

**AFFIN HOLDINGS BERHAD**  
(Company no. 23218 - W)  
**Condensed Interim Financial Statements**  
**Unaudited Statements of Financial Position As At 30 June 2013**

	Note	< ----- GROUP ----- >		< ----- COMPANY ----- >	
		30/06/2013 RM'000	31/12/2012 RM'000	30/06/2013 RM'000	31/12/2012 RM'000
<b>ASSETS</b>					
Cash and short-term funds		8,074,396	7,359,658	245,083	33,209
Deposits and placements with banks and other financial institutions		416,041	492,356	4,420	101,958
Reverse repurchase agreements with financial institutions		-	20,057	-	-
Trade receivables	A9	158,012	213,751	-	-
Financial assets held-for-trading	A10	-	165,592	-	-
Financial investments available-for-sale	A10	9,726,663	9,404,237	-	-
Financial investments held-to-maturity	A10	646,780	548,324	-	-
Derivative financial assets		51,335	66,015	-	-
Loans, advances and financing	A11	35,401,125	34,163,168	-	-
Other assets	A12	71,749	313,277	321	346
Statutory deposits with Bank Negara Malaysia		1,506,336	1,507,480	-	-
Amount due from subsidiaries		-	-	904,852	904,960
Amount due from associate		67,231	67,240	67,231	67,240
Investment in subsidiaries		-	-	3,582,882	3,582,882
Investment in jointly controlled entities		130,395	129,788	146,880	146,880
Investment in associate		190,373	183,696	10,597	10,597
Tax recoverable		20,394	14,775	5,328	5,021
Deferred tax assets		460	-	-	-
Property and equipment		169,112	178,093	573	659
Intangible assets		1,011,005	1,006,784	2	4
<b>TOTAL ASSETS</b>		<b>57,641,407</b>	<b>55,834,291</b>	<b>4,968,169</b>	<b>4,853,756</b>
<b>LIABILITIES AND EQUITY</b>					
Deposits from customers	B8	43,186,438	42,944,986	-	-
Deposits and placements of banks and other financial institutions	B8	5,926,741	4,588,209	-	-
Bills and acceptances payable		74,712	152,400	-	-
Trade payables		150,662	213,690	-	-
Derivative financial liabilities		71,730	59,560	-	-
Recourse obligation on loans sold to Cagamas Berhad		405,859	413,549	-	-
Other liabilities	A13	446,500	364,964	4,899	5,829
Provision for taxation		70,523	63,751	-	-
Deferred tax liabilities		14,818	16,335	143	143
Amount due to subsidiaries		-	-	400,258	400,258
Borrowings	B8	972,381	972,343	972,381	972,343
<b>TOTAL LIABILITIES</b>		<b>51,320,364</b>	<b>49,789,787</b>	<b>1,377,681</b>	<b>1,378,573</b>
<b>EQUITY</b>					
Share capital		1,494,576	1,494,576	1,494,576	1,494,576
Reserves:-					
Share premium		1,400,410	1,400,410	1,400,410	1,400,410
Statutory reserves		1,293,665	1,293,665	-	-
AFS revaluation reserves		75,163	108,763	-	-
Retained profits		2,057,229	1,747,090	695,502	580,197
<b>TOTAL EQUITY</b>		<b>6,321,043</b>	<b>6,044,504</b>	<b>3,590,488</b>	<b>3,475,183</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>57,641,407</b>	<b>55,834,291</b>	<b>4,968,169</b>	<b>4,853,756</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		<b>18,125,344</b>	<b>19,096,585</b>	<b>-</b>	<b>-</b>
<b>NET ASSETS PER SHARE (RM)</b>		<b>4.23</b>	<b>4.04</b>		

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2012.

**AFFIN HOLDINGS BERHAD**

(Company no. 23218 - W)

**Condensed Interim Financial Statements**

**Unaudited Income Statements For The Financial Period Ended 30 June 2013**

<u>Group</u>	Note	<---Individual Quarter Ended --->		<---Cumulative Quarter Ended --->	
		30/06/2013 RM'000	30/06/2012 RM'000	30/06/2013 RM'000	30/06/2012 RM'000
<b>Revenue</b>		<b>757,118</b>	729,881	<b>1,489,880</b>	<b>1,447,152</b>
Interest income	A14	552,698	519,716	1,083,247	1,034,065
Interest expense	A15	(323,109)	(294,495)	(632,180)	(593,104)
<b>Net interest income</b>		<b>229,589</b>	225,221	<b>451,067</b>	440,961
Net Islamic banking income		54,693	52,647	109,660	103,771
Other operating income	A16	96,659	98,000	192,377	193,022
<b>Net income</b>		<b>380,941</b>	375,868	<b>753,104</b>	737,754
Other operating expenses	A17	(173,636)	(173,131)	(346,071)	(345,795)
<b>Operating profit before allowance for impairment on loans, advances and financing</b>		<b>207,305</b>	202,737	<b>407,033</b>	391,959
Allowance for impairment on loans, advances and financing	A18	17,552	2,446	30,670	6,580
Allowance for impairment on other assets	A19	(499)	(303)	(344)	9,387
<b>Operating profit</b>		<b>224,358</b>	204,880	<b>437,359</b>	407,926
Finance cost		(10,618)	(10,254)	(21,119)	(19,596)
Share of results of jointly controlled entities		(279)	(856)	212	(183)
Share of results of associate		5,383	1,710	5,917	21,277
<b>Profit before taxation and zakat</b>		<b>218,844</b>	195,480	<b>422,369</b>	409,424
Taxation	B6	(50,643)	(48,261)	(103,117)	(96,079)
Zakat		(8,896)	(6,391)	(9,113)	(6,492)
<b>Net profit for the financial period attributable to equity holders of the Company</b>		<b>159,305</b>	140,828	<b>310,139</b>	306,853
Earnings per share attributable to the equity holders of the Company (sen)					
- Basic and fully diluted	B12	<b>10.66</b>	9.42	<b>20.75</b>	20.53

*The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2012.*

**AFFIN HOLDINGS BERHAD**  
 (Company no. 23218 - W)  
**Condensed Interim Financial Statements**  
**Unaudited Statement of Comprehensive Income**  
**For The Financial Period Ended 30 June 2013**

<u>Group</u>	<---Individual Quarter Ended --->		<---Cumulative Quarter Ended --->	
	30/06/2013 RM'000	30/06/2012 RM'000	30/06/2013 RM'000	30/06/2012 RM'000
<b>Profit after taxation and zakat</b>	<b>159,305</b>	<b>140,828</b>	<b>310,139</b>	<b>306,853</b>
<b>Other comprehensive income:</b>				
- Net fair value change in financial investments available-for-sale	(32,594)	(8,029)	(43,896)	(8,987)
- Deferred tax on revaluation of financial investments available-for-sale	6,892	1,804	10,296	2,802
<b>Other comprehensive income for the period, net of tax</b>	<b>(25,702)</b>	<b>(6,225)</b>	<b>(33,600)</b>	<b>(6,185)</b>
<b>Total comprehensive income for the financial period attributable to the equity holders of the Company</b>	<b>133,603</b>	<b>134,603</b>	<b>276,539</b>	<b>300,668</b>

*The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2012.*

**AFFIN HOLDINGS BERHAD**  
(Company no. 23218 - W)  
**Condensed Interim Financial Statements**  
**Unaudited Income Statements For The Financial Period Ended 30 June 2013**

<u>Company</u>	<---Individual Quarter Ended --->		<---Cumulative Quarter Ended --->	
	30/06/2013 RM'000	30/06/2012 RM'000	30/06/2013 RM'000	30/06/2012 RM'000
<b>Revenue</b>	<b>104,482</b>	<b>12,961</b>	<b>151,073</b>	<b>113,301</b>
Interest income	13,382	12,961	25,968	25,780
Interest expense	-	-	-	-
<b>Net interest income</b>	<b>13,382</b>	<b>12,961</b>	<b>25,968</b>	<b>25,780</b>
Net Islamic banking income	-	-	-	-
Other operating income	91,100	-	125,105	87,521
<b>Net income</b>	<b>104,482</b>	<b>12,961</b>	<b>151,073</b>	<b>113,301</b>
Other operating expenses	(3,463)	(2,400)	(5,412)	(4,325)
<b>Operating profit before allowance for impairment on loans, advances and financing</b>	<b>101,019</b>	<b>10,561</b>	<b>145,661</b>	<b>108,976</b>
Allowance for impairment on loans, advances and financing	-	-	-	-
Allowance for impairment on other assets	-	-	-	-
<b>Operating profit</b>	<b>101,019</b>	<b>10,561</b>	<b>145,661</b>	<b>108,976</b>
Finance cost	(10,618)	(10,254)	(21,119)	(19,596)
<b>Profit before taxation and zakat</b>	<b>90,401</b>	<b>307</b>	<b>124,542</b>	<b>89,380</b>
Taxation	(766)	154	(9,237)	(4,090)
<b>Net profit for the financial period attributable to equity holders of the Company</b>	<b>89,635</b>	<b>461</b>	<b>115,305</b>	<b>85,290</b>

