

AFFIN HOLDINGS BERHAD

(Company no. 23218 - W)

Condensed Interim Financial Statements

Unaudited Statements of Financial Position As At 31 March 2011

	<-----GROUP----->		<-----COMPANY----->	
	31/3/2011 RM'000	31/12/2010 RM'000	31/3/2011 RM'000	31/12/2010 RM'000
ASSETS				
Cash and short term funds	8,091,037	8,673,341	271,603	126,043
Deposits and placements with banks and other financial institutions	32,832	18,088	20,880	176,412
Financial assets held-for-trading	8	149,853	-	-
Financial investments available-for-sale	9,921,741	8,528,907	-	-
Financial investments held-to-maturity	530,842	533,458	-	-
Loans, advances and financing	27,319,952	26,574,066	-	-
Derivative financial assets	43,139	43,254	-	-
Statutory deposits with Bank Negara Malaysia	273,673	275,167	-	-
Investment in subsidiaries	-	-	3,636,991	3,636,991
Amount due from subsidiary	-	-	300,009	300,074
Investment in jointly controlled entities	109,953	113,311	128,520	128,520
Investment in associate	154,116	152,779	10,597	10,597
Amount due from associate	90,624	90,624	90,624	90,624
Trade receivables	369,241	270,012	-	-
Other assets	527,519	305,813	2,580	2,569
Tax recoverable	79,706	76,291	3,991	6,181
Deferred tax assets	15,377	10,180	-	-
Property and equipment	178,755	176,897	1,080	734
Intangible assets	1,009,655	1,011,867	11	12
TOTAL ASSETS	48,748,170	47,003,908	4,466,886	4,478,757
LIABILITIES AND EQUITY				
Deposits from customers	34,789,691	33,098,432	-	-
Deposits and placements of banks and other financial institutions	6,799,753	6,837,631	-	-
Bills and acceptances payable	137,178	110,161	-	-
Trade payables	361,491	258,802	-	-
Recourse obligation on loans sold to Cagamas Berhad	283,618	286,370	-	-
Derivative financial liabilities	56,842	57,560	-	-
Other liabilities	611,814	738,025	7,167	108,086
Amount due to subsidiaries	-	-	689,349	689,348
Provision for taxation	5,736	188	-	-
Deferred tax liabilities	18,232	25,082	141	141
Borrowings	390,624	390,624	390,624	390,624
TOTAL LIABILITIES	43,454,979	41,802,875	1,087,281	1,188,199

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	<-----GROUP----->		<-----COMPANY----->	
	31/3/2011 RM'000	31/12/2010 RM'000	31/3/2011 RM'000	31/12/2010 RM'000
EQUITY				
Share capital	1,494,576	1,494,576	1,494,576	1,494,576
Reserves:-				
Share premium	1,400,410	1,400,410	1,400,410	1,400,410
Statutory reserve	990,542	990,542	-	-
Investment fluctuation reserve	70,721	84,630	-	-
Retained profits	1,336,942	1,230,875	484,619	395,572
TOTAL EQUITY	5,293,191	5,201,033	3,379,605	3,290,558
TOTAL LIABILITIES AND EQUITY	48,748,170	47,003,908	4,466,886	4,478,757
COMMITMENTS AND CONTINGENCIES	20,665,701	18,901,770	-	-
CAPITAL ADEQUACY				
Before deducting proposed dividends:				
Core capital ratio	11.08%	12.64%		
Risk-weighted capital ratio	12.24%	13.92%		
After deducting proposed dividends:				
Core capital ratio	11.08%	12.33%		
Risk-weighted capital ratio	12.24%	13.61%		
NET ASSETS PER SHARE (RM)	3.54	3.48		

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2010.

AFFIN HOLDINGS BERHAD
(Company no. 23218 - W)
Condensed Interim Financial Statements
Unaudited Income Statements For The Financial Period Ended 31 March 2011

<u>Group</u>	<----Individual Quarter Ended ---->		<---Cumulative Quarter Ended --->	
	31/3/2011 RM'000	31/3/2010 RM'000	31/3/2011 RM'000	31/3/2010 RM'000
Revenue	621,713	520,025	621,713	520,025
Interest income	456,094	365,880	456,094	365,880
Interest expense	(246,316)	(166,442)	(246,316)	(166,442)
Net interest income	209,778	199,438	209,778	199,438
Islamic banking income	47,112	43,502	47,112	43,502
Other operating income	80,531	88,153	80,531	88,153
Operating income	337,421	331,093	337,421	331,093
Other operating expenses	(167,127)	(149,909)	(167,127)	(149,909)
Operating profit before allowance for impairment on loans, advances and financing	170,294	181,184	170,294	181,184
Allowance for impairment on loans, advances and financing	(25,159)	(12,435)	(25,159)	(12,435)
Allowance for impairment on other assets	800	104	800	104
Operating profit	145,935	168,853	145,935	168,853
Finance cost	(3,730)	(2,093)	(3,730)	(2,093)
Share of results of a jointly controlled entity	(3,354)	5,059	(3,354)	5,059
Share of results of associate	1,451	5,504	1,451	5,504
Profit before taxation and zakat	140,302	177,323	140,302	177,323
Taxation	(34,044)	(41,991)	(34,044)	(41,991)
Zakat	(191)	-	(191)	-
Net profit for the financial period attributable to equity holders of the Company	106,067	135,332	106,067	135,332
Earnings per share attributable to the equity holders of the Company (sen)				
- Basic and fully diluted	7.10	9.06	7.10	9.06

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2010.

AFFIN HOLDINGS BERHAD
 (Company no. 23218 - W)
Condensed Interim Financial Statements
Unaudited Statement of Comprehensive Income
For The Financial Period Ended 31 March 2011

<u>Group</u>	<---Individual Quarter Ended --->		<---Cumulative Quarter Ended --->	
	31/3/2011 RM'000	31/3/2010 RM'000	31/3/2011 RM'000	31/3/2010 RM'000
Profit after taxation and zakat	106,067	135,332	106,067	135,332
Other comprehensive income:				
- Net change in fair value of financial investments available-for-sale	(18,745)	(11,019)	(18,745)	(11,019)
- Deferred tax on revaluation of financial investments available-for-sale	4,836	2,556	4,836	2,556
Other comprehensive income for the period, net of tax	(13,909)	(8,463)	(13,909)	(8,463)
Total comprehensive income for the financial period attributable to the equity holders of the Company	92,158	126,869	92,158	126,869

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2010.

AFFIN HOLDINGS BERHAD

(Company no. 23218 - W)

Condensed Interim Financial Statements**Unaudited Income Statements For The Financial Period Ended 31 March 2011**

<u>Company</u>	<---Individual Quarter Ended --->		<---Cumulative Quarter Ended --->	
	31/3/2011 RM'000	31/3/2010 RM'000	31/3/2011 RM'000	31/3/2010 RM'000
Revenue	100,450	86,266	100,450	86,266
Interest income	6,262	3,189	6,262	3,189
Interest expense	-	-	-	-
Net interest income	6,262	3,189	6,262	3,189
Islamic banking income	-	-	-	-
Other operating income	94,236	83,077	94,236	83,077
Operating income	100,498	86,266	100,498	86,266
Other operating expenses	(1,888)	(1,694)	(1,888)	(1,694)
Operating profit before allowance for impairment on loans, advances and financing	98,610	84,572	98,610	84,572
Allowance for impairment on loans, advances and financing	-	-	-	-
Allowance for impairment on other assets	-	-	-	-
Operating profit	98,610	84,572	98,610	84,572
Finance cost	(3,730)	(2,093)	(3,730)	(2,093)
Profit before taxation and zakat	94,880	82,479	94,880	82,479
Taxation	(5,833)	(20,593)	(5,833)	(20,593)
Zakat	-	-	-	-
Net profit for the financial period attributable to equity holders of the Company	89,047	61,886	89,047	61,886

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2010.

