

AFFIN HOLDINGS BERHAD

(Company no. 23218 - W)

Condensed Interim Financial Statements

Unaudited Statements of Financial Position As At 30 June 2017

| | | < ----- GROUP ----- > | | < ----- COMPANY ----- > | |
|---|------|-----------------------|----------------------|-------------------------|----------------------|
| | Note | 30/6/2017 RM'000 | 31/12/2016 RM'000 | 30/6/2017 RM'000 | 31/12/2016 RM'000 |
| ASSETS | | | | | |
| Cash and short-term funds | | 6,166,622 | 4,836,222 | 49,526 | 32,176 |
| Deposits and placements with banks and other financial institutions | | 223,501 | 172,871 | - | - |
| Reverse repurchase agreements with financial institutions | | 19,502 | - | - | - |
| Trade receivables | A9 | 1,107,654 | 529,728 | - | - |
| Financial assets held-for-trading | A10 | 124,545 | 270,354 | - | - |
| Financial investments available-for-sale | A10 | 14,992,955 | 14,108,523 | - | - |
| Financial investments held-to-maturity | A10 | 218,036 | 407,087 | - | - |
| Derivative financial assets | | 195,062 | 289,271 | - | - |
| Loans, advances and financing | A11 | 44,972,264 | 43,747,427 | - | - |
| Other assets | A12 | 199,678 | 216,012 | 267 | 299 |
| Statutory deposits with Bank Negara Malaysia | | 1,648,740 | 1,659,740 | - | - |
| Amount due from subsidiaries | | - | - | 1,001,881 | 1,304,592 |
| Amount due from associates | | 95,779 | 45,096 | 95,779 | 45,096 |
| Investment in subsidiaries | | - | - | 5,461,063 | 5,461,063 |
| Investment in joint ventures | | 150,457 | 153,768 | 187,680 | 187,680 |
| Investment in associates | | 361,895 | 339,887 | 36,288 | 35,242 |
| Tax recoverable | | 29,469 | 46,838 | 2,336 | 2,515 |
| Deferred tax assets | | 4,838 | 19,723 | - | - |
| Property and equipment | | 449,838 | 437,301 | 75 | 87 |
| Intangible assets | | 1,600,323 | 1,606,497 | 2 | 2 |
| TOTAL ASSETS | | 72,561,158 | 68,886,345 | 6,834,897 | 7,068,752 |
| LIABILITIES AND EQUITY | | | | | |
| Deposits from customers | B7 | 51,071,295 | 51,505,642 | - | - |
| Investment accounts of customers | | 706 | - | - | - |
| Deposits and placements of banks and other financial institutions | B7 | 6,658,882 | 3,894,037 | - | - |
| Obligation on securities sold under repurchase agreements | | 1,162,232 | 1,145,618 | - | - |
| Bills and acceptances payable | | 46,241 | 37,726 | - | - |
| Trade payables | | 1,186,130 | 724,554 | - | - |
| Derivative financial liabilities | | 342,507 | 552,942 | - | - |
| Other liabilities | A13 | 636,648 | 656,194 | 2,256 | 4,258 |
| Provision for taxation | | 2,920 | 2,488 | - | - |
| Deferred tax liabilities | | 49,834 | 29,542 | 7 | 7 |
| Amount due to subsidiaries | | - | - | 422,254 | 400,254 |
| Borrowings | B7 | 2,382,839 | 1,606,597 | 1,361,337 | 1,606,597 |
| TOTAL LIABILITIES | | 63,540,234 | 60,155,340 | 1,785,854 | 2,011,116 |

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2016.

AFFIN HOLDINGS BERHAD

(Company no. 23218 - W)

Condensed Interim Financial Statements**Unaudited Statements of Financial Position As At 30 June 2017**

| | < ----- GROUP ----- > | | < ----- COMPANY ----- > | |
|---|-----------------------|----------------------|-------------------------|----------------------|
| Note | 30/6/2017 RM'000 | 31/12/2016 RM'000 | 30/6/2017 RM'000 | 31/12/2016 RM'000 |
| EQUITY | | | | |
| Share capital | 4,128,661 | 1,942,949 | 4,128,661 | 1,942,949 |
| Reserves:- | | | | |
| Share premium | - | 2,185,712 | - | 2,185,712 |
| Statutory reserves | - | 1,806,731 | - | - |
| AFS revaluation reserves | 156,985 | 56,318 | - | - |
| Regulatory reserves | 601,348 | 289,871 | - | - |
| Retained profits | 4,077,316 | 2,400,913 | 920,382 | 928,975 |
| Equity attributable to equity holders of the Company | 8,964,310 | 8,682,494 | 5,049,043 | 5,057,636 |
| Non-controlling interest | 56,614 | 48,511 | - | - |
| TOTAL EQUITY | 9,020,924 | 8,731,005 | 5,049,043 | 5,057,636 |
| TOTAL LIABILITIES AND EQUITY | 72,561,158 | 68,886,345 | 6,834,897 | 7,068,752 |
| COMMITMENTS AND CONTINGENCIES | 30,157,263 | 26,952,318 | - | - |
| NET ASSETS PER SHARE (RM) | 4.61 | 4.47 | | |

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2016.

AFFIN HOLDINGS BERHAD
(Company no. 23218 - W)
Condensed Interim Financial Statements
Unaudited Income Statements For The Financial Quarter Ended 30 June 2017

| <u>GROUP</u> | Note | <---Individual Quarter Ended ---> | | <---Cumulative Quarter Ended ---> | |
|---|------|-----------------------------------|---------------------|-----------------------------------|---------------------|
| | | 30/6/2017 RM'000 | 30/6/2016 RM'000 | 30/6/2017 RM'000 | 30/6/2016 RM'000 |
| Interest income | A14 | 658,659 | 652,743 | 1,286,173 | 1,291,059 |
| Interest expense | A15 | (403,916) | (405,419) | (791,890) | (814,048) |
| Net interest income | | 254,743 | 247,324 | 494,283 | 477,011 |
| Islamic banking income | | 74,242 | 65,335 | 151,225 | 124,265 |
| Other operating income | A16 | 259,305 | 164,056 | 452,386 | 302,360 |
| Net income | | 588,290 | 476,715 | 1,097,894 | 903,636 |
| Other operating expenses | A17 | (351,693) | (287,341) | (680,301) | (559,959) |
| Operating profit before allowance for impairment losses on loans, advances and financing | | 236,597 | 189,374 | 417,593 | 343,677 |
| Allowance for impairment losses on loans, advances and financing | A18 | (35,861) | (2,167) | (41,636) | (592) |
| Allowance for impairment losses on securities | A19 | - | - | (712) | - |
| Operating profit | | 200,736 | 187,207 | 375,245 | 343,085 |
| Finance cost | | (14,415) | (14,234) | (28,542) | (28,571) |
| Share of results of a joint venture | | (1,861) | (2,383) | (4,217) | (3,041) |
| Share of results of an associate | | 14,211 | 15,178 | 18,089 | 27,220 |
| Profit before taxation and zakat | | 198,671 | 185,768 | 360,575 | 338,693 |
| Zakat | | (386) | (3,155) | (723) | (3,353) |
| Profit before taxation | | 198,285 | 182,613 | 359,852 | 335,340 |
| Taxation | B5 | (44,783) | (41,931) | (83,154) | (76,855) |
| Net profit for the financial period | | 153,502 | 140,682 | 276,698 | 258,485 |
| Profit for the financial period attributable to :- | | | | | |
| - Equity holders of the Company | | 148,405 | 137,396 | 268,582 | 252,962 |
| - Non-controlling interest | | 5,097 | 3,286 | 8,116 | 5,523 |
| | | 153,502 | 140,682 | 276,698 | 258,485 |
| Earnings per share attributable to the equity holders of the Company (sen) | | | | | |
| - Basic | B11 | 7.64 | 7.07 | 13.82 | 13.02 |

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2016.

AFFIN HOLDINGS BERHAD
(Company no. 23218 - W)
Condensed Interim Financial Statements
Unaudited Statement of Comprehensive Income
For The Financial Quarter Ended 30 June 2017

| GROUP | <----Individual Quarter Ended ----> | | <---Cumulative Quarter Ended ---> | |
|--|-------------------------------------|---------------------|-----------------------------------|---------------------|
| | 30/6/2017 RM'000 | 30/6/2016 RM'000 | 30/6/2017 RM'000 | 30/6/2016 RM'000 |
| Profit after taxation | 153,502 | 140,682 | 276,698 | 258,485 |
| Other comprehensive income/(loss): | | | | |
| Items that may be reclassified subsequently to profit or loss :- | | | | |
| - Net fair value change in financial investments available-for-sale | 93,063 | 55,539 | 130,416 | 198,258 |
| - Net gain on disposal of financial investments available-for-sale transferred to income statement | 295 | (2,295) | (2,935) | (6,804) |
| - Deferred tax on revaluation of financial investments available-for-sale | (22,490) | (12,390) | (30,606) | (45,555) |
| - Share of other comprehensive income/(loss) of an associate | 916 | (92) | 2,873 | 445 |
| - Share of other comprehensive income/(loss) of a joint venture | 969 | 199 | 906 | 773 |
| Other comprehensive income/(loss) for the financial period, net of tax | 72,753 | 40,961 | 100,654 | 147,117 |
| Total comprehensive income/(loss) for the financial period | 226,255 | 181,643 | 377,352 | 405,602 |
| Total comprehensive income/(loss) for the financial period attributable to :- | | | | |
| - Equity holders of the Company | 221,263 | 177,862 | 369,249 | 399,900 |
| - Non-controlling interest | 4,992 | 3,781 | 8,103 | 5,702 |
| | 226,255 | 181,643 | 377,352 | 405,602 |

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2016.

AFFIN HOLDINGS BERHAD
(Company no. 23218 - W)
Condensed Interim Financial Statements
Unaudited Income Statements For The Financial Quarter Ended 30 June 2017

| <u>COMPANY</u> | <----Individual Quarter Ended ----> | | <----Cumulative Quarter Ended ----> | |
|--|-------------------------------------|---------------------|-------------------------------------|---------------------|
| | 30/6/2017 RM'000 | 30/6/2016 RM'000 | 30/6/2017 RM'000 | 30/6/2016 RM'000 |
| Interest income | 13,791 | 14,059 | 26,788 | 27,611 |
| Interest expense | - | - | - | - |
| Net interest income | 13,791 | 14,059 | 26,788 | 27,611 |
| Other operating income | 76,300 | - | 87,100 | 107,408 |
| Net income | 90,091 | 14,059 | 113,888 | 135,019 |
| Other operating expenses | (3,334) | (2,544) | (5,694) | (5,018) |
| Operating profit before allowance for impairment losses on loans, advances and | 86,757 | 11,515 | 108,194 | 130,001 |
| Allowance for impairment losses on loans, advances and financing | - | - | - | - |
| Allowance for impairment losses on securities | - | - | - | - |
| Operating profit | 86,757 | 11,515 | 108,194 | 130,001 |
| Finance cost | (14,415) | (14,234) | (28,542) | (28,571) |
| Profit before taxation and zakat | 72,342 | (2,719) | 79,652 | 101,430 |
| Zakat | - | - | - | - |
| Profit before taxation | 72,342 | (2,719) | 79,652 | 101,430 |
| Taxation | (677) | (629) | (812) | (1,156) |
| Net profit for the financial period attributable to equity holders of the Company | 71,665 | (3,348) | 78,840 | 100,274 |

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2016.

AFFIN HOLDINGS BERHAD
 (Company no. 23218 - W)
Condensed Interim Financial Statements
Unaudited Statement of Comprehensive Income
Unaudited Income Statements For The Financial Quarter Ended 30 June 2017

| <u>COMPANY</u> | <---Individual Quarter Ended ----> | | <---Cumulative Quarter Ended ---> | |
|--|------------------------------------|----------------|-----------------------------------|----------------|
| | 30/6/2017 | 30/6/2016 | 30/6/2017 | 30/6/2016 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit after taxation | 71,665 | (3,348) | 78,840 | 100,274 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income for the financial period attributable to equity holders of the Company | 71,665 | (3,348) | 78,840 | 100,274 |

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2016.

