

**AFFIN HOLDINGS BERHAD**  
(Company no. 23218 - W)  
**Condensed Interim Financial Statements**  
**Unaudited Balance Sheets As At 31 March 2008**

	<-----GROUP----->		<-----COMPANY----->	
	Current Financial Quarter 31-03-08 RM'000	Previous Financial Year Ended 31-12-07 RM'000	Current Financial Quarter 31-03-08 RM'000	Previous Financial Year Ended 31-12-07 RM'000
<b>ASSETS</b>				
Cash and short term funds	9,252,139	8,386,113	318,000	238,213
Deposits and placements with financial institutions	292,080	721,548	-	230,000
Securities held for trading	327,924	280,326	-	-
Securities available-for-sale	5,307,319	5,868,465	-	-
Securities held-to-maturity	652,619	443,307	-	-
Loans, advances and financing	17,749,212	17,277,639	-	-
Statutory deposits with Bank Negara Malaysia	811,727	841,647	-	-
Investment in subsidiaries	-	-	3,807,617	3,807,617
Amount due from subsidiaries	-	-	-	-
Investment in jointly-controlled entity	97,661	97,330	111,180	111,180
Investment in associate	112,335	109,976	10,597	10,597
Trade debtors	805,828	855,363	-	-
Other assets	442,967	470,044	1,291	1,201
Tax recoverable	95,636	72,834	35,920	35,350
Deferred tax assets	40,422	32,871	-	-
Property, plant and equipment	227,019	226,159	1,223	1,245
Land held for sale	81,620	92,835	-	-
Intangible assets	1,037,607	1,036,929	-	-
<b>TOTAL ASSETS</b>	<b>37,334,115</b>	<b>36,813,386</b>	<b>4,285,828</b>	<b>4,435,403</b>
<b>LIABILITIES AND EQUITY</b>				
Deposits from customers	26,322,706	25,558,739	-	-
Deposits and placements of banks and other financial institutions	4,104,375	4,079,074	-	-
Obligation on securities sold under repurchase agreements	-	-	-	-
Bills and acceptances payable	157,836	126,697	-	-
Trade creditors	801,115	844,160	-	-
Recourse obligation on loans sold to Cagamas Berhad	186,617	361,510	-	-
Other liabilities	669,425	676,595	2,819	9,176
Provision for taxation	51,032	25,317	-	-
Amount due to subsidiaries	-	-	807,416	798,715
Deferred tax liabilities	2,979	4,316	219	219
Borrowings	700,000	900,000	200,000	400,000
<b>TOTAL LIABILITIES</b>	<b>32,996,085</b>	<b>32,576,408</b>	<b>1,010,454</b>	<b>1,208,110</b>

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	<-----GROUP----->		<-----COMPANY----->	
	Current Financial Quarter 31-03-08 RM'000	Previous Financial Year Ended 31-12-07 RM'000	Current Financial Quarter 31-03-08 RM'000	Previous Financial Year Ended 31-12-07 RM'000
<b>EQUITY</b>				
Share capital	1,494,367	1,486,981	1,494,367	1,486,981
Reserves:-				
Share premium	1,399,970	1,397,183	1,399,970	1,397,183
Statutory reserve	534,212	534,212	-	-
Investment fluctuation reserve	15,685	17,201	-	-
Retained profits	893,796	801,401	381,037	343,129
<b>TOTAL EQUITY</b>	<b>4,338,030</b>	<b>4,236,978</b>	<b>3,275,374</b>	<b>3,227,293</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>37,334,115</b>	<b>36,813,386</b>	<b>4,285,828</b>	<b>4,435,403</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	<b>19,324,979</b>	<b>19,416,143</b>	<b>-</b>	<b>-</b>
<b>CAPITAL ADEQUACY</b>				
<u>Before deducting proposed dividends:</u>				
Core capital ratio	<b>11.20%</b>	11.26%		
Risk-weighted capital ratio	<b>14.15%</b>	14.17%		
<u>After deducting proposed dividends:</u>				
Core capital ratio	<b>11.20%</b>	11.10%		
Risk-weighted capital ratio	<b>14.15%</b>	14.01%		
<b>NET ASSETS PER SHARE (RM)</b>	<b>2.90</b>	2.85		

*The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2007.*

**AFFIN HOLDINGS BERHAD**  
(Company no. 23218 - W)  
**Condensed Interim Financial Statements**  
**Unaudited Income Statements For The Financial Period Ended 31 March 2008**

<u>Group</u>	<-----Individual Quarter----->		<-----Cumulative Quarter----->	
	Current Year Quarter ended 31-03-08 RM'000	Preceding Year Corresponding Quarter ended 31-03-07 RM'000	Current year- to-date ended 31-03-08 RM'000	Preceding Year- to-date ended 31-03-07 RM'000
<b>Revenue</b>	<b>547,162</b>	509,559	<b>547,162</b>	509,559
Interest income	<b>389,061</b>	388,468	<b>389,061</b>	388,468
Interest expense	<b>(214,870)</b>	(236,015)	<b>(214,870)</b>	(236,015)
<b>Net interest income</b>	<b>174,191</b>	152,453	<b>174,191</b>	152,453
Income from Islamic operations	<b>36,031</b>	33,061	<b>36,031</b>	33,061
Other operating income	<b>88,485</b>	72,135	<b>88,485</b>	72,135
<b>Operating income</b>	<b>298,707</b>	257,649	<b>298,707</b>	257,649
Other operating expenses	<b>(151,096)</b>	(131,498)	<b>(151,096)</b>	(131,498)
<b>Operating profit before loan and financing loss and provision</b>	<b>147,611</b>	126,151	<b>147,611</b>	126,151
Allowance for losses on loans and financing	<b>(18,204)</b>	(31,494)	<b>(18,204)</b>	(31,494)
Impairment losses	<b>(4,095)</b>	(607)	<b>(4,095)</b>	(607)
Transfer from profit equalisation reserve	-	(797)	-	(797)
<b>Operating profit</b>	<b>125,312</b>	93,253	<b>125,312</b>	93,253
Finance cost	<b>(3,588)</b>	(8,127)	<b>(3,588)</b>	(8,127)
Share of results of jointly controlled entity	<b>331</b>	(663)	<b>331</b>	(663)
Share of results of associate	<b>2,359</b>	4,384	<b>2,359</b>	4,384
<b>Profit before taxation and zakat</b>	<b>124,414</b>	88,847	<b>124,414</b>	88,847
Taxation	<b>(32,019)</b>	(26,335)	<b>(32,019)</b>	(26,335)
Zakat	-	-	-	-
<b>Net profit for the financial period</b>	<b>92,395</b>	<b>62,512</b>	<b>92,395</b>	<b>62,512</b>
Earnings per share (sen)	<b>6.19</b>	4.96	<b>6.19</b>	4.96
Fully diluted earnings per share (sen)	<b>6.19</b>	4.85	<b>6.19</b>	4.85

*The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2007.*

**AFFIN HOLDINGS BERHAD**  
(Company no. 23218 - W)  
**Condensed Interim Financial Statements**  
**Unaudited Income Statements For The Financial Period Ended 31 March 2008**

<u>Company</u>	<-----Individual Quarter----->		<-----Cumulative Quarter----->	
	Current Year Quarter ended 31-03-08 RM'000	Preceding Year Corresponding Quarter ended 31-03-07 RM'000	Current year ended 31-03-08 RM'000	Preceding Year ended 31-03-07 RM'000
<b>Revenue</b>	<b>56,595</b>	<b>5,325</b>	<b>56,595</b>	<b>5,325</b>
Interest income	2,880	1,325	2,880	1,325
Interest expense	-	-	-	-
<b>Net interest income</b>	<b>2,880</b>	<b>1,325</b>	<b>2,880</b>	<b>1,325</b>
Income from Islamic operations	-	-	-	-
Other operating income	53,715	4,000	53,715	4,000
<b>Operating income</b>	<b>56,595</b>	<b>5,325</b>	<b>56,595</b>	<b>5,325</b>
Other operating expenses	(1,703)	(1,461)	(1,703)	(1,461)
<b>Operating profit before loan and financing loss and provision</b>	<b>54,892</b>	<b>3,864</b>	<b>54,892</b>	<b>3,864</b>
Allowance for losses on loans and financing	-	-	-	-
Transfer from profit equalisation reserve	-	-	-	-
<b>Operating profit</b>	<b>54,892</b>	<b>3,864</b>	<b>54,892</b>	<b>3,864</b>
Finance cost	(3,588)	(8,127)	(3,588)	(8,127)
<b>Profit before taxation and zakat</b>	<b>51,304</b>	<b>(4,263)</b>	<b>51,304</b>	<b>(4,263)</b>
Taxation	(13,396)	(266)	(13,396)	(266)
Zakat	-	-	-	-
<b>Net profit for the financial period</b>	<b>37,908</b>	<b>(4,529)</b>	<b>37,908</b>	<b>(4,529)</b>

*The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2007.*

## AFFIN HOLDINGS BERHAD

(Company no. 23218 - W)

