AFFINHOLDINGS

AFFIN HOLDINGS BERHAD

(23218-W)

ANNUAL REPORT 2010

CONTENTS

COVER RATIONALE

Empowering Excellence -
The way forward

The cover design illustrates AFFIN as a forward organization that is dynamic and continuous. The solid blue band depicts AFFIN as a dynamic and strong organization that can withstand fresh and new challenges and sustain and support new opportunities. The red tide represents AFFIN on a mission to continue to nurture a steady growth of businesses, through strategic acquisitions and organic growth to develop a strong portfolio of assets and leading market positions.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the THIRTY-FIFTH (35TH) ANNUAL GENERAL MEETING of AFFIN HOLDINGS BERHAD will be held at the 13th Floor, Bangunan LTAT, Jalan Bukit Bintang, 55100 Kuala Lumpur on Monday, 18 April 2011 at 10:00 a.m. to transact the following business:-

AGENDA

1. To receive and if thought fit, adopt the Audited Financial Statements for the financial year ended 31 December 2010 and the Reports of the Directors and Auditors thereon. **Resolution 1**

2. To re-elect the following Directors who retire by rotation and being eligible, offer themselves for re-election in accordance with Article 105 of the Company's Articles of Association:-

   2.1 Y. Bhg. Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin **Resolution 2**

   2.2 Professor Arthur Li Kwok Cheung **Resolution 3**

3. To re-elect Encik Abd Malik bin A Rahman who retires in accordance with Article 111 of the Company's Articles of Association and who being eligible, offers himself for re-election. **Resolution 4**

4. To consider and if thought fit, to pass the following resolutions in accordance with Section 129(6) of the Companies Act, 1965:-

   4.1 "That pursuant to Section 129(6) of the Companies Act, 1965, Y. Bhg. Maj. Gen. (R) Dato' Mohamed Isa bin Che Kak be and is hereby re-appointed as Director of the Company to hold office until the next Annual General Meeting." **Resolution 5**

   4.2 "That pursuant to Section 129(6) of the Companies Act, 1965, Y. Bhg. Dato' Mustafa bin Mohamad Ali be and is hereby re-appointed as Director of the Company to hold office until the next Annual General Meeting." **Resolution 6**

   4.3 "That pursuant to Section 129(6) of the Companies Act, 1965, Dr. The Hon. Sir David Li Kwok Po be and is hereby re-appointed as Director of the Company to hold office until the next Annual General Meeting." **Resolution 7**

5. To approve Directors' Fees. **Resolution 8**

6. To re-appoint Auditors and to authorise the Directors to fix their remuneration. **Resolution 9**

7. SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions:-

7.1 Ordinary Resolution
Authority to Allot and Issue Shares in General Pursuant to Section 132D of the Companies Act, 1965

Resolution 10

"**THAT** pursuant to Section 132D of the Companies Act, 1965, and subject to the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue shares in the capital of the Company from time to time and upon such terms and conditions and for such purposes as the Directors, may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are hereby also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing and quotation of the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

7.2 Ordinary Resolution
Proposed Shareholders' Mandate and Additional Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")

Resolution 11

"**THAT** authority be and is hereby given in line with Chapter 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, for the Company, its subsidiaries or any of them to enter into any of the transactions falling within the types of the Recurrent Related Party Transactions, particulars of which are set out in the Circular to Shareholders dated 25 March 2011 with the Related Parties as described in the said Circular, provided that such transactions are of revenue or trading nature, which are necessary for the day-to-day operations of the Company and/or its subsidiaries within the ordinary course of business of the Company and/or its subsidiaries, made on an arm's length basis and on normal commercial terms which are those generally available to the public and are not detrimental to the minority shareholders of the Company;

AND THAT such authority shall commence immediately upon the passing of this Ordinary Resolution until:

i. the conclusion of the next annual general meeting of the Company at which time the authority shall lapse unless by a resolution passed at a general meeting, the authority is renewed; or

ii. the expiration of the period within which the next annual general meeting after the date that is required by law to be held pursuant to Section 143(1) of the Companies Act, 1965; or

iii. revoked or varied by a resolution passed by the shareholders of the Company at a general meeting

whichever is earlier.

