

AFFIN HOLDINGS BERHAD
(Company no. 23218 - W)
Condensed Interim Financial Statements
Unaudited Statements of Financial Position As At 30 June 2010

	<-----GROUP----->		<-----COMPANY----->	
	30/06/2010 RM'000	31/12/2009 RM'000	30/06/2010 RM'000	31/12/2009 RM'000
ASSETS				
Cash and short term funds	6,901,053	6,223,544	206,059	193,628
Deposits and placements with banks and other financial institutions	7,017	1,817	4,178	51,009
Securities held-for-trading	69,826	150,000	-	-
Securities available-for-sale	7,764,084	8,166,664	-	-
Securities held-to-maturity	576,867	518,216	-	-
Loans, advances and financing	24,890,351	22,496,936	-	-
Statutory deposits with Bank Negara Malaysia	258,018	244,982	-	-
Investment in subsidiaries	-	-	3,636,991	3,795,474
Amount due from subsidiary	-	-	300,000	300,000
Investment in jointly controlled entities	108,526	107,642	128,520	128,520
Investment in associate	144,837	129,228	10,597	10,597
Amount due from associate	90,624	-	90,624	-
Trade debtors	113,477	79,361	-	-
Other assets	535,550	493,289	2,259	1,148
Tax recoverable	91,900	18,756	5,546	5,500
Deferred tax assets	4,351	57,430	-	-
Property and equipment	171,524	180,594	825	937
Land held for sale	61,332	62,354	-	-
Intangible assets	1,014,620	1,023,330	14	15
TOTAL ASSETS	42,803,957	39,954,143	4,385,613	4,486,828
LIABILITIES AND EQUITY				
Deposits from customers	31,009,647	28,599,251	-	-
Deposits and placements of banks and other financial institutions	5,165,785	5,147,094	-	-
Bills and acceptances payable	115,483	94,265	-	-
Trade creditors	110,073	74,330	-	-
Recourse obligation on loans sold to Cagamas Berhad	291,763	297,216	-	-
Other liabilities	607,243	703,788	6,039	101,357
Amount due to subsidiaries	-	-	680,719	839,206
Provision for taxation	38,324	2,734	-	-
Deferred tax liabilities	27,000	176	166	166
Borrowings	390,624	300,000	390,624	300,000
TOTAL LIABILITIES	37,755,942	35,218,854	1,077,548	1,240,729

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	30/06/2010 RM'000	31/12/2009 RM'000	30/06/2010 RM'000	31/12/2009 RM'000
EQUITY				
Share capital	1,494,506	1,494,371	1,494,506	1,494,371
Reserves:-				
Share premium	1,400,262	1,399,980	1,400,262	1,399,980
Statutory reserve	874,360	874,360	-	-
Investment fluctuation reserve	72,533	24,453	-	-
Retained profits	1,206,354	942,125	413,297	351,748
TOTAL EQUITY	<u>5,048,015</u>	<u>4,735,289</u>	<u>3,308,065</u>	<u>3,246,099</u>
TOTAL LIABILITIES AND EQUITY	<u>42,803,957</u>	<u>39,954,143</u>	<u>4,385,613</u>	<u>4,486,828</u>
COMMITMENTS AND CONTINGENCIES	<u>18,092,117</u>	<u>17,891,239</u>	<u>-</u>	<u>-</u>
CAPITAL ADEQUACY				
<u>Before deducting proposed dividends:</u>				
Core capital ratio	11.49%	12.68%		
Risk-weighted capital ratio	<u>13.23%</u>	<u>13.84%</u>		
<u>After deducting proposed dividends:</u>				
Core capital ratio	11.49%	12.44%		
Risk-weighted capital ratio	<u>13.23%</u>	<u>13.60%</u>		
NET ASSETS PER SHARE (RM)	<u>3.38</u>	<u>3.17</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 30 June 2010

<u>Group</u>	<----Individual Quarter Ended ---->		<---Cumulative Quarter Ended --->	
	30/06/2010 RM'000	30/06/2009 RM'000	30/06/2010 RM'000	30/06/2009 RM'000
Revenue	534,605	490,606	1,054,630	989,582
Interest income	397,407	354,818	763,287	726,991
Interest expense	(188,490)	(153,043)	(354,932)	(340,589)
Net interest income	208,917	201,775	408,355	386,402
Islamic banking income	44,538	39,790	88,040	77,888
Other operating income	72,756	76,563	160,909	138,961
Operating income	326,211	318,128	657,304	603,251
Other operating expenses	(157,499)	(151,213)	(307,408)	(296,144)
Operating profit before allowance for impairment on loans, advances and financing	168,712	166,915	349,896	307,107
Allowance for impairment on loans, advances and financing	(19,192)	(37,812)	(31,627)	(58,699)
Allowance for impairment on other assets	441	(2,373)	545	(3,277)
Transfer to profit equalisation reserve	(271)	(3,621)	(271)	(3,621)
Operating profit	149,690	123,109	318,543	241,510
Finance cost	(3,312)	(4,009)	(5,405)	(6,732)
Share of results of jointly controlled entity	(2,319)	1,732	2,740	1,777
Share of results of associate	2,290	2,079	7,794	6,621
Exceptional gain on dilution of interest in associate	7,962	-	7,962	-
Profit before taxation and zakat	154,311	122,911	331,634	243,176
Taxation	(37,979)	(29,786)	(79,970)	(58,463)
Zakat	(4,626)	(3,308)	(4,626)	(3,308)
Net profit for the financial period attributable to equity holders of the Company	111,706	89,817	247,038	181,405
Earnings per share attributable to the equity holders of the Company (sen)				
- Basic and fully diluted	7.48	6.01	16.53	12.14

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 30 June 2010

<u>Group</u>	<---Individual Quarter Ended --->		<---Cumulative Quarter Ended --->	
	30/06/2010 RM'000	30/06/2009 RM'000	30/06/2010 RM'000	30/06/2009 RM'000
Profit after taxation and zakat	<u>111,706</u>	<u>89,817</u>	<u>247,038</u>	<u>181,405</u>
Other comprehensive income:				
- Net change in fair value of securities available-for-sale	7,945	(6,230)	(1,941)	5,798
- Deferred tax on revaluation of securities available-for-sale	(2,412)	1,664	144	(638)
- Recognition of proportionate share of investment fluctuation reserve in associate, arising from the dilution of interest in associate	(1,133)	-	(1,133)	-
Other comprehensive income for the period, net of tax	<u>4,400</u>	<u>(4,566)</u>	<u>(2,930)</u>	<u>5,160</u>
Total comprehensive income for the financial period attributable to the equity holders of the Company	<u>116,106</u>	<u>85,251</u>	<u>244,108</u>	<u>186,565</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 30 June 2010

<u>Company</u>	<----Individual Quarter Ended ---->		<---Cumulative Quarter Ended --->	
	30/06/2010 RM'000	30/06/2009 RM'000	30/06/2010 RM'000	30/06/2009 RM'000
Revenue	5,083	3,347	91,349	34,685
Interest income	5,094	3,347	8,283	5,899
Interest expense	-	-	-	-
Net interest income	5,094	3,347	8,283	5,899
Islamic banking income	-	-	-	-
Other operating income	(11)	3	83,066	28,796
Operating income	5,083	3,350	91,349	34,695
Other operating expenses	(1,978)	(1,787)	(3,672)	(3,277)
Operating profit before allowance for impairment on loans, advances and financing	3,105	1,563	87,677	31,418
Allowance for impairment on loans, advances and financing	-	-	-	-
Allowance for impairment on other assets	-	-	-	-
Transfer from profit equalisation reserve	-	-	-	-
Operating profit	3,105	1,563	87,677	31,418
Finance cost	(3,312)	(4,009)	(5,405)	(6,732)
Profit before taxation and zakat	(207)	(2,446)	82,272	24,686
Taxation	(130)	413	(20,723)	(6,328)
Zakat	-	-	-	-
Net profit for the financial period attributable to equity holders of the Company	(337)	(2,033)	61,549	18,358