### Unaudited Condensed Consolidated Statement Of Changes In Equity For The Financial Period Ended 31 March 2008

GROUP	Issued and fully paid ordinary shares of RM1 each		Non-distributable			Distributable		TOTAL EQUITY RM'000
	Number of shares '000	Nominal value RM'000	Share premium RM'000	Statutory reserves RM'000	Investment fluctuation reserve RM'000	Retained profits RM'000	RM'000	
<b>At 1 January 2008</b>	1,486,981	1,486,981	1,397,183	534,212	17,201	801,401	4,236,978	
Net change in fair value of securities available-for-sale	-	-	-	-	(1,822)	-	(1,822)	
Deferred tax on revaluation of securities available-for-sale	-	-	-	-	306	-	306	
Income and expense recognised directly in equity	-	-	-	-	(1,516)	-	(1,516)	
Net profit for the financial period	-	-	-	-	-	92,395	92,395	
Total recognised income and expense for the financial period	-	-	-	-	(1,516)	92,395	90,879	
Issue of share capital:-								
- pursuant to the exercise of Employee Share Option Scheme	7,386	7,386	2,787	-	-	-	10,173	
Transfer to statutory reserve	-	-	-	-	-	-	-	
<b>At 31 March 2008</b>	<b>1,494,367</b>	<b>1,494,367</b>	<b>1,399,970</b>	<b>534,212</b>	<b>15,685</b>	<b>893,796</b>	<b>4,338,030</b>	
<b>At 1 January 2007</b>	1,252,913	1,252,913	1,077,424	410,230	13,043	723,233	3,476,843	
Net change in fair value of securities available-for-sale	-	-	-	-	31,056	-	31,056	
Deferred tax on revaluation of securities available-for-sale	-	-	-	-	(8,198)	-	(8,198)	
Income and expense recognised directly in equity	-	-	-	-	22,858	-	22,858	
Net profit for the financial period	-	-	-	-	-	62,512	62,512	
Total recognised income and expense for the financial period	-	-	-	-	22,858	62,512	85,370	
Issue of share capital:-								
- pursuant to the exercise of Employee Share Option Scheme	18,281	18,281	6,889	-	-	-	25,170	
Transfer to statutory reserve	-	-	-	(2,684)	-	2,684	-	
<b>At 31 March 2007</b>	<b>1,271,194</b>	<b>1,271,194</b>	<b>1,084,313</b>	<b>407,546</b>	<b>35,901</b>	<b>788,429</b>	<b>3,587,383</b>	

*The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2007.*

**AFFIN HOLDINGS BERHAD**  
(Company no. 23218 - W)  
**Unaudited Condensed Statement Of Changes In Equity**  
**For The Financial Period Ended 31 March 2008**

<u>Company</u>	Issued and fully paid ordinary shares of RM1 each		Non-distributable		Distributable		Total Equity RM'000
	Number of shares '000	Nominal value RM'000	Share premium RM'000	Retained profits RM'000	Total Equity RM'000		
<b>At 1 January 2008</b>	1,486,981	1,486,981	1,397,183	343,129	3,227,293		
Total recognised income and expense for the financial period							
- Net profit for the financial period	-	-	-	37,908	37,908		
Issue of share capital:-							
- pursuant to the exercise of Employee Share Option Scheme	7,386	7,386	2,787	-	10,173		
<b>At 31 March 2008</b>	<b>1,494,367</b>	<b>1,494,367</b>	<b>1,399,970</b>	<b>381,037</b>	<b>3,275,374</b>		
<b>At 1 January 2007</b>	1,252,913	1,252,913	1,077,424	117,707	2,448,044		
Total recognised income and expense for the financial period							
- Net loss for the financial period	-	-	-	(4,529)	(4,529)		
Issue of share capital:-							
- pursuant to the exercise of Employee Share Option Scheme	18,281	18,281	6,889	-	25,170		
<b>At 31 March 2007</b>	<b>1,271,194</b>	<b>1,271,194</b>	<b>1,084,313</b>	<b>113,178</b>	<b>2,468,685</b>		

*The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2007.*

**AFFIN HOLDINGS BERHAD**  
(Company no. 23218 - W)  
**Unaudited Condensed Consolidated Cash Flow Statement**  
**For The Financial Period Ended 31 March 2008**

	<b>Group</b>	
	<b>As at 31-03-08 RM'000</b>	<b>As at 31-03-07 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation and zakat	124,414	88,847
Adjustment for non-operating and non-cash items	(19,174)	39,706
Operating profit before changes in working capital	105,240	128,553
Net changes in operating assets	43,367	(292,196)
Net changes in operating liabilities	553,043	1,335,021
Payment of tax and zakat	(38,103)	(6,769)
Taxation refund	558	1,010
Net cash generated from operating activities	664,105	1,165,619
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received from securities	36,904	42,312
Net disposal/(purchase) of:		
- securities	365,094	(259,497)
- property, plant and equipment	(10,737)	(9,375)
- leasehold land	565	159
- intangible assets	(1,986)	(459)
Dividend received from:		
- associate	-	2,920
- securities	132	124
Net cash generated from/(used in) investing activities	389,972	(223,816)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in borrowings	(200,000)	(142,644)
Proceeds from issuance of shares	10,173	25,170
Net cash used in financing activities	(189,827)	(117,474)
Net increase in cash and cash equivalents	864,250	824,329
Cash and cash equivalents at beginning of the period	8,338,768	7,702,346
Cash and cash equivalents at end of the period	9,203,018	8,526,675
<u>Analysis of cash &amp; cash equivalent</u>		
Cash and short term funds	9,252,139	8,586,515
Adjustment for money held in trust on behalf of clients and remisers	(49,121)	(59,840)
	9,203,018	8,526,675

*The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2007.*

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

**A1. BASIS OF PREPARATION**

The unaudited condensed interim financial statements for the quarter ended 31 March 2008 have been prepared under the historical cost convention except for the following assets and liabilities which are stated at fair values:

- (i) securities held-for-trading,
- (ii) securities available-for-sale,
- (iii) derivative financial instruments, and
- (iv) investment properties.

The unaudited condensed financial statements has been prepared in accordance with FRS134 Interim Financial Reporting issued by the Malaysian Accounting Standards Board ('MASB') and Chapter 9, part K of the Listing Requirements of the Bursa Malaysia Securities Berhad.

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Company for the year ended 31 December 2007. The explanatory notes to this 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 2007.

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

The significant accounting policies and methods of computations applied for the condensed interim financial statements are consistent with those applied in the annual financial statements for the year ended 31 December 2007 except for the adoption of the following revised accounting standards that are effective for the Group's financial year beginning 1 January 2008:

- FRS 107 Cash Flow Statements
- FRS 112 Income Taxes
- FRS 118 Revenue
- FRS 137 Provision, Contingent Liabilities and Contingent Assets

The adoption of the above FRSs did not have any material effect on the financial statements of the Group and the Company.

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

The auditors' report on the audited financial statements for the financial year ended 31 December 2007 was not subjected to any qualification.

**A4. SEASONAL OR CYCLICAL FACTORS**

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



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

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and the Company during the current financial quarter ended 31 March 2008.

**A6. CHANGES IN ESTIMATES**

There were no material changes in estimates of amounts reported in prior financial years that have a material effect in the current financial quarter ended 31 March 2008.

**A7. DEBT AND EQUITY SECURITIES**

Save as disclosed below, there were no issuance, cancellations, share buy-backs, resale of shares bought back and repayment of debts and equity securities by the Company.

**Issuance of shares**

During the financial period, the Company's issued and paid-up capital was increased from RM1,486,980,767 to RM1,494,366,667 by way of issuance of 7,385,900 new ordinary shares of RM1.00 each pursuant to the exercise of options granted under the Company's Employee Share Option Scheme, at the following option prices:-

<u>Number of new ordinary shares of RM1.00 each issued</u>	<u>Option price per</u>
588,000	RM 1.00
6,797,900	RM 1.41

**A8. DIVIDEND**

A final dividend of 3 sen per share less 26% tax for the financial year ended 31 December 2007 which was approved by the shareholders in the Annual General Meeting held on 16 April 2008, amounting to RM33,174,940 will be paid on 6 June 2008.

**A9. SECURITIES HELD**

	<b>Group</b>	
	<b>As at 31-03-08 RM'000</b>	<b>As at 31-12-07 RM'000</b>
<b>(a) <u>Securities held-for-trading</u></b>		
<b>At fair value</b>		
Malaysian Government Securities	25,960	89,188
Quoted Securities		
- Shares	727	1,721
- Warrants	241	383
Unquoted Securities		
- Private Debt Securities	300,996	189,034
Total securities held for trading	327,924	280,326

**A9. SECURITIES HELD (cont.)**

	<b>Group</b>	
	<b>As at 31-03-08 RM'000</b>	<b>As at 31-12-07 RM'000</b>
<b>(b) <u>Securities available-for-sale</u></b>		
<b>At fair value</b>		
Malaysian Government Securities	220,092	216,750
Malaysian Government Treasury Bills	261,207	284,194
Malaysian Government Investment Issuance ('GII')	127,858	161,071
Cagamas Bonds	453,678	454,211
Khazanah Bonds	23,403	230,535
Bankers' Acceptance and Islamic Accepted Bills	489,244	495,009
Bank Negara Malaysia Notes	1,070,105	1,070,385
Negotiable Instruments of Deposit	650,715	1,139,190
	3,296,302	4,051,345
Quoted Securities		
- Shares	173,761	185,315
- Private Debt Securities	3,369	3,474
- Irredeemable Convertible Unsecured Loan Stock	4,031	4,031
Unquoted Securities		
- Private Debt Securities	1,975,104	1,769,044
	5,452,567	6,013,209
Allowance for impairment of securities	(145,248)	(144,744)
Total securities available-for-sale	5,307,319	5,868,465
<b>(c) <u>Securities held-to-maturity</u></b>		
<b>At amortised cost</b>		
Quoted Securities		
- Private Debt Securities	38,123	38,123
Unquoted Securities		
- Private Debt Securities	685,101	476,446
	723,224	514,569
<b>At cost</b>		
Unquoted Securities		
- Shares	56,762	56,384
- Private Debt Securities	16	16
	780,002	570,969
Allowance for impairment of securities	(127,383)	(127,662)
Total securities held-to-maturity	652,619	443,307
<b>Total securities held</b>	<b>6,287,862</b>	<b>6,592,098</b>

