

**AFFIN HOLDINGS BERHAD**  
(Company no. 23218 - W)  
**Condensed Interim Financial Statements**  
**Unaudited Statements of Financial Position As At 31 March 2010**

	<-----GROUP----->		<-----COMPANY----->	
	31/03/2010 RM'000	31/12/2009 RM'000	31/03/2010 RM'000	31/12/2009 RM'000
<b>ASSETS</b>				
Cash and short term funds	6,740,156	6,223,544	207,339	193,628
Deposits and placements with banks and other financial institutions	1,817	1,817	3,617	51,009
Securities held-for-trading	13	150,000	-	-
Securities available-for-sale	7,397,427	8,166,664	-	-
Securities held-to-maturity	623,704	518,216	-	-
Loans, advances and financing	23,522,766	22,496,936	-	-
Statutory deposits with Bank Negara Malaysia	256,311	244,982	-	-
Investment in subsidiaries	-	-	3,795,474	3,795,474
Amount due from subsidiary	-	-	300,000	300,000
Investment in jointly controlled entities	112,605	107,642	128,520	128,520
Investment in associate	135,144	129,228	10,597	10,597
Trade debtors	181,449	79,361	-	-
Other assets	499,547	493,289	1,148	1,148
Tax recoverable	96,405	18,756	5,676	5,500
Deferred tax assets	5,607	57,430	-	-
Property and equipment	175,546	180,594	877	937
Land held for sale	62,354	62,354	-	-
Intangible assets	1,019,765	1,023,330	15	15
<b>TOTAL ASSETS</b>	<b>40,830,616</b>	<b>39,954,143</b>	<b>4,453,263</b>	<b>4,486,828</b>
<b>LIABILITIES AND EQUITY</b>				
Deposits from customers	29,230,463	28,599,251	-	-
Deposits and placements of banks and other financial institutions	5,180,908	5,147,094	-	-
Bills and acceptances payable	112,847	94,265	-	-
Trade creditors	169,251	74,330	-	-
Recourse obligation on loans sold to Cagamas Berhad	294,523	297,216	-	-
Other liabilities	550,304	703,788	5,906	101,357
Amount due to subsidiaries	-	-	839,206	839,206
Provision for taxation	34,785	2,734	-	-
Deferred tax liabilities	27,176	176	166	166
Borrowings	300,000	300,000	300,000	300,000
<b>TOTAL LIABILITIES</b>	<b>35,900,257</b>	<b>35,218,854</b>	<b>1,145,278</b>	<b>1,240,729</b>

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	<-----GROUP----->		<-----COMPANY----->	
	31/03/2010 RM'000	31/12/2009 RM'000	31/03/2010 RM'000	31/12/2009 RM'000
<b>EQUITY</b>				
Share capital	1,494,371	1,494,371	1,494,371	1,494,371
Reserves:-				
Share premium	1,399,980	1,399,980	1,399,980	1,399,980
Statutory reserve	874,360	874,360	-	-
Investment fluctuation reserve	67,000	24,453	-	-
Retained profits	1,094,648	942,125	413,634	351,748
<b>TOTAL EQUITY</b>	<b>4,930,359</b>	<b>4,735,289</b>	<b>3,307,985</b>	<b>3,246,099</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>40,830,616</b>	<b>39,954,143</b>	<b>4,453,263</b>	<b>4,486,828</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	<b>17,471,996</b>	<b>17,891,239</b>	<b>-</b>	<b>-</b>
<b>CAPITAL ADEQUACY</b>				
<u>Before deducting proposed dividends:</u>				
Core capital ratio	11.92%	12.68%		
Risk-weighted capital ratio	14.04%	13.84%		
<u>After deducting proposed dividends:</u>				
Core capital ratio	11.92%	12.44%		
Risk-weighted capital ratio	14.04%	13.60%		
<b>NET ASSETS PER SHARE (RM)</b>	<b>3.30</b>	<b>3.17</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 2009.*

**AFFIN HOLDINGS BERHAD**  
 (Company no. 23218 - W)  
**Condensed Interim Financial Statements**  
**Unaudited Income Statements For The Financial Period Ended 31 March 2010**

<u>Group</u>	<----Individual Quarter Ended ---->		<---Cumulative Quarter Ended --->	
	31/03/2010 RM'000	31/03/2009 RM'000	31/03/2010 RM'000	31/03/2009 RM'000
<b>Revenue</b>	<b>520,025</b>	498,976	<b>520,025</b>	498,976
Interest income	365,880	372,173	365,880	372,173
Interest expense	(166,442)	(187,546)	(166,442)	(187,546)
<b>Net interest income</b>	<b>199,438</b>	184,627	<b>199,438</b>	184,627
Islamic banking income	43,502	38,098	43,502	38,098
Other operating income	88,153	62,398	88,153	62,398
<b>Operating income</b>	<b>331,093</b>	285,123	<b>331,093</b>	285,123
Other operating expenses	(149,909)	(144,931)	(149,909)	(144,931)
<b>Operating profit before allowance for impairment on loans, advances and financing</b>	<b>181,184</b>	140,192	<b>181,184</b>	140,192
Allowance for impairment on loans, advances and financing	(12,435)	(20,887)	(12,435)	(20,887)
Allowance for impairment on other assets	104	(904)	104	(904)
Transfer to profit equalisation reserve	-	-	-	-
<b>Operating profit</b>	<b>168,853</b>	118,401	<b>168,853</b>	118,401
Finance cost	(2,093)	(2,723)	(2,093)	(2,723)
Share of results of jointly controlled entity	5,059	45	5,059	45
Share of results of associate	5,504	4,542	5,504	4,542
<b>Profit before taxation and zakat</b>	<b>177,323</b>	120,265	<b>177,323</b>	120,265
Taxation	(41,991)	(28,677)	(41,991)	(28,677)
<b>Net profit for the financial period attributable to equity holders of the Company</b>	<b>135,332</b>	91,588	<b>135,332</b>	91,588
Earnings per share attributable to the equity holders of the Company (sen)				
- Basic and fully diluted	<b>9.06</b>	6.13	<b>9.06</b>	6.13

*The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2009.*

**AFFIN HOLDINGS BERHAD**  
 (Company no. 23218 - W)  
**Condensed Interim Financial Statements**  
**Unaudited Statement of Comprehensive Income**  
**For The Financial Period Ended 31 March 2010**

<u>Group</u>	<---Individual Quarter Ended --->		<---Cumulative Quarter Ended --->	
	31/03/2010	31/03/2009	31/03/2010	31/03/2009
	RM'000	RM'000	RM'000	RM'000
<b>Profit after taxation and zakat</b>	<u>135,332</u>	<u>91,588</u>	<u>135,332</u>	<u>91,588</u>
<b>Other comprehensive income:</b>				
- Net change in fair value of securities available-for-sale	(11,019)	-	(11,019)	-
- Deferred tax on revaluation of securities available-for-sale	2,556	-	2,556	-
<b>Other comprehensive income for the period, net of tax</b>	<u>(8,463)</u>	<u>-</u>	<u>(8,463)</u>	<u>-</u>
<b>Total comprehensive income for the financial period attributable to the equity holders of the Company</b>	<u>126,869</u>	<u>91,588</u>	<u>126,869</u>	<u>91,588</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 2009.*

**AFFIN HOLDINGS BERHAD**  
(Company no. 23218 - W)  
**Condensed Interim Financial Statements**  
**Unaudited Income Statements For The Financial Period Ended 31 March 2010**

<u>Company</u>	<---Individual Quarter Ended --->		<---Cumulative Quarter Ended --->	
	31/03/2010 RM'000	31/03/2009 RM'000	31/03/2010 RM'000	31/03/2009 RM'000
<b>Revenue</b>	<b>86,266</b>	<b>31,338</b>	<b>86,266</b>	<b>31,338</b>
Interest income	3,189	2,552	3,189	2,552
Interest expense	-	-	-	-
<b>Net interest income</b>	<b>3,189</b>	<b>2,552</b>	<b>3,189</b>	<b>2,552</b>
Islamic banking income	-	-	-	-
Other operating income	83,077	28,793	83,077	28,793
<b>Operating income</b>	<b>86,266</b>	<b>31,345</b>	<b>86,266</b>	<b>31,345</b>
Other operating expenses	(1,694)	(1,490)	(1,694)	(1,490)
<b>Operating profit before allowance for impairment on loans, advances and financing</b>	<b>84,572</b>	<b>29,855</b>	<b>84,572</b>	<b>29,855</b>
Allowance for impairment on loans, advances and financing	-	-	-	-
Allowance for impairment on investment in subsidiaries	-	-	-	-
Transfer from profit equalisation reserve	-	-	-	-
<b>Operating profit</b>	<b>84,572</b>	<b>29,855</b>	<b>84,572</b>	<b>29,855</b>
Finance cost	(2,093)	(2,723)	(2,093)	(2,723)
<b>Profit before taxation and zakat</b>	<b>82,479</b>	<b>27,132</b>	<b>82,479</b>	<b>27,132</b>
Taxation	(20,593)	(6,741)	(20,593)	(6,741)
Zakat	-	-	-	-
<b>Net profit for the financial period attributable to equity holders of the Company</b>	<b>61,886</b>	<b>20,391</b>	<b>61,886</b>	<b>20,391</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 2009.*

**AFFIN HOLDINGS BERHAD**  
 (Company no. 23218 - W)  
**Condensed Interim Financial Statements**  
**Unaudited Statement of Comprehensive Income**  
**For The Financial Period Ended 31 March 2010**