AND FURTHER THAT the Board of Directors be and is hereby authorised to do all acts, deeds and things as may be deemed fit, necessary, expedient and/or appropriate in order to implement the Proposed Shareholders' Mandate with full power to assent to all or any conditions, variations, modifications and/or amendments in any manner as may be required by any relevant authorities or otherwise and to deal with all matters relating thereto and to take all such steps and to execute, sign and deliver for and on behalf of the Company all such documents, agreements, arrangements and/or undertakings, with any party or parties and to carry out any other matters as may be required to implement, finalise and complete, and give full effect to the Proposed Shareholders' Mandate in the best interest of the Company."

7.3 Special Resolution
Proposed Amendment to Article 162 of the Articles of Association of the Company Resolution 12

"**THAT** the existing Article 162 of the Articles of Association of the Company be and is hereby deleted in its entirety and be substituted thereof with a new Article 162 as follows:-

Any dividend, interest or other money payable in cash in respect of shares may be paid by cheque or warrant sent through post to the last registered address of the holder or person entitled thereto or paid by direct transfer or such other electronic means to the bank account provided by the holder whose name appears in the Record of Depositors. Every such cheque or warrant or payment by direct transfer or such other electronic means shall be made payable to the order of the holder or person entitled thereto, and the payment of any such cheque or warrant or the payment by direct transfer or such other electronic means to the bank account provided by the holder whose name appears in the Record of Depositors shall operate as a good discharge of the Company's obligation in respect of dividend represented thereby, notwithstanding that it may subsequently appear that the cheque has been stolen or that the endorsement thereon or the instruction for the payment by direct transfer or such other electronic means has been forged. Every such cheque or warrant sent or payment by direct transfer or such other electronic means shall be at the risk of the holder or the person entitled to the dividend thereby represented."

8. To transact any other ordinary business of the Company.

By Order of the Board

DATUK TAN LEH KIAH
SUZANA BINTI AHMAD
Secretaries

Kuala Lumpur
25 March 2011

Note

a. A member entitled to attend and vote at the above meeting may appoint one or more proxies on his behalf. A proxy need not be a member of the Company. The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company, 7th Floor, Chulan Tower, 3 Jalan Conlay, 50450 Kuala Lumpur not less than 48 hours before the time appointed to hold the meeting.

b. The proposed resolution 10, if passed, will give powers to the Directors to issue up to a maximum of 10% of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the interests of the Company. The authority will, unless revoked or varied by the Company in a General Meeting, expire at the conclusion of the next Annual General Meeting or the expiration of the period within which the next Annual General Meeting is required by law to be held, whichever is earlier.

   As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the Thirty-Fourth Annual General Meeting held on 19 April 2010 and which will lapse at the conclusion of the Thirty-Fifth Annual General Meeting.

   The General Mandate sought will provide flexibility to the Company for any possible fund raising activities, including but not limited for further placing of shares, for purpose of funding investment(s), working capital and/or acquisition(s).

c. The proposed resolution 11, if passed, will enable the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature which are necessary for the day-to-day operations of the Company and/or its subsidiaries, subject to the transactions being carried out in the ordinary course of business of the Company and/or its subsidiaries and on normal commercial terms which are generally available to the public and not detrimental to the minority shareholders of the Company.

d. The proposed resolution 12, if passed, will give authority for the Company to amend its Articles of Association in order to align with the amendments of the Listing Requirements pursuant to the directive from Bursa Malaysia Securities Berhad on the implementation of payment of electronic cash dividend, for clarification and enhancements and, where relevant, to render consistency throughout the Articles.

NAME OF DIRECTORS STANDING FOR RE-ELECTION OR RE-APPOINTMENT

The directors who are retiring pursuant to the Articles of Association and seeking for re-election in the forthcoming AGM:

i Y. Bhg. Gen (R) Tan Sri Dato' Seri Mohd Zahidi bin Hj Zainuddin
ii Professor Arthur Li Kwok Cheung
iii En Abd Malik A Rahman

The following directors who are over the age of seventy years and seeking re-appointment in the forthcoming AGM:

i Y. Bhg. Maj. Gen. (R) Dato' Mohamed Isa bin Che Kak
ii Y. Bhg. Dato' Mustafa bin Mohamad Ali
iii Dr. The Hon. Sir David Li Kwok Po

The profiles of the directors are set out on pages 7 to 13 of this Annual Report.