AFFIN HOLDINGS BERHAD
 (Company no. 23218 - W)
Condensed Interim Financial Statements
Unaudited Statement of Comprehensive Income
For The Financial Period Ended 31 March 2011

<u>Company</u>	<---Individual Quarter Ended --->		<---Cumulative Quarter Ended --->	
	31/3/2011	31/3/2010	31/3/2011	31/3/2010
	RM'000	RM'000	RM'000	RM'000
Profit after taxation and zakat	89,047	61,886	89,047	61,886
Other comprehensive income	-	-	-	-
Total comprehensive income for the financial period attributable to equity holders of the Company	89,047	61,886	89,047	61,886

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2010.

AFFIN HOLDINGS BERHAD
(Company no. 23218 - W)
Unaudited Condensed Consolidated Statement Of Changes In Equity
For The Financial Period Ended 31 March 2011

	←-----Attributable to Equity Holders of the Company----->						
	Issued and fully paid ordinary shares of RM1 each		Non-distributable			Distributable	
GROUP	Number of shares '000	Nominal value RM'000	Share premium RM'000	Statutory reserves RM'000	Investment fluctuation reserve RM'000	Retained profits RM'000	Total Equity RM'000
At 1 January 2011	1,494,576	1,494,576	1,400,410	990,542	84,630	1,230,875	5,201,033
Net profit for the financial period	-	-	-	-	-	106,067	106,067
Other comprehensive income	-	-	-	-	(13,909)	-	(13,909)
Total comprehensive income for the financial period	-	-	-	-	(13,909)	106,067	92,158
At 31 March 2011	1,494,576	1,494,576	1,400,410	990,542	70,721	1,336,942	5,293,191
At 1 January 2010	1,494,371	1,494,371	1,399,980	874,360	75,463	959,316	4,803,490
Net profit for the financial period	-	-	-	-	-	135,332	135,332
Other comprehensive income	-	-	-	-	(8,463)	-	(8,463)
Total comprehensive income for the financial period	-	-	-	-	(8,463)	135,332	126,869
At 31 March 2010	1,494,371	1,494,371	1,399,980	874,360	67,000	1,094,648	4,930,359

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2010.

AFFIN HOLDINGS BERHAD
(Company no. 23218 - W)
Unaudited Condensed Statement Of Changes In Equity
For The Financial Period Ended 31 March 2011

<u>COMPANY</u>	←-----Attributable to Equity Holders of the Company----->				
	Issued and fully paid ordinary shares of RMI each		Non-distributable		Distributable
	Number of shares '000	Nominal value RM'000	Share premium RM'000	Retained profits RM'000	Total Equity RM'000
At 1 January 2011	1,494,576	1,494,576	1,400,410	395,572	3,290,558
Total comprehensive income for the financial period					
- Net profit for the financial period	-	-	-	89,047	89,047
At 31 March 2011	1,494,576	1,494,576	1,400,410	484,619	3,379,605
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	-	-	-	61,886	61,886
At 31 March 2010	1,494,371	1,494,371	1,399,980	413,634	3,307,985

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2010.

AFFIN HOLDINGS BERHAD
(Company no. 23218 - W)
Unaudited Condensed Consolidated Statement of Cash Flow
For The Financial Period Ended 31 March 2011

	<----- 3 Months Ended ----->	
	31/3/2011	31/3/2010
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation and zakat	140,302	177,323
Adjustment for non-operating and non-cash items	(17,532)	(39,311)
Operating profit before changes in working capital	122,770	138,012
Net changes in operating assets	(952,965)	(1,009,843)
Net changes in operating liabilities	1,694,611	712,277
Payment of tax and zakat	(45,873)	(30,226)
Taxation refund	6,938	1,239
Net cash generated from/(used in) operating activities	825,481	(188,541)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received from securities	65,898	57,333
Net (purchase)/disposal of:		
- securities	(1,393,141)	740,481
- property and equipment	(7,859)	(2,816)
- intangible assets	(194)	(276)
Dividend received from:		
- financial investments held-to-maturity/available-for-sale	304	260
Proceeds from disposal of property and equipment	296	96
Proceeds from disposal of foreclosed properties	8,307	-
Net cash (used in)/generated from investing activities	(1,326,389)	795,078
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to shareholders	(100,884)	(95,266)
Net cash used in financing activities	(100,884)	(95,266)
Net (decrease)/increase in cash and cash equivalents	(601,792)	511,271
Cash and cash equivalents at beginning of the period	8,621,191	6,174,651
Cash and cash equivalents at end of the period	8,019,399	6,685,922
 <u>Analysis of cash & cash equivalent</u>		
Cash and short term funds	8,091,037	6,740,156
Adjustment for money held in trust on behalf of clients and remisiers	(71,638)	(54,234)
	8,019,399	6,685,922

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2010.

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

A1. BASIS OF PREPARATION

The unaudited condensed interim financial statements for the current financial quarter ended 31 March 2011 have been prepared under the historical cost convention except for the following assets and liabilities which are stated at fair values:

- (i) financial assets held-for-trading,
- (ii) financial investments available-for-sale,
- (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 2010. 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 2010.

A2. ACCOUNTING POLICIES AND METHODS OF COMPUTATIONS

The significant accounting policies and methods of computation applied in the condensed interim financial statements are consistent with those applied in the annual financial statements for the year ended 31 December 2010 except for the adoption of the following revised/new Financial Reporting Standards ("FRS"), Amendments to FRS, IC interpretations and Technical Release ("TR") that are effective for the Group's financial year beginning 1 January 2011.

- The Revised FRS 3 Business Combinations
- The Revised FRS 127 Consolidated and Separate Financial Statements
- Amendments to FRS 1 First-time Adoption of Financial Reporting Standards
- Amendments to FRS 2 Share-based Payment: Vesting Conditions and Cancellations
- Amendments to FRS 7 Financial Instruments: Disclosures
- TR i-4 Shariah Compliant Sale Contracts
- Improvements to FRSS (2010)

The adoption of these standards and amendments will not have any significant impact to the results of the Group and the Company for the financial period under review.

A3. AUDITOR'S REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the audited financial statements for the financial year ended 31 December 2010 was not subjected to any qualification.

A4. SEASONAL OR CYCLICAL FACTORS

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

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

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and the Company during the financial quarter under review.

A6. CHANGES IN ESTIMATES

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

A7. DEBT AND EQUITY SECURITIES

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

A8. DIVIDENDS PAID

During the current financial quarter, the interim dividend of 9.0 sen per share (less 25% income tax) in respect of the financial year ended 31 December 2010 amounting to RM100,883,852 was paid on 26 January 2011.