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 30 June 2010

<u>Company</u>	<---Individual Quarter Ended ---->		<---Cumulative Quarter Ended --->	
	30/06/2010	30/06/2009	30/06/2010	30/06/2009
	RM'000	RM'000	RM'000	RM'000
Profit after taxation and zakat	(337)	(2,033)	61,549	18,358
Other comprehensive income	-	-	-	-
Total comprehensive income for the financial period attributable to equity holders of the Company	(337)	(2,033)	61,549	18,358

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 Statement Of Changes In Equity
For The Financial Period Ended 30 June 2010

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

GROUP	Issued and fully paid ordinary shares of RMI 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		
At 1 January 2010								
- 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	
At 1 January 2010, as restated	1,494,371	1,494,371	1,399,980	874,360	75,463	959,316	4,803,490	
Net profit for the financial period	-	-	-	-	-	247,038	247,038	
Other comprehensive income	-	-	-	-	(2,930)	-	(2,930)	
Total comprehensive income for the financial period	-	-	-	-	(2,930)	247,038	244,108	
Issue of share capital pursuant to the exercise of Warrant 2000/2010	135	135	282	-	-	-	417	
At 30 June 2010	1,494,506	1,494,506	1,400,262	874,360	72,533	1,206,354	5,048,015	
At 1 January 2009								
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	-	-	-	-	-	181,405	181,405	
Total comprehensive income for the financial period	-	-	-	-	5,160	-	5,160	
At 30 June 2009	1,494,367	1,494,367	1,399,970	698,181	(17,780)	181,405	4,597,870	

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 Statement Of Changes In Equity
For The Financial Period Ended 30 June 2010

<u>COMPANY</u>	←-----Attributable to Equity Holders of the Company----->				
	Number of shares '000	Issued and fully paid ordinary shares of RM1 each Nominal value RM'000	Non-distributable Share premium RM'000	Distributable Retained profits RM'000	Total Equity RM'000
At 1 January 2010	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	-	-	-	61,549	61,549
Issue of share capital pursuant to the exercise of Warrant 2000/2010	135	135	282	-	417
At 30 June 2010	1,494,506	1,494,506	1,400,262	413,297	3,308,065
At 1 January 2009	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	-	-	-	18,358	18,358
At 30 June 2009	1,494,367	1,494,367	1,399,970	365,449	3,259,786

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 30 June 2010

	<-----6 Months Ended----->	
	30/06/2010	30/06/2009
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation and zakat	331,634	243,176
Adjustment for non-operating and non-cash items	(38,688)	8,742
Operating profit before changes in working capital	<u>292,946</u>	<u>251,918</u>
Net changes in operating assets	(2,459,647)	(473,231)
Net changes in operating liabilities	2,434,499	539,379
Payment of tax and zakat	(63,969)	(68,896)
Taxation refund	1,239	-
Net cash generated from operating activities	<u>205,068</u>	<u>249,170</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received from securities	106,747	89,227
Net purchase/(disposal) of:		
- securities	447,288	(547,574)
- property and equipment	(6,146)	(9,009)
- intangible assets	(545)	(975)
Dividend received from:		
- associate	-	2,961
- securities held-to-maturity/available-for-sale	902	1,911
Proceeds from disposal of property and equipment	1,164	1,628
Proceeds from disposal of leasehold land classified under prepaid lease payments	-	1,492
Proceeds from disposal of land held for sale	-	15,000
Proceeds from disposal of foreclosed properties	7,960	282
Capital injection into a jointly controlled entity	-	(7,650)
Amount due from associate	(90,624)	-
Net cash generated from investing activities	<u>466,746</u>	<u>(452,707)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase/(decrease) in borrowings	90,624	(200,000)
Proceed from issuance of shares	417	-
Dividends paid to shareholders	(95,266)	-
Net cash used in financing activities	<u>(4,225)</u>	<u>(200,000)</u>
Net increase in cash and cash equivalents	667,589	(403,537)
Cash and cash equivalents at beginning of the period	6,174,651	6,812,543
Cash and cash equivalents at end of the period	<u>6,842,240</u>	<u>6,409,006</u>
<u>Analysis of cash & cash equivalent</u>		
Cash and short term funds	6,901,053	6,466,690
Adjustment for money held in trust on behalf of clients and remisiers	(58,813)	(57,684)
	<u>6,842,240</u>	<u>6,409,006</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.

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 30 June 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 30 June 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 30 June 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 30 June 2010.

A7. DEBT AND EQUITY SECURITIES

Save as disclosed below, there were no issuance, cancellations, shares, 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 RM1,494,371,417 to RM1,494,505,723 by way of issuance of 134,306 new ordinary shares of RM1.00 each, pursuant to the exercise of Warrant 2000/2010 at an exercise price of RM3.10 per share.

A8. DIVIDENDS PAID

No dividend has been paid during the current financial quarter ended 30 June 2010.

A9. SECURITIES HELD

	Group	
	30/06/2010	31/12/2009
	RM'000	RM'000
(a) <u>Securities held-for-trading</u>		
At fair value		
Bank Negara Malaysia Notes	49,825	-
Negotiable Instruments of Deposit	-	150,000
Unquoted Securities		
- Private Debt Securities in Malaysia	20,001	-
Total securities held-for-trading	69,826	150,000
(b) <u>Securities available-for-sale</u>		
At fair value		
Malaysian Government Securities	1,096,670	2,345,630
Malaysian Government Treasury Bills	227,833	151,098
Malaysian Government Investment Certificates	859,533	-
Malaysian Government Investment Issuance	370,500	1,200,875
Cagamas Bonds	226,637	432,643
Khazanah Bonds	12,646	24,961
Bankers' Acceptance and Islamic Acceptance Bills	32,485	36,580
Bank Negara Malaysia Notes	1,469,939	638,548
Bank Negara Malaysia Sukuk	31,712	-
Negotiable Instruments of Deposit and Islamic Debt Certificate	739,918	460,005
	5,067,873	5,290,340
Quoted Securities		
- Shares in Malaysia	52,341	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	93,995	50
- Private Debt Securities in Malaysia	2,256,696	2,476,526
- Private Debt Securities outside Malaysia	391,450	439,247
	7,868,553	8,284,494
Allowance for impairment of securities	(104,469)	(117,830)
Total securities available-for-sale	7,764,084	8,166,664
(c) <u>Securities held-to-maturity</u>		
At amortised cost		
Quoted Securities		
- Private Debt Securities in Malaysia	38,123	38,123
Unquoted Securities		
- Private Debt Securities in Malaysia	599,877	517,893
	638,000	556,016
At cost		
Unquoted Securities		
- Shares in Malaysia	31,306	57,235
	669,306	613,251
Allowance for impairment of securities	(92,439)	(95,035)
Total securities held-to-maturity	576,867	518,216
Total securities held	8,410,777	8,834,880

A10. LOANS, ADVANCES AND FINANCING

	Group	
	30/06/2010 RM'000	31/12/2009 RM'000
(a) <u>BY TYPE</u>		
Overdrafts	1,951,930	1,936,567
Term loans/financing		
- Housing loans/financing	5,465,240	4,892,838
- Syndicated term loans/financing	1,909,786	1,908,052
- Hire purchase receivables	8,641,676	7,800,293
- Other term loans/financing	8,190,641	6,972,185
Bills receivables	31,415	39,791
Trust receipts	247,808	316,962
Claims on customers under acceptance credits	640,209	606,129
Staff loans/financing (of which RM NIL to Directors)	166,821	168,116
Credit/charge cards	99,178	96,468
Revolving credit	2,475,692	2,299,029
Margin financing	29,016	31,572
Factoring	3,861	3,532
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	29,853,273	27,071,534
Less: Unearned interest and income	(4,424,087)	(3,873,287)
	<hr/>	<hr/>
	25,429,186	23,198,247
Add: Unwinding of discount of allowance	39,996	-
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Gross loans, advances and financing	25,469,182	23,198,247
Less: Allowance for impairment		
- Collective impairment	(460,967)	-
- Individual impairment	(117,864)	-
Less: Allowance for bad and doubtful debts and financing		
- General allowance	-	(343,276)
- Specific allowance	-	(358,035)
	<hr/>	<hr/>
Total net loans, advances and financing	24,890,351	22,496,936
	<hr/>	<hr/>
(b) <u>BY TYPE OF CUSTOMER</u>		
Domestic non-banking institutions		
- Stock-broking companies	272	-
- Others	2,000,998	1,519,286
Domestic business enterprises		
- Small medium enterprises	6,840,716	6,227,637
- Others	5,227,166	5,115,236
Government and statutory bodies	81,682	93,267
Individuals	10,794,100	9,976,212
Other domestic entities	257,366	20,117
Foreign entities	226,886	246,492
	<hr/>	<hr/>
	25,429,186	23,198,247
	<hr/>	<hr/>
(c) <u>BY INTEREST / PROFIT RATE SENSITIVITY</u>		
Fixed rate		
- Housing loans/financing	343,559	364,888
- Hire purchase receivables	7,315,290	6,589,445
- Other fixed rate loans/financing	4,035,147	3,845,555
- Margin financing	25,208	31,572
Variable rate		
- BLR plus	9,276,255	8,969,682
- Cost plus	4,433,727	3,397,105
	<hr/>	<hr/>
	25,429,186	23,198,247
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A10. LOANS, ADVANCES AND FINANCING (cont.)