DETAILS OF BOARD MEETINGS

Five (5) Board Meetings were held during the financial year ended 31 December 2010. Details of the meetings are as follows:

Date of Meeting	Time	Venue
8 February 2010	9.00 am	7th Floor, Chulan Tower
19 April 2010	9.00 am	7th Floor, Chulan Tower
17 May 2010	9.00 am	7th Floor, Chulan Tower
27 August 2010	9.00 am	7th Floor, Chulan Tower
22 November 2010	9.00 am	7th Floor, Chulan Tower

DETAILS OF ATTENDANCE OF DIRECTORS

Details of attendance of Directors at the Board Meetings held during the financial year ended 31 December 2010 are as follows:

Name of Directors	Date of Appointment	No. of Meetings Attended
Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin	17 October 2005	5/5
Tan Sri Dato' Lodin bin Wok Kamaruddin	19 July 1986	5/5
Raja Dato' Seri Aman bin Raja Haji Ahmad	25 April 1991	5/5
Maj. Gen. (R) Dato' Mohamed Isa bin Che Kak	25 April 1991	4/5
Datuk Azzat bin Kamaludin	25 April 1991	5/5
Dato' Mustafa bin Mohamad Ali	28 November 2002	5/5
Dr. The Hon. Sir David Li Kwok Po	21 May 2008	5/5
Professor Arthur Li Kwok Cheung	21 May 2008	5/5
Adrian David Li Man Kiu (Alternate Director to Dr. The Hon. Sir David Li Kwok Po)	21 May 2008	–

AFFIN HOLDINGS BERHAD
(23218-W)

Board of Directors

Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin *(Chairman)*

Tan Sri Dato' Lodin bin Wok Kamaruddin *(Deputy Chairman)*

Maj. Gen. (R) Dato' Mohamed Isa bin Che Kak

Raja Dato' Seri Aman bin Raja Haji Ahmad

Datuk Azzat bin Kamaludin

Dato' Mustafa bin Mohamad Ali

Dr. The Hon. Sir David Li Kwok Po

Professor Arthur Li Kwok Cheung

Abd Malik bin A Rahman
(Appointed on 16.2.2011)

Adrian David Li Man Kiu
(Alternate Director to Dr. The Hon. Sir David Li Kwok Po)

Secretaries

Datuk Tan Leh Kiah
Suzana binti Ahmad

Registered Office

7th Floor, Chulan Tower, 3 Jalan Conlay
50450 Kuala Lumpur, Malaysia
Telephone: (03) 21429569
Fax: (03) 21431057

Auditors

PricewaterhouseCoopers
Level 10, 1 Sentral, Jalan Travers,
Kuala Lumpur Sentral, P.O. Box 10192,
50706 Kuala Lumpur, Malaysia

Registrar

Boustead Management Services Sdn Bhd
13th Floor, Menara Boustead,
69, Jalan Raja Chulan, 50200 Kuala Lumpur
Tel: (03) 21419044 Fax: (03) 21443016

Principal Bankers

AFFIN Bank Berhad
RHB Bank Berhad
Public Bank Berhad

Stock Exchange

Bursa Malaysia Securities Berhad
Stock Code: 5185
Stock Name: AFFIN

Website

http://www.affin.com.my

GEN (R) TAN SRI DATO' SERI MOHD ZAHIDI BIN HJ ZAINUDDIN

Chairman
Non-Independent Non-Executive Director

Gen (R) Tan Sri Dato' Seri Mohd Zahidi bin Hj Zainuddin, a Malaysian aged 62, was appointed as a Non-Independent Non-Executive Director and Chairman of the Board on 17 October 2005. He is also a member of the Remuneration and Nomination Committees. Gen (R) Tan Sri Dato' Seri Mohd Zahidi served the Malaysian Armed Forces for 39 years, holding many key appointments at field and ministerial level. He was the Chief of Defence Forces with the rank of General from 1st January 1999 till his retirement on 30th April 2005. Gen (R) Tan Sri Dato' Seri Mohd Zahidi is a graduate of Senior Executive Program in National and International Security Harvard University, USA, Command and General Staff College Philipines, Joint Services Staff College Australia and National Defence College Pakistan. He also holds a Master of Science Degree (Defence and Strategic Studies) of Quaid-I-Azam University Islamabad, Pakistan. His current directorships in other public companies include Cahya Mata Sarawak Berhad, Genting Malaysia Berhad, Bintulu Port Holdings Berhad, Genting Plantations Berhad, Wah Seong Corporation Berhad and Bandar Raya Development Berhad. He is made a member of Dewan Negara Perak, elected by DYMM Paduka Seri Sultan Perak on 25 November 2006 and also a trustee of Yayasan Sultan Azlan Shah. He is also made a member of the Malaysian-Indonesian Eminent Persons Group elected by the Prime Minister since July 2008. He does not have any family relationship with any Director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company. He has not been convicted of any offence.

