

AFFIN HOLDINGS BERHAD
(Company no. 23218 - W)
Condensed Interim Financial Statements
Unaudited Statements of Financial Position As At 31 December 2013

	Note	< ----- GROUP ----- >		< ----- COMPANY ----- >	
		31/12/2013 RM'000	31/12/2012 RM'000	31/12/2013 RM'000	31/12/2012 RM'000
ASSETS					
Cash and short-term funds		9,331,374	7,359,658	131,710	33,209
Deposits and placements with banks and other financial institutions		468,585	492,356	4,460	101,958
Reverse repurchase agreements with financial institutions		-	20,057	-	-
Trade receivables	A9	176,706	213,751	-	-
Financial assets held-for-trading	A10	149,544	165,592	-	-
Financial investments available-for-sale	A10	8,767,991	9,404,237	-	-
Financial investments held-to-maturity	A10	624,033	548,324	-	-
Derivative financial assets		55,776	66,015	-	-
Loans, advances and financing	A11	36,909,384	34,163,168	-	-
Other assets	A12	309,011	313,277	68,494	346
Statutory deposits with Bank Negara Malaysia		1,545,144	1,507,480	-	-
Amount due from subsidiaries		-	-	904,972	904,960
Amount due from associate		67,257	67,240	67,257	67,240
Investment in subsidiaries		-	-	3,582,882	3,582,882
Investment in jointly controlled entities		135,539	129,788	146,880	146,880
Investment in associate		208,396	183,696	10,681	10,597
Tax recoverable		11,316	14,775	5,173	5,021
Deferred tax assets		14,475	-	-	-
Property and equipment		167,038	178,093	470	659
Intangible assets		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	B8	47,353,514	42,944,986	-	-
Deposits and placements of banks and other financial institutions	B8	3,983,912	4,588,209	-	-
Bills and acceptances payable		90,208	152,400	-	-
Trade payables		179,078	213,690	-	-
Derivative financial liabilities		93,868	59,560	-	-
Recourse obligation on loans sold to Cagamas Berhad		397,790	413,549	-	-
Other liabilities	A13	467,454	364,964	19,634	5,829
Provision for taxation		36,405	63,751	-	-
Deferred tax liabilities		172	16,335	108	143
Amount due to subsidiaries		-	-	400,258	400,258
Borrowings	B8	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		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	A14	1,469,048	1,293,665	-	-
AFS revaluation reserves	A14	15,148	108,763	-	-
Retained profits	A14	1,997,542	1,747,090	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		22,222,815	19,096,585	-	-
NET ASSETS PER SHARE (RM)		4.27	4.04		

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 Quarter and Year Ended 31 December 2013

<u>Group</u>	Note	<----Individual Quarter Ended ---->		<---Cumulative Quarter Ended --->	
		31/12/2013 RM'000	31/12/2012 RM'000	31/12/2013 RM'000	31/12/2012 RM'000
Revenue		775,041	756,191	3,029,014	2,971,723
Interest income	A15	567,335	539,444	2,215,000	2,106,615
Interest expense	A16	(338,730)	(307,043)	(1,298,209)	(1,209,786)
Net interest income		228,605	232,401	916,791	896,829
Net Islamic banking income		55,751	57,200	220,745	216,772
Other operating income	A17	96,977	98,997	388,213	408,458
Net income		381,333	388,598	1,525,749	1,522,059
Other operating expenses	A18	(195,110)	(184,398)	(716,621)	(700,315)
Operating profit before allowance for impairment on loans, advances and financing		186,223	204,200	809,128	821,744
Allowance for impairment on loans, advances and financing	A20	30,821	19,893	66,087	18,835
Allowance for impairment on other assets	A21	989	(9,828)	2,079	(408)
Operating profit		218,033	214,265	877,294	840,171
Finance cost		(10,739)	(10,708)	(42,592)	(41,021)
Share of results of jointly controlled entities		1,455	1,255	5,221	1,823
Share of results of associate		11,005	7,596	24,005	32,765
Profit before zakat and taxation		219,754	212,408	863,928	833,738
Zakat		(337)	(210)	(9,692)	(7,086)
Profit before taxation		219,417	212,198	854,236	826,652
Taxation	B6	(52,502)	(51,817)	(204,215)	(197,710)
Net profit for the financial period attributable to equity holders of the Company		166,915	160,381	650,021	628,942
Earnings per share attributable to the equity holders of the Company (sen)					
- Basic and fully diluted	B12	11.17	10.73	43.49	42.08

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 Quarter and Year Ended 31 December 2013

<u>Group</u>	<---Individual Quarter Ended --->		<---Cumulative Quarter Ended --->	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	RM'000	RM'000	RM'000	RM'000
Profit after zakat and taxation	166,915	160,381	650,021	628,942
Other comprehensive income:				
- Net fair value change in financial investments available-for-sale	(65,978)	12,726	(123,893)	7,692
- Deferred tax on revaluation of financial investments available-for-sale	16,465	(3,247)	30,278	(1,268)
Other comprehensive income for the period, net of tax	(49,513)	9,479	(93,615)	6,424
Total comprehensive income for the financial period attributable to the equity holders of the Company	117,402	169,860	556,406	635,366

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 Quarter and Year Ended 31 December 2013

<u>Company</u>	<----Individual Quarter Ended ---->		<---Cumulative Quarter Ended --->	
	31/12/2013 RM'000	31/12/2012 RM'000	31/12/2013 RM'000	31/12/2012 RM'000
Revenue	202,541	183,117	367,221	309,519
Interest income	13,298	13,103	52,873	51,984
Interest expense	-	-	-	-
Net interest income	13,298	13,103	52,873	51,984
Net Islamic banking income	-	-	-	-
Other operating income	189,243	204,998	314,405	292,519
Net income	202,541	218,101	367,278	344,503
Other operating expenses	(15,225)	(3,787)	(25,914)	(9,993)
Operating profit before allowance for impairment on loans, advances and financing	187,316	214,314	341,364	334,510
Allowance for impairment on loans, advances and financing	-	-	-	-
Allowance for impairment on other assets	-	-	-	-
Operating profit	187,316	214,314	341,364	334,510
Finance cost	(10,739)	(10,708)	(42,592)	(41,021)
Profit before zakat and taxation	176,577	203,606	298,772	293,489
Zakat	-	-	-	-
Profit before taxation	176,577	203,606	298,772	293,489
Taxation	(9,425)	(8,831)	(19,221)	(13,167)
Net profit for the financial period attributable to equity holders of the Company	167,152	194,775	279,551	280,322

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 Quarter and Year Ended 31 December 2013

<u>Company</u>	<---Individual Quarter Ended --->		<---Cumulative Quarter Ended --->	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	RM'000	RM'000	RM'000	RM'000
Profit after zakat and taxation	167,152	194,775	279,551	280,322
Other comprehensive income	-	-	-	-
Total comprehensive income for the financial period attributable to equity holders of the Company	167,152	194,775	279,551	280,322

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 Year Ended 31 December 2013

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

GROUP	Issued and fully paid ordinary shares of RM1 each		Share premium RM'000	Statutory reserves RM'000	AFS revaluation reserves RM'000	Retained profits RM'000	Total Equity RM'000
	Number of shares '000	Nominal value RM'000					
At 1 January 2013	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 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 reserve	-	-	-	175,383	-	(175,383)	-
Dividends declared and paid for the financial year	-	-	-	-	-	(224,186)	(224,186)
At 31 December 2013	1,494,576	1,494,576	1,400,410	1,469,048	15,148	1,997,542	6,376,724
At 1 January 2012	1,494,576	1,494,576	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 reserve	-	-	-	165,822	-	(165,822)	-
Dividends declared and paid for the financial year	-	-	-	-	-	(183,086)	(183,086)
At 31 December 2012	1,494,576	1,494,576	1,400,410	1,293,665	108,763	1,747,090	6,044,504