*The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2012.*

**AFFIN HOLDINGS BERHAD**  
 (Company no. 23218 - W)  
**Condensed Interim Financial Statements**  
**Unaudited Statement of Comprehensive Income**  
**Unaudited Income Statements For The Financial Period Ended 30 June 2013**

<u>Company</u>	<---Individual Quarter Ended --->		<---Cumulative Quarter Ended --->	
	30/06/2013	30/06/2012	30/06/2013	30/06/2012
	RM'000	RM'000	RM'000	RM'000
Profit after taxation and zakat	89,635	461	115,305	85,290
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the financial period attributable to equity holders of the Company</b>	<b>89,635</b>	<b>461</b>	<b>115,305</b>	<b>85,290</b>

*The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2012.*

**AFFIN HOLDINGS BERHAD**  
(Company no. 23218 - W)  
**Unaudited Condensed Consolidated Statement Of Changes In Equity**  
**For The Financial Period Ended 30 June 2013**

	←-----Attributable to Equity Holders of the Company-----→							
	Issued and fully paid ordinary shares of RM1 each		Number of shares '000	Nominal value RM'000	Share premium RM'000	Statutory reserves RM'000	AFS revaluation reserves RM'000	Retained profits RM'000
<b>GROUP</b>								
<b>At 1 January 2013</b>	1,494,576	1,494,576	1,494,576	1,400,410	1,293,665	108,763	1,747,090	6,044,504
Comprehensive income:								
- Net profit for the financial period	-	-	-	-	-	-	310,139	310,139
Other comprehensive income (net of tax):								
- Financial investments available-for-sale	-	-	-	-	-	(33,600)	-	(33,600)
Total comprehensive income for the financial period	-	-	-	-	-	(33,600)	310,139	276,539
<b>At 30 June 2013</b>	<b>1,494,576</b>	<b>1,494,576</b>	<b>1,494,576</b>	<b>1,400,410</b>	<b>1,293,665</b>	<b>75,163</b>	<b>2,057,229</b>	<b>6,321,043</b>
<b>At 1 January 2012</b>	1,494,576	1,494,576	1,494,576	1,400,410	1,127,843	102,339	1,467,056	5,592,224
Comprehensive income:								
- Net profit for the financial period	-	-	-	-	-	-	306,853	306,853
Other comprehensive income (net of tax):								
- Financial investments available-for-sale	-	-	-	-	-	(6,185)	-	(6,185)
Total comprehensive income for the financial period	-	-	-	-	-	(6,185)	306,853	300,668
<b>At 30 June 2012</b>	<b>1,494,576</b>	<b>1,494,576</b>	<b>1,494,576</b>	<b>1,400,410</b>	<b>1,127,843</b>	<b>96,154</b>	<b>1,773,909</b>	<b>5,892,892</b>

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2012.

**AFFIN HOLDINGS BERHAD**  
(Company no. 23218 - W)  
**Unaudited Condensed Statement Of Changes In Equity**  
**For The Financial Period Ended 30 June 2013**

<u>COMPANY</u>	←-----Attributable to Equity Holders of the Company----->				
	Issued and fully paid ordinary shares of RM1 each		Non-distributable		Distributable
	Number of shares '000	Nominal value RM'000	Share premium RM'000	Retained profits RM'000	Total Equity RM'000
<b>At 1 January 2013</b>	1,494,576	1,494,576	1,400,410	580,197	3,475,183
Total comprehensive income for the financial period:					
- Net profit for the financial period	-	-	-	115,305	115,305
<b>At 30 June 2013</b>	<b>1,494,576</b>	<b>1,494,576</b>	<b>1,400,410</b>	<b>695,502</b>	<b>3,590,488</b>
<b>At 1 January 2012</b>	1,494,576	1,494,576	1,400,410	482,961	3,377,947
Total comprehensive income for the financial period:					
- Net profit for the financial period	-	-	-	85,290	85,290
<b>At 30 June 2012</b>	<b>1,494,576</b>	<b>1,494,576</b>	<b>1,400,410</b>	<b>4,031,488</b>	<b>3,463,237</b>

*The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2012.*

**AFFIN HOLDINGS BERHAD**  
(Company no. 23218 - W)  
**Unaudited Condensed Consolidated Statement of Cash Flow**  
**For The Financial Period Ended 30 June 2013**

	< ----- 6 months Ended ----- >	
	30/06/2013	30/06/2012
	RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation and zakat	422,369	409,424
Adjustment for non-operating and non-cash items	(132,248)	(154,664)
Operating profit before changes in working capital	<u>290,121</u>	<u>254,760</u>
Net changes in operating assets	(715,614)	(2,150,906)
Net changes in operating liabilities	1,506,117	308,949
Payment of tax and zakat	(95,255)	(45,853)
Tax refund	30	2
Net cash generated from / (used in) operating activities	<u>985,399</u>	<u>(1,633,048)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received from securities	147,166	152,030
Net (purchase) / disposal of:		
- securities	(440,469)	(385,649)
- property and equipment	(5,372)	(16,064)
- intangible assets	(864)	(1,335)
Dividend received from:		
- financial investments held-to-maturity/available-for-sale	8,208	2,501
Proceeds from disposal of property and equipment	4,147	2,897
Proceeds from disposal of foreclosed properties	6,572	10,566
Subscription of shares in a jointly controlled entity	(150)	-
Amount due from associate	9	32
Net cash used in investing activities	<u>(280,753)</u>	<u>(235,022)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in borrowings	38	302,728
Net cash generated from financing activities	<u>38</u>	<u>302,728</u>
Net increase in cash and cash equivalents	704,684	(1,565,342)
Cash and cash equivalents at beginning of the period	7,359,658	9,675,118
Cash and cash equivalents at end of the period	<u>8,064,342</u>	<u>8,109,776</u>
<u>Analysis of cash &amp; cash equivalent</u>		
Cash and short-term funds	8,074,396	8,119,690
Adjustment for money held in trust on behalf of remisers	(10,054)	(9,914)
	<u>8,064,342</u>	<u>8,109,776</u>

*The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2012.*



**Part A - Explanatory Notes pursuant to Malaysian Financial Reporting Standard ("MFRS 134") and Revised Guidelines on Financial Reporting for Banking Institutions ("BNM/GP8") issued by Bank Negara Malaysia**

**A1. BASIS OF PREPARATION**

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

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

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

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Company for the year ended 31 December 2012. The explanatory notes to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the Group since the year ended 31 December 2012.

**A2. ACCOUNTING POLICIES AND METHODS OF COMPUTATIONS**

The significant accounting policies and methods of computation applied in the condensed interim financial statements are consistent with those applied in the annual financial statements for the year ended 31 December 2012 except for the adoption of the following new/revised Malaysian Financial Reporting Standards ("MFRS"), Amendments to MFRSs that are applicable and effective to the Group for the financial year beginning 1 January 2013 :-

MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interest in Other Entities
MFRS 13	Fair Value Measurement
The revised MFRS 127	Separate Financial Statements
The revised MFRS 128	Investments in Associates and Joint Ventures
Amendments to MFRS 7	Financial Instruments : Disclosure
Amendments to MFRS 101	Presentation of items of Other Comprehensive Income

The adoption of these standards and amendments does not have any impact to the result of the Group and the Company for the period under review.

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

The auditors' report on the audited financial statements for the financial year ended 31 December 2012 was not subjected to any qualification.

**A4. SEASONAL OR CYCLICAL FACTORS**

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

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

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

**A6. CHANGES IN ESTIMATES**

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

**A7. DEBT AND EQUITY SECURITIES**

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

**A8. DIVIDENDS PAID**

No dividend has been paid during the quarter under review.

**A9. TRADE RECEIVABLES**

	Group	
	30/06/2013 RM'000	31/12/2012 RM'000
Amount due from stock-broking clients	98,862	129,025
Amount due from Bursa Securities Clearing Sdn Bhd	60,639	86,856
Management fees receivable on fund management	2,110	1,466
	161,611	217,347
Less: Allowance for impairment		
- Collective impairment	(18)	(21)
- Individual impairment	(3,581)	(3,575)
	158,012	213,751

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

**Collective impairment**

Balance at the beginning of financial period/year	21	211
Allowance made during the financial period/year	110	(190)
Amount recovered during the financial period/year	(113)	-
Balance at the end of financial period/year	18	21

**Individual impairment**

Balance at the beginning of financial period/year	3,575	3,572
Allowance made during the financial period/year	103	161
Amount recovered during the financial period/year	(97)	(158)
Balance at the end of financial period/year	3,581	3,575