TAN SRI DATO' LODIN BIN WOK KAMARUDDIN

Deputy Chairman
Non-Independent Non-Executive Director

Tan Sri Dato' Lodin bin Wok Kamaruddin, a Malaysian aged 62, was appointed as a Director of AFFIN Holdings Berhad on 19 July 1986. He was subsequently appointed as the Managing Director of the Company in February 1991 and redesignated as Deputy Chairman on 1 July 2008. He is also a member of the Nomination Committee. Tan Sri Dato' Lodin has vast business and management experience pursuant to his various positions held in Lembaga Tabung Angkatan Tentera ("LTAT") Group of Companies. He is the Chief Executive of LTAT and the Group Managing Director of Boustead Holdings Berhad. Prior to joining LTAT, he was the General Manager of Perbadanan Kemajuan Bukit Fraser for 9 years. Tan Sri Lodin is also the Chairman of Boustead Heavy Industries Corporation Berhad, Boustead Naval Shipyard Sdn Bhd, Boustead Petroleum Marketing Sdn Bhd, Boustead REIT Managers Sdn Bhd, Johan Ceramics Berhad and 1Malaysia Development Berhad and also sits on the Boards of UAC Berhad, The University of Nottingham in Malaysia Sdn Bhd, Minority Shareholder Watchdog Group, Atlas Hall Sdn Bhd, AFFIN Bank Berhad, AFFIN Islamic Bank Berhad, AFFIN Investment Bank Berhad and AXA AFFIN Life Insurance Berhad. He graduated from the University of Toledo, Ohio, USA with a Bachelor of Business Administration and a Master of Business Administration Degree. He does not have any family relationship with any Director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company. He has not been convicted of any offence.

MAJ GEN (R) DATO' MOHAMED ISA BIN CHE KAK

Independent Non-Executive Director

Maj Gen (R) Dato' Mohamed Isa bin Che Kak, a Malaysian aged 75, was appointed as a Director of AFFIN Holdings Berhad on 25 April 1991. He is the Chairman of the Audit Committee and a member of the Nomination Committee. Maj Gen (R) Dato' Mohamed Isa also sits on the Board of LBS Bina Group Berhad and C.I. Holdings Berhad. He served the Armed Forces for 32 years since 1958 and has more than 16 years of experience in private sector service. During his service with the armed forces, he held many important posts. His last held rank was Major General. He does not have any family relationship with any Director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company. He has not been convicted of any offence

DATUK AZZAT BIN KAMALUDIN

Non-Independent Non-Executive Director

Datuk Azzat bin Kamaludin, a Malaysian aged 65, was appointed as a Director of AFFIN Holdings Berhad on 25 April 1991. He is a member of the Remuneration Committee. He graduated from the University of Cambridge with degrees in Law and in International Law in 1968 and 1969 respectively and was admitted as a Barrister-at-Law of the Middle Temple, London in 1970. He served as an Administrative and Diplomatic Officer with the Ministry of Foreign Affairs Malaysia from 1970 to 1979. Since then he has been a partner of the legal firm of Azzat & Izzat. He is also presently a Director of Boustead Holdings Berhad, Pulai Springs Berhad, KPJ Healthcare Berhad, Boustead Heavy Industries Corporation Berhad, Axiata Group Berhad and VisDynamics Holdings Berhad. He does not have any family relationship with any Director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company other than the rendering of professional services to the Group which is carried out in the ordinary course of business of Azzat & Izzat, of which he is a partner. He has not been convicted of any offence.