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 Year Ended 31 December 2013

	<-----Attributable to Equity Holders of the Company----->				
	Issued and fully paid ordinary shares of RM1 each		Non-distributable	Distributable	Total Equity
<u>COMPANY</u>	Number of shares '000	Nominal value RM'000	Share premium RM'000	Retained profits RM'000	RM'000
At 1 January 2013	1,494,576	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	-	-	-	(224,186)	(224,186)
At 31 December 2013	1,494,576	1,494,576	1,400,410	635,562	3,530,548
At 1 January 2012	1,494,576	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	-	-	-	(183,086)	(183,086)
At 31 December 2012	1,494,576	1,494,576	1,400,410	580,197	3,475,183

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 Year Ended 31 December 2013

	31/12/2013 RM'000	31/12/2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	854,236	826,652
Adjustment for non-operating and non-cash items	(249,428)	(365,766)
Operating profit before changes in working capital	<u>604,808</u>	<u>460,886</u>
Net changes in operating assets	(2,777,857)	(4,314,333)
Net changes in operating liabilities	3,818,423	1,348,890
Payment of tax and zakat	(237,531)	(163,874)
Tax refund	510	17,088
Net cash generated from/(used in) operating activities	<u>1,408,353</u>	<u>(2,651,343)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received from securities	288,063	299,648
Net (purchase)/disposal of:		
- securities	489,445	(88,612)
- property and equipment	(22,206)	(23,584)
- intangible assets	(1,513)	(2,098)
Dividend received from:		
- associate	-	2,520
- financial investments available-for-sale	4,058	4,100
Proceeds from disposal of property and equipment	7,552	4,372
Proceeds from disposal of foreclosed properties	21,961	21,611
Subscription of shares in a jointly controlled entity	(150)	(11,220)
Purchase of shares in associate	(84)	-
Amount due from associate	(17)	17
Net cash generated from investing activities	<u>787,109</u>	<u>206,754</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in borrowings	89	302,698
Dividends paid to shareholders	(224,186)	(183,086)
Net cash (used in)/generated from financing activities	<u>(224,097)</u>	<u>119,612</u>
Net increase/(decrease) in cash and cash equivalents	1,971,365	(2,324,977)
Cash and cash equivalents at beginning of the year	<u>7,350,141</u>	<u>9,675,118</u>
Cash and cash equivalents at end of the year	<u>9,321,506</u>	<u>7,350,141</u>
<u>Analysis of cash & cash equivalent</u>		
Cash and short-term funds	9,331,374	7,359,658
Adjustment for money held in trust on behalf of remisiers	(9,868)	(9,517)
	<u>9,321,506</u>	<u>7,350,141</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 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 and revised Malaysian Financial Reporting Standards ("MFRS"), Amendments to MFRSs that are applicable and effective to the Group for the financial year beginning 1 January 2013 :-

- 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)
- Amendments to MFRS 7 "Financial Instruments: Disclosures"
- Amendments to MFRS 101 "Presentation of Items of Other Comprehensive Income"
- Amendments to MFRS 119 "Employee Benefits"
- Amendment to MFRS 134 "Interim financial reporting"
- Amendment 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
 - o MFRS 1 "First-time Adoption of Malaysian Financial Reporting Standards"- Repeated application of MFRS 1 and borrowing costs
 - o MFRS 101 "Presentation of Financial Statements"- Clarification of the requirements for comparative information
 - o MFRS 116 "Property, Plant and Equipment"- Classification of servicing equipment
 - o MFRS 132 "Financial Instrument: presentation"- Tax effect of distribution to holders of equity instruments
 - o MFRS 134 "Interim Financial Reporting"- Interim financial reporting and segment information for total assets and liabilities

The adoption of the above new and revised standards and amendments does not have any impact to the results of the Group and the Company for the quarter and year 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 current financial quarter and year ended 31 December 2013.

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 current financial quarter and year ended 31 December 2013.

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

During the current financial quarter, an interim tax exempt dividend of 8.9 sen per share and a single-tier dividend of 6.1 sen per share in respect of the current financial year ended 31 December 2013 amounting to RM224,186,363 was paid on 30 December 2013.

A9. TRADE RECEIVABLES

	Group	
	31/12/2013	31/12/2012
	RM'000	RM'000
Amount due from stock-broking clients	178,701	129,025
Amount due from Bursa Securities Clearing Sdn Bhd	-	86,856
Management fees receivable on fund management	1,657	1,466
	<hr/>	<hr/>
	180,358	217,347
Less: Allowance for impairment		
- Collective impairment	(19)	(21)
- Individual impairment	(3,633)	(3,575)
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	176,706	213,751

Movement in allowance for impairment on trade receivables:-

Collective impairment

Balance at the beginning of financial year	21	211
Allowance (net of write-back) made during the financial year	134	(190)
Amount recovered during the financial year	(136)	-
	<hr/>	<hr/>
Balance at the end of financial year	19	21

Individual impairment

Balance at the beginning of financial year	3,575	3,572
Allowance made during the financial year	232	161
Amount recovered during the financial year	(174)	(158)
	<hr/>	<hr/>
Balance at the end of financial year	3,633	3,575

A10. FINANCIAL ASSETS

	Group	
	31/12/2013	31/12/2012
	RM'000	RM'000
(a) <u>Financial assets held-for-trading</u>		
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
(b) <u>Financial investments available-for-sale</u>		
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
(c) <u>Financial investments held-to-maturity</u>		
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
Total securities held	9,541,568	10,118,153

A11. LOANS, ADVANCES AND FINANCING

	Group	
	31/12/2013	31/12/2012
	RM'000	RM'000
(a) <u>BY TYPE</u>		
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
(b) <u>BY MATURITY STRUCTURE</u>		
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
(c) <u>BY TYPE OF CUSTOMER</u>		
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 enterprises	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
(d) <u>BY INTEREST / PROFIT RATE SENSITIVITY</u>		
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

A11. LOANS, ADVANCES AND FINANCING (cont.)

	Group	
	31/12/2013	31/12/2012
	RM'000	RM'000
(e) <u>BY ECONOMIC PURPOSE</u>		
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
(f) <u>BY SECTOR</u>		
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
(g) <u>BY GEOGRAPHICAL DISTRIBUTION</u>		
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

A11. LOANS, ADVANCES AND FINANCING (cont.)

	Group	
	31/12/2013	31/12/2012
	RM'000	RM'000
(h) <u>IMPAIRED LOANS, ADVANCES AND FINANCING</u>		
(i) <u>Movements of impaired loans, advances and financing</u>		
Balance at the 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 during the financial year	(132,998)	(126,485)
Amount written-off during the financial year	(50,843)	(149,116)
	740,958	790,438
(ii) <u>Impaired loans, advances and financing by economic purpose</u>		
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
(iii) <u>Impaired loans, advances and financing by sector</u>		
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

A11. LOANS, ADVANCES AND FINANCING (cont.)