**A10. FINANCIAL ASSETS**

	<b>Group</b>	
	<b>30/06/2013</b>	<b>31/12/2012</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(a) <u>Financial assets held-for-trading</u></b>		
<b>At fair value</b>		
Negotiable Instruments of Deposit	-	150,276
Unquoted Securities		
- Private Debt Securities in Malaysia	-	15,316
<b>Total financial assets held-for-trading</b>	<b>-</b>	<b>165,592</b>
<b>(b) <u>Financial investments available-for-sale</u></b>		
<b>At fair value</b>		
Malaysian Government Securities	30,445	35,574
Malaysian Government Investment Issuance	2,598,408	2,441,657
Cagamas Bonds	131,579	151,524
Sukuk Perumahan Kerajaan	307,439	150,689
Khazanah Bonds	237,148	193,746
Bankers' Acceptance and Islamic Acceptance Bills	125,779	163,751
Bank Negara Malaysia Notes	847,214	884,069
Negotiable Instruments of Deposit and Islamic Debt Certificate	190,673	209,934
	<b>4,468,685</b>	<b>4,230,944</b>
Quoted Securities		
- Shares in Malaysia	29,105	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	153,096	151,946
- Private Debt Securities in Malaysia	4,468,480	4,458,510
- Private Debt Securities outside Malaysia	694,004	619,432
	<b>9,815,537</b>	<b>9,500,556</b>
Allowance for impairment of securities	(88,874)	(96,319)
<b>Total financial investments available-for-sale</b>	<b>9,726,663</b>	<b>9,404,237</b>
<b>(c) <u>Financial investments held-to-maturity</u></b>		
<b>At amortised cost</b>		
Quoted Securities		
- Private Debt Securities in Malaysia	31,781	31,781
Unquoted Securities		
- Private Debt Securities in Malaysia	677,037	578,691
- Redeemable Convertible Unsecured Loan Stock in Malaysia	1,554	1,554
	<b>710,372</b>	<b>612,026</b>
Allowance for impairment of securities	(63,592)	(63,702)
<b>Total financial investments held-to-maturity</b>	<b>646,780</b>	<b>548,324</b>
<b>Total securities held</b>	<b>10,373,443</b>	<b>10,118,153</b>

**A11. LOANS, ADVANCES AND FINANCING**

	Group	
	30/06/2013	31/12/2012
	RM'000	RM'000
<b>(a) <u>BY TYPE</u></b>		
Overdrafts	1,837,922	1,834,204
Term loans/financing		
- Housing loans/financing	5,361,584	5,176,283
- Syndicated term loans/financing	1,807,654	1,758,162
- Hire purchase receivables	10,045,100	9,595,286
- Business term loans/financing	12,257,444	11,476,993
Bills receivables	156,524	452,075
Trust receipts	368,179	435,425
Claims on customers under acceptance credits	999,113	1,040,695
Staff loans/financing (of which RM NIL to Directors)	147,544	150,823
Credit/charge cards	81,115	85,258
Revolving credit	2,841,968	2,688,873
Margin financing	44,711	26,342
Factoring	6,140	4,186
<b>Gross loans, advances and financing</b>	<b>35,954,998</b>	<b>34,724,605</b>
Less: Allowance for impairment		
- Collective impairment	(333,325)	(330,797)
- Individual impairment	(220,548)	(230,640)
<b>Total net loans, advances and financing</b>	<b>35,401,125</b>	<b>34,163,168</b>
<b>(b) <u>BY MATURITY STRUCTURE</u></b>		
Maturing within one year	6,831,695	7,310,427
One year to three years	4,901,783	3,888,636
Three years to five years	6,589,801	7,203,938
Over five years	17,631,719	16,321,604
	<b>35,954,998</b>	<b>34,724,605</b>
<b>(c) <u>BY TYPE OF CUSTOMER</u></b>		
Domestic banking institutions	-	1,335
Domestic non-banking institutions		
- Stock-broking companies	246	253
- Others	1,573,457	1,702,223
Domestic business enterprises		
- Small medium enterprises	5,750,535	5,185,194
- Others	13,340,692	12,885,089
Government and statutory bodies	113,207	117,523
Individuals	14,499,264	14,014,481
Other domestic entities	217,658	128,982
Foreign entities	459,939	689,525
	<b>35,954,998</b>	<b>34,724,605</b>
<b>(d) <u>BY INTEREST / PROFIT RATE SENSITIVITY</u></b>		
Fixed rate		
- Housing loans/financing	313,883	312,170
- Hire purchase receivables	10,045,101	9,595,286
- Other fixed rate loans/financing	4,491,779	4,240,497
- Margin financing	18,751	26,342
Variable rate		
- BLR plus	13,794,260	13,680,021
- Cost plus	7,291,224	6,870,289
	<b>35,954,998</b>	<b>34,724,605</b>

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

	Group	
	30/06/2013	31/12/2012
<b>(e) <u>BY ECONOMIC PURPOSE</u></b>		
Construction	2,165,388	2,119,630
Purchase of landed property of which :-		
- Residential	5,274,437	5,202,552
- Non-residential	5,387,124	4,738,255
Purchase of securities	172,553	137,344
Purchase of transport vehicles	10,676,274	10,032,763
Fixed assets other than land and building	205,308	330,383
Personal use	912,218	964,440
Credit card	81,115	85,258
Consumer durable	817	860
Merger and acquisition	380,142	615,084
Working capital	10,195,563	9,859,245
Others	504,059	638,791
	<b>35,954,998</b>	<b>34,724,605</b>
<b>(f) <u>BY SECTOR</u></b>		
Primary agriculture	557,348	611,421
Mining and quarrying	640,779	473,549
Manufacturing	2,662,895	2,675,086
Electricity, gas and water supply	371,848	596,854
Construction	3,278,596	3,122,642
Real estate	4,462,328	3,789,840
Wholesale and retail trade and restaurants and hotels	1,932,048	1,799,305
Transport, storage and communication	2,037,036	1,880,894
Finance, insurance and business services	3,996,233	4,220,105
Education, health and others	1,328,078	1,326,793
Household	14,645,230	14,157,675
Others	42,579	70,441
	<b>35,954,998</b>	<b>34,724,605</b>
<b>(g) <u>BY GEOGRAPHICAL DISTRIBUTION</u></b>		
Perlis	114,083	84,463
Kedah	1,059,324	1,051,167
Pulau Pinang	1,703,319	1,665,271
Perak	1,101,931	1,037,353
Selangor	11,228,638	10,992,142
Wilayah Persekutuan	10,564,274	10,150,522
Negeri Sembilan	785,975	754,375
Melaka	817,620	767,272
Johor	3,044,236	2,825,308
Pahang	761,004	679,379
Terengganu	1,064,921	844,224
Kelantan	242,986	243,555
Sarawak	1,086,211	995,737
Sabah	1,565,150	1,533,859
Labuan	528,912	187,347
Outside Malaysia	286,414	912,631
	<b>35,954,998</b>	<b>34,724,605</b>

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

	Group	
	30/06/2013 RM'000	31/12/2012 RM'000
<b>(h) <u>IMPAIRED LOANS, ADVANCES AND FINANCING</u></b>		
<b>(i) <u>Movements of impaired loans, advances and financing</u></b>		
Balance at the beginning of financial period/year	790,438	882,958
Classified as impaired during the financial period/year	199,268	558,599
Reclassified as non-impaired during the financial period/year	(143,076)	(375,518)
Amount recovered during the financial period/year	(73,481)	(126,485)
Amount written-off during the financial period/year	(22,064)	(149,116)
Balance at the end of financial period/year	<b>751,085</b>	<b>790,438</b>
<b>(ii) <u>Impaired loans, advances and financing by economic purpose</u></b>		
Construction	63,640	61,437
Purchase of landed property of which :-		
- Residential	298,632	329,360
- Non-residential	18,330	26,575
Purchase of securities	11,898	13,800
Purchase of transport vehicles	67,614	54,781
Fixed assets other than land and building	3,030	5,063
Personal use	11,213	6,738
Credit card	401	508
Consumer durable	34	29
Working capital	261,608	280,983
Others	14,685	11,164
	<b>751,085</b>	<b>790,438</b>
<b>(iii) <u>Impaired loans, advances and financing by sector</u></b>		
Primary agriculture	6,449	7,482
Mining and quarrying	62	62
Manufacturing	61,428	73,295
Electricity, gas and water supply	26	1,641
Construction	180,336	181,800
Real estate	190	3,797
Wholesale and retail trade and restaurants and hotels	41,927	40,735
Transport, storage and communication	7,182	7,212
Finance, insurance and business services	61,573	63,880
Education, health and others	1,744	4,107
Household	384,019	399,141
Others	6,149	7,286
	<b>751,085</b>	<b>790,438</b>