RAJA DATO' SERI AMAN BIN RAJA HAJI AHMAD

Independent Non-Executive Director

Raja Dato' Seri Aman bin Raja Haji Ahmad, a Malaysian aged 65, was appointed as a Director of AFFIN Holdings Berhad on 25 April 1991. He was redesignated as an Independent Non-Executive Director on 15 January 2008. He is a member of the Audit and Nomination Committees. Raja Dato' Seri Aman was the Chief Executive Officer of AFFIN Bank Berhad, a wholly owned subsidiary of AFFIN Holdings Berhad until May 2003. Presently, Raja Dato' Seri Aman sits on the Board of AFFIN Investment Bank Berhad, a subsidiary of AFFIN Holdings Berhad. He is also presently a Director of Ahmad Zaki Resources Berhad and Tomei Consolidated Berhad. Raja Dato' Seri Aman is a member of the Malaysian Institute of Accountants, a Certified Public Accountant and a Fellow of the Institute of Chartered Accountant of England and Wales. He held various positions in Maybank Group from 1974 to 1985 prior to joining AFFIN Bank in 1985 as an Executive Director. He left AFFIN Bank Berhad in 1992 to join Perbadanan Usahawan Nasional Berhad as the Chief Executive Officer for one year before he was appointed as Chief Executive Officer of AFFIN Bank Berhad in 1995. He does not have any family relationship with any Director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company. He has not been convicted of any offence.

DATO' MUSTAFA BIN MOHAMAD ALI

Independent Non-Executive Director

Dato' Mustafa bin Mohamad Ali, a Malaysian aged 74, was appointed as an Independent Non-Executive Director of AFFIN Holdings Berhad on 28 November 2002. He is also the Chairman of the Nomination and Remuneration Committees and a member of the Audit Committee. Dato' Mustafa sits on the Board of AXA-AFFIN Life Insurance Berhad, a subsidiary of AFFIN Holdings Berhad.

Dato' Mustafa also sits on the Board of Pacific Mutual Berhad and Batu Kawan Berhad. Dato' Mustafa graduated with a Bachelor of Arts (Honours) Degree majoring in Economics from Cambridge University, UK. He also holds a Diploma in Advertising from the Advertising Association, UK. He has attended the Advanced Management Programme at the Harvard Business School, USA.

Dato' Mustafa held various positions including as Marketing Director for Malaysian Tobacco Company from 1974 to 1979, Corporate Planning Executive for British-American Tobacco, Co. London from 1980 to 1982, Managing Director (Tobacco Division) for Malaysian Tobacco Company from 1982 to 1988, Director of Sime Darby (International Operation) from 1988 to 1992 and Regional Director of Sime Darby (Malaysian Region Operations) from 1992 to 1994. He was an Adviser for Kumpulan Guthrie from 1994 to 2002. Dato' Mustafa is currently a trustee of Harvard Business School Alumni, Club of Malaysia Foundation and the British Graduates Association. He does not have any family relationship with any Director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company. He has not been convicted of any offence.

ABD MALIK BIN A RAHMAN

Independent Non-Executive Director

Encik Abd Malik bin A Rahman, a Malaysian aged 62, was appointed as an Independent Non-Executive Director of AFFIN Holdings Berhad on 16 February 2011. Encik Abd Malik is currently an Independent Non-Executive Director of Boustead Heavy Industries Berhad, CYL Corporation Bhd., Lee Swee Kiat Group Berhad and Innity Corporation Bhd as well as director of several private limited companies.

He is a Chartered Accountant member of the Malaysian Institute of Accountants, Fellow of the Association of Chartered Certified Accountants (UK), a member of the Malaysian Institute of Certified Public Accountants, a member of Certified Financial Planners (USA), member of Chartered Management Institute (UK) and a member the Malaysian Institute of Management.

Encik Malik has held various senior management positions in Peat Marwick Mitchell (KPMG), Esso Group of Companies, Colgate Palmolive (M) Sdn Bhd, Amway (Malaysia) Sdn Bhd, Fima Metal Box Berhad and Guinness Anchor Berhad. He was the General Manager, Corporate Services of Kelang Multi Terminal Sdn Bhd (Westports) from 1994 until 2003.

He does not have any family relationship with any Director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company. He has not been convicted of any offence.