**A10. LOANS, ADVANCES AND FINANCING**

	Group	
	As at 31-03-08 RM'000	As at 31-12-07 RM'000
<b>(a) <u>BY TYPE</u></b>		
Overdrafts	2,041,360	1,880,246
Term loans/financing		
Housing loans/financing	4,222,272	4,063,704
Syndicated term loan/financing	1,153,645	766,835
Hire purchase receivables	6,946,639	6,982,975
Other term loans/financing	4,965,229	4,687,639
Bills receivable	218,988	95,596
Trust receipts	401,414	452,453
Claims on customers under acceptance credits	744,432	731,869
Staff loans/financing (of which RM NIL to Directors)	162,694	161,437
Credit/charge cards	114,011	115,291
Revolving credit	1,384,819	1,460,173
Margin financing	55,388	40,408
Other loans/financing	11,178	17,102
	22,422,069	21,455,728
Less: Unearned interest and income	(3,044,004)	(2,596,133)
<b>Gross loans, advances and financing</b>	<b>19,378,065</b>	<b>18,859,595</b>
Less: Allowance for bad and doubtful debts and financing		
- General	(279,582)	(274,585)
- Specific	(1,349,271)	(1,307,371)
<b>Total net loans, advances and financing</b>	<b>17,749,212</b>	<b>17,277,639</b>
<b>(b) <u>BY TYPE OF CUSTOMER</u></b>		
Domestic non-banking institutions		
- Stock-broking companies	344	410
- Others	194,665	157,121
Domestic business enterprises		
- Small medium enterprises	5,995,702	5,354,466
- Others	3,594,671	3,867,732
Government and statutory bodies	164,874	53,499
Individuals	9,156,856	9,136,558
Other domestic entities	64,276	100,738
Foreign entities	206,677	189,071
	<b>19,378,065</b>	<b>18,859,595</b>

**A10. LOANS, ADVANCES AND FINANCING (cont.)**

	Group	
	As at 31-03-08 RM'000	As at 31-12-07 RM'000
<b>(c) <u>BY INTEREST / PROFIT RATE SENSITIVITY</u></b>		
Fixed rate		
Housing loans/financing	467,404	478,049
Hire purchase receivables	5,891,257	5,911,029
Margin financing	38,140	40,408
Other fixed rate loan/financing	2,839,933	2,238,251
Variable rate		
BLR plus	8,979,193	9,024,593
Cost-plus	1,136,128	1,140,888
Other variable rates	26,010	26,377
	<b>19,378,065</b>	<b>18,859,595</b>
<b>(d) <u>BY ECONOMIC PURPOSE</u></b>		
Construction	572,669	580,620
Purchase of landed property (of which: - Residential - Non-residential)	3,284,118	3,262,510
Purchase of securities	1,016,133	962,186
Purchase of transport vehicles	525,181	540,788
Fixed assets other than land and building	5,940,370	5,948,323
Personal uses	123,288	188,402
Credit card	687,010	648,834
Consumer durable	114,010	115,292
Merger and acquisition	4,129	4,461
Working capital	31,684	31,685
Others	5,497,549	3,641,865
	1,581,924	2,934,629
	<b>19,378,065</b>	<b>18,859,595</b>
<b>(e) <u>BY SECTOR</u></b>		
Primary agriculture	549,475	257,245
Mining and quarrying	67,144	74,135
Manufacturing	1,744,949	1,736,814
Electricity, gas and water supply	15,782	18,539
Construction	1,744,756	1,618,135
Real estate	1,010,729	780,705
Wholesale and retail trade and restaurants and hotels	1,445,272	1,463,549
Transport, storage and communication	696,570	663,413
Finance, insurance and business services	1,906,432	1,930,305
Education, health and others	873,651	784,044
Household	9,226,283	9,204,306
Community, social and personal services	-	59,927
Others	97,022	268,478
	<b>19,378,065</b>	<b>18,859,595</b>

**A10. LOANS, ADVANCES AND FINANCING (cont.)**

**(f) NON-PERFORMING LOANS/FINANCING**

	Group	
	As at 31-03-08 RM'000	As at 31-12-07 RM'000
<b>(i) <u>Movements in non-performing loans, advances and financing</u></b>		
Balance at the beginning of financial year	2,691,537	3,089,706
Classified as non-performing during the financial year	152,734	811,185
Reclassified as performing during the financial year	(106,720)	(633,024)
Loans/financing converted to securities	-	(25,723)
Amount recovered	(129,893)	(503,257)
Amount written-off	(3,771)	(47,497)
Reclassification arising from merger between ASSB and AIBB	-	147
<b>Balance at the end of financial year</b>	<b>2,603,887</b>	<b>2,691,537</b>
less: Specific allowance	(1,349,271)	(1,307,371)
<b>Net non-performing loans, advances and financing</b>	<b>1,254,616</b>	<b>1,384,166</b>
Net NPL as a % of gross loans, advances and financing less specific allowance	6.96%	7.89%

**(ii) Non-performing loans, advances and financing by economic purpose**

Construction	54,818	43,633
Purchase of landed property:		
- Residential	530,113	546,544
- Non-residential	132,671	138,123
Purchase of securities	92,876	125,541
Purchase of transport vehicles	271,558	269,636
Fixed assets other than land and building	22,039	21,726
Personal uses	45,266	42,911
Credit card	3,218	3,236
Consumer durable	768	768
Working capital	435,903	372,631
Others	1,014,657	1,126,788
	<b>2,603,887</b>	<b>2,691,537</b>

**A10. LOANS, ADVANCES AND FINANCING (cont.)**

**(f) NON-PERFORMING LOANS/FINANCING (cont.)**

	Group	
	As at 31-03-08 RM'000	As at 31-12-07 RM'000
<b>(iii) <u>Non-performing loans, advances and financing by sector</u></b>		
Primary agriculture	13,521	13,421
Mining and quarrying	4,794	4,792
Manufacturing	466,645	475,787
Electricity, gas and water supply	1,173	1,093
Construction	384,337	384,935
Real estate	91,952	99,323
Wholesale and retail trade and restaurants and hotels	308,823	315,069
Transport, storage and communication	103,688	103,193
Finance, insurance and business services	84,139	82,782
Education, health and others	210,178	254,762
Household	901,206	916,202
Community, social and personal services	-	-
Others	33,431	40,178
	<b>2,603,887</b>	<b>2,691,537</b>
<b>(iv) <u>Aging of net non-performing loans, advances and financing</u></b>		
Less than 5 years	1,009,080	1,069,341
5 years to 7 years	245,536	314,825
	<b>1,254,616</b>	<b>1,384,166</b>
<b>(v) <u>Movement in allowance for bad and doubtful debts</u></b>		
<b>General allowance</b>		
Balance at the beginning of financial year	274,585	267,970
Allowance made during the financial year	4,997	6,586
Reclassification arising from merger between ASSB and AIBB	-	29
Balance at the end of financial year	279,582	274,585
As % of gross loans, advances and financing less specific allowance	1.55%	1.56%
<b>Specific allowance</b>		
Balance at the beginning of financial year	1,307,371	965,489
Allowance made during the financial year	81,381	529,604
Amount transferred to allowance for impairment of securities held-to-maturity/available-for-sales	-	(10,012)
Amount written-off	(6,300)	(46,279)
Amount written back during the financial year	(33,181)	(131,553)
Reclassification arising from merger between ASSB and AIBB	-	122
Balance at the end of financial year	1,349,271	1,307,371

**A11. OTHER ASSETS**

	<b>Group</b>	
	<b>As at 31-03-08 RM'000</b>	<b>As at 31-12-07 RM'000</b>
Clearing accounts	162,483	213,757
Money order and postal order purchased	1,902	1,915
Income / interest receivable	65,302	66,608
Premium receivable	1,195	1,431
Prepaid lease payments	18,285	17,690
Foreclosed properties	69,284	74,347
Derivative assets	76,860	44,148
Other debtors, deposits and prepayments	47,656	50,148
	<b>442,967</b>	<b>470,044</b>
	<b>442,967</b>	<b>470,044</b>

**A12. OTHER LIABILITIES**

	<b>Group</b>	
	<b>As at 31-03-08 RM'000</b>	<b>As at 31-12-07 RM'000</b>
Bank Negara Malaysia and Credit Guarantee Corporation Funding Programmes	116,712	124,254
Liabilities directly associated with land held for sale	27,389	30,440
Interest payable	153,254	177,834
Margin and collateral deposits	38,178	38,723
Trust accounts for clients and remisiers	49,121	47,345
Defined contribution plan	7,708	8,480
Accrued employee benefits	1,623	1,577
Derivative liabilities	61,893	25,899
Other creditors and accruals	207,515	215,813
Provision for zakat	6,032	6,230
	<b>669,425</b>	<b>676,595</b>
	<b>669,425</b>	<b>676,595</b>

**A13. INTEREST INCOME**

	<-----Group----->			
	<b>Current Financial Quarter ended 31-03-08 RM'000</b>	<b>Preceding Year Financial Quarter ended 31-03-07 RM'000</b>	<b>Current Year- to-date 31-03-08 RM'000</b>	<b>Preceding Year-to-date 31-03-07 RM'000</b>
Loans and advances				
- Interest income other than recoveries from NPL	247,946	238,544	247,946	238,544
- Recoveries from NPL	21,403	24,082	21,403	24,082
- Margin financing	759	440	759	440
Money at call and deposit placement with financial institutions	52,705	59,913	52,705	59,913
Securities				
- Held-for-trading	3,846	6,840	3,846	6,840
- Available-for-sale	32,882	32,255	32,882	32,255
- Held-to-maturity	3,661	9,744	3,661	9,744
Interest rate derivatives	10,098	5,888	10,098	5,888
Others	63	38	63	38
	<u>373,363</u>	<u>377,744</u>	<u>373,363</u>	<u>377,744</u>
Accretion of discount less amortisation of premium	15,698	10,724	15,698	10,724
	<u><u>389,061</u></u>	<u><u>388,468</u></u>	<u><u>389,061</u></u>	<u><u>388,468</u></u>

