**	-	**-**	-	**-**	648	**-**	-
Fee income	**128**	118	**10,896**	15,589	**-**	-	**-**	-	**-**	-
Brokerage income	**17,102**	6,403	**292**	97	**4**	10	**-**	-	**-**	-
Commission income	**-**	-	**-**	-	**7,197**	6,867	**-**	-	**-**	-
Others	**-**	-	**2,084**	-	**-**	-	**-**	-	**6**	6
	17,230	6,521	**52,008**	52,025	**15,180**	13,985	**3,660**	7,549	**87**	61
Expenses										
Interest expenses:-										
- deposits from other customers	**16,486**	12,698	**9,034**	9,362	**6,010**	5,693	**3**	1	**242**	166
Rental of premises	**239**	301	**18,258**	18,219	**-**	-	**-**	-	**-**	-
Insurance premium	**-**	-	**-**	-	**42,639**	40,023	**-**	-	**-**	-
Other expenses	**-**	5	**3,422**	3,061	**-**	-	**7**	-	**-**	-
	16,725	13,004	**30,714**	30,642	**48,649**	45,716	**10**	1	**242**	166

47 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(a) The significant transactions of the Group and Company with the related parties (continued)

	Subsidiaries		Other related parties		Jointly controlled entities/Associate	
	2013	2012	2013	2012	2013	2012
Company	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Income						
Interest income:-						
- money at call and deposits with financial institutions	**6,082**	6,204	**-**	-	**-**	-
- subordinated term loan	**41,473**	40,453	**-**	-	**5,305**	5,319
	47,555	46,657	**-**	-	**5,305**	5,319
Expenses						
Professional fees	**1,200**	1,215	**-**	-	**-**	-
Rental of premises	**-**	-	**802**	803	**-**	-
Other expenses	**75**	39	**342**	294	**78**	84
	1,275	1,254	**1,144**	1,097	**78**	84

47 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Related parties balances

	Ultimate holding corporate body		Other related parties		Jointly controlled entities/Associate		Substantial shareholder		Key management personnel	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Amount due from										
Loans, advances and financing	**-**	-	**1,029,221**	1,159,926	**47,380**	35,223	**274,274**	386,219	**2,812**	3,370
Rental deposits	**102**	102	**4,314**	4,312	**-**	-	**-**	-	**-**	-
Purchase of securities	**10,148**	30,734	**-**	-	**-**	-	**-**	-	**-**	-
Fees receivable	**128**	11	**5,825**	7,108	**62**	-	**-**	-	**-**	-
Subordinated loan	**-**	-	**-**	-	**67,259**	67,240	**-**	-	**-**	-
Other assets	**3**	-	**-**	-	**4,185**	2,745	**-**	-	**-**	-
Financial investments available-for-sale	**-**	-	**52,881**	3,034	**-**	-	**-**	-	**-**	-
	10,381	30,847	**1,092,241**	1,174,380	**118,886**	105,208	**274,274**	386,219	**2,812**	3,370
Amount due to										
Deposits from customers	**662,161**	738,921	**410,603**	294,785	**-**	-	**100**	100	**11,123**	4,066
Deposits and placements of banks and other financial institutions	**-**	-	**-**	-	**187,830**	196,420	**-**	-	**-**	-
Sales of securities	**1,540**	64,955	**-**	-	**-**	-	**-**	-	**-**	-
Current accounts	**160,123**	66,856	**323,642**	276,215	**9,426**	11,172	**194**	200	**6,002**	10,995
	823,824	870,732	**734,245**	571,000	**197,256**	207,592	**294**	300	**17,125**	15,061
Commitments	**-**	-	**1,285,050**	1,424,613	**68,115**	80,399	**168,854**	400,955	**-**	-

47 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Related parties balances (continued)

	Ultimate holding corporate body		Subsidiaries		Other related parties		Jointly controlled entities/Associate	
	2013	2012	2013	2012	2013	2012	2013	2012
Company	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Amount due from								
Cash and bank balances with banks and other financial institutions	-	-	16	41	-	-	-	-
Money at call and deposits placements maturing within one month	-	-	131,676	33,150	-	-	-	-
Deposits and placements with banks and other financial institutions	-	-	1,808	101,196	-	-	-	-
Subordinated term loan	-	-	904,964	904,960	-	-	67,255	67,240
Other assets	3	-	8	-	201	201	4	-
	3	-	1,038,472	1,039,347	201	201	67,259	67,240
Amount due to								
Interest-free advances	-	-	400,258	400,258	-	-	-	-
Other liabilities	-	-	5,089	3,791	-	-	-	-
	-	-	405,347	404,049	-	-	-	-

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	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Directors' fees	**2,067**	1,826	**1,136**	1,027
Directors' other emoluments	**438**	343	**269**	197
Salaries	**14,780**	14,755	**–**	–
Bonuses	**16,414**	16,504	**–**	–
Defined contribution plan ("EPF")	**5,334**	5,331	**–**	–
Other employee benefits	**1,939**	2,103	**–**	–
Benefits-in-kind	**860**	556	**42**	42
	41,832	41,418	**1,447**	1,266

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

48 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) Establishment of a jointly controlled entity namely KL South Development Sdn Bhd

On 2 January 2013, AFFIN Islamic Bank Berhad ("AiBB") entered into a Musharakah Joint Venture Agreement ("JV Agreement") with Albatha Bukit Kiara Holdings Sdn Bhd ("Albatha"), a subsidiary of Bukit Kiara Capital Sdn Bhd, to jointly develop a project namely "VERVE Suites KL South" at Jalan Klang Lama, Kuala Lumpur.

Pursuant to the JV Agreement, AiBB acquired 30% stake in the joint venture company namely KL South Development Sdn Bhd ["KL South"] (formerly known as Grand Duplex Sdn Bhd) by way of subscription of 150,000 shares of RM1.00 each in KL South at par. The remaining stake of 70% in KL South is held by Albatha.

Under the Musharakah structure, AiBB would be the sole banker to KL South, providing financing using the Islamic concept such as Ijarah for the purchase of building and Istina' for the bridging financing.

Major strategic operation and financial decisions relating to the activities of KL South requires consent by both joint venture parties. The Group's interest in KL South has been treated as investment in jointly controlled entity, which has been accounted for in the consolidated financial statements using the equity method of accounting.

KL South has commenced operations and the project is scheduled for completion by mid-2016.

(b) Proposed Acquisition of HwangDBS Investment Bank Berhad ("Hwang IB") including other Financial Services Businesses of Hwang-DBS (Malaysia) Berhad (Hwang-DBS)

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

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

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

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

(1) Details of the Proposed Acquisition

The Proposed Acquisition entails the acquisition of the Hwang IB Shares held by Hwang-DBS and the acquisition of the Minority Shares held by the Minority Shareholder for a purchase consideration of RM1,363million ("Base Price"), subject to adjustments as set out in item 2(a) below, to be fully satisfied in cash ("Purchase Price").

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

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

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

48 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (continued)

(b) Proposed Acquisition of HwangDBS Investment Bank Berhad ("Hwang IB") including other Financial Services Businesses of Hwang-DBS (Malaysia) Berhad (Hwang-DBS) (continued)

(1) Details of the Proposed Acquisition (continued)

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

The Base Price of RM1,363.00million comprises:-

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

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

(2) Salient Terms of the SPA

(a) Consideration

(i) The consideration for the sale and purchase of the Hwang IB Shares under the SPA shall be an amount in cash equal to the sum of the Base Price and as adjusted on the NA Adjustment as contemplated in the SPA.

(ii) In the case where the NA of Hwang IB, Hwang IM and HDM Futures (collectively referred to as the "Target Companies") together with HDM Nominees (Tempatan) Sdn Bhd and HDM Nominees (Asing) Sdn Bhd [collectively referred to as the "Target Companies' Subsidiaries" and the Target Companies and the Target Companies' Subsidiaries are collectively referred to as the "Target Group Companies"] and AIIM as at the business day falling 7 business days after the Unconditional Date (as defined below) ("Closing Date") has fallen by 3% or more below the sum of RM900,279,694 comprising the agreed aggregate NA value as at 31 January 2013 of Hwang IB (multiplied by the shareholding percentage held by Hwang-DBS in Hwang IB, HDM Nominees (Tempatan) Sdn Bhd and HDM Nominees (Asing) Sdn Bhd), and Hwang IM, HDM Futures and AIIM (multiplied by the shareholding percentage held by Hwang IB in each of Hwang IM, HDM Futures and AIIM after the completion of the Proposed Pre-Closing Reorganisation) ("Benchmark") (such fall in the NA below the Benchmark shall hereinafter be referred to as "Shortfall") (as determined in accordance with the SPA), the Purchase Price shall be the Base Price adjusted by a reduction equal to the differential value between the Shortfall and RM700,000.

(iii) In the case where the NA of the Target Group Companies and AIIM as at the closing date has increased by 3% or more above the Benchmark (such increase in the NA above the Benchmark shall hereinafter be referred to as "Surplus") (as determined in accordance with the SPA), the Purchase Price shall be the Base Price adjusted by an increase equal to the differential value between (a) the Surplus and (b) RM11,300,000.

(ii) and (iii) are collectively referred to as ("NA Adjustment")

(iv) In circumstances other than that stipulated under Sections 2(a)(ii) and (iii) above, the Purchase Price shall be the Base Price adjusted by an increase equal to RM700,000.

48 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (continued)

(b) Proposed Acquisition of HwangDBS Investment Bank Berhad ("Hwang IB") including other Financial Services Businesses of Hwang-DBS (Malaysia) Berhad (Hwang-DBS) (continued)

(2) Salient Terms of the SPA (continued)

(b) Conditions:-

The SPA is subject to and conditional upon the following:-

(i) the passing at a general meeting of Hwang-DBS of the requisite resolutions;

(ii) the passing at a general meeting of AHB, if required, of the requisite resolutions;

(iii) exemption from the SC under Paragraph 20.1, Practice Note 9 or other applicable rules of the Malaysian Code on Take-overs and Mergers, 2010 ("Code") from an obligation to carry out a mandatory offer for the remaining 30% voting shares of Hwang IM;

(iv) in respect of the 4,900,000 ordinary shares of RM1.00 each constituting approximately 49% of the entire issued and paid-up share capital in AIIM ("AIIM Shares"), by Nikko Asset Management Asia Ltd ("Nikko") waiving its pre-emption rights pursuant to Clause 9 of the Subscription and Joint Venture Agreement dated 12 November 2008 entered into by Nikko, Hwang-DBS and AIIM ("AIIM Shareholders' Agreement") and Article 39C of the Articles of Association of AIIM for the transfer of AIIM Shares from Hwang-DBS to Hwang IB pursuant to the Proposed Pre-Closing Reorganisation and for the indirect change in the shareholders of AIIM following the completion of the sale of the Hwang IB Shares pursuant to the SPA ("Closing"), which was obtained on 30 October 2013.

The Unconditional Date is defined as the date on which the last of the conditions precedent in Item 2(b) above is fulfilled or satisfied in accordance with the SPA.

(3) Source of funds

The Purchase Price will be initially funded via bridge loans of RM1.4billion and internally generated funds (if required). For the long-term funding plan, AHB will pursue a fund raising exercise which includes a rights issue of new AHB shares, to raise gross proceeds of up to approximately RM1.25billion. The details of the fund raising exercise will be announced at a later date upon finalisation of the terms.

The major shareholders of AHB have provided their support to provide irrevocable undertakings to support any related fund-raising initiatives for the Proposed Acquisition such as the rights issue.