	Group	
	30/06/2010 RM'000	31/12/2009 RM'000
(d) <u>BY ECONOMIC PURPOSE</u>		
Construction	785,389	706,810
Purchase of landed property of which :-		
- Residential	3,691,279	3,518,102
- Non-residential	2,381,588	1,605,207
Purchase of securities	302,334	337,278
Purchase of transport vehicles	7,344,264	6,619,191
Fixed assets other than land and building	271,790	274,654
Personal use	767,820	756,439
Credit card	99,178	96,468
Consumer durable	1,127	1,365
Merger and acquisition	9,731	14,598
Working capital	9,248,849	8,708,193
Others	525,837	559,942
	25,429,186	23,198,247
(e) <u>BY SECTOR</u>		
Primary agriculture	592,606	597,399
Mining and quarrying	266,816	254,864
Manufacturing	1,838,841	1,706,329
Electricity, gas and water supply	174,386	155,944
Construction	2,342,449	2,533,205
Real estate	2,129,143	1,575,779
Wholesale and retail trade and restaurants and hotels	1,305,764	1,209,635
Transport, storage and communication	1,034,582	1,018,628
Finance, insurance and business services	3,695,405	3,325,599
Education, health and others	957,514	698,097
Household	10,891,346	10,070,950
Others	200,334	51,818
	25,429,186	23,198,247
(f) <u>BY MATURITY STRUCTURE</u>		
Maturing within one year	6,420,845	6,389,543
One year to three years	3,122,864	2,701,037
Three years to five years	5,009,282	3,491,274
Over five years	10,876,195	10,616,393
	25,429,186	23,198,247
(g) <u>BY GEOGRAPHICAL DISTRIBUTION</u>		
Perlis	18,059	17,882
Kedah	930,840	954,969
Pulau Pinang	1,175,988	1,137,272
Perak	792,647	726,315
Selangor	7,141,509	6,688,745
Wilayah Persekutuan	8,454,174	7,422,355
Negeri Sembilan	675,770	635,459
Melaka	624,560	575,803
Johor	1,974,725	1,849,159
Pahang	588,575	416,548
Terengganu	565,777	521,026
Kelantan	242,329	232,161
Sarawak	734,331	646,119
Sabah	1,117,689	1,048,697
Labuan	263,864	177,666
Abroad	128,349	148,071
	25,429,186	23,198,247

A10. LOANS, ADVANCES AND FINANCING (cont.)

	Group	
	30/06/2010	31/12/2009
	RM'000	RM'000
(h) <u>IMPAIRED/NON-PERFORMING LOANS, ADVANCES AND FINANCING</u>		
(i) <u>Movements in non-performing loans, advances and financing</u>		
Balance at the beginning of financial year	-	1,200,823
Classified as non-performing during the financial year	-	780,474
Reclassified as performing during the financial year	-	(379,573)
Amount recovered	-	(263,202)
Amount written-off	-	(477,862)
Balance at the end of financial year	-	860,660
less: Specific allowance	-	(358,035)
Net non-performing loans, advances and financing	-	502,625
Net NPL as a % of gross loans, advances and financing less specific allowance	-	2.20%
(ii) <u>Movements of impaired loans, advances and financing</u>		
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 year	318,672	-
Reclassified as non-impaired during the financial year	(160,910)	-
Amount recovered	(106,842)	-
Amount written-off	(233,558)	-
Balance at the end of financial year	918,146	-
(iii) <u>Impaired loans, advances and financing by economic purpose</u>		
Construction	75,004	33,127
Purchase of landed property of which :-		
- Residential	372,542	341,928
- Non-residential	51,414	51,691
Purchase of securities	3,939	3,736
Purchase of transport vehicles	58,373	86,447
Fixed assets other than land and building	4,591	4,639
Personal use	19,453	18,946
Credit card	671	865
Consumer durable	30	33
Working capital	312,315	279,487
Others	19,814	39,761
	918,146	860,660

A10. LOANS, ADVANCES AND FINANCING (cont.)

	Group	
	30/06/2010	31/12/2009
(h) <u>IMPAIRED/NON-PERFORMING LOANS, ADVANCES AND FINANCING (cont.)</u>	RM'000	RM'000
(iv) <u>Impaired loans, advances and financing by sector</u>		
Primary agriculture	11,782	5,443
Mining and quarrying	1,022	985
Manufacturing	77,890	86,803
Electricity, gas and water supply	2,118	2,154
Construction	197,644	140,963
Real estate	45,003	75,153
Wholesale and retail trade and restaurants and hotels	78,830	33,902
Transport, storage and communication	3,295	3,768
Finance, insurance and business services	16,362	15,498
Education, health and others	10,290	9,021
Household	451,559	460,217
Others	22,351	26,753
	918,146	860,660
(v) <u>Impaired loans, advances and financing by geographical distribution</u>		
Perlis	473	563
Kedah	42,382	27,157
Pulau Pinang	38,411	58,647
Perak	13,773	15,372
Selangor	384,116	337,641
Wilayah Persekutuan	171,512	209,409
Negeri Sembilan	34,195	36,656
Melaka	16,076	17,717
Johor	92,068	113,682
Pahang	15,715	11,596
Terengganu	4,286	4,462
Kelantan	4,335	5,147
Sarawak	5,536	7,075
Sabah	13,396	15,497
Labuan	67	39
Abroad	81,805	-
	918,146	860,660

A10. LOANS, ADVANCES AND FINANCING (cont.)

	Group	
	30/06/2010	31/12/2009
	RM'000	RM'000
(h) <u>IMPAIRED/NON-PERFORMING LOANS, ADVANCES AND FINANCING (cont.)</u>		
(vi) <u>Movements in allowance for impairment on loans, advances and financing</u>		
Collective impairment		
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	38,850	-
Amount written-off during the financial period	(35,445)	-
Exchange differences	(683)	-
Balance at the end of financial period	460,967	-
Individual impairment		
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	64,704	-
Amount recovered during the financial period	(10,249)	-
Allowance written-off during the financial period	(198,068)	-
Balance at the end of financial period	117,864	-
General allowance		
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 year	-	37,290
Amount written-back during the financial year	-	(47)
Balance at the end of financial year	-	343,276
As a % of gross loans, advances and financing less specific allowance	-	1.50%
Specific allowance		
At 1 January, as previously stated	358,035	553,468
Adjustment arising from adoption of FRS 139	(358,035)	-
At 1 January, as restated	-	553,468
Allowance made during the financial year	-	322,570
Amount written-off during the financial year	-	(477,685)
Amount written-back during the financial 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 year	-	358,035

A11. TRADE RECEIVABLES

	Group	
	30/06/2010	31/12/2009
	RM'000	RM'000
Amount in respect of management fees receivable and cancellation of funds' units	664	1,062
Amount due from clients	67,906	77,471
Amount due from Bursa Securities Clearing Sdn Bhd	49,297	8,553
	<u>117,867</u>	<u>87,086</u>
Less: Allowance for impairment		
- Collective impairment	(141)	-
- Individual impairment	(4,249)	-
- General allowance	-	(91)
- Specific allowance	-	(4,341)
Less: Interest-in-suspense	-	(3,293)
	<u><u>113,477</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>	<u>-</u>
Allowance made during the financial period	114	-
Amount recovered	(109)	-
Balance at the end of financial period	<u><u>141</u></u>	<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>	<u>-</u>
Allowance made during the financial period	79	-
Amount recovered	(171)	-
Balance at the end of financial period	<u><u>4,249</u></u>	<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 year	-	71
Amount recovered	-	(56)
Balance at the end of financial 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 year	-	143
Amount recovered	-	(543)
Balance at the end of financial year	<u><u>-</u></u>	<u><u>4,341</u></u>