**A14. INTEREST EXPENSE**

Deposits and placements of banks and other financial institutions	22,061	11,502	22,061	11,502
Deposits from customers	167,229	191,115	167,229	191,115
Subordinated term loan	7,791	7,736	7,791	7,736
Loans sold to Cagamas	3,348	6,061	3,348	6,061
Interest rate derivatives	13,201	5,188	13,201	5,188
Others	1,240	14,413	1,240	14,413
	<u>214,870</u>	<u>236,015</u>	<u>214,870</u>	<u>236,015</u>



**A15. OTHER OPERATING INCOME**

	<-----Group----->			
	<b>Current</b>	<b>Preceding</b>		
	<b>Financial</b>	<b>Year</b>		
	<b>Quarter</b>	<b>Financial</b>	<b>Current Year-</b>	<b>Preceding</b>
	<b>ended</b>	<b>Quarter</b>	<b>to-date</b>	<b>Year-to-date</b>
	<b>31-03-08</b>	<b>ended</b>	<b>31-03-08</b>	<b>31-03-07</b>
	<b>RM'000</b>	<b>31-03-07</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>RM'000</b>		
<u>Fees income:</u>				
Fees on loans, advances and financing	360	145	360	145
Brokerage (net)	19,424	23,795	19,424	23,795
Underwriting fees	765	1,292	765	1,292
Portfolio management fees	1,514	1,091	1,514	1,091
Corporate advisory fees	384	2,361	384	2,361
Commission	3,521	4,083	3,521	4,083
Service charges and fees	12,052	14,980	12,052	14,980
Guarantee fees	6,754	3,425	6,754	3,425
Other fee income	4,762	430	4,762	430
	<b>49,536</b>	<b>51,602</b>	<b>49,536</b>	<b>51,602</b>
<u>Investment income:</u>				
Gains/(losses) arising from sales of securities:				
- Held-for-trading	920	3,050	920	3,050
- Available-for-sale	3,200	2,658	3,200	2,658
- Held-to-maturity	279	55	279	55
Unrealised gains on revaluation of securities held-for-trading	1,778	2,103	1,778	2,103
Gains/(losses) on revaluation of derivatives:				
- realised	15	858	15	858
- unrealised	465	(1,711)	465	(1,711)
	<b>6,657</b>	<b>7,013</b>	<b>6,657</b>	<b>7,013</b>
<u>Dividend income:</u>				
- Securities held-for-trading	-	19	-	19
- Securities available-for-sale	12	6	12	6
- Securities held-to-maturity	120	124	120	124
	<b>132</b>	<b>149</b>	<b>132</b>	<b>149</b>
<u>Other income:</u>				
Foreign exchange gains/(losses):				
- realised	(10,775)	7,707	(10,775)	7,707
- unrealised	38,510	1,942	38,510	1,942
Rental income	403	78	403	78
Gain on disposal of property, plant and equipment	1,351	755	1,351	755
Other non-operating income	2,671	2,889	2,671	2,889
	<b>32,160</b>	<b>13,371</b>	<b>32,160</b>	<b>13,371</b>
<b>Total Other Operating Income</b>	<b>88,485</b>	<b>72,135</b>	<b>88,485</b>	<b>72,135</b>

**A16. OTHER OPERATING EXPENSES**

	<-----Group----->			
	<b>Current Financial Quarter ended 31-03-08 RM'000</b>	<b>Preceding Year Financial Quarter ended 31-03-07 RM'000</b>	<b>Current Year- to-date 31-03-08 RM'000</b>	<b>Preceding Year-to-date 31-03-07 RM'000</b>
<u>Personnel costs</u>				
Wages, salaries and bonus	60,749	46,713	60,749	46,713
Defined contribution plan	8,844	7,866	8,844	7,866
Termination benefits	3,000	3,000	3,000	3,000
Other personnel costs	6,654	6,459	6,654	6,459
	79,247	64,038	79,247	64,038
<u>Promotion and marketing-related expenses</u>				
Business promotion and advertisement	693	669	693	669
Entertainment	449	451	449	451
Travelling and accommodation	925	793	925	793
Dealers' handling fees	8,597	6,207	8,597	6,207
Others	537	1,518	537	1,518
	11,201	9,638	11,201	9,638
<u>Establishment-related expenses</u>				
Rental of premises	6,051	6,018	6,051	6,018
Equipment rental	724	1,272	724	1,272
Repair and maintenance	8,518	5,597	8,518	5,597
Depreciation	6,658	6,791	6,658	6,791
Amortisation	4,403	3,964	4,403	3,964
Lease rental - leasehold properties	280	68	280	68
Others	17,074	11,375	17,074	11,375
	43,708	35,085	43,708	35,085
<u>General administrative expenses</u>				
Telecommunication expenses	1,827	1,893	1,827	1,893
Director's Remuneration	978	682	978	682
Auditors' remuneration:				
(i) Statutory audit				
- current year	295	276	295	276
- (over)/underprovision in previous years	-	(10)	-	(10)
(ii) Others	65	38	65	38
Professional fees	3,606	3,411	3,606	3,411
Property, plant & equipment written off	35	418	35	418
Others	10,134	16,029	10,134	16,029
	16,940	22,737	16,940	22,737
<b>Total other operating expenses</b>	<b>151,096</b>	<b>131,498</b>	<b>151,096</b>	<b>131,498</b>

**A17. ALLOWANCE FOR LOSSES ON LOANS AND FINANCING**

	<-----Group----->			
	<b>Current Financial Quarter ended 31-03-08 RM'000</b>	<b>Preceding Year Financial Quarter ended 31-03-07 RM'000</b>	<b>Current Year- to-date 31-03-08 RM'000</b>	<b>Preceding Year-to-date 31-03-07 RM'000</b>
<u>Allowance for bad and doubtful debts on loans and financing:-</u>				
Specific allowance				
- Made during the financial year	81,381	90,400	81,381	90,400
- Written back	(33,181)	(18,304)	(33,181)	(18,304)
General allowance (net)	4,997	288	4,997	288
<u>Bad debts:-</u>				
- recovered	(35,576)	(41,813)	(35,576)	(41,813)
- written off	864	1,518	864	1,518
<u>Addition / (Writeback) of allowance for bad and doubtful debts:</u>				
- trade debtors	(178)	(276)	(178)	(276)
- other debtors	(103)	(319)	(103)	(319)
	18,204	31,494	18,204	31,494

**A18. IMPAIRMENT LOSSES**

Addition / (Writeback) of allowance for impairment loss:				
- Securities available-for-sale	4,095	784	4,095	784
- Securities held-to-maturity	-	(177)	-	(177)
	4,095	607	4,095	607

**A19. SEGMENTAL INFORMATION ON REVENUE AND PROFIT**

The segment analysis by activity for the individual and cumulative quarters ended 31 March 2008 and 31 March 2007 are as follows:-

<-----Individual and cumulative quarters ended 31 March 2008----->

RM '000	Commercial Banking and Hire Purchase	Investment Banking	Stockbroking	Insurance	Others	Eliminations	Group
Segment revenue	485,671	41,277	17,014	-	3,200	-	547,162
Intersegment revenue	3	558	33	-	320	(914)	-
Revenue	<u>485,674</u>	<u>41,835</u>	<u>17,047</u>	<u>-</u>	<u>3,520</u>	<u>(914)</u>	<u>547,162</u>
Segment results	108,164	12,668	2,716	-	602	2,785	126,935
Unallocated expenses							(5,211)
Share of results of:							
- jointly controlled entity	-	-	-	331	-	-	331
- associate	-	-	-	2,359	-	-	2,359
Profit before taxation and zakat							<u>124,414</u>
Taxation and zakat							<u>(32,019)</u>
Net profit for the quarter							<u>92,395</u>

**A19. SEGMENTAL INFORMATION ON REVENUE AND PROFIT**

<-----Individual and cumulative quarters ended 31 March 2007----->

RM '000	Commercial Banking and Hire Purchase	Investment Banking	Stockbroking	Insurance	Others	Eliminations	Group
Segment revenue	429,399	55,322	22,054	-	2,784	-	509,559
Intersegment revenue	160	409	45	-	373	(987)	-
Revenue	<u>429,559</u>	<u>55,731</u>	<u>22,099</u>	<u>-</u>	<u>3,157</u>	<u>(987)</u>	<u>509,559</u>
Segment results	71,226	12,258	10,951	-	17,922	(17,677)	94,680
Unallocated expenses							(9,554)
Share of results of:							
- jointly controlled entity	-	-	-	(663)	-	-	(663)
- associate	-	-	-	4,384	-	-	4,384
Profit before taxation and zakat							<u>88,847</u>
Taxation and zakat							<u>(26,335)</u>
							<u><u>62,512</u></u>

**A20. VALUATION OF PROPERTY, PLANT AND EQUIPMENT**

The Group's and the Company's property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

There were no changes in the valuation of property, plant and equipment that were brought forward from the previous financial year ended 31 December 2007.

**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**

There were no significant changes in the composition of the Group during the financial quarter ended 31 March 2008.