<u>Company</u>	<----Individual Quarter Ended ---->		<---Cumulative Quarter Ended --->	
	31/03/2010	31/03/2009	31/03/2010	31/03/2009
	RM'000	RM'000	RM'000	RM'000
Profit after taxation and zakat	61,886	20,391	61,886	20,391
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the financial period attributable to equity holders of the Company</b>	<b>61,886</b>	<b>20,391</b>	<b>61,886</b>	<b>20,391</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 2009.*

**AFFIN HOLDINGS BERHAD**

(Company no. 23218 - W)

**Unaudited Consolidated Statement Of Changes In Equity  
For The Financial Period Ended 31 March 2010**

	←-----Attributable to Equity Holders of the Company----->						
	Issued and fully paid ordinary shares of RM1 each	Non-distributable			Distributable		Total Equity RM'000
GROUP	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	
<b>At 1 January 2010</b>							
- As previously reported	1,494,371	1,494,371	1,399,980	874,360	24,453	942,125	4,735,289
- Adjustment arising from adoption of FRS 139	-	-	-	-	51,010	17,191	68,201
<b>At 1 January 2010, as restated</b>	<b>1,494,371</b>	<b>1,494,371</b>	<b>1,399,980</b>	<b>874,360</b>	<b>75,463</b>	<b>959,316</b>	<b>4,803,490</b>
Net profit for the financial period	-	-	-	-	-	135,332	135,332
Other comprehensive income	-	-	-	-	(8,463)	-	(8,463)
Total comprehensive income for the financial period	-	-	-	-	(8,463)	135,332	126,869
<b>At 31 March 2010</b>	<b>1,494,371</b>	<b>1,494,371</b>	<b>1,399,980</b>	<b>874,360</b>	<b>67,000</b>	<b>1,094,648</b>	<b>4,930,359</b>
<b>At 1 January 2009</b>							
Net profit for the financial period	1,494,367	1,494,367	1,399,970	698,181	(22,940)	841,727	4,411,305
Other comprehensive income	-	-	-	-	-	91,588	91,588
Total comprehensive income for the financial period	-	-	-	-	9,726	-	9,726
<b>At 31 March 2009</b>	<b>1,494,367</b>	<b>1,494,367</b>	<b>1,399,970</b>	<b>698,181</b>	<b>(13,214)</b>	<b>933,315</b>	<b>4,512,619</b>

**AFFIN HOLDINGS BERHAD**  
(Company no. 23218 - W)  
**Unaudited Condensed Statement Of Changes In Equity**  
**For The Financial Period Ended 31 March 2010**

<u>COMPANY</u>	<-----Attributable to Equity Holders of the Company----->				
	Issued and fully paid ordinary shares of RM1 each		Non-distributable		Distributable
	Number of shares '000	Nominal value RM'000	Share premium RM'000	Retained profits RM'000	Total Equity RM'000
<b>At 1 January 2010</b>	1,494,371	1,494,371	1,399,980	351,748	3,246,099
Total comprehensive income for the financial period					
- Net profit for the financial period	-	-	-	61,886	61,886
<b>At 31 March 2010</b>	<b>1,494,371</b>	<b>1,494,371</b>	<b>1,399,980</b>	<b>413,634</b>	<b>3,307,985</b>
<b>At 1 January 2009</b>	1,494,367	1,494,367	1,399,970	347,091	3,241,428
Total comprehensive income for the financial period					
- Net profit for the financial period	-	-	-	20,391	20,391
<b>At 31 March 2009</b>	<b>1,494,367</b>	<b>1,494,367</b>	<b>1,399,970</b>	<b>367,482</b>	<b>3,261,819</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 2009.*



**AFFIN HOLDINGS BERHAD**  
(Company no. 23218 - W)  
**Unaudited Condensed Consolidated Cash Flow Statement**  
**For The Financial Period Ended 31 March 2010**

	<-----3 Months Ended----->	
	31/03/2010	31/03/2009
	RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation and zakat	177,323	120,265
Adjustment for non-operating and non-cash items	(39,311)	12,183
Operating profit before changes in working capital	138,012	132,448
Net changes in operating assets	(1,072,150)	364,402
Net changes in operating liabilities	712,277	841,525
Payment of tax and zakat	(30,226)	(34,520)
Taxation refund	1,239	-
Net cash generated from operating activities	(250,848)	1,303,855
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received from securities	57,333	47,022
Net purchase/(disposal) of:		
- securities	740,481	64,774
- property and equipment	(2,816)	(5,140)
- intangible assets	(276)	(20)
Dividend received from:		
- subsidiary	62,307	-
- associate	-	2,961
- securities held-to-maturity/available-for-sale	260	139
Proceeds from disposal of property and equipment	96	1,595
Capital injection into a jointly controlled entity	-	(7,650)
Net cash generated from investing activities	857,385	103,681
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in borrowings	-	(500,000)
Dividends paid to shareholders	(95,266)	-
Net cash used in financing activities	(95,266)	(500,000)
Net increase in cash and cash equivalents	511,271	907,536
Cash and cash equivalents at beginning of the period	6,174,651	6,812,543
Cash and cash equivalents at end of the period	6,685,922	7,720,079
 <u>Analysis of cash &amp; cash equivalent</u>		
Cash and short term funds	6,740,156	7,759,836
Adjustment for money held in trust on behalf of clients and remisers	(54,234)	(39,757)
	6,685,922	7,720,079

*The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2009.*

**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 current financial quarter ended 31 March 2010 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 2009. 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 2009.

With effect from 1 January 2010, the Group and the Bank is required to apply FRS139 "Financial Instruments: Recognition and Measurement" (FRS139) for the first time in the presentation of its annual consolidated financial statements. In preparing this financial information, management has used its best knowledge of the expected standards and interpretations, facts and circumstances, and accounting policies that will be applied when the Group and the Bank prepares its first set of interim financial statements in accordance with FRS134 "Interim Financial Reporting" as of 31 March 2010, which is inclusive of FRS139.

Given that FRS139 is currently being applied in Malaysia for the first time and contains new and revised impairment methodologies/models, the practices that were drawn in applying the standard may develop. In this respect and at this preliminary stage, until such time the Group's and the Bank's first annual financial statements prepared under FRS139 are completed, the possibility cannot be excluded that the financial information in this interim financial statements may be subject to change.

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

The significant accounting policies and methods of computation applied for the condensed interim financial statements are consistent with those applied in the annual financial statements for the year ended 31 December 2009, except for the adoption of the following Financial Reporting Standards ("IFRS"), amendments to FRS, IC Interpretations and Technical Release ("TR") that are effective for the Group's financial year beginning 1 January 2010:

- FRS 8 Operating Segments
- FRS 101 Presentation of Financial Statements
- FRS 139 Financial Instruments: Recognition and Measurement
- Amendments to FRS 139 Financial Instruments: Recognition and Measurement
- Amendments to FRS 2 Share-based Payment: Vesting Conditions and Cancellations
- TR i - 3 Presentation of Financial Statements of Islamic Financial Institutions
- IC Interpretation 10 Interim Financial Reporting and Impairment

The adoption of the above FRS, amendments to FRS, IC Interpretations and TR did not have any material financial impact on the financial statements of the Group and the Company, except for the adoption of FRS 139 and amendments to FRS 139 as disclosed in Note A26.

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

The auditors' report on the audited financial statements for the financial year ended 31 December 2009 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 2010.

**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 2010.

**A7. DEBT AND EQUITY SECURITIES**

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

**A8. DIVIDENDS PAID**

During the current financial quarter ended 31 March 2010, an interim dividend of 5 sen per share (less 25% income tax) and a special dividend of 3.5 sen per share (less 25% income tax) in respect of the financial year ended 31 December 2009 amounting to RM95,266,177 were paid by the Company on 18 January 2010.

**A9. SECURITIES HELD**

	Group	
	31/03/2010	31/12/2009
	RM'000	RM'000
<b>(a) <u>Securities held-for-trading</u></b>		
<b>At fair value</b>		
Bank Negara Malaysia Notes	13	-
Negotiable Instruments of Deposit	-	150,000
Total securities held-for-trading	13	150,000
<b>(b) <u>Securities available-for-sale</u></b>		
<b>At fair value</b>		
Malaysian Government Securities	2,054,493	2,345,630
Malaysian Government Treasury Bills	143,579	151,098
Malaysian Government Investment Issuance	1,102,561	1,200,875
Cagamas Bonds	212,823	432,643
Khazanah Bonds	12,432	24,961
Bankers' Acceptance and Islamic Acceptance Bills	119,580	36,580
Bank Negara Malaysia Notes	525,084	638,548
Bank Negara Malaysia Sukuk	31,743	-
Negotiable Instruments of Deposit and Islamic Debt Certificate	639,864	460,005
	4,842,159	5,290,340
Quoted Securities		
- Shares in Malaysia	54,514	72,047
- Private Debt Securities in Malaysia	2,167	2,253
- Irredeemable Convertible Unsecured Loan Stock	4,031	4,031
Unquoted Securities		
- Shares in Malaysia	93,993	50
- Private Debt Securities in Malaysia	2,143,572	2,476,526
- Private Debt Securities outside Malaysia	361,357	439,247
	7,501,793	8,284,494
Allowance for impairment of securities	(104,366)	(117,830)
Total securities available-for-sale	7,397,427	8,166,664
<b>(c) <u>Securities held-to-maturity</u></b>		
<b>At amortised cost</b>		
Quoted Securities		
- Private Debt Securities in Malaysia	38,123	38,123
Unquoted Securities		
- Private Debt Securities in Malaysia	649,310	517,893
	687,433	556,016
<b>At cost</b>		
Unquoted Securities		
- Shares in Malaysia	31,306	57,235
	718,739	613,251
Allowance for impairment of securities	(95,035)	(95,035)
Total securities held-to-maturity	623,704	518,216
<b>Total securities held</b>	<b>8,021,144</b>	<b>8,834,880</b>