The proceeds of the rights issue are intended to be used for partial repayment of the bridge loans and capital injection into AFFIN Bank to fund future growth. The remaining bridge loans are intended to be repaid by cash proceeds from the Proposed Merger and internally generated funds.

49 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.

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.

49 SEGMENT ANALYSIS (continued)

The segment analysis of the Group by activities in 2013 and 2012 are as follows:

2013	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Eliminations RM'000	Group RM'000
Segment revenue	2,746,586	266,395	-	10,715	-	3,023,696
Intersegment revenue	38,958	21,774	-	1,540	(62,272)	-
Unallocated revenue	-	-	-	5,318	-	5,318
Revenue	2,785,544	288,169	-	17,573	(62,272)	3,029,014
Segment results	762,422	85,009	-	2,847	46,318	896,596
Unallocated expenses	-	-	-	(61,894)	-	(61,894)
Share of results of jointly controlled entities (net of tax)	-	-	5,431	(210)	-	5,221
Share of results of associate (net of tax)	-	-	24,005	-	-	24,005
Profit before taxation and zakat						863,928
Taxation and zakat						(213,907)
Net profit for the financial year						650,021
Segment assets	56,149,599	3,299,950	-	14,090	-	59,463,639
Investment in jointly controlled entities	-	-	135,539	-	-	135,539
Investment in associate	-	-	208,396	-	-	208,396
Unallocated assets	-	-	-	143,983	-	143,983
Total segment assets						59,951,557
Segment liabilities	50,605,074	1,981,353	-	1,314	-	52,587,741
Unallocated liabilities	-	-	-	987,092	-	987,092
Total segment liabilities						53,574,833

2013	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Unallocated RM'000	Group RM'000
Non-cash items						
Capital expenditure	18,679	4,711	-	310	19	23,719
Depreciation of property and equipment	16,019	2,195	-	212	204	18,630
Amortisation of intangible assets	7,989	622	-	1	3	8,615
Allowances for impairment on loans, advances and financing	59,125	(1,284)	-	-	-	57,841
Other non-cash items*	(221,007)	(84,233)	(29,436)	210	(48)	(334,514)

* 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 SEGMENT ANALYSIS (continued)

The segment analysis of the Group by activities in 2013 and 2012 are as follows (continued):-

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

2012	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Unallocated RM'000	Group RM'000
Non-cash items						
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
Allowances for impairment on loans, advances and financing	76,169	5,274	–	–	–	81,443
Other non-cash items*	(304,628)	(137,241)	(34,818)	233	–	(476,454)

* 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.

50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has set up objectives and policies to manage the risks that arise in connection with financial instruments. The risk management framework and policies of the Group are guided by specific objectives to ensure that comprehensive and adequate risk management policies are established to mitigate the salient risk elements in the operations of the Group. The establishment of the overall financial risk management objectives is consistent and in tandem with the strategy to create and enhance shareholders' value, whilst guided by a prudent and robust framework of risk management policies. In achieving the objective of maximising returns to shareholders, the Board takes cognisance of the risk elements that the Group is confronted with in its operations. In view of the multi-faceted risks inherent especially in the Group's operations in the banking sector, the Group places great emphasis on the importance of risk management and has put in place clear and comprehensive risk management mechanisms and strategies to identify, monitor, manage and control the relevant risk factors.

Credit Risk

Credit risk is the potential financial loss resulting from the failure of the customer or counterparty to settle the financial and contractual obligation to the Group. Credit risk emanates mainly from loans, advances and financing, loan commitments arising from such lending activities, as well as through financial transactions with counterparties including interbank money market activities, derivative instruments used for hedging and debt securities.

The management of credit risk in the Group is governed by a set of credit policies, guidelines and procedures. Approval authorities are delegated to Senior Management and the Group Management Loan Committee to implement the credit policies and ensure sound credit granting standards.

An independent Group Risk Management ('GRM') function headed by Group Chief Risk Officer ("GCRO") with direct reporting line to Board Risk Management Committee ('BRMC') is in place to ensure adherence to risk standards and discipline. Portfolio management risk reports are submitted regularly to BRMC.

Lending guidelines and credit strategies are formulated and incorporated in the Annual Credit Plan. New businesses are governed by the risk acceptance criteria and customer qualifying criteria/fitness standards prescribed in the Credit Plan. The Annual Credit Plan is reviewed at least annually and approved by the BRMC.

Credit Risk measurement

(i) Loans, advances and financing

Credit evaluation is the process of analysing the creditworthiness of the prospective customer against the Group's underwriting criteria and the ability of the Group to make a return commensurate to the level of risk undertaken. A critical element in the evaluation process is the assignment of a credit risk grade to the counterparty. This assists in the risk assessment and decision making process. The Group has developed internal rating models to support the assessment and quantification of credit risk.

For consumer mass market products, statistically developed application scorecards are used by the Business to assess the risks associated with the credit application. The scorecards are used as a decision support tool at loan origination.

(ii) Over-the-Counter ('OTC') Derivatives

The OTC derivatives credit exposure is computed using the Current Exposure Method. Under the Current Exposure Method, computation of credit equivalent exposure for interest rate and exchange rate related contracts is derived from the summation of the two elements; the replacement costs (obtained by marking-to-market) of all contracts and the potential future exposure of outstanding contracts (Add On charges depending on the specific remaining tenor to maturity).

50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit Risk (continued)

Risk limit control and mitigation policies

The Group employs various policies and practices to control and mitigate credit risk.

(i) Lending limits

The Group establishes internal limits and related lending guidelines to manage large exposures and avoid undue concentration of credit risk in its credit portfolio. The limits include single customer groupings, large exposure, connected parties 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.

Documentary and commercial letters of credit are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

(iii) Credit related commitments

Commitment to extend credit represents unutilised portion of approved credit in the form of loans, guarantees or letters of credit. In terms of credit risk, the Group is potentially exposed to loss in an amount equal to the total unutilised commitments. However, the potential amount of loss is less than the total unutilised commitments, as most commitments to extend credit are contingent upon customers maintaining specific minimum credit standards.

The Group monitor the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than short-term commitments.

Credit Risk monitoring

Retail credits are actively monitored and managed on a portfolio basis by product type. A collection management system in place to promptly identify, monitor and manage delinquent accounts at early stages of delinquency.

Corporate credits and large individual accounts are reviewed by the Business Units at least once a year against updated information. This is to ensure that the credit grades remain appropriate and detect any signs of weaknesses or deterioration in the credit quality. Remedial action is taken where evidence of deterioration exists.

Early Alert Process is in place as part of a means to pro-actively identify, report and manage deteriorating credit quality. Watchlist accounts are closely reviewed and monitored with corrective measures initiated to prevent them from turning non-impaired. As a rule, Watchlist accounts are either worked up or worked out within a period of twelve months.

Active portfolio monitoring enables the Group to understand the overall risk profile and identify any adverse trends or areas of risk concentrations affecting asset quality so that appropriate actions are adopted to manage and mitigate risks.

50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit Risk (continued)

Credit Risk culture

The Group recognise that learning is a continuous journey and is committed to enhance the knowledge and required skills of its staff. It places strong emphasis in creating and enhancing risk awareness in the organisation.

For effective and efficient staff learning, the Group has implemented an E-Learning Program with an online Learning Management System ('LMS'). The LMS provides staff with a progressive self-learning alternative at own pace.

Group Risk Management implements an Internal Credit Certification ('ICC') Programme for both Business Banking and Consumer Credit.

The aim of the ICCs is to assist the core credit related group of personnel in the Group achieve a minimum level of knowledge and analytical skills required to make sound corporate and commercial loans to customers.

(a) Maximum exposure to credit risk

For financial assets recognised on the statement of financial position, the exposure to credit risk equals their carrying amount. For financial guarantees granted, the maximum exposure to credit risk is the maximum amount that the Group and the Company would have to pay if guarantee were to be called upon. For loan commitments and other commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

All financial assets of the Group and the Company are subject to credit risk except for cash-in-hand, equity securities held as financial assets held-for-trading or financial investments available-for-sale, as well as non-financial assets.

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

		Group		Company	
		Carrying Value	Maximum Credit Exposure	Carrying Value	Maximum Credit Exposure
		RM'000	RM'000	RM'000	RM'000
2013					
Credit risk exposures of on-balance sheet assets					
Cash and short-term funds	*	9,331,374	9,164,030	131,710	131,709
Financial investments available-for-sale	#	8,767,991	8,619,502	-	-
Other assets	^	309,011	275,209	68,494	68,439
		18,408,376	18,058,741	200,204	200,148
Credit risk exposure of off-balance sheet items					
Financial guarantees	@	3,430,165	2,442,763	-	-
Loan commitments and other credit related commitments	@	18,532,406	3,003,602	-	-
Obligation under underwriting agreement	@	260,244	-	-	-
		22,222,815	5,446,365	-	-
Total maximum credit risk exposure		40,631,191	23,505,106	200,204	200,148

50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit Risk (continued)

(a) Maximum exposure to credit risk (continued)

		Group		Company	
		Carrying Value	Maximum Credit Exposure	Carrying Value	Maximum Credit Exposure
		RM'000	RM'000	RM'000	RM'000
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	9,266,931	–	–
Other assets	^	313,277	271,134	346	286
		17,077,172	16,726,238	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	21,390,346	33,555	33,494

The following have been excluded for the purpose of maximum credit risk exposure calculation:-

* Cash in-hand
\# Investment in quoted and unquoted shares
^ Prepayment

@ Amount stated at notional value

Whilst the Group and the Company's maximum exposure to credit risk is the carrying value of the assets, or in the case of off-balance sheet items, the amount guaranteed, committed or accepted, in most cases the likely exposure is far less due to collateral, credit enhancements and other actions taken to mitigate the credit exposure.

The financial effect of collateral held for loans, advances and financing is 67% (2012: 67%). The financial effects of collateral for the other financial assets are insignificant.

50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit Risk (continued)

(b) Credit risk concentrations

Credit risk is the risk of financial loss from the failure of customers to meet their obligations. Exposure to credit risk is managed through portfolio management. The credit portfolio's risk profiles and exposures are reviewed and monitored regularly to ensure that an acceptable level of risk diversification is maintained. Exposure to credit risk is also managed in part by obtaining collateral security and corporate and personal guarantees.

The credit risk concentrations of the Group and the Company, by industry concentration, as at the reporting date:-

Group	Short-term funds and placements with banks and other financial institutions	Reverse repurchase agreement with financial institutions	Financial assets held-for-trading	Financial investments available-for-sale	Financial investments held-to-maturity	Loans, advances and financing	Trade receivables and other assets	Derivative financial assets	On-balance sheet total	Commitments and contingencies
2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture	-	-	-	38,866	-	475,721	5,551	78	520,216	98,279
Mining and quarrying	-	-	-	-	-	649,621	-	-	649,621	121,024
Manufacturing	-	-	-	156,085	140,539	2,513,052	79	2,446	2,812,201	562,016
Electricity, gas and water	-	-	-	485,513	-	359,796	-	308	845,617	13,212
Construction	-	-	-	352,427	195,105	3,314,783	1,236	-	3,863,551	1,085,571
Real estate	-	-	-	93,688	1,525	4,702,439	1,928	-	4,799,580	435,212
General commerce	-	-	-	60,430	23,907	2,148,677	673	91	2,233,778	1,189,593
Transport, storage and communication	-	-	-	134,986	103,200	2,139,295	15	-	2,377,496	261,510
Finance, insurance and business services	1,652,773	-	-	3,728,567	159,741	4,374,039	5,257	52,853	9,973,230	735,735
Government and government agencies	7,959,802	-	149,544	3,392,561	-	117,523	214	-	11,619,644	158,639
Purchase of landed property, securities and vehicles	20,040	-	-	-	-	56,583	173,795	-	250,418	-
Others	-	-	-	176,379	16	16,364,997	262,532	-	16,803,924	785,574
Total	9,632,615	-	149,544	8,619,502	624,033	37,216,526*	451,280^	55,776	56,749,276	5,446,365

* Not inclusive of collective allowance amounting to RM307million.