### A23. COMMITMENTS AND CONTINGENCIES

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

GROUP	Current financial period ended 31-03-08			Previous financial year ended 31-12-07		
	Principal Amount RM'000	Credit Equivalent Amount* RM'000	Risk- weighted amount* RM'000	Principal Amount RM'000	Credit Equivalent Amount* RM'000	Risk-weighted amount* RM'000
Direct credit substitutes	697,997	697,997	697,997	779,119	779,119	779,119
Transaction-related contingent items	2,456,207	1,228,104	1,228,104	2,420,083	1,210,042	1,210,042
Short-term self-liquidating trade-related contingencies	3,074,847	614,969	72,476	3,511,291	702,258	108,604
Obligations under underwriting agreements	62,585	31,293	31,293	283,000	141,500	141,500
Foreign exchange related contracts						
- Less than one year	4,329,126	105,637	25,165	3,263,570	68,391	17,244
- One year to less than five years	361,588	38,276	13,916	389,739	33,789	12,600
Interest rate related contracts						
- Less than one year	135,833	301	151	114,728	86	43
- One year to less than five years	350,538	9,383	4,692	352,478	9,144	4,572
- Five years and above	24,313	1,679	839	25,075	1,739	870
Irrevocable commitments to extend credit:						
- Maturity exceeding 1 year	4,365,904	1,754,958	1,726,475	3,205,735	1,602,868	1,575,004
- Maturity not exceeding 1 year	3,466,041	-	-	5,071,325	-	-
	<b>19,324,979</b>	<b>4,482,597</b>	<b>3,801,108</b>	<b>19,416,143</b>	<b>4,548,936</b>	<b>3,849,598</b>

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

**A24. INTEREST / PROFIT RATE RISK**

GROUP	Non-trading Book						Trading Book RM'000	Total RM'000	Weighted average interest rate (%)
	Up to 1 month RM'000	1-3 months RM'000	> 3-12 months RM'000	> 1-5 years RM'000	Over 5 years RM'000	Non-interest bearing RM'000			
<b>31 March 2008</b>									
<b>ASSETS</b>									
Cash & short-term funds	9,086,295	-	-	-	-	165,844	-	9,252,139	3.51
Deposits & placements with banks and other financial institutions	8,364	283,703	-	-	-	13	-	292,080	3.33
Securities held for trading	727	-	-	-	-	-	327,197	327,924	6.29
Securities available-for-sale	602,723	1,338,832	1,171,813	1,605,455	482,527	105,969	-	5,307,319	4.25
Securities held-to-maturity	38,810	2,577	32,024	132,152	211,996	235,060	-	652,619	5.02
Loans, advances & financing:									
- Performing	9,155,969	1,145,172	1,475,861	3,617,428	1,379,748	(279,582)	-	16,494,596	6.83
- Non-performing	-	-	-	-	-	1,254,616	-	1,254,616	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	811,727	-	811,727	
Other assets	-	-	-	-	-	2,763,675	164	2,763,839	
COMPARATIVE FIGURES									
Land held for sale	-	-	-	-	-	95,636	-	95,636	
	-	-	-	-	-	81,620	-	81,620	
<b>TOTAL ASSETS</b>	<b>18,892,888</b>	<b>2,770,284</b>	<b>2,679,698</b>	<b>5,355,035</b>	<b>2,074,271</b>	<b>5,234,578</b>	<b>327,361</b>	<b>37,334,115</b>	
<b>LIABILITIES, INSURANCE RESERVES AND EQUITY</b>									
Deposits from customers	14,357,369	4,908,533	5,065,621	95,868	-	1,895,315	-	26,322,706	3.08
Deposits & placements of banks and other financial institutions	2,355,595	1,702,426	46,354	-	-	-	-	4,104,375	3.49
Bills and acceptance payable	-	-	-	-	-	157,836	-	157,836	
Recourse obligation on loans sold to Cagamas Berhad	155,011	-	31,606	-	-	-	-	186,617	4.10
Other liabilities	49,121	-	-	-	-	1,420,274	4,124	1,473,519	
Provision for taxation	-	-	-	-	-	51,032	-	51,032	
Borrowings	-	-	200,000	500,000	-	-	-	700,000	5.81
<b>TOTAL LIABILITIES</b>	<b>16,917,096</b>	<b>6,610,959</b>	<b>5,343,581</b>	<b>595,868</b>	<b>-</b>	<b>3,524,457</b>	<b>4,124</b>	<b>32,996,085</b>	



**A24. INTEREST / PROFIT RATE RISK (cont.)**

GROUP	Non-trading Book					Trading Book RM'000	Total RM'000	Weighted average interest rate (%)
	< Up to 1 month RM'000	1-3 months RM'000	> 3-12 months RM'000	> 1-5 years RM'000	Over 5 years RM'000			
<b>31 March 2008</b>								
<b>EQUITY</b>								
Shareholders' Funds	-	-	-	-	-	-	4,338,030	4,338,030
<b>Total liabilities and shareholders' funds</b>	<b>16,917,096</b>	<b>6,610,959</b>	<b>5,343,581</b>	<b>595,868</b>	<b>-</b>	<b>4,124</b>	<b>37,334,115</b>	<b>-</b>
On balance sheet- interest sensitivity gap	1,975,792	(3,840,675)	(2,663,883)	4,759,167	2,074,271	323,237	(2,627,909)	-
Off balance sheet- interest sensitivity gap	242,871	180,456	(52,833)	(346,181)	(24,313)	-	-	-
<b>Total interest sensitivity gap</b>	<b>2,218,663</b>	<b>(3,660,219)</b>	<b>(2,716,716)</b>	<b>4,412,986</b>	<b>2,049,958</b>	<b>323,237</b>	<b>(2,627,909)</b>	<b>-</b>

**A24. INTEREST / PROFIT RATE RISK (cont.)**

GROUP	Non-trading Book						Trading Book RM'000	Total RM'000	Weighted average interest rate (%)
	Up to 1 month RM'000	1-3 months RM'000	> 3-12 months RM'000	> 1-5 years RM'000	Over 5 years RM'000	Non-interest bearing RM'000			
<b>31 December 2007</b>									
<b>ASSETS</b>									
Cash and short-term funds	8,205,915	-	-	-	-	180,198	-	8,386,113	3.63
Deposits & placements with banks and other financial institutions	9,264	545,581	166,690	-	-	13	-	721,548	4.68
Securities held for trading	1,721	-	-	-	-	-	278,605	280,326	6.21
Securities available-for-sale	1,221,682	820,334	1,608,833	1,609,907	489,693	118,016	-	5,868,465	4.09
Securities held-to-maturity	10,670	-	34,615	162,946	394	234,682	-	443,307	6.85
Loans, advances & financing:									
- performing	8,653,429	1,224,554	1,374,289	3,589,711	1,326,075	(274,585)	-	15,893,473	6.94
- non-performing	-	-	-	-	-	1,384,166	-	1,384,166	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	841,647	-	841,647	
Other assets	-	-	-	-	-	2,828,459	213	2,828,672	
Tax recoverable	-	-	-	-	-	72,834	-	72,834	
Land held for sale	-	-	-	-	-	92,835	-	92,835	
<b>Total assets</b>	<b>18,102,681</b>	<b>2,590,469</b>	<b>3,184,427</b>	<b>5,362,564</b>	<b>1,816,162</b>	<b>5,478,265</b>	<b>278,818</b>	<b>36,813,386</b>	
<b>LIABILITIES</b>									
Deposits from customers	12,384,021	6,142,544	4,950,286	143,136	-	1,938,752	-	25,558,739	3.09
Deposits & placements of banks and other financial institutions	2,272,111	1,777,063	29,900	-	-	-	-	4,079,074	3.65
Bills and acceptance payable	-	-	-	-	-	126,697	-	126,697	
Recourse obligation on loans sold to Cagamas Berhad	15,321	148,340	185,590	12,259	-	-	-	361,510	4.02
Other liabilities	47,345	-	-	-	-	1,499,098	3,945	1,550,388	
Borrowings	200,000	-	200,000	500,000	-	-	-	900,000	5.43
<b>Total liabilities</b>	<b>14,918,798</b>	<b>8,067,947</b>	<b>5,365,776</b>	<b>655,395</b>	<b>-</b>	<b>3,564,547</b>	<b>3,945</b>	<b>32,576,408</b>	

**A24. INTEREST / PROFIT RATE RISK (cont.)**

GROUP	Non-trading Book						Trading Book RM'000	Total RM'000	Weighted average interest rate (%)
	< Up to 1 month RM'000	1-3 months RM'000	> 3-12 months RM'000	> 1-5 years RM'000	Over 5 years RM'000	Non-interest bearing RM'000			
<b>31 December 2007</b>									
<b>EQUITY</b>									
Shareholders' Funds	-	-	-	-	-	4,236,978	-	4,236,978	
<b>Total liabilities and shareholders' funds</b>	<b>14,918,798</b>	<b>8,067,947</b>	<b>5,365,776</b>	<b>655,395</b>	<b>-</b>	<b>7,801,525</b>	<b>3,945</b>	<b>36,813,386</b>	
On balance sheet- interest sensitivity gap	3,183,883	(5,477,478)	(2,181,349)	4,707,169	1,816,162	(2,323,260)	274,873	-	
Off balance sheet- interest sensitivity gap	203,704	173,177	(1,458)	(350,348)	(25,075)	-	-	-	
<b>Total interest sensitivity gap</b>	<b>3,387,587</b>	<b>(5,304,301)</b>	<b>(2,182,807)</b>	<b>4,356,821</b>	<b>1,791,087</b>	<b>(2,323,260)</b>	<b>274,873</b>	<b>-</b>	

## A25. CAPITAL ADEQUACY

The capital adequacy ratios in respect of the banking subsidiaries are as follows:-