	Group	
	31/12/2013	31/12/2012
	RM'000	RM'000
(h) <u>IMPAIRED LOANS, ADVANCES AND FINANCING (cont.)</u>		
(iv) <u>Impaired loans, advances and financing by geographical distribution</u>		
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
(v) <u>Movements in allowance for impairment on loans, advances and financing</u>		
Collective impairment		
Balance at the beginning of financial year	330,797	462,953
Allowance (net of write-back) made during the financial year	17,364	3,486
Amount written-off during the financial year	(41,019)	(135,642)
Balance at the end of financial year	307,142	330,797
Individual impairment		
Balance at the 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)
Allowance written-off during the financial year	(12,974)	(13,362)
Unwinding discount of allowance	(17,825)	(14,020)
Exchange difference	256	-
Balance at the end of financial year	243,969	230,640
A12. OTHER ASSETS		
Cheque clearing accounts	169,141	233,351
Foreclosed properties	15,825	26,745
Other debtors, deposits and prepayments	119,858	50,436
Amount due from jointly controlled entities	4,187	2,745
	309,011	313,277
A13. OTHER LIABILITIES		
Bank Negara Malaysia and Credit Guarantee Corporation Funding Programmes	27,897	28,644
Amount due from other shareholders of a subsidiary		
Margin and collateral deposits	108,258	82,131
Trust accounts for remisers	9,868	9,517
Defined contribution plan	13,912	13,688
Accrued employee benefits	1,060	1,381
Other creditors and accruals	295,057	219,174
Provision for zakat	11,402	10,429
	467,454	364,964

A14. RESERVES

	Group	
	31/12/2013 RM'000	31/12/2012 RM'000
Retained profits	1,997,542	1,747,090
AFS revaluation reserves	15,148	108,763
Statutory reserves	1,469,048	1,293,665
	3,481,738	3,149,518

- (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, subject to agreement by the Inland Revenue Board.

- (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.

A15. INTEREST INCOME

	<-----Group----->			
	Individual Quarter Ended 31/12/2013 RM'000	31/12/2012 RM'000	Cumulative Quarter Ended 31/12/2013 RM'000	31/12/2012 RM'000
Loans, advances and financing	414,314	408,059	1,647,938	1,557,404
Money at call and deposit with financial institutions	46,985	30,010	171,295	149,966
Reverse repurchase agreements with financial institutions	46	117	234	117
Financial assets held-for-trading	81	573	230	1,009
Financial investments available-for-sale	61,939	62,743	262,140	269,759
Financial investments held-to-maturity	10,183	9,500	25,923	29,889
Derivatives	28,732	20,967	88,796	81,492
Subordinated term loan	1,337	1,337	5,305	5,320
Others	18	15	64	26
	563,635	533,321	2,201,925	2,094,982
Amortisation of premium less accretion of discount	3,700	6,123	13,075	11,633
	567,335	539,444	2,215,000	2,106,615
The above interest income includes interest/income earned on impaired loans, advances and financing				
- Unwinding discount of allowance (Net)	(1,427)	4,859	11,219	7,544

A16. INTEREST EXPENSE

	<-----Group----->			
	Individual Quarter Ended 31/12/2013 RM'000	31/12/2012 RM'000	Cumulative Quarter Ended 31/12/2013 RM'000	31/12/2012 RM'000
Deposits and placements of banks and other financial institutions	24,521	32,848	109,722	135,005
Deposits from customers	279,222	246,485	1,071,432	965,004
Loans sold to Cagamas Berhad	4,725	4,905	19,164	19,891
Derivatives	29,490	22,258	94,783	87,626
Others	772	547	3,108	2,260
	338,730	307,043	1,298,209	1,209,786

A17. OTHER OPERATING INCOME

Fee income:

Net brokerage	15,133	12,073	72,740	53,946
Underwriting fees	3,883	-	4,418	2,284
Portfolio management fees	4,217	3,544	15,660	12,363
Corporate advisory fees	4,580	1,492	12,716	8,868
Commission	3,745	3,743	13,873	13,735
Service charges and fees	17,187	17,910	62,905	64,119
Guarantee fees	6,168	5,840	21,243	22,960
Arrangement fees	5,149	15,735	13,224	22,535
Agency fees	821	555	2,801	1,766
Other fee income	444	1,129	9,587	10,944
	61,327	62,021	229,167	213,520

Income from financial instruments:

Gains/(losses) on financial assets held-for-trading				
- net gains on disposal	787	1,017	3,336	6,125
- unrealised gains/(losses)	9	78	455	(188)
Gains on derivatives				
- realised	868	394	3,156	2,776
- unrealised	1,000	735	8,055	12,669
Gains arising on financial investments available-for-sale				
- net gains on disposal	5,459	3,983	32,823	49,523
- gross dividend income	209	1,065	4,756	4,100
Gains arising on financial investments held-to-maturity				
- net gains on redemption	862	959	6,144	19,466
	9,194	8,231	58,725	94,471

Other income:

Foreign exchange gains/(losses):

- realised	381	12,310	121,045	29,795
- unrealised	16,273	11,212	(54,137)	42,282
Rental income	264	385	1,453	1,618
Gains on disposal of property and equipment	1	67	4,064	1,297
Gains/(losses) on disposal of foreclosed properties	984	(159)	11,041	10,141
Gain arising from waiver of debts	-	8	-	8
Surplus on realisation of assets of a subsidiary previously placed under members' voluntary winding up	-	670	-	670
Gross dividends income:				
Other non-operating income	8,553	4,252	16,855	14,656
	26,456	28,745	100,321	100,467
Total other operating income	96,977	98,997	388,213	408,458

A18. OTHER OPERATING EXPENSES

	<-----Group----->			
	Individual Quarter Ended 31/12/2013 RM'000	31/12/2012 RM'000	Cumulative Quarter Ended 31/12/2013 RM'000	31/12/2012 RM'000
<u>Personnel costs</u>				
Wages, salaries and bonus	87,815	82,006	334,645	321,501
Defined contribution plan	14,241	13,334	54,475	52,409
Other personnel costs	9,144	10,529	41,378	41,691
	111,200	105,869	430,498	415,601
<u>Promotion and marketing-related expenses</u>				
Business promotion and advertisement	4,022	4,822	9,495	9,762
Entertainment	124	796	3,331	3,912
Travelling and accommodation	1,003	1,055	4,888	4,048
Dealers' handling fees	434	320	2,526	1,205
Others	505	456	2,186	2,106
	6,088	7,449	22,426	21,033
<u>Establishment-related expenses</u>				
Rental of premises	7,203	7,075	28,750	28,064
Equipment rental	247	290	1,067	1,103
Repair and maintenance	8,345	12,333	29,506	35,116
Depreciation of property and equipment	4,548	4,958	18,630	20,313
Amortisation of intangible assets	2,008	2,247	8,615	9,162
IT consultancy fee	15,976	16,721	61,893	60,972
Dataline rental	968	1,118	3,890	4,324
Security services	3,534	3,393	13,566	12,109
Electricity, water and sewerage	2,806	2,482	10,354	9,959
Insurance and indemnities	1,079	1,505	4,492	5,474
Others	942	1,100	3,926	5,024
	47,656	53,222	184,689	191,620
<u>General and administrative expenses</u>				
Telecommunication expenses	2,136	1,858	8,167	7,341
Directors' remuneration	917	710	2,547	2,211
Auditors' remuneration:-				
(i) Statutory audit	13	321	1,337	1,329
(ii) Under provision in prior year	1	-	2	-
(iii) Audit related fees	533	215	581	430
(iv) Non audit fees	(52)	158	740	275
Professional fees	11,456	1,718	20,078	7,031
Property and equipment written-off	50	83	95	182
Postage and courier charges	651	1,054	2,782	4,150
Stationery and consumables	2,650	2,613	9,563	9,625
Commission and brokerage expenses	1,006	1,831	4,091	5,715
Donations	1,310	1,163	3,990	3,929
Settlement, clearing and bank charges	1,790	1,558	7,334	5,995
Stamp duties	42	22	198	3,102
(Write-back of)/allowance for litigation losses	1,484	1,321	(4,210)	3,633
Commissioned dealers representative performance	839	628	3,801	3,035
Subscription fees	565	649	2,160	2,218
Transaction levy	465	339	2,177	1,475
Subsidies and allowances	68	-	924	865
Others	4,242	1,617	12,651	9,520
	30,166	17,858	79,008	72,061
Total other operating expenses	195,110	184,398	716,621	700,315