DR. THE HON. SIR DAVID LI KWOK PO

Non-Independent Non-Executive Director

Dr. The Hon. Sir David Li Kwok Po, a Chinese national aged 72 was appointed as a Non-Independent Non-Executive Director on 21 May 2008. Sir David is a Member of the Legislative Council of Hong Kong. He is a Member of the Banking Advisory Committee and a Member of the Council of the Treasury Markets Association. Sir David Li is the Pro-Chancellor of the University of Hong Kong, an Honorary Adviser of the Business and Economics Association of HKUSU, an Advisory Committee Member of the Chinese University of Hong Kong S.H. Ho College, an Honorary Fellow of the School of Accountancy, Central University of Finance and Economics and a Companion of the Chartered Management Institute.

Sir David Li is the Chairman and Chief Executive of The Bank of East Asia, Limited ("BEA"). He joined BEA in 1969 and was appointed a Director of BEA in 1977, Chief Executive in 1981, Deputy Chairman in 1995 and Chairman in 1997.

Sir David Li is the Chairman of The Chinese Banks' Association, Limited and the Hong Kong Management Association. He is the Honorary Advisor of The International Chamber of Commerce – Hong Kong, China and the First Honorary Chairman of the Hong Kong Chamber of Commerce in China and a Senior Professional Advisor of Hong Kong China Chamber of Commerce. He is also the Honorary Chairman of the Chamber of Hong Kong Listed Companies. He is also an Emeritus Trustee of the Cambridge Foundation, and a Trustee Emeritus of the Institute for Advanced Study in Princeton. Sir David Li is Vice President of the Council of the Hong Kong Institute of Bankers and Chairman of the Saint Joseph's College Foundation Limited, a member of the Advisory Board of the Judge Business School at the University of Cambridge Commenwealth Trust and Cambridge Overseas Trust. Sir David Li is Chairman of the Advisory Board of The Salvation Army, Hong Kong and Macau Command, Chairman of the Executive Committee of St. James' Settlement and he also serves on Hong Kong Red Cross Advisory Board. He is a Council Member of the Employers' Federation of Hong Kong, a Director of the David Li Kwok-Po Charitable Foundation Limited, a Founder Member and an Executive Committee Member of the Heung Yee Kuk Foundation Limited and Chairman and President of The Legion d' Honneur Club Hong Kong Chapter Association Limited.

Sir David Li is a Director of China Overseas Land & Investment Limited, COSCO Pacific Limited, Criteria Caixacorp, S.A., Guangdong Investment Limited, The Hong Kong and China Gas Company Limited, The Hongkong and Shanghai Hotels, Limited, Hong Kong Interbank Clearing Limited, The Hong Kong Mortgage Corporation Limited, PCCW Limited, San Miguel Brewery Hong Kong Limited, SCMP Group Limited, Vitasoy International Holdings Limited and IMG Worldwide Inc.

Sir David Li is a member of the Board of Trustees of the Asia Society International Council and Asia Business Council, a member of the Credit Agricole S.A. International Advisory Board, a member of The Deutsche Bank Asia Pacific Advisory Board, a member of the Munich Re Greater China Advisory Board, and Chairman of the Asian Youth Orchestra Board. He serves on the advisory board of Carlos P. Romulo Foundation for Peace and Development, Federal Reserve Bank of New York's International Advisory Committee, Hospital for Special Surgery and Scripps International Network. Sir David Li is the Chairman of INSEAD East Asia National Council, the Non-Executive Chairman for Edelman Asia-Pacific and a Senior Adviser of Metrobank.

Sir David Li graduated with a M.A (Economics and Law) from the University of Cambridge in 1968. He is a Fellow of Hong Kong Institute of Certified Public Accountants, Institute of Chartered Accountants in England and Wales, The Chartered Institute of Bankers, The British Computer Society, The Chartered Institute of Arbitrators, The Hong Kong Institute of Bankers and The Australian Society of Certified Practising Accountants. He was also awarded Honorary Degree of Law from the University of Cambridge, University of Warwick, University of Hong Kong and Honorary Degree of Doctor of Humane Letters from Trinity College, Hartford, Connecticut and a Honorary Degree of Doctor of Business Administration from Napier University.

He has not been convicted of any offence.