^ Not inclusive of collective allowance on trade receivables amounting to RM19,000.

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

50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit Risk (continued)

(b) Credit risk concentrations (continued)

Group	Short-term funds and placements with banks and other financial institutions	Reverse repurchase agreement with financial institutions	Financial assets held-for-trading	Financial investments available-for-sale	Financial investments held-to-maturity	Loans, advances and financing	Trade receivables and other assets	Derivative financial assets	On-balance sheet total	Commitments and contingencies
2013	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**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	4,400,188	-	4,181,636	3,751	64,568	9,658,711	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	9,266,931	548,324	34,493,965*	484,906^	66,015	52,726,319	4,664,108

* Not inclusive of collective allowance amounting to RM331million.
^ 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.

50 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
2013			
Finance, insurance and business services	**136,169**	**–**	**136,169**
Others	**–**	**68,439**	**68,439**
	136,169	**68,439**	**204,608**
2012			
Finance, insurance and business services	135,166	–	135,166
Others	–	286	286
	135,166	286	135,452

(c) Collateral

The main types of collateral obtained by the Group are as follows:-

- For personal housing loans, mortgages over residential properties;
- For commercial property loans, charges over the properties being financed;
- For hire purchase, charges over the vehicles or plant and machineries financed; and
- For other loans, charges over business assets such as premises, inventories, trade receivables or deposits.

(d) Total 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 3 months or with impairment allowances.

50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit Risk (continued)

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

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

	Group	
	2013	2012
	RM'000	RM'000
Neither past due nor impaired	**34,266,081**	31,282,117
Past due but not impaired	**2,453,456**	2,652,050
Impaired	**740,958**	790,438
Gross loans, advances and financing	**37,460,495**	34,724,605
Less: Allowance for impairment		
– individual impairment	**(243,969)**	(230,640)
– collective impairment	**(307,142)**	(330,797)
Net loans, advances and financing	**36,909,384**	34,163,168

Past due but not impaired includes accounts within grace period amounting to RM1.0billion (2012: RM1.0billion).

(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	
	2013	2012
	RM'000	RM'000
Quality classification:-		
Satisfactory*	**31,053,725**	28,091,411
Special mention#	**3,212,356**	3,190,706
	34,266,081	31,282,117

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

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

50 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 loans, advances and financing 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 loans, advances and financing which are past due but not impaired are as follows:-

	Group	
	2013	2012
	RM'000	RM'000
Past due up to 30 days	**1,333,146**	1,468,414
Past due 30-60 days	**767,638**	813,727
Past due 60-90 days	**352,672**	369,909
	2,453,456	2,652,050

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

	Group	
	2013	2012
	RM'000	RM'000
Analysis of impaired assets:-		
Gross impaired loans	**740,958**	790,438
Individually impaired loans	**142,800**	147,644

(v) Collateral and other credit enhancements obtained

During the year, the Group has not obtained any assets by taking possession of collateral held as security or calling upon other credit enhancements.

50 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:-

	AAA	AA- to AA+	A- to A+	Lower than A-	Unrated	Impaired*	Total
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2013							
Financial assets held-for-trading:-							
- Bank Negara Malaysia Monetary Notes	-	-	-	-	149,544	-	149,544
Financial investments available-for-sale:-							
- Malaysian Government Investment Issuance	-	-	-	-	2,361,979	-	2,361,979
- Cagamas Bonds	85,228	-	-	-	-	-	85,228
- Bank Negara Malaysia Monetary Notes	-	-	-	-	629,674	-	629,674
- Others	-	-	80,043	-	453,492	-	533,535
- Private debt securities	2,680,248	1,104,228	538,502	73,774	226,590	2	4,623,344
- Sukuk Perumahan Kerajaan	337,661	-	-	-	48,081	-	385,742
Financial investments held-to-maturity:-							
- Private debt securities	-	-	-	-	556,126	67,907	624,033
Total	3,103,137	1,104,228	618,545	73,774	4,425,486	67,909	9,393,079

50 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
2012							
Financial assets held-for-trading:-							
- Negotiable instruments of deposits	-	-	-	-	150,276	-	150,276
- Private debt securities	-	-	-	15,316	-	-	15,316
Financial investments available-for-sale:-							
- Malaysian Government Securities	-	-	-	-	35,574	-	35,574
- Malaysian Government Investment Issuance	-	-	-	-	2,441,659	-	2,441,659
- Cagamas Bonds	151,524	-	-	-	-	-	151,524
- Bank Negara Malaysia Notes	-	-	-	-	884,069	-	884,069
- Others	-	-	160,085	-	407,345	-	567,430
- Private debt securities	3,461,560	783,220	439,337	97,419	252,624	1,733	5,035,893
- Sukuk Perumahan Kerajaan	120,550	-	-	-	30,139	-	150,689
- 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	112,735	4,664,460	87,376	9,980,847

* 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.

50 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 factors such as interest rates, foreign exchange rates and changes in volatility. The Group is exposed to market risks from its trading and investment activities. The Group's market risk management objective is to ensure that market risk is appropriately identified, measured, controlled, managed and reported.

The Group's exposure to market risk stems primarily from interest rate risk and foreign exchange rate risk. Interest rate risk arises mainly from differences in timing between the maturities or re-pricing of assets, liabilities and derivatives. The Group is also exposed to basis risk when there is a mismatch between the change in price of a hedge and the change in price of the assets it hedges. Foreign exchange rate risk arises from unhedged positions of customers' requirements and proprietary positions.

The Group's market risk management control strategy is established based on its risk appetite, market liquidity and business strategies as well as macroeconomic conditions. These limits are reviewed at least on an annual basis.

Market risk arising from the Group's trading book is primarily controlled through the imposition of Cut-loss and Value-at-Risk ('VaR') limits.

The Group quantifies interest rate risk by analysing the repricing mismatch between the rate sensitive assets and rate sensitive liabilities. It also conducts Net Interest Income simulations to assess the variation in earnings under various rates scenarios. The potential long term effects of the Bank's overall exposure is also tracked by assessing the impact on Economic Value of Equity ('EVE').

The Group's interest rate risk is managed through Earnings-at-Risk ('EaR') and Economic Value-at-Risk ('EVaR') limits.

In addition, the Group conducts periodic stress test of its respective business portfolios to ascertain market risk under abnormal market conditions.

The Group's Management, ALCO and BRMC are regularly kept informed of its risk profile and positions.

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

Value-at-Risk ('VaR') is used to compute the maximum potential loss amount over a specified holding period of a Trading Portfolio. It measures the risk of losses arising from potential adverse movements in interest rates and foreign exchange rates that could affect values of financial instruments.

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.

50 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:-

	Balance RM'000	Average for the year RM'000	Minimum RM'000	Maximum RM'000
2013				
Instruments:-				
FX swap	**713**	**607**	**252**	**1,375**
FX sport (Metro Desk)	**88**	**150**	**6**	**678**
Government securities	**2**	**-**	**-**	**2**
Private debt securities	**-**	**-**	**-**	**60**
Fixed income:-				
Pass-through trade	**-**	**1,798**	**-**	**29,307**
2012				
Instruments:-				
FX swap	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

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.

50 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 100 basis points parallel shifts in the interest rate.

	2013		2012	
	+100 basis points	-100 basis points	+100 basis points	-100 basis points
Group	RM million	RM million	RM million	RM million
Impact on net interest income	**(22.8)**	**22.8**	(13.7)	13.7
As percentage of net interest income	**-2.0%**	**2.0%**	-1.2%	1.2%

Foreign exchange risk sensitivity analysis

	Open position			
	US Dollar equivalent amount	Ringgit Malaysia equivalent amount	Ringgit Malaysia equivalent amount for 1% fall in US Dollar	Impact of 1% fall in US Dollar exchange rate
Group	'000	'000	'000	'000
2013				
US Dollar	**(406)**	**(1,332)**	**(1,319)**	**13**
Others	**(4,106)**	**(13,515)**	**(13,380)**	**135**
2012				
US Dollar	(4,986)	(15,252)	(15,099)	153
Others	(4,334)	(13,255)	(13,123)	132

(a) The impact on the outstanding foreign exchange position as at 31 December 2013 for a one percent change in USD exchange rate from 3.2775 to 3.2447 was an increase of about RM148,474.

(b) 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 RM285,500.

50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market Risk (continued)

(b) Foreign exchange risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table summarises the Group's exposure to foreign currency exchange rate risk as at reporting date. Included in the table are the Group's financial instruments at carrying amounts, categorised by currency.

	Euro	United States Dollar	Australian Dollar	Great Britain Pound	Japanese Yen	New Zealand Dollar	Others	Total
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2013								
Assets								
Cash and short-term funds	7,594	245,259	16	4,637	1,399	-	31,534	290,439
Deposits and placements with banks and other financial institutions	-	67,299	29,289	-	-	-	26,969	123,557
Financial investments available-for-sale	46,552	304,943	86,216	-	-	25,636	160,378	623,725
Derivative financial assets	-	1,121	-	-	-	-	213	1,334
Loans, advances and financing	207	1,371,983	-	107,860	422	-	264,128	1,744,600
Other assets	-	892	-	-	-	-	928	1,820
Total financial assets	54,353	1,991,497	115,521	112,497	1,821	25,636	484,150	2,785,475
Liabilities								
Deposits from customers	77,562	221,478	6,010	14,962	9,839	-	16,520	346,371
Deposits and placements of banks and other financial institutions	-	127,415	40,569	-	-	26,936	13,008	207,928
Derivative financial liabilities	-	4,597	-	-	-	-	1,077	5,674
Other liabilities	-	3,388	-	-	-	-	-	3,388
Total financial liabilities	77,562	356,878	46,579	14,962	9,839	26,936	30,605	563,361
Net on-balance sheet financial position	(23,209)	1,634,619	68,942	97,535	(8,018)	(1,300)	453,545	2,222,114
Off-balance sheet credit commitments	285,323	3,695,618	87,955	57,795	9,932	-	54,566	4,191,189

50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market Risk (continued)

(b) Foreign exchange risk (continued)

Group	Euro	United States Dollar	Australian Dollar	Great Britain Pound	Japanese Yen	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2012							
Assets							
Cash and short-term funds	6,724	132,764	229	2,170	972	25,761	168,620
Deposits and placements with 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	689,007	1,963,197	163,487	39,134	47,591	455,321	3,357,737

50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market Risk (continued)

(c) Interest/profit rate risk

The tables below summarise the Group's and the Company's exposure to interest/profit rate risks. Included in the tables are the Group's and the Company's assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates. The off-balance sheet gap represents the interest/profit rate sensitive commitments and contingencies.