A9. FINANCIAL ASSETS

	Group	
	31/3/2011 RM'000	31/12/2010 RM'000
(a) <u>Financial assets held-for-trading</u>		
At fair value		
Bank Negara Malaysia Notes	8	99,853
Negotiable Instruments of Deposit	-	50,000
Total financial assets held-for-trading	8	149,853
(b) <u>Financial investments available-for-sale</u>		
At fair value		
Malaysian Government Securities	2,006,251	1,515,091
Malaysian Government Treasury Bills	4,960	166,566
Malaysian Government Investment Issuance	2,929,332	2,212,366
Cagamas Bonds	220,338	220,551
Bank Negara Malaysia Sukuk	-	31,712
Khazanah Bonds	13,433	13,250
Bankers' Acceptance and Islamic Acceptance Bills	497,866	556,994
Bank Negara Malaysia Notes	587,164	1,006,592
Negotiable Instruments of Deposit and Islamic Debt Certificate	520,038	140,057
	6,779,382	5,863,179
Quoted Securities		
- Shares in Malaysia	60,566	58,669
- Private Debt Securities in Malaysia	2,167	2,167
- Irredeemable Convertible Unsecured Loan Stock in Malaysia	4,031	4,031
Unquoted Securities		
- Shares in Malaysia	108,073	108,073
- Private Debt Securities in Malaysia	2,453,046	2,075,872
- Private Debt Securities outside Malaysia	603,932	507,172
	10,011,197	8,619,163
Allowance for impairment of securities	(89,456)	(90,256)
Total financial investments available-for-sale	9,921,741	8,528,907
(c) <u>Financial investments 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	580,819	583,435
- Redeemable Convertible Unsecured Loan Stock in Malaysia	12,919	12,919
	631,861	634,477
Allowance for impairment of securities	(101,019)	(101,019)
Total financial investments held-to-maturity	530,842	533,458
Total securities held	10,452,591	9,212,218

A10. LOANS, ADVANCES AND FINANCING

	Group	
	31/3/2011 RM'000	31/12/2010 RM'000
(a) <u>BY TYPE</u>		
Overdrafts	1,838,808	1,971,364
Term loans/financing		
- Housing loans/financing	4,046,023	3,885,327
- Syndicated term loans/financing	1,530,199	1,394,211
- Hire purchase receivables	8,111,030	7,835,986
- Other term loans/financing	8,502,365	8,240,501
Bills receivables	33,303	39,077
Trust receipts	297,365	266,050
Claims on customers under acceptance credits	634,287	659,074
Staff loans/financing (of which RM NIL to Directors)	158,975	160,557
Credit/charge cards	98,726	101,682
Revolving credit	2,617,858	2,566,889
Margin financing	45,714	40,955
Factoring	6,414	3,185
Gross loans, advances and financing	27,921,067	27,164,858
Less: Allowance for impairment		
- Collective impairment	(415,818)	(405,085)
- Individual impairment	(185,297)	(185,707)
Total net loans, advances and financing	27,319,952	26,574,066
(b) <u>BY TYPE OF CUSTOMER</u>		
Domestic banking institutions	300	-
Domestic non-banking institutions		
- Stock-broking companies	-	270
- Others	2,055,236	2,146,330
Domestic business enterprises		
- Small medium enterprises	6,473,072	6,833,345
- Others	7,104,381	6,284,713
Government and statutory bodies	75,727	75,394
Individuals	11,915,597	11,549,238
Other domestic entities	64,734	45,584
Foreign entities	232,020	229,984
	27,921,067	27,164,858
(c) <u>BY INTEREST / PROFIT RATE SENSITIVITY</u>		
Fixed rate		
- Housing loans/financing	287,768	292,884
- Hire purchase receivables	8,111,030	7,834,034
- Other fixed rate loans/financing	4,062,377	3,975,266
- Margin financing	45,714	31,356
Variable rate		
- BLR plus	10,446,799	10,210,602
- Cost plus	4,967,379	4,820,716
	27,921,067	27,164,858

A10. LOANS, ADVANCES AND FINANCING (cont.)

	Group	
	31/3/2011	31/12/2010
	RM'000	RM'000
(d) <u>BY ECONOMIC PURPOSE</u>		
Construction	912,863	824,650
Purchase of landed property of which :-		
- Residential	4,135,447	4,014,078
- Non-residential	2,762,832	2,637,636
Purchase of securities	302,166	357,881
Purchase of transport vehicles	8,208,500	7,869,187
Fixed assets other than land and building	335,808	339,184
Personal use	743,724	731,288
Credit card	98,726	101,682
Consumer durable	1,024	1,067
Merger and acquisition	2,434	4,867
Working capital	9,789,365	9,912,895
Others	628,178	370,443
	27,921,067	27,164,858
(e) <u>BY SECTOR</u>		
Primary agriculture	491,388	532,442
Mining and quarrying	369,421	373,899
Manufacturing	1,907,416	1,834,288
Electricity, gas and water supply	223,127	215,707
Construction	2,609,928	2,494,920
Real estate	2,402,842	2,410,269
Wholesale and retail trade and restaurants and hotels	1,307,195	1,244,657
Transport, storage and communication	1,207,521	1,084,086
Finance, insurance and business services	4,364,770	4,421,179
Education, health and others	950,371	855,655
Household	12,025,348	11,654,880
Others	61,740	42,876
	27,921,067	27,164,858
(f) <u>BY MATURITY STRUCTURE</u>		
Maturing within one year	6,596,490	6,951,917
One year to three years	2,812,867	2,808,471
Three years to five years	4,741,583	4,475,504
Over five years	13,770,127	12,928,966
	27,921,067	27,164,858
(g) <u>BY GEOGRAPHICAL DISTRIBUTION</u>		
Perlis	40,190	27,648
Kedah	897,224	902,980
Pulau Pinang	1,301,316	1,271,331
Perak	901,456	853,633
Selangor	8,155,505	7,753,378
Wilayah Persekutuan	9,067,688	9,114,769
Negeri Sembilan	719,503	721,564
Melaka	666,809	663,856
Johor	2,191,670	2,027,324
Pahang	632,580	623,000
Terengganu	579,397	567,382
Kelantan	262,686	256,176
Sarawak	909,696	806,070
Sabah	1,196,526	1,173,362
Labuan	276,414	277,901
Abroad	122,407	124,484
	27,921,067	27,164,858

A10. LOANS, ADVANCES AND FINANCING (cont.)

	Group	
	31/3/2011	31/12/2010
	RM'000	RM'000
(h) <u>IMPAIRED/NON-PERFORMING LOANS, ADVANCES AND FINANCING</u>		
(i) <u>Movements of impaired loans, advances and financing</u>		
Balance at the beginning of financial period/year	989,769	1,143,127
Classified as impaired during the financial period/year	126,715	689,486
Reclassified as non-impaired during the financial period/year	(98,326)	(313,634)
Amount recovered during the financial period/year	(52,257)	(234,926)
Amount written-off during the financial period/year	(6,682)	(282,920)
Amount converted to financial investments held-for-trading	-	(11,364)
Balance at the end of financial period/year	959,219	989,769
(ii) <u>Impaired loans, advances and financing by economic purpose</u>		
Construction	62,231	63,407
Purchase of landed property of which :-		
- Residential	383,938	407,763
- Non-residential	43,161	44,744
Purchase of securities	3,006	3,020
Purchase of transport vehicles	86,558	81,586
Fixed assets other than land and building	3,583	3,633
Personal use	13,849	16,373
Credit card	736	636
Consumer durable	33	34
Working capital	362,050	368,356
Others	74	217
	959,219	989,769
(iii) <u>Impaired loans, advances and financing by sector</u>		
Primary agriculture	11,388	11,937
Mining and quarrying	80	50
Manufacturing	99,104	99,831
Electricity, gas and water supply	2,030	2,360
Construction	243,341	253,827
Real estate	8,280	8,263
Wholesale and retail trade and restaurants and hotels	63,121	65,303
Transport, storage and communication	4,693	4,633
Finance, insurance and business services	13,901	15,108
Education, health and others	7,893	8,301
Household	505,323	520,156
Others	65	-
	959,219	989,769

A10. LOANS, ADVANCES AND FINANCING (cont.)