A19. DIRECTORS' REMUNERATION

<-----Group----->
Individual Quarter Ended **Cumulative Quarter Ended**
31/12/2013 **31/12/2012** **31/12/2013** **31/12/2012**
RM'000 **RM'000** **RM'000** **RM'000**

The aggregate amount of emoluments receivable by directors of the Company are as follows :-

Non-executive directors

- fees	743	608	2,067	1,826
- other emoluments	164	84	438	343
- estimated money value of benefits-in-kind	10	18	42	42
	917	710	2,547	2,211

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

A20. ALLOWANCE FOR IMPAIRMENT ON LOANS, ADVANCES AND FINANCING

Collective impairment				
- made during the financial year	(1,905)	(21,004)	13,911	3,296
Individual impairment				
- made during the financial year	26,897	30,747	49,285	81,021
- written-back during the financial year	(1,812)	(990)	(5,355)	(2,874)
Bad debts				
- recovered	(55,634)	(29,813)	(128,139)	(108,219)
- written-off	1,631	1,001	4,583	7,784
(Write-back of)/additional allowance for impaired debts				
- other debtors	2	166	(372)	157
	(30,821)	(19,893)	(66,087)	(18,835)

A21. ALLOWANCE FOR IMPAIRMENT ON OTHER ASSETS

(Write-back of)/additional allowance for impairment				
- Financial investments available-for-sale	(989)	238	(2,079)	744
- Financial investments held-to-maturity	-	9,590	-	(336)
	(989)	9,828	(2,079)	408

A22. SEGMENTAL INFORMATION ON REVENUE AND PROFIT

The segment analysis by activity for the individual and cumulative quarters ended 31 December 2013 and 31 December 2012 are as follows:-

<----- Current year's individual quarter ended 31 December 2013 ----->						
RM '000	Commercial Banking	Investment Banking	Insurance	Others	Eliminations	Group
Segment revenue	702,053	69,452	-	2,214	-	773,719
Intersegment revenue	11,994	4,200	-	348	(16,542)	-
Unallocated revenue	-	-	-	1,322	-	1,322
Revenue	714,047	73,652	-	3,884	(16,542)	775,041
Segment results	198,112	21,381	-	467	10,739	230,699
Unallocated expenses	-	-	-	(23,405)	-	(23,405)
Share of results of:						
- jointly controlled entities (net of tax)	-	-	1,620	(165)	-	1,455
- associate (net of tax)	-	-	11,005	-	-	11,005
Profit before taxation and zakat						219,754
Taxation and zakat						(52,839)
Net profit for the individual quarter						166,915
<----- Preceding year's individual quarter ended 31 December 2012 ----->						
RM '000	Commercial Banking	Investment Banking	Insurance	Others	Eliminations	Group
Segment revenue	682,884	69,529	-	2,462	-	754,875
Intersegment revenue	10,760	4,961	-	352	(16,073)	-
Unallocated revenue	-	-	-	1,316	-	1,316
Revenue	693,644	74,490	-	4,130	(16,073)	756,191
Segment results	182,282	21,718	-	949	10,887	215,836
Unallocated expenses	-	-	-	(12,279)	-	(12,279)
Share of results of:						
- jointly controlled entities (net of tax)	-	-	1,332	(77)	-	1,255
- associate (net of tax)	-	-	7,596	-	-	7,596
Profit before taxation and zakat						212,408
Taxation and zakat						(52,027)
Net profit for the individual quarter						160,381

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

RM '000	<----- Current year's cumulative quarter ended 31 December 2013 ----->					
	Commercial Banking	Investment Banking	Insurance	Others	Eliminations	Group
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
- associate (net of tax)	-	-	24,005	-	-	24,005
Profit before taxation and zakat						863,928
Taxation and zakat						(213,907)
Net profit for the cumulative quarter						650,021
	<----- Preceding year's cumulative quarter ended 31 December 2012 ----->					
RM '000	Commercial Banking	Investment Banking	Insurance	Others	Eliminations	Group
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
- associate (net of tax)	-	-	32,765	-	-	32,765
Profit before taxation and zakat						833,738
Taxation and zakat						(204,796)
Net profit for the cumulative quarter						628,942

A23. SUBSEQUENT MATERIAL EVENT

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

A24. CHANGES IN THE COMPOSITION OF THE GROUP

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.

A25. COMMITMENTS AND CONTINGENCIES

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

GROUP	<-----31/12/2013----->				<-----31/12/2012----->			
	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount* RM'000	Risk- Weighted Amount* RM'000	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount* RM'000	Risk- Weighted Amount* RM'000
Direct credit substitutes	1,455,361	-	1,455,361	1,462,806	466,624	-	466,624	451,137
Transaction related contingent items	1,974,804	-	987,402	864,908	2,147,100	-	1,073,550	924,690
Short-term self-liquidating trade related contingencies	573,412	-	114,683	82,976	453,772	-	90,754	54,644
Obligation under underwriting commitments	260,244	-	-	-	-	-	-	-
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 #								
- Less than one year	3,635,355	24,107	73,201	33,246	3,730,256	40,777	95,561	28,247
- One year to less than five years	594,154	2,513	57,307	16,657	251,794	4,384	17,127	6,430
- Five years and above	96,030	-	16,325	-	-	-	-	-
Interest rate related contracts #								
- Less than one year	793,040	4,112	2,271	820	107,156	563	122	49
- One year to less than five years	2,292,222	10,637	50,133	14,245	1,785,733	12,039	37,042	9,986
- Five years and above	703,148	14,407	66,112	28,314	543,148	8,252	51,487	22,022
Irrevocable commitments to extend credit #								
- Maturity more than one year	2,181,871	-	1,090,935	992,841	2,978,964	-	1,489,482	1,395,014
- Maturity less than one year	7,483,973	-	1,496,795	1,211,534	6,420,996	-	1,284,199	1,074,941
Unutilised credit card lines	179,201	-	35,840	26,839	191,103	-	38,221	28,693
	22,222,815	55,776	5,446,365	4,735,186	19,096,585	66,015	4,664,108	3,995,853

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

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

A26. DERIVATIVE FINANCIAL INSTRUMENTS

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

GROUP	< ----- Contract/Notional Amount ----- >				< ----- Positive Fair Value ----- >				< ----- Negative Fair Value ----- >			
	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000
As at 31 December 2013												
Trading derivatives												
Foreign exchange contracts												
- Currency forwards	810,804	-	-	810,804	6,961	-	-	6,961	5,099	-	-	5,099
- Cross currency swaps	2,824,551	294,243	395,941	3,514,735	17,146	-	2,513	19,659	29,259	10,470	11,289	51,018
Interest rate contracts												
- Interest rate swaps	793,040	1,513,847	1,481,523	3,788,410	4,112	7,320	17,724	29,156	7,494	9,231	21,026	37,751
	4,428,395	1,808,090	1,877,464	8,113,949	28,219	7,320	20,237	55,776	41,852	19,701	32,315	93,868
As at 31 December 2012												
Trading derivatives												
Foreign exchange contracts												
- Currency forwards	921,492	-	-	921,492	9,504	-	-	9,504	2,870	-	-	2,870
- Cross currency swaps	2,808,764	251,794	-	3,060,558	31,273	4,384	-	35,657	20,358	3,367	-	23,725
Interest rate contracts												
- Interest rate swaps	107,156	1,358,870	970,011	2,436,037	563	7,611	12,680	20,854	624	21,309	11,032	32,965
	3,837,412	1,610,664	970,011	6,418,087	41,340	11,995	12,680	66,015	23,852	24,676	11,032	59,560

A26. DERIVATIVE FINANCIAL INSTRUMENTS (cont.)