	<b>As at 31-03-08 RM'000</b>	<b>As at 31-12-07 RM'000</b>
<b><u>Tier I Capital</u></b>		
Paid-up share capital	1,661,531	1,661,531
Share premium	550,659	550,659
Retained profits	195,378	226,904
Statutory reserve	585,361	585,361
	<u>2,992,929</u>	<u>3,024,455</u>
less: Goodwill	(190,384)	(190,384)
Deferred tax assets	(40,119)	(40,119)
<b>Total Tier 1 capital (a)</b>	<b><u>2,762,426</u></b>	<b><u>2,793,952</u></b>
<b><u>Tier II Capital</u></b>		
Subordinated loans/financing	500,000	500,000
General allowance for bad and doubtful debts and financing	279,233	274,295
<b>Total Tier 2 capital (b)</b>	<b><u>779,233</u></b>	<b><u>774,295</u></b>
Total capital (a) + (b)	3,541,659	3,568,247
less: Investment in subsidiaries	(53,229)	(53,229)
<b>Capital base</b>	<b><u>3,488,430</u></b>	<b><u>3,515,018</u></b>
<b><u>Before deducting proposed dividends:</u></b>		
Core capital ratio	11.20%	11.26%
Risk-weighted capital ratio	14.15%	14.17%
<b><u>After deducting proposed dividends:</u></b>		
Core capital ratio	11.20%	11.10%
Risk-weighted capital ratio	14.15%	14.01%

With effect from 1 January 2008, the capital adequacy ratios of the Group are computed in accordance with Bank Negara Malaysia's revised Risk-weighted Capital Adequacy Framework: Standardised Approach for Credit Risk and Market Risk, and Basic Indicator Approach for Operational Risk (Basel II).

## A26. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform with current year's presentation.

**A27. OPERATIONS OF ISLAMIC BANKING**

**(i) Unaudited Islamic Balance Sheet**

	<b>GROUP</b>	
	<b>Current Financial Quarter Ended 31-03-08 RM'000</b>	<b>Previous Financial Year Ended 31-12-07 RM'000</b>
<b>ASSETS</b>		
Cash and short term funds	3,122,527	3,532,550
Securities available-for-sale	765,740	774,250
Securities held-to-maturity	575	-
Loans, advances and financing	2,046,379	1,734,155
Statutory deposit with Bank Negara Malaysia	94,000	82,300
Other assets	68,813	135,676
Deferred tax assets	6,553	6,212
Property, plant and equipment	3,330	273
Intangible assets	1,489	1,610
<b>TOTAL ASSETS</b>	<b>6,109,406</b>	<b>6,267,026</b>
<b>LIABILITIES, ISLAMIC BANKING FUNDS</b>		
Deposits from customers	4,156,822	3,708,613
Deposits and placements of banks and other financial institutions	1,637,403	2,078,923
Other liabilities	67,910	238,045
Provision for tax and zakat	3,284	5,838
<b>Total Liabilities</b>	<b>5,865,419</b>	<b>6,031,419</b>
Total Islamic Banking Capital Funds	243,987	235,607
<b>TOTAL LIABILITIES &amp; ISLAMIC BANKING FUNDS</b>	<b>6,109,406</b>	<b>6,267,026</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	<b>3,836,355</b>	<b>3,917,054</b>

**A27. OPERATIONS OF ISLAMIC BANKING (cont.)**

**(ii) Unaudited Islamic Income Statement:**

<-----GROUP----->

	Preceding Year		Current year- to-date ended 31-03-08 RM'000	Preceding Year- to-date ended 31-03-07 RM'000
	Current Year Quarter ended 31-03-08 RM'000	Corresponding Quarter ended 31-03-07 RM'000		
Income derived from investment of depositors' funds and others	69,158	46,970	69,158	46,970
Allowance for losses on financing	(5,726)	(713)	(5,726)	(713)
Transfer from/(to) profit equalisation reserve	-	(797)	-	(797)
	63,432	45,460	63,432	45,460
Income attributable to depositors	(38,920)	(23,075)	(38,920)	(23,075)
Income attributable to shareholders	24,512	22,385	24,512	22,385
Income derived from investment of Islamic banking capital funds	2,957	3,565	2,957	3,565
	27,469	25,950	27,469	25,950
Other operating expenses	(16,102)	(9,968)	(16,102)	(9,968)
Profit before tax and zakat	11,367	15,982	11,367	15,982
Taxation	(3,067)	(4,278)	(3,067)	(4,278)
Zakat	-	-	-	-
Net profit for the financial period	8,300	11,704	8,300	11,704

**(iii) Financing**

<u>BY TYPE</u>	Group	
	As at 31-03-08 RM'000	As at 31-12-07 RM'000
Cash line	201,839	171,901
Term financing		
Housing financing	1,713,959	1,517,539
Syndicated term financing	698,991	349,942
Hire purchase receivables	666,202	599,925
Other term financing	492,392	492,916
Bills financing	117,432	8,037
Trust receipts	69,877	64,895
Interest-free accepted bills	92,432	54,259
Staff financing	11,159	11,452
Revolving credit	-	3,024
	4,064,283	3,273,890
less: Unearned income	(1,978,662)	(1,506,080)
	2,085,621	1,767,810
less: Allowance for bad and doubtful debts and financing		
- General	(31,151)	(26,485)
- Specific	(8,091)	(7,170)
<b>Total net financing</b>	<b>2,046,379</b>	<b>1,734,155</b>

**A27. OPERATIONS OF ISLAMIC BANKING (cont.)**

**(iv) Non-performing financing (NPF)**

<u>Movements in non-performing financing</u> <u>(including income receivables):</u>	<b>GROUP</b>	
	<b>As at 31-03-08 RM'000</b>	<b>As at 31-12-07 RM'000</b>
Balance at the beginning of financial year	37,779	39,150
Classified as non-performing during the financial year	12,385	56,440
Reclassified as performing during the financial year	(12,685)	(52,642)
Amount written back in respect of recoveries	(851)	(5,169)
<b>Balance at the end of financial year</b>	<b>36,628</b>	<b>37,779</b>
less: Specific allowance	(8,091)	(7,170)
<b>Net non-performing loans, advances and financing</b>	<b>28,537</b>	<b>30,609</b>
As % of gross loans, advances and financing less specific allowance	1.37%	1.74%

Movements in allowance for bad and doubtful financing:

**General allowance**

Balance at the beginning of financial year	26,485	21,893
Allowance made during the year	4,666	6,600
Amount written back during the year	-	(2,008)
Balance at the end of financial year	31,151	26,485
As % of gross loans, advances and financing less specific allowance	1.50%	1.50%

**Specific allowance**

Balance at the beginning of financial year	7,170	4,770
Allowance made during the financial year	1,379	3,248
Amount written back in respect of recoveries	(458)	(848)
Balance at the end of financial year	8,091	7,170

**(v) Deposits from customers**

<u>By type of deposits</u>	<b>GROUP</b>	
	<b>As at 31-03-08 RM'000</b>	<b>As at 31-12-07 RM'000</b>
<b>Non-Mudharabah Funds</b>		
Demand deposits	1,512,459	1,415,404
Savings deposits	183,085	183,216
Negotiable Instruments of Deposits	231,025	82,215
	1,926,569	1,680,835
<b>Mudharabah Funds</b>		
Savings deposits	6,396	5,792
General investment deposits	951,764	798,415
Special investment deposits	1,272,093	1,223,571
	2,230,253	2,027,778
Total deposits from customers	4,156,822	3,708,613

**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 posted a pretax profit of RM124.4 million for the first quarter ended 31 March 2008, an increase of RM35.6 million or 40% as compared to the pretax profit of RM88.8 million for the preceding year's corresponding quarter. This was mainly attributed to the increase in net interest income, other operating income and Islamic banking income of RM22.4 million, RM15.6 million and RM3.0 million respectively, as well as the reduction in both loan loss provision and finance cost of RM13.3 million and RM4.5 million. The overhead expenses and impairment loss on securities however increased by RM19.6 million and RM3.5 million while the share of profits in associate was lower by RM2.0 million.

AFFIN Bank Berhad group recorded a higher pretax profit of RM108.2 million for the current financial quarter as compared to RM71.2 million for the preceding year's corresponding quarter. The increase of RM36.9 million or 51.9% was mainly due to the increase in other operating income, net interest income and Islamic banking income totalling RM43.2 million and the reduction in loan loss provision of RM12.3 million. The overhead expenses and impairment losses on securities however increased by RM16.1 million and RM3.3 million respectively.

AFFIN Investment Bank Berhad group reported a lower pretax profit of RM15.4 million for the current financial quarter as compared to RM23.2 million for the preceding year's corresponding quarter. This was mainly due to lower other operating income of RM4.9 million and the increase in both overhead expenses and loan loss provision of RM3.0 million and RM0.5 million respectively, cushioned by higher net interest income of RM1.4 million. The stockbroking division contributed a lower pretax profit of RM2.7 million for the current financial quarter as compared to RM11.0 million for the preceding year's corresponding quarter.

AFFIN Moneybrokers Sdn Bhd posted a higher pretax profit of RM0.6 million for the current financial quarter as compared to RM0.5 million for the same quarter last year, mainly due to higher net brokerage income net of higher overhead expenses.

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

The Group's pretax profit of RM124.4 million for the current financial quarter was an improvement of RM53.8 million or 76.2% as compared to RM70.6 million for the preceding quarter ended 31 December 2007. This was mainly due to the reduction in loan loss provision, overhead expenses and finance cost of RM33.9 million, RM5.7 million and RM2.7 million respectively, as well as the increase in both other operating income and Islamic banking income totalling RM7.2 million, with no share of losses in jointly controlled entity of RM10.2 million like the previous year. The net interest income however reduced by RM10.9 million for the period under review.