	<---- Non-trading Book ---->								
	Up to 1 month	> 1-3 months	> 3-12 months	>1-5 years	Over 5 years	Non-interest sensitive	Trading book	Total	Weighted Average Rate
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
2013									
Assets									
Cash and short-term funds	9,111,505	-	-	-	-	219,869	-	9,331,374	3.00
Deposits and placements with banks and other financial institutions	90,605	205,000	62,034	95,000	10,000	5,946	-	468,585	3.97
Financial assets held-for-trading	-	-	-	-	-	-	149,544	149,544	2.94
Financial investments available-for-sale	210,041	866,642	833,378	3,989,928	2,649,879	218,123	-	8,767,991	3.85
Financial investments held-to-maturity	1,525	268,102	89,000	168,020	24,293	73,093	-	624,033	4.63
Loans, advances and financing									
- non-impaired	20,097,625	2,113,938	3,518,593	8,652,979	2,336,402	(307,142)*	-	36,412,395	5.37
- impaired	-	-	-	-	-	496,989^	-	496,989	
Other assets [1]	5	4	18	66,340	-	2,059,500	29,635	2,155,502	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	1,545,144	-	1,545,144	
Total assets	29,511,306	3,453,686	4,503,023	12,972,267	5,020,574	4,311,522	179,179	59,951,557	

50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market Risk (continued)

(c) Interest/profit rate risk (continued)

	<---------- Non-trading Book				---------->				
	Up to 1 month	> 1-3 months	> 3-12 months	>1-5 years	Over 5 years	Non-interest sensitive	Trading book	Total	Weighted Average Rate
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
2013									
Liabilities									
Deposits from customers	19,157,926	10,209,040	14,714,207	81,803	-	3,190,538	-	47,353,514	3.21
Deposits and placements of banks and other financial institutions	2,328,692	1,370,467	274,873	-	-	9,880	-	3,983,912	3.12
Bills and acceptances payable	-	-	-	-	-	90,208	-	90,208	-
Recourse obligation on loans sold to Cagamas Berhad	-	-	-	394,708	-	3,082	-	397,790	4.77
Other liabilities [(2)]	-	-	-	-	-	738,571	38,406	776,977	-
Borrowings	900,000	-	-	66,310	-	6,122	-	972,432	4.41
Total liabilities	22,386,618	11,579,507	14,989,080	542,821	-	4,038,401	38,406	53,574,833	
Shareholders' funds	-	-	-	-	-	6,376,724	-	6,376,724	
Total liabilities and shareholders' funds	22,386,618	11,579,507	14,989,080	542,821	-	10,415,125	38,406	59,951,557	
On-balance sheet interest sensitivity gap	7,124,688	(8,125,821)	(10,486,057)	12,429,446	5,020,574	(6,103,603)	140,773	-	
Off-balance sheet interest sensitivity gap	274,205	1,576,740	(642,495)	(1,502,538)	294,088	-	-	-	
Total interest sensitivity gap	7,398,893	(6,549,081)	(11,128,552)	10,926,908	5,314,662	(6,103,603)	140,773	-	

* 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.

50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market Risk (continued)

(c) Interest/profit rate risk (continued)

	<---- Non-trading Book				---->				
	Up to 1 month	> 1-3 months	> 3-12 months	>1-5 years	Over 5 years	Non-interest sensitive	Trading book	Total	Weighted Average Rate
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
2012									
Assets									
Cash and short-term funds	7,127,570	-	-	-	-	232,088	-	7,359,658	2.96
Deposits and placements with banks and other financial institutions	88,649	297,150	8,473	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)	9	2	2	66,344	-	2,085,355	21,707	2,173,419	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	1,507,480	-	1,507,480	
Total assets	26,071,412	3,902,547	3,734,029	12,063,618	5,519,023	4,356,363	187,299	55,834,291	

50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market Risk (continued)

(c) Interest/profit rate risk (continued)

	<--- Non-trading Book				--->				
	Up to 1 month	> 1-3 months	> 3-12 months	>1-5 years	Over 5 years	Non-interest sensitive	Trading book	Total	Weighted Average Rate
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
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	900,000	-	-	66,310	-	6,033	-	972,343	4.25
Total liabilities	20,402,118	12,555,681	12,210,693	815,165	-	3,773,062	33,068	49,789,787	
Shareholders' funds	-	-	-	-	-	6,044,504	-	6,044,504	
Total liabilities and shareholders' funds	20,402,118	12,555,681	12,210,693	815,165	-	9,817,566	33,068	55,834,291	
On-balance sheet interest sensitivity gap	5,669,294	(8,653,134)	(8,476,664)	11,248,453	5,519,023	(5,461,203)	154,231	-	
Off-balance sheet interest sensitivity gap	502,354	602,790	(91,805)	(1,148,313)	134,974	-	-	-	
Total interest sensitivity gap	6,171,648	(8,050,344)	(8,568,469)	10,100,140	5,653,997	(5,461,203)	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, deferred tax assets and other assets.

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

50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market Risk (continued)

(c) Interest/profit rate risk (continued)

	<---- Non-trading Book ----				---->				
	Up to 1 month	> 1-3 months	> 3-12 months	>1-5 years	Over 5 years	Non-interest sensitive	Trading book	Total	Weighted Average Rate
Company	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
2013									
Assets									
Cash and short-term funds	131,523	-	-	-	-	187	-	131,710	3.20
Deposits and placements with banks and other financial institutions	605	-	3,834	-	-	21	-	4,460	3.22
Other assets (1)	-	-	-	-	-	74,138	-	74,138	
Amount due from subsidiaries	900,000	-	-	-	-	4,972	-	904,972	4.59
Amount due from associate	-	-	-	66,310	-	947	-	67,257	8.00
Investment in subsidiaries	-	-	-	-	-	3,582,882	-	3,582,882	
Investment in jointly controlled entities	-	-	-	-	-	146,880	-	146,880	
Investment in associate	-	-	-	-	-	10,681	-	10,681	
Total assets	1,032,128	-	3,834	66,310	-	3,820,708	-	4,922,980	
Liabilities									
Other liabilities	-	-	-	-	-	19,634	-	19,634	
Deferred tax liabilities	-	-	-	-	-	108	-	108	
Amount due to subsidiaries	-	-	-	-	-	400,258	-	400,258	
Borrowings	900,000	-	-	66,310	-	6,122	-	972,432	4.41
Total liabilities	900,000	-	-	66,310	-	426,122	-	1,392,432	
Shareholders' funds	-	-	-	-	-	3,530,548	-	3,530,548	
Total liabilities and shareholders' funds	900,000	-	-	66,310	-	3,956,670	-	4,922,980	
On-balance sheet interest sensitivity gap	132,128	-	3,834	-	-	(135,962)	-	-	
Total interest sensitivity gap	132,128	-	3,834	-	-	(135,962)	-	-	

(1) Other assets include property and equipment, intangible assets, taxation recoverable and other assets.

50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market Risk (continued)

(c) Interest/profit rate risk (continued)

	<----- Non-trading Book				----->				
	Up to 1 month	> 1-3 months	> 3-12 months	>1-5 years	Over 5 years	Non-interest sensitive	Trading book	Total	Weighted Average Rate
Company	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
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 [(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)	-	-	

(1) Other assets include property and equipment, intangible assets, taxation recoverable and other assets.

50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Operational Risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, action on or by people, infrastructure or technology or events which are beyond the bank's immediate control which have an operational impact, including natural disaster, fraudulent activities and money laundering/financing of terrorism.

The Group manages operational risk through a control based environment in which policies and procedures are formulated after taking into account individual unit's business activities, the market in which it is operating and regulatory requirement in force.

The Group adopts the Basic Indicator Approach for the purpose of calculating the capital requirement for operational risk. The capital requirement is calculated by taking 15% of the Bank's average annual gross income over the previous three years.

Risk is identified through the use of assessment tools and measured using threshold/limits mapped against risk matrix. Monitoring and control procedures include the use of key control standards, independent tracking of risk, back-up procedures and contingency plans, including disaster recovery and business continuity plans. This is supported by periodic reviews undertaken by Group Internal Audit to ensure adequacy and effectiveness of the Group Operational Risk Management process.

The Group gathers, analyses and reports operational risk loss and 'near miss' events to Group Operational Risk Management Committee and Board Risk Management Committee. Appropriate preventive and remedial actions are reviewed for effectiveness and implemented to minimise the recurrence of such events.

As a matter of requirement, all Operational Risk Coordinators must satisfy an Internal Operational Risk (including anti-money laundering/counter financing of terrorism and business continuity management) Certification Program. These coordinators will first go through an on-line self-learning exercise before attempting on-line assessments to measure their skills and knowledge level. This will enable Group Risk Management to prescribe appropriate training and development activities for the coordinators.

Liquidity Risk

Liquidity risk is the 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 liquidity positions in the major currencies are being closely monitored by tracking the availability of medium to long-term foreign currency funding and adhering to the guiding principles for foreign currency assets creations.

Basel III Liquidity Standards

The Basel Committee developed the Liquidity Coverage Ratio ('LCR') and Net Stable Funding Ratio ('NSFR') with the goal of strengthening the resilience of the banking systems. The LCR and NSFR are tracked monthly to assess the short-term and long term liquidity risk profile of the Group.

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 liquidity situation in the Group.

50 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:-

	Up to 1 month	>1-3 month	>3-12 month	>1-5 years	Over 5 years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
2013						
Deposits from customers	**22,084,267**	**10,385,696**	**15,138,432**	**155,798**	**11,033**	**47,775,226**
Deposits and placements of banks and other financial institutions	**2,427,120**	**1,380,607**	**279,553**	**-**	**-**	**4,087,280**
Bills and acceptances payable	**90,208**	**-**	**-**	**-**	**-**	**90,208**
Trade payables	**179,078**	**-**	**-**	**-**	**-**	**179,078**
Recourse obligation on loans sold to Cagamas Berhad	**2,791**	**5,312**	**263,436**	**150,442**	**-**	**421,981**
Other liabilities	**423,880**	**26,835**	**7,997**	**8,741**	**-**	**467,453**
Borrowings	**3,369**	**7,330**	**32,098**	**1,049,374**	**-**	**1,092,171**
Total financial liabilities	**25,210,713**	**11,805,780**	**15,721,516**	**1,364,355**	**11,033**	**54,113,397**
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	325,939	21,877	6,597	10,551	-	364,964
Borrowings	3,361	7,285	31,941	1,048,826	-	1,091,413
Total financial liabilities	22,896,740	12,763,542	12,697,415	1,878,357	-	50,236,054
Company						
2013						
Other liabilities	**14,278**	**458**	**1,296**	**3,600**	**-**	**19,632**
Amount due to subsidiaries	**-**	**-**	**-**	**-**	**400,258**	**400,258**
Borrowings	**3,369**	**7,330**	**32,098**	**1,049,374**	**-**	**1,092,171**
Total financial liabilities	**17,647**	**7,788**	**33,394**	**1,052,974**	**400,258**	**1,512,061**
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

50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity Risk (continued)

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

	Up to 1 month	>1-3 month	>3-12 month	>1-5 years	Over 5 years	Total
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
2013						
Derivatives settled on a net basis						
Interest rate derivatives	**(1,204)**	**(1,472)**	**(3,275)**	**2,242**	**6,142**	**2,433**
Derivatives settled on a gross basis						
Foreign exchange derivatives:						
Outflow	**(509,833)**	**(674,028)**	**(911,963)**	**(594,154)**	**(96,030)**	**(2,786,008)**
Inflow	**509,931**	**673,695**	**909,002**	**594,154**	**96,030**	**2,782,812**
	98	**(333)**	**(2,961)**	**-**	**-**	**(3,196)**
2012						
Derivatives settled on a net basis						
Interest rate derivatives	(1,374)	(1,986)	(5,662)	(13,565)	2,062	(20,525)
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)