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

Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at the reporting date, the notional amount of foreign exchange exposure which was not hedged and hence, exposed to market risk was RM1.0 million (FYE 31/12/2012: RM0.6 million), while the notional amount of interest rate contract was RM1.813 billion (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 RM146.8 million (FYE 31/12/2012: RM112.7 million) and RM118.5 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' favour, or upon downgrade in the Bank's credit ratings. As at the reporting date, there is no requirement for the Group to post any additional cash collateral on its derivative contracts.

Related Accounting Policies

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

A27. FAIR VALUE MEASUREMENTS

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

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

Group	Level 1 RM'000	Level 2 RM'000	Level 3 [#] RM'000	Total RM'000
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
	14,177	8,824,822	134,312	8,973,311
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
	16,721	9,498,519	120,604	9,635,844
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.

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 Group's Over-the-Counter ('OTC') derivatives.

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

A27. FAIR VALUE MEASUREMENTS (cont.)

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

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

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

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

Group	2013	2012
	RM'000	RM'000
Opening	120,604	120,916
Purchases	-	527
Total gains 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.

A28. CAPITAL ADEQUACY

With effect from 1 January 2013, the total capital and capital adequacy ratios of the Group are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework (Capital Components) dated 28 November 2012. In line with the transitional arrangements under the Bank Negara Malaysia's Capital Adequacy Framework (Capital Components), the minimum capital adequacy requirement for Common Equity Tier I ("CET I") Capital Ratio and Tier I Capital Ratio are 3.5% and 4.5% respectively for year 2013. The minimum regulatory capital adequacy requirement remains at 8.0% (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 31 December 2013. The components of CET I, Tier I and Tier II capital, breakdown of risk-weighted assets and capital adequacy ratios of the banking subsidiaries as at the reporting date are summarised below :-

	AFFIN Bank		AFFIN Islamic Bank		AFFIN Investment Bank	
	31/12/2013 RM'000	31/12/2012 RM'000	31/12/2013 RM'000	31/12/2012 RM'000	31/12/2013 RM'000	31/12/2012 RM'000
a) The components of CET I, Tier I and Tier II capital :-						
<u>CET I/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	1,144,350	1,017,200	173,026	143,451	202,821	184,163
Retained profit	798,118	659,603	178,966	149,390	70,679	65,544
Unrealised gains/(losses) on AFS	6,533	-	(9,112)	-	2,762	-
	<u>3,996,675</u>	<u>3,724,477</u>	<u>702,880</u>	<u>652,841</u>	<u>640,778</u>	<u>614,223</u>
Less: Regulatory adjustments:-						
- Goodwill	(137,323)	(137,323)	-	-	(54,648)	(53,061)
- Deferred tax assets	(8,553)	(10,227)	(773)	(600)	(3,879)	-
- 55% of cumulative gains of AFS	(3,593)	N/A	-	N/A	(1,518)	N/A
- Investments in subsidiaries	-	N/A	-	N/A	(6,904)	N/A
Total CET I Capital	<u>3,847,206</u>	<u>N/A</u>	<u>702,107</u>	<u>N/A</u>	<u>573,829</u>	<u>N/A</u>
Total Tier I Capital (a)	<u>3,847,206</u>	<u>3,576,927</u>	<u>702,107</u>	<u>652,241</u>	<u>573,829</u>	<u>561,162</u>
<u>Tier II capital</u>						
Subordinated loans	810,000	900,000	-	-	-	-
Collective impairment #	123,103	128,568	20,470	23,782	6,847	8,189
Less: - Investment in subsidiaries	(389,088)	(387,389)	-	-	(6,847)	(13,751)
- Investment in capital instruments of other banking institutions	-	(10,034)	(650)	-	-	(1,964)
Total Tier II Capital (b)	<u>544,015</u>	<u>631,145</u>	<u>19,820</u>	<u>23,782</u>	<u>-</u>	<u>(7,526)</u>
Total Tier I & II Capital (a) + (b)	<u>4,391,221</u>	<u>4,208,072</u>	<u>721,927</u>	<u>676,023</u>	<u>573,829</u>	<u>553,636</u>
Capital base before proposed dividends	4,391,221	4,208,072	721,927	676,023	573,829	553,636
Proposed dividends	(91,100)	(91,100)	-	-	(25,558)	(24,169)
Capital base after proposed dividends	<u>4,300,121</u>	<u>4,116,972</u>	<u>721,927</u>	<u>676,023</u>	<u>548,271</u>	<u>529,467</u>
b) The breakdown of risk-weighted assets :-						
Credit risk	31,911,266	28,731,138	4,712,068	4,135,300	1,480,154	1,534,927
Market risk	296,107	258,838	3,570	1,782	296,735	33,351
Operational risk	1,902,412	1,864,563	339,365	323,284	249,689	242,878
Total risk-weighted assets	<u>34,109,785</u>	<u>30,854,539</u>	<u>5,055,003</u>	<u>4,460,366</u>	<u>2,026,578</u>	<u>1,811,156</u>
c) Capital adequacy ratios :-						
<u>Before deducting proposed dividends:-</u>						
CET I Capital Ratio	11.279%	N/A	13.889%	N/A	28.315%	N/A
Tier I Capital Ratio / Core Capital Ratio	11.279%	11.590%	13.889%	14.623%	28.315%	30.568%
Total Capital Ratio / Risk-weighted capital ratio (RWCR)	<u>12.874%</u>	<u>13.640%</u>	<u>14.281%</u>	<u>15.156%</u>	<u>28.315%</u>	<u>30.568%</u>
<u>After deducting proposed dividends:-</u>						
CET I Capital Ratio	11.012%	N/A	13.889%	N/A	27.054%	N/A
Tier I Capital Ratio / Core Capital Ratio	11.012%	11.300%	13.889%	14.623%	27.054%	29.234%
Total Capital Ratio / Risk-weighted capital ratio (RWCR)	<u>12.607%</u>	<u>13.340%</u>	<u>14.281%</u>	<u>15.156%</u>	<u>27.054%</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.

A29. LIQUIDITY RISK

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

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

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

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

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

A29. LIQUIDITY RISK (cont.)

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

Group	Up to 1	> 1-3	> 3-12	> 1-5	Over 5	Total
31/12/2013	month	months	months	years	years	Total
Liabilities	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Deposits from customers	22,068,361	10,331,290	14,832,730	111,133	10,000	47,353,514
Deposits and placements with banks and other financial institutions	2,333,495	1,374,363	276,054	-	-	3,983,912
Bills and acceptances payable	90,208	-	-	-	-	90,208
Derivatives financial liabilities	9,234	22,725	21,284	23,847	16,778	93,868
Recourse obligation on loans sold to Cagamas	1,297	1,786	123,243	271,464	-	397,790
Other liabilities (Note 2)	591,506	38,223	44,575	8,741	64	683,109
Borrowings	2,881	3,241	-	966,310	-	972,432
Total liabilities	25,096,982	11,771,628	15,297,886	1,381,495	26,842	53,574,833
On-balance sheet gap	(11,717,059)	(9,261,182)	(12,042,228)	11,426,082	27,971,111	6,376,724
Off-balance sheet credit commitments	(1,509,030)	-	(11,589,431)	-	-	(13,098,461)
Derivatives	226,284	901,165	389,122	686,530	-	2,203,101
Net maturity mismatch	(12,999,805)	(8,360,017)	(23,242,537)	12,112,612	27,971,111	(4,518,636)

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

A29. LIQUIDITY RISK (cont.)