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

	Group	
	30/06/2013	31/12/2012
	RM'000	RM'000
<b>(h) <u>IMPAIRED LOANS, ADVANCES AND FINANCING (cont.)</u></b>		
<b>(iv) <u>Impaired loans, advances and financing by geographical distribution</u></b>		
Perlis	261	138
Kedah	24,154	24,622
Pulau Pinang	16,703	18,684
Perak	13,431	20,754
Selangor	371,433	382,049
Wilayah Persekutuan	124,343	142,360
Negeri Sembilan	32,898	31,248
Melaka	7,278	7,452
Johor	44,682	52,426
Pahang	10,253	10,058
Terengganu	3,066	3,681
Kelantan	5,030	4,153
Sarawak	6,302	5,741
Sabah	11,903	10,460
Labuan	1	21
Outside Malaysia	79,347	76,591
	<b>751,085</b>	<b>790,438</b>
<b>(v) <u>Movements in allowance for impairment on loans, advances and financing</u></b>		
<b>Collective impairment</b>		
Balance at the beginning of financial period/year	330,797	462,953
Allowance (net of write-back) made during the financial period/year	11,597	3,486
Amount written-off during the financial period/year	(9,069)	(135,642)
Balance at the end of financial period/year	<b>333,325</b>	<b>330,797</b>
<b>Individual impairment</b>		
Balance at the beginning of financial period/year	230,640	179,878
Allowance made during the financial period/year	11,473	80,860
Amount recovered during the financial period/year	(2,238)	(2,716)
Allowance written-off during the financial period/year	(12,975)	(13,362)
Unwinding discount of allowance	(6,352)	(14,020)
Balance at the end of financial period/year	<b>220,548</b>	<b>230,640</b>
<b>A12. OTHER ASSETS</b>		
Cheque clearing accounts	4,703	233,351
Foreclosed properties	19,495	26,745
Other debtors, deposits and prepayments	44,776	50,436
Amount due from jointly controlled entities	2,745	2,745
	<b>71,719</b>	<b>313,277</b>
<b>A13. OTHER LIABILITIES</b>		
Bank Negara Malaysia and Credit Guarantee Corporation Funding Programmes	29,029	28,644
Margin and collateral deposits	95,176	82,131
Trust accounts for remisers	10,054	9,517
Cheque clearing accounts	86,854	-
Defined contribution plan	12,820	13,688
Accrued employee benefits	1,500	1,381
Other creditors and accruals	193,466	219,174
Provision for zakat	17,601	10,429
	<b>446,500</b>	<b>364,964</b>

**A14. INTEREST INCOME**

	<-----Group----->			
	Individual Quarter Ended 30/06/2013 RM'000	30/06/2012 RM'000	Cumulative Quarter Ended 30/06/2013 RM'000	30/06/2012 RM'000
Loans, advances and financing	410,227	384,366	810,049	755,999
Money at call and deposit with financial institutions	44,946	37,062	81,273	80,012
Reverse repurchase agreements with financial institutions	37	-	188	-
Financial assets held-for-trading	20	32	149	190
Financial investments available-for-sale	68,821	68,186	133,279	137,920
Financial investments held-to-maturity	5,092	7,241	10,160	14,110
Derivatives	18,940	19,130	38,813	39,843
Subordinated term loan	1,322	1,322	2,630	2,645
Others	9	11	30	(18)
	<b>549,414</b>	<b>517,350</b>	<b>1,076,571</b>	<b>1,030,701</b>
Amortisation of premium less accretion of discount	3,284	2,366	6,676	3,364
	<b>552,698</b>	<b>519,716</b>	<b>1,083,247</b>	<b>1,034,065</b>
The above interest income includes interest/income earned on impaired loans, advances and financing				
- Unwinding discount of allowance (Net)	2,725	3,585	2,320	3,398

**A15. INTEREST EXPENSE**

Deposits and placements of banks and other financial institutions	29,570	40,778	53,806	68,348
Deposits from customers	266,964	227,785	524,828	470,351
Loans sold to Cagamas Berhad	4,824	4,999	9,673	10,035
Derivatives	20,838	20,571	42,306	43,216
Others	913	362	1,567	1,154
	<b>323,109</b>	<b>294,495</b>	<b>632,180</b>	<b>593,104</b>



**A16. OTHER OPERATING INCOME**

	-----Group-----			
	Individual Quarter Ended 30/06/2013 RM'000	30/06/2012 RM'000	Cumulative Quarter Ended 30/06/2013 RM'000	30/06/2012 RM'000
<u>Fee income:</u>				
Net brokerage	24,698	12,314	38,835	27,190
Underwriting fees	-	228	199	340
Portfolio management fees	3,709	2,643	7,205	5,315
Corporate advisory fees	1,954	4,082	3,472	5,308
Commission	3,358	3,286	6,763	6,489
Service charges and fees	14,132	13,809	32,463	32,312
Guarantee fees	5,319	5,455	10,169	10,801
Arrangement fees	5,090	1,125	7,255	5,525
Agency fees	491	340	1,443	674
Other fee income	950	7,420	1,076	7,871
	59,701	50,702	108,880	101,825
<u>Income from financial instruments:</u>				
Gains/(losses) on financial assets held-for-trading				
- net gain on disposal	530	395	2,447	3,137
- unrealised losses	384	(39)	445	(128)
Gains/(losses) on derivatives				
- realised	797	1,017	1,342	1,594
- unrealised	(233)	3,356	4,523	8,501
Gains arising on financial investments available-for-sale				
- net gain on disposal	7,537	12,620	19,282	23,352
- gross dividend income	8,114	2,700	8,208	2,961
Gains arising on financial investments held-to-maturity				
- net gain on redemption	116	2	3,329	145
- gross dividend income	-	(3)	-	-
	17,245	20,048	39,576	39,562
<u>Other income:</u>				
Foreign exchange gains/(losses):				
- realised	35,892	71,680	66,120	46,421
- unrealised	(19,233)	(53,029)	(30,812)	(13,101)
Rental income	407	395	802	849
Gains on disposal of property and equipment	117	655	3,197	1,023
Gains on disposal of foreclosed properties	62	2,018	8	7,631
Other non-operating income	2,468	5,531	4,606	8,812
	19,713	27,250	43,921	51,635
<b>Total Other operating income</b>	<b>96,659</b>	<b>98,000</b>	<b>192,377</b>	<b>193,022</b>

**A17. OTHER OPERATING EXPENSES**

	←-----Group-----→			
	Individual Quarter Ended		Cumulative Quarter Ended	
	30/06/2013 RM'000	30/06/2012 RM'000	30/06/2013 RM'000	30/06/2012 RM'000
<u>Personnel costs</u>				
Wages, salaries and bonus	80,807	79,413	164,039	159,028
Defined contribution plan	13,158	12,911	26,663	25,885
Other personnel costs	10,852	11,580	21,531	20,648
	<u>104,817</u>	<u>103,904</u>	<u>212,233</u>	<u>205,561</u>
<u>Promotion and marketing-related expenses</u>				
Business promotion and advertisement	1,385	1,813	3,268	2,880
Entertainment	944	503	2,030	1,067
Travelling and accommodation	1,263	1,153	2,231	2,012
Dealers' handling fees	1,187	233	1,576	512
Others	467	471	1,134	1,095
	<u>5,246</u>	<u>4,173</u>	<u>10,239</u>	<u>7,566</u>
<u>Establishment-related expenses</u>				
Rental of premises	7,180	7,042	14,341	14,092
Equipment rental	218	271	498	537
Repair and maintenance	7,082	7,400	15,111	16,009
Depreciation of property and equipment	4,649	5,180	9,503	10,254
Amortisation of intangible assets	2,058	2,303	4,261	4,676
IT consultancy fee	15,694	14,784	32,425	29,527
Dataline rental	888	1,066	1,648	2,172
Security services	3,566	2,849	6,607	5,642
Electricity, water and sewerage	2,594	2,413	5,002	4,789
Insurance and indemnities	1,371	1,033	2,597	2,785
Others	965	1,148	2,170	2,824
	<u>46,265</u>	<u>45,489</u>	<u>94,163</u>	<u>93,307</u>
<u>General and administrative expenses</u>				
Telecommunication expenses	1,980	1,860	3,984	3,637
Directors' remuneration	541	543	1,096	1,017
Auditors' remuneration:-				
(i) Statutory audit	442	322	888	658
(ii) Over/(under) provision in prior year	-	-	1	-
(iii) Audit related fees	1	84	3	150
(iv) Non audit fees	206	7	231	48
Professional fees	2,346	3,210	4,196	5,784
Property and equipment written-off	-	2	-	55
Postage and courier charges	558	991	1,436	2,043
Stationery and consumables	2,267	2,554	4,671	4,400
Commission and brokerage expenses	1,360	1,452	2,452	2,882
Donations	1,040	1,737	1,593	2,521
Settlement, clearing and bank charges	1,882	1,509	3,880	2,991
Stamp duties	47	23	104	3,036
(Write-back of)/additional provision for litigation losses	(1,233)	693	(5,469)	1,092
Commissioned dealers representative performance incentive	1,145	709	1,932	1,547
Subscription fees	331	349	866	864
Transaction levy	725	334	1,139	711
Subsidies and allowances	266	298	573	594
Others	3,404	2,888	5,860	5,331
	<u>17,308</u>	<u>19,565</u>	<u>29,436</u>	<u>39,361</u>
<b>Total other operating expenses</b>	<b><u>173,636</u></b>	<b><u>173,131</u></b>	<b><u>346,071</u></b>	<b><u>345,795</u></b>