50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity Risk (continued)

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

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

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

	Up to 1 month	>1-3 month	>3-12 month	>1-5 years	Over 5 years	Total
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
2013						
Assets						
Cash and short-term funds	9,331,374	-	-	-	-	9,331,374
Deposits and placements with banks and other financial institutions	608	72,150	9,298	324,607	61,922	468,585
Reverse repurchase agreements with financial institutions	-	-	-	-	-	-
Financial assets held-for-trading	149,544	-	-	-	-	149,544
Financial investments available-for-sale	219,411	897,061	965,331	4,029,488	2,656,700	8,767,991
Financial investments held-to-maturity	70,913	1,075	20,067	245,218	286,760	624,033
Derivative financial assets	8,965	22,884	8,136	4,068	11,723	55,776
Loans, advances and financing	1,688,609	1,516,105	2,148,811	8,196,180	23,359,679	36,909,384
Other assets [(1)]	365,355	1,171	104,015	8,016	1,621,169	2,099,726
Statutory deposit with Bank Negara Malaysia	1,545,144	-	-	-	-	1,545,144
Total assets	13,379,923	2,510,446	3,255,658	12,807,577	27,997,953	59,951,557
Liabilities						
Deposits from customers	22,068,361	10,331,290	14,832,730	111,133	10,000	47,353,514
Deposits and placements of banks and other financial institutions	2,333,495	1,374,363	276,054	-	-	3,983,912
Bills and acceptances payable	90,208	-	-	-	-	90,208
Derivative financial liabilities	9,234	22,725	21,284	23,847	16,778	93,868
Recourse obligation on loans sold to Cagamas Berhad	1,297	1,786	123,243	271,464	-	397,790
Other liabilities [(2)]	591,506	38,223	44,575	8,741	64	683,109
Borrowings	2,881	3,241	300,000	666,310	-	972,432
Total liabilities	25,096,982	11,771,628	15,597,886	1,081,495	26,842	53,574,833
On-balance sheet gap	(11,717,059)	(9,261,182)	(12,342,228)	11,726,082	27,971,111	6,376,724
Off-balance sheet credit commitments	(1,509,030)	-	(11,589,431)	-	-	(13,098,461)
Derivatives	226,284	901,165	389,122	686,530	-	2,203,101
Net maturity mismatch	(12,999,805)	(8,360,017)	(23,542,537)	12,412,612	27,971,111	(4,518,636)

(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.

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

50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity Risk (continued)

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

Group	Up to 1 month RM'000	>1-3 month RM'000	>3-12 month RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
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 (1)	474,256	1,479	27,736	11,421	1,592,512	2,107,404
Statutory deposit with Bank Negara Malaysia	1,507,480	-	-	-	-	1,507,480
Total assets	11,998,476	2,749,282	2,823,160	15,976,103	22,287,270	55,834,291
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 (2)	542,396	24,734	67,625	10,550	13,435	658,740
Borrowings	2,842	3,191	-	966,310	-	972,343
Total liabilities	22,914,281	12,715,317	12,402,106	1,743,433	14,650	49,789,787
On-balance sheet gap	(10,915,805)	(9,966,035)	(9,578,946)	14,232,670	22,272,620	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	(10,793,929)	(9,634,120)	(20,569,008)	14,304,687	22,272,620	(4,419,750)

(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.

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

50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity Risk (continued)

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

Company	Up to 1 month RM'000	>1-3 month RM'000	>3-12 month RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
2013						
Assets						
Cash and short-term funds	131,710	-	-	-	-	131,710
Deposits and placements with banks and other financial institutions	608	-	3,852	-	-	4,460
Other assets (1)	-	-	73,329	-	809	74,138
Amount due from subsidiaries	2,763	302,209	-	-	600,000	904,972
Amount due from associate	947	-	-	-	66,310	67,257
Investment in subsidiaries	-	-	-	-	3,582,882	3,582,882
Investment in jointly controlled entities	-	-	-	-	146,880	146,880
Investment in associates	-	-	-	-	10,681	10,681
Total assets	136,028	302,209	77,181	-	4,407,562	4,922,980
Liabilities						
Other liabilities	2,870	11,348	1,816	3,600	-	19,634
Deferred tax liabilities	-	-	108	-	-	108
Amount due to subsidiaries	-	-	-	-	400,258	400,258
Borrowings	2,880	3,242	300,000	666,310	-	972,432
Total liabilities	5,750	14,590	301,924	669,910	400,258	1,392,432
On-balance sheet gap	130,278	287,619	(224,743)	(669,910)	4,007,304	3,530,548
Off-balance sheet credit commitments	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-
Net maturity mismatch	130,278	287,619	(224,743)	(669,910)	4,007,304	3,530,548

(1) Other assets include property and equipment, intangible assets, taxation recoverable and other assets.

50 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity Risk (continued)

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

Company	Up to 1 month RM'000	>1-3 month RM'000	>3-12 month RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
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 [(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

(1) Other assets include property and equipment, intangible assets, taxation recoverable and other assets.

51 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.

Fair value information for non-financial assets and liabilities are excluded as they do not fall within the scope of FRS 132 which requires the fair values to be disclosed. These include property and equipment, statutory deposits with Bank Negara Malaysia, investment in subsidiaries, other assets, tax recoverable, deferred tax 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	Fair value	Carrying value	Fair value
	RM'000	RM'000	RM'000	RM'000
2013				
Financial assets				
Deposits and placement with bank and other financial institutions	**468,585**	**495,632**	**–**	**–**
Financial investments held-to-maturity	**624,033**	**614,826**	**–**	**–**
Loans, advances and financing	**36,909,384**	**36,613,829**	**–**	**–**
Financial liabilities				
Deposits from customers	**47,353,514**	**47,253,987**	**–**	**–**
Deposits and placements of banks and other financial institutions	**3,983,912**	**3,984,399**	**–**	**–**
Recourse obligation on loans sold to Cagamas Berhad	**397,790**	**406,113**	**–**	**–**
Borrowings	**972,432**	**973,177**	**972,432**	**973,177**
2012				
Financial assets				
Deposits and placement with bank and other financial institutions	492,356	522,818	–	–
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	42,870,501	–	–
Deposits and placements of banks and other financial institutions	4,588,209	4,595,246	–	–
Recourse obligation on loans sold to Cagamas Berhad	413,549	426,331	–	–
Borrowings	972,343	972,227	972,343	972,227

51 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 credit ratings and maturities.

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.

Loans, advances and financing

Loans and advances of the Group comprise of floating rate loans and fixed rate loans. For performing floating rate loans, the carrying amount is a reasonable estimate of their fair values.

The fair values of performing fixed rate loans are arrived at using the discounted cash flows based on the prevailing market rates of loans and advances with similar credit ratings and maturities.

The fair values of impaired loans and advances, whether fixed or floating are represented by their carrying values, net of individual and collective allowances, being the reasonable estimate of recoverable amount.

Other assets and liabilities

The carrying value less any estimated allowance for financial assets and liabilities included in other assets and other liabilities are assumed to approximate their fair values as these items are not materially sensitive to the shift in market interest rates.

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.

51 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

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.

Fair value measurements

The following table analyse within the fair value hierarchy the assets and liabilities not measured at fair value at 31 December 2013 but for which fair value is disclosed:-

(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).

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
Group				
2013				
Financial Assets				
Deposits and placement with bank and other financial institutions	-	**495,632**	-	**495,632**
Financial investments held-to-maturity	-	**614,826**	-	**614,826**
Loans, advances and financing	-	**36,613,829**	-	**36,613,829**
Financial Liabilities				
Deposits from customers	-	**47,253,987**	-	**47,253,987**
Deposits and placements of banks and other financial institutions	-	**3,984,399**	-	**3,984,399**
Recourse obligation on loans sold to Cagamas Berhad	-	**406,113**	-	**406,113**
Borrowings	-	**973,177**	-	**973,177**

51 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair value measurements (continued)

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group				
2012				
Financial Assets				
Deposits and placement with bank and other financial institutions	–	522,818	–	522,818
Financial investments held-to-maturity	–	538,370	–	538,370
Loans, advances and financing	–	33,863,596	–	33,863,596
Financial Liabilities				
Deposits from customers	–	42,870,501	–	42,870,501
Deposits and placements of banks and other financial institutions	–	4,595,246	–	4,595,246
Recourse obligation on loans sold to Cagamas Berhad	–	426,331	–	426,331
Borrowings	–	972,227	–	972,227
Company				
2013				
Financial Liabilities				
Borrowings	–	973,177	–	973,177
2012				
Financial Liabilities				
Borrowings	–	972,227	–	972,227

51 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair value measurements (continued)

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

	Level 1 RM'000	Level 2 RM'000	Level 3# RM'000	Total RM'000
Group				
2013				
Assets				
Financial assets held-for-trading	**–**	**149,544**	**–**	**149,544**
Financial investments available-for-sale*				
– Private debt securities	**–**	**4,623,344**	**–**	**4,623,344**
– Equity securities	**14,177**	**–**	**134,312**	**148,489**
– BNM and government securities	**–**	**3,996,158**	**–**	**3,996,158**
Derivative financial assets	**–**	**55,776**	**–**	**55,776**
Liabilities				
Derivative financial liabilities	**–**	**93,868**	**–**	**93,868**
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
Liabilities				
Derivative financial liabilities	–	59,560	–	59,560

* Net of allowance for impairment

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

51 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair value measurements (continued)

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.

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

Group	2013 RM'000	2012 RM'000
Opening	**120,604**	120,916
Purchases	**–**	527
Total gains/(losses) recognised in Other Comprehensive Income	**13,708**	(839)
Closing	**134,312**	120,604

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.

52 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(a) Financial assets

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements.

Group	Gross amounts of recognised financial assets RM'000	Gross amounts of recognised financial liabilities set off in the balance sheet RM'000	Net amounts of financial assets presented in the balance sheet RM'000
2013			
Trade receivables			
– Amount due from Bursa Securities Clearing Sdn Bhd	**1,185,902**	**(1,185,902)**	**–**
2012			
Trade receivables			
– Amount due from Bursa Securities Clearing Sdn Bhd	203,387	(116,531)	86,856

(b) Financial liabilities

The following financial liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements.

Group	Gross amounts of recognised financial liabilities RM'000	Gross amounts of recognised financial assets set off in the balance sheet RM'000	Net amounts of financial liabilities presented in the balance sheet RM'000
2013			
Trade payables			
– Amount due to Bursa Securities Clearing Sdn Bhd	**1,206,707**	**(1,185,902)**	**20,805**
2012			
Trade payables			
– Amount due to Bursa Securities Clearing Sdn Bhd	116,531	(116,531)	–

53 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	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Total retained profits of AFFIN Holdings Berhad and its's subsidiaries:-				
- Realised	**1,675,523**	1,450,553	635,670	580,340
- Unrealised				
- deferred tax recognised in the income statement	**14,676**	14,579	(108)	(143)
- other items of income and expenses	**40,596**	45,250	–	–
	1,730,795	1,510,382	635,562	580,197
Total share of retained profits in associate:-				
- Realised	**187,712**	167,302	–	–
- Unrealised	**3,527**	2,452	–	–
Total share of retained profits/(losses) in jointly controlled entities:-				
- Realised	**(19,690)**	(20,511)	–	–
- Unrealised	**4,610**	–	–	–
	1,906,954	1,659,625	635,562	580,197
Add: Consolidation adjustments	**90,588**	87,465	–	–
Total Group retained profits as per consolidated financial statements	**1,997,542**	1,747,090	635,562	580,197

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 66 to 189 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 2013 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 26 February 2014.