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

Group	Up to 1	> 1-3	> 3-12	> 1-5	Over 5	Total
31/12/2012	month	months	months	years	years	Total
Assets	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	7,359,658	-	-	-	-	7,359,658
Deposits and placements with banks and other financial institutions	8,654	236,537	14,185	101,746	131,234	492,356
Reverse repurchase agreements with financial institutions	-	-	20,057	-	-	20,057
Financial assets held-for-trading	165,592	-	-	-	-	165,592
Financial investments available-for-sale	488,890	741,874	1,052,706	4,521,097	2,599,670	9,404,237
Financial investments held-to-maturity	88,623	1,076	20,003	241,269	197,353	548,324
Derivative financial assets	11,209	26,370	18,534	3,836	6,066	66,015
Loans, advances and financing	1,894,114	1,741,946	1,669,939	11,096,734	17,760,435	34,163,168
Other assets (Note 1)	475,615	326	27,701	11,282	1,592,480	2,107,404
Statutory deposits with Bank Negara Malaysia	1,507,480	-	-	-	-	1,507,480
Total assets	11,999,835	2,748,129	2,823,125	15,975,964	22,287,238	55,834,291

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

A29. LIQUIDITY RISK (cont.)

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

Group	Up to 1	> 1-3	> 3-12	> 1-5	Over 5	Total
31/12/2012	month	months	months	years	years	Total
Liabilities	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Deposits from customers	19,993,962	10,294,209	12,317,834	338,981	-	42,944,986
Deposits and placements with banks and other financial institutions	2,211,548	2,371,526	5,135	-	-	4,588,209
Bills and acceptances payable	152,400	-	-	-	-	152,400
Derivatives financial liabilities	9,769	19,817	11,512	17,247	1,215	59,560
Recourse obligation on loans sold to Cagamas	1,364	1,840	-	410,345	-	413,549
Other liabilities (Note 2)	543,731	23,630	67,457	10,550	13,372	658,740
Borrowings	2,842	3,191	-	966,310	-	972,343
Total liabilities	22,915,616	12,714,213	12,401,938	1,743,433	14,587	49,789,787
On-balance sheet gap	(10,915,781)	(9,966,084)	(9,578,813)	14,232,531	22,272,651	6,044,504
Off-balance sheet credit commitments	(21,095)	-	(12,032,058)	(53,133)	-	(12,106,286)
Derivatives	142,971	331,915	1,041,996	125,150	-	1,642,032
Net maturity mismatch	(10,793,905)	(9,634,169)	(20,568,875)	14,304,548	22,272,651	(4,419,750)

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

A30. OPERATIONS OF ISLAMIC BANKING

(i) Unaudited Islamic Statements of Financial Position

	Group	
	31/12/2013	31/12/2012
	RM'000	RM'000
ASSETS		
Cash and short-term funds	4,506,301	4,076,266
Deposits and placements with banks and other financial institutions	120,016	250,086
Financial investments available-for-sale	1,283,123	1,979,812
Financial investments held-to-maturity	85,064	-
Loans, advances and financing	6,048,876	5,143,356
Other assets	46,702	67,062
Statutory deposit with Bank Negara Malaysia	233,000	201,500
Investment in jointly controlled entities	-	60
Deferred tax assets	2,960	-
Property and equipment	3,046	3,027
Intangible assets	1,666	2,458
TOTAL ASSETS	12,330,754	11,723,627
LIABILITIES, ISLAMIC BANKING FUNDS		
Deposits from customers	9,290,544	9,042,261
Deposits and placements of banks and other financial institutions	2,242,480	1,839,724
Other liabilities	91,282	176,817
Provision for tax	2,031	9,560
Deferred tax liabilities	-	266
Total Liabilities	11,626,337	11,068,628
SHAREHOLDERS' EQUITY		
Share capital	360,000	360,000
Reserves	344,417	294,999
Total Equity	704,417	654,999
TOTAL LIABILITIES AND EQUITY	12,330,754	11,723,627
COMMITMENTS AND CONTINGENCIES	1,667,189	1,569,943

A30. OPERATIONS OF ISLAMIC BANKING (cont.)

(ii) Unaudited Islamic Income Statements

	<-----Group----->			
	Individual Quarter Ended 31/12/2013 RM'000	31/12/2012 RM'000	Cumulative Quarter Ended 31/12/2013 RM'000	31/12/2012 RM'000
Income derived from investment of depositors' funds and others	112,462	115,519	428,386	459,994
Income derived from investment of Shareholders' funds	7,674	6,964	29,781	23,650
Allowance for losses on financing	307	(3,300)	335	15,420
	120,443	119,183	458,502	499,064
Income attributable to depositors	(72,141)	(72,685)	(267,277)	(295,030)
Income attributable to shareholders	48,302	46,498	191,225	204,034
Other operating expenses	(27,225)	(25,203)	(103,747)	(97,382)
	21,077	21,295	87,478	106,652
Share of results of a jointly controlled entity	-	(77)	(210)	(230)
Profit before zakat and taxation	21,077	21,218	87,268	106,422
Zakat	-	-	(8,583)	(6,064)
Profit before taxation	21,077	21,218	78,685	100,358
Taxation	(4,596)	(5,688)	(19,744)	(26,526)
Net profit for the financial period attributable to the equity holders of the Company	16,481	15,530	58,941	73,832

(ii) Unaudited Statements of Comprehensive Islamic Income

	<-----Group----->			
	Individual Quarter Ended 31/12/2013 RM'000	31/12/2012 RM'000	Cumulative Quarter Ended 31/12/2013 RM'000	31/12/2012 RM'000
Profit after zakat and taxation	16,481	15,530	58,941	73,832
Other comprehensive income:				
- Net fair value change in financial investments available-for-sale	(5,873)	1,582	(12,576)	(159)
- Deferred tax on revaluation of financial investments available-for-sale	1,377	(397)	3,053	38
Other comprehensive income for the financial period, net of tax	(4,496)	1,185	(9,523)	(121)
Total comprehensive income for the financial period attributable to the equity holders of the Company	11,985	16,715	49,418	73,711

A30. OPERATIONS OF ISLAMIC BANKING (cont.)

	Group	
	31/12/2013 RM'000	31/12/2012 RM'000
(iii) <u>Financing</u>		
<u>By type</u>		
Cash line	182,947	187,020
Term financing		
- Housing financing	1,712,692	1,511,961
- Syndicated term financing	268,072	259,993
- Hire purchase receivables	1,795,689	1,438,230
- Business term financing	1,610,756	1,458,138
Bills receivables	32,260	390
Trust receipts	25,702	28,445
Claims on customers under acceptance credits	67,474	133,577
Staff financing	10,880	10,899
Revolving credit	410,707	184,734
	<hr/>	<hr/>
	6,117,179	5,213,387
Less: Allowance for impairment		
- Collective impairment	(33,719)	(34,936)
- Individual impairment	(34,584)	(35,095)
	<hr/>	<hr/>
Total net financing	6,048,876	5,143,356
	<hr/>	<hr/>
(iv) Impaired financing		
(a) <u>Movements of impaired financing</u>		
Balance at the beginning of financial year	129,792	172,344
Classified as impaired during the financial year	69,047	67,040
Reclassified as non-impaired during the financial year	(45,964)	(80,004)
Amount recovered during the financial year	(19,782)	(21,384)
Amount written-off during the financial year	(1,463)	(8,204)
	<hr/>	<hr/>
Balance at the end of financial year	131,630	129,792
	<hr/>	<hr/>

A30. OPERATIONS OF ISLAMIC BANKING (cont.)