### B3. PROSPECT FOR THE CURRENT FINANCIAL YEAR

Barring any unforeseen circumstances, the Group is expected to perform well and achieve satisfactory results for the financial year ending 31 December 2008.

Based on the current performance, the Board of Directors is of the view that the Group is on track to achieve following announced headline Key Performance Indicators (KPIs) for the financial year 2008:-

	<b>As announced for financial Year 2008</b>	<b>Achieved for 3 months ended 31-3-08</b>
<b>Headline KPIs</b>		
(i) After Tax Returns on Equity (ROE)	7.0%	2.2%
(ii) After Tax Returns on Assets (ROA)	0.8%	0.2%
(iii) Net NPL Ratio	5.6%	7.0%
(iv) Earnings Per Share (EPS)	21.4 sen	6.2 sen

### B4. VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

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

### B5. TAXATION

	<-----Group----->			
	<b>Current financial quarter ended 31-03-08 RM'000</b>	<b>Preceding year corresponding quarter ended 31-03-07 RM'000</b>	<b>Current year- to-date 31-03-08 RM'000</b>	<b>Preceding year- to-date 31-03-07 RM'000</b>
Malaysian Taxation				
- Income tax based on profit for the period	40,576	8,009	40,576	8,009
Deferred tax relating to net originating temporary differences	(8,582)	17,937	(8,582)	17,937
Under provision in previous year:				
- Current taxation	25	389	25	389
	<b>32,019</b>	<b>26,335</b>	<b>32,019</b>	<b>26,335</b>

The effective tax rate was slightly higher than the prevailing statutory tax rate, mainly due to certain expenses being disallowed for tax purposes.

### B6. SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

There were no material gains or losses on disposal of investments or properties other than in the ordinary course of business of the Group.

### B7. PURCHASE OR DISPOSAL OF QUOTED SECURITIES

There were no purchases or disposals of quoted securities for the financial period other than in the ordinary course of business of the Group.

## **B8. STATUS OF CORPORATE PROPOSALS**

a) **Proposed acquisition by Boustead Holdings Berhad (Boustead) of the London Assurance Shareholdings in BH Insurance Berhad ("BHI") (formerly known as Royal & Sun Alliance Insurance (M) Bhd) and proposed rationalisation of Boustead's interest in BHI and AXA AFFIN General Insurance Berhad**

On 25 July 2005, the Board of Directors of AFFIN Holdings Berhad ("AHB") announced that Bank Negara Malaysia ("BNM") had vide its letter dated 21 July 2005 stated that it had no objection in principle for Boustead (a company related to AHB by virtue of LTAT being a common major shareholder in AHB and Boustead) to commence negotiations to acquire the entire 45.0% equity interest held by London Assurance in BHI.

Boustead intends to rationalise its shareholdings in BHI and consolidate its interests in BHI into AXA AFFIN General Insurance Berhad, a 40.0% associated company of AFFIN Holdings Berhad thereafter.

On 5 December 2007, the Board of Directors of Boustead announced that BNM had vide its letter dated 4 December 2007 stated that it had no objection in principle for Boustead to commence preliminary negotiations with the shareholders of AXA AFFIN General Insurance Berhad on the proposed rationalisation of Boustead's interest in BHI and AXA AFFIN General Insurance Berhad. The approval in principle from BNM for commencement of the negotiations is not an approval for the proposed rationalisation.

Further announcement on the development will be made to Bursa Malaysia Securities Berhad at the appropriate time.

b) **Joint venture between AFFIN Fund Management Sdn Bhd ("AFM") with Asia Equity Partners Sdn Bhd ("AEP") ("JV")**

On 7 March 2007, the Board of Directors of AHB announced the signing of a joint venture agreement ("JVA") on 6 March 2007 between AFM, a wholly-owned subsidiary of AFFIN Investment Bank Berhad (which in turn, is a wholly-owned subsidiary of AHB) and AEP, for the purpose of collaborating and sharing each other expertise and network and set up a RM150 million commercial property fund ("Proposed Fund") within the prime or central locations in Malaysia.

Pursuant to the JVA, AFM and AEP intend to jointly establish and set up the Proposed Fund. The Proposed Fund shall be incorporated as a closed-end investment company in Malaysia and will seek to acquire commercial properties with strong potential for growth in rental income and capital value. The Proposed Fund shall comprise equity investments of RM150 million with a duration not exceeding five (5) years.

Under the Proposed Fund, AFM will act as the Fund Manager whilst AEP will act as the Portfolio Advisor. The JV would not involve any capital investment by AFM as there would not be any joint venture company to be incorporated.

The JV is conditional upon satisfaction of the following condition precedent:

- (i) The approvals of AFM's Board, shareholders, SC and/or any other authorities, if required; and,
- (ii) The approvals of AEP's Board, shareholders and/or investment committee or other relevant authorities, if required.

Further announcement on the development will be made to Bursa Malaysia Securities Berhad at the appropriate time.

## **B8. STATUS OF CORPORATE PROPOSALS (cont.)**

### **c) Proposed acquisition of equity interest in Malaysian Assurance Alliance Berhad ("MAA Assurance") ("Proposed Acquisition")**

On 21 September 2007, the Board of Directors of AHB announced that Bank Negara Malaysia ("BNM") had vide its letter dated 21 September 2007 stated that it had no objection in principle for AXA Asia Pacific Holdings Limited ("AXA APH") and AHB to commence preliminary negotiations with MAA Holdings Berhad ("MAA Holdings") for the proposed acquisition of equity interest in MAA Assurance, a wholly-owned subsidiary of MAA Holdings.

AXA APH, AHB and MAA Holdings would be required to obtain the prior approval of the Minister of Finance, based on the recommendation of BNM, pursuant to the Insurance Act 1966 ("Act") before entering into any agreement to effect the Proposed Acquisition.

The final approval pursuant to the Act will only be considered upon AXA APH and AHB complying with the following requirements:-

- (i) submitting a plan to rationalise the insurance business of MAA Holdings with AXA AFFIN General Insurance Berhad ("AXA AFFIN General") and AXA AFFIN Life Insurance Berhad ("AXA AFFIN Life") in accordance with Section 69 of the Act;
- (ii) submitting a detailed capital plan for AXA AFFIN General and AXA AFFIN Life as well as the rationalised entities to comply with the supervisory and internal target capital as prescribed under the Risk Based Capital Framework; and
- (iii) compliance with the foreign equity participation limit imposed on insurance companies.

Further announcement on the development will be made to Bursa Malaysia Securities Berhad at the appropriate time.

### **d) Proposed disposal of equity interest in AFFIN Insurance Brokers Sdn Bhd ("AIB") ("Proposed Disposal")**

On 16 October 2007, the Board of Directors of AHB announced that BNM had vide its letter dated 5 October 2007 stated it had no objection for AHB to enter into discussions with CIMB Group ("CIMBG") for the proposed disposal of the equity interest in AFFIN Insurance Brokers Sdn Bhd ("AIB"), a wholly owned subsidiary of AFFIN-ACF Holdings Sdn Bhd which in turn, is a wholly-owned subsidiary of AHB.

The approval by BNM is for AHB to initiate discussions and negotiations with CIMBG and should not be deemed as the final approval. Under Section 67 of the Insurance Act 1996 (Act), BNM's approval is required before entering into any agreement to acquire or dispose of equity interest in any licensees under the Act.

On 4 March 2008, AFFIN Investment Bank Berhad had on behalf of AHB submitted an application to Bank Negara Malaysia in relation to the Proposed Disposal.

Further announcement on the development will be made to Bursa Malaysia Securities Berhad at the appropriate time.

## **B8. STATUS OF CORPORATE PROPOSALS (cont.)**

### **e) Proposed formation of AFFIN Banking Group**

On 28 January 2008, AFFIN Investment Bank Berhad ("AFFIN Investment") had on behalf of the Board of Directors of AHB announced that Bank Negara Malaysia ("BNM") had vide its letter dated 25 January 2008 informed that BNM had obtained the approval from Minister of Finance for the following:-

- (i) Pursuant to Section 45(1)(a) and (b) of the Banking and Financial Institutions Act 1989 ("BAFIA") for AFFIN Capital Sdn Bhd (formerly known as AFFIN Capital Holdings Sdn Bhd) ("ACSB"), a wholly-owned subsidiary of AHB, to acquire the entire equity interest in AFFIN Bank Berhad ("AFFIN Bank") and AFFIN Investment;
- (ii) Pursuant to Section 45(3) of the BAFIA for AHB to subscribe to the issuance of new ordinary shares of RM1.00 each in AFFIN Bank and AFFIN Investment;
- (iii) Pursuant to Section 46 of BAFIA for ACSB to hold shares in AFFIN Bank and AFFIN Investment in excess of the maximum permissible limit;
- (iv) Pursuant to Section 49 of the BAFIA for AHB and ACSB to enter into an agreement or arrangement which would result in the change in the control of AFFIN Bank and AFFIN Investment, after (i) above ; and
- (v) Pursuant to Section 22 of the Islamic Banking Act 1983 for ACSB and AFFIN Bank to enter into an arrangement or agreement for ACSB to acquire from AFFIN Bank the entire equity interest in AFFIN Islamic Bank Berhad ("AFFIN Islamic"), which would result in a change in the control or management of AFFIN Islamic.

Further, BNM informed that following the above internal restructuring exercise, in addition to AHB, ACSB would be designated as a Financial Holding Company in view of its holding of the licensed institutions comprising AFFIN Bank, AFFIN Investment and AFFIN Islamic (collectively the "Banking Subsidiaries"). In this regard, ACSB would be subjected to the following conditions:

- (i) its investment should be confined to the financial sector and prior approval of BNM is to be obtained for any new investments; and
- (ii) compliance with the Guidelines on Corporate Governance for Licensed Institutions (Revised BNM/GP1).