A12. OTHER ASSETS

	Group	
	30/06/2010	31/12/2009
	RM'000	RM'000
Clearing accounts	184,597	153,097
Income / interest receivable	70,720	79,686
Prepaid lease payments	16,059	16,180
Foreclosed properties	172,983	180,329
Derivative assets	54,391	24,315
Other debtors, deposits and prepayments	35,743	38,625
Amount due from jointly controlled entity	1,057	1,057
	535,550	493,289
	535,550	493,289

A13. OTHER LIABILITIES

Bank Negara Malaysia and Credit Guarantee Corporation Funding Programmes	52,803	71,768
Amount due from other shareholders of a subsidiary		
- Liabilities directly associated with land held for sale	24,335	24,335
Interest payable	139,233	133,197
Margin and collateral deposits	61,299	57,325
Trust accounts for clients and remisiers	58,813	48,893
Defined contribution plan	8,794	9,128
Accrued employee benefits	837	840
Derivative liabilities	65,185	41,684
Other creditors and accruals	185,606	213,140
Profit equalisation reserve	271	-
Dividend payable	-	95,266
Provision for zakat	10,067	8,212
	607,243	703,788
	607,243	703,788

A14. INTEREST INCOME

	←-----Group-----→			
	Individual Quarter Ended 30/06/2010 RM'000	Quarter Ended 30/06/2009 RM'000	Cumulative Quarter Ended 30/06/2010 RM'000	Quarter Ended 30/06/2009 RM'000
Loans, advances and financing	295,945	270,697	571,270	545,539
Money at call and deposit with financial institutions	28,762	17,724	49,692	42,079
Securities				
- Held-for-trading	2	49	211	3,755
- Available-for-sale	45,755	42,528	98,437	82,213
- Held-to-maturity	5,025	3,383	8,310	7,014
Derivatives	11,736	13,082	23,619	27,705
Others	19	29	63	17
	<u>387,244</u>	<u>347,492</u>	<u>751,602</u>	<u>708,322</u>
Accretion of discount less amortisation of premium	10,163	7,326	11,685	18,669
	<u>397,407</u>	<u>354,818</u>	<u>763,287</u>	<u>726,991</u>
The above interest income includes interest/income earned on impaired loans, advances and financing				
- Unwinding of discount of allowance	1,203	-	3,233	-

A15. INTEREST EXPENSE

Deposits and placements of banks and other financial institutions	27,496	12,225	48,905	28,281
Deposits from customers	138,365	120,140	258,110	266,850
Subordinated term loan	-	-	-	5,589
Loans sold to Cagamas Berhad	3,662	1,578	7,347	1,667
Derivatives	17,125	16,615	34,371	32,911
Others	1,842	2,485	6,199	5,291
	<u>188,490</u>	<u>153,043</u>	<u>354,932</u>	<u>340,589</u>

A16. OTHER OPERATING INCOME

	←-----Group----->			
	Individual Quarter Ended	30/06/2009	Cumulative Quarter Ended	30/06/2009
	30/06/2010	30/06/2009	30/06/2010	30/06/2009
	RM'000	RM'000	RM'000	RM'000
<u>Fees income:</u>				
Fees on loans, advances and financing	45	2,490	131	4,298
Brokerage (net)	13,627	14,208	29,209	18,975
Underwriting fees	-	1,901	793	2,359
Portfolio management fees	1,895	1,549	3,897	2,928
Corporate advisory fees	2,046	455	3,332	1,019
Commission	3,021	2,939	5,767	6,147
Service charges and fees	10,694	12,262	22,234	22,245
Guarantee fees	7,188	7,902	13,952	14,946
Arrangement fees	1,052	500	2,127	2,820
Agency fees	563	150	1,065	467
Other fee income	(177)	95	16	269
	39,954	44,451	82,523	76,473
<u>Investment income:</u>				
Gains arising from sales of securities:				
- Held-for-trading	423	478	780	1,860
- Available-for-sale	3,404	4,206	22,105	4,211
- Held-to-maturity	2,053	1,169	2,053	2,347
Unrealised gains/(losses) on revaluation of securities held-for-trading	37	(2,010)	50	5,603
Gains/(losses) on derivatives:				
- realised	12	98	286	324
- unrealised	(3,397)	8,082	(594)	9,184
	2,532	12,023	24,680	23,529
<u>Dividend income:</u>				
Securities available-for-sale	209	70	227	89
Securities held-to-maturity	610	1,752	895	1,872
	819	1,822	1,122	1,961
<u>Other income:</u>				
Foreign exchange gains/(losses):				
- realised	4,582	21,672	(16,332)	35,461
- unrealised	15,717	(6,916)	56,406	(6,226)
Rental income	505	317	870	735
Gains on disposal of property and equipment	16	446	110	1,323
Gains on disposal of foreclosed properties	535	60	607	60
Other non-operating income	8,096	2,688	10,923	5,645
	29,451	18,267	52,584	36,998
Total Other Operating Income	72,756	76,563	160,909	138,961

A17. OTHER OPERATING EXPENSES

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	30/06/2010 RM'000	30/06/2009 RM'000	30/06/2010 RM'000	30/06/2009 RM'000
<u>Personnel costs</u>				
Wages, salaries and bonus	68,649	61,239	135,949	121,707
Defined contribution plan	10,810	9,472	21,379	18,776
Other personnel costs	9,191	8,409	17,224	16,482
	<u>88,650</u>	<u>79,120</u>	<u>174,552</u>	<u>156,965</u>
<u>Promotion and marketing-related expenses</u>				
Business promotion and advertisement	1,229	880	1,693	1,419
Entertainment	462	385	879	738
Travelling and accommodation	1,055	935	1,874	1,765
Dealers' handling fees	218	5,865	460	10,900
Commission	52	17	72	40
Others	414	422	941	894
	<u>3,430</u>	<u>8,504</u>	<u>5,919</u>	<u>15,756</u>
<u>Establishment-related expenses</u>				
Rental of premises	6,331	6,525	12,693	12,609
Equipment rental	237	295	465	627
Repair and maintenance	7,100	7,803	12,924	14,050
Depreciation	6,300	6,705	12,554	13,305
Amortisation	5,414	5,302	10,805	10,437
Lease rental - leasehold properties	60	62	121	123
IT consultancy fee	13,440	10,876	26,934	21,173
Dataline rental	1,386	2,370	2,783	4,674
Security services	2,304	2,061	4,537	4,196
Others	4,454	4,514	8,706	9,483
	<u>47,026</u>	<u>46,513</u>	<u>92,522</u>	<u>90,677</u>
<u>General administrative expenses</u>				
Telecommunication expenses	1,631	1,526	3,098	3,267
Director's Remuneration	348	238	609	485
Auditors' remuneration:				
(i) Statutory audit	378	345	713	662
(ii) Others	184	84	205	114
Professional fees	5,561	4,129	9,710	9,405
Property & equipment written off	-	73	57	123
Postage and courier charges	1,198	958	2,569	2,262
Stationery and consumables	1,984	2,272	3,484	4,123
Subscription fees	380	391	812	862
Subsidies and allowances	322	151	589	363
Transaction levy	253	368	618	525
Commissioned dealers representative performance incentive	1,203	1,797	2,728	2,060
Others	4,951	4,744	9,223	8,495
	<u>18,393</u>	<u>17,076</u>	<u>34,415</u>	<u>32,746</u>
Total other operating expenses	<u>157,499</u>	<u>151,213</u>	<u>307,408</u>	<u>296,144</u>