**A10. LOANS, ADVANCES AND FINANCING**

	Group	
	31/03/2010 RM'000	31/12/2009 RM'000
<b>(a) BY TYPE</b>		
Overdrafts	2,022,391	1,936,567
Term loans/financing		
- Housing loans/financing	5,204,122	4,892,838
- Syndicated term loans/financing	1,758,017	1,908,052
- Hire purchase receivables	8,110,067	7,800,293
- Other term loans/financing	7,640,649	6,972,185
Bills receivables	31,748	39,791
Trust receipts	304,928	316,962
Claims on customers under acceptance credits	654,767	606,129
Staff loans/financing (of which RM NIL to Directors)	167,759	168,116
Credit/charge cards	93,399	96,468
Revolving credit	2,374,200	2,299,029
Margin financing	37,512	31,572
Factoring	4,265	3,532
	28,403,824	27,071,534
Less: Unearned interest and income	(4,144,108)	(3,873,287)
	24,259,716	23,198,247
Add: Unwinding of discount of allowance	40,664	-
<b>Gross loans, advances and financing</b>	<b>24,300,380</b>	<b>23,198,247</b>
Less: Allowance for impairment		
- Collective impairment	(477,358)	-
- Individual impairment	(300,256)	-
Less: Allowance for bad and doubtful debts and financing		
- General allowance	-	(343,276)
- Specific allowance	-	(358,035)
<b>Total net loans, advances and financing</b>	<b>23,522,766</b>	<b>22,496,936</b>
<b>(b) BY TYPE OF CUSTOMER</b>		
Domestic non-banking institutions		
- Stock-broking companies	4	-
- Others	1,836,099	1,519,286
Domestic business enterprises		
- Small medium enterprises	6,772,229	6,227,637
- Others	4,929,489	5,115,236
Government and statutory bodies	86,084	93,267
Individuals	10,328,444	9,976,212
Other domestic entities	81,071	20,117
Foreign entities	226,296	246,492
	<b>24,259,716</b>	<b>23,198,247</b>
<b>(c) BY INTEREST / PROFIT RATE SENSITIVITY</b>		
Fixed rate		
- Housing loans/financing	351,770	364,888
- Hire purchase receivables	6,864,756	6,589,445
- Other fixed rate loans/financing	4,023,152	3,845,555
- Margin financing	65,040	31,572
Variable rate		
- BLR plus	9,188,844	8,969,682
- Cost plus	3,766,154	3,397,105
	<b>24,259,716</b>	<b>23,198,247</b>

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

	Group	
	31/03/2010 RM'000	31/12/2009 RM'000
<b>(d) <u>BY ECONOMIC PURPOSE</u></b>		
Construction	773,126	706,810
Purchase of landed property of which :-		
- Residential	3,584,734	3,518,102
- Non-residential	2,028,295	1,605,207
Purchase of securities	315,262	337,278
Purchase of transport vehicles	6,893,188	6,619,191
Fixed assets other than land and building	296,158	274,654
Personal use	775,450	756,439
Credit card	94,825	96,468
Consumer durable	1,215	1,365
Merger and acquisition	12,173	14,598
Working capital	9,101,949	8,708,193
Others	383,341	559,942
	<b>24,259,716</b>	<b>23,198,247</b>
<b>(e) <u>BY SECTOR</u></b>		
Primary agriculture	559,613	597,399
Mining and quarrying	247,598	254,864
Manufacturing	2,194,837	1,706,329
Electricity, gas and water supply	162,227	155,944
Construction	1,988,761	2,533,205
Real estate	1,924,546	1,575,779
Wholesale and retail trade and restaurants and hotels	1,202,385	1,209,635
Transport, storage and communication	994,586	1,018,628
Finance, insurance and business services	3,607,997	3,325,599
Education, health and others	835,225	698,097
Household	10,422,632	10,070,950
Others	119,309	51,818
	<b>24,259,716</b>	<b>23,198,247</b>
<b>(f) <u>BY MATURITY STRUCTURE</u></b>		
Maturing within one year	6,601,135	6,389,543
One year to three years	2,597,972	2,701,037
Three years to five years	3,658,162	3,491,274
Over five years	11,402,447	10,616,393
	<b>24,259,716</b>	<b>23,198,247</b>
<b>(g) <u>BY GEOGRAPHICAL DISTRIBUTION</u></b>		
Perlis	16,873	17,882
Kedah	934,856	954,969
Pulau Pinang	1,162,806	1,137,272
Perak	753,269	726,315
Selangor	6,975,994	6,688,745
Wilayah Persekutuan	7,854,660	7,422,355
Negeri Sembilan	655,984	635,459
Melaka	590,736	575,803
Johor	1,874,531	1,849,159
Pahang	560,845	416,548
Terengganu	549,389	521,026
Kelantan	235,497	232,161
Sarawak	689,066	646,119
Sabah	1,077,919	1,048,697
Labuan	197,129	177,666
Abroad	130,162	148,071
	<b>24,259,716</b>	<b>23,198,247</b>

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

	Group	
	31/03/2010 RM'000	31/12/2009 RM'000
<b>(h) <u>IMPAIRED/NON-PERFORMING LOANS, ADVANCES AND FINANCING</u></b>		
<b>(i) <u>Movements in non-performing loans, advances and financing</u></b>		
Balance at the beginning of financial period/year	-	1,200,823
Classified as non-performing during the financial period/year	-	780,474
Reclassified as performing during the financial period/year	-	(379,573)
Amount recovered	-	(263,202)
Amount written-off	-	(477,862)
Balance at the end of financial period/year	-	<b>860,660</b>
less: Specific allowance	-	(358,035)
Net non-performing loans, advances and financing	-	<b>502,625</b>
Net NPL as a % of gross loans, advances and financing less specific allowance	-	2.20%
<b>(ii) <u>Movements of impaired loans, advances and financing</u></b>		
At 1 January, as previously stated	860,660	-
Adjustment arising from adoption of FRS 139	240,124	-
At 1 January, as restated	1,100,784	-
Classified as impaired during the financial period/year	148,106	-
Reclassified as non-impaired during the financial period/year	(88,940)	-
Amount recovered	(42,279)	-
Amount written-off	(1,810)	-
Balance at the end of financial period/year	<b>1,115,861</b>	-
<b>(iii) <u>Impaired loans, advances and financing by economic purpose</u></b>		
Construction	31,826	33,127
Purchase of landed property of which :-		
- Residential	364,600	341,928
- Non-residential	53,446	51,691
Purchase of securities	3,743	3,736
Purchase of transport vehicles	85,880	86,447
Fixed assets other than land and building	4,644	4,639
Personal use	17,251	18,946
Credit card	628	865
Consumer durable	30	33
Working capital	469,651	279,487
Others	84,162	39,761
	<b>1,115,861</b>	<b>860,660</b>

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

	Group	
	31/03/2010	31/12/2009
(h) <u>IMPAIRED/NON-PERFORMING LOANS, ADVANCES AND FINANCING (cont.)</u>	RM'000	RM'000
<b>(iv) <u>Impaired loans, advances and financing by sector</u></b>		
Primary agriculture	5,539	5,443
Mining and quarrying	1,011	985
Manufacturing	158,940	86,803
Electricity, gas and water supply	2,087	2,154
Construction	241,359	140,963
Real estate	95,311	75,153
Wholesale and retail trade and restaurants and hotels	80,115	33,902
Transport, storage and communication	8,025	3,768
Finance, insurance and business services	16,844	15,498
Education, health and others	22,081	9,021
Household	462,028	460,217
Others	22,521	26,753
	<b>1,115,861</b>	<b>860,660</b>
<b>(v) <u>Impaired loans, advances and financing by geographical distribution</u></b>		
Perlis	598	563
Kedah	88,156	27,157
Pulau Pinang	57,019	58,647
Perak	18,955	15,372
Selangor	449,878	337,641
Wilayah Persekutuan	221,067	209,409
Negeri Sembilan	35,979	36,656
Melaka	17,517	17,717
Johor	107,985	113,682
Pahang	17,622	11,596
Terengganu	4,246	4,462
Kelantan	5,699	5,147
Sarawak	7,357	7,075
Sabah	15,194	15,497
Labuan	74	39
Abroad	68,515	-
	<b>1,115,861</b>	<b>860,660</b>



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

	Group	
	31/03/2010	31/12/2009
	RM'000	RM'000
<b>(h) <u>IMPAIRED/NON-PERFORMING LOANS, ADVANCES AND FINANCING (cont.)</u></b>		
<b>(vi) <u>Movements in allowance for impairment on loans, advances and financing</u></b>		
<b>Collective impairment</b>		
At 1 January, as previously stated	-	-
Adjustment arising from adoption of FRS 139	458,245	-
At 1 January, as restated	458,245	-
Allowance (net of recovery) made during the financial period/year	21,528	-
Amount written-off during the financial period/year	(1,802)	-
Exchange differences	(613)	-
Balance at the end of financial period/year	<u>477,358</u>	-
<b>Individual impairment</b>		
At 1 January, as previously stated	-	-
Adjustment arising from adoption of FRS 139	261,477	-
At 1 January, as restated	261,477	-
Allowance made during the financial period/year	43,405	-
Amount recovered during the financial period/year	(4,626)	-
Balance at the end of financial period/year	<u>300,256</u>	-
<b>General allowance</b>		
At 1 January, as previously stated	343,276	306,033
Adjustment arising from adoption of FRS 139	(343,276)	-
At 1 January, as restated	-	306,033
Allowance made during the financial period/year	-	37,290
Amount written-back during the financial period/year	-	(47)
Balance at the end of financial period/year	<u>-</u>	<u>343,276</u>
As a % of gross loans, advances and financing less specific allowance	-	1.50%
<b>Specific allowance</b>		
At 1 January, as previously stated	358,035	553,468
Adjustment arising from adoption of FRS 139	(358,035)	-
At 1 January, as restated	-	<b>553,468</b>
Allowance made during the financial period/year	-	322,570
Amount written-off during the financial period/year	-	(477,685)
Amount written-back during the financial period/year	-	(48,535)
Amount transferred from allowance for impairment of securities	-	9,843
Amount transferred to allowance for impairment of securities	-	(1,626)
Balance at the end of financial period/year	<u>-</u>	<u>358,035</u>