	Group	
	31/12/2013	31/12/2012
	RM'000	RM'000
(iv) Impaired financing (cont.)		
(b) <u>Movements in the allowance for impairment on financing</u>		
Collective impairment		
Balance at the beginning of financial year	34,936	60,709
Additional/(write-back of) allowance for impairment during the financial year	242	(17,569)
Amount written-off during the financial year	(1,459)	(8,204)
Balance at the end of financial year	33,719	34,936
Individual impairment		
Balance at the beginning of financial year	35,095	34,927
Allowance for impairment during the financial year	690	2,823
Amount recovered during the financial year	(434)	(170)
Unwinding of discount of allowance	(1,045)	(2,485)
Exchange difference	278	-
Balance at the end of financial year	34,584	35,095
(v) Deposits from customers		
<u>By type of deposits</u>		
Non-Mudharabah Funds		
Demand deposits	2,717,722	2,604,233
Savings deposits	227,884	221,111
Murabahah term deposits	1,021,789	-
	3,967,395	2,825,344
Mudharabah Funds		
Demand deposits	37,631	31,496
Savings deposits	136,702	112,378
General investment deposits	4,574,624	5,239,911
Special investment deposits	574,192	833,132
	5,323,149	6,216,917
Total deposits from customers	9,290,544	9,042,261

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 pre-tax profit of RM219.4 million for the current financial quarter ended 31 December 2013 as compared to RM212.2 million for the preceding year's corresponding quarter. For the financial year ended 31 December 2013, the Group's pre-tax profit increased by 3.3% to RM854.2 million as compared to RM826.7 million achieved in the previous year. The improved performance was mainly due to the increase in interest income and Islamic banking income totalling RM23.9 million, higher loan recoveries of RM19.9 million and lower allowance for loan impairment of RM27.3 million. The other operating income and share of profit in associate however reduced by RM20.2 million and RM8.8 million respectively, while overhead expenses was up by RM16.3 million for the year under review.

Commercial Banking

The results of the commercial banking segment is mainly attributable to the AFFIN Bank Berhad ("ABB") Group which registered a pre-tax profit of RM198.1 million for the current financial quarter, an increase of RM15.9 million or 8.7% as compared to RM182.2 million for the preceding year's corresponding quarter. For the financial year ended 31 December 2013, the ABB Group pre-tax profit increased by RM56.5 million or 8.1% to RM753.6 million as compared to RM697.2 million achieved in the previous year. The improved performance was mainly due to the increase in net interest income and Islamic banking income totalling RM28.4 million, higher loan recoveries of RM14.2 million and lower allowance for loan impairment of RM20.2 million, net of lower other operating income of RM19.7 million. The wholly-owned subsidiary, namely AFFIN Islamic Bank Berhad however registered a lower pre-tax profit of RM78.7 million for the financial year ended 31 December 2013 as compared to RM100.4 million for the previous year, mainly due to a one-off write-back arising from the removal of the transitional provision on collective evaluation of loan impairment by Bank Negara Malaysia 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 pre-tax profit of RM21.0 million for the current financial quarter as compared to RM21.5 million for the preceding year's corresponding quarter. For the financial year ended 31 December 2013, the AIBB Group's pre-tax profit of RM83.9 million also indicated a drop of RM6.1 million or 6.8 % as compared to RM90.0 million achieved in the previous year. This was mainly due to the increase in overhead expenses of RM7.7 million and the reduction in both write-back of allowance for securities impairment and net interest income of RM7.4 million and RM5.3 million respectively, net of higher bad debts recoveries of RM5.7 million and the write-back of allowance for loan impairment of RM1.7 million as compared to a charge of RM5.4 million in the previous year. As for AFFIN Fund Management Berhad (a wholly-owned subsidiary of AIBB), the Company reported a higher pre-tax profit of RM12.0 million as compared to RM8.5 million achieved in the previous year, mainly due to higher management fee income of RM3.3 million and higher upfront fees of RM1.4 million on sales of unit trust, net of higher overhead expenses of RM1.2 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 slightly lower pre-tax profit of RM2.7 million for the current financial quarter as compared to the pre-tax profit of RM3.0 million for the preceding year's corresponding quarter. For the financial year ended 31 December 2013, AALI registered a higher pre-tax profit of RM9.9 million as compared to the pre-tax profit of RM2.6 million achieved in the previous year. This was mainly due to higher net surplus of RM10.8 million from the Life Fund Revenue Account ("NPF"), net of higher cost to develop the agency channel of RM3.7 million. The improved performance of NPF (including Investment Linked Operating Fund) was mainly attributable to lower reserves for future policyholders' liabilities of RM25.7 million due to higher MGS yield, net of lower investment income of RM7.0 million primarily due to lower realised and unrealised gains on investments and lower contribution from Mortgage Reducing Term Assurance ("MRTA") and Direct Marketing and Tele-Marketing ("DMTM") business amounting to RM8.5 million.

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

Insurance (cont')

AXA AFFIN General Insurance Berhad ("AAGI") reported a higher pre-tax profit of RM41.3 million for the current financial quarter as compared to RM30.4 million for the preceding year's corresponding quarter. For the financial year ended 31 December 2013, AAGI however registered a lower pre-tax profit of RM87.2 million as compared to RM120.4 million achieved in the previous year. For the year under review, the increase in earned premium of RM81.7 million attributable to motor and health business was partially offset by the increase in net claims, overhead expenses and net commission incurred of RM32.2 million, RM11.9 million and RM7.8 million respectively. The gain on disposal of investment securities however reduced by RM17.5 million while the investment income increased by RM6.5 million for the year under review. In 2012, the one-off adjustment of RM52.3 million on the release of Unearned Premium Reserve ("UPR") due to a change in the methodology of UPR computation had contributed significantly to the earned premium and thus the results of AAGI for the said financial year.

Other business segment

The results of the other business segment is mainly attributable to AFFIN Moneybrokers Sdn Bhd ("AMB") which reported a lower pre-tax profit of RM0.3 million for the current financial quarter as compared to RM0.5 million for the preceding year's corresponding quarter. For the financial year ended 31 December 2013, AMB also reported a lower pre-tax profit of RM2.2 million as compared to RM2.7 million achieved in the previous year, mainly due to lower net brokerage income net of lower overhead expenses.

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

The Group reported a slightly lower pre-tax profit of RM219.4 million for the current financial quarter as compared to RM221.6 million for the preceding quarter ended 30 September 2013. For the quarter under review, the increase in overhead expenses of RM19.7 million and the reduction in net interest income of RM8.5 million were substantially offset by higher loan recoveries (net of allowance for loan impairment) of RM26.2 million for the quarter under review.

B3. PROSPECT FOR FINANCIAL YEAR 2014

Commercial Banking

Going into 2014, the Bank will be focusing on controlled loans growth and effective balance sheet management to achieve 2014 business targets. Amid increasing competition, margin continues to come under pressure to the banking industry due to the impact of potential hike in Overnight Policy Rate ("OPR"). In view of this scenario, net interest margin is expected to be dampened further. As such, more emphasis will be given on increasing the fee based income.