A18. ALLOWANCE FOR IMPAIRMENT ON LOANS AND FINANCING

	<-----Group----->			
	Individual Quarter Ended 30/06/2010 RM'000	Quarter Ended 30/06/2009 RM'000	Cumulative Quarter Ended 30/06/2010 RM'000	Quarter Ended 30/06/2009 RM'000
Collective impairment				
- made/written-back during the financial period	17,327	-	38,855	-
Individual impairment				
- made during the financial period	21,378	-	64,783	-
- written-back during the financial period	(5,794)	-	(10,420)	-
General allowance (net)	-	11,122	-	18,896
Specific allowance				
- Made during the financial period	-	66,856	-	124,080
- Written back	-	(11,898)	-	(25,650)
Bad debts				
- recovered	(47,572)	(32,482)	(98,315)	(65,703)
- written off	3,902	4,121	6,392	7,001
Provision for litigation loss on a legal suit with regards to rights over a mutual customer's collaterals	30,000	-	30,000	-
Additional/(Write-back of) allowance for impaired debts				
- trade debtors	7	(35)	-	(119)
- other debtors	(56)	128	332	194
	19,192	37,812	31,627	58,699

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

Additional/(Write-back of) allowance for impairment loss:-				
- Securities available-for-sale	102	2,373	(2)	3,488
- Securities held-to-maturity	(543)	-	(543)	(211)
	(441)	2,373	(545)	3,277

A20. SEGMENTAL INFORMATION ON REVENUE AND PROFIT

The segment analysis by activity for the individual and cumulative quarters ended 30 June 2010 and 30 June 2009 are as follows:-

<-----Individual quarter ended 30 June 2010----->						
RM '000	Commercial Banking and Hire Purchase	Investment Banking	Insurance	Others	Eliminations	Group
Segment revenue	483,612	47,716	-	3,277	-	534,605
Intersegment revenue	589	790	-	271	(1,650)	-
Revenue	<u>484,201</u>	<u>48,506</u>	<u>-</u>	<u>3,548</u>	<u>(1,650)</u>	<u>534,605</u>
Segment results	133,744	12,309	-	521	3,908	150,482
Unallocated expenses						(4,104)
Share of results of:						
- jointly controlled entity	-	-	(2,319)	-	-	(2,319)
- associate	-	-	2,290	-	-	2,290
Exceptional item						7,962
Profit before taxation and zakat						<u>154,311</u>
Taxation and zakat						(42,605)
Net profit for the quarter						<u>111,706</u>

<-----Individual quarter ended 30 June 2009----->						
RM '000	Commercial Banking and Hire Purchase	Investment Banking	Insurance	Others	Eliminations	Group
Segment revenue	432,988	55,979	-	1,639	-	490,606
Intersegment revenue	1,594	1,579	-	239	(3,412)	-
Revenue	<u>434,582</u>	<u>57,558</u>	<u>-</u>	<u>1,878</u>	<u>(3,412)</u>	<u>490,606</u>
Segment results	104,523	16,933	-	90	3,347	124,893
Unallocated expenses						(5,793)
Share of results of:						
- jointly controlled entity	-	-	1,732	-	-	1,732
- associate	-	-	2,079	-	-	2,079
Profit before taxation and zakat						<u>122,911</u>
Taxation and zakat						(33,094)
Net profit for the quarter						<u>89,817</u>

A20. SEGMENTAL INFORMATION ON REVENUE AND PROFIT

<-----Current year's cumulative quarter ended 30 June 2010----->

RM '000	Commercial Banking and Hire Purchase	Investment Banking	Insurance	Others	Eliminations	Group
Segment revenue	939,131	110,087	-	5,412	-	1,054,630
Intersegment revenue	841	1,591	-	517	(2,949)	-
Revenue	<u>939,972</u>	<u>111,678</u>	<u>-</u>	<u>5,929</u>	<u>(2,949)</u>	<u>1,054,630</u>
Segment results	272,738	40,190	-	1,004	7,097	321,029
Unallocated expenses						(7,891)
Share of results of:						
- jointly controlled entity	-	-	2,740	-	-	2,740
- associate	-	-	7,794	-	-	7,794
Exceptional item						7,962
Profit before taxation and zakat						<u>331,634</u>
Taxation and zakat						<u>(84,596)</u>
Net profit for the cumulative quarter						<u>247,038</u>

<-----Preceding year's cumulative quarter ended 30 June 2009----->

RM '000	Commercial Banking and Hire Purchase	Investment Banking	Insurance	Others	Eliminations	Group
Segment revenue	878,139	108,083	-	3,360	-	989,582
Intersegment revenue	3,710	3,583	-	500	(7,793)	-
Revenue	<u>881,849</u>	<u>111,666</u>	<u>-</u>	<u>3,860</u>	<u>(7,793)</u>	<u>989,582</u>
Segment results	205,054	33,332	-	492	5,899	244,777
Unallocated expenses						(9,999)
Share of results of:						
- jointly controlled entity	-	-	1,777	-	-	1,777
- associate	-	-	6,621	-	-	6,621
Profit before taxation and zakat						<u>243,176</u>
Taxation and zakat						<u>(61,771)</u>
Net profit for the cumulative quarter						<u>181,405</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

Acquisition of the entire share capital of BH Insurance (M) Berhad ("BHI") by AXA AFFIN General Insurance Berhad ("The Acquisition")

On 2 March 2010, AXA AFFIN General Insurance Berhad ("AAGI"), a 40%-owned associated company of AFFIN Holdings Berhad ("AHB") had entered into the following agreements in relation to the acquisition of the entire share capital of BHI :-

- (i) Sale and Purchase Agreement with Boustead Holdings Berhad for the 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 Felda Marketing Services Sdn Bhd ("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 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 Acquisition and the subsequent merger of AAGI and BHI :-

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

The 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 Acquisition was completed on 30 April 2010 and BHI became a wholly-owned subsidiary company of AAGI on the same day.

The Acquisition had resulted in a dilution of AHB's equity interest in AAGI from 40% to 33.6%, with an exceptional gain of RM7,962,000 on share of enlarged net assets in AAGI upon the completion of the Acquisition.

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 30/06/2010			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	466,351	466,351	451,118	495,326	495,326	470,810
Transaction-related contingent items	2,345,325	1,172,662	981,390	2,648,189	1,324,094	1,106,247
Short-term self-liquidating trade-related contingencies	1,063,693	212,739	134,630	1,401,193	280,239	120,271
Obligations under underwriting agreements	16,800	8,400	4,170	33,020	16,510	5,240
Foreign exchange related contracts						
- Less than one year	2,557,990	60,799	26,355	2,110,013	45,881	20,343
- One year to less than five years	181,120	18,512	8,953	83,687	7,184	2,784
Interest rate related contracts						
- Less than one year	443,253	283	84	385,000	910	184
- One year to less than five years	737,736	23,510	5,356	524,086	13,144	4,037
- Five years and above	439,653	44,606	9,079	440,277	38,564	7,910
Irrevocable commitments to extend credit:						
- Maturity exceeding 1 year	5,326,351	-	-	3,958,046	-	-
- Maturity not exceeding 1 year	3,935,624	-	-	5,256,924	-	-
Unutilised credit card lines	578,221	115,644	86,650	555,478	111,096	83,248
	18,092,117	2,123,506	1,707,785	17,891,239	2,332,948	1,821,074

* 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:-

	30/06/2010 RM'000	31/12/2009 RM'000
<u>Tier 1 Capital</u>		
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	(65,225)	(63,434)
Total Tier 1 capital (a)	<u>3,173,400</u>	<u>3,239,899</u>
<u>Tier 2 Capital</u>		
Subordinated loans	300,000	300,000
General allowance for bad and doubtful debts and financing	-	343,276
Collective impairment	379,810	-
Total Tier 2 capital (b)	<u>679,810</u>	<u>643,276</u>
Total capital (a) + (b)	3,853,210	3,883,175
Less:-		
Investment in capital instruments of other banking institutions	(158,259)	(305,358)
Investment in subsidiaries	(41,180)	(41,180)
Capital base	<u>3,653,771</u>	<u>3,536,637</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:-

	30/06/2010 RM'000	31/12/2009 RM'000
Credit risk	25,116,524	23,271,148
Market risk	253,586	88,120
Operational risk	2,237,444	2,190,893
Total risk-weighted assets	<u>27,607,554</u>	<u>25,550,161</u>