AFFIN HOLDINGS BERHAD
(Company no. 23218 - W)
Unaudited Condensed Consolidated Statement Of Changes In Equity
For The Financial Period Ended 30 June 2017

| <u>GROUP</u> | -----Attributable to Equity Holders of the Company-----> | | | | | | | Non-controlling Interest RM'000 | Total Equity RM'000 |
|--|--|-------------------------|------------------------------|------------------------------------|-------------------------------|----------------------------|--------------------------------------|------------------------------------|------------------------|
| | Share capital RM'000 | Share premium RM'000 | Statutory reserves RM'000 | AFS revaluation reserves RM'000 | Regulatory reserves RM'000 | Retained profits RM'000 | Total Shareholders' Equity RM'000 | | |
| At 1 January 2017 | 1,942,949 | 2,185,712 | 1,806,731 | 56,318 | 289,871 | 2,400,913 | 8,682,494 | 48,511 | 8,731,005 |
| Comprehensive income : | | | | | | | | | |
| - Net profit for the financial period | - | - | - | - | - | 268,582 | 268,582 | 8,116 | 276,698 |
| Other comprehensive income (net of tax) of which:- | | | | | | | | | |
| - Financial investments available-for-sale | - | - | - | 96,888 | - | - | 96,888 | (13) | 96,875 |
| - Share of other comprehensive income of an associate | - | - | - | 2,873 | - | - | 2,873 | - | 2,873 |
| - Share of other comprehensive income of a joint venture | - | - | - | 906 | - | - | 906 | - | 906 |
| Total comprehensive income for the financial period | - | - | - | 100,667 | - | 268,582 | 369,249 | 8,103 | 377,352 |
| Transfer of share premium to share capital pursuant to Companies Act 2016 | 2,185,712 | (2,185,712) | - | - | - | - | - | - | - |
| Transfer of statutory reserves to retained profits pursuant to the Policy Documents on "Capital Funds" and "Capital Funds for Islamic Banks" issued by BNM on 3 May 2017 | - | - | (1,806,731) | - | - | 1,806,731 | - | - | - |
| Transfer to regulatory reserves | - | - | - | - | 311,477 | (311,477) | - | - | - |
| Dividends declared and paid during the financial period | - | - | - | - | - | (87,433) | (87,433) | - | (87,433) |
| At 30 June 2017 | 4,128,661 | - | - | 156,985 | 601,348 | 4,077,316 | 8,964,310 | 56,614 | 9,020,924 |
| At 1 January 2016 | 1,942,949 | 2,185,712 | 1,626,175 | 64,833 | 284,141 | 2,178,629 | 8,282,439 | 44,646 | 8,327,085 |
| Comprehensive income : | | | | | | | | | |
| - Net profit for the financial period | - | - | - | - | - | 252,962 | 252,962 | 5,523 | 258,485 |
| Other comprehensive income (net of tax) of which:- | | | | | | | | | |
| - Financial investments available-for-sale | - | - | - | 145,720 | - | - | 145,720 | 179 | 145,899 |
| - Share of other comprehensive income of an associate | - | - | - | 445 | - | - | 445 | - | 445 |
| - Share of other comprehensive income of a joint venture | - | - | - | 773 | - | - | 773 | - | 773 |
| Total comprehensive income for the financial period | - | - | - | 146,938 | - | 252,962 | 399,900 | 5,702 | 405,602 |
| Transfer from regulatory reserves | - | - | - | - | (39,730) | 39,730 | - | - | - |
| Dividends declared and paid during the financial period | - | - | - | - | - | (97,147) | (97,147) | (3,000) | (100,147) |
| At 30 June 2016 | 1,942,949 | 2,185,712 | 1,626,175 | 211,771 | 244,411 | 2,374,174 | 8,585,192 | 47,348 | 8,632,540 |

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2016.

AFFIN HOLDINGS BERHAD
(Company no. 23218 - W)
Unaudited Condensed Statement Of Changes In Equity
For The Financial Period Ended 30 June 2017

| <u>COMPANY</u> | <u>Non-distributable</u> | | <u>Distributable</u> | Total Equity |
|---|--------------------------|-------------------------|-----------------------|-------------------------|
| | Share capital | Share premium | Retained profits | |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January 2017 | 1,942,949 | 2,185,712 | 928,975 | 5,057,636 |
| Total comprehensive income for the financial period : | | | | |
| - Net profit for the financial period | - | - | 78,840 | 78,840 |
| Transfer of share premium to share capital pursuant to Companies Act 2016 | 2,185,712 | (2,185,712) | - | - |
| Dividends declared and paid during the financial period | - | - | (87,433) | (87,433) |
| At 30 June 2017 | <u>4,128,661</u> | <u>-</u> | <u>920,382</u> | <u>5,049,043</u> |
| At 1 January 2016 | 1,942,949 | 2,185,712 | 909,560 | 5,038,221 |
| Total comprehensive income for the financial period : | | | | |
| - Net profit for the financial period | - | - | 100,274 | 100,274 |
| Dividends declared and paid during the financial period | - | - | (97,147) | (97,147) |
| At 30 June 2016 | <u>1,942,949</u> | <u>2,185,712</u> | <u>912,687</u> | <u>5,041,348</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 2016.

AFFIN HOLDINGS BERHAD
(Company no. 23218 - W)
Unaudited Condensed Consolidated Statement of Cash Flow
For The Financial Period Ended 30 June 2017

| | 30/6/2017 | 30/6/2016 |
|--|--------------------|------------------|
| | RM'000 | RM'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 359,852 | 335,340 |
| Adjustment for items not involving the movement of cash and cash equivalents:- | (365,521) | (305,029) |
| Operating profit before changes in working capital | (5,669) | 30,311 |
| Net changes in operating assets | (1,542,198) | 699,309 |
| Net changes in operating liabilities | 2,585,542 | 522,301 |
| Tax and zakat paid | (61,877) | (89,985) |
| Tax refund | - | 5,440 |
| Net cash generated from operating activities | 975,798 | 1,167,376 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest received from securities | 249,138 | 225,166 |
| Net (purchase)/disposal of: | | |
| - securities | (514,041) | 249,976 |
| - property and equipment | (27,831) | (23,356) |
| - intangible assets | (1,706) | (4,195) |
| Dividend received from: | | |
| - financial investments held-for-trading | 133 | 467 |
| - financial investments available-for-sale | 9,168 | 9,986 |
| Proceeds from disposal of foreclosed properties | - | 588 |
| Subscription of shares in a joint venture | - | (28,050) |
| Amount due from associate | (50,683) | 6,722 |
| Net cash (used in)/generated from investing activities | (335,822) | 437,304 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Increase in borrowings | 776,242 | 26 |
| Dividends paid to shareholders | (87,433) | (97,147) |
| Dividends paid to non-controlling interest | - | (3,000) |
| Net cash generated from/(used in) financing activities | 688,809 | (100,121) |
| Net increase in cash and cash equivalents | 1,328,785 | 1,504,559 |
| Cash and cash equivalents at beginning of the year | 4,789,132 | 4,393,076 |
| Cash and cash equivalents at end of the year | 6,117,917 | 5,897,635 |
| <u>Analysis of cash & cash equivalent</u> | | |
| Cash and short-term funds | 6,166,622 | 5,945,530 |
| Adjustment for money held in trust on behalf of remisers | (48,705) | (47,895) |
| | 6,117,917 | 5,897,635 |

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2016.

Part A - Explanatory Notes pursuant to Malaysian Financial Reporting Standard ("MFRS") 134 and Policy Document on Financial Reporting issued by Bank Negara Malaysia

A1. BASIS OF PREPARATION

The unaudited condensed interim financial statements for the financial 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 have been prepared in accordance with MFRS134 Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB"), Chapter 9, part K of the Listing Requirements of the Bursa Malaysia Securities Berhad and Policy Document on Financial Reporting issued by Bank Negara Malaysia dated 28 June 2015.

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 2016. 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 2016.

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 2016, except for the adoption of the following amendments to MFRS that are applicable to the Group and the Company effective for the financial year beginning on 1 January 2017:-

- Amendments to MFRS 107 "Statement of cash flows - Disclosure initiative"
- Amendments to MFRS 112 "Income taxes - Recognition of deferred tax assets for unrealised losses"

The adoption of these amendments is not expected to have any significant effect on the financial statements of the Group and the Company.

Companies Act 2016

The Companies Act 2016 ("New Act") was enacted to replace the Companies Act 1965 with effect from 31 January 2017. Amongst the key changes introduced in the New Act that would affect the financial statements of the Group and the Company for the current financial period includes the following:

- (a) removal of the authorised share capital;
- (b) shares of the Company will cease to have par or nominal value; and
- (c) the Company's share premium account will become part of the Company's share capital. Number of issued shares remains at 1,942,949,000.

Pursuant to the New Act, the Company had transferred the entire balance of its share premium account of RM2,185,712,000 to share capital during the current financial period.

The adoption of the New Act would not have any financial impact to the Group and the Company other than the disclosures to the financial statements for the financial year ending 31 December 2017.

BNM's Revised Policy Documents on "Capital Funds" and "Capital Funds for Islamic Banks"

In the previous years, the banking subsidiaries and AFFIN Moneybrokers Sdn Bhd were required to set aside a percentage of their profits as statutory reserves in each financial year and before any distribution of dividends.

Pursuant to the Revised Policy Documents on "Capital Funds" and "Capital Funds for Islamic Banks" issued by BNM on 3 May, 2017, the requirement to maintain the said statutory reserves is no longer necessary given that banking institutions have begun the phasing-in of the Capital Conservation Buffer ("CCB") requirement under the Capital Adequacy Framework since 2016.

Accordingly, the Group had transferred the entire balance of the statutory reserves of RM1,806,731,000 to retained profits during the financial period.

A3. AUDITOR'S REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the audited financial statements for the financial year ended 31 December 2016 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 financial period under review.

A6. CHANGES IN ESTIMATES

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

A7. DEBT AND EQUITY SECURITIES

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

A8. DIVIDENDS PAID

A single-tier final dividend of 4.5 sen per share in respect of the previous financial year ended 31 December 2016 amounting to RM87,432,681.78 was paid on 31 May 2017.

A9. TRADE RECEIVABLES

| | Group | |
|---|---------------------|----------------------|
| | 30/6/2017 RM'000 | 31/12/2016 RM'000 |
| Amount due from stock-broking clients | | |
| - performing accounts | 277,238 | 322,195 |
| - impaired accounts | 1,742 | 1,705 |
| Amount due from brokers | 283,710 | 114,092 |
| Amount due from Bursa Securities Clearing Sdn Bhd | 9,321 | - |
| Management fees receivable on fund management | 537,048 | 93,104 |
| | 1,109,059 | 531,096 |
| Less: Allowance for impairment | | |
| - Individual impairment | (1,405) | (1,368) |
| | 1,107,654 | 529,728 |

Movement in allowance for impairment on trade receivables :-

Collective impairment

| | | |
|--|---|------|
| Balance at the beginning of financial period/year | - | 16 |
| Amount written-back during the financial period/year | - | (16) |
| Balance at the end of financial period/year | - | - |

Individual impairment

| | | |
|--|--------------|--------------|
| Balance at the beginning of financial period/year | 1,368 | 4,123 |
| Allowance made during the financial period/year | 405 | 1,781 |
| Amount written-back during the financial period/year | (368) | (866) |
| Amount written-off during the financial period/year | - | (3,670) |
| Balance at the end of financial period/year | 1,405 | 1,368 |

A10. FINANCIAL ASSETS

| | Group | |
|--|---------------------|----------------------|
| | 30/6/2017 RM'000 | 31/12/2016 RM'000 |
| (a) <u>Financial assets held-for-trading</u> | | |
| At fair value | | |
| Malaysian Government Investment Issuance | 29,895 | - |
| Negotiable Instruments of Deposit | - | 200,067 |
| Quoted Securities :- | | |
| - Shares in Malaysia | 29,864 | 18,763 |
| - Unit Trusts in Malaysia | 33,196 | 4,864 |
| Unquoted Securities :- | | |
| - Corporate Bonds and/or Sukuk in Malaysia | 11,348 | 31,218 |
| - Corporate Bonds and/or Sukuk outside Malaysia | 20,242 | 15,442 |
| Total financial assets held-for-trading | 124,545 | 270,354 |
| (b) <u>Financial investments available-for-sale</u> | | |
| At fair value | | |
| Malaysian Government Securities | 191,878 | 318,324 |
| Malaysian Government Treasury Bills | 12,318 | - |
| Malaysian Government Investment Issuance | 2,157,539 | 1,816,434 |
| Cagamas Bonds | 66,733 | 66,597 |
| Sukuk Perumahan Kerajaan | 490,369 | 485,574 |
| Khazanah Bonds | 449,945 | 439,219 |
| Negotiable Instruments of Deposit and Islamic Debt Certificate | 1,550,156 | 1,494,956 |
| | 4,918,938 | 4,621,104 |
| Quoted Securities :- | | |
| - Shares in Malaysia | 23,700 | 32,134 |
| - Unit Trusts in Malaysia | 203,671 | 190,278 |
| - REITs in Malaysia | 49,945 | 50,266 |
| - REITs outside Malaysia | 75,944 | 78,540 |
| Unquoted Securities :- | | |
| - Shares in Malaysia | 238,749 | 238,749 |
| - Corporate Bonds and/or Sukuk in Malaysia | 9,004,866 | 8,190,917 |
| - Corporate Bonds and/or Sukuk outside Malaysia | 497,368 | 730,129 |
| | 15,013,181 | 14,132,117 |
| Allowance for impairment losses of securities | (20,226) | (23,594) |
| Total financial investments available-for-sale | 14,992,955 | 14,108,523 |
| (c) <u>Financial investments held-to-maturity</u> | | |
| At amortised cost | | |
| Unquoted Securities :- | | |
| - Corporate Bonds and/or Sukuk in Malaysia | 213,481 | 402,532 |
| - Redeemable Convertible Secured Loan Stocks in Malaysia | 15,042 | 15,042 |
| | 228,523 | 417,574 |
| Allowance for impairment losses of securities | (10,487) | (10,487) |
| Total financial investments held-to-maturity | 218,036 | 407,087 |
| Total securities held | 15,335,536 | 14,785,964 |

A11. LOANS, ADVANCES AND FINANCING

(a) BY TYPE

| | Group | |
|--|---------------------|----------------------|
| | 30/6/2017 RM'000 | 31/12/2016 RM'000 |
| Overdrafts | 1,915,696 | 1,919,668 |
| Term loans/financing :- | | |
| - Housing Loan/financing | 7,609,003 | 6,964,223 |
| - Syndicated term loans/financing | 2,455,772 | 2,482,093 |
| - Hire purchase receivables | 12,274,249 | 11,920,683 |
| - Business term loans/financing | 13,818,371 | 13,440,419 |
| - Other term loans/financing | 401,371 | 356,509 |
| Bills receivables | 31,210 | 30,113 |
| Trust receipts | 150,440 | 297,955 |
| Claims on customers under acceptance credits | 1,205,120 | 1,082,209 |
| Staff loans/financing (of which RM NIL to Directors) | 167,386 | 160,732 |
| Credit/charge cards | 97,020 | 91,091 |
| Revolving credit | 4,810,599 | 5,123,539 |
| Margin financing | 333,952 | 241,772 |
| Factoring | 7,702 | 1,560 |
| Other receivables | 40,484 | 40,490 |
| Gross loans, advances and financing | 45,318,375 | 44,153,056 |
| Less: Allowance for impairment losses | | |
| - Collective impairment | (230,075) | (237,954) |
| - Individual impairment | (116,036) | (167,675) |
| Total net loans, advances and financing | 44,972,264 | 43,747,427 |