The approval from MOF represents a key milestone for the proposed rationalisation by AHB to put together its banking businesses undertaken by AFFIN Bank, AFFIN Investment and AFFIN Islamic under ACSB ("Proposed Formation of AFFIN Banking Group"). The Banking Subsidiaries with ACSB as their immediate holding company will be re-branded as the "AFFIN Banking Group".

The Proposed Formation of AFFIN Banking Group is part of AHB's continuous effort to review its business model and corporate structure to ensure it remains effective amidst the competitive banking industry. The Proposed Formation of AFFIN Banking Group is expected to bring greater focus and efficiency in delivery capabilities through a comprehensive and seamless range of products and services. Over the long term, it is expected that the Proposed Formation of AFFIN Banking Group will result in sustainable, positive and tangible benefits to the shareholders of AHB.

Further announcement on the development will be made to Bursa Malaysia Securities Berhad at the appropriate time.

**B9. GROUP BORROWINGS AND DEBT SECURITIES**

<b>(i) <u>Deposits from Customers</u></b>	<b>Group</b>	
	<b>As at 31-03-08 RM'000</b>	<b>As at 31-12-07 RM'000</b>
<u>By Type of Deposits:-</u>		
Money Market Deposits	2,221,260	1,424,795
Demand Deposits	3,768,931	3,658,132
Savings Deposits	922,599	903,325
Fixed Deposits	15,712,598	15,860,651
Negotiable Instruments of Deposits ('NIDs')	2,425,225	2,488,265
Special Investment Deposits	1,272,093	1,223,571
	<b>26,322,706</b>	<b>25,558,739</b>
Maturity structure of fixed deposits and NIDs are as follows:		
Due within six months	15,116,587	14,332,480
Six months to one year	2,918,099	3,014,233
One year to three years	99,171	998,355
Three years to five years	3,966	3,848
	<b>18,137,823</b>	<b>18,348,916</b>
<u>By Type of Customers:-</u>		
Government and statutory bodies	5,299,801	5,605,041
Business enterprises	9,948,049	9,052,289
Individuals	4,014,676	3,317,576
Others	7,060,180	7,583,833
	<b>26,322,706</b>	<b>25,558,739</b>
<b>(ii) <u>Deposits and Placements of Banks and Other Financial Institutions</u></b>		
<u>By Type of Institutions:-</u>		
Licensed banks	384,164	538,420
Licensed investment banks	92,201	-
Bank Negara Malaysia	462,585	327,280
Other financial institutions	3,165,425	3,213,374
	<b>4,104,375</b>	<b>4,079,074</b>
<u>By Maturity Structure:-</u>		
Due within six months	4,104,375	4,079,074
<b>(iii) <u>Borrowings</u></b>		
Unsecured		
- One year or less (short-term)	200,000	400,000
- More than one year (medium/long-term)	500,000	500,000
	<b>700,000</b>	<b>900,000</b>

## B10. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

Value of contract classified by remaining period to maturity/repricing date (whichever is earlier) as at reporting date are as follows:-

RM'000

Items	Principal Amount	> 1 - 3 months	> 3 - 6 months	> 6 - 12 months	> 1 - 5 years	> 5 years	Margin requirement
<b>Foreign Exchange</b>	<b>4,690,714</b>	<b>3,377,222</b>	<b>808,429</b>	<b>143,475</b>	<b>361,588</b>	-	-
- Forwards	1,092,813	696,460	149,089	25,886	221,378	-	-
- Swaps	3,520,641	2,622,875	639,967	117,589	140,210	-	-
- Options	77,260	57,887	19,373	-	-	-	-
<b>Interest Rate related</b>	<b>510,684</b>	<b>15,000</b>	<b>833</b>	<b>120,000</b>	<b>350,538</b>	<b>24,313</b>	<b>11</b>
- Forwards	-	-	-	-	-	-	-
- Futures	15,000	15,000	-	-	-	-	11
- Swaps	495,684	-	833	120,000	350,538	24,313	-
<b>Total</b>	<b>5,201,398</b>	<b>3,392,222</b>	<b>809,262</b>	<b>263,475</b>	<b>712,126</b>	<b>24,313</b>	<b>11</b>

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

### Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at end of the financial year, the notional amount of foreign exchange exposure which was not hedged and hence, exposed to market risk was RM1.0 million (FYE 31/12/2007: RM19.2 million), while the notional amount of interest rate contract was RM510.7 million (FYE 31/12/2007: RM452.3 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 bank has a gain position. As at the reporting date, the amounts of foreign exchange and interest rate credit risk, measured in term of the cost to replace the profitable contracts, was RM143.9 million (FYE 31/12/2007: RM102.2 million) and RM11.4 million (FYE 31/12/2007: RM11.0 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.

### Related accounting policies

#### i. Derivative financial instruments

Derivatives are initially recognised at fair values at inception and are subsequently remeasured at their fair values. Fair values are obtained from quoted market price in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair values are positive and as liabilities when fair values are negative.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge); or (2) hedges of highly probable future cash flow attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

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

## **B10. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (cont.)**

### **Related accounting policies (cont.)**

#### **a) Fair value hedge**

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method used is amortised to income statement over the period to maturity. The adjustments to the carrying amount of a hedged equity security remain in retained earnings until the disposal of the equity securities.

#### **b) Cash flow hedge**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain and loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item will affect income statement (for example, when the projected hedged transaction crystallised). When a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement.

#### **c) Derivatives that do not qualify for hedge accounting**

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

### **ii. Forward exchange related contracts**

Unmatured forward exchange contracts are valued at forward rates as at balance sheet date applicable to their respective dates of maturity and unrealised losses and gains are recognised in the income statement for the period.

## **B11. MATERIAL LITIGATION**

There is a lawsuit against the investment bank subsidiary, namely AFFIN Investment Bank Berhad in respect of counter claims of approximately RM200.1 million and interest thereon until full settlement. As the Directors are confident that they will be successful in winning the case, no provision has been made at this juncture.

There are various other legal suits against AFFIN Bank Berhad ("ABB") in respect of claims and counter claims of approximately RM118.2 million (31 December 2007: RM118.2 million). Based on legal advice, the Directors 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.

## **B12. PROPOSED DIVIDENDS**

No dividend has been proposed or declared for the first quarter ended 31 March 2008.

### B13. EARNINGS PER SHARE

	←-----Group-----→			
	<b>Current Financial Quarter ended 31-03-08</b>	<b>Preceding Year Financial Quarter ended 31-03-07</b>	<b>Current Year- to-date 31-03-08</b>	<b>Preceding Year- to-date 31-03-07</b>
Net profit attributable to equity holders of the parent (RM'000)	<b>92,395</b>	62,512	<b>92,395</b>	62,512
Weighted average number of ordinary share in issue	<b>1,492,338,430</b>	1,260,347,148	<b>1,492,338,430</b>	1,260,347,148
Adjustment for share options	-	28,810,732	-	28,810,732
Adjusted weighted average number of ordinary shares for diluted earnings per share	<b>1,492,338,430</b>	1,289,157,880	<b>1,492,338,430</b>	1,289,157,880
Basic earning per share (sen)	<b>6.19</b>	4.96	<b>6.19</b>	4.96
Diluted earnings per share (sen)	<b>6.19</b>	4.85	<b>6.19</b>	4.85

#### **Basic earnings per share**

The basic earnings per share of the Group for the current financial quarter ended 31 March 2008 has been calculated based on the net profit attributable to the equity holders of the parent of RM92,395,000 (31 March 2007: RM62,512,000) divided by the weighted average number of ordinary shares in issue during the current financial quarter of 1,492,338,430 (31 March 2007: 1,260,347,148).

#### **Diluted earnings per share**

For the diluted earnings per share calculation, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has two categories of dilutive potential ordinary shares: share options granted to employees and warrants convertible into ordinary shares. However, the share options granted to employees had expired on 13 February 2008 and thus, it has no dilutive effect on the earnings per share for the current financial year.

The share options were assumed to be converted into ordinary shares. A calculation was done to determine the number of shares that could have been acquired at fair value (determined as the average price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options.

The number of shares calculated was compared with the number of shares that would have been issued assuming the exercise of the shares options. The difference added to the denominator as an issue of ordinary shares for no consideration. The calculation serves to determine the 'bonus' element in the ordinary shares outstanding for the purpose of computing the dilution. No adjustment was made to the net profit for the financial period for the share options calculation.

The conversion of warrants is considered dilutive when they would result in the issue of new ordinary shares for less than market value of the shares. As the current exercise price of the warrants is higher than the market value of the ordinary shares, there is no impact of dilution to the earnings per share. Hence, the warrants are not taken into the computation of diluted earnings per share.



**B14. ECONOMIC PROFIT**

	<-----Group----->			
	<b>Current Financial Quarter ended 31-03-08 RM'000</b>	<b>Preceding Year Financial Quarter ended 31-03-07 RM'000</b>	<b>Current Year- to-date 31-03-08 RM'000</b>	<b>Preceding Year- to-date 31-03-07 RM'000</b>
Net profit for the financial period	92,395	62,512	92,395	62,512
Less: Economic charge	(112,688)	(98,016)	(112,688)	(98,016)
Economic loss for the financial period	<u>(20,293)</u>	<u>(35,504)</u>	<u>(20,293)</u>	<u>(35,504)</u>

Formula for calculation of economic charge:

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

Beta = 5-year adjusted Bloomberg Beta

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

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