	Group	
	31/3/2011	31/12/2010
	RM'000	RM'000
(h) <u>IMPAIRED/NON-PERFORMING LOANS, ADVANCES AND FINANCING</u>		
(iv) <u>Impaired loans, advances and financing by geographical distribution</u>		
Perlis	392	840
Kedah	42,512	40,612
Pulau Pinang	27,393	30,120
Perak	16,271	16,202
Selangor	444,015	445,219
Wilayah Persekutuan	166,994	185,921
Negeri Sembilan	38,246	37,483
Melaka	15,161	15,854
Johor	80,735	88,097
Pahang	17,432	17,013
Terengganu	7,804	8,009
Kelantan	5,700	6,171
Sarawak	7,330	6,614
Sabah	14,261	14,387
Labuan	44	45
Abroad	74,929	77,182
	959,219	989,769
(v) <u>Movements in allowance for impairment on loans, advances and financing</u>		
Collective impairment		
Balance at the beginning of financial period/year	405,085	458,245
Allowance (net of recovery) made during the financial period/year	17,267	(1,654)
Amount written-off during the financial period/year	(6,482)	(51,148)
Amount written-back during the financial period/year	(52)	(358)
Balance at the end of financial period/year	415,818	405,085
Individual impairment		
Balance at the beginning of financial period/year	185,707	261,477
Allowance made during the financial period/year	6,731	200,097
Amount recovered during the financial period/year	(4,695)	(23,799)
Amount converted to financial investments held-for-trading	-	(11,364)
Allowance written-off during the financial period/year	-	(234,152)
Unwind of discount of allowance	(2,446)	(6,552)
Balance at the end of financial period/year	185,297	185,707

A11. TRADE RECEIVABLES

	Group	
	31/3/2011	31/12/2010
	RM'000	RM'000
Amount in respect of management fees receivable and cancellation of funds' units	883	896
Amount due from clients	97,530	107,966
Amount due from Bursa Securities Clearing Sdn Bhd	274,914	165,326
	<u>373,327</u>	<u>274,188</u>
Less Allowance for impairment		
- Collective impairment	(196)	(190)
- Individual impairment	(3,890)	(3,986)
	<u><u>369,241</u></u>	<u><u>270,012</u></u>

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

Collective impairment

Balance at the beginning of financial period/year	190	136
Allowance made during the financial period/year	6	177
Amount recovered during the financial period/year	-	(123)
Balance at the end of financial period/year	<u>196</u>	<u>190</u>

Individual impairment

Balance at the beginning of financial period/year	3,986	4,341
Allowance made during the financial period/year	83	128
Amount recovered during the financial period/year	(179)	(483)
Balance at the end of financial period/year	<u>3,890</u>	<u>3,986</u>

A12. OTHER ASSETS

Clearing accounts	245,126	4,160
Income / interest receivable	67,755	87,615
Foreclosed properties	153,322	161,261
Other debtors, deposits and prepayments	61,316	50,032
Amount due from jointly controlled entity	-	2,745
	<u>527,519</u>	<u>305,813</u>

A13. OTHER LIABILITIES

Bank Negara Malaysia and Credit Guarantee Corporation Funding Programmes	39,524	43,002
Amount due from other shareholders of a subsidiary		
- Liabilities directly associated with properties previously classified as land held-for-sale	1,414	10,541
Interest payable	180,878	180,510
Margin and collateral deposits	62,252	65,191
Trust accounts for clients and remisers	71,638	52,150
Clearing accounts	-	44,616
Defined contribution plan	9,851	12,616
Accrued employee benefits	696	896
Other creditors and accruals	235,562	218,187
Dividend payable	-	100,884
Provision for zakat	9,999	9,432
	<u>611,814</u>	<u>738,025</u>

A14. INTEREST INCOME

	<-----Group----->			
	Individual Quarter Ended 31/3/2011 RM'000	31/3/2010 RM'000	Cumulative Quarter Ended 31/3/2011 RM'000	31/3/2010 RM'000
Loans, advances and financing	335,609	275,325	335,609	275,325
Money at call and deposit with financial institutions	32,324	20,930	32,324	20,930
Financial assets held-for-trading	35	209	35	209
Financial investments available-for-sale	61,239	52,682	61,239	52,682
Financial investments held-to-maturity	4,659	3,285	4,659	3,285
Derivatives	11,650	11,883	11,650	11,883
Others	38	44	38	44
	<u>445,554</u>	<u>364,358</u>	<u>445,554</u>	<u>364,358</u>
Accretion of discount less amortisation of premium	10,540	1,522	10,540	1,522
	<u>456,094</u>	<u>365,880</u>	<u>456,094</u>	<u>365,880</u>
The above interest income includes interest/income earned on impaired loans, advances and financing - Unwinding of discount of allowance (Net)	(1,599)	2,030	(1,599)	2,030

A15. INTEREST EXPENSE

Deposits and placements of banks and other financial institutions	35,669	21,409	35,669	21,409
Deposits from customers	191,563	119,745	191,563	119,745
Loans sold to Cagamas Berhad	3,550	3,685	3,550	3,685
Derivatives	14,408	17,246	14,408	17,246
Others	1,126	4,357	1,126	4,357
	<u>246,316</u>	<u>166,442</u>	<u>246,316</u>	<u>166,442</u>

A16. OTHER OPERATING INCOME

	←-----Group-----→			
	Individual Quarter Ended 31/3/2011 RM'000	31/3/2010 RM'000	Cumulative Quarter Ended 31/3/2011 RM'000	31/3/2010 RM'000
<u>Fees income:</u>				
Fees on loans, advances and financing	197	86	197	86
Brokerage (net)	18,609	15,582	18,609	15,582
Underwriting fees	193	793	193	793
Portfolio management fees	2,384	2,002	2,384	2,002
Corporate advisory fees	1,890	1,286	1,890	1,286
Commission	3,297	2,746	3,297	2,746
Service charges and fees	14,409	11,540	14,409	11,540
Guarantee fees	5,467	6,764	5,467	6,764
Arrangement fees	1,735	1,075	1,735	1,075
Agency fees	317	502	317	502
Other fee income	578	193	578	193
	49,076	42,569	49,076	42,569
<u>Income from financial instruments:</u>				
Gains/(losses) on financial assets held-for-trading				
- net gain on disposal	484	357	484	357
- unrealised gains/(losses)	(137)	13	(137)	13
Gains on derivatives:				
- realised	1,068	118	1,068	118
- unrealised	4,367	3,799	4,367	3,799
Gains on financial investments available-for-sale				
- net gain on disposal	5,576	18,701	5,576	18,701
- gross dividend income	47	18	47	18
Gains on financial investments held-to-maturity				
- gross dividend income	257	285	257	285
	11,662	23,291	11,662	23,291
<u>Other income:</u>				
Foreign exchange gains/(losses):				
- realised	19,517	7,656	19,517	7,656
- unrealised	(4,134)	11,279	(4,134)	11,279
Rental income	574	365	574	365
Gains on disposal of property and equipment	165	94	165	94
Gains on disposal of foreclosed properties	1	72	1	72
Other non-operating income	3,670	2,827	3,670	2,827
	19,793	22,293	19,793	22,293
Total Other Operating Income	80,531	88,153	80,531	88,153