(b) BY MATURITY STRUCTURE

| | | |
|---------------------------|-------------------|-------------------|
| Maturing within one year | 9,020,160 | 9,204,328 |
| One year to three years | 5,119,633 | 4,969,834 |
| Three years to five years | 7,038,888 | 7,332,075 |
| Over five years | 24,139,694 | 22,646,819 |
| | 45,318,375 | 44,153,056 |

(c) BY TYPE OF CUSTOMER

| | | |
|--------------------------------------|-------------------|-------------------|
| Domestic banking institutions | 3,666 | 3,033 |
| Domestic non-banking institutions :- | | |
| - Others | 728,589 | 834,841 |
| Domestic business enterprises :- | | |
| - Small medium enterprises | 12,111,183 | 12,553,872 |
| - Others | 12,173,411 | 10,998,242 |
| Government and statutory bodies | 958,195 | 1,467,488 |
| Individuals | 19,101,707 | 17,920,443 |
| Foreign individuals | 916 | 957 |
| Other domestic entities | 12,815 | 88,036 |
| Foreign entities | 227,893 | 286,144 |
| | 45,318,375 | 44,153,056 |

(d) BY INTEREST / PROFIT RATE SENSITIVITY

| | | |
|------------------------------------|-------------------|-------------------|
| Fixed rate :- | | |
| - Housing loans/financing | 398,574 | 406,788 |
| - Hire purchase receivables | 12,276,510 | 11,923,338 |
| - Other fixed rate loans/financing | 3,776,096 | 3,546,700 |
| - Margin financing | 333,952 | 241,772 |
| Variable rate :- | | |
| - BLR plus | 17,469,103 | 16,774,292 |
| - Cost plus | 11,022,754 | 11,195,608 |
| - Other variable rates | 41,386 | 64,558 |
| | 45,318,375 | 44,153,056 |

A11. LOANS, ADVANCES AND FINANCING (Cont.)

(e) BY ECONOMIC PURPOSE

| | Group | |
|---|---------------------|----------------------|
| | 30/6/2017 RM'000 | 31/12/2016 RM'000 |
| Construction | 3,173,215 | 3,280,772 |
| Purchase of landed property of which :- | | |
| - Residential | 7,706,601 | 7,095,192 |
| - Non-residential | 6,410,058 | 6,012,752 |
| Purchase of securities | 1,391,147 | 1,200,510 |
| Purchase of transport vehicles | 12,676,404 | 12,343,573 |
| Fixed assets other than land and building | 307,701 | 325,485 |
| Personal use | 721,480 | 691,257 |
| Credit card | 97,020 | 91,091 |
| Consumer durable | 774 | 879 |
| Merger and acquisition | 91,738 | 97,992 |
| Working capital | 12,002,115 | 12,452,407 |
| Others | 740,122 | 561,146 |
| | 45,318,375 | 44,153,056 |

(f) BY SECTOR

| | | |
|---|-------------------|-------------------|
| Primary agriculture | 1,123,622 | 896,922 |
| Mining and quarrying | 754,369 | 915,756 |
| Manufacturing | 1,976,496 | 2,225,082 |
| Electricity, gas and water supply | 131,666 | 202,818 |
| Construction | 2,772,533 | 2,571,019 |
| Real estate | 8,296,113 | 8,027,575 |
| Wholesale and retail trade and restaurants and hotels | 2,871,345 | 2,855,690 |
| Transport, storage and communication | 2,543,027 | 2,233,611 |
| Finance, insurance and business services | 2,861,571 | 2,912,749 |
| Education, health and others | 2,698,816 | 3,137,788 |
| Household | 19,236,227 | 18,052,061 |
| Others | 52,590 | 121,985 |
| | 45,318,375 | 44,153,056 |

(g) BY GEOGRAPHICAL DISTRIBUTION

| | | |
|---------------------|-------------------|-------------------|
| Perlis | 162,012 | 195,079 |
| Kedah | 1,418,903 | 1,434,432 |
| Pulau Pinang | 2,389,668 | 2,386,830 |
| Perak | 1,541,201 | 1,444,400 |
| Selangor | 12,812,767 | 12,825,140 |
| Wilayah Persekutuan | 14,061,739 | 13,516,182 |
| Negeri Sembilan | 1,216,260 | 1,216,853 |
| Melaka | 1,036,192 | 1,030,549 |
| Johor | 4,576,979 | 4,117,630 |
| Pahang | 962,080 | 897,686 |
| Terengganu | 841,454 | 743,413 |
| Kelantan | 222,824 | 216,290 |
| Sarawak | 1,912,664 | 1,750,219 |
| Sabah | 1,571,536 | 1,626,943 |
| Labuan | 497,332 | 664,510 |
| Outside Malaysia | 94,764 | 86,900 |
| | 45,318,375 | 44,153,056 |

A11. LOANS, ADVANCES AND FINANCING (Cont.)

(h) IMPAIRED LOANS, ADVANCES AND FINANCING

(i) Movements of impaired loans, advances and financing

| | Group | |
|---|------------------|-------------------|
| | 30/6/2017 | 31/12/2016 |
| | RM'000 | RM'000 |
| Balance at the beginning of financial period/year | 737,253 | 834,222 |
| Classified as impaired during the financial period/year | 591,631 | 679,669 |
| Reclassified as non-impaired during the financial period/year | (188,519) | (383,917) |
| Amount recovered during the financial period/year | (79,393) | (199,772) |
| Amount written-off during the financial period/year | (121,553) | (184,899) |
| Amount converted to financial investments held-for-maturity | - | (8,050) |
| | 939,419 | 737,253 |

(ii) Impaired loans, advances and financing by economic purpose

| | | |
|---|----------------|----------------|
| Construction | 94,461 | 39,998 |
| Purchase of landed property of which :- | | |
| - Residential | 200,559 | 203,075 |
| - Non-residential | 296,617 | 76,002 |
| Purchase of securities | 6,222 | 158 |
| Purchase of transport vehicles | 75,359 | 86,062 |
| Fixed assets other than land and building | 545 | 878 |
| Personal use | 18,968 | 28,441 |
| Credit card | 365 | 408 |
| Consumer durable | 16 | 17 |
| Working capital | 241,262 | 295,207 |
| Others | 5,045 | 7,007 |
| | 939,419 | 737,253 |

(iii) Impaired loans, advances and financing by sector

| | | |
|---|----------------|----------------|
| Primary agriculture | 13,834 | 14,331 |
| Mining and quarrying | 13,393 | 120 |
| Manufacturing | 31,685 | 27,934 |
| Electricity, gas and water supply | 551 | 207 |
| Construction | 95,713 | 102,416 |
| Real estate | 327,762 | 71,195 |
| Wholesale and retail trade and restaurants and hotels | 69,140 | 57,706 |
| Transport, storage and communication | 2,654 | 2,106 |
| Finance, insurance and business services | 82,395 | 145,544 |
| Education, health and others | 1,991 | 732 |
| Household | 300,301 | 314,962 |
| | 939,419 | 737,253 |

A11. LOANS, ADVANCES AND FINANCING (Cont.)

(h) IMPAIRED LOANS, ADVANCES AND FINANCING (Cont.)

(iv) Impaired loans, advances and financing by geographical distribution

| | Group | |
|---------------------|---------------------|----------------------|
| | 30/6/2017 RM'000 | 31/12/2016 RM'000 |
| Perlis | 5,260 | 5,245 |
| Kedah | 59,791 | 48,834 |
| Pulau Pinang | 100,995 | 41,022 |
| Perak | 15,377 | 18,490 |
| Selangor | 260,679 | 314,005 |
| Wilayah Persekutuan | 265,833 | 79,564 |
| Negeri Sembilan | 78,734 | 79,423 |
| Melaka | 7,447 | 16,091 |
| Johor | 30,598 | 27,974 |
| Pahang | 19,661 | 9,574 |
| Terengganu | 6,920 | 6,245 |
| Kelantan | 4,169 | 5,337 |
| Sarawak | 7,211 | 7,951 |
| Sabah | 46,818 | 45,914 |
| Outside Malaysia | 29,926 | 31,584 |
| | 939,419 | 737,253 |

(v) Movements in allowance for impairment on loans, advances and financing

Collective impairment

| | | |
|---|----------------|----------------|
| Balance at beginning of financial period/year | 237,954 | 238,868 |
| Allowance (net of write-back) made during the financial period/year | 32,597 | 43,748 |
| Amount written-off during the financial period/year | (40,476) | (44,662) |
| Balance at the end of financial period/year | 230,075 | 237,954 |

Individual impairment

| | | |
|--|----------------|----------------|
| Balance at the beginning of financial period/year | 167,675 | 295,263 |
| Allowance made during the financial period/year | 46,888 | 81,349 |
| Amount recovered during the financial period/year | (17,214) | (59,431) |
| Amount written-off during the financial period/year | (78,438) | (132,589) |
| Amount converted to financial investments held-to-maturity | - | (6,950) |
| Unwinding discount of allowance | (2,232) | (10,324) |
| Exchange difference | (643) | 357 |
| Balance at the end of financial period/year | 116,036 | 167,675 |

A12. OTHER ASSETS

| | | |
|---|----------------|----------------|
| Cheque clearing accounts | 4,097 | 10,721 |
| Foreclosed properties | 16,904 | 7,970 |
| Other debtors, deposits and prepayments | 90,789 | 73,535 |
| Amount due from joint ventures | 50,378 | 46,725 |
| Collaterals pledged for derivative transactions | 37,010 | 76,561 |
| Amount due from associates | 500 | 500 |
| | 199,678 | 216,012 |

A13. OTHER LIABILITIES

| | Group | |
|--|---------------------|----------------------|
| | 30/6/2017 RM'000 | 31/12/2016 RM'000 |
| Bank Negara Malaysia and Credit Guarantee Corporation Funding Programmes | 39,383 | 38,563 |
| Margin and collateral deposits | 124,494 | 149,616 |
| Commissioned dealer's representative trust balances | 48,705 | 47,090 |
| Defined contribution plan | 12,062 | 15,662 |
| Accrued employee benefits | 70,492 | 85,606 |
| Other creditors and accruals | 153,796 | 137,136 |
| Collaterals pledged for derivative transactions | 6,097 | 8,761 |
| Amount payable to commissioned and salaried dealers's representatives | 34,252 | 22,174 |
| Cheque clearing accounts | 27,562 | 19,272 |
| Provision for zakat | 2,201 | 3,447 |
| Sundry creditors | 117,604 | 128,867 |
| | 636,648 | 656,194 |

A14. INTEREST INCOME

| | <-----Group-----> | | | |
|--|--------------------------|---------------------|--------------------------|---------------------|
| | Individual Quarter Ended | | Cumulative Quarter Ended | |
| | 30/6/2017 RM'000 | 30/6/2016 RM'000 | 30/6/2017 RM'000 | 30/6/2016 RM'000 |
| Loans, advances and financing | 458,162 | 475,993 | 912,197 | 953,112 |
| Money at call and deposits with financial institutions | 36,086 | 29,438 | 64,141 | 44,333 |
| Reverse repurchase agreements with financial institutions | 368 | - | 368 | - |
| Financial assets held-for-trading | 1,816 | 3,752 | 3,814 | 6,608 |
| Financial investments available-for-sale | 117,271 | 103,016 | 228,981 | 211,829 |
| Financial investments held-to-maturity | 16,738 | 9,053 | 20,157 | 13,337 |
| Derivatives | 26,069 | 29,962 | 53,137 | 59,425 |
| Subordinated term loan | 2,018 | 1,425 | 3,149 | 2,858 |
| Others | 131 | 104 | 229 | (443) |
| | 658,659 | 652,743 | 1,286,173 | 1,291,059 |
| of which :- | | | | |
| Interest income earned on impaired loans, advances and financing | 679 | 1,692 | 703 | 1,960 |

A15. INTEREST EXPENSE

| | | | | |
|---|----------------|----------------|----------------|----------------|
| Deposits and placements of banks and other financial institutions | 20,809 | 22,792 | 34,856 | 38,544 |
| Deposits from customers | 337,266 | 343,966 | 671,694 | 696,187 |
| Derivatives | 25,068 | 27,880 | 51,025 | 54,927 |
| Subordinated medium term notes | 13,587 | - | 21,501 | - |
| Loans sold to Cagamas Berhad | - | 1,440 | - | 2,882 |
| Others | 7,186 | 9,341 | 12,814 | 21,508 |
| | 403,916 | 405,419 | 791,890 | 814,048 |