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

Before deducting proposed dividends:-

Core capital ratio	11.49%	12.68%
Risk capital weighted ratio	<u>13.23%</u>	<u>13.84%</u>

After deducting proposed dividends:-

Core capital ratio	11.49%	12.44%
Risk capital weighted ratio	<u>13.23%</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
Statement of Financial Position			
Assets			
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>
Liabilities			
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>
Equity			
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	
	30/06/2010	31/12/2009
	RM'000	RM'000
ASSETS		
Cash and short term funds	2,491,565	2,211,477
Securities available-for-sale	1,376,506	1,383,903
Securities held-to-maturity	-	575
Loans, advances and financing	3,310,856	2,880,708
Investment in jointly-controlled entity	500	500
Other assets	47,544	35,289
Tax recoverable	3,257	-
Deferred tax assets	-	8,431
Property and equipment	2,269	4,159
Intangible assets	1,869	727
TOTAL ASSETS	7,234,366	6,525,769
LIABILITIES, ISLAMIC BANKING FUNDS		
Deposits from customers	5,439,720	4,627,330
Deposits and placements of banks and other financial institutions	1,042,299	1,238,459
Other liabilities	331,329	260,315
Provision for tax	1,480	1,594
Total Liabilities	6,814,828	6,127,698
SHAREHOLDERS' EQUITY		
Share capital	260,000	260,000
Reserves	159,538	138,071
Total Equity	419,538	398,071
TOTAL LIABILITIES & EQUITY	7,234,366	6,525,769
COMMITMENTS AND CONTINGENCIES	1,697,251	2,157,508

A28. OPERATIONS OF ISLAMIC BANKING (cont.)

(ii) Unaudited Islamic Income Statements

	←-----Group-----→			
	Individual Quarter Ended 30/06/2010 RM'000	30/06/2009 RM'000	Cumulative Quarter Ended 30/06/2010 RM'000	30/06/2009 RM'000
Income derived from investment of depositors' funds and others	69,073	59,248	132,589	123,135
Allowance for losses on financing	(2,939)	(3,160)	(7,418)	(5,335)
Transfer to profit equalisation reserve	(271)	(3,621)	(271)	(3,621)
	65,863	52,467	124,900	114,179
Income attributable to depositors	(31,815)	(24,705)	(58,364)	(56,397)
Income attributable to shareholders	34,048	27,762	66,536	57,782
Income derived from investment of Shareholders' funds	4,572	3,352	8,554	6,195
	38,620	31,114	75,090	63,977
Other operating expenses	(23,573)	(18,810)	(45,441)	(37,553)
Profit before tax and zakat	15,047	12,304	29,649	26,424
Taxation	(3,618)	(2,773)	(10,309)	(6,076)
Zakat	(4,626)	(3,308)	(4,626)	(3,308)
Net profit for the financial period	6,803	6,223	14,714	17,040

(ii) Unaudited Statements of Comprehensive Islamic Income

	←-----Group-----→			
	Individual Quarter Ended 30/06/2010 RM'000	30/06/2009 RM'000	Cumulative Quarter Ended 30/06/2010 RM'000	30/06/2009 RM'000
Profit after taxation and zakat	6,803	6,223	14,714	17,040
Other comprehensive income:				
- Net change in fair value of securities available-for-sale	3,503	(1,356)	1,588	385
- Deferred tax on revaluation of securities available-for-sale	(875)	339	(397)	(96)
Other comprehensive income for the financial period, net of tax	2,628	(1,017)	1,191	289
Total comprehensive income for the financial period	9,431	5,206	15,905	17,329
Total comprehensive income attributable to:				
Equity holders of the parent	9,431	5,206	15,905	17,329
Minority interests	-	-	-	-
	9,431	5,206	15,905	17,329

A28. OPERATIONS OF ISLAMIC BANKING (cont.)

	Group	
	30/06/2010 RM'000	31/12/2009 RM'000
(iii) <u>Financing</u>		
<u>By type</u>		
Cash line	223,389	218,213
Term financing		
- Housing financing	2,847,488	2,404,644
- Syndicated term financing	807,030	913,988
- Hire purchase receivables	1,176,949	1,050,395
- Other term financing	1,235,152	818,981
Bills financing	1,302	7,899
Trust receipts	35,644	77,390
Interest-free accepted bills	126,829	95,431
Staff financing	15,211	14,524
Revolving credit	135,343	121,112
	<u>6,604,337</u>	<u>5,722,577</u>
Less : Unearned income	(3,224,554)	(2,770,998)
	<u>3,379,783</u>	<u>2,951,579</u>
Add : Unwinding of discount of allowance	2,756	-
	<u>3,382,539</u>	<u>2,951,579</u>
Less : Allowance for impairment		
- Collective impairment	(50,377)	-
- Individual impairment	(21,306)	-
Less : Allowance for bad and doubtful debts and financing		
- General allowance	-	(44,067)
- Specific allowance	-	(26,804)
Total net financing	<u>3,310,856</u>	<u>2,880,708</u>

(iv) Impaired/non-performing financing

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

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

(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	<u>128,971</u>	<u>-</u>
Classified as impaired during the financial period	60,761	-
Reclassified as non-impaired during the financial period	(16,925)	-
Amount recovered	(10,083)	-
Amount written-off	(2,231)	-
Balance at end of financial period	<u>160,493</u>	<u>-</u>

A28. OPERATIONS OF ISLAMIC BANKING (cont.)

	Group	
	30/06/2010	31/12/2009
	RM'000	RM'000
(iv) Impaired/non-performing financing (cont.)		
(c) <u>Movements in the allowance for impairment on financing</u>		
Collective impairment		
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 made during the financial period	9,379	-
Amount written-off	(2,244)	-
Exchange differences	(683)	-
Balance at end of financial period	50,377	-
Individual impairment		
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	137	-
Amount recovered	(2,059)	-
Balance at end of financial period	21,306	-
General allowance		
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 year	-	6,758
Balance at the end of financial year	-	44,067
As a % of gross loans, advances and financing less specific allowance	-	1.51%
Specific allowance		
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 year	-	24,939
Amount written off	-	(3,431)
Amount written back in respect of recoveries	-	(1,484)
Balance at the end of financial year	-	26,804
(vi) Deposits from customers		
<u>By type of deposits</u>		
Non-Mudharabah Funds		
Demand deposits	1,507,250	1,187,013
Savings deposits	178,898	176,485
Negotiable Instruments of Deposits	204,878	309,626
	1,891,026	1,673,124
Mudharabah Funds		
Demand deposits	7,236	4,356
Savings deposits	40,975	29,490
General investment deposits	2,740,357	2,213,783
Special investment deposits	760,126	706,577
	3,548,694	2,954,206
Total deposits from customers	5,439,720	4,627,330

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

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

The Group reported a higher pretax profit of RM154.3 million for the current financial quarter as compared to RM122.9 million for the preceding year's corresponding quarter. For the half-year ended 30 June 2010, the Group's pretax profit also increased by 37.7% or RM88.4 million to RM331.6 million as compared to RM243.2 million achieved last year. This was mainly due to the increase in net interest income, other operating income and Islamic banking income totalling RM54.1 million, lower allowance for impairment on loans, advances and financing of RM27.1 million and lower amount transferred to profit equalisation reserve of RM3.4 million, with a write-back of allowance for impairment loss on securities of RM0.5 million as compared to a charge of RM3.3 million for the same period last year. The share of results in both jointly-controlled entity and associate were also higher by RM1.0 million and RM1.2 million, and there was an exceptional gain of RM8.0 million on dilution of interest in associate arising from the acquisition of the entire share capital of BH Insurance (M) Berhad by AXA AFFIN General Insurance Berhad. The overhead expenses however increased by RM11.3 million for the period under review.

AFFIN Bank Berhad ("ABB") group recorded a higher pretax profit of RM133.7 million for the current financial quarter as compared to RM104.5 million for the preceding year's corresponding quarter. For the half-year ended 30 June 2010, the ABB group also registered a higher pretax profit of RM272.7 million as compared to RM205.1 million for the same period last year. This was mainly due to the increase in net interest income, other operating income and Islamic banking income totalling RM43.5 million, lower allowance for impairment on loans, advances and financing of RM26.5 million as well as lower amount transferred to profit equalisation reserve of RM3.4 million, net of higher overhead expenses of RM6.6 million.