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

	←-----Group-----→			
	Individual Quarter Ended 30/06/2013 RM'000	30/06/2012 RM'000	Cumulative Quarter Ended 30/06/2013 RM'000	30/06/2012 RM'000
Collective impairment				
- made during the financial period	4,264	5,119	11,594	11,795
Individual impairment				
- made during the financial period	8,160	20,223	11,576	34,175
- written-back during the financial period	(794)	(410)	(2,335)	(1,685)
Bad debts				
- recovered	(29,685)	(28,833)	(53,119)	(56,105)
- written-off	1,058	1,384	2,147	5,222
Additional/(write-back of) allowance for impaired debts				
- other debtors	(555)	71	(533)	18
	<b>(17,552)</b>	<b>(2,446)</b>	<b>(30,670)</b>	<b>(6,580)</b>

**A19. ALLOWANCE FOR IMPAIRMENT ON OTHER ASSETS**

Additional/(write-back of) allowance for impairment				
- Financial investments available-for-sale	499	539	344	539
- Financial investments held-to-maturity	-	(236)	-	(9,926)
	<b>499</b>	<b>303</b>	<b>344</b>	<b>(9,387)</b>

**A20. SEGMENTAL INFORMATION ON REVENUE AND PROFIT**

The segment analysis by activity for the individual and cumulative quarters ended 30 June 2013 and 30 June 2012 are as follows:-

<----- Current year's individual quarter ended 30 June 2013 ----->						
RM '000	Commercial Banking	Investment Banking	Insurance	Others	Eliminations	Group
Segment revenue	683,623	68,819	-	3,110	-	755,552
Intersegment revenue	7,308	5,533	-	360	(13,201)	-
Unallocated revenue	-	-	-	1,566	-	1,566
Revenue	<u>690,931</u>	<u>74,352</u>	<u>-</u>	<u>5,036</u>	<u>(13,201)</u>	<u>757,118</u>
Segment results	187,287	26,243	-	909	11,816	226,255
Unallocated expenses	-	-	-	(12,515)	-	(12,515)
Share of results of:						
- jointly controlled entities (net of tax)	-	-	(250)	(29)	-	(279)
- associate (net of tax)	-	-	5,383	-	-	5,383
Profit before taxation and zakat						218,844
Taxation and zakat						(59,539)
Net profit for the individual quarter						<u>159,305</u>

<----- Preceding year's individual quarter ended 30 June 2012 ----->						
RM '000	Commercial Banking	Investment Banking	Insurance	Others	Eliminations	Group
Segment revenue	650,518	75,079	-	2,957	-	728,554
Intersegment revenue	11,265	5,362	-	391	(17,018)	-
Unallocated revenue	-	-	-	1,327	-	1,327
Revenue	<u>661,783</u>	<u>80,441</u>	<u>-</u>	<u>4,675</u>	<u>(17,018)</u>	<u>729,881</u>
Segment results	175,964	17,433	-	922	11,539	205,858
Unallocated expenses	-	-	-	(11,232)	-	(11,232)
Share of results of:						
- jointly controlled entities (net of tax)	-	-	(815)	(41)	-	(856)
- associate (net of tax)	-	-	1,710	-	-	1,710
Profit before taxation and zakat						195,480
Taxation and zakat						(54,652)
Net profit for the individual quarter						<u>140,828</u>

**A20. SEGMENTAL INFORMATION ON REVENUE AND PROFIT**

<----- Current year's cumulative quarter ended 30 June 2013 ----->

RM '000	Commercial Banking	Investment Banking	Insurance	Others	Eliminations	Group
Segment revenue	1,353,940	127,206	-	5,832	-	1,486,978
Intersegment revenue	17,526	11,897	-	713	(30,136)	-
Unallocated revenue	-	-	-	2,902	-	2,902
<b>Revenue</b>	<b>1,371,466</b>	<b>139,103</b>	<b>-</b>	<b>9,447</b>	<b>(30,136)</b>	<b>1,489,880</b>
Segment results	372,388	42,851	-	1,564	23,066	439,869
Unallocated expenses	-	-	-	(23,629)	-	(23,629)
Share of results of:						
- jointly controlled entities (net of tax)	-	-	257	(45)	-	212
- associate (net of tax)	-	-	5,917	-	-	5,917
Profit before taxation and zakat						422,369
Taxation and zakat						(112,230)
<b>Net profit for the cumulative quarter</b>						<b>310,139</b>

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

RM '000	Commercial Banking	Investment Banking	Insurance	Others	Eliminations	Group
Segment revenue	1,290,562	147,954	-	5,982	-	1,444,498
Intersegment revenue	21,716	11,879	-	767	(34,362)	-
Unallocated revenue	-	-	-	2,654	-	2,654
<b>Revenue</b>	<b>1,312,278</b>	<b>159,833</b>	<b>-</b>	<b>9,403</b>	<b>(34,362)</b>	<b>1,447,152</b>
Segment results	342,257	42,389	-	1,825	22,961	409,432
Unallocated expenses	-	-	-	(21,102)	-	(21,102)
Share of results of:						
- jointly controlled entities (net of tax)	-	-	(105)	(78)	-	(183)
- associate (net of tax)	-	-	21,277	-	-	21,277
Profit before taxation and zakat						409,424
Taxation and zakat						(102,571)
<b>Net profit for the cumulative quarter</b>						<b>306,853</b>

#### **A21. SUBSEQUENT MATERIAL EVENT**

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

#### **A22. CHANGES IN THE COMPOSITION OF THE GROUP**

##### **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 (formerly known as Grand Duplex Sdn Bhd) ["KL South"] 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.

### A23. COMMITMENTS AND CONTINGENCIES

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

GROUP	30/06/2013				31/12/2012			
	Principal Amount RM'000	Value of Derivative Contracts RM'000	Credit Equivalent Amount* RM'000	Risk-Weighted Amount* RM'000	Principal Amount RM'000	Value of Derivative Contracts RM'000	Credit Equivalent Amount* RM'000	Risk-Weighted Amount* RM'000
Direct credit substitutes	345,595	-	345,595	329,672	466,624	-	466,624	451,137
Transaction related contingent items	1,907,631	-	953,816	875,344	2,147,100	-	1,073,550	924,690
Short-term self-liquidating trade related contingencies	313,231	-	62,646	39,538	453,772	-	90,754	54,644
Obligation under underwriting commitments	16,650	-	-	-	-	-	-	-
Lending of banks' securities or the posting of securities as collateral by banks, including instances 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 #	3,297,211	29,104	79,237	30,185	3,730,256	40,777	95,561	28,247
- Less than one year	220,198	3,270	14,759	5,957	251,794	4,384	17,127	6,430
- One year to less than five years	241,611	1,163	700	251	107,156	563	122	49
Interest rate related contracts #	1,437,870	8,540	24,258	6,612	1,785,733	12,039	37,042	9,986
- Less than one year	603,148	9,258	54,824	23,947	543,148	8,252	51,487	22,022
- One year to less than five years	2,489,899	-	1,244,950	1,143,415	2,978,964	-	1,489,482	1,395,014
- Five years and above	7,062,464	-	1,412,493	1,181,890	6,420,996	-	1,284,199	1,074,941
Irrevocable commitments to extend credit #	189,836	-	37,967	28,459	191,103	-	38,221	28,693
- Maturity more than one year	18,125,344	51,335	4,231,245	3,665,270	19,096,585	66,015	4,664,108	3,995,853
- Maturity less than one year								
Unutilised credit card lines								

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

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

#### A24. DERIVATIVE FINANCIAL INSTRUMENTS

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

GROUP	Contract/Notional Amount			Positive Fair Value			Negative Fair Value			Total	Total	
	Up To 1 Year	> 1 - 3 Years	> 3 Years	Up To 1 Year	> 1 - 3 Years	> 3 Years	Up To 1 Year	> 1 - 3 Years	> 3 Years			RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>As at 30 June 2013</b>												
<b>Trading derivatives</b>												
Foreign exchange contracts												
- Currency forwards	704,680	-	-	4,532	-	-	4,532	-	-	4,723	-	4,723
- Cross currency swaps	2,418,599	220,198	-	24,843	3,270	-	28,113	6,474	-	31,322	6,474	37,796
- Currency options	173,932	-	-	(271)	-	-	(271)	-	-	963	-	963
Interest rate contracts												
- Interest rate swaps	241,611	1,158,870	882,148	1,163	6,949	10,849	18,961	15,634	11,246	1,368	11,246	28,248
	3,538,822	1,379,068	882,148	5,800,038	30,267	10,219	51,335	22,108	11,246	38,376	11,246	71,730
<b>As at 31 December 2012</b>												
<b>Trading derivatives</b>												
Foreign exchange contracts												
- Currency forwards	921,492	-	-	9,504	-	-	9,504	-	-	2,870	-	2,870
- Cross currency swaps	2,808,764	251,794	-	31,273	4,384	-	35,657	3,367	-	20,358	3,367	23,725
Interest rate contracts												
- Interest rate swaps	107,156	1,358,870	970,011	563	7,611	12,680	20,854	21,309	11,032	624	11,032	32,965
	3,837,412	1,610,664	970,011	6,418,087	41,340	11,995	66,015	24,676	11,032	23,852	24,676	59,560



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

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

##### **Market risk**

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at end of the financial year, the notional amount of foreign exchange exposure which was not hedged and hence, exposed to market risk was RM31.7 million (FYE 31/12/2012: RM0.6 million), while the notional amount of interest rate contract was RM896.7 million (FYE 31/12/2012: RM1.22 billion).