A16. OTHER OPERATING INCOME

| | <-----Group-----> | | | |
|--|--------------------------|---------------------|--------------------------|---------------------|
| | Individual Quarter Ended | | Cumulative Quarter Ended | |
| | 30/6/2017 RM'000 | 30/6/2016 RM'000 | 30/6/2017 RM'000 | 30/6/2016 RM'000 |
| <u>Fee income</u> | | | | |
| Gross brokerage | 30,298 | 22,887 | 58,504 | 47,243 |
| Underwriting fees | 1,879 | 231 | 5,662 | 676 |
| Portfolio management fees | 71,328 | 44,897 | 122,214 | 88,252 |
| Corporate advisory fees | 2,803 | 1,597 | 4,353 | 4,108 |
| Commission | 4,967 | 4,657 | 9,851 | 8,306 |
| Service charges and fees | 16,041 | 16,820 | 30,733 | 29,576 |
| Guarantee fees | 5,241 | 5,900 | 10,733 | 13,488 |
| Arrangement fees/Co-ordinating fees | 400 | 1,334 | 850 | 4,229 |
| Agency fees | 529 | 509 | 1,014 | 894 |
| Initial service charges | 37,718 | 18,858 | 66,159 | 27,772 |
| Other fee income | 1,316 | 2,545 | 4,581 | 3,703 |
| | 172,520 | 120,235 | 314,654 | 228,247 |
| <u>Income from financial instruments</u> | | | | |
| Gains/(losses) arising on financial assets held-for-trading :- | | | | |
| - net gains on disposal | 17,577 | 6,999 | 41,006 | 11,794 |
| - unrealised gains/(losses) | (74) | 2,240 | (280) | 4,246 |
| - gross dividend income | 39 | 31 | 133 | 467 |
| Gains/(losses) on derivatives :- | | | | |
| - realised | 419 | 496 | 522 | 1,559 |
| - unrealised | (3,088) | 9,698 | (4,266) | 1,240 |
| Gains arising on financial investments available-for-sale :- | | | | |
| - net gains on disposal | 8,521 | 5,782 | 15,833 | 11,465 |
| - gross dividend income | 4,422 | 8,276 | 9,168 | 9,986 |
| Gains arising on financial investments held-to-maturity :- | | | | |
| - net gains on redemption | 39,784 | - | 39,784 | - |
| | 67,600 | 33,522 | 101,900 | 40,757 |
| <u>Other income</u> | | | | |
| Foreign exchange gains/(losses) | | | | |
| - realised | (53,879) | 39,107 | (55,560) | (46,240) |
| - unrealised | 70,706 | (31,709) | 84,732 | 72,348 |
| Rental income | 527 | 372 | 1,155 | 833 |
| Gains on disposal of property and equipment | 1,036 | 26 | 1,215 | 125 |
| Gains on disposal of foreclosed properties | - | 49 | - | 153 |
| Other non-operating income | 795 | 2,454 | 4,290 | 6,137 |
| | 19,185 | 10,299 | 35,832 | 33,356 |
| Total other operating income | 259,305 | 164,056 | 452,386 | 302,360 |

A17. OTHER OPERATING EXPENSES

| | <-----Group-----> | | | |
|---|--------------------------|-----------------------|--------------------------|-----------------------|
| | Individual Quarter Ended | | Cumulative Quarter Ended | |
| | 30/6/2017 | 30/6/2016 | 30/6/2017 | 30/6/2016 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>Personnel costs</u> | | | | |
| Wages, salaries and bonus | 135,789 | 112,223 | 270,748 | 223,467 |
| Defined contribution plan | 22,095 | 18,913 | 43,142 | 37,471 |
| Other personnel costs | 23,705 | 18,193 | 44,026 | 35,532 |
| | <u>181,589</u> | <u>149,329</u> | <u>357,916</u> | <u>296,470</u> |
| <u>Promotion and marketing-related expenses</u> | | | | |
| Business promotion and advertisement | 10,424 | 4,617 | 13,963 | 9,108 |
| Entertainment | 1,515 | 1,544 | 2,847 | 2,627 |
| Travelling and accommodation | 2,370 | 1,820 | 4,068 | 3,473 |
| Dealers' handling fees | 3,034 | 1,748 | 5,927 | 3,956 |
| Commission and brokerage expenses | 50,702 | 24,780 | 89,483 | 43,084 |
| Dealers representative performance incentive | 2,859 | 1,266 | 4,503 | 2,988 |
| Others | 3,213 | 1,769 | 4,919 | 3,640 |
| | <u>74,117</u> | <u>37,544</u> | <u>125,710</u> | <u>68,876</u> |
| <u>Establishment-related expenses</u> | | | | |
| Rental of premises | 9,527 | 10,410 | 19,624 | 20,942 |
| Equipment rental | 679 | 608 | 1,092 | 1,350 |
| Repair and maintenance | 11,712 | 12,021 | 23,530 | 24,894 |
| Depreciation of property and equipment | 5,999 | 5,796 | 11,945 | 11,835 |
| Amortisation of intangible assets | 6,271 | 6,498 | 12,404 | 12,456 |
| IT consultancy fee | 18,612 | 16,473 | 33,877 | 32,549 |
| Dataline rental | 2,113 | 1,852 | 3,920 | 3,554 |
| Security services | 4,363 | 4,307 | 8,912 | 8,871 |
| Electricity, water and sewerage | 3,445 | 3,667 | 6,510 | 7,268 |
| Insurance and indemnities | 6,028 | 8,448 | 11,897 | 13,390 |
| Others | 875 | 1,163 | 2,125 | 2,604 |
| | <u>69,624</u> | <u>71,243</u> | <u>135,836</u> | <u>139,713</u> |
| <u>General and administrative expenses</u> | | | | |
| Telecommunication expenses | 3,468 | 4,239 | 6,593 | 7,935 |
| Directors' remuneration | 876 | 1,115 | 1,766 | 1,748 |
| Auditors' remuneration :- | | | | |
| (i) Statutory audit fees | | | | |
| - current year | 673 | 607 | 1,332 | 1,213 |
| (ii) Regulatory related fees | 52 | 9 | 60 | 21 |
| (iii) Tax fees | 49 | 246 | 100 | 352 |
| (iv) Non-audit fees | 5 | 9 | 328 | 9 |
| Professional fees | 2,087 | 5,011 | 12,942 | 6,303 |
| Property and equipment written-off | 15 | 45 | 36 | 1,078 |
| Intangible asset written-off | - | - | - | 17 |
| Postage and courier charges | 912 | 967 | 1,500 | 2,115 |
| Stationery and consumables | 2,296 | 3,312 | 4,467 | 6,444 |
| Donations | 627 | 1,007 | 1,372 | 1,859 |
| Settlement, clearing and bank charges | 3,003 | 2,771 | 6,444 | 5,842 |
| Stamp duties | 50 | 340 | 152 | 387 |
| Subscription fees | 1,788 | 1,874 | 3,728 | 3,649 |
| Transaction levy | 2,637 | 2,140 | 4,942 | 4,038 |
| Subsidies and allowances | 734 | 861 | 1,444 | 1,710 |
| SCORE fees | 915 | 702 | 1,734 | 1,356 |
| Others | 6,176 | 3,970 | 11,899 | 8,824 |
| | <u>26,363</u> | <u>29,225</u> | <u>60,839</u> | <u>54,900</u> |
| Total other operating expenses | <u>351,693</u> | <u>287,341</u> | <u>680,301</u> | <u>559,959</u> |

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

| | <-----Group-----> | | | |
|--|--------------------------|--------------|--------------------------|------------|
| | Individual Quarter Ended | | Cumulative Quarter Ended | |
| | 30/6/2017 | 30/6/2016 | 30/6/2017 | 30/6/2016 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Collective impairment | | | | |
| - made during the financial period | 23,920 | 24,497 | 32,597 | 35,751 |
| Individual impairment | | | | |
| - made during the financial period | 27,137 | 21,144 | 47,293 | 26,714 |
| - written-back during the financial period | (4,768) | (25,092) | (17,582) | (29,037) |
| Bad debts | | | | |
| - recovered | (10,587) | (19,071) | (21,172) | (33,785) |
| - written-off | 213 | 664 | 506 | 885 |
| Additional allowance for impairment losses | | | | |
| - other debtors | (54) | 25 | (6) | 64 |
| | 35,861 | 2,167 | 41,636 | 592 |

**A19. ALLOWANCE FOR IMPAIRMENT LOSSES
 ON SECURITIES**

| | | | | |
|--|---|---|------------|---|
| Allowance for impairment losses | | | | |
| - Financial investments available-for-sale | - | - | 712 | - |
| | - | - | 712 | - |

A20. SEGMENTAL INFORMATION ON REVENUE AND PROFIT

The segment analysis by activity for the individual and cumulative quarters ended 30 June 2017 and 30 June 2016 are as follows:-

| | <----- Current year's individual quarter ended 30 June 2017 -----> | | | | | |
|---|--|--|-----------------------------|--------------------------|--------------------------------|-------------------------|
| | Commercial Banking RM'000 | Investment Banking RM'000 | Insurance RM'000 | Others RM'000 | Eliminations RM'000 | Group RM'000 |
| Revenue | | | | | | |
| External revenue | 381,109 | 202,426 | - | 4,755 | - | 588,290 |
| Intersegment revenue | (5,343) | (6,183) | - | 88,395 | (76,869) | - |
| Segment revenue | <u>375,766</u> | <u>196,243</u> | <u>-</u> | <u>93,150</u> | <u>(76,869)</u> | <u>588,290</u> |
| Overhead expenses | (193,647) | (152,702) | - | (5,913) | 569 | (351,693) |
| of which :- | | | | | | |
| Depreciation of property and equipment | (3,736) | (2,190) | - | (73) | - | (5,999) |
| Amortisation of intangible assets | (2,591) | (3,664) | - | (16) | - | (6,271) |
| (Additional)/write-back of allowance for impairment on loans, advances and financing/securities | (35,663) | (198) | - | - | - | (35,861) |
| Segment results | <u>146,456</u> | <u>43,343</u> | <u>-</u> | <u>87,237</u> | <u>(76,300)</u> | <u>200,736</u> |
| Finance costs | - | - | - | (14,415) | - | (14,415) |
| Share of results of a joint venture (net of tax) | - | - | (1,861) | - | - | (1,861) |
| Share of results of an associate (net of tax) | - | - | 14,211 | - | - | 14,211 |
| Profit before taxation and zakat | <u>146,456</u> | <u>43,343</u> | <u>12,350</u> | <u>72,822</u> | <u>(76,300)</u> | <u>198,671</u> |
| Zakat | - | (386) | - | - | - | (386) |
| Profit before taxation | <u>146,456</u> | <u>42,957</u> | <u>12,350</u> | <u>72,822</u> | <u>(76,300)</u> | <u>198,285</u> |
| Taxation | | | | | | (44,783) |
| Net profit for the individual quarter | | | | | | <u>153,502</u> |

| | <----- Preceding year's individual quarter ended 30 June 2016 -----> | | | | | |
|---|--|--|-----------------------------|--------------------------|--------------------------------|-------------------------|
| | Commercial Banking RM'000 | Investment Banking RM'000 | Insurance RM'000 | Others RM'000 | Eliminations RM'000 | Group RM'000 |
| Revenue | | | | | | |
| External revenue | 334,362 | 138,364 | - | 3,989 | - | 476,715 |
| Intersegment revenue | (5,065) | (7,079) | - | 13,144 | (1,000) | - |
| Segment revenue | <u>329,297</u> | <u>131,285</u> | <u>-</u> | <u>17,133</u> | <u>(1,000)</u> | <u>476,715</u> |
| Overhead expenses | (178,874) | (104,477) | - | (4,990) | 1,000 | (287,341) |
| of which :- | | | | | | |
| Depreciation of property and equipment | (3,804) | (1,910) | - | (82) | - | (5,796) |
| Amortisation of intangible assets | (2,549) | (3,934) | - | (15) | - | (6,498) |
| (Additional)/write-back of allowance for impairment on loans, advances and financing/securities | (3,032) | 865 | - | - | - | (2,167) |
| Segment results | <u>147,391</u> | <u>27,673</u> | <u>-</u> | <u>12,143</u> | <u>-</u> | <u>187,207</u> |
| Finance costs | - | - | - | (14,234) | - | (14,234) |
| Share of results of a joint venture (net of tax) | - | - | (2,383) | - | - | (2,383) |
| Share of results of an associate (net of tax) | - | - | 15,178 | - | - | 15,178 |
| Profit before taxation and zakat | <u>147,391</u> | <u>27,673</u> | <u>12,795</u> | <u>(2,091)</u> | <u>-</u> | <u>185,768</u> |
| Zakat | (2,887) | (268) | - | - | - | (3,155) |
| Profit before taxation | <u>144,504</u> | <u>27,405</u> | <u>12,795</u> | <u>(2,091)</u> | <u>-</u> | <u>182,613</u> |
| Taxation | | | | | | (41,931) |
| Net profit for the individual quarter | | | | | | <u>140,682</u> |