**A11. TRADE RECEIVABLES**

	Group	
	31/03/2010 RM'000	31/12/2009 RM'000
Amount in respect of management fees receivable and cancellation of funds' units	3,692	1,062
Amount due from clients	152,085	77,471
Amount due from Bursa Securities Clearing Sdn Bhd	33,520	8,553
	<u>189,297</u>	<u>87,086</u>
Less: Allowance for impairment		
- Collective impairment	(175)	-
- Individual impairment	(4,295)	-
- General allowance	-	(91)
- Specific allowance	-	(4,341)
Less: Interest-in-suspense	(3,378)	(3,293)
	<u><u>181,449</u></u>	<u><u>79,361</u></u>

**Movement in allowance for impairment and interest-in-suspense on trade receivables:-**

**Collective impairment**

At 1 January, as previously stated	-	-
Adjustment arising from adoption of FRS 139	136	-
At 1 January, as restated	<u>136</u>	-
Allowance made during the financial period/year	93	-
Amount recovered	(54)	-
Balance at the end of financial period/year	<u><u>175</u></u>	-

**Individual impairment**

At 1 January, as previously stated	-	-
Adjustment arising from adoption of FRS 139	4,341	-
At 1 January, as restated	<u>4,341</u>	-
Allowance made during the financial period/year	32	-
Amount recovered	(78)	-
Balance at the end of financial period/year	<u><u>4,295</u></u>	-

**General allowance**

At 1 January, as previously stated	91	76
Adjustment arising from adoption of FRS 139	(91)	-
At 1 January, as restated	<u>-</u>	<u>76</u>
Allowance made during the financial period/year	-	71
Amount recovered	-	(56)
Balance at the end of financial period/year	<u><u>-</u></u>	<u><u>91</u></u>

**Specific allowance**

At 1 January, as previously stated	4,341	4,741
Adjustment arising from adoption of FRS 139	(4,341)	-
At 1 January, as restated	<u>-</u>	<u>4,741</u>
Allowance made during the financial period/year	-	143
Amount recovered	-	(543)
Balance at the end of financial period/year	<u><u>-</u></u>	<u><u>4,341</u></u>

**A12. OTHER ASSETS**

	Group	
	31/03/2010	31/12/2009
	RM'000	RM'000
Clearing accounts	139,463	153,097
Income / interest receivable	74,551	79,686
Prepaid lease payments	16,119	16,180
Foreclosed properties	180,271	180,329
Derivative assets	54,295	24,315
Other debtors, deposits and prepayments	33,791	38,625
Amount due from jointly controlled entity	1,057	1,057
	499,547	493,289
	499,547	493,289

**A13. OTHER LIABILITIES**

Bank Negara Malaysia and Credit Guarantee Corporation Funding Programmes	57,423	71,768
Amount due from other shareholders of a subsidiary		
- Liabilities directly associated with land held for sale	24,335	24,335
Interest payable	126,011	133,197
Margin and collateral deposits	56,416	57,325
Trust accounts for clients and remisiers	54,234	48,893
Defined contribution plan	9,122	9,128
Accrued employee benefits	617	840
Derivative liabilities	50,565	41,684
Other creditors and accruals	163,814	213,140
Dividend payable	-	95,266
Provision for zakat	7,767	8,212
	550,304	703,788
	550,304	703,788

**A14. INTEREST INCOME**

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/03/2010 RM'000	31/03/2009 RM'000	31/03/2010 RM'000	31/03/2009 RM'000
Loans, advances and financing	275,325	274,842	275,325	274,842
Money at call and deposit with financial institutions	20,930	24,355	20,930	24,355
Securities				
- Held-for-trading	209	3,706	209	3,706
- Available-for-sale	52,682	39,685	52,682	39,685
- Held-to-maturity	3,285	3,631	3,285	3,631
Derivatives	11,883	14,623	11,883	14,623
Others	44	(12)	44	(12)
	<u>364,358</u>	<u>360,830</u>	<u>364,358</u>	<u>360,830</u>
Accretion of discount less amortisation of premium	1,522	11,343	1,522	11,343
	<u>365,880</u>	<u>372,173</u>	<u>365,880</u>	<u>372,173</u>
The above interest income includes interest/income earned on impaired loans, advances and financing				
- Unwinding of discount of allowance	2,030	-	2,030	-

**A15. INTEREST EXPENSE**

Deposits and placements of banks and other financial institutions	21,409	16,056	21,409	16,056
Deposits from customers	119,745	146,710	119,745	146,710
Subordinated term loan	-	5,589	-	5,589
Loans sold to Cagamas Berhad	3,685	89	3,685	89
Derivatives	17,246	16,296	17,246	16,296
Others	4,357	2,806	4,357	2,806
	<u>166,442</u>	<u>187,546</u>	<u>166,442</u>	<u>187,546</u>

**A16. OTHER OPERATING INCOME**

	←-----Group----->			
	Individual Quarter Ended 31/03/2010 RM'000	31/03/2009 RM'000	Cumulative Quarter Ended 31/03/2010 RM'000	31/03/2009 RM'000
<u>Fees income:</u>				
Fees on loans, advances and financing	86	1,808	86	1,808
Brokerage (net)	15,582	4,767	15,582	4,767
Underwriting fees	793	458	793	458
Portfolio management fees	2,002	1,379	2,002	1,379
Corporate advisory fees	1,286	564	1,286	564
Commission	2,746	3,208	2,746	3,208
Service charges and fees	11,540	10,042	11,540	10,042
Guarantee fees	6,764	7,044	6,764	7,044
Arrangement fees	1,075	2,320	1,075	2,320
Agency fees	502	317	502	317
Other fee income	193	115	193	115
	42,569	32,022	42,569	32,022
<u>Investment income:</u>				
Gains/(losses) arising from sales of securities:				
- Held-for-trading	357	1,382	357	1,382
- Available-for-sale	18,701	5	18,701	5
- Held-to-maturity	-	1,178	-	1,178
Unrealised gains on revaluation of securities held-for-trading	13	7,613	13	7,613
Gains on derivatives:				
- realised	274	226	274	226
- unrealised	2,803	1,102	2,803	1,102
	22,148	11,506	22,148	11,506
<u>Dividend income:</u>				
- Securities available-for-sale	18	19	18	19
- Securities held-to-maturity	285	120	285	120
	303	139	303	139
<u>Other income:</u>				
Foreign exchange gains/(losses):				
- realised	(20,914)	13,789	(20,914)	13,789
- unrealised	40,689	690	40,689	690
Rental income	365	418	365	418
Gains on disposal of property and equipment	94	877	94	877
Gains on disposal of foreclosed properties	72	-	72	-
Other non-operating income	2,827	2,957	2,827	2,957
	23,133	18,731	23,133	18,731
<b>Total Other Operating Income</b>	<b>88,153</b>	<b>62,398</b>	<b>88,153</b>	<b>62,398</b>

**A17. OTHER OPERATING EXPENSES**

	←-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/03/2010 RM'000	31/03/2009 RM'000	31/03/2010 RM'000	31/03/2009 RM'000
<u>Personnel costs</u>				
Wages, salaries and bonus	67,300	60,468	67,300	60,468
Defined contribution plan	10,569	9,304	10,569	9,304
Other personnel costs	8,033	8,073	8,033	8,073
	85,902	77,845	85,902	77,845
<u>Promotion and marketing-related expenses</u>				
Business promotion and advertisement	464	539	464	539
Entertainment	417	353	417	353
Travelling and accommodation	819	830	819	830
Dealers' handling fees	242	5,035	242	5,035
Commission	20	23	20	23
Others	527	472	527	472
	2,489	7,252	2,489	7,252
<u>Establishment-related expenses</u>				
Rental of premises	6,362	6,084	6,362	6,084
Equipment rental	228	332	228	332
Repair and maintenance	5,824	6,247	5,824	6,247
Depreciation	6,254	6,600	6,254	6,600
Amortisation	5,391	5,135	5,391	5,135
Lease rental - leasehold properties	61	61	61	61
IT consultancy fee	13,494	10,297	13,494	10,297
Dataline rental	1,397	2,304	1,397	2,304
Security services	2,233	2,135	2,233	2,135
Others	4,252	4,969	4,252	4,969
	45,496	44,164	45,496	44,164
<u>General administrative expenses</u>				
Telecommunication expenses	1,467	1,741	1,467	1,741
Director's Remuneration	261	247	261	247
Auditors' remuneration:				
(i) Statutory audit	335	316	335	316
(ii) Others	21	149	21	149
Professional fees	4,149	5,158	4,149	5,158
Property & equipment written off	57	50	57	50
Postage and courier charges	1,371	1,304	1,371	1,304
Stationery and consumables	1,500	1,851	1,500	1,851
Subscription fees	432	471	432	471
Subsidies and allowances	267	212	267	212
Transaction levy	365	157	365	157
Commissioned dealers representative performance incentive	1,525	263	1,525	263
Others	4,272	3,751	4,272	3,751
	16,022	15,670	16,022	15,670
<b>Total other operating expenses</b>	<b>149,909</b>	<b>144,931</b>	<b>149,909</b>	<b>144,931</b>