AFFIN Investment Bank Berhad ("AIBB") group reported a lower pretax profit of RM12.3 million for the current financial quarter as compared to RM16.9 million for the preceding year's corresponding quarter. For the half-year ended 30 June 2010, the AIBB group however registered a higher pretax profit of RM40.2 million as compared to RM33.3 million achieved last year. The improved performance was mainly due to higher other operating income of RM7.8 million and the write-back of impairment loss on securities of RM0.7 million as compared to a charge of RM2.2 million for the preceding year's corresponding half-year, net of higher overhead expenses of RM4.0 million. For the period under review, the stockbroking division registered a pretax profit of RM4.9 million as compared to the pretax loss of RM0.3 million for the same period last year. As for AFFIN Fund Management Berhad, the Company registered a higher pretax profit of RM0.7 million as compared to RM0.5 million achieved last year.

AFFIN Moneybrokers Sdn Bhd registered a higher pretax profit of RM0.4 million for the current financial quarter as compared to RM32,000 for the same quarter last year. For the half-year ended 30 June 2010, the Company also registered a higher pretax profit of RM0.8 million as compared to RM0.3 million for the same period last year mainly due to higher net brokerage income net of higher overheads.

AXA AFFIN Life Insurance Berhad ("AALI") reported a pretax loss of RM3.8 million for the current financial quarter as compared to a pretax profit of RM3.4 million for the preceding year's corresponding quarter. For the half-year ended 30 June 2010, AALI also reported a pretax loss of RM3.4 million as compared to a pretax profit of RM3.5 million achieved last year. This was mainly attributable to recognition of the year-to-date deficits of RM11.7 million of the Life Fund Revenue Accounts, and RM5.6 million of the unallocated surplus of the Policyholders' Fund brought forward from the previous financial year. Included in the share of results in jointly-controlled entity of RM2.7 million for the period under review, was an adjustment of RM4.8 million on under-recognition of Group's share of financial impact on implementation of Risk-Based Capital ("RBC") Framework as well as the reversal of the deficits of Life Fund Revenue Accounts by AALI in the previous financial year.

AXA AFFIN General Insurance Berhad ("AAGI") recorded a higher pretax profit of RM10.0 million for the current financial quarter as compared to RM6.9 million for the preceding year's corresponding quarter. For the half-year ended 30 June 2010, AAGI however registered a lower pretax profit of RM14.0 million as compared to RM16.0 million achieved last year. The increase in earned premium of RM8.4 million and the gains on sale of investment of RM3.4 million were not sufficient to cushion the increase in net claim and net commission incurred of RM10.0 million and RM3.0 million for the period under review. As for the pretax profit contribution of RM3.2 million from its newly acquired wholly-owned subsidiary namely BH Insurance (M) Berhad ("BHI"), the amount was substantially offset by the interest cost of RM3.0 million incurred in financing the acquisition of BHI. Included in the share of results in associate for the current financial period 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 lower pretax profit of RM154.8 million for the current financial quarter as compared to RM177.3 million for the preceding quarter ended 31 March 2010. This was mainly due to lower other operating income of RM15.4 million, higher overhead expenses of RM7.6 million, higher allowance for impaired loans, advances and financing of RM6.8 million as well as share of losses in jointly-controlled entity of RM2.3 million as compared to the share of profit of RM5.1 million for the preceding quarter. For the quarter under review, the net interest income was higher by RM9.5 million and there was an exceptional gain of RM8.0 million on dilution of interest in associate arising from the acquisition of BH Insurance (M) Berhad by AXA AFFIN General Insurance Berhad.

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 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>	As announced	Actual
	for financial Year 2010	achieved for 6 months ended 30-6-2010
(i) After Tax Returns on Equity (ROE)	8.4%	5.1%
(ii) After Tax Returns on Assets (ROA)	1.0%	0.6%
(iii) Net NPL Ratio *	1.9%	2.0%
(iv) Earnings Per Share (EPS)	27.50 sen	16.53 sen

* The Net NPL ratio was computed in accordance with the BNM/GP3-Guidelines on Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts.

B4. VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

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

B5. TAXATION

	-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	30/06/2010	30/06/2009	30/06/2010	30/06/2009
	RM'000	RM'000	RM'000	RM'000
Malaysian Taxation:-				
- Income tax based on profit for the financial period	39,616	33,007	80,328	64,806
Deferred tax:-				
- Relating to originating temporary differences	(1,632)	(3,338)	(1,604)	(6,465)
Recognition of deferred tax benefits previously not recognised	-	-	(1,908)	-
Under/(over) provision in prior years:				
- Current taxation	(5)	117	3,154	122
	37,979	29,786	79,970	58,463

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

B6. 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 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/GPI).

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

b) 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.

B8. STATUS OF CORPORATE PROPOSALS (cont.)

b) Proposed acquisition of a controlling stake in PT Bank Ina Perdana, Indonesia (cont.)

On 4 August 2010 AFFIN Investment Bank Berhad had on behalf of the Board of AHB, announced that AFFIN Bank Berhad ("AFFIN Bank"), a wholly-owned subsidiary of AHB, entered into the following agreements:-

- (i) Share Purchase Agreement with P.T. Kharisma Prima Karya ("PT Kharisma" or the "Vendor") for the acquisition of 65,280,000 existing ordinary shares of Indonesian Rupiah ("Rp") 1,000 each in Bank Ina ("Existing Shares"), representing 20.82% of the enlarged issued and paid-up share capital of Bank Ina for a cash consideration to be determined later ("Proposed Acquisition").

The consideration for the Proposed Acquisition will be based on the price to book ratio of 3.15 times over the agreed Net Tangible Assets ("NTA") per Existing Share of Bank Ina as per the balance sheet as at the end of the month preceding the month (or the latest practicable month end) where the date of the last conditions precedent as set out in the Share Purchase Agreement are fulfilled and/or waived ("Completion Balance Sheet").

- (ii) Subscription Agreement with the Vendor and Bank Ina for the subscription of 185,600,000 new ordinary shares of par value to be determined later in Bank Ina ("Subscription Shares"), representing 59.18% of the enlarged issued and paid-up share capital of Bank Ina for a cash consideration to be determined later ("Proposed Subscription").

The consideration for the Proposed Subscription will be based on the NTA per Existing Share of Bank Ina as per the Completion Balance Sheet.

- (iii) Call Option Agreement with the Vendor pursuant to which the Vendor irrevocably agreed to grant AFFIN Bank an option for AFFIN Bank to call on the Vendor to require it to sell to AFFIN Bank all or any of 56,488,856 Existing Shares held by the Vendor ("Option Shares") representing 18.01% of the enlarged issued and paid-up share capital of Bank Ina at a call option price to be determined later.

The option price shall be determined based on the price to book ratio of 3.15 times over the NTA per share of Bank Ina at the material future date as determined by AFFIN Bank and the Vendor for each Option Share but in any case, the option price shall not be less than the price to book ratio of 3.15 times over the NTA per Existing Share of Bank Ina pursuant to the Completion Balance Sheet as at the Closing Date.

- (iv) Put Option Agreement with the Vendor pursuant to which AFFIN Bank irrevocably agreed to grant the Vendor an option for the Vendor to put to AFFIN Bank to require it to purchase from the Vendor all or any of the Option Shares at a put option price to be determined later, the basis of which is similar to that of the option price set out in item (iii) above.
- (v) Non-Competition Agreement with the Vendor whereby the Vendor agrees for itself and shall procure that Bapak Oki Widjaja (a director and substantial shareholder of the Vendor), shall not venture or participate directly and/or indirectly in any business which competes with the business of Bank Ina in the Republic of Indonesia within a period of three (3) years from the date of completion of the Proposed Acquisition ("Closing Date"); and
- (vi) Shareholders Agreement with the Vendor and Bank Ina setting out certain commitments and their rights as shareholders of Bank Ina from the Closing Date.

The Call Option Agreement, Put Option Agreement, Non-Competition Agreement and Shareholders Agreement shall only take effect on the Closing Date.