A20. SEGMENTAL INFORMATION ON REVENUE AND PROFIT

The segment analysis by activity for the individual and cumulative quarters ended 30 June 2017 and 30 June 2016 are as follows:-

| | <----- Current year's cumulative quarter ended 30 June 2017 -----> | | | | | |
|--|--|--|-----------------------------|--------------------------|--------------------------------|-------------------------|
| | Commercial Banking RM'000 | Investment Banking RM'000 | Insurance RM'000 | Others RM'000 | Eliminations RM'000 | Group RM'000 |
| Revenue | | | | | | |
| External revenue | 709,425 | 379,864 | - | 8,605 | - | 1,097,894 |
| Intersegment revenue | (11,627) | (11,021) | - | 111,451 | (88,803) | - |
| Segment revenue | 697,798 | 368,843 | - | 120,056 | (88,803) | 1,097,894 |
| Operating expenses | (383,627) | (287,585) | - | (10,792) | 1,703 | (680,301) |
| of which :- | | | | | | |
| Depreciation of property and equipment | (7,465) | (4,333) | - | (147) | - | (11,945) |
| Amortisation of intangible assets | (5,044) | (7,329) | - | (31) | - | (12,404) |
| (Additional)/write-back of allowance for impairment losses on loans, advances and financing/securities | (42,383) | 35 | - | - | - | (42,348) |
| Segment results | 271,788 | 81,293 | - | 109,264 | (87,100) | 375,245 |
| Finance costs | - | - | - | (28,542) | - | (28,542) |
| Share of results of a joint venture (net of tax) | - | - | (4,217) | - | - | (4,217) |
| Share of results of an associate (net of tax) | - | - | 18,089 | - | - | 18,089 |
| Profit before taxation and zakat | 271,788 | 81,293 | 13,872 | 80,722 | (87,100) | 360,575 |
| Zakat | - | (723) | - | - | - | (723) |
| Profit before taxation | 271,788 | 80,570 | 13,872 | 80,722 | (87,100) | 359,852 |
| Taxation | | | | | | (83,154) |
| Net profit for the cumulative quarter | | | | | | 276,698 |

| | <----- Preceding's year cumulative quarter ended 30 June 2016 -----> | | | | | |
|--|--|--|-----------------------------|--------------------------|--------------------------------|-------------------------|
| | Commercial Banking RM'000 | Investment Banking RM'000 | Insurance RM'000 | Others RM'000 | Eliminations RM'000 | Group RM'000 |
| Revenue | | | | | | |
| External revenue | 633,846 | 261,504 | - | 8,286 | - | 903,636 |
| Intersegment revenue | (11,394) | (12,814) | - | 133,188 | (108,980) | - |
| Segment revenue | 622,452 | 248,690 | - | 141,474 | (108,980) | 903,636 |
| Operating expenses | (350,624) | (200,797) | - | (10,110) | 1,572 | (559,959) |
| of which :- | | | | | | |
| Depreciation of property and equipment | (7,633) | (4,011) | - | (191) | - | (11,835) |
| Amortisation of intangible assets | (4,568) | (7,858) | - | (30) | - | (12,456) |
| (Additional)/write-back of allowance for impairment losses on loans, advances and financing/securities | (1,376) | 784 | - | - | - | (592) |
| Segment results | 270,452 | 48,677 | - | 131,364 | (107,408) | 343,085 |
| Finance costs | - | - | - | (28,571) | - | (28,571) |
| Share of results of a joint venture (net of tax) | - | - | (3,041) | - | - | (3,041) |
| Share of results of an associate (net of tax) | - | - | 27,220 | - | - | 27,220 |
| Profit before taxation and zakat | 270,452 | 48,677 | 24,179 | 102,793 | (107,408) | 338,693 |
| Zakat | (2,887) | (466) | - | - | - | (3,353) |
| Profit before taxation | 267,565 | 48,211 | 24,179 | 102,793 | (107,408) | 335,340 |
| Taxation | | | | | | (76,855) |
| Net profit for the cumulative quarter | | | | | | 258,485 |

A21. SUBSEQUENT MATERIAL EVENT

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

A22. CHANGES IN THE COMPOSITION OF THE GROUP

Save as disclosed below, there were no other significant changes in the composition of the Group during the financial period under review:-

a) Acquisition of Additional 154,570 ordinary shares of RM1.00 each, representing 0.13% Equity Interest in AXA AFFIN General Insurance Berhad ("AAGI")

During the period under review, the Company acquired additional 154,570 ordinary shares of RM1.00 each representing 0.13% equity interest in AAGI at a price of RM6.77 per share. As at 30 June 2017, the Company's equity interest in AAGI stood at 37.07% as compared to 36.94% as at 31 December 2016.

b) Acquisition of entire share capital of ABB Trustee Berhad ("ABBT") by AFFIN Hwang Investment Bank Berhad and its subsidiaries

On 25 January 2017, AFFIN Hwang Investment Bank Berhad and its subsidiaries, namely, AFFIN Hwang Nominees (Tempatan) Sdn Bhd, AFFIN Hwang Nominees (Asing) Sdn Bhd, AHC Global Sdn Bhd (formerly known as Classic Uptrend Sdn Bhd) and AHC Associates Sdn Bhd (formerly known as Sole Delta Sdn Bhd) had completed the acquisition of 100,000 ordinary shares of RM10 each, of which RM5 is fully paid-up, representing 100% equity interest in ABB Trustee Berhad ("ABBT") from AFFIN Bank Berhad and the other four shareholders of ABBT shares, for a total cash consideration of RM630,000.00, based on the audited net asset value of ABBT as at 31 December 2015.

A23. COMMITMENTS AND CONTINGENCIES

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

The notional amounts of the commitments and contingencies of the Group are as follows :-

| | Principal Amount | |
|--|---------------------|----------------------|
| | 30/6/2017 RM'000 | 31/12/2016 RM'000 |
| Direct credit substitutes | 626,258 | 533,615 |
| Transaction related contingent items | 2,161,771 | 2,252,924 |
| Short-term self-liquidating trade-related contingencies | 542,436 | 496,339 |
| Obligation under underwriting commitments | 66,800 | 19,481 |
| Foreign exchange related contracts # | | |
| - Less than one year | 11,730,790 | 9,668,916 |
| - One year to less than five years | 707,273 | 603,046 |
| - Five years and above | 42,485 | 42,485 |
| Interest rate related contracts # | | |
| - Less than one year | 620,000 | 893,125 |
| - One year to less than five years | 1,797,148 | 1,457,148 |
| - Five years and above | 945,000 | 830,000 |
| Irrevocable commitments to extend credit | | |
| - Maturity less than one year | 8,393,726 | 7,842,971 |
| - Maturity more than one year | 1,503,034 | 1,515,422 |
| Commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in borrowers' creditworthiness | 704,015 | 566,296 |
| Unutilised credit card lines | 316,527 | 230,550 |
| | 30,157,263 | 26,952,318 |

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

A24. DERIVATIVE FINANCIAL INSTRUMENTS

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

GROUP

| | < ----- Contract/Notional Amount ----- > | | | | < ----- Positive Fair Value ----- > | | | | < ----- Negative Fair Value ----- > | | | |
|-------------------------------|--|------------------|------------------|-------------------|-------------------------------------|---------------|---------------|----------------|-------------------------------------|----------------|---------------|----------------|
| | Up To 1 Year | > 1 - 3 Years | > 3 Years | Total | Up To 1 Year | > 1 - 3 Years | > 3 Years | Total | Up To 1 Year | > 1 - 3 Years | > 3 Years | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| As at 30 June 2017 | | | | | | | | | | | | |
| Trading derivatives | | | | | | | | | | | | |
| Foreign exchange contracts | | | | | | | | | | | | |
| - Currency forwards | 4,916,220 | 128,086 | 33,415 | 5,077,721 | 59,648 | 2,789 | - | 62,437 | 28,820 | 1,409 | 1,278 | 31,507 |
| - Cross currency swaps | 6,814,570 | 416,295 | 171,962 | 7,402,827 | 104,150 | 2,563 | 3,621 | 110,334 | 152,666 | 102,838 | 34,609 | 290,113 |
| Interest rate contracts | | | | | | | | | | | | |
| - Interest rate swaps | 620,000 | 1,077,000 | 1,665,148 | 3,362,148 | 2,466 | 2,582 | 17,243 | 22,291 | 2,954 | 4,420 | 13,513 | 20,887 |
| | 12,350,790 | 1,621,381 | 1,870,525 | 15,842,696 | 166,264 | 7,934 | 20,864 | 195,062 | 184,440 | 108,667 | 49,400 | 342,507 |
| As at 31 December 2016 | | | | | | | | | | | | |
| Trading derivatives | | | | | | | | | | | | |
| Foreign exchange contracts | | | | | | | | | | | | |
| - Currency forwards | 3,141,660 | 109,426 | - | 3,251,086 | 161,539 | 7,137 | - | 168,676 | 17,632 | - | - | 17,632 |
| - Cross currency swaps | 6,527,256 | 397,590 | 138,515 | 7,063,361 | 98,867 | 1,220 | 1,754 | 101,841 | 351,158 | 124,379 | 42,514 | 518,051 |
| Interest rate contracts | | | | | | | | | | | | |
| - Interest rate swaps | 893,125 | 1,137,000 | 1,150,148 | 3,180,273 | 2,477 | 3,897 | 12,380 | 18,754 | 2,987 | 6,187 | 8,085 | 17,259 |
| | 10,562,041 | 1,644,016 | 1,288,663 | 13,494,720 | 262,883 | 12,254 | 14,134 | 289,271 | 371,777 | 130,566 | 50,599 | 552,942 |

A24. DERIVATIVE FINANCIAL INSTRUMENTS (Cont.)

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

Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at the reporting date, the notional amount of foreign exchange exposure which was not hedged and hence, exposed to market risk was RM5.3 million (FYE 31/12/2016: RM54.1 million), while the notional amount of interest rate contract was RM690.1 million (FYE 31/12/2016: RM843.3 million).

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 RM333.7 million (FYE 31/12/2016: RM478.1 million) and RM114.6 million (FYE 31/12/2016: RM92.7 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 2016.

A25. FAIR VALUE MEASUREMENTS

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

- (a) Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities
- (b) Level 2 - quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- (c) Level 3 - valuations derived from valuation techniques in which one or more significant inputs are not based on observable market data.

| Group | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |
|--|-------------------|-------------------|-------------------|-------------------|
| 30 June 2017 | | | | |
| Assets | | | | |
| Financial assets held-for-trading | 63,060 | 61,485 | - | 124,545 |
| Financial investments available-for-sale * | | | | |
| - Corporate Bonds and/or Sukuk | - | 9,472,176 | 30,040 | 9,502,216 |
| - Equity securities | 335,600 | 81 | 236,120 | 571,801 |
| - Money market instruments | - | 4,918,938 | - | 4,918,938 |
| Derivative financial assets | - | 195,062 | - | 195,062 |
| | 398,660 | 14,647,742 | 266,160 | 15,312,562 |
| Liabilities | | | | |
| Derivative financial liabilities | - | 342,507 | - | 342,507 |
| 31 December 2016 | | | | |
| Assets | | | | |
| Financial assets held-for-trading | 23,627 | 246,727 | - | 270,354 |
| Financial investments available-for-sale * | | | | |
| - Corporate Bonds and/or Sukuk | - | 8,891,001 | 30,045 | 8,921,046 |
| - Equity securities | 330,172 | 81 | 236,120 | 566,373 |
| - Money market instruments | - | 4,621,104 | - | 4,621,104 |
| Derivative financial assets | - | 289,271 | - | 289,271 |
| | 353,799 | 14,048,184 | 266,165 | 14,668,148 |
| Liabilities | | | | |
| Derivative financial liabilities | - | 552,942 | - | 552,942 |

* Net of allowance for impairment losses

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. These would include actively traded listed equities and actively exchange-traded derivatives.

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group 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.

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Such inputs are generally determined based on observable inputs of a similar nature, historical observations on the level of the input or other analytical techniques.

A25. FAIR VALUE MEASUREMENTS (Cont.)

This category includes unquoted shares held for socio economic reasons. Fair values for shares held for socio economic reasons are based on the net tangible assets of the affected companies. The Group exposure to financial instruments classified as Level 3 comprised a small number of financial instruments which constitute an insignificant component of the Group's portfolio of financial instruments. Hence, changing one or more of the inputs to reasonable alternative assumptions would not change the value significantly for the financial assets in Level 3 of the fair value hierarchy.

The Group recognise transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. Transfers between fair value hierarchy primarily due to change in the level of trading activity, change in observable market activity related to an input, reassessment of available pricing information and change in the significance of the unobservable input. There were no transfers between Level 1, 2 and 3 of the fair value hierarchy during the financial period (2016: Nil).

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

| Group | 30/6/2017 | 31/12/2016 |
|--|-----------|------------|
| | RM'000 | RM'000 |
| As at beginning of the financial period/year | 266,165 | 223,554 |
| Purchases | - | 30,045 |
| Sales | - | (25) |
| Net changes in interest accrued | (5) | - |
| Total gains recognised in other comprehensive income | - | 13,409 |
| Allowance for impairment losses | - | (318) |
| Reclassified to investment in associate | - | (500) |
| As at end of the financial period/year | 266,160 | 266,165 |

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.

A26. 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. The Group and the Bank are currently adopting Standardised Approach for Credit Risk and Market Risk, the Basic Indicator Approach for Operational Risk. 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, Tier I Capital Ratio and Total Capital Ratio are 5.750% (2016: 5.125%), 7.250% (2016: 6.625%) and 9.250% (2016: 8.625%) respectively for year 2017.