A17. OTHER OPERATING EXPENSES

	<-----Group----->			
	Individual Quarter Ended 31/3/2011 RM'000	31/3/2010 RM'000	Cumulative Quarter Ended 31/3/2011 RM'000	31/3/2010 RM'000
<u>Personnel costs</u>				
Wages, salaries and bonus	75,096	67,300	75,096	67,300
Defined contribution plan	11,535	10,569	11,535	10,569
Other personnel costs	12,209	8,033	12,209	8,033
	98,840	85,902	98,840	85,902
<u>Promotion and marketing-related expenses</u>				
Business promotion and advertisement	1,164	464	1,164	464
Entertainment	737	417	737	417
Travelling and accommodation	829	819	829	819
Dealers' handling fees	574	242	574	242
Commission	116	19	116	19
Others	492	528	492	528
	3,912	2,489	3,912	2,489
<u>Establishment-related expenses</u>				
Rental of premises	6,651	6,362	6,651	6,362
Equipment rental	270	228	270	228
Repair and maintenance	7,141	5,824	7,141	5,824
Depreciation	5,595	6,315	5,595	6,315
Amortisation	2,581	5,391	2,581	5,391
IT consultancy fee	14,116	13,494	14,116	13,494
Dataline rental	1,148	1,397	1,148	1,397
Security services	2,374	2,233	2,374	2,233
Others	4,305	4,252	4,305	4,252
	44,181	45,496	44,181	45,496
<u>General administrative expenses</u>				
Telecommunication expenses	1,574	1,467	1,574	1,467
Director's Remuneration	499	261	499	261
Auditors' remuneration:				
(i) Statutory audit	362	335	362	335
(ii) Others	42	21	42	21
Professional fees	4,011	4,149	4,011	4,149
Property & equipment written off	101	57	101	57
Postage and courier charges	996	1,371	996	1,371
Stationery and consumables	2,101	1,500	2,101	1,500
Subscription fees	431	432	431	432
Subsidies and allowances	255	267	255	267
Transaction levy	521	365	521	365
Commissioned dealers representative performance incentive	1,050	1,525	1,050	1,525
Others	8,251	4,272	8,251	4,272
	20,194	16,022	20,194	16,022
Total other operating expenses	167,127	149,909	167,127	149,909

A18. ALLOWANCE FOR IMPAIRMENT ON LOANS AND FINANCING

	←-----Group-----→			
	Individual Quarter Ended 31/3/2011 RM'000	31/3/2010 RM'000	Cumulative Quarter Ended 31/3/2011 RM'000	31/3/2010 RM'000
Collective impairment				
- allowance made/(written-back) during the financial period	17,221	21,567	17,221	21,567
Individual impairment				
- allowance made during the financial year	6,814	43,437	6,814	43,437
- allowance written-back during the financial year	(7,320)	(4,704)	(7,320)	(4,704)
Bad debts				
- recovered	(36,242)	(50,743)	(36,242)	(50,743)
- written off	4,520	2,490	4,520	2,490
Provision for litigation loss	40,000	-	40,000	-
Allowance for other impaired debts				
- other debtors	166	388	166	388
	25,159	12,435	25,159	12,435

A19. ALLOWANCE FOR IMPAIRMENT ON OTHER ASSETS

Additional/(Write-back of) allowance for impairment loss on financial investments available-for-sale	(800)	(104)	(800)	(104)
	(800)	(104)	(800)	(104)

A20. SEGMENTAL INFORMATION ON REVENUE AND PROFIT

The segment analysis by activity for the individual and cumulative quarters ended 31 March 2011 and 31 March 2010 are as follows:-

<-----Individual and cumulative quarter ended 31 March 2011----->						
RM '000	Commercial Banking	Investment Banking	Insurance	Others	Eliminations	Group
Segment revenue	550,948	66,439	-	2,654	-	620,041
Intersegment revenue	1,483	1,172	-	234	(2,889)	-
Unallocated revenue	-	-	-	-	-	1,672
Revenue	<u>552,431</u>	<u>67,611</u>	<u>-</u>	<u>2,888</u>	<u>(2,889)</u>	<u>621,713</u>
Segment results	123,435	17,325	-	753	4,590	146,103
Unallocated expenses						(3,898)
Share of results of:						
- a jointly controlled entity	-	-	(3,354)	-	-	(3,354)
- associate	-	-	1,451	-	-	1,451
Profit before taxation and zakat						<u>140,302</u>
Taxation and zakat						<u>(34,235)</u>
Net profit for the quarter						<u>106,067</u>

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

A22. SUBSEQUENT MATERIAL EVENT

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

A23. CHANGES IN THE COMPOSITION OF THE GROUP

There were no significant changes in the composition of the Group during the financial quarter under review.

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	31/3/2011				31/12/2010			
	Principal Amount RM'000	Positive fair value of derivative contracts RM'000	Credit Equivalent Amount* RM'000	Risk-Weighted Amount* RM'000	Principal Amount RM'000	Positive fair value of derivative contracts RM'000	Credit Equivalent Amount* RM'000	Risk-Weighted Amount* RM'000
Direct credit substitutes	397,393	-	397,393	285,586	408,608	-	408,608	299,520
Transaction related contingent items	2,232,122	-	1,116,061	955,844	2,387,456	-	1,193,728	1,022,073
Short-term self-liquidating trade related contingencies	1,370,215	-	274,043	164,702	1,232,752	-	246,551	140,554
Obligation under underwriting commitments	10,300	-	5,150	1,030	19,691	-	9,845	1,969
Foreign exchange related contracts								
- Less than one year	4,086,564	22,730	60,375	32,146	2,214,726	25,839	50,818	19,949
- One year to less than five years	181,120	9,490	16,816	6,510	181,120	7,419	15,897	6,326
Interest rate related contracts								
- Less than one year	71,308	-	174	86	93,784	-	14	3
- One year to less than five years	914,324	4,555	33,050	7,986	940,228	1,757	31,214	7,242
- Five years and above	444,960	4,786	36,178	8,275	445,273	7,079	38,490	8,842
Irrevocable commitments to extend credit								
- Maturity more than one year	4,201,047	-	840,210	737,179	4,256,209	-	-	-
- Maturity less than 1 year	6,128,490	-	1,225,698	1,003,557	6,127,819	-	-	-
Unutilised credit card lines	599,247	-	119,849	89,805	594,104	-	118,821	89,026
Guarantee commitments	28,611	-	28,611	28,611	-	-	-	-
	20,665,701	41,561	4,153,608	3,321,317	18,901,770	42,094	2,113,986	1,595,504