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

	←-----Group-----→			
	Individual Quarter Ended 31/03/2010 RM'000	Quarter Ended 31/03/2009 RM'000	Cumulative Quarter Ended 31/03/2010 RM'000	Quarter Ended 31/03/2009 RM'000
Collective impairment				
- made/written-back during the financial period	21,528	-	21,528	-
Individual impairment				
- made during the financial period	43,405	-	43,405	-
- written-back during the financial period	(4,626)	-	(4,626)	-
General allowance (net)	-	7,774	-	7,774
Specific allowance				
- Made during the financial period	-	57,224	-	57,224
- Written back	-	(13,752)	-	(13,752)
Bad debts				
- recovered	(50,743)	(33,221)	(50,743)	(33,221)
- written off	2,490	2,880	2,490	2,880
(Write-back of)/Additional allowance for impaired debts				
- trade debtors	(7)	(84)	(7)	(84)
- other debtors	388	66	388	66
	12,435	20,887	12,435	20,887

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

(Write-back of)/Additional allowance for impairment loss:-				
- Securities available-for-sale	(104)	1,115	(104)	1,115
- Securities held-to-maturity	-	(211)	-	(211)
	(104)	904	(104)	904

## A20. SEGMENTAL INFORMATION ON REVENUE AND PROFIT

The segment analysis by activity for the individual and cumulative quarters ended 31 March 2010 and 31 March 2009 are as follows:-

<-----Individual and cumulative quarter ended 31 March 2010----->						
RM '000	Commercial Banking and Hire Purchase	Investment Banking	Insurance	Others	Eliminations	Group
Segment revenue	455,519	62,341	-	2,135	-	519,995
Intersegment revenue	252	831	-	246	(1,299)	30
Revenue	<u>455,771</u>	<u>63,172</u>	<u>-</u>	<u>2,381</u>	<u>(1,299)</u>	<u>520,025</u>
Segment results	138,994	27,881	-	483	3,189	170,547
Unallocated expenses						(3,787)
Share of results of:						
- jointly controlled entity	-	-	5,059	-	-	5,059
- associate	-	-	5,504	-	-	5,504
Profit before taxation and zakat						<u>177,323</u>
Taxation and zakat						(41,991)
Net profit for the quarter						<u>135,332</u>

<-----Individual and cumulative quarter ended 31 March 2009----->						
RM '000	Commercial Banking and Hire Purchase	Investment Banking	Insurance	Others	Eliminations	Group
Segment revenue	445,151	52,104	-	1,721	-	498,976
Intersegment revenue	2,116	2,004	-	261	(4,381)	-
Revenue	<u>447,267</u>	<u>54,108</u>	<u>-</u>	<u>1,982</u>	<u>(4,381)</u>	<u>498,976</u>
Segment results	100,531	16,399	-	402	2,552	119,884
Unallocated expenses						(4,206)
Share of results of:						
- jointly controlled entity	-	-	45	-	-	45
- associate	-	-	4,542	-	-	4,542
Profit before taxation and zakat						<u>120,265</u>
Taxation and zakat						(28,677)
Net profit for the quarter						<u>91,588</u>



**A21. VALUATION OF PROPERTY AND EQUIPMENT**

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

There were no changes in the valuation of property and equipment that were brought forward from the previous financial year ended 31 December 2009.

**A22. 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.

**A23. 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 2009.

#### A24. 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 31/03/2010			Previous financial year ended 31/12/2009		
	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	468,146	468,146	450,611	495,326	495,326	470,810
Transaction-related contingent items	2,474,284	1,237,142	1,041,765	2,648,189	1,324,094	1,106,247
Short-term self-liquidating trade-related contingencies	1,087,477	217,495	100,804	1,401,193	280,239	120,271
Obligations under underwriting agreements	20,340	10,170	2,034	33,020	16,510	5,240
Foreign exchange related contracts						
- Less than one year	1,904,583	61,304	27,447	2,110,013	45,881	20,343
- One year to less than five years	50,000	5,500	1,100	83,687	7,184	2,784
Interest rate related contracts						
- Less than one year	445,322	588	145	385,000	910	184
- One year to less than five years	569,999	18,948	4,691	524,086	13,144	4,037
- Five years and above	439,965	42,039	8,598	440,277	38,564	7,910
Irrevocable commitments to extend credit:						
- Maturity exceeding 1 year	5,396,740	-	-	3,958,046	-	-
- Maturity not exceeding 1 year	4,043,294	-	-	5,256,924	-	-
Unutilised credit card lines	571,846	114,369	85,699	555,478	111,096	83,248
	<b>17,471,996</b>	<b>2,175,701</b>	<b>1,722,894</b>	<b>17,891,239</b>	<b>2,332,948</b>	<b>1,821,074</b>

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

## A25. CAPITAL ADEQUACY

The components of the Group's Tier I and Tier II capital are that of the banking subsidiaries, namely AFFIN Bank Berhad, AFFIN Islamic Bank Berhad and AFFIN Investment Bank Berhad as follows:-

	31/03/2010	31/12/2009
	RM'000	RM'000
<b><u>Tier 1 Capital</u></b>		
Share capital	1,661,531	1,661,531
Share premium	550,659	550,659
Retained profits	291,310	356,018
Statutory reserve	925,509	925,509
	<u>3,429,009</u>	<u>3,493,717</u>
Less:-		
Goodwill	(190,384)	(190,384)
Deferred tax assets	(66,460)	(63,434)
<b>Total Tier 1 capital (a)</b>	<u><b>3,172,165</b></u>	<u><b>3,239,899</b></u>
<b><u>Tier 2 Capital</u></b>		
Subordinated loans	300,000	300,000
General allowance for bad and doubtful debts and financing	-	343,276
Collective impairment	477,533	-
<b>Total Tier 2 capital (b)</b>	<u><b>777,533</b></u>	<u><b>643,276</b></u>
Total capital (a) + (b)	3,949,698	3,883,175
Less:-		
Investment in capital instruments of other banking institutions	(172,479)	(305,358)
Investment in subsidiaries	(41,180)	(41,180)
<b>Capital base</b>	<u><b>3,736,039</b></u>	<u><b>3,536,637</b></u>

The risk-weighted assets of the Group are derived by aggregating the risk-weighted assets of the banking subsidiaries. The breakdown of risk-weighted assets of the Group in the various categories of risk-weights are as follows:-

	31/03/2010	31/12/2009
	RM'000	RM'000
Credit risk	24,194,432	23,271,148
Market risk	198,483	88,120
Operational risk	2,218,641	2,190,893
<b>Total risk-weighted assets</b>	<u><b>26,611,556</b></u>	<u><b>25,550,161</b></u>

The capital adequacy ratios of the Group are as follows:-

### **Before deducting proposed dividends:-**

Core capital ratio	11.92%	12.68%
Risk capital weighted ratio	<u>14.04%</u>	<u>13.84%</u>

### **After deducting proposed dividends:-**

Core capital ratio	11.92%	12.44%
Risk capital weighted ratio	<u>14.04%</u>	<u>13.60%</u>

Pursuant to Bank Negara Malaysia's circular, 'Recognition of Deferred Tax Asset ("DTA") and Treatment of DTA for RWCR Purposes' dated 8 August 2003, deferred tax income/(expenses) is excluded from the calculation of Tier I capital and DTA is excluded from the calculation of risk - weighted assets.

The Group implemented the Basel II – Risk Weighted Assets Computation under the BNM's Risk Weighted Capital Adequacy Framework with effect from 1 January 2008. The Group has adopted the Standardised Approach for credit risk and market risk, and Basic Indicator Approach for operational risk computation.

## A26. CHANGES IN ACCOUNTING POLICY AND RESTATEMENT OF OPENING BALANCES

### (a) Changes in accounting policy

The accounting policies applied are consistent with those adopted for the annual financial statements for the year ended 31 December 2009 except for the adoption of the following new standards and amendments to standards during the financial period which have resulted in the changes in accounting policies as stated below:

- i) FRS139 Financial Instruments: Recognition and Measurement; and
- ii) Amendments to FRS139 Financial Instruments: Recognition and Measurement

FRS139 establishes the principles for the recognition, derecognition and measurement of an entity's financial instruments and for hedge accounting. However, since the adoption of BNM's revised BNM/GP8 - Guidelines on Financial Reporting for Licensed Institutions on 1 January 2005, certain principles in connection with the recognition, derecognition and measurement of financial instruments, including derivative instruments, and hedge accounting which are similar to those prescribed by FRS139 have already been adopted by the Group. Therefore, the full adoption of FRS139 on 1 January 2010 has resulted in the following material changes in accounting policies as follows:

#### Impairment of loans, advances and financing

The adoption of FRS139 has resulted in a change in accounting policy relating to the assessment for impairment of loans, advances and financing. The existing accounting policies relating to the assessment of impairment of other financial assets of the Group are already largely in line with those of FRS139. Prior to the adoption of FRS139, allowances for impaired loans, advances and financing (previously referred to as non-performing loans) were computed in conformity with the BNM/GP3 - Guidelines on Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts.

Upon the adoption of FRS139, the Group assess at each balance sheet date whether there is objective evidence that a loan or group of loans is impaired. A loan or a group of loans is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the loan or group of loans that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include among others:

- Past due contractual payments
- Significant financial difficulties of borrower
- Probability of bankruptcy or other financial re-organisation
- Default of related borrower
- A breach of contract
- The lender grants a concession to the borrower in relation to the borrower's financial difficulties
- The disappearance of an active market for that financial asset because of financial difficulties
- Measurable decrease in estimated future cash flows from a group of financial assets

The estimated period between a loss occurring and its identification is vary between three months and twelve months; in exceptional cases, longer periods are warranted.