Business opportunities from Economic Transformation plan ("ETP") projects are expected to be more significant for the Bank in the coming year and will give positive impact to our business banking sector as a result of stronger collaboration on secondary project financing between its major shareholders, the Lembaga Tabung Angkatan Tentera ("LTAT") and the Boustead Group of companies as well as the existing/established customers.

For consumer segments, higher end auto financing and mortgage will remain as our main drivers for loan growth. To ensure income sustainability, the bank will also emphasize on cross selling of its products such as cards, unit trust, insurance business and promoting new banking products particularly in treasury, forex and wealth management.

With continued focus on productivity improvement and customer service enhancement from all staff, the Bank is optimistic in the outlook for 2014.

B3. PROSPECT FOR FINANCIAL YEAR 2014 (Cont')

Investment Banking

The Bank is optimistic on the potential opportunities in the capital markets from the ongoing implementation of projects under the Economic Transformation Programme (ETP) and various domestic economic corridors.

Notwithstanding the concerns over the US's tapering of its quantitative easing (QE) program and the anticipated slowdown in China's economy, the country's domestic demand and thus private consumption and capital spending on domestic oriented industries are expected to hold-up.

In 2014, the Bank looks forward to its equity broking collaboration with Daiwa Securities Group Inc. of Japan and realising the synergies from the proposed merger and acquisition of Hwang-DBS (M) Bhd's investment banking, stockbroking, assets management and futures business.

Insurance

AXA AFFIN Life Insurance ("AALI")

AALI had been expanding new business rapidly for the past years with a multi-distribution strategy and expects to register moderate growth for 2014. The agency distribution channel recorded an exceptionally strong new business growth rate of 53% for 2013. This spurs optimism that the agency channel is poised to continue its growth momentum into 2014. Recruitment and retention of the agency force would be key to ensure continued growth. For bancassurance, AALIB will leverage on AFFIN Bank and its network for sustainable growth.

AXA AFFIN General Insurance ("AAGI")

Greater challenges are expected in 2014 given the overall economic constraints and climate in Malaysia, mergers and acquisitions, rapid development in the legal and regulatory environment and impact of digital technology. Hence, AAGI strategies and plans for 2014 have been outlined to tackle the challenges facing us with special focus on customer centricity, better cost management and embrace changes required to reap the benefits of the digital world.

AAGI investment in human capital and technology will naturally continue as in the past. AAGI will go into 2014 with these strategies and are confident that dedicated staff, positive mind set and hard work will deliver the results.

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

The Group has achieved all its announced headline Key Performance Indicators (KPIs) for the financial year 2013 as follows :-

<u>Headline KPIs</u>	<u>As announced for financial year 2013</u>	<u>Actual Achieved 31/12/2013</u>
(i) After Tax Returns on Equity (ROE)	10.1%	10.5%
(ii) After Tax Returns on Assets (ROA)	1.1%	1.1%
(iii) Gross Impaired Loan Ratio	2.20%	1.98%
(iv) Earnings Per Share (EPS)	42.08 sen	43.49 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		Cumulative Quarter Ended	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	RM'000	RM'000	RM'000	RM'000
Malaysian Taxation:-				
- Income tax based on profit for the financial year	55,327	55,265	203,854	206,371
Deferred tax:-				
- Relating to originating temporary differences	(1,928)	(3,091)	(31)	(6,638)
Under/(over) provision in prior years:-				
- Current taxation	(897)	(357)	392	(2,023)
	52,502	51,817	204,215	197,710

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 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 had 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 had received a letter from BNM advising the Company that the Minister of Finance has granted its approvals under the Financial Services Act 2013 for the Proposed Acquisition and the 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 had 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 RM1,363 million ("Base Price"), subject to NA adjustment 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 HDM 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").

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 million comprises :-

- (i) RM1,088.00 million 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) RM262.00 million for the aggregate of 70% interest in Hwang IM and 49% interest in AIIM; and
- (iii) RM13.00 million 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".

B7. STATUS OF CORPORATE PROPOSALS (Cont')

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

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.

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.

B7. STATUS OF CORPORATE PROPOSALS (Cont')

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

3. Source of funds

The Purchase Price will be initially funded via bridge loans of RM1,400.0 million 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 RM1,250.0 million. 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.

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	
	31/12/2013	31/12/2012
	RM'000	RM'000
(i) <u>Deposits from Customers</u>		
<u>By Type of Deposits:-</u>		
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 Deposits ('NIDs')	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 NIDs 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
 <u>By Type of Customers:-</u>		
Government and statutory bodies	9,127,809	7,480,566
Business enterprises	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
 (ii) <u>Deposits and Placements of Banks and Other Financial Institutions</u>		
<u>By Type of Institutions:-</u>		
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
 <u>By Maturity Structure:-</u>		
Due within six months	3,779,530	4,587,226
Six months to one year	204,382	983
	3,983,912	4,588,209
 (iii) <u>Borrowings</u>		
<u>Unsecured :-</u>		
One year or less (short-term)	302,029	-
More than one year (medium/long-term)	670,403	972,343
	972,432	972,343

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	
	31/12/2013	31/12/2012
	RM'000	RM'000
<u>Total retained profits of AFFIN Holdings Berhad and its's subsidiaries</u>		
- Realised	1,675,523	1,450,553
- Unrealised		
- deferred tax recognised in the income statement	14,676	14,579
- other items of income and expense	40,596	45,250
	1,730,795	1,510,382
<u>Total share of retained profits in associate:-</u>		
- Realised	187,712	167,302
- Unrealised	3,527	2,452
<u>Total share of retained profits/(losses) in jointly controlled entities:-</u>		
- Realised	(19,690)	(20,511)
- Unrealised	4,610	-
	1,906,954	1,659,625
Add: Consolidation adjustments	90,588	87,465
Total Group retained profits as per consolidated financial statements	1,997,542	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.

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 RM115.5 million. 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 leave 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 RM30,000.00.

- (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 RM117.6 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. DIVIDENDS

- a) No final dividend has been proposed for the current financial year ended 31 December 2013.
- b) Total dividend for the current financial year : Tax exempt dividend of 8.9 sen per share and single-tier dividend of 6.1 sen per share, paid on 30 December 2013.
- c) Total dividend for the previous financial year : An interim franked dividend of 11.0 sen (less 25 % tax) per share and tax exempt dividend of 4.0 sen per share, paid on 28 December 2012.

B12. EARNINGS PER SHARE

	<-----Group----->			
	<u>Individual Quarter Ended</u>		<u>Cumulative Quarter Ended</u>	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Net profit attributable to equity holders of the Company (RM'000)	166,915	160,381	650,021	628,942
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)	11.17	10.73	43.49	42.08

The basic and diluted earnings per share of the Group for the current financial quarter ended 31 December 2013 have been calculated based on the net profit attributable to the equity holders of the company of RM166,915,000 (2012: RM160,381,000) divided by the weighted average number of ordinary shares in issue during the current financial quarter of 1,494,575,806 (2012: 1,494,575,806).

The basic and diluted earnings per share of the Group for the year financial year ended 31 December 2013 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 during the financial period under review of 1,494,575,806 (2012: 1,494,575,806).

B13. ECONOMIC PROFIT/(LOSS)

	<-----Group----->			
	<u>Individual Quarter Ended</u>		<u>Cumulative Quarter Ended</u>	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial year	166,915	160,381	650,021	628,942
Less: Economic charge	(170,430)	(150,854)	(658,449)	(580,207)
Economic profit/(loss) for the financial year	(3,515)	9,527	(8,428)	48,735

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