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

A25. CAPITAL ADEQUACY

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

	31/3/2011 RM'000	31/12/2010 RM'000
<u>Tier 1 Capital</u>		
Share capital	1,661,531	1,661,531
Share premium	550,659	550,659
Retained profits	462,790	551,422
Statutory reserve	1,041,692	1,041,692
	<u>3,716,672</u>	<u>3,805,304</u>
Less:-		
Goodwill	(190,384)	(190,384)
Deferred tax assets	(8,632)	(5,650)
Total Tier 1 capital (a)	<u>3,517,656</u>	<u>3,609,270</u>
<u>Tier 2 Capital</u>		
Subordinated loans	300,000	300,000
Collective impairment #	166,283	162,870
Total Tier 2 capital (b)	<u>466,283</u>	<u>462,870</u>
Total capital (a) + (b)	3,983,939	4,072,140
Less:-		
Investment in capital instruments of other banking institutions	(56,700)	(56,216)
Investment in subsidiaries	(41,180)	(41,180)
Capital base	<u>3,886,059</u>	<u>3,974,744</u>

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

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 into the various categories of risk-weights are as follows:-

	31/3/2011 RM'000	31/12/2010 RM'000
Credit risk	29,323,543	26,157,944
Market risk	130,690	125,094
Operational risk	2,285,417	2,276,503
Total risk-weighted assets	<u>31,739,650</u>	<u>28,559,541</u>

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

Before deducting proposed dividends:-

Core capital ratio	11.08%	12.64%
Risk-weighted capital ratio	<u>12.24%</u>	<u>13.92%</u>

After deducting proposed dividends:-

Core capital ratio	11.08%	12.33%
Risk-weighted capital ratio	<u>12.24%</u>	<u>13.61%</u>

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.

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.

A26. COMPARATIVE FIGURES

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

A27. OPERATIONS OF ISLAMIC BANKING

(i) Unaudited Islamic Statements of Financial Position

	Group	
	31/3/2011 RM'000	31/12/2010 RM'000
ASSETS		
Cash and short term funds	2,303,542	2,635,218
Financial assets held-for-trading	8	-
Financial investments available-for-sale	1,450,442	1,334,083
Loans, advances and financing	3,732,454	3,555,596
Investment in jointly-controlled entity	500	500
Other assets	44,678	20,186
Tax recoverable	3,052	3,816
Deferred tax assets	6,434	4,291
Property and equipment	2,441	2,123
Intangible assets	1,258	1,462
TOTAL ASSETS	7,544,809	7,557,275
LIABILITIES, ISLAMIC BANKING FUNDS		
Deposits from customers	5,451,929	5,533,474
Deposits and placements of banks and other financial institutions	1,452,760	1,345,086
Other liabilities	196,837	245,211
Total Liabilities	7,101,526	7,123,771
SHAREHOLDERS' EQUITY		
Share capital	260,000	260,000
Reserves	183,283	173,504
Total Equity	443,283	433,504
TOTAL LIABILITIES & EQUITY	7,544,809	7,557,275
COMMITMENTS AND CONTINGENCIES	2,067,958	2,022,889

A27. OPERATIONS OF ISLAMIC BANKING (cont.)

(ii) Unaudited Islamic Income Statements

	←-----Group----->			
	Individual Quarter Ended 31/3/2011 RM'000	31/3/2010 RM'000	Cumulative Quarter Ended 31/3/2011 RM'000	31/3/2010 RM'000
Income derived from investment of depositors' funds and others	81,651	63,516	81,651	63,516
Allowance for losses on financing	(2,125)	(4,479)	(2,125)	(4,479)
	79,526	59,037	79,526	59,037
Income attributable to depositors	(42,953)	(26,549)	(42,953)	(26,549)
Income attributable to shareholders	36,573	32,488	36,573	32,488
Income derived from investment of Shareholders' funds	4,908	3,982	4,908	3,982
	41,481	36,470	41,481	36,470
Other operating expenses	(23,875)	(21,868)	(23,875)	(21,868)
Profit before tax and zakat	17,606	14,602	17,606	14,602
Taxation	(3,735)	(6,691)	(3,735)	(6,691)
Net profit for the financial period	13,871	7,911	13,871	7,911

(ii) Unaudited Statements of Comprehensive Islamic Income

	←-----Group----->			
	Individual Quarter Ended 31/3/2011 RM'000	31/3/2010 RM'000	Cumulative Quarter Ended 31/3/2011 RM'000	31/3/2010 RM'000
Profit after taxation and zakat	13,871	7,911	13,871	7,911
Other comprehensive income:				
- Net change in fair value of financial investments available-for-sale	(5,456)	(1,915)	(5,456)	(1,915)
- Deferred tax on revaluation of financial investments available-for-sale	1,364	478	1,364	478
Other comprehensive infome for the financial period, net of tax	(4,092)	(1,437)	(4,092)	(1,437)
Total comprehensive income for the financial period attributable to the equity holders of the Company	9,779	6,474	9,779	6,474

A27. OPERATIONS OF ISLAMIC BANKING (cont.)

	Group	
	31/3/2011 RM'000	31/12/2010 RM'000
(iii) <u>Financing</u>		
<u>By type</u>		
Cash line	219,636	223,926
Term financing		
- Housing financing	1,104,539	1,053,556
- Syndicated term financing	113,794	116,995
- Hire purchase receivables	1,111,236	1,061,166
- Other term financing	964,727	934,792
Bills financing	355	1,389
Trust receipts	52,885	43,958
Interest-free accepted bills	105,290	57,938
Staff financing	8,430	8,035
Revolving credit	142,442	142,463
	3,823,334	3,644,218
Less : Allowance for impairment		
- Collective impairment	(54,550)	(52,481)
- Individual impairment	(36,330)	(36,141)
Total net financing	3,732,454	3,555,596

(iv) Impaired/non-performing financing

(a) Movements of impaired financing

Balance at the beginning of financial period/year	152,601	130,840
Classified as impaired during the financial period/year	17,789	92,689
Reclassified as non-impaired during the financial period/year	(18,298)	(42,087)
Amount recovered during the financial period/year	(4,880)	(22,714)
Amount written-off during the financial period/year	(218)	(6,127)
Balance at the end of financial period/year	146,994	152,601

A27. OPERATIONS OF ISLAMIC BANKING (cont.)

	Group	
	31/3/2011	31/12/2010
	RM'000	RM'000
(iv) Impaired/non-performing financing (cont.)		
(b) <u>Movements in the allowance for impairment on financing</u>		
Collective impairment		
Balance at the beginning of financial period/year	52,481	43,925
Allowance for impairment made during the financial period/year	2,287	13,365
Amount written-off during the financial period/year	(218)	(4,809)
Balance at the end of financial period/year	<u>54,550</u>	<u>52,481</u>
Individual impairment		
Balance at the beginning of financial period/year	36,141	23,228
Allowance for impairment during the financial period/year	1,567	25,307
Amount recovered during the financial period/year	(919)	(9,891)
Amount written-off during the financial period/year	-	(1,175)
Unwind of discount of allowance	(459)	(1,328)
Balance at the end of financial period/year	<u>36,330</u>	<u>36,141</u>
(vi) Deposits from customers		
<u>By type of deposits</u>		
Non-Mudharabah Funds		
Demand deposits	1,533,916	1,488,093
Savings deposits	190,293	192,016
	<u>1,724,209</u>	<u>1,680,109</u>
Mudharabah Funds		
Demand deposits	11,744	10,794
Savings deposits	76,559	66,187
General investment deposits	3,101,281	3,134,711
Special investment deposits	538,136	641,673
	<u>3,727,720</u>	<u>3,853,365</u>
Total deposits from customers	<u>5,451,929</u>	<u>5,533,474</u>

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 lower pretax profit of RM140.3 million for the current financial quarter ended 31 March 2011 as compared to RM177.3 million for the preceding year's corresponding quarter. The increase in net interest income and Islamic banking income totalling RM14.0 million was not sufficient to cushion the drop in other operating income and share of profit in associate of RM7.6 million and RM4.1 million respectively, as well as the share of losses in jointly controlled entity of RM3.4 million as compared to a profit of RM5.1 million for the same period last year. For the period under review, both the overhead expenses and allowance for loan impairment were also higher by RM17.2 million and RM12.7 million respectively.