PROFESSOR ARTHUR LI KWOK CHEUNG

Non-Independent Non-Executive Director

Professor Arthur Li Kwok Cheung, a Chinese national aged 65, was appointed as a Non-Independent Non-Executive Director on 21 May 2008. Professor Li was the Secretary for Education and Manpower of the Government of HKSAR and a Member of the Executive Council from 2002 to 2007. Before these appointments, he was the Vice Chancellor of the Chinese University of Hong Kong (1996-2002) and was the Chairman of Department of Surgery and the Dean of Faculty of Medicine of the Chinese University of Hong Kong. Professor Li is currently a Deputy Chairman of The Bank of East Asia, Limited. He is also an Independent Non-Executive Director of BioDiem Ltd in Australia. He was a Non-Executive Director of China Mobile (Hong Kong) Limited, a Director of Glaxo-Wellcome Plc., an Independent Non-Executive Director of Henderson Cyber Limited, and the Non-Executive Chairman of the Board of Corus Hotels Plc (formerly Corus and Regal Hotel Group Plc).

Professor Li had held many important positions in various social service organisations, medical associations, and educational bodies, including the Education Commission, Committee on Science and Technology, the Hospital Authority, the Hong Kong Medical Council, the University Grants Committee, the College of Surgeons of Hong Kong, and the United Christian Medical Services Board. He was a member of the Board of Directors of the Hong Kong Science and Technology Parks Corporation and the Hong Kong Applied Science and Technology Research Institute, and Vice President of the Association of University Presidents of China. He was a Hong Kong Affairs Adviser to China. He is a member of the National Committee of the Chinese People's Political Consultative Conference.

Professor Li graduated with a MB BChir (Cantab) from the University of Cambridge in 1969. He is a qualified surgeon with post graduate qualifications from among others the Royal College of Surgeons of England, Royal College of Surgeons of Edinburgh, Royal Australasian College of Surgeons, American College of Surgeons and Hong Kong Academy of Medicine. He was also conferred various Honorary Fellows and Doctorates from United States of America, Hong Kong, Philippines, Japan and United Kingdom.

He has not been convicted of any offence.

ADRIAN DAVID LI MAN KIU

Non-Independent Non-Executive Director
(Alternate Director for Dr. The Hon. Sir David Li Kwok Po)

Adrian David Li Man Kiu, a British national aged 37, was appointed as an Alternate Director for Dr. The Hon. Sir David Li Kwok Po on 21 May 2008. He holds a Master's Degree in Management from Kellogg School of Management, Northwestern University, US and a Master of Arts degree and a Bachelor of Arts degree in Law from the University of Cambridge, UK. He is a qualified lawyer in Hong Kong, and England and Wales. Mr. Li joined the Bank of East Asia, Limited in August 2000 as General Manager & Head of Corporate Banking Division. In April 2009, he was promoted to Deputy Chief Executive for Hong Kong Business, and in his current capacity, he is responsible for the overall management of the Bank's business activities in Hong Kong including corporate banking, personal banking, wealth management, and insurance and retirement benefits. Mr. Li is a member of the Tenth Guangdong Provincial Committee of the Chinese People's Political Consultative Conference ("CPPCC"), PRC and was formerly a member of the Ninth and Tenth Guangzhou Committees of the CPPCC. He is also a member of the Eleventh Committee of the All-China Youth Federation, the Deputy Chairman of the Tenth Committee of the Beijing Youth Federation and a Counselor of Hong Kong United Youth Association Limited. In addition, he is a Council member of the Vocational Training Council and the Chairman of its Banking and Finance Industry Training Board, a Board member of the Community Chest of Hong Kong, and a member of the Mandatory Provident Fund Industry Schemes Authority. Mr. Li is currently an Independent Non-Executive Director of Sino Land Company Limited, Tsim Sha Tsui Properties Limited, Sino Hotels (Holdings) Limited and China State Construction International Holdings Limited. Further, he is an Alternate Independent Non-Executive Director of San Miguel Brewery Hong Kong Limited.

He has not been convicted on any offence.

Audit Commitee Report

The Board of AFFIN Holdings Berhad is pleased to present the Report on the Audit Committee (AC) for the Financial Year Ended 31 December 2010.