The Group first assess whether objective evidence of impairment exists individually for loans that are individually significant, and individually or collectively for loans that are not individually significant. If the Group determine that no objective evidence of impairment exists for an individually assessed loan, whether significant or not, it includes the loan in a group of loans with similar credit risk characteristics and collectively assesses them for impairment. Loans that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the loan's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the loan's original effective interest rate. The carrying amount of the loan is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

## A26. CHANGES IN ACCOUNTING POLICY AND RESTATEMENT OF OPENING BALANCES (cont.)

The calculation of the present value of the estimated future cash flows of a collateralised loan reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, loans are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such loans by being indicative of the borrowers' ability to pay all amounts due according to the contractual terms of the loans being evaluated.

Future cash flows in a group of loans that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the loans in the Group and historical loss experience for loans with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of loans should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

The collective assessment is also subject to the transitional arrangement prescribed in BNM's guidelines on Classification and Impairment Provisions for Loans/Financing issued on 8 January 2010, whereby banking institutions are required to maintain collective assessment impairment allowances of at least 1.5% of total outstanding loans, advances and financing, net of individual impairment allowance.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement in allowance for impairment on loans, advances and financing.

### Interest Income Recognition

FRS139 prescribes that financial assets classified as held-to-maturity and loans and receivables are measured at amortised cost using effective interest method. Whilst the Group's financial investments held-to-maturity are already measured on this basis under the requirements of BNM's revised BNM/GP8 effective from 1 January 2005, interest income on its loans and receivables continued to be recognised based on contractual interest rates. Upon the full adoption of FRS139 on 1 January 2010, interest income is recognised using effective interest rates ("EIR"), which is the rate that exactly discounts estimated future cash receipts through the expected life of the loan or, when appropriate, a shorter period to the net carrying amount of the loan.

Prior to the adoption of FRS139, interest accrued and recognised as income prior to the date that a loan is classified as non-performing is reversed out of income and set-off against the interest receivable account in the statement of financial position. Thereafter, interest on the non-performing loan is recognised as income on a cash basis. Upon adoption of FRS139, once a loan has been written down as a result of an impairment loss, interest income is thereafter recognised using the rate of interest used to discount the future cash flows for the purpose of measuring impairment loss.

**A26. CHANGES IN ACCOUNTING POLICY AND RESTATEMENT OF OPENING BALANCES (cont.)**

**(b) Restatement of opening balances**

The Group has applied the new standard in relation to the financial instruments in accordance with the transitional provisions in FRS 139 by recognising and re-measuring all financing assets and financial liabilities as at 1 January 2010 as appropriate. The related adjustments to the previous carrying amounts are made to the opening retained earnings or available-for-sale investment fluctuation reserve as appropriate. The effects of the changes are disclosed below:-

	As at 1 January 2010	Effect of adoption of FRS 139	Adjusted as at 1 January 2010
	RM'000	RM'000	RM'000
<b>Statement of Financial Position</b>			
<b>Assets</b>			
Securities available-for-sale	8,166,664	93,943	8,260,607
Securities held-to-maturity	518,216	(25,929)	492,287
Loans, advances and financing	22,496,936	23,932	22,520,868
Trade debtor	79,361	(45)	79,316
Other assets	493,289	(964)	492,325
Taxation recoverable	18,756	58,085	76,841
Deferred tax assets	57,430	(56,402)	1,028
	<u>31,830,652</u>	<u>92,620</u>	<u>31,923,272</u>
<b>Liabilities</b>			
Provision for taxation	2,734	(2,712)	22
Deferred tax liabilities	176	27,131	27,307
	<u>2,910</u>	<u>24,419</u>	<u>27,329</u>
<b>Equity</b>			
Retained profits	942,125	17,191	959,316
Investment fluctuation reserve	24,453	51,010	75,463
	<u>966,578</u>	<u>68,201</u>	<u>1,034,779</u>

**A27. COMPARATIVE FIGURES**

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

**A28. OPERATIONS OF ISLAMIC BANKING**

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

	Group	
	31/03/2010 RM'000	31/12/2009 RM'000
<b>ASSETS</b>		
Cash and short term funds	2,378,667	2,211,477
Securities available-for-sale	1,365,099	1,383,903
Securities held-to-maturity	-	575
Loans, advances and financing	3,177,390	2,880,708
Investment in jointly-controlled entity	500	500
Other assets	41,525	35,289
Tax recoverable	3,219	-
Deferred tax assets	-	8,431
Property and equipment	2,439	4,159
Intangible assets	2,073	727
<b>TOTAL ASSETS</b>	<b>6,970,912</b>	<b>6,525,769</b>
<b>LIABILITIES, ISLAMIC BANKING FUNDS</b>		
Deposits from customers	5,205,519	4,627,330
Deposits and placements of banks and other financial institutions	1,128,687	1,238,459
Other liabilities	225,901	260,315
Provision for tax	698	1,594
<b>Total Liabilities</b>	<b>6,560,805</b>	<b>6,127,698</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	260,000	260,000
Reserves	150,107	138,071
<b>Total Equity</b>	<b>410,107</b>	<b>398,071</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>6,970,912</b>	<b>6,525,769</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	<b>1,893,210</b>	<b>2,157,508</b>

**A28. OPERATIONS OF ISLAMIC BANKING (cont.)**

**(ii) Unaudited Islamic Income Statements**

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/03/2010	31/03/2009	31/03/2010	31/03/2009
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	63,516	63,887	63,516	63,887
Allowance for losses on financing	(4,479)	(2,175)	(4,479)	(2,175)
	59,037	61,712	59,037	61,712
Income attributable to depositors	(26,549)	(31,692)	(26,549)	(31,692)
Income attributable to shareholders	32,488	30,020	32,488	30,020
Income derived from investment of Shareholders' funds	3,982	2,843	3,982	2,843
	36,470	32,863	36,470	32,863
Other operating expenses	(21,868)	(18,743)	(21,868)	(18,743)
Profit before tax and zakat	14,602	14,120	14,602	14,120
Taxation	(6,691)	(3,303)	(6,691)	(3,303)
Net profit for the financial period	7,911	10,817	7,911	10,817

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

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/03/2010	31/03/2009	31/03/2010	31/03/2009
	RM'000	RM'000	RM'000	RM'000
Profit after taxation and zakat	7,911	10,817	7,911	10,817
Other comprehensive income:				
- Net change in fair value of securities available-for-sale	(1,915)	1,741	(1,915)	1,741
- Deferred tax on revaluation of securities available-for-sale	478	(435)	478	(435)
Other comprehensive income for the financial period, net of tax	(1,437)	1,306	(1,437)	1,306
Total comprehensive income for the financial period	6,474	12,123	6,474	12,123
<b>Total comprehensive income attributable to:</b>				
Equity holders of the parent	6,474	12,123	6,474	12,123
Minority interests	-	-	-	-
	6,474	12,123	6,474	12,123



**A28. OPERATIONS OF ISLAMIC BANKING (cont.)**

	Group	
	31/03/2010 RM'000	31/12/2009 RM'000
<b>(iii) <u>Financing</u></b>		
<u>By type</u>		
Cash line	247,015	218,213
Term financing		
- Housing financing	2,652,037	2,404,644
- Syndicated term financing	813,209	913,988
- Hire purchase receivables	1,109,676	1,050,395
- Other term financing	1,111,202	818,981
Bills financing	2,424	7,899
Trust receipts	53,588	77,390
Interest-free accepted bills	123,565	95,431
Staff financing	14,937	14,524
Revolving credit	134,122	121,112
	6,261,775	5,722,577
Less : Unearned income	(3,015,593)	(2,770,998)
	3,246,182	2,951,579
Add : Unwinding of discount of allowance	2,220	-
	<b>3,248,402</b>	<b>2,951,579</b>
Less : Allowance for impairment		
- Collective impairment	(48,353)	-
- Individual impairment	(22,659)	-
Less : Allowance for bad and doubtful debts and financing		
- General allowance	-	(44,067)
- Specific allowance	-	(26,804)
<b>Total net financing</b>	<b>3,177,390</b>	<b>2,880,708</b>

**(iv) Impaired/non-performing financing**

**(a) Movements in non-performing financing (including income receivables):**

Balance at the beginning of financial period/year	-	40,102
Classified as non-performing during the financial period/year	-	83,346
Reclassified as performing during the financial period/year	-	(43,440)
Amount written-off	-	(3,432)
Amount written back in respect of recoveries	-	(16,120)
Balance at the end of financial period/year	-	<b>60,456</b>
less: Specific allowance	-	(26,804)
Net non-performing loans, advances and financing	-	<b>33,652</b>
As a % of gross loans, advances and financing less specific allowance	-	1.15%

**(b) Movements of impaired financing**

At 1 January, as previously stated	60,456	-
Adjustment arising from adoption of FRS 139	68,515	-
At 1 January, as restated	128,971	-
Classified as impaired during the financial period/year	16,474	-
Reclassified as non-impaired during the financial period/year	(8,254)	-
Amount recovered	(1,474)	-
Balance at end of financial period/year	<b>135,717</b>	-