AFFIN Bank Berhad ("ABB") group recorded a lower pretax profit of RM123.4 million for the current financial quarter ended 31 March 2011 as compared to RM139.0 million for the preceding year's corresponding quarter. The increase in both net interest income and Islamic banking income totalling RM11.3 million was outpaced by the increase in overhead expenses and allowance for loan impairment of RM13.4 million and RM12.6 million respectively.

AFFIN Investment Bank Berhad ("AIBB") group also reported a lower pretax profit of RM17.3 million for the current financial quarter ended 31 March 2011 as compared to RM27.9 million for the preceding year's corresponding quarter, mainly due to lower other operating income of RM7.3 million and higher overhead expenses of RM3.3 million. As for AFFIN Fund Management Berhad, the Company posted a higher pretax profit of RM0.8 million for the current financial quarter as compared to RM0.6 million for the same period last year.

AFFIN Moneybrokers Sdn Bhd reported a higher pretax profit of RM0.6 million for the current financial quarter as compared to RM0.4 million for the same quarter last year, mainly due to higher net brokerage income net of higher overheads.

AXA AFFIN Life Insurance Berhad ("AALI") reported a pretax loss of RM3.6 million for the current financial quarter as compared to a pretax profit of RM0.3 million for the preceding year's corresponding quarter, mainly due to higher overhead expenses of RM1.4 million and recognition of year-to-date pretax deficits of the Life Fund Revenue Accounts of RM2.7 million at Group level. Included in the share of losses in jointly controlled entity of RM3.4 million for the current financial quarter was an adjustment of RM1.3 million on over-recognition of Group's share of profit in AALI for the previous financial year.

AXA AFFIN General Insurance Berhad ("AAGI") reported a lower pretax profit of RM1.2 million for the current financial quarter as compared to RM4.0 million for the preceding year's corresponding quarter. The increase in both earned premium and investment income of RM46.8 million and RM7.7 million were not sufficient to cushion the increase in net claims, overhead expenses and net commission of RM25.4 million, RM14.7 million and RM7.6 million respectively. Included in the share of results in associate of RM1.5 million for the current financial quarter was an adjustment of RM1.1 million on under-recognition of Group's share of profit in AAGI for the previous financial year.

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

The Group recorded a lower pretax profit of RM140.3 million for the current financial quarter as compared to RM156.7 million for the preceding quarter ended 31 December 2010, mainly attributable to lower other operating income of RM19.5 million and the share of losses in jointly controlled entity of RM3.4 million as compared to a profit of RM7.4 million for the preceding quarter. This was partially cushioned by the reduction in both the allowance for loan impairment and securities impairment of RM7.7 million and RM4.8 million respectively.

B3. PROSPECT FOR THE CURRENT FINANCIAL YEAR

Barring any unforeseen circumstances, the Group is expected to perform well and achieve satisfactory results for the financial period ending 31 December 2011.

Based on the current performance, the Board of Directors is of the view that the Group will be on track to achieve following announced headline Key Performance Indicators (KPIs) for the financial year 2011:-

<u>Headline KPIs</u>	<u>As announced</u>	<u>Actual</u>
	<u>for financial</u>	<u>achieved for 3</u>
	<u>year 2011</u>	<u>months ended</u>
		<u>31/3/2011</u>
(i) After Tax Returns on Equity (ROE)	10.0%	2.0%
(ii) After Tax Returns on Assets (ROA)	1.1%	0.2%
(iii) Gross Impaired Loan Ratio	2.8%	3.4%
(iv) Earnings Per Share (EPS)	35.3 sen	7.10 sen

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	Individual Quarter Ended	Cumulative Quarter Ended	Cumulative Quarter Ended
	31/3/2011	31/3/2010	31/3/2011	31/3/2010
	RM'000	RM'000	RM'000	RM'000
Malaysian Taxation:-				
- Income tax based on profit for the financial year	41,392	40,712	41,392	40,712
Deferred tax:-				
- Relating to originating temporary differences	(7,597)	28	(7,597)	28
Recognition of deferred tax benefits previously not recognised	-	(1,908)	-	(1,908)
Under provision in prior years:				
- Current taxation	249	3,159	249	3,159
	34,044	41,991	34,044	41,991

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

B6. SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

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

B7. PURCHASE OR DISPOSAL OF QUOTED SECURITIES

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

B8. STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED

Save as disclosed below, there were no corporate proposals announced but not completed as at 31 March 2011:-

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.

On 4 August 2010, AFFIN Investment Bank Berhad ("AIBB") 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.

B8. STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED

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

- (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.

On 27 December 2010, AIBB had on behalf of the Board of AHB announced that BNM had vide its letter dated 23 December 2010 granted its approval to AFFIN Bank for the following:-

- (i) To establish a subsidiary by acquiring Bank Ina pursuant to Section 29 of the Banking and Financial Institution Act 1989; and
- (ii) To issue 121.356 million fully paid-up new ordinary shares to fund the proposal.

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 end of 2011. The Proposed Option is expected to complete on the second anniversary of the Closing Date.

B9. GROUP BORROWINGS AND DEBT SECURITIES

	Group	
	31/3/2011	31/12/2010
	RM'000	RM'000
(i) Deposits from Customers		
<u>By Type of Deposits:-</u>		
Money Market Deposits	636,550	706,697
Demand Deposits	5,218,316	5,063,061
Savings Deposits	1,443,385	1,400,535
Fixed Deposits	23,066,974	22,166,952
Negotiable Instruments of Deposits ('NIDs')	3,886,330	3,119,514
Special Investment Deposits	538,136	641,673
	34,789,691	33,098,432
Maturity structure of fixed deposits and NIDs are as follows:		
Due within six months	23,813,267	22,036,969
Six months to one year	3,096,323	3,176,519
One year to three years	20,979	50,026
Three years to five years	22,735	22,952
	26,953,304	25,286,466
<u>By Type of Customers:-</u>		
Government and statutory bodies	6,537,241	5,554,300
Business enterprises	10,737,926	11,060,615
Individuals	5,374,307	5,003,875
Others	12,140,217	11,479,642
	34,789,691	33,098,432
(ii) Deposits and Placements of Banks and Other Financial Institutions		
<u>By Type of Institutions:-</u>		
Licensed banks	4,724,000	5,412,341
Licensed investment banks	368,722	66,078
Bank Negara Malaysia	907,800	308,350
Other financial institutions	799,231	1,050,862
	6,799,753	6,837,631
<u>By Maturity Structure:-</u>		
Due within six months	6,549,424	6,577,735
Six months to one year	250,329	259,896
	6,799,753	6,837,631
(iii) Borrowings		
Unsecured		
- More than one year (medium/long-term)	390,624	390,624
	390,624	390,624