TAN SRI DATO' SERI LODIN BIN WOK KAMARUDDIN
Director

RAJA DATO' SERI AMAN BIN RAJA HAJI AHMAD
Director

Kuala Lumpur
26 February 2014

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 66 to 189 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 26 February 2014, 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 2013 of the Group and of the Company, and the statements of income, comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Note 1 to Note 52 on pages 66 to 188.

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 judgement, 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 2013 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.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 53 on page 189 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

SOO HOO KHOON YEAN
(No. 2682/10/15 (J))
Chartered Accountant

Kuala Lumpur
26 February 2014

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 2013.

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 2013.

4. Sanctions/penalties

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors and Management by the relevant regulatory bodies during the financial year ended 31 December 2013.

5. Non-audit fees

	Group	Company
	RM'000	RM'000
Non-audit fees paid to external auditors for the financial year ended 31 December 2013	740	568

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 2013.

7. Profit guarantee

There were no profit guarantees given by the Company and its subsidiaries during the financial year ended 31 December 2013.

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 the Group during the financial year except those disclosed in note 48 to the financial statements.

10. Recurrent Related Party Transactions of A Revenue or Trading Nature

At the Annual General Meeting held on 22 April 2013, 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 2013 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	45
	Irat Hotels & Resorts Sdn Bhd (Irat)	Rental payment by AHB for office premises, car park and utilities charges payable monthly for a lease term renewable every three (3) years and payment for other related services	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	829
	Boustead Travel Services Sdn Bhd (Boustead Travel)	Provision of travelling 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	15
	Boustead Hotels & Resorts 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	220
	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	29

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)	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	4
	Boustead Information Technology Sdn Bhd (Boustead Information Technology)	Provision for 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	2
	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 travelling 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	1,381
	Perbadanan Perwira Niaga Malaysia	Rental payment by ABB for office premises, service charge and space for Automated Teller Machine (ATM) at various locations for a lease period ranging from two (2) to three (3) years	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	127
	Boustead Properties Sdn Bhd (Boustead Properties)	Rental payment by ABB for office premises and car park payable monthly for a lease term renewable every five (5) years (Menara AFFIN)	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

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)	Lembaga Tabung Angkatan Tentera (LTAT)	Rental payment by ABB for office premises and car park payable monthly for a lease term renewable every three (3) years	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	239
	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	24
	Boustead Curve Sdn Bhd (Boustead Curve)	Rental payment by ABB for office premises, car parking and utilities charges for a lease term renewable every three (3) years and payment for other related services (The Curve)	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	72
	Boustead Hotels & Resorts	i. Hotel facilities and refreshment 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	562
		ii. Rental payment by ABB for space of ATM machine at The Royale Chulan Kuala Lumpur Hotel	Interested Major Shareholders LTAT and Boustead	12
	Boustead Petroleum Marketing Sdn Bhd (Boustead Petroleum)	i. LED advertising charges and related expenses to ABB	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin and Tan Sri Dato' Seri Lodin bin Wok Kamaruddin	71
		ii. Rental payment by ABB for space of ATM machine at BHP petrol stations	Interested Major Shareholders LTAT and Boustead	169

Name of Company	Related Company	Nature of transaction	Interested Directors/Major Shareholders/Person(s) connected to interested Directors or interested Major Shareholders	Value of Transaction RM'000
AFFIN Islamic Bank Bhd (AFFIN Islamic)	Boustead Travel	Provision of travelling 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	139
	Boustead Hotels & 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	-
AFFIN Investment Bank Berhad (AFFIN Investment)	Boustead Realty Sdn Bhd (Boustead Realty)	Rental payment by AFFIN Investment for office premises and car park fees payable monthly for a lease term renewable every three (3) years and payment for other related services (Menara Boustead)	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	1,793
	Boustead Travel	Provision of travelling 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	550
	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	19

Name of Company	Related Company	Nature of transaction	Interested Directors/Major Shareholders/Person(s) connected to interested Directors or interested Major Shareholders	Value of Transaction RM'000
AFFIN Investment (continued)	Boustead Curve	Rental payment by AFFIN Investment for office premises, car parking and utilities charges for a lease term renewable every three (3) years and payment for other related services (The Curve)	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	348
	Boustead Advertising	Advertisement in media 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	8
	Irat	Rental payment by AFFIN Investment for office premises, car parking and utilities charges for a renewable lease term every three (3) years and payment for other related services (Chulan Tower)	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	3,020
	Boustead Hotels & Resorts	Hotel facilities and refreshment provided to AFFIN Investment for staff in-house training and other expenses	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	89
	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	-

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)	Sure Reach Tricor Record Management Sdn Bhd	Payment by AFFIN Investment 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 Shareholder The Bank of East Asia, Limited	3
AFFIN Fund Management Berhad (AFFIN Fund)	Boustead Realty	Rental payment by AFFIN Fund for office premises and car park payable monthly for a lease term renewable every three (3) years and payment for other related services (Menara Boustead)	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	500
	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	128
	Boustead REIT Managers Sdn Bhd (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	60
AFFIN Moneybrokers Sdn Bhd (AFFIN Moneybrokers)	Boustead Realty	Rental payment by AFFIN Moneybrokers for office premises and car park payable monthly for a lease term renewable every three (3) years and payment for other related services	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

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 Moneybrokers (continued)	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 travelling 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	63
AXA AFFIN Life Insurance Berhad (AXA AFFIN Life)	Irat	Rental payment by AXA AFFIN Life for office premises, car park and utilities charges for lease term renewable every three (3) years and payment for other related services	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	1,551
	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 Shareholder AXA Asia Pacific Ltd	9,438
	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 Shareholder AXA Asia Pacific Ltd	2,421

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 (continued)	Boustead Travel	Provision of travelling 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	359
	Boustead Hotels & Resorts	Hotel facilities and refreshment provided 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	87
Total				**35,796**

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 31/12/2013 (RM)
1	HS(D) 5217 P.T. 90 Section 1 Town of Port Swethenham District of Klang	No. 1, Jln Berangan 42000 Port Klang Selangor Darul Ehsan	4 Storey Shop Office/Branch Premises (Port Klang) CRC	Freehold	L: 3,000 B: 12,768	32	447,330
2	LOT 51412 & 51413 HS(D) 23844 & 23843 P.T. 3479 & 3480 Mukim of Kuala Lumpur District of W. Persekutuan	No. 4 & 6 Jalan Telawi 3 Bangsar baru 59100 Kuala Lumpur W. Persekutuan	2 Units 3 Storey Shop Office/Branch Premises (Bangsar) CRC	Freehold	L: 4,659 B: 11,858	22	3,251,614
3	HS(M) 4961 PT 457 HS(M) 4962 PT 458 Mukim of Kajang District of Ulu Langat	No. 2 & 3, Jln Saga Taman Sri Saga Off Jln Sg Chua 43000 Kajang Selangor Darul Ehsan	2 Units 3 1/2 Storey Shop Office/Branch Premises (Kajang) CRC	Freehold	L: 3,510 B: 11,136	18	222,843
4	PLOTS 65 & 66 HS(D) 7570 & 7571 LOT 8552 & 8553 Mukim 12 District of Barat Daya	No. 124 & 126 Jalan Mayang Pasir Tmn Sri Tunas 11950 Bayan Baru Pulau Pinang	2 Units 3 Storey Shop Office/Branch Premises (Bayan Baru) CRC	Freehold	L: 3,080 B: 8,360	21	1,042,608
5	HS(D) 892, P.T. 6727/24 Mukim of Kuala Kuantan District of Kuantan	No. 1 Jln Tun Dr Ismail P.O.Box 354 25740 Kuantan Pahang Darul Makmur	3 1/2 Storey Shop Office/ Branch Premises (Kuantan) CRC	Freehold	L: 3,367 B: 12,800	22	548,831
6	HS(D) 11547, 11548 P.T. 15727, 15728 Mukim of Ampang	No. 11 & 11A Jln Mamanda 7/1 Ampang Point 68000 Ampang Selangor Darul Ehsan	5 Storey Shop Office (Ground & First Floor Only)/Branch Premises (Ampang Jaya) CRC	Freehold	L: 3,261 B: 5,658.4	17	1,057,860
7	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 Selangor Darul Ehsan	3 units 4 Storey Shop Office/Branch Premises (Selayang) CRC	Leasehold/ Expiry: 01/01/2086	L: 4,950 B: 16,733	18	1,005,954
8	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 Puchong Selangor Darul Ehsan	3 Storey Shop Office with basement/Branch Premises (Kinrara) CRC	Leasehold/ Expiry: 27/08/2091	L: 3,900 B: 15,600	19	1,428,915

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 31/12/2013 (RM)
9	HS(D) 9406, LOT 8226 & PT 4045 HS(D) 9407, LOT 8227 & PT 4046 Mukim of Damansara District of Petaling	No. 7 & 9 Jln SS 15/8A 47500 Petaling Jaya Selangor Darul Ehsan	2 Units 4 Storey Shop Office/Branch Premises (Subang Jaya) CRC	Freehold	L: 3,520 B: 9,944	20	983,684
10	HS(D) 2874 & PTD 4161 Township of Kluang District of Kluang	No. 503 Jln Mersing 86000 Kluang Johor Darul Takzim	3 Storey Shop Office/ Branch Premises (Kluang) CRC/HPC	Freehold	L: 6,000 B: 9,944	20	473,229
11	HS(M) 6367, PT 7485 Mukim of Chenor District of Maran	Nadi Kota Bandar Pusat Jengka 26400 Jengka Pahang Darul Makmur	Single Storey Bungalow/ Branch Premises (Jengka) CRC	Leasehold/ Expiry: 21/08/2091	L: 20,056 B: 2,100	23	410,576
12	GM 2251 & 2252 Lots 3991 & 3992 Mukim 5 District of Seberang Perai Utara	No. 1317 & 1318 Tmn Sepakat Off Jln Butterworth 13200 Kepala Batas Seberang Perai Utara Pulau Pinang	2 Units 3 Storey Shop Office/Branch Premises (Kepala Batas) CRC	Freehold	L: 2,390 B : 6,920	18	516,024
13	Town Lease No. 017541374 & 017541383 Lots 82 & 83, Blok K Mukim of Karamunsing District of Kota Kinabalu	Lot 19 & 20 Sadong Jaya Complex Jalan Juara Ikan 3 Karamunsing 88300 Kota Kinabalu Sabah	4 Storey Shop Office/ Branch Premises (Kota Kinabalu) CRC	Leasehold/ Expiry: 21/01/2901	L: 2,780 B: 10,144	20	2,256,283
14	HS(D) 73618 & 73619 PT 5733 & 5734 Mukim of Labu District of Seremban	No. 5733 & 5734 Jln TS 2/1 Tmn Semarak, Phase II 71800 Nilai Negeri Sembilan	2 Units 2 Storey Shop Office/Branch Premises (Nilai) CRC	Freehold	L : 3,600 B: 10,800	19	701,987
15	HS(D) 7156, 7157, 7187 & 7188 PT 34, 35, 65 & 66 Bandar Bukit Baru Seksyen 11 District of Melaka Tengah	No. 7 & 8, Jln DR1 Delima Point Taman Delima Raya 75150 Melaka	2 Units 5 Storey Shop Office/Branch Premises (Bukit Baru) CRC	Freehold	L: 3,509 B: 17,160	17	1,417,721
16	HS(D) 143324, PT 18 Seksyen 14, Bandar Shah Alam Selangor Darul Ehsan	a. Commercial Land Precint 3.4 Pusat Bandar Shah Alam b. Bangunan AFFIN Bank	16 storey building with 4 storey basement Bangunan AFFIN Bank Shah Alam	Leasehold/ Expiry: 11/05/2100	L: 32,561 B: 81,400	14	41,553,864