All banking subsidiaries namely, AFFIN Bank, AFFIN Islamic Bank, AFFIN Hwang Investment Bank have complied with the above minimum regulatory capital adequacy requirement as at 30 June 2017. 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 Hwang Investment Bank | |
|--|--------------------------|--------------------------|-------------------------|-------------------------|-----------------------------|-------------------------|
| | 30/6/2017 | 31/12/2016 | 30/6/2017 | 31/12/2016 | 30/6/2017 | 31/12/2016 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| a) The components of CET I, Tier I | | | | | | |
| Tier II capital :- | | | | | | |
| <u>CET I/Tier I capital</u> | | | | | | |
| Paid-up share capital | 2,547,674 | 1,688,770 | 760,000 | 560,000 | 999,800 | 780,000 |
| Share premium | - | 858,904 | - | - | - | 219,800 |
| Statutory reserves | - | 1,416,621 | - | 305,016 | - | 251,343 |
| Retained profits | 1,954,370 | 913,359 | 532,966 | 237,777 | 512,480 | 274,279 |
| Unrealised gains and losses on AFS | 179,879 | 122,753 | (3,816) | (23,768) | 11,436 | (26,901) |
| | <u>4,681,923</u> | <u>5,000,407</u> | <u>1,289,150</u> | <u>1,079,025</u> | <u>1,523,716</u> | <u>1,498,521</u> |
| Less Regulatory adjustments:- | | | | | | |
| - Goodwill and other intangibles | (168,439) | (167,982) | - | - | (316,038) | (316,645) |
| - Investments in subsidiaries/joint ventures | (619,779) | (345,134) | (1,120) | (840) | (113,611) | (108,692) |
| - Deferred tax assets | - | - | (2,677) | (8,056) | - | (6,291) |
| - 55% of cumulative unrealised gains of AFS | (98,933) | (67,514) | - | - | (6,290) | - |
| Total CET I Capital | <u>3,794,772</u> | <u>4,419,777</u> | <u>1,285,353</u> | <u>1,070,129</u> | <u>1,087,777</u> | <u>1,066,893</u> |
| Total Tier I Capital (a) | <u>3,794,772</u> | <u>4,419,777</u> | <u>1,285,353</u> | <u>1,070,129</u> | <u>1,087,777</u> | <u>1,066,893</u> |
| <u>Tier II capital</u> | | | | | | |
| Subordinated MTNs/loans | 2,000,000 | 1,180,000 | - | - | - | - |
| Regulatory adjustments | 506,336 | 207,026 | 83,005 | 73,178 | 12,007 | 9,667 |
| Collective impairment # | 103,758 | 109,362 | 32,613 | 28,541 | 2,166 | 2,858 |
| Less : Investment in subsidiaries/joint ventures | (154,945) | (230,090) | (280) | (560) | (14,173) | (12,525) |
| Total Tier II Capital (b) | <u>2,455,149</u> | <u>1,266,298</u> | <u>115,338</u> | <u>101,159</u> | <u>-</u> | <u>-</u> |
| Total Tier I & II Capital (a) + (b) | <u>6,249,921</u> | <u>5,686,075</u> | <u>1,400,691</u> | <u>1,171,288</u> | <u>1,087,777</u> | <u>1,066,893</u> |
| Capital base before proposed dividends | 6,249,921 | 5,686,075 | 1,400,691 | 1,171,288 | 1,087,777 | 1,066,893 |
| Proposed dividends | - | (76,300) | - | - | - | (10,800) |
| Capital base after proposed dividends | <u>6,249,921</u> | <u>5,609,775</u> | <u>1,400,691</u> | <u>1,171,288</u> | <u>1,087,777</u> | <u>1,056,093</u> |
| b) The breakdown of risk-weighted assets :- | | | | | | |
| Credit risk | 32,322,703 | 32,838,523 | 9,294,761 | 8,124,441 | 2,280,404 | 2,400,616 |
| Market risk | 220,165 | 296,191 | 12,340 | 37,254 | 279,534 | 196,766 |
| Operational risk | 1,944,575 | 1,956,481 | 487,009 | 451,894 | 411,248 | 394,323 |
| Total risk-weighted assets | <u>34,487,443</u> | <u>35,091,195</u> | <u>9,794,110</u> | <u>8,613,589</u> | <u>2,971,186</u> | <u>2,991,705</u> |
| c) Capital adequacy ratios :- | | | | | | |
| <u>Before deducting proposed dividends:-</u> | | | | | | |
| CET I Capital Ratio | 11.003% | 12.595% | 13.124% | 12.424% | 36.611% | 35.662% |
| Tier I Capital Ratio | 11.003% | 12.595% | 13.124% | 12.424% | 36.611% | 35.662% |
| Total Capital Ratio | <u>18.122%</u> | <u>16.204%</u> | <u>14.301%</u> | <u>13.598%</u> | <u>36.611%</u> | <u>35.662%</u> |
| <u>After deducting proposed dividends:-</u> | | | | | | |
| CET I Capital Ratio | 11.003% | 12.378% | 13.124% | 12.424% | 36.611% | 35.301% |
| Tier I Capital Ratio | 11.003% | 12.378% | 13.124% | 12.424% | 36.611% | 35.301% |
| Total Capital Ratio | <u>18.122%</u> | <u>15.986%</u> | <u>14.301%</u> | <u>13.598%</u> | <u>36.611%</u> | <u>35.301%</u> |

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

A27. OPERATIONS OF ISLAMIC BANKING - AFFIN ISLAMIC BANK BERHAD

(i) Unaudited Statements of Financial Position

| | Group | |
|--|-------------------|-------------------|
| | 30/6/2017 | 31/12/2016 |
| | RM'000 | RM'000 |
| ASSETS | | |
| Cash and short-term funds | 1,700,486 | 1,057,844 |
| Financial investments available-for-sale | 2,135,200 | 1,833,408 |
| Financial investments held-to-maturity | 66,099 | 72,122 |
| Derivative financial assets | 42,726 | 8,987 |
| Financing, advances and other financing | 13,376,914 | 11,914,943 |
| Other assets | 90,650 | 55,126 |
| Statutory deposit with Bank Negara Malaysia | 294,640 | 332,000 |
| Investment in associate | 750 | 750 |
| Deferred tax assets | 2,677 | 8,056 |
| Property and equipment | 2,247 | 2,347 |
| TOTAL ASSETS | 17,712,389 | 15,285,583 |
| LIABILITIES, ISLAMIC BANKING CAPITAL FUNDS | | |
| Deposits from customers | 11,796,682 | 10,528,698 |
| Investment accounts of customers | 706 | - |
| Deposits and placements of banks and other financial institutions | 2,282,477 | 1,248,993 |
| Investment accounts due to designated financial institutions | 2,148,110 | 2,110,049 |
| Derivative financial liabilities | 41,027 | 1,412 |
| Other liabilities | 26,473 | 233,159 |
| Provision for taxation | 1,531 | 6,015 |
| Total Liabilities | 16,297,006 | 14,128,326 |
| ISLAMIC BANKING CAPITAL FUNDS | | |
| Share capital | 760,000 | 560,000 |
| Reserves | 655,383 | 597,257 |
| Total Islamic Banking Capital Funds | 1,415,383 | 1,157,257 |
| TOTAL LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS | 17,712,389 | 15,285,583 |
| COMMITMENTS AND CONTINGENCIES | 4,545,512 | 3,317,468 |

A27. OPERATIONS OF ISLAMIC BANKING - AFFIN ISLAMIC BANK BERHAD (Cont.)

(ii) Unaudited Income Statements

| | <-----Group-----> | | | |
|--|---|---------------------|---|---------------------|
| | Individual Quarter Ended 30/6/2017 RM'000 | 30/6/2016 RM'000 | Cumulative Quarter Ended 30/6/2017 RM'000 | 30/6/2016 RM'000 |
| Income derived from investment of depositors' funds and others | 166,753 | 143,550 | 314,835 | 273,455 |
| Income derived from investment of investment account funds | 25,369 | 26,538 | 53,763 | 45,719 |
| Income derived from investment of shareholders' funds | 16,981 | 12,771 | 32,619 | 24,061 |
| Allowance for impairment on financing and advances | (11,110) | 11,408 | (16,502) | 8,873 |
| Total distributable income | 197,993 | 194,267 | 384,715 | 352,108 |
| Income attributable to depositors | (131,724) | (116,672) | (247,226) | (217,565) |
| Net Income | 66,269 | 77,595 | 137,489 | 134,543 |
| Other operating expenses | (43,283) | (31,657) | (81,753) | (63,112) |
| Profit before taxation and zakat | 22,986 | 45,938 | 55,736 | 71,431 |
| Zakat | - | (2,887) | - | (2,887) |
| Profit before taxation | 22,986 | 43,051 | 55,736 | 68,544 |
| Taxation | (4,092) | (7,387) | (12,773) | (13,899) |
| Net profit for the financial period attributable to the equity holders of the Company | 18,894 | 35,664 | 42,963 | 54,645 |

(iii) Unaudited Statements of Comprehensive Income

| | <-----Group-----> | | | |
|--|---|---------------------|---|---------------------|
| | Individual Quarter Ended 30/6/2017 RM'000 | 30/6/2016 RM'000 | Cumulative Quarter Ended 30/6/2017 RM'000 | 30/6/2016 RM'000 |
| Profit after taxation | 18,894 | 35,664 | 42,963 | 54,645 |
| Other comprehensive income :- | | | | |
| - Net fair value change in financial investments available-for-sale | 11,238 | 6,087 | 19,952 | 21,837 |
| - Deferred tax on revaluation of financial investments available-for-sale | (2,698) | (1,461) | (4,789) | (5,241) |
| Other comprehensive income/(loss) for the financial period, net of tax | 8,540 | 4,626 | 15,163 | 16,596 |
| Total comprehensive income for the financial period attributable to the equity holders of the Company | 27,434 | 40,290 | 58,126 | 71,241 |

A27. OPERATIONS OF ISLAMIC BANKING - AFFIN ISLAMIC BANK BERHAD (Cont.)

(iv) Financing

| | Group | |
|--|-------------------|-------------------|
| | 30/6/2017 | 31/12/2016 |
| | RM'000 | RM'000 |
| <u>By type</u> | | |
| Cash line | 265,529 | 278,880 |
| Term financing | | |
| - Housing financing | 3,520,252 | 2,857,530 |
| - Syndicated term financing | 681,417 | 582,739 |
| - Hire purchase receivables | 3,618,070 | 3,181,358 |
| - Business term financing | 3,837,130 | 3,541,779 |
| Bills receivables | 9,031 | 21,376 |
| Trust receipts | 6,248 | 6,938 |
| Interest-free accepted bills | 186,146 | 174,623 |
| Staff financing | 21,161 | 13,109 |
| Revolving credit | 1,304,174 | 1,319,609 |
| | 13,449,158 | 11,977,941 |
| Less : Allowance for impairment losses | | |
| - Collective impairment | (52,364) | (44,995) |
| - Individual impairment | (19,880) | (18,003) |
| Total net financing | 13,376,914 | 11,914,943 |

(v) Impaired financing

(a) Movements of impaired financing

| | | |
|---|----------------|---------------|
| Balance at the beginning of financial period/year | 97,498 | 141,708 |
| Classified as impaired during the financial period/year | 331,813 | 164,338 |
| Reclassified as non-impaired during the financial period/year | (41,064) | (111,590) |
| Amount recovered during the financial period/year | (12,919) | (87,213) |
| Amount written-off during the financial period/year | (6,701) | (9,745) |
| | 368,627 | 97,498 |

(b) Movements in the allowance for impairment on financing

Collective impairment

| | | |
|---|---------------|---------------|
| Balance at the beginning of financial period/year | 44,995 | 36,671 |
| Allowance (net of write-back) made during the financial period/year | 14,033 | 13,897 |
| Amount written-off during the financial period/year | (6,664) | (5,573) |
| | 52,364 | 44,995 |

Individual impairment

| | | |
|---|---------------|---------------|
| Balance at the beginning of financial period/year | 18,003 | 38,516 |
| Allowance made during the financial period/year | 7,485 | 19,340 |
| Amount recovered during the financial period/year | (4,579) | (35,863) |
| Amount written-off during the financial period/year | - | (4,149) |
| Unwinding discount of allowance | (386) | (198) |
| Exchange difference | (643) | 357 |
| | 19,880 | 18,003 |

A27. OPERATIONS OF ISLAMIC BANKING - AFFIN ISLAMIC BANK BERHAD (Cont.)

(vi) Deposits from customers

| | Group | |
|-----------------------------------|------------------|-------------------|
| | 30/6/2017 | 31/12/2016 |
| | RM'000 | RM'000 |
| <u>Wadiah</u> | | |
| Demand deposits | 2,414,659 | 2,572,559 |
| Savings deposits | 524,684 | 477,284 |
| | <hr/> 2,939,343 | <hr/> 3,049,843 |
| <u>Mudharabah</u> | | |
| General investment deposits | <hr/> 79,446 | <hr/> 104,047 |
| <u>Tawarruq</u> | | |
| Murabahah term deposits | 8,002,487 | 6,606,396 |
| Commodity Murabahah Deposit (CMD) | 775,406 | 768,412 |
| | <hr/> 8,777,893 | <hr/> 7,374,808 |
| Total deposits from customers | <hr/> 11,796,682 | <hr/> 10,528,698 |

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 profit before tax ("PBT") of RM198.3 million for the current financial quarter ended 30 June 2017 as compared to RM182.6 million for the preceding year's corresponding quarter. For the half-year ended 30 June 2017, the Group's PBT of RM359.8 million indicated an increase of RM24.5 million or 7.3% as compared to RM335.3 million for the corresponding half-year ended 30 June 2016. The improved performance was mainly due to the increase in other operating income, Islamic banking income and net interest income of RM150.0 million, RM27.0 million and RM17.3 million respectively. For the period under review, the overhead expenses and allowance for loan impairment however increased by RM120.3 million and RM41.0 million respectively, while the share of profits in associate reduced by RM9.1 million.

Commercial Banking

The results of the commercial banking segment was mainly attributable to the AFFIN Bank Berhad ("ABB") Group which reported a PBT of RM146.5 million for the current financial quarter as compared to RM144.5 million for the preceding year's corresponding quarter. For the half-year ended 30 June 2017, the ABB Group also registered a higher PBT of RM271.8 million as compared to RM267.6 million achieved in the previous year. The improved performance was mainly due to the increase in other operating income, Islamic banking income and net interest income of RM33.5 million, RM27.0 million and RM14.9 million respectively, net of higher allowance of loan impairment of RM41.0 million and higher overhead expenses of RM33.0 million.

The wholly-owned subsidiary, namely AFFIN Islamic Bank Berhad ("AiBB") registered a lower PBT of RM23.0 million for the current financial quarter as compared to RM43.1 million for the preceding year's corresponding quarter. For the half-year ended 30 June 2017, AiBB also registered a lower PBT of RM55.7 million as compared to RM68.5 million for the same period last year. The increase in operating income of RM28.3 million in line with the financing growth of 12.3%, was not sufficient to cushion both the increase in overhead expenses of RM18.6 million and the allowance for financing impairment of RM16.5 million for the period under review as compared to a write-back of RM8.9 million in the previous year.