**A28. OPERATIONS OF ISLAMIC BANKING (cont.)**

	Group	
	31/03/2010	31/12/2009
	RM'000	RM'000
<b>(iv) Impaired/non-performing financing (cont.)</b>		
<b>(c) <u>Movements in the allowance for impairment on financing</u></b>		
<b>Collective impairment</b>		
At 1 January, as previously stated	-	-
Adjustment arising from adoption of FRS 139	43,925	-
At 1 January, as restated	43,925	-
Allowance for impairment/(recovered) made during the financial period/year	5,041	-
Exchange differences	(613)	-
Balance at end of financial period/year	<b>48,353</b>	-
<b>Individual impairment</b>		
At 1 January, as previously stated	-	-
Adjustment arising from adoption of FRS 139	23,228	-
At 1 January, as restated	23,228	-
Allowance for impairment during the financial period/year	70	-
Amount recovered	(639)	-
Balance at end of financial period/year	<b>22,659</b>	-
<b>General allowance</b>		
At 1 January, as previously stated	44,067	37,309
Adjustment arising from adoption of FRS 139	(44,067)	-
At 1 January, as restated	-	37,309
Allowance made during the financial period/year	-	6,758
Balance at the end of financial period/year	-	<b>44,067</b>
As a % of gross loans, advances and financing less specific allowance	-	1.51%
<b>Specific allowance</b>		
At 1 January, as previously stated	26,804	6,780
Adjustment arising from adoption of FRS 139	(26,804)	-
At 1 January, as restated	-	6,780
Allowance made during the financial period/year	-	24,939
Amount written off	-	(3,431)
Amount written back in respect of recoveries	-	(1,484)
Balance at the end of financial period/year	-	<b>26,804</b>
<b>(vi) Deposits from customers</b>		
<b><u>By type of deposits</u></b>		
<b>Non-Mudharabah Funds</b>		
Demand deposits	1,315,175	1,187,013
Savings deposits	180,728	176,485
Negotiable Instruments of Deposits	339,165	309,626
	<b>1,835,068</b>	<b>1,673,124</b>
<b>Mudharabah Funds</b>		
Demand deposits	7,465	4,356
Savings deposits	39,258	29,490
General investment deposits	2,487,334	2,213,783
Special investment deposits	836,394	706,577
	<b>3,370,451</b>	<b>2,954,206</b>
Total deposits from customers	<b>5,205,519</b>	<b>4,627,330</b>

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

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

The Group reported a pretax profit of RM177.3 million for the current quarter ended 31 March 2010, an increase of RM57.1 million or 47.4% as compared to RM120.3 million for the preceding year's corresponding quarter. This was mainly due to the increase in net interest income, Islamic banking income and other operating income totalling RM46.0 million, higher share of results in jointly controlled entity and associate of RM5.0 million and RM1.0 million, as well as lower allowance for impairment on loans, advances and financing of RM8.5 million. The overhead expenses however increased by RM5.0 million for the quarter under review.

AFFIN Bank Berhad ("ABB") group recorded a higher pretax profit of RM139.0 million for the current financial quarter as compared to RM100.5 million for the preceding year's corresponding quarter. The net interest income, Islamic banking income and other operating income were higher by RM12.5 million, RM5.4 million and RM12.3 million respectively, while the allowance for impairment for impairment on loans, advances and financing was lower by RM8.7 million for the quarter under review.

AFFIN Investment Bank Berhad ("AIBB") group reported a higher pretax profit of RM27.9 million for the current financial quarter as compared to RM16.4 million for the preceding year's corresponding quarter. The improved performance was mainly due to the increase in other operating income and net interest income of RM13.1 million and RM1.7 million respectively, net of higher overhead expenses of RM3.0 million. For the period under review, the stockbroking division registered a pretax profit of RM3.2 million as compared to the pretax loss of RM3.8 million for the same period last year. As for AFFIN Fund Management Berhad, the Company registered a higher pretax profit of RM0.6 million as compared to RM0.3 million achieved last year.

AFFIN Moneybrokers Sdn Bhd registered a pretax profit of RM0.4 million for the current financial quarter, a slight increase of RM0.1 million as compared to RM0.3 million, mainly due to higher net brokerage income net of higher overheads.

AXA-AFFIN Life Insurance Berhad ("AALI") reported a slightly higher pretax profit of RM0.3 million for the current financial quarter as compared to RM89,000 for the preceding year's corresponding quarter. The share of results in jointly controlled entity of RM5.1 million for the quarter under review was mainly attributable to the adjustment of RM4.8 million in respect of the Group's share of financial impact on implementation of Risk-Based Capital ("RBC") Framework as well as the reversal of deficits transferred from the Life Revenue Accounts by AALI in the previous financial year.

AXA-AFFIN General Insurance Berhad ("AAGI") recorded a lower pretax profit of RM4.0 million for the current financial quarter as compared to RM9.1 million for the preceding year's corresponding quarter, mainly due to higher net claim of RM6.0 million net of higher gain on sale of investment of RM2.0 million. Included in the share of results in associate for the current financial quarter was an adjustment of RM4.3 million on under-recognition of Group's share of profit after tax in AAGI for the previous financial year ended 31 December 2009.

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

The Group recorded a higher pretax profit of RM177.3 million for the current financial quarter as compared to RM114.0 million for the preceding quarter ended 31 December 2009, mainly due to lower allowance for impairment on loans, advances and financing of RM73.7 million, lower overhead expenses of RM5.9 million and the write-back of allowance for impairment losses on securities of RM0.1 million as compared to a charge of RM5.7 million in the preceding quarter. This was partially offset by the reduction in both net interest income and other operating income of RM23.5 million and RM6.8 million.

### 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 period ending 31 December 2010.

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 2010:-

<u>Headline KPIs</u>	<u>As announced</u>	<u>Actual</u>
	<u>for financial</u>	<u>achieved for 3</u>
	<u>Year 2010</u>	<u>months ended</u>
		<u>31-3-10</u>
(i) After Tax Returns on Equity (ROE)	8.4%	2.8%
(ii) After Tax Returns on Assets (ROA)	1.0%	0.3%
(iii) Net NPL Ratio (Note)	1.9%	3.4% *
(iv) Earnings Per Share (EPS)	27.50 sen	9.06 sen

\* The net impaired loan ratio as at 31 March 2010 was 3.4% computed based on gross impaired loans, advances and financing less individual impairment over total gross loans, advances and financing less individual impairment.

### 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	
	31/03/2010	31/03/2009	31/03/2010	31/03/2009
	RM'000	RM'000	RM'000	RM'000
Malaysian Taxation:				
- Income tax based on profit for the financial period	40,712	31,799	40,712	31,799
Deferred tax:				
- Relating to originating temporary differences	28	(3,127)	28	(3,127)
Recognition of deferred tax benefits previously not recognised	(1,908)	-	(1,908)	-
Under/(over) provision in prior years:				
- Current taxation	3,159	5	3,159	5
	<b>41,991</b>	<b>28,677</b>	<b>41,991</b>	<b>28,677</b>

The Group's effective tax rate was slightly lower than the prevailing statutory tax rate mainly due to certain income not subject to tax or subject to lower tax rate, net of certain expenses not deductible for tax 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 of the entire share capital of BH Insurance (M) Berhad ("BHI") by AXA AFFIN General Insurance Berhad ("AAGI")

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 Holdings Berhad ("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 The London Assurance in BHI. It is Boustead's intention to rationalise its shareholdings in BHI and consolidate its interests in BHI into AAGI, a 40.0% associated company of AHB 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 AAGI on the proposed rationalisation of Boustead's interest in BHI and AAGI. The approval in principle from BNM for commencement of the negotiations is not an approval for the proposed rationalisation.

On 3 March 2009, the Board of Directors of AHB announced that BNM had vide its letter dated 27 February 2009 stated that it had no objection in principle for AHB and AXA Asia Pacific General Insurance to commence preliminary negotiations with Felda Holdings Bhd or any other designated entity within its Group of Companies ("Felda") on the proposed acquisition of Felda's equity interest in BHI. The approval in principle from BNM for commencement of the negotiations is not an approval for the acquisition of equity interest in BHI.

On 22 February 2010, the Board of Directors of AHB announced that BNM had vide its letter dated 18 February 2010, informed that the Minister of Finance had approved the following applications by AAGI:-

- (i) AAGI to acquire 100% equity of BHI from Boustead (80%) and Felda Marketing Services Sdn Bhd ("FMS") (20%) pursuant to section 67 of the Insurance Act 1996 ("IA");
- (ii) FMS to subscribe 19,047,619 or 16% shares (newly issued) of AAGI as consideration for the disposal of its 20% equity interest in BHI to AAGI pursuant to Section 67 of IA; and
- (iii) AAGI to be exempted under Section 69 of IA to hold more than one general insurance licence for 12 months.

In the said letter, BNM also stated that it had no objection to AAGI to issue both RM150 million subordinated debt and RM55 million senior debt to its shareholders.

On 2 March 2010, the Board of Directors of AHB announced that AAGI, had entered into the following agreements in relation to the Proposed Acquisition:-

- (i) Sale and Purchase Agreement with Boustead for the proposed acquisition of 80% of the issued share capital of BHI for a total cash consideration of RM362,580,164 comprising the principal amount of RM359,000,000 and interest accrued on the principal amount of RM3,580,164; and
- (ii) Sale and Purchase Agreement with FMS for the proposed acquisition of 20% of the issued share capital of BHI for a total consideration of RM90,645,041 to be satisfied by way of issuance and allotment of 19,047,619 new ordinary shares of RM1.00 each in AAGI to FMS, representing 16.0% of the enlarged share capital of AAGI after the Proposed Acquisition.

AHB had on the same day entered into the following shareholders' agreements to, among others, record the respective rights and obligations of the shareholders of AAGI pursuant to the Proposed Acquisition:

- (i) Shareholders' Agreement between AXA S.A., AFFIN and AAGI; and
- (ii) Shareholders' Agreement between AXA S.A., AFFIN, FMS and AAGI.

The Proposed Acquisition and the subsequent merger of AAGI and BHI are expected to derive synergistic benefits and provide a stronger platform for future growth in the Malaysian insurance industry. The combination of the two entities is expected to constitute a major player on both the individual lines and commercial markets leveraging on both companies' strength.

The Proposed Acquisition would result in a dilution of AHB's equity interest in AAGI from existing 40% to 33.6% but it is not expected to have a material effect on the consolidated earnings of AHB for the financial year ending 31 December 2010.