##### **Credit risk**

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the commercial bank has a gain position. As at the reporting date, the amounts of foreign exchange and interest rate credit risk, measured in terms of the cost to replace the profitable contracts, was RM94.0 million (FYE 31/12/2012: RM112.7 million) and RM79.8 million (FYE 31/12/2012: RM88.6 million) respectively. This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

##### **Liquidity risk**

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

##### **Cash Requirement of the Derivatives**

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

##### **Related Accounting Policies**

The related accounting policies for off-balance sheet financial instruments applied in the condensed interim financial statements are consistent with those applied in the annual financial statements for the year ended 31 December 2012.

## A25. CAPITAL ADEQUACY

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

All banking subsidiaries namely, AFFIN Bank, AFFIN Islamic Bank and AFFIN Investment Bank have complied with the above minimum regulatory capital adequacy requirement as at 30 June 2013. The components of Tier I and Tier II capital, breakdown of risk-weighted assets and capital adequacy ratios of the banking subsidiaries as at the reporting date are summarised below :-

	AFFIN Bank		AFFIN Islamic Bank		AFFIN Investment Bank	
	30/06/2013 RM'000	31/12/2012 RM'000	30/06/2013 RM'000	31/12/2012 RM'000	30/06/2013 RM'000	31/12/2012 RM'000
<b>a) The components of the Tier I and Tier II capital :-</b>						
<u>Tier I capital</u>						
Share capital	1,518,337	1,518,337	360,000	360,000	222,246	222,246
Share premium	529,337	529,337	-	-	142,270	142,270
Statutory reserves	1,017,200	1,017,200	143,451	143,451	184,163	184,163
Retained profit/(loss)	568,503	659,603	149,390	149,390	41,375	65,544
Unrealised gains/(losses) on AFS	64,162	-	(1,157)	-	13,550	-
	<u>3,697,539</u>	<u>3,724,477</u>	<u>651,684</u>	<u>652,841</u>	<u>603,604</u>	<u>614,223</u>
Less: Regulatory adjustments:-						
- Goodwill	(137,323)	(137,323)	-	-	(54,761)	(53,061)
- Deferred tax assets/(liabilities)	(10,227)	(10,227)	(600)	(600)	-	-
- 55% of cumulative gains of AFS	(35,289)	N/A	-	N/A	(7,452)	N/A
- Investments in subsidiaries	-	N/A	-	N/A	(6,223)	N/A
Total CET I Capital (a)	<u>3,514,700</u>	<u>N/A</u>	<u>651,084</u>	<u>N/A</u>	<u>535,168</u>	<u>N/A</u>
Total Tier I Capital (a)	<u>3,514,700</u>	<u>3,576,927</u>	<u>651,084</u>	<u>652,241</u>	<u>535,168</u>	<u>561,162</u>
<u>Tier II capital</u>						
Subordinated loans	810,000	900,000	-	-	-	-
Collective impairment #	128,385	128,568	21,830	23,782	7,528	8,189
Less: - Investment in subsidiaries	(387,410)	(387,389)	-	-	(7,528)	(13,751)
- Investment in capital instruments of other banking institutions	-	(10,034)	(650)	-	-	(1,964)
Total Tier II capital (b)	<u>550,975</u>	<u>631,145</u>	<u>21,180</u>	<u>23,782</u>	<u>-</u>	<u>(7,526)</u>
Total Tier I & II capital (a) + (b)	<u>4,065,675</u>	<u>4,208,072</u>	<u>672,264</u>	<u>676,023</u>	<u>535,168</u>	<u>553,636</u>
Capital base before proposed dividends	<u>4,065,675</u>	<u>4,208,072</u>	<u>672,264</u>	<u>676,023</u>	<u>535,168</u>	<u>553,636</u>
Proposed dividends	-	(91,100)	-	-	-	(24,169)
<b>Capital base after proposed dividends</b>	<b><u>4,065,675</u></b>	<b><u>4,116,972</u></b>	<b><u>672,264</u></b>	<b><u>676,023</u></b>	<b><u>535,168</u></b>	<b><u>529,467</u></b>
<b>b) The breakdown of risk-weighted assets :-</b>						
Credit risk	29,892,537	28,731,138	4,334,210	4,135,300	1,551,231	1,534,927
Market risk	262,086	258,838	4,007	1,782	41,045	33,351
Operational risk	1,889,789	1,864,563	331,096	323,284	248,262	242,878
<b>Total risk-weighted assets</b>	<b><u>32,044,412</u></b>	<b><u>30,854,539</u></b>	<b><u>4,669,313</u></b>	<b><u>4,460,366</u></b>	<b><u>1,840,538</u></b>	<b><u>1,811,156</u></b>
<b>c) Capital adequacy ratios :-</b>						
<u>Before deducting proposed dividends:-</u>						
CET I Capital Ratio	10.968%	N/A	13.944%	N/A	29.077%	N/A
Tier I Capital Ratio / Core Capital Ratio	10.968%	11.593%	13.944%	14.623%	29.077%	30.568%
Total Capital Ratio / Risk-weighted capital ratio (RWCR)	<u>12.688%</u>	<u>13.638%</u>	<u>14.397%</u>	<u>15.156%</u>	<u>29.077%</u>	<u>30.568%</u>
<u>After deducting proposed dividends:-</u>						
CET I Capital Ratio	10.968%	N/A	13.944%	N/A	29.077%	N/A
Tier I Capital Ratio / Core Capital Ratio	10.968%	11.298%	13.944%	14.623%	29.077%	29.234%
Total Capital Ratio / Risk-weighted capital ratio (RWCR)	<u>12.688%</u>	<u>13.343%</u>	<u>14.397%</u>	<u>15.156%</u>	<u>29.077%</u>	<u>29.234%</u>

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

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

**A26. OPERATIONS OF ISLAMIC BANKING**

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

	Group	
	30/06/2013 RM'000	31/12/2012 RM'000
<b>ASSETS</b>		
Cash and short-term funds	3,123,786	4,076,266
Deposits and placements with banks and other financial institutions	175,298	250,086
Financial investments available-for-sale	1,692,796	1,979,812
Financial investments held-to-maturity	85,048	-
Loans, advances and financing	5,453,418	5,143,356
Other assets	3,389	67,062
Statutory deposit with Bank Negara Malaysia	211,000	201,500
Investment in jointly controlled entities	165	60
Deferred tax assets	460	-
Property and equipment	2,836	3,027
Intangible assets	2,059	2,458
<b>TOTAL ASSETS</b>	<b>10,750,255</b>	<b>11,723,627</b>
<b>LIABILITIES, ISLAMIC BANKING FUNDS</b>		
Deposits from customers	7,753,692	9,042,261
Deposits and placements of banks and other financial institutions	2,005,577	1,839,724
Other liabilities	304,226	176,817
Provision for tax	8,697	9,560
Deferred tax liabilities	-	266
<b>Total Liabilities</b>	<b>10,072,192</b>	<b>11,068,628</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	360,000	360,000
Reserves	318,063	294,999
<b>Total Equity</b>	<b>678,063</b>	<b>654,999</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>10,750,255</b>	<b>11,723,627</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	<b>1,467,650</b>	<b>1,569,943</b>

**A26. OPERATIONS OF ISLAMIC BANKING (cont.)**

**(ii) Unaudited Islamic Income Statements**

	←-----Group-----→			
	Individual Quarter Ended 30/06/2013 RM'000	30/06/2012 RM'000	Cumulative Quarter Ended 30/06/2013 RM'000	30/06/2012 RM'000
Income derived from investment of depositors' funds and others	103,167	116,803	207,762	228,344
Income derived from investment of Shareholders' funds	7,458	5,567	14,729	10,409
Allowance for losses on financing	497	16,580	311	16,461
	111,122	138,950	222,802	255,214
Income attributable to depositors	(62,882)	(76,275)	(126,910)	(147,801)
Income attributable to shareholders	48,240	62,675	95,892	107,413
Other operating expenses	(25,242)	(24,281)	(50,358)	(48,296)
	22,998	38,394	45,534	59,117
Share of results of a jointly controlled entity	(29)	(41)	(45)	(78)
Profit before taxation	22,969	38,353	45,489	59,039
Taxation	(4,960)	(9,520)	(10,376)	(14,605)
Zakat	(8,583)	(6,064)	(8,583)	(6,064)
Net profit for the financial period attributable to the equity holders of the Company	9,426	22,769	26,530	38,370