Investment Banking

The results of the investment banking segment was attributed to AFFIN Hwang Investment Bank Berhad ["AFFIN Hwang IB"] Group which reported a higher PBT of RM43.0 million for the current financial quarter as compared to RM27.4 million for the preceding year's corresponding quarter. For the half-year ended 30 June 2017, the AFFIN Hwang IB Group's PBT of RM80.6 million also indicated a significant improvement of RM32.4 million or 67.1% as compared to RM48.2 million achieved in the previous year, mainly due to higher other operating income of RM116.7 million net of higher overhead expenses of RM86.8 million. The increase in other operating income was mainly attributable to the increase in initial service charges, management fee income, net income on financial instruments, net brokerage income and higher net foreign exchange gains of RM38.4 million, RM34.0 million, RM25.3 million, RM11.2 million and RM6.5 million respectively. Whereas, the increase in overhead expenses was mainly due to higher commission expenses of RM44.9 million, higher personnel cost of RM30.0 million and higher promotion and marketing related expenses of RM10.8 million for the period under review.

The 70%-owned subsidiary namely AFFIN Hwang Asset Management Berhad ("AHAM"), contributed a higher PBT of RM21.7 million for the current financial quarter as compared to RM14.1 million for the preceding year's corresponding quarter. For the half-year ended 30 June 2017, AHAM also contributed a higher PBT of RM34.9 million as compared to RM23.0 million achieved in the previous year. The improved performance was mainly attributable to higher initial service charges and higher management fee income of RM38.4 million and RM33.8 million respectively, net of higher overhead expenses of RM60.5 million. The increase in overhead expenses was in turn due to the increase in commission expenses, personnel cost and promotion and marketing related expenses of RM44.9 million, RM7.6 million and RM7.1 million respectively.

Insurance

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

AXA AFFIN Life Insurance Berhad ("AALI") reported a lower pre-tax loss of RM4.4 million for the current financial quarter as compared to pre-tax loss of RM4.8 million for the preceding year's corresponding quarter. For the half-year ended 30 June 2017, AALI also reported a lower pre-tax loss of RM9.8 million as compared to the pre-tax loss of RM16.4 million for the same period last year. This was mainly attributable to higher investment income of RM1.2 million, lower reserves for future policyholders' liabilities of RM4.7 million as a result of movement in MGS rate and lower expenses of RM0.7 million for the period under review.

AXA AFFIN General Insurance Berhad ("AAGI") reported a lower pre-tax profit of RM52.4 million for the current financial quarter as compared to RM57.2 million for the preceding year's corresponding quarter. For the half-year ended 30 June 2017, AAGI also registered a lower PBT of RM68.0 million as compared to RM92.9 million for the corresponding half-year ended 30 June 2016. The investment income for the period under review was lower by RM9.0 million and there was a write-back on impairment of premium receivable of RM13.4 million in the previous year.

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

Other business segment

The results of the other business segment was mainly attributable to AFFIN Holdings Berhad ("AHB"), AFFIN Moneybrokers Sdn Bhd ("AMB") and AFFIN-ACF Holdings Sdn Bhd ("AACH").

AHB registered a pre-tax profit of RM72.3 million for the current financial quarter as compared to a pre-tax loss of RM2.7 million for the preceding year's corresponding quarter, mainly attributed to the dividend income of RM76.3 million received from subsidiaries. The Company's PBT of RM79.7 million for the half-year ended 30 June 2017 was also a decrease of RM21.7 million as compared to RM101.4 million for the corresponding half-year ended 30 June 2016 mainly attributed to the dividend income from subsidiaries.

Similar to the same quarter last year, AMB reported a pre-tax profit of RM0.4 million for the quarter under review. For the half-year ended 30 June 2017, AMB reported a slightly lower PBT of RM0.9 million as compared to RM1.0 million achieved in the previous year.

For the half-year ended 30 June 2017, AACH reported a lower PBT of RM128,000 as compared to RM388,000 achieved in the previous year.

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

The Group's pre-tax profit of RM198.3 million for the current financial quarter indicated an increase of RM36.7 million or 22.7% as compared to RM161.6 million achieved in the preceding quarter. The improved performance was mainly due to the increase in other operating income, net interest income and share of profits in associate of of RM66.2 million, RM15.2 million and RM10.3 million respectively. The allowance for loan impairment and overhead expenses however increased by RM30.1 million and RM23.1 million respectively for the quarter under review.

B3. PROSPECTS FOR FINANCIAL YEAR 2017

Commercial Banking

The Malaysian economy expanded 5.8% in the second quarter of 2017, boosted by strong private sector spending and robust export growth. The positive growth is expected to continue for the remaining of 2017 and slightly higher than the projection of 4.8%. This reflects that Malaysia is growing positively after a year of subdued growth prompted by low oil prices and weak global trade activity. BNM benchmark remained unchanged with annual inflation easing at 3.9%, within the projection of 3.0% to 4.0%.

For 2017, the Bank's strategic objectives will be focusing on strengthening its fee-based income from digital banking, unit trust and credit card to mitigate the impact of margin compression on net interest income. The Bank is targeting a loan growth of 8% to 10% for 2017 and its Islamic division is expected to grow by 15%, supported by the implementation of "Priority Islamic" approach and AFFINITY Transformation Program initiatives. Priority is also placed on increasing deposits to further strengthen the bank's liquidity and funding profile.

The Bank remains optimistic for year 2017, and will continue to support AFFIN Group's strategic vision in providing excellent banking services to meet its customer needs and expectations. The major focus will also be on accelerating the digitization of the business to enable the Bank to effectively compete in the rapidly evolving financial services landscape in addition to the initiatives to enhance its transactional banking capabilities as well as to improve its non-financing income stream.

AFFIN Bank Group and Moody's Analytics won "The Asian Banker's Liquidity Risk Technology Implementation of the Year 2017" Award for the successful implementation of Moody's Risk Authority and Risk Confidence solutions. The said implementation further strengthened the Bank's capabilities and improves its operational efficiency, risk management and business decision-making. The bank also committed to cautiously grow its assets through prudent underwriting standards, active recovery efforts and manage its resources with effective operational costs.

Investment Banking

The Group's diversified business profile, supported by sound domestic banking system, with healthy credit and liquidity conditions, place the Group's Investment Banking businesses in a strong footing to benefit from the overall improved market sentiments and increasing opportunities in 2017. Following the solid economic growth in second quarter, economic growth is projected to expand further in 2017, given further improvement in the country's macroeconomic fundamental. Nevertheless, the Investment Banking Group remains cautiously optimistic and will continue to build resilience across its business, and drive efficiency savings in its business operations, with collaborative efforts to better serve its clientele.

B3. PROSPECTS FOR FINANCIAL YEAR 2017 (Cont.)

Insurance

The Malaysian life insurance industry continued to grow at a moderate rate. AXA AFFIN Life Insurance Berhad expects to continue its growth trajectory on relative low insurance penetration. Customer segmentation is in its infancy with growing potentials. Priority segments of the population continue to be mass affluent established families and mass affluent young professionals. This continuous growth is to be achieved through expanding reach of consumers through multi distribution channels and platforms as well as product development to cater to different needs.

The general insurance sector outlook is expected to be challenging for 2017 as the phased liberalisation of Motor and Fire tariffs being set in motion. After five years of significant profitable development, AXA AFFIN General Insurance Berhad's strategy is to consolidate its operations by focusing on selective growth (diversification) and efficiency projects to enhance the level of profitability and investing in transformation projects to prepare the Company for future industry challenges.

B4. VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

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

B5. TAXATION

| | <-----Group-----> | | | |
|---|--------------------------|---------------|--------------------------|---------------|
| | Individual Quarter Ended | | Cumulative Quarter Ended | |
| | 30/6/2017 | 30/6/2016 | 30/6/2017 | 30/6/2016 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Malaysian Taxation :- | | | | |
| - Income tax based on profit for the financial period | 48,288 | 39,983 | 78,543 | 70,006 |
| Deferred tax :- | | | | |
| - Relating to originating temporary differences | (3,505) | 2,027 | 4,571 | 6,701 |
| Under provision in prior years :- | | | | |
| - Current taxation | - | (79) | 40 | 148 |
| | 44,783 | 41,931 | 83,154 | 76,855 |

For the current and preceding year's corresponding period, the Group's effective tax rate were lower than the statutory tax rate, mainly due to certain expenses not deductible for tax purposes, net of certain income not subject to tax or subject to lower tax rate.

B6. STATUS OF CORPORATE PROPOSALS

a) Proposed acquisition of additional equity interest in AXA AFFIN General Insurance Berhad ("AAGI") ("Proposed Acquisition")

AFFIN Holdings Berhad (the "Company" or "AHB") had on 25 March 2016 announced that Bank Negara Malaysia ("BNM") had vide its letter dated 25 March 2016 stated that it had no objection in principle for AHB to commence negotiations with Felda Marketing Services Sdn Bhd ("FELMA"), AXA Asia and subsequently with the minority shareholders to acquire additional shares in AAGI in relation to the Proposed Acquisition, subject to all parties concluding negotiations within 6 months from the date of the said letter. The said approval should not be construed as approval for the Proposed Acquisition. Upon concluding negotiations, AHB would be required to obtain prior approval from BNM pursuant to the Financial Services Act 2013, before entering into any agreement to affect the Proposed Acquisition.

AAGI is principally engaged in the underwriting of all classes of general insurance business and AHB holds approximately 36.94% equity interest in AAGI as at 31 December 2016.

On 23 September 2016, AFFIN Hwang Investment Bank Berhad ("AHIB") had on behalf of the Board of Directors of AHB announced that the negotiations between AHB, AXA Asia and FELMA were still on-going as at the date of announcement. AHB had on the same day submitted an application to Bank Negara Malaysia for an extension of time from 24 September 2016 to 31 December 2016 for AHB and AXA Asia to conclude negotiations with FELMA to the Proposed Acquisition.

On 28 October 2016, AHIB had on behalf of the Board of Directors of AHB announced that BNM had in its letter dated 28 October 2016 informed that it has no objection for an extension of 3 months from 28 October 2016 for AHB to complete its negotiations with FELMA and AXA Asia in relation to the Proposed Acquisition.

AHB had on 27 January 2017 submitted an application to BNM to seek BNM's approval for an extension of time of a further six months for AHB to conclude negotiations with FELMA to the Proposed Acquisition.

On 23 February 2017, AHIB had on behalf of the Board of Directors of AHB announced that BNM had informed that it has no objection for an extension of 6 months up to 5 August 2017 for AHB to complete its negotiations with FELMA and AXA Asia in relation to the Proposed Acquisition.

On 4 August 2017, AHIB had on behalf of the Board of Directors of AHB announced that AHB had submitted an application to BNM to seek BNM's approval for AHB to:

- (i) acquire 8,411,959 ordinary shares in AAGI from FELMA for a cash consideration of RM99.09 million; and
- (ii) enter into a share purchase agreement with FELMA for the Proposed Acquisition ("SPA").

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

b) Proposed reorganisation of the AFFIN Holdings Berhad Group of Companies

On 16 February 2017, AFFIN Hwang Investment Bank Berhad ("AHIB") had on behalf of the Board of Directors of AFFIN Holdings Berhad (the "Company" or "AHB") announced that AHB and AFFIN Bank Berhad ("ABB") intend to undertake the Proposed Reorganisation of the AHB Group of companies as follows:-

- (i) Proposed transfer by AHB of the following identified companies to ABB:

- AHIB, a wholly-owned subsidiary of AHB;
- AFFIN Moneybrokers Sdn Bhd, a wholly-owned subsidiary of AHB ("AMB");
- AXA AFFIN Life Insurance Berhad, a 51.00%-owned joint venture company of AHB ("AALI"); and
- AXA AFFIN General Insurance Berhad, a 37.07%-owned associate company of AHB ("AAGI"),

(AHIB, AMB, AALI and AAGI shall collectively be referred to as the "Identified Companies" and item (i) above shall be referred to as the "Proposed Reorganisation");

- (ii) Proposed distribution of the entire shareholdings in ABB held by AHB to the entitled shareholders of AHB whose names appear in AHB's Record of Depositors on an entitlement date to be determined and announced by the Board at a later date ("Entitlement Date") ("Entitled Shareholders"), after the completion of the Proposed Reorganisation, on the Entitlement Date by way of a distribution-in-specie via a reduction of the following:

- the entire consolidated capital of AHB (which includes the entire issued and paid-up share capital of AHB and the entire share premium account of AHB); and
- the retained profits of AHB,

(item (ii) above shall be referred to as the "Proposed Distribution");

- (iii) Proposed subscription by ABB of 2 new ordinary shares in AHB ("AHB Shares") which will be undertaken simultaneously with the Proposed Distribution ("Proposed Subscription");

B6. STATUS OF CORPORATE PROPOSALS (Cont.)

b) Proposed reorganisation of the AFFIN Holdings Berhad Group of Companies (Cont.)

- (iv) Proposed amendments of the Memorandum and Articles of Association ("M&A") of AHB and ABB to facilitate the Proposed Transfer of Listing Status ("Proposed Amendments");
 - (v) Proposed transfer of the listing status from AHB to ABB on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Proposed Transfer of Listing Status"); and
 - (vi) Proposed members' voluntary winding-up of AHB in accordance with the Companies Act, 2016 ("Act") ("Proposed Winding-up"),
- (the above shall collectively be referred to as the "Proposals").

(1) Details of the Proposed Reorganisation

AHB will enter into a conditional share sale agreement ("SSA") with ABB to undertake the Proposed Reorganisation where the entire shareholdings held by AHB in the Identified Companies at a cut-off date to be determined later ("Cut-Off Date") will be transferred from AHB to ABB. The SSA will be entered into between the transacting parties after the approval of Bank Negara Malaysia ("BNM") has been obtained.

The Cut-Off Date shall be the last day of the calendar month immediately prior to the calendar month in which the conditions precedents are fulfilled in accordance with the terms of the SSA.