On 30 April 2010, the Board of Directors of AHB announced that the Proposed Acquisition was completed on 30 April 2010 and BHI became a wholly-owned subsidiary company of AAGI on the same day.

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

### **b) 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).

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

### **c) Proposed acquisition of a controlling stake in PT Bank Ina Perdana, Indonesia**

On 15 January 2010, The Board of Directors ("Board") of AFFIN Holdings Berhad ("AHB") announced that Bank Negara Malaysia ("BNM") had vide its letter dated 14 January 2010 granted its approval for AHB to commence negotiations with the existing shareholders of PT Bank Ina Perdana ("Bank Ina"), Indonesia for a possible acquisition of a controlling stake in Bank Ina ("Proposal").

The necessary approvals of BNM will be sought should AHB intends to proceed with the Proposal upon conclusion of the negotiation.

The Board has considered Indonesia to be the first overseas venture for the Group which is seen to have significant growth potential given that Indonesia is the fourth most populous nation in the world and the banking penetration remains low.

The Board expects negotiations to commence soon and further announcement will be made to Bursa Malaysia Securities Berhad on the development at the appropriate time.

## B9. GROUP BORROWINGS AND DEBT SECURITIES

	Group	
	31/03/2010	31/12/2009
	RM'000	RM'000
<b>(i) Deposits from Customers</b>		
<u>By Type of Deposits:-</u>		
Money Market Deposits	498,979	401,391
Demand Deposits	4,329,597	4,399,320
Savings Deposits	1,126,557	1,030,103
Fixed Deposits	18,930,111	17,992,559
Negotiable Instruments of Deposits ('NIDs')	3,508,825	4,069,301
Special Investment Deposits	836,394	706,577
	29,230,463	28,599,251
Maturity structure of fixed deposits and NIDs are as follows:		
Due within six months	19,875,814	19,102,077
Six months to one year	2,475,992	2,860,461
One year to three years	62,934	74,881
Three years to five years	24,196	24,441
	22,438,936	22,061,860
<u>By Type of Customers:-</u>		
Government and statutory bodies	5,604,870	4,654,275
Business enterprises	10,193,507	10,195,116
Individuals	4,123,917	3,969,168
Others	9,308,169	9,780,692
	29,230,463	28,599,251
<b>(ii) Deposits and Placements of Banks and Other Financial Institutions</b>		
<u>By Type of Institutions:-</u>		
Licensed banks	3,231,163	3,697,844
Licensed investment banks	524,308	530,717
Bank Negara Malaysia	30,463	-
Other financial institutions	1,394,974	918,533
	5,180,908	5,147,094
<u>By Maturity Structure:-</u>		
Due within six months	5,091,325	5,142,870
Six months to one year	89,583	4,224
	5,180,908	5,147,094
<b>(iii) Borrowings</b>		
Unsecured		
- More than one year (medium/long-term)	300,000	300,000
	300,000	300,000

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

The value of derivative contracts 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>1,954,583</b>	<b>1,401,027</b>	<b>315,281</b>	<b>188,275</b>	<b>50,000</b>	-	-
- Forwards	727,610	610,439	33,201	83,970	-	-	-
- Swaps	1,226,973	790,588	282,080	104,305	50,000	-	-
- Options	-	-	-	-	-	-	-
<b>Interest Rate related</b>	<b>1,455,286</b>	-	<b>350,000</b>	<b>95,322</b>	<b>569,999</b>	<b>439,965</b>	-
- Forwards	-	-	-	-	-	-	-
- Futures	-	-	-	-	-	-	-
- Swaps	1,455,286	-	350,000	95,322	569,999	439,965	-
<b>Total</b>	<b>3,409,869</b>	<b>1,401,027</b>	<b>665,281</b>	<b>283,597</b>	<b>619,999</b>	<b>439,965</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 period, the notional amount of foreign exchange exposure which was not hedged and hence, exposed to market risk was RM2.4 million (FYE 31/12/2009: RM7.2 million), while the notional amount of interest rate contract was RM939.0 million (FYE 31/12/2009: RM880.5 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 RM66.8 million (FYE 31/12/2009: RM53.1 million) and RM61.6 million (FYE 31/12/2009: RM52.6 million) respectively. This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.



## B11. MATERIAL LITIGATION

- a) There are various other legal suits against AFFIN Bank Berhad ("ABB") in respect of claims and counter claims of approximately RM239.9 million (31 December 2009: RM68.7 million). Based on legal advice, the Directors of ABB 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.
- b) As part of a merger of banking businesses, by an Agreement dated 30 August 2000 ("the Acquisition Agreement") between AFFIN Holdings Berhad ("AHB"), AFFIN Bank Berhad ("ABB" or "the Bank"), BSN Commercial Bank (Malaysia) Berhad ("BSNC") and Bank Simpanan Nasional Berhad ("BSN"), it was agreed that all banking assets and liabilities of BSNC would be sold to ABB in consideration of a purchase price of RM338,560,000 to be paid partly in cash and partly in AHB shares ("the Purchase Price"). Pursuant to clause 2.1.5 of the Acquisition Agreement, BSNC and BSN undertook to ABB that debts other than those reflected as bad or doubtful debts in the audited financial statements of BSNC will be recoverable in the ordinary course of business. For the debts not recoverable, BSNC undertook to pay ABB within 30 days from the date of receipt of the Bank's letter of demand, the amounts claimed subject to a limit of 30% of the Purchase Price amounting to RM101,568,000.

Subsequent to the merger, an audit was conducted and it was found that there had been significant under provisioning of bad and doubtful debts by BSNC. AHB, ABB and BSN agreed that the purchase price payable to BSNC would be reduced to compensate for this under provisioning ("the Settlement Agreement"). In return, it was agreed that ABB would assign the bad and doubtful debts to BSNC under clause 2.1.5 of the Acquisition Agreement, subject to approval being given to both parties by regulatory authorities for the reassignment. However, the accounts to be reassign to BSNC were not identified then.

Dispute arose when ABB subsequently did not agree with BSNC on the assignment of 106 non performing accounts with gross amount of RM988,000,000 or net amount of RM578,000,000 which have been identified unilaterally by BSNC. In 2005, BSNC issued an Originating Summons against AHB and ABB seeking an order for ABB to reassign the 106 accounts to BSNC.

On 30 November 2009, the Court has fixed the matter for further case management where filing of documents, statement of agreed/non-agreed facts and statements of issues will be tried accordingly. The Court has set the date on 8 December 2009 on order for discovery, 9 February 2010 for monitoring of progress of trial preparation and hearing for trial to be between 13 September 2010 to 16 September 2010.

The Directors are of the opinion that the probable outcome of the legal case is still uncertain at this junction and it is too preliminary to quantify the financial impact to both ABB and the Group.

- c) There is a legal claim of RM30 million by another financial institution ('FI') against AFFIN Bank Berhad ('ABB') with regards to rights over a mutual customer's collaterals which consist of shares. In November 2002, the High Court had ruled that the FI had priority over the shares and hence, ABB had to deliver to the FI the shares or payment of the proceeds if the shares have been sold. In December 2002, ABB had appealed against the decision but the Court of Appeal had affirmed the decision of the High Court in November 2008. In December 2008, ABB had appealed against the decision of the Court of Appeal at the Federal Court. However, in July 2009, the Federal Court had dismissed ABB's application for leave to appeal.

Subsequent to the decision of the Federal Court, ABB had delivered the share certificates to the FI in August 2009. However, the FI refused to accept the share certificates, with the view that the shares had been disposed. The FI had then filed an application to enforce the application judgment that was obtained in the High Court by demanding that the sum of RM30 million together with the interest and further assessment of damages to be paid by ABB to the FI. ABB filed its Affidavit In Reply on 19 February 2010 and the next hearing has been fixed on 25 May 2010.

The Directors of ABB are of the opinion that the Court judgment allows ABB to return the shares as the shares are still in ABB's possession. As such, there is no current obligation to pay the FI and hence no provision has been made at this juncture.

## B12. PROPOSED DIVIDENDS

No final dividend has been proposed for the current financial quarter 31 March 2010.

## B13. EARNINGS PER SHARE

	Group			
	Individual Quarter Ended 31/03/2010	31/03/2009	Cumulative Quarter Ended 31/03/2010	31/03/2009
Net profit attributable to equity holders of the parent (RM'000)	135,332	91,588	135,332	91,588
Weighted average number of ordinary share in issue	1,494,371,417	1,494,366,667	1,494,371,417	1,494,366,667
Basic earning per share (sen)	9.06	6.13	9.06	6.13
Diluted earnings per share (sen)	9.06	6.13	9.06	6.13

The basic and diluted earnings per share of the Group for the current financial quarter ended 31 March 2010 have been calculated based on the net profit attributable to the equity holders of the parent of RM135,332,000 (31 March 2009: RM91,588,000) divided by the weighted average number of ordinary shares in issue during the current financial quarter of 1,494,371,417 (31 March 2009: 1,494,366,667).

The Group has only one category of potential ordinary shares, that is Warrants 2000/2010. The conversion of the said warrants is considered dilutive when it 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 2000/2010 is higher than the market value of the ordinary shares, there is no impact of dilution to the earnings per share. Hence, the said warrants are not included in the computation of diluted earnings per share.

## B14. ECONOMIC PROFIT

	Group			
	Individual Quarter Ended 31/03/2010 RM'000	31/03/2009 RM'000	Cumulative Quarter Ended 31/03/2010 RM'000	31/03/2009 RM'000
Net profit for the financial period	135,332	91,588	135,332	91,588
Less: Economic charge	(122,009)	(117,497)	(122,009)	(117,497)
Economic profit/(loss) for the financial period	13,323	(25,909)	13,323	(25,909)

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