The Share Purchase Agreement and Subscription Agreement are conditional upon the fulfillment of the conditions precedent set out in the Share Purchase Agreement and Subscription Agreement within twelve (12) months from the date of the respective agreement, which include amongst others, the following:-

- (i) The approval of the shareholders of Bank Ina in extraordinary general meetings ("EGM") to be convened for amongst others, the Proposed Acquisition and Proposed Subscription;
- (ii) Issuance of the acquisition permit and/or written notification from Bank Indonesia ("BI") that AFFIN Bank has passed the Fit and Proper Test as governed by BI ("Fit and Proper Test"); and
- (iii) Approvals from BNM and BI for the Proposed Acquisition and Proposed Subscription and such other transactions contemplated in the Share Purchase Agreement and Subscription Agreement.

Barring unforeseen circumstances and subject to the approvals of the relevant authorities, the Proposed Acquisition and Proposed Subscription are expected to be completed by the second quarter of 2011. The Proposed Option is expected to complete on the second anniversary of the Closing Date.

B9. GROUP BORROWINGS AND DEBT SECURITIES

	Group	
	30/06/2010	31/12/2009
	RM'000	RM'000
(i) Deposits from Customers		
<u>By Type of Deposits:-</u>		
Money Market Deposits	935,320	401,391
Demand Deposits	4,640,928	4,399,320
Savings Deposits	1,169,059	1,030,103
Fixed Deposits	20,042,492	17,992,559
Negotiable Instruments of Deposits ('NIDs')	3,461,722	4,069,301
Special Investment Deposits	760,126	706,577
	<u>31,009,647</u>	<u>28,599,251</u>
Maturity structure of fixed deposits and NIDs are as follows:		
Due within six months	21,030,535	19,102,077
Six months to one year	2,423,740	2,860,461
One year to three years	26,625	74,881
Three years to five years	23,314	24,441
	<u>23,504,214</u>	<u>22,061,860</u>
<u>By Type of Customers:-</u>		
Government and statutory bodies	5,477,965	4,654,275
Business enterprises	10,807,294	10,195,116
Individuals	4,297,179	3,969,168
Others	10,427,209	9,780,692
	<u>31,009,647</u>	<u>28,599,251</u>
(ii) Deposits and Placements of Banks and Other Financial Institutions		
<u>By Type of Institutions:-</u>		
Licensed banks	3,502,427	3,697,844
Licensed investment banks	309,537	530,717
Bank Negara Malaysia	501	-
Other financial institutions	1,353,320	918,533
	<u>5,165,785</u>	<u>5,147,094</u>
<u>By Maturity Structure:-</u>		
Due within six months	5,093,532	5,142,870
Six months to one year	72,253	4,224
	<u>5,165,785</u>	<u>5,147,094</u>
(iii) Borrowings		
Unsecured		
- More than one year (medium/long-term)	390,624	300,000
	<u>390,624</u>	<u>300,000</u>

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
Foreign Exchange	2,739,110	2,227,243	192,108	269,759	50,000	-	-
- Forwards	1,175,223	910,229	144,455	120,539	-	-	-
- Swaps	1,563,887	1,317,014	47,653	149,220	50,000	-	-
- Options	-	-	-	-	-	-	-
Interest Rate related	1,620,642	350,000	-	93,254	737,736	439,652	-
- Forwards	-	-	-	-	-	-	-
- Futures	-	-	-	-	-	-	-
- Swaps	1,620,642	350,000	-	93,254	737,736	439,652	-
Total	4,359,752	2,577,243	192,108	363,013	787,736	439,652	-

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 RM1.1 billion (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 RM79.3 million (FYE 31/12/2009: RM53.1 million) and RM68.4 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 RM106.8 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 reassigned 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 was a legal suit between Malayan Banking Berhad's ("MBB") predecessor-in-title, PhileoAllied Bank (Malaysia) Berhad and AFFIN Bank Berhad's ("ABB") predecessor-in-title, BSN Commercial Bank (Malaysia) Berhad with regards to who has prior charge over the shares of Kuo Shinn Sdn Bhd. (the "Shares")

The suit was initiated by PhileoAllied Bank (Malaysia) Berhad vide an Originating Summons dated 28 January 2000 against BSN Commercial Bank (Malaysia) Berhad for inter alia the return of the Shares or its equivalent value if the Shares had been sold by BSN Commercial Bank (Malaysia) Berhad.

Subsequently, the High Court allowed MBB's claim on 25 November 2002 wherein the High Court ordered for the return of the Shares within 7 days from the date of the Order or in the event the Shares had been sold, the sale proceeds of the Shares to be paid to MBB ("25 November 2002 Order"). ABB had filed an appeal to the Court of Appeal against the 25 November 2002 Order which was dismissed on 27 November 2008. Further thereto, ABB had applied for leave to appeal to the Federal Court but the leave application was dismissed with costs by the Federal Court on 8 July 2009.

Following the decision of the Federal Court, ABB had delivered the share certificates to MBB in August 2009. However, MBB refused to accept the share certificates, with the view that the shares had been disposed. MBB then proceeded to enforce the 25 November 2002 Order vide an application for a monetary judgment in the Kuala Lumpur High Court.

B11. MATERIAL LITIGATION (cont.)

On 31 May 2010, the High Court allowed MBB's application for monetary judgement wherein the High Court ordered ABB to pay the sum of RM30 million together with 8% interest thereon from 2 December 2002 until the date of payment and payment to be made within 14 days of the Order dated 31 May 2010 (the "Judgement Sum") ("31 May 2010 Order").

Pursuant thereto, ABB had applied for a stay of execution of the 31 May 2010 Order pending appeal to the Court of Appeal. The stay of execution was dismissed by the Kuala Lumpur High Court on 18 June 2010 and ABB was ordered to pay the Judgement Sum within 21 days from 18 June 2010. Thereafter, ABB filed an application for stay of execution of the 31 May 2010 Order to the Court of Appeal which was subsequently dismissed on 5 July 2010 with costs in the sum of RM2,000.00 to be paid to MBB.

ABB had since filed an appeal against the decision of the Kuala Lumpur High Court dated 31 May 2010 and ABB is currently waiting for a hearing date to be fixed for the said appeal.

On 6 July 2010, ABB complied with the terms of the 31 May 2010 Order by paying the Judgement Sum together with the Court of Appeal costs in the sum of RM2,000.00 totalling RM48,229,849.31.

Based on the advice of ABB's legal counsel, the Boards of Directors of AFFIN Holdings Berhad and ABB are of view that ABB has a reasonable chance of success in its appeal to the Court of Appeal.

B12. PROPOSED DIVIDENDS

No final dividend has been proposed for the current financial quarter 30 June 2010.

B13. EARNINGS PER SHARE

	-----Group----->			
	<u>Individual Quarter Ended</u>		<u>Cumulative Quarter Ended</u>	
	30/06/2010	30/06/2009	30/06/2010	30/06/2009
Net profit attributable to equity holders of the parent (RM'000)	111,706	89,817	247,038	181,405
Weighted average number of ordinary share in issue	1,494,373,839	1,494,366,667	1,494,372,635	1,494,366,667
Basic earning per share (sen)	7.48	6.01	16.53	12.14
Diluted earnings per share (sen)	7.48	6.01	16.53	12.14

The basic and diluted earnings per share of the Group for the current financial quarter ended 30 June 2010 have been calculated based on the net profit attributable to the equity holders of the parent of RM111,706,000 (30 June 2009: RM89,817,000) divided by the weighted average number of ordinary shares in issue during the current financial quarter of 1,494,373,839 (30 June 2009: 1,494,366,667).

The basic earnings per share of the Group for the cumulative quarter ended 30 June 2010 has been calculated based on the net profit attributable to the equity holders of the parent of RM247,038,000 (30 June 2009: RM181,405,000) divided by the weighted average number of ordinary shares in issue during the financial period under review of 1,494,372,635 (30 June 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	30/06/2009	Cumulative Quarter Ended	30/06/2009
	30/06/2010	30/06/2009	30/06/2010	30/06/2009
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period	111,706	89,817	247,038	181,405
Less: Economic charge	(122,490)	(118,518)	(240,190)	(234,401)
Economic profit/(loss) for the financial period	<u>(10,784)</u>	<u>(28,701)</u>	<u>6,848</u>	<u>(52,996)</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