B10. REALISED AND UNREALISED PROFITS

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

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

	Group	
	31/3/2011	31/12/2010
	RM'000	RM'000
<u>Total retained profits of AFFIN Holdings Berhad and its subsidiaries</u>		
- Realised	1,098,674	957,831
- Unrealised		
- deferred tax recognised in the income statement	14,307	6,713
- other items of income and expense	(13,609)	26,858
	1,099,372	991,402
<u>Total share of retained profits in associate:-</u>		
- Realised	135,270	130,303
- Unrealised	(1,063)	2,453
<u>Total share of accumulated losses in jointly controlled entities:-</u>		
- Realised	(28,786)	(25,865)
- Unrealised	7,248	7,681
	1,212,041	1,105,974
Add: Consolidation adjustments	124,901	124,901
Total Group retained profits as per consolidated financial statements	1,336,942	1,230,875

The breakdown of realised and unrealised retained profits is determined based on the Guidance of Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad listing Requirements" issued by the Malaysian Institute of Accountants on 20 December 2010.

The unrealised retained profits of the Group as disclosed above does not include translation gains and losses on monetary items denominated in a currency other than the functional currency and foreign exchange contracts. These translation gains and losses are incurred in the ordinary course of business of the Group and hence deemed as realised.

The above disclosure of realised and unrealised unappropriated profits and losses is strictly for the compliance of the disclosure requirements stipulated in the directive issued by Bursa Malaysia and should not be used for any other purposes.

B11. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

Details of derivative financial instruments outstanding as at reporting date are as follows:-

(i) Derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts:-

Group	<----- As at 31 March 2011 ----->			<----- As at 31 December 2010 ----->		
	Contract/ Notional Amount RM'000	Fair Value		Contract/ Notional Amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
Trading derivatives:						
Foreign exchange contract						
- Currency forwards	1,776,751	3,601	12,777	728,471	2,381	19,025
- Currency swaps	2,207,641	29,850	30,365	1,667,371	32,162	21,087
- Currency options	283,292	362	200			
Interest rate contract						
- Interest rate swaps	1,430,592	9,326	13,500	1,479,285	8,711	17,448
Total	5,698,276	43,139	56,842	3,875,127	43,254	57,560

(ii) The derivative financial instrument of the Group classified by remaining period to maturity/repricing date (whichever earlier) as at reporting date are as follows:-

Items	<----- As at 31 March 2011 ----->						
	Contract/ Notional Amount RM'000	1 month or less RM'000	> 1 - 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 3 years RM'000	> 3 years RM'000
Trading derivatives:							
Foreign exchange contract							
- Currency forwards	1,776,751	1,104,445	275,951	372,556	23,799	-	-
- Currency swaps	2,207,641	1,086,933	803,928	118,943	16,717	181,120	-
- Currency options	283,292	86,105	105,327	81,960	9,900	-	-
	4,267,684	2,277,483	1,185,206	573,459	50,416	181,120	-
Interest rate contract							
- Interest rate swaps	1,430,592	-	-	3,111	68,196	170,067	1,189,218
Total	5,698,276	2,277,483	1,185,206	576,570	118,612	351,187	1,189,218

B11. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (cont.)

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

Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at end of the financial year, the notional amount of foreign exchange exposure which was not hedged and hence, exposed to market risk was RM7.3 million (FYE 31/12/2010: RM13.7 million), while the notional amount of interest rate contract was RM854.6 million (FYE 31/12/2010: RM903.3 million).

Credit risk

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the commercial bank has a gain position. As at the reporting date, the amounts of foreign exchange and interest rate credit risk, measured in terms of the cost to replace the profitable contracts, was RM77.2 million (FYE 31/12/2010: RM66.7 million) and RM69.4 million (FYE 31/12/2010: RM69.7 million) respectively. This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

Liquidity risk

Liquidity risk on derivatives is the risk that the derivative position cannot be closed out promptly. The exposure to liquidity risk is mitigated by entering into transactions where the underlying financial instruments are widely traded and also easily closed out through alternative markets.

Cash Requirement of the Derivatives

Cash requirements of the derivatives may arise from margin requirements to post cash collateral with counterparties as the fair value moves beyond the agreed upon threshold limits in the counterparties' favour, or upon downgrade in the Bank's credit ratings. As at 31 March 2011, there is no requirement for the Group to post any additional cash collateral on its derivative contracts.

Related Accounting Policies

The related accounting policies for off-balance sheet financial instruments applied in the condensed interim financial statements are consistent with those applied in the annual financial statements for the year ended 31 December 2010.

B12. MATERIAL LITIGATION

- a) 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. On 20 August 2010 when the matter came up for case management before the judge, both counsels briefed the Judge on the facts of this case. The Judge suggested for both parties to come to a settlement, in the event that there is still room for negotiation.

On 8 September 2010, the Plaintiff's solicitors requested for an adjournment at the trial. The Judge vacated the trial dates and set the matter down for case management on 8 October 2010 which was further postponed to 10 December 2010. On 10 December 2010 the matter was fixed for trial on 4, 5, 6, 7 and 8 April 2011.

Arising from the mediation conducted on 25 March 2011, without admission of liability but in order to bring this long-outstanding dispute to an end, ABB is to pay RM70 million to BSNC ("Mediation Sum") on or before 31 May 2011 in full and final settlement of all BSNC's claims. BSNC has agreed that upon the payment of the Mediation Sum, it shall have no further claims whatsoever against AHB and ABB. The settlement was recorded in the Kuala Lumpur High Court on 31 March 2011.

- b) There are various other legal suits against AFFIN Bank Berhad ("ABB") in respect of claims and counter claims of approximately RM48.2 million (31 December 2010: RM86.3 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.

B13. PROPOSED DIVIDENDS

No final dividend has been proposed for the current financial quarter ended 31 March 2011.

B14. EARNINGS PER SHARE

	Group			
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/3/2011	31/3/2010	31/3/2011	31/3/2010
Net profit attributable to equity holders of the company (RM'000)	106,067	135,332	106,067	135,332
Weighted average number of ordinary shares in issue	1,494,575,806	1,494,371,417	1,494,575,806	1,494,371,417
Basic earnings per share (sen)	7.10	9.06	7.10	9.06
Diluted earnings per share (sen)	7.10	9.06	7.10	9.06

The basic and diluted earnings per share of the Group for the current financial quarter ended 31 March 2011 have been calculated based on the net profit attributable to the equity holders of the company of RM106,067,000 (31 March 2010: RM135,332,000) divided by the weighted average number of ordinary shares in issue during the current financial quarter of 1,494,575,806 (31 March 2010: 1,494,371,417).

B15. ECONOMIC PROFIT

	Group			
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/3/2011	31/3/2010	31/3/2011	31/3/2010
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial year	106,067	135,332	106,067	135,332
Less: Economic charge	(131,954)	(122,009)	(131,954)	(122,009)
Economic (loss)/profit for the financial year	(25,887)	13,323	(25,887)	13,323

Formula for calculation of economic charge:

(i) Economic charge = Cost of equity x Average total equity for the financial year

(ii) Cost of equity = Beta x Market risk premium + Risk-free rate

Beta = 5-year adjusted Bloomberg Beta

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

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