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

	←-----Group-----→			
	Individual Quarter Ended 30/06/2013 RM'000	30/06/2012 RM'000	Cumulative Quarter Ended 30/06/2013 RM'000	30/06/2012 RM'000
Profit after taxation	9,426	22,769	26,530	38,370
Other comprehensive income:				
- Net fair value change in financial investments available-for-sale	(3,486)	4,011	(4,621)	362
- Deferred tax on revaluation of financial investments available-for-sale	871	(1,127)	1,155	(217)
Other comprehensive income for the financial period, net of tax	(2,615)	2,884	(3,466)	145
<b>Total comprehensive income for the financial period attributable to the equity holders of the Company</b>	<b>6,811</b>	<b>25,653</b>	<b>23,064</b>	<b>38,515</b>

**A26. OPERATIONS OF ISLAMIC BANKING (cont.)**

	Group	
	30/06/2013 RM'000	31/12/2012 RM'000
<b>(iii) <u>Financing</u></b>		
<u>By type</u>		
Cash line	215,171	187,020
Term financing		
- Housing financing	1,625,647	1,511,961
- Syndicated term financing	258,116	259,993
- Hire purchase receivables	1,598,863	1,438,230
- Business term financing	1,515,123	1,458,138
Bills financing	3,634	390
Trust receipts	15,235	28,445
Interest-free accepted bills	96,992	133,577
Staff financing	11,419	10,899
Revolving credit	182,791	184,734
	5,522,991	5,213,387
Less : Allowance for impairment		
- Collective impairment	(35,021)	(34,936)
- Individual impairment	(34,552)	(35,095)
<b>Total net financing</b>	<b>5,453,418</b>	<b>5,143,356</b>

**(iv) Impaired financing**

**(a) Movements of impaired financing**

Balance at the beginning of financial period/year	129,792	172,344
Classified as impaired during the financial period/year	32,695	67,040
Reclassified as non-impaired during the financial period/year	(21,479)	(80,004)
Amount recovered during the financial period/year	(5,866)	(21,384)
Amount written-off during the financial period/year	-	(8,204)
Balance at the end of financial period/year	<b>135,142</b>	<b>129,792</b>

**A26. OPERATIONS OF ISLAMIC BANKING (cont.)**

	Group	
	30/06/2013	31/12/2012
	RM'000	RM'000
<b>(iv) Impaired financing (cont.)</b>		
<b>(b) <u>Movements in the allowance for impairment on financing</u></b>		
<b>Collective impairment</b>		
Balance at the beginning of financial period/year	34,936	60,709
Additional/(writeback of) allowance for impairment during the financial period/year	85	(17,569)
Amount written-off during the financial period/year	-	(8,204)
Balance at the end of financial period/year	<b>35,021</b>	<b>34,936</b>
<b>Individual impairment</b>		
Balance at the beginning of financial period/year	35,095	34,927
Allowance for impairment during the financial period/year	323	2,823
Amount recovered during the financial period/year	(43)	(170)
Unwinding of discount of allowance	(823)	(2,485)
Balance at the end of financial period/year	<b>34,552</b>	<b>35,095</b>
<b>(v) Deposits from customers</b>		
<u>By type of deposits</u>		
<b>Non-Mudharabah Funds</b>		
Demand deposits	1,927,083	2,604,233
Savings deposits	235,124	221,111
	<b>2,162,207</b>	<b>2,825,344</b>
<b>Mudharabah Funds</b>		
Demand deposits	37,371	31,496
Savings deposits	116,692	112,378
General investment deposits	4,746,924	5,239,911
Special investment deposits	690,498	833,132
	<b>5,591,485</b>	<b>6,216,917</b>
Total deposits from customers	<b>7,753,692</b>	<b>9,042,261</b>

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

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

The Group reported a higher pretax profit of RM218.8 million for the current financial quarter ended 30 June 2013 as compared to RM195.5 million for the preceding year's corresponding quarter. For the half-year ended 30 June 2013, the Group's pretax profit increased by 3.2% to RM422.4 million as compared to RM409.4 million achieved in the previous year. The improved performance was mainly due to higher write-back of allowance for loan impairment of RM24.1 million and the increase in both net interest income and Islamic banking income totalling RM16.0 million. This was partially offset by lower share of result in associate of RM15.4 million and the allowance for securities impairment of RM0.3 million as compared to a write-back of RM9.4 million in the previous year.

Commercial Banking

The results of the commercial banking segment is mainly attributable to the AFFIN Bank Berhad ("ABB") Group which registered a pretax profit of RM187.3 million for the current financial quarter, an increase of RM11.3 million or 6.4% as compared to RM175.9 million for the preceding year's corresponding quarter. For the half-year ended 30 June 2013, the ABB Group also registered a higher pretax profit of RM372.3 million as compared to RM342.2 million for the corresponding half-year ended 30 June 2012. The improved performance was mainly due to higher write-back of allowance for loan impairment of RM12.8 million and the increase in net interest income and Islamic banking income of RM12.6 million and RM5.9 million respectively. The wholly-owned subsidiary, namely AFFIN Islamic Bank Berhad however registered a lower pretax of RM45.5 million for the half-year ended 30 June 2013 as compared to RM59.0 million for the same period last year, mainly due to higher write-back of allowance for financing impairment of RM16.2 million in the previous year.

Investment Banking

The results of the investment banking is attributed to the AFFIN Investment Bank Berhad ("AIBB") group which reported a pretax profit of RM26.2 million for the current financial quarter, an increase of RM8.8 million or 50.5% as compared to RM17.4 million for the preceding year's corresponding quarter. For the half-year ended 30 June 2013, the AIBB group also reported a slightly higher pretax profit of RM42.9 million as compared to RM42.4 million for the corresponding half-year ended 30 June 2012, mainly due to higher write-back of allowances for loan and securities impairment of RM1.5 million, higher operating income and lower overhead expenses of RM0.8 million each. The net interest income however reduced by RM2.6 million in line with the reducing interest bearing assets for the period under review. As for AFFIN Fund Management Berhad (a wholly-owned subsidiary of AIBB), the Company reported a lower pretax profit of RM2.8 million as compared to RM6.5 million achieved in the previous year, mainly due to lower upfront fees on sales of unit trust of RM6.0 million net of higher management fee income of RM1.9 million.

Insurance

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

AXA AFFIN Life Insurance Berhad ("AALI") reported a lower pretax loss of RM0.7 million for the current financial quarter as compared to the pretax loss of RM2.8 million for the preceding year's corresponding quarter. For the half-year ended 30 June 2013, AALI also registered a lower pretax loss of RM0.2 million as compared to the pretax loss of RM1.8 million for the corresponding half-year ended 30 June 2012. This was mainly due to lower reserves for future policyholders' liabilities of RM4.5 million due to higher MGS yield and higher contribution from the growth in the life insurance business of RM1.8 million, net of lower investment income of RM4.4 million. Included in the share of results in AALI of RM0.3 million for the period under review was an adjustment of RM0.2 million on under-recognition of Group's share of profit for the previous financial year.

AXA AFFIN General Insurance Berhad ("AAGI") reported a higher pretax profit of RM21.4 million for the current financial quarter as compared to RM10.1 million for the preceding year's corresponding quarter. For the half-year ended 30 June 2013, AAGI reported a lower pretax profit of RM23.9 million as compared to RM74.6 million achieved in the previous year. This was mainly due to the decrease in earned premium of RM26.4 million and the increase in net claims, overhead expenses and net commission incurred of RM11.9 million, RM8.6 million and RM3.7 million respectively. In the previous financial year, there was a one-off adjustment of RM53.2 million on the release of Unearned Premium Reserve ("UPR") due to a change in the methodology of UPR computation.

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

### Other business segment

The results of the other business segment is mainly attributable to AFFIN Moneybrokers Sdn Bhd ("AMB") which reported a slightly higher pretax profit of RM0.8 million for the current financial quarter as compared to RM0.7 million for the preceding year's corresponding quarter. For the half-year ended 30 June 2013, AMB however reported a slightly lower pretax profit of RM1.3 million as compared to RM1.4 million in the previous year, mainly due to lower net brokerage income and higher overhead expenses.

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

The Group reported a higher pretax profit of RM218.8 million for the current financial quarter as compared to RM203.5 million for the preceding quarter ended 31 March 2013. This was mainly due to the increase in net interest income and other operating income totalling RM9.1 million, higher share of result in associate of RM4.8 million and higher write-back of allowance for loan impairment of RM4.4 million, net of higher overhead expenses of RM1.2 million.

## **B3. PROSPECT FOR FINANCIAL YEAR 2013**

### Commercial Banking

AFFIN Bank is optimistic to continue delivering strong results and maintaining the earnings momentum in the second half of 2013. The bank looks forward to improving the profitability of various business segments and will undertake appropriate measures to support the overall financial growth.

The Bank will continue to ensure that its loans portfolio is well managed through proactive account management and to balance the exposure between business and consumer loans. Within business banking, focus will be given to SMEs and contract financing so as to tap the opportunities from the roll-out of projects under the Economic Transformation Programme ("ETP") with special emphasis on secondary loan financing. For consumer segment, financing of new cars and mortgage loans will continue to be our main drivers for loan growth. Nonetheless, for the second-half of 2013, the Bank projects a dip in its consumer loans as well as deposits growth. This is in tandem with more prudent lending standards of the industry and curbs on household debt growth.