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 31/12/2013 (RM)
17	Lot S03 & S04 PT 72, HS(D) 7295 District of Port Dickson	No. 3 & 4, Jalan Aman kawasan Penambakan Laut Bandar Port Dickson 71009 Port Dickson Negeri sembilan	2 units 3 Storey Shop Houses/Branch Premises (Port Dickson) CRC	Leasehold/ Expiry: 31/01/2085	L: 3,532 B: 9,900	17	770,180
18	Lot 2387 & 2388 Block 5 District of Miri	Lot 2387 & 2388 Jln Boulevard 1A Boulevard Commercial Centre 3km, Jln Miri-Pujut 98000 Miri Sarawak	2 Units 3 Storey Shop Office/Branch Premises (Miri) CRC	Leasehold/ Expiry: 21/01/2050	L: 3,190 B: 8,371	17	834,015
19	PTD 48474 & 48475 HS(D) 86046 & 86047 Mukim of Plentong District of Johor Bahru	No. 130 & 132 Jln Rosmerah 2/17 Tmn Johor Jaya 81100 Johor Johor Bahru Darul Takzim	2 Units 3 Storey Shop Office/Branch Premises (Johor Jaya) CRC	Freehold	L: 4,773 B: 14,319	19	1,500,070
20	PTD 100479 &100480 Mukim of Plentong District of Johor Bahru	No. 23 & 25 Jln Permas 10/2 Permas Jaya 81750 Masai Johor Bahru Darul Takzim	2 Units 4 Storey Shop Office/Branch Premises (Permas Jaya) CRC	Freehold	L: 3,840 B: 13,440	20	1,819,985
21	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 Pulau Pinang	4 Storey Shop Office/ Branch Premises (Seberang Jaya) CRC	Leasehold/ Expiry: 21/10/2092	L: 3,681 B: 13,716	17	1,782,791
22	Lot 1894 Title No. 1289 & Lot 1895 Title No. 1290, Daerah Kuala Terengganu, Negeri Terengganu	63 & 63A , Jalan Sultan Ismail 20200 Kuala Terengganu Terengganu Darul Iman	3 Storey Shop Office/ Branch Premises (Kuala Terengganu) CRC	Leasehold/ Expiry: 18/12/2048	L: 4,171 B: 8,128	13	1,517,759
23	Lot 175 & 176 PT 1386 & 1387, Grant 6787 Mukim of Kuah, District of Langkawi	No. 149-A, 149-B & 149-C No. 151-A, 151-B & 151-C Persiaran Bunga Raya Langkawi Mall 07000 Kuah Langkawi Kedah Darul Takzim	2 Units 3 Storey Shop Office with basement/ Branch Premises (Kuah) CRC	Freehold	L: 3,304 B: 9,912	16	1,267,403
24	Lot 14127 & 14128 Grant 7792 & 7793 Mukim of Setapak District of Kuala Lumpur	No. 159 & 161 Jln Genting Klang 53300 Setapak Kuala Lumpur W. Persekutuan	2 Units 3 Storey Shop Office with basement/ Branch Premises (Setapak) CRC	Freehold	L: 4,306 B: 17,224	25	1,805,331

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 31/12/2013 (RM)
25	HS(D) 67774 & 67773 Lot 29427 & 29428 Mukim of Kuala Lumpur District of W. Persekutuan	No. 47 & 49 Jln Tun Mohd Fuad 3 Tmn Tun Dr Ismail 60000 Kuala Lumpur W. Persekutuan	2 Units 3 Storey Shop Office/Branch Premises (TTDI) CRC	Freehold	L: 5,138 B: 11,250	22	3,635,252
26	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	2 Units 3 Storey Shop Office/Branch Premises (Batu Pahat) CRC	Freehold	L: 3,080 B: 16,227	23	758,647
27	HS (M) 14862 & 14863 PT 21350 & 21351 Tempat Bukit Raja Mukim of Kapar District of Klang	No. 29 & 31 Jalan Tiara 3 Bandar Baru Klang 41150 Klang Selangor Darul Ehsan	2 Units 4 Storey Shop Office/Branch Premises (Klang Utara) CRC	Leasehold/ Expiry: 08/05/2093	L: 3,300 B: 13,200	16	2,675,469
28	PTD 62642 & 62643 HS (D) 227069 & 227070 Mukim of Pulai District of Johor Bahru	No. 49 & 51 Jln Sri Perkasa 2/1 Taman Tampoi Utama 81200 Tampoi Johor Bahru Darul Takzim	2 Adjacent Lots 3 Storey Shop House/Branch Premises (Tampoi) CRC	Leasehold/ Expiry: 13/04/2094	L: 5,468 B: 10,710	16	1,251,575
29	Lot 436 & 437 Grant No. 12256 & 12257 Section 13 District of Kota Bharu New Title: HS (D) KB. 4/98, No. PT 133 & HS (D) KB. 5/98, No. PT 134, Section 13, District of Kota Bharu	No. 3788 H & 3788 I Section 13 Jalan Sultan Ibrahim 15050 Kota Bharu Kelantan Darul Naim	2 Units 3 Storey Shop House/Branch Premises (Kota Bharu) CRC	Leasehold/ Expiry: 09/03/2064	L: 3,200 B : 9,152	28	859,223
30	Sublot 13, Lot 3060 District of Bintulu	Sublot 13, Off Lot 3299 Bintulu Town District Off Jln Diwarta 97000 Bintulu Sarawak	1 Unit 3 Storey Shop Office/Branch Premises (Bintulu) CRC	Leasehold/ Expiry: 29/03/2055	L: 3,240 B: 9,720	16	638,231
31	Lot 27/28, Seksyen 1 No. Hakmilik 980/981 Mukim of Pekan Batu	No. 840 & 842, Bt 4 ½ Jln Ipoh 51200 Kuala Lumpur W. Persekutuan	4 1/2 Storey Building with Basement/Branch Premises (Batu Cantonment) CRC	Leasehold/ Expiry: 13/01/2037	L: 3,081 B: 9,243	28	1,514,735

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 31/12/2013 (RM)
32	HS(D) 96849 (30438) LOT/PT 6536 (28035) Mukim of Setapak District of Wilayan Persekutuan	No. 2, JLN 1/27F KLSC Wangsa Maju 53000 Kuala Lumpur W. Persekutuan [C7/5O/86-1&C7/5O/86-2 C7/5O/86-4, C7/5O/86-3]	4 Storey Shop Office/ Branch Premises (Wangsa Maju)	Leasehold/ Expiry: 19/04/2083	L: 4,480 B: 14,920	15	2,505,005
		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/ Expiry: 19/04/2083	L: 1,920 B: 5,760		
33	HS(D) 23766 PT 199, Section 40 Mukim of Kuala Lumpur	133, Jln Bunus Off Jln Masjid India 50100 Kuala Lumpur W. Persekutuan	1 Unit 4 1/2 Storey Shop Office/Branch Premises (Jalan Bunus)	Freehold	L: 1,539.9 B: 7,699.8	13	3,234,728
34	HS(M) 6836 P.T. 14531 Mukim of Damansara District of Petaling	No. 101, 201, 301, 401 & 501 Block C, Menara Glomac Kelana Business Centre 97, Jln 227/2 47301 Kelana Jaya Selangor Darul Ehsan	Branch Premises	Leasehold/ 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	13	7,830,278
35	GM 405, Lot 1927 GM 407, Lot 2007 GM 409, Lot 2006 Mukim Nibong District of Tanah Merah	Lot PT 1995/1996 Bandar Baru Bukit Bunga 17700 Tanah Merah Kelantan Darul Naim	1 Unit 2 Storey Shop Office/Branch Premises (Jeli) CRC	Freehold	L: 2,000 B: 4,000	13	287,442
36	HS(D) 103053 Lot No. 770, Section 11 District of Petaling Shah Alam	No. 11 & 12 Kompleks Perdagangan UMNO Persiaran Damai 40000 Shah Alam Selangor Darul Ehsan	1 unit 4 Storey Shop Office/Branch Premises	Leasehold/ Expiry: 12/05/2095	L: 1,650 B: 8,000	13	1,943,277
37	HS(D) 4705 & 4706 District of Melaka Tengah	No. 200 & 201, Taman Melaka Raya Off Jalan Parameswara 75000 Melaka Melaka	2 Units 3 Storey Shop Office/Branch Premises (Melaka Raya) CRC/HPC	Leasehold/ Expiry: 19/12/2075	L: 4,430 B: 10,031	33	484,310

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 31/12/2013 (RM)
38	HS (D) 36868, Lot 25724, Mukim of Petaling	SS2 (AIBB/HPC) No. 161, Jalan SS2/24 47300 Petaling Jaya Selangor Darul Ehsan	3 Storey Shop House/ Branch Premises (SS2) HPC	Freehold	L: 2,268 B: 8,902	33	833,253
39	Lot 247 & 248 Section 49 Lease State of Land	Lot 247 & 248 Section 49, KTLD, Jln Tunku Abdul Rahman 93100 Kuching	2 Units 4 Storey Shop Office/Branch Premises (Kuching) CRC/HPC	Leasehold/ Expiry: 24/07/2044	L: 2,500 B: 9,405	27	925,316
40	Serdang District of Petaling	No. 36, Jln PSK 3 Pusat Perdagangan Seri Kembangan 43300 Seri Kembangan Selangor Darul Ehsan	3 Storey Shop Office/ Branch Premises (Seri Kembangan) CRC	Freehold	L: 3,563 B: 10,684	13	1,362,675
41	Unit No. P01-01-32 Unit No. P01-02-32 Unit No. P01-03-32 Unit No. P01-04-32 Unit No. P01-05-32 Grant 61929/M1 Menara B/4/257, Lot No. 1594 Seksyen 2 Bandar Tanjong Tokong	Fettes Park 98-G-32 to 98-3A-32 Block 32 Prima Tanjung Business Centre Jln Tanjong Tokong 10470 Pulau Pinang Pulau Pinang	5 Storey Shophouse	Freehold	L: 1,037 B: 7,732	13	1,793,780
42	PTD 112746 & 112747 Mukim of Plentong District of Johor Bahru	No. 40 & 41 Pusat Perdagangan Pasir Gudang Jln Bandar 81700 Pasir Gudang Johor Darul Takzim	2 units 2 Storey Shop Office/Vacant	Leasehold/ Expiry: 20/09/2084	L: 2,800 B: 4,327	18	583,520
43	Lot 1 Mukim of Padang Cina District of Kulim	Suite B4 KHTP Business Centre Kulim Hi-Tech Park 09000 Kulim Kedah Darul Aman	Office/Commercial Complex (ground floor KHTP Business Centre & 5 Storey Shop Office) unoccupied	Freehold	L: 9,064 B: 9,064	15	1,892,644
44	H.S.(D) 16878, P.T. 20871 & H.S.(D) 16879 P.T. 20872 Mukim of Ampang District of Hulu Langat	No. 1 & 3 Jln Pandan Indah 4/2 Pandan Indah 55100 Kuala Lumpur W. Persekutuan	2 units 3 1/2 storey Apartment/Vacant	Leasehold/ Expiry: 14/04/2087	L: 4,843 B: 16,227	20	3,074,751