(2) Transfer consideration and mode of satisfaction

The transfer consideration for each of the Identified Companies shall be based on their respective carrying value recorded by AHB in its management accounts as at the Cut-Off Date ("Transfer Consideration"). Carrying value comprised AHB's cost of investment in the said Identified Companies and its share of post-acquisition profits recorded by the respective Identified Companies.

The mode of satisfaction for the Transfer Consideration are proposed to be as follows:

- for AHIB, AMB, and AALI - issuance of 254,178,931 new ordinary shares in ABB ("ABB Shares"); and
- for AAGI - to be fully satisfied in cash to be paid by ABB to AHB

AHB and ABB have decided to fix the number of new ABB Shares the ABB will issue to AHB to satisfy part of the Transfer Consideration to facilitate the exchange ratio for the Proposed Distribution. As at the date of announcement, ABB has 1,688,769,616 ABB Shares in issue whilst AHB has 1,942,948,547 AHB Shares in issue. ABB intends to issue 254,178,931 new ABB Shares for the Transfer Consideration of AHIB, AMB and AALI. This will result in both AHB and ABB having the same resultant number of shares in issue, being 1,942,948,547 shares.

With the equal amount number of shares in issue, AHB will be able to undertake a distribution-in-specie of 1 ABB Share for each existing AHB Share held pursuant to the Proposed Distribution, minimising the incidence of odd lots for its shareholders when undertaking the Proposed Distribution.

(3) Approvals required

The Proposals are subject to the following approvals being obtained:

- (a) BNM and the Ministry of Finance, Malaysia ("MOF") [on recommendation of BNM] for the Proposed Reorganisation, Proposed Distribution and Proposed Subscription.
- (b) SC for the following:-
 - (i) change in controller of AHIB, AFFIN Hwang Asset Management Berhad ("AHAM") and AIIMAN Asset Management Sdn Bhd ("AIIMAN"), being holders of the Capital Markets and Services License issued by the SC, pursuant to the proposed transfer of AHIB under the Proposed Reorganisation; and
 - (ii) exemption to LTAT and its persons acting in concert under Paragraph 4.13(1)(c) of the Rules from the obligation to make a mandatory take-over offer to acquire all the ABB Shares not held by LTAT and its persons acting in concert upon completion of the Proposed Distribution.
- (c) Bursa Malaysia Securities Berhad ("Bursa Securities") for the following:-
 - (i) the withdrawal of AHB's listing status from the Main Market of Bursa Securities, pursuant to the Proposed Transfer of Listing Status; and
 - (ii) admission to the Official List and the listing of and quotation for the entire enlarged issued and paid-up share capital of ABB on the Main Market of Bursa Securities, pursuant to the Proposed Transfer of Listing Status;

B6. STATUS OF CORPORATE PROPOSALS (Cont.)

b) Proposed reorganisation of the AFFIN Holdings Berhad Group of Companies (Cont.)

(3) Approvals required (Cont.)

- (d) sanction of the High Court of Malaya under Section 116(4) of the Act for the Proposed Distribution;
- (e) shareholders of AHB at an EGM to be convened for the Proposed Distribution, Proposed Subscription, Proposed Amendments and Proposed Transfer of Listing Status;
- (f) shareholder of ABB for the Proposed Reorganisation, proposed issuance of new ABB Shares to settle the transfer consideration for AHIB, AMB and AALI under the Proposed Reorganisation, Proposed Subscription, Proposed Amendments and Proposed Winding-Up;
- (g) approvals of the lenders of AHB Group and the Identified Companies, if required; and
- (h) approval, waiver and/or consent of any other relevant authority or party, if required.

(4) Inter-conditionality of the Proposals

The Proposed Reorganisation is not conditional upon any of the other Proposals.

The Proposed Distribution, Proposed Subscription, Proposed Amendments and Proposed Transfer of Listing Status are inter-conditional upon each other and are also conditional upon the Proposed Reorganisation.

The Proposed Winding-Up is conditional upon all the other Proposals.

Save as disclosed above, the Proposals are not conditional upon any other proposal undertaken or to be undertaken by AHB or ABB.

On 14 July 2017, AHIB had on behalf of the Board of Directors of AHB announced that BNM had in its letter dated 13 July 2017 informed that the MOF and/or BNM, as the case may be, has approved the Proposed Reorganisation, Proposed Distribution and Proposed Subscription pursuant to the Financial Services Act 2013 and the Islamic Financial Services Act 2013. The approvals are subject to AHB obtaining the necessary approvals from the other regulatory authorities, including the SC with regard to the Proposed Reorganisation.

Further to the above, SC had also approved the proposal for a change in the ultimate shareholder of AHIB, AHAM and AIIMAN via its letter dated 14 July 2017 pursuant to the Proposed Reorganisation.

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

B7. GROUP BORROWINGS AND DEBT SECURITIES

(i) Deposits from Customers

| | Group | |
|--|---------------------|----------------------|
| | 30/6/2017 RM'000 | 31/12/2016 RM'000 |
| <u>By Type of Deposits:-</u> | | |
| Money Market Deposits | 752,510 | 518,016 |
| Demand Deposits | 7,014,635 | 7,608,593 |
| Savings Deposits | 2,115,169 | 2,043,157 |
| Fixed Deposits | 34,424,468 | 30,045,975 |
| Negotiable Instruments of Deposits ('NIDs') | 5,771,431 | 10,279,492 |
| Commodity Murabahah Deposit (CMD) | 775,406 | 768,412 |
| Other deposits | 217,676 | 241,997 |
| | 51,071,295 | 51,505,642 |
| Maturity structure of fixed deposits and NIDs are as follows:- | | |
| Due within six months | 29,975,800 | 33,143,123 |
| Six months to one year | 8,408,450 | 6,533,358 |
| One year to three years | 1,640,199 | 477,883 |
| Three years to five years | 171,450 | 171,103 |
| | 40,195,899 | 40,325,467 |
| <u>By Type of Customers:-</u> | | |
| Government and statutory bodies | 7,962,374 | 7,481,350 |
| Business enterprises | 13,796,374 | 13,999,473 |
| Individuals | 13,452,346 | 12,991,518 |
| Domestic banking institutions | 5,788,787 | 7,479,171 |
| Domestic non-banking financial institutions | 8,983,670 | 8,376,495 |
| Foreign Entities | 471,760 | 504,612 |
| Others | 615,984 | 673,023 |
| | 51,071,295 | 51,505,642 |

(ii) Deposits and Placements of Banks and Other Financial Institutions

| | | |
|----------------------------------|-----------|-----------|
| <u>By Type of Institutions:-</u> | | |
| Licensed banks | 4,464,144 | 2,638,076 |
| Licensed investment banks | 427,778 | 93,725 |
| Bank Negara Malaysia | 530,181 | 63,235 |
| Other financial institutions | 1,236,779 | 1,099,001 |
| | 6,658,882 | 3,894,037 |
| <u>By Maturity Structure:-</u> | | |
| Due within six months | 6,658,882 | 3,846,498 |
| Six months to one year | - | 47,539 |
| | 6,658,882 | 3,894,037 |

(iii) Borrowings

| | | |
|---------------------------------------|-----------|-----------|
| <u>Unsecured :-</u> | | |
| One year or less (short-term) | 1,303,861 | 302,662 |
| More than one year (medium/long-term) | 1,078,978 | 1,303,935 |
| | 2,382,839 | 1,606,597 |

B8. REALISED AND UNREALISED UNAPPROPRIATED PROFITS

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

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

| | Group | |
|--|------------------|-------------------|
| | 30/6/2017 | 31/12/2016 |
| | RM'000 | RM'000 |
| <u>Total retained profits of AFFIN Holdings Berhad and its subsidiaries :-</u> | | |
| - Realised | 4,095,408 | 2,204,118 |
| - Unrealised | | |
| - deferred tax recognised in the income statement | 15,975 | 22,034 |
| - other items of income and expense | 98,855 | 150,434 |
| | 4,210,238 | 2,376,586 |
| <u>Total share of retained profits in an associate:-</u> | | |
| - Realised | 315,000 | 299,893 |
| - Unrealised | 3,707 | 726 |
| <u>Total share of retained losses in a joint venture :-</u> | | |
| - Realised | (65,927) | (7,582) |
| - Unrealised | 23,689 | (679) |
| | 4,486,707 | 2,668,944 |
| Add: Consolidation adjustments | (409,391) | (268,031) |
| Total Group retained profits as per consolidated financial statements | 4,077,316 | 2,400,913 |

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.

B9. MATERIAL LITIGATION

- a) A claim by the Plaintiff against AFFIN Bank Berhad ("ABB") vide Writ of Summons and Statement of Claim dated 22 January 2016 ("Writ") for the following:-
- RM56,885,317.82 together with interest at 5% per annum from 1999 till full settlement as alleged damages;
 - SGD9,928,473.75 together with interest at 5% per annum from 2013 till full settlement as alleged losses;
 - RM776,331.00 being alleged losses of Plaintiff's shares in Berlian Ferries Pte. Ltd which was transferred out as a result of his in 2013 with interest at 5% per annum from 2013 till full settlement as alleged losses;
 - RM500,000 as cost in respect of legal proceedings in Singapore.

ABB had on 25 January 1996 given Suria Barisan (M) Sdn Bhd ("Suria") a credit facility of RM21.6 million ("Facility") against security of unquoted shares belonging to Naval Dockyard Sdn Bhd and guaranteed by the Plaintiff and Puan Norashikin Binti Abdul Latiff ("Guarantor").

Suria, the Plaintiff and the Guarantor ("All") defaulted in the Facility which led to ABB filing a debt recovery action against All of them in 1999. Judgement was obtained against All on 8 July 2004.

The Plaintiff was made bankrupt on 17 January 2013. The bankruptcy was set aside in September 2015 on the grounds that he was solvent due to a third party, Chenet Finance Ltd ("Chenet") being ordered by a Singapore Court to pay damages to the Director General of Insolvency Malaysia ("DGI") as receiver of Plaintiff's Estate. ABB has appealed and Case Management ("CM") has been fixed on 24 June 2016.

The Plaintiff's claim ("Claim") is premised on alleged wrongful acts by ABB as follows:-

- failure to sell 7.2 million shares in Naval Dockyard Sdn Bhd ("NDSB shares") which was pledged by Suria to the Bank as security for the Facility on a timely basis. On this claim, Plaintiff claims damages under (i) above;
- allowed the release of the Guarantor from her liability upon payment of a certain sum pursuant to her Guarantee without giving the same opportunity to the Plaintiff;
- ABB had corresponded with the opponent of Plaintiff in Singapore to prevent the Plaintiff from claiming his assets in Singapore. Plaintiff has alleged conspiracy between ABB and the opponent of the Plaintiff in Singapore. On this claim, Plaintiff claims losses under (ii) above;
- ABB had wrongfully made Plaintiff a bankrupt in 2013 which bankruptcy was set aside in 2015. On this claim, Plaintiff claims losses under (iii) above;
- The Plaintiff is also claiming the amount of (iv) above being cost of proceedings incurred by him in Singapore.

ABB has a good defence ("Defence") on the merits with regard to each of the alleged wrongful act as follows:-

- the sale of NDSB Shares was subject to the approval from the relevant authorities as per the terms of the Facility Agreement and the price has to be based on the offer from the approved prospective buyer;
- the release of the Guarantor is the prerogative of ABB pursuant to the terms of the Guarantee Agreement;
- the Plaintiff's bankruptcy is based on a judgement of Court;
- ABB's legal firm has corresponded with the legal firm of the Plaintiff's opponent in Singapore only to inform the status of the Plaintiff proceedings in Malaysia and any alleged conspiracy is denied;
- The claim for cost is unreasonable as ABB was not in any way involved in the Singapore proceedings.

The above Claim against ABB by the Plaintiff is as a result of the Debt Recovery Action against the Plaintiff which was commenced in the ordinary course of business.

The Board of Directors of ABB are of the view that save for the orders, cost and other relief sought by the Plaintiff, which will only materialize if the Court rules in the Plaintiff's favour, the Writ and Statement of Claim is not expected to result in any immediate losses, material financial and operational impact on ABB for the current financial year ending 30 June 2017.

- b) Other than the above, there are various legal suits against AFFIN Bank Berhad ("ABB") in respect of claims and counter claims of approximately RM72.2 million (31 December 2016: RM71.8 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.

B10. DIVIDENDS

No dividend has been proposed for the quarter under review.

B11. EARNINGS PER SHARE

| | <-----Group-----> | | | |
|---|--------------------------|---------------|--------------------------|---------------|
| | Individual Quarter Ended | | Cumulative Quarter Ended | |
| | 30/6/2017 | 30/6/2016 | 30/6/2017 | 30/6/2016 |
| Net profit attributable to equity holders of the Company (RM'000) | 148,405 | 137,396 | 268,582 | 252,962 |
| Weighted average number of ordinary shares in issue | 1,942,948,547 | 1,942,948,547 | 1,942,948,547 | 1,942,948,547 |
| Basic earnings per share (sen) | 7.64 | 7.07 | 13.82 | 13.02 |

The basic earnings per share of the Group for the current financial quarter ended 30 June 2017 has been calculated based on the net profit attributable to the equity holders of the company of RM148,405,000 (2016: RM137,396,000) divided by the weighted average number of ordinary shares in issue during the current financial quarter of 1,942,948,547 (2016: 1,942,948,547).

The basic earnings per share of the Group for the cumulative quarter ended 30 June 2016 has been calculated based on the net profit attributable to the equity holders of the company of RM268,582,000 (2016: RM252,962,000) divided by the weighted average number of ordinary shares in issue during the current financial quarter of 1,942,948,547 (2016: 1,942,948,547).