To support the above expectation, the Bank will actively leverage on Group synergy by exploring potential business opportunities with the Lembaga Tabung Angkatan Tentera / Boustead Group of Companies. Other potential untapped domestic retail market such as credit cards, on-line banking and consumer deposits will also be part of the Bank's focus agenda for the remaining period of the financial year.

### Investment Banking

AFFIN Investment Bank continues to be cautiously optimistic on its business prospects for the remainder of the financial year as domestic demand is anticipated to remain strong notwithstanding the current slow down in global economic activity, which adversely impacted Malaysia's exports.

The global economy is anticipated to show signs of improvement in second half 2013 with positive developments in the US and Japanese economies. Domestically, the implementation of projects under the ETP is expected to spur the domestic demand. Hence, the Bank is cautiously optimistic that opportunities still exist in the capital market activities (Bond Issues, Mergers and Acquisitions and spin-offs) as a result of more realistic asset pricing, re-financing requirements and industry consolidation/joint ventures triggered capital advisory works.

### Insurance

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

AALI had been expanding new business rapidly for the past years. AALI remains focused on a multi-distribution strategy to continue its growth momentum, and is optimistic that the new business for the second half of the year will improve over the first half-year.

#### AXA AFFIN General Insurance ("AAGI")

The thrust for 2013 is to keep momentum of growth in market segments and distribution channels to accelerate the development in fast-growing markets and to provide quality service. Strategies and action plans to achieve these have been put in place and AAGI is optimistic that its goals for 2013 will be realised.



#### B4. HEADLINE KEY PERFORMANCE INDICATOR ("KPI") FOR YEAR 2013

Based on the current performance, the Board of Directors is of view that the Group will be on track to achieve the following announced headline Key Performance Indicators (KPIs) for the financial year 2013 :-

<u>Headline KPIs</u>	As announced for financial year 2013	<-----Actual Achieved----->	
		6 months ended 30/6/2013	6 months ended 30/6/2012
(i) After Tax Returns on Equity (ROE)	10.1%	5.0%	5.3%
(ii) After Tax Returns on Assets (ROA)	1.1%	0.5%	0.6%
(iii) Gross Impaired Loan Ratio	2.2%	2.1%	2.5%
(iv) Earnings Per Share (EPS)	42.08 sen	20.75 sen	20.53 sen

#### B5. VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

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

#### B6. TAXATION

	<-----Group----->			
	Individual Quarter Ended 30/06/2013 RM'000	Individual Quarter Ended 30/06/2012 RM'000	Cumulative Quarter Ended 30/06/2013 RM'000	Cumulative Quarter Ended 30/06/2012 RM'000
Malaysian Taxation:-				
- Income tax based on profit for the financial year	53,057	53,667	88,834	93,649
Deferred tax:-				
- Relating to originating temporary differences	(2,391)	(4,928)	8,664	2,908
Under provision in prior years:-				
- Current taxation	(23)	(478)	5,619	(478)
	<b>50,643</b>	<b>48,261</b>	<b>103,117</b>	<b>96,079</b>

The Group's effective tax rate was slightly lower than the prevailing statutory tax rate mainly due to certain income not subject to tax or subject to lower tax rate, net of certain expenses not deductible for tax purpose.

#### B7. STATUS OF CORPORATE PROPOSALS

##### Proposed Acquisition of Hwang-DBS (Malaysia) Berhad ("Proposed Acquisition")

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

The said approval to commence negotiations is valid for a period of six (6) months and should not be construed as an approval for the Proposed Acquisition. AFFIN would be required to obtain the prior approval of the Minister of Finance, with the recommendation of BNM, pursuant to the Banking and Financial Institutions Act 1989 or the new Financial Services Act 2013, before entering into any agreement to effect the Proposed Acquisition.

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

**B8. GROUP BORROWINGS AND DEBT SECURITIES**

	Group	
	30/06/2013	31/12/2012
	RM'000	RM'000
<b>(i) <u>Deposits from Customers</u></b>		
<u>By Type of Deposits:-</u>		
Money Market Deposits	939,401	859,141
Demand Deposits	6,922,333	7,349,979
Savings Deposits	1,847,144	1,710,748
Fixed Deposits	27,174,501	26,808,102
Negotiable Instruments of Deposits ('NIDs')	5,612,561	5,383,884
Special Investment Deposits	690,498	833,132
	<u>43,186,438</u>	<u>42,944,986</u>
 Maturity structure of fixed deposits and NIDs are as follows:-		
Due within six months	23,935,992	25,383,497
Six months to one year	8,570,516	6,469,401
One year to three years	268,950	137,768
Three years to five years	1,289	201,320
Five years and above	10,315	-
	<u>32,787,062</u>	<u>32,191,986</u>
 <u>By Type of Customers:-</u>		
Government and statutory bodies	7,823,185	7,480,566
Business enterprises	13,069,118	13,808,996
Individuals	9,756,765	8,974,563
Others	12,537,370	12,680,861
	<u>43,186,438</u>	<u>42,944,986</u>
 <b>(ii) <u>Deposits and Placements of Banks and Other Financial Institutions</u></b>		
<u>By Type of Institutions:-</u>		
Licensed banks	4,383,330	3,436,442
Licensed investment banks	360,019	114,135
Bank Negara Malaysia	571,997	612,055
Other financial institutions	611,395	425,577
	<u>5,926,741</u>	<u>4,588,209</u>
 <u>By Maturity Structure:-</u>		
Due within six months	5,696,673	4,587,226
Six months to one year	230,068	983
	<u>5,926,741</u>	<u>4,588,209</u>
 <b>(iii) <u>Borrowings</u></b>		
<u>Unsecured :-</u>		
One year or less (short-term)	302,069	-
More than one year (medium/long-term)	670,312	972,343
	<u>972,381</u>	<u>972,343</u>

## B9. REALISED AND UNREALISED UNAPPROPRIATED PROFITS

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

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

	Group	
	30/06/2013 RM'000	31/12/2012 RM'000
<u>Total retained profits of AFFIN Holdings Berhad and its's subsidiaries</u>		
- Realised	1,766,271	1,450,553
- Unrealised		
- deferred tax recognised in the income statement	6,193	14,579
- other items of income and expense	41,273	45,250
	1,813,737	1,510,382
<u>Total share of retained profits in associate:-</u>		
- Realised	170,616	167,302
- Unrealised	2,535	2,452
<u>Total share of accumulated losses in jointly controlled entities:-</u>		
- Realised	(20,254)	(20,511)
	1,966,634	1,659,625
Add: Consolidation adjustments	90,595	87,465
Total Group retained profits as per consolidated financial statements	2,057,229	1,747,090

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

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

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

## B10. MATERIAL LITIGATION

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

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

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

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

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

- (b) Other than the above, there are various other legal suits against AFFIN Bank Berhad ("ABB") in respect of claims and counter claims of approximately RM72.8 million (31 December 2012: RM73.8 million). Based on legal advice, the Directors of the Bank are of the opinion that no provision for damages need to be made in the financial statements, as the probability of adverse adjudication against ABB is remote.

## B11. PROPOSED DIVIDENDS

No dividend has been proposed for the quarter under review.

## B12. EARNINGS PER SHARE

	<-----Group----->			
	<u>Individual Quarter Ended</u>		<u>Cumulative Quarter Ended</u>	
	30/06/2013	30/06/2012	30/06/2013	30/06/2012
Net profit attributable to equity holders of the Company (RM'000)	159,305	140,828	310,139	306,853
Weighted average number of ordinary shares in issue	1,494,575,806	1,494,575,806	1,494,575,806	1,494,575,806
Basic and diluted earnings per share (sen)	10.66	9.42	20.75	20.53

The basic and diluted earnings per share of the Group for the current financial quarter ended 30 June 2013 have been calculated based on the net profit attributable to the equity holders of the company of RM159,305,000 (30 June 2012: RM140,828,000) divided by the weighted average number of ordinary shares in issue during the current financial quarter of 1,494,575,806 (30 June 2012: 1,494,575,806).

The basic and diluted earnings per share of the Group for the cumulative quarter ended 30 June 2013 has been calculated based on the net profit attributable to the equity holders of the company of RM310,139,000 (30 June 2012: RM306,853,000) divided by the weighted average number of ordinary shares in issue during the financial period under review of 1,494,575,806 (30 June 2012: 1,494,575,806).

## B13. ECONOMIC PROFIT/(LOSS)

	<-----Group----->			
	<u>Individual Quarter Ended</u>		<u>Cumulative Quarter Ended</u>	
	30/06/2013	30/06/2012	30/06/2013	30/06/2012
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period	159,305	140,828	310,139	306,853
Less: Economic charge	(158,279)	(141,562)	(312,941)	(279,088)
Economic profit/(loss) for the financial period	1,026	(734)	(2,802)	27,765

### Formula for calculation of economic charge:

- (i) Economic charge = Cost of equity x Average total equity for the financial year
- (ii) Cost of equity = Beta x Market risk premium + Risk-free rate

Beta = 5-year adjusted Bloomberg Beta

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

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