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 31/12/2013 (RM)
45	Lot No. 8066, H.S. (D) 895 Grant No. 48649, No. PT 1201 Mukim Padang China District of Kulim	Lot E189 Kulim Golf & Country Resort Kulim, Kedah Darul Aman	Vacant Land	Freehold	L: 9,534	13	162,078
46	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, Daerah Port Dickson	Corus Lagoon Apartment Unit B-L3-06 Batu 2, Jln Pantai 71000 Port Dickson Negeri Sembilan Darul Khusus	1 Unit Apartment	Leasehold/ Expiry: 06/07/2087	L: N/A B: 792	13	141,852
47	Title No. 35120 Lot No. 86, Section 2 Batu Feringghi North East District of Penang New Title: Lot No. 666, Geran HBM 107/ M1/22/124, Mukim Bandar Batu Peringgi Sek. 2, Daerah Timur Laut, Negeri Pulau Pinang	Sri Sayang Resort Apartment Unit No. 22-06, 22nd storey Batu Feringghi Pulau Pinang	1 unit 3 Bedroom Apartment	Freehold	L: N/A B: 911	13	173,901
48	HS(D) 1772 Pt 2851 Mukim of Kijal District of Kemaman	Awana Kijal Beach Resort Apartment 13B, Baiduri Apartment KM 28, Jln Kemaman-Dungun 24100 Kijal Terengganu Darul Naim	1 Unit 2 Bedroom Apartment	Leasehold/ Expiry: 27/11/2091	L: N/A B: 892	13	137,760
		19A, Baiduri Apartment KM 28, Jln Kemaman-Dungun 24100 Kijal Terengganu Darul Naim	1 unit 3 Bedroom Apartment	Leasehold/ Expiry: 27/11/2091	L: N/A B: 1,107		170,371
49	HS(D) 807 & 808 P.T. 2592 & 2593 District of Seberang Perai Utara	No. 55 & 57, Taman Selat Jln Bagan Luar 12710 Butterworth Pulau Pinang	2 units 4 Storey Shop Office Branch Premises	Freehold	L: 4,779.2 B: 13,760	28	1,473,227

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 31/12/2013 (RM)
50	HS(M) 2926 & 2925 P.T. 21346 & 21345 Mukim of Petaling District of W. Persekutuan	No. 10 & 12 Jln Radin Tengah Bandar Baru Seri Petaling 57000 Kuala Lumpur	2 units 3 Storey Shop Office/Branch Premises	Freehold	L: 3,840 B: 11,520	30	543,046
51	HS(D) 16521 & 16496 P.T. 8912/1367 & P.T. 8912/1366 Mukim of Kuala Lumpur District of Petaling	No. 20 & 22 Jln 21/12, Sea Park 46730 Petaling Jaya Selangor Darul Ehsan	2 Units 2 Storey Shop Office with basement/ Branch Premises (Sea Park)	Freehold	L: 3,230 B: 9,750	29	1,401,263
52	Town Lease : 107516432, 107516441, 107516450 District of Tawau	TB 281, 282 & 283 Jln Hj Karim Town Extension 11 91008 Tawau Sabah	3 Units 4 Storey Shop Office/Branch Premises (Tawau)	Leasehold/ Expiry: 31/12/2895	L: 6,720 B: 13,440	29	1,473,792
53	PT. Nos. 3672, 3673, 3674, 3675, 3676 & 3677 Mukim of Damansara District of Petaling Title No. HS(D) 78045, 78046 78047, 78048, 78049 & 78050	41, 43, 43, 47, 49 & 51 Jalan SS 6/12 Kelana Jaya 47301 Petaling Jaya Selangor Darul Ehsan	6 Units 4 Storey Shop Office (Asset held for sale)	Freehold	L: 12,044 B: 46,093	29	7,300,000
54	Lot 400, Mukim of Kawasan Bandar XXXIX, District of Melaka Tengah, Melaka	No. 596 Jln Melaka Raya 10 Taman Melaka Raya Bandar Hilir 75000 Melaka	2 Storey Shop Office	Leasehold/ Expiry: 10/04/2082	L: 1,580 B: 2,790	31	272,500
							119,950,758

Analysis of shareholdings as at 28 February 2014

Size of Shareholdings	No. of Holders	%	No. of Shares	%
Less than 100	782	5.45	18,403	0.00
100 to 1,000	2,758	19.23	2,353,878	0.16
1,001 to 10,000	8,956	62.44	33,030,699	2.21
10,001 to 100,000	1,614	11.25	47,170,206	3.16
100,001 to 74,728,790*	230	1.60	109,011,024	7.29
74,728,790** and above	4	0.03	1,302,991,596	87.18
Total	**14,344**	**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 2014

	Name	Shareholdings	%
1	**LEMBAGA TABUNG ANGKATAN TENTERA (LTAT)**	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	116,422,700	7.79
5	**CITIGROUP NOMINEES (ASING) SDN BHD** CBNY FOR DIMENSIONAL EMERGING MARKETS VALUE FUND	9,734,200	0.65
6	**HSBC NOMINEES (ASING) SDN BHD** BNY BRUSSELS FOR WISDOMTREE EMERGING MARKETS SMALLCAP DIVIDEND FUND	6,591,295	0.44
7	**CITIGROUP NOMINEES (TEMPATAN) SDN BHD** EXEMPT AN FOR AIA BHD	6,176,200	0.41
8	**HSBC NOMINEES (ASING) SDN BHD** EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (U.S.A.)	4,629,700	0.31
9	**HSBC NOMINEES (ASING) SDN BHD** EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (AUSTRALIA)	3,116,300	0.21
10	**CITIGROUP NOMINEES (ASING) SDN BHD** CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC	2,329,400	0.16
11	**PUBLIC NOMINEES (ASING) SDN BHD** PLEDGED SECURITIES ACCOUNT FOR MAYLAND PARKVIEW SDN BHD (KLC)	2,154,000	0.14
12	**HSBC NOMINEES (ASING) SDN BHD** EXEMPT AN FOR THE BANK OF NEW YORK MELLON (MELLON ACCT)	1,905,600	0.13
13	**HSBC NOMINEES (ASING) SDN BHD** TNTC FOR LSV EMERGING MARKETS EQUITY FUND L.P.	1,801,000	0.12
14	**EMPLOYEES PROVIDENT FUND BOARD**	1,500,000	0.10
15	**AMANAHRAYA TRUSTEES BERHAD** AFFIN QUANTUM FUND	1,487,800	0.10

LIST OF TOP 30 SHAREHOLDERS as at 28 February 2014 (continued)

	Name	Shareholdings	%
16	**CITIGROUP NOMINEES (ASING) SDN BHD** EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-NR)	1,487,600	0.10
17	**HSBC NOMINEES (ASING) SDN BHD** BNY BRUSSELS FOR POWERSHARES DWA EMERGING MARKETS TECHNICAL LEADERS PORTFOLIO	1,316,100	0.09
18	**MAYBANK NOMINEES (TEMPATAN) SDN BHD** ETIQA INSURANCE BERHAD (LIFE PAR FUND)	1,281,000	0.09
19	**PERTUBUHAN PELADANG KEBANGSAAN**	1,250,000	0.08
20	**FANG INN**	1,218,900	0.08
21	**CITIGROUP NOMINEES (ASING) SDN BHD** CBNY FOR DFA EMERGING MARKETS SMALL CAP SERIES	1,147,100	0.08
22	**KEY DEVELOPMENT SDN BERHAD**	1,006,600	0.07
23	**DB (MALAYSIA) NOMINEE (ASING) SDN BHD** SSBT FUND NYLS FOR CITY OF NEW YORK GROUP TRUST	946,900	0.06
24	**HSBC NOMINEES (ASING) SDN BHD** EXEMPT AN FOR MORGAN STANLEY & CO. INTERNATIONAL PLC (CLIENT)	920,000	0.06
25	**HSBC NOMINEES (ASING) SDN BHD** EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (NORGES BK LEND)	870,700	0.06
26	**MAYBANK NOMINEES (TEMPATAN) SDN BHD** MAYBANK TRUSTEES BERHAD FOR AFFIN EQUITY FUND (930090)	869,600	0.06
27	**CIMSEC NOMINEES (TEMPATAN) SDN BHD** CIMB BANK FOR DATO' CHE LODIN BIN WOK KAMARUDDIN (MM0197)	808,714	0.05
28	**HSBC NOMINEES (ASING) SDN BHD** EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (U.K.)	794,000	0.05
29	**DB (MALAYSIA) NOMINEE (ASING) SDN BHD** SSBT FUND SD4N FOR GOVERNMENT OF THE PROVINCE OF ALBERTA	780,900	0.05
30	**AMANAHRAYA TRUSTEES BERHAD** AFFIN SELECT GROWTH FUND	718,000	0.05
	TOTAL	**1,359,833,205**	**90.98**

LIST OF SUBSTANTIAL SHAREHOLDERS as at 28 February 2014

	Name	Direct Shareholdings	%	Indirect Shareholdings	%
1	LEMBAGA TABUNG ANGKATAN TENTERA (LTAT)	525,834,263	35.18	309,640,407*	20.72
2	THE BANK OF EAST ASIA LIMITED	351,494,226	23.52	–	
3	BOUSTEAD HOLDINGS BERHAD (BHB)	309,240,407	20.69	400,000#	0.03
4	EMPLOYEES PROVIDENT FUND	117,922,700	7.89		

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

\# Deemed interest by virtue of BHB's interest in UAC Berhad

This page has been intentionally left blank.

AFFIN HOLDINGS BERHAD (23218-W)

(Incorporated In Malaysia)

PROXY FORM

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-Eighth Annual General Meeting of the Company to be held on Monday, 21 April 2014 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 En. Abd Malik bin A Rahman as Director		
3.	To re-elect YBhg. Tan Sri Dato' Seri Alauddin bin Dato' Mohd Sheriff as Director		
4.	To re-elect Mr. Ignatius Chan Tze Ching as Director		
5.	To re-elect Pn. Rosnah binti Omar as Director		
6.	To re-appoint YBhg. Dato' Mustafa bin Mohammad Ali as Director and that he continues to serve the Company in the capacity of an Independent Director		
7.	To approve Directors' Fees		
8.	To re-appoint Auditors and to authorise Directors to fix their remuneration		
9.	To authorise the Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965		
10.	To approve the allotment and issuance of new ordinary shares pursuant to the Dividend Reinvestment Plan		
11.	To approve the Proposed Shareholders' Mandate for Recurrent Related Party Transactions of A Revenue or Trading Nature		

Signed this __________ Day of __________ 2014.

No. of shares held:			
Proportion of shareholdings represented by proxies	First Proxy:		%
	Second Proxy:		%
			100%

____

Signature or Common Seal of Shareholder(s)

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 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 11 April 2014 shall be eligible to attend the meeting or appoint a proxy to attend and vote on his/her behalf.

Fold here

STAMP

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

Fold here

AFFIN Holdings Berhad (23218-W)
7th Floor, Chulan Tower
3, Jalan Conlay
50450 Kuala Lumpur

Tel: 03 2142 9569
Fax: 03 2143 1057

www.affin.com.my