AUDIT COMMITTEE

The AC comprises of the following Directors:

1) **Maj. Gen. (R) Dato' Mohamed Isa bin Che Kak**
   Chairman/Independent Non-Executive Director

2) **Dato' Mustafa bin Mohamad Ali**
   Member/Independent Non-Executive Director

3) **Raja Dato' Seri Aman bin Raja Haji Ahmad**
   Member/Independent Non-Executive Director

TERMS OF REFERENCE

1.0 OBJECTIVE

1.1 The Audit Committee (AC) is established as a Committee of the Board of Directors. The primary objectives of the AC are to:

a) Provide assistance to the Board in fulfilling its statutory and fiduciary responsibilities in ensuring that good Corporate Governance, system of internal controls, codes of conduct and compliance with regulatory and statutory requirements are maintained by the AFFIN Group;

b) Implement and support the function of the Board by reinforcing the independence and objectivity of the Internal Audit Department (IA);

c) Ensure that Internal and External Audit functions are properly conducted and audit recommendations are implemented effectively.

2.0 COMPOSITION AND APPOINTMENT

2.1 The AC shall have at least three (3) members of whom all must be Non-Executive Directors with a majority of them being Independent Directors. The Chairman of the Committee shall be an Independent, Non-Executive Director. No Alternate Director shall be appointed to the AC.

2.2 At least one (1) member of the Committee must meet the criteria set by the Bursa Malaysia Securities Bhd's Main Market Listing Requirements.

2.3 AC members and the Chairman shall be appointed by the Board of Directors based on the recommendations of the Nomination Committee.

2.4 The Board shall review the Terms of Reference and performance of the AC and each of its members at least once every three (3) years to determine whether the AC has carried out its duties in accordance with its Terms of Reference.

2.5 If a member of the Committee resigns or for any reason ceases to be member in the AC resulting in non-compliance with the requirements, then the Board shall, within three (3) months of the events, appoint such number of new members as may be required.

2.6 The AC shall have no executive powers.

TERMS OF REFERENCE (cont'd)

3.0 AUTHORITY

3.1 The AC, whenever necessary and reasonable for the performance of its duties, shall in accordance with the procedure determined by the Board and at the company's expense:

3.1.1 Have authority to investigate any matters within its Terms of Reference;
3.1.2 Be able to obtain external legal or other independent professional advice or other necessary resources to perform its duties;
3.1.3 Have full and unrestricted access to any information pertaining to the Group;
3.1.4 Have direct communication channels with the External Auditors, Internal Auditors and all employees of the Group;
3.1.5 Be able to convene meetings with the External and Internal Auditors; excluding the attendance of the Executive Members of the Committee at least twice a year; and
3.1.6 Report to the Regulatory Bodies on matters duly reported by it to the Board which have not been satisfactorily resolved resulting in a breach of any regulatory requirements.

4.0 MEETINGS

4.1 The quorum for a meeting of the Committee shall be two thirds (2/3) of the Committee with the majority present being Independent, Non-Executive Directors. If the Chairman is unable to attend any meeting, any other Independent, Non-Executive member present shall act as Chairman. All resolutions of the Committee shall be adopted by a simple majority vote, each member having one (1) vote. In case of equality of votes, the Chairman shall have a second or casting vote.

4.2 The AC shall meet at least four (4) times in a financial year with the objective of reviewing the internal audit reports and AFFIN Group's financial reporting. The AC complements this through regular meetings with the Senior Management and both the Internal and External Auditors to review the AFFIN Group's overall state of governance and internal controls. To ensure that critical issues are highlighted to all Board members in a timely manner, where possible, the AC meetings are convened before the Board meetings. The AC, through its Chairman, shall report to the Board after each meeting where issues can be further deliberated, if necessary.

4.3 Besides the minimum of four (4) AC meetings in a year, additional meetings shall be scheduled whenever deemed necessary by the AC's Chairman or the majority of the Committee members.

4.4 The notice of meeting should be served to the AC members at least seven (7) days before the meeting. The agendas and AC papers are to be circulated at least five (5) days before each meeting.

4.5 The Committee may invite other Directors, members of Management, counsel or any person as applicable to participate in the AC meetings as necessary to carry out the Committee's responsibilities.

4.6 The Company Secretary shall be the Secretary of the Committee. All the original Minutes of AC meetings are in the custody of the Company Secretary and shall be signed by the Chairman of the meeting at which the proceedings are held or by the Chairman of the next succeeding meeting. The signed minutes shall be conclusive evidence without any further proof of the facts thereon stated. Minutes of each meeting shall be distributed to all members of the AC and all the Directors.

4.7 Any inspection of such minutes should obtain prior approval from the Chairman of AC.

5.0 FUNCTIONS AND DUTIES

5.1 The functions and duties of AC shall include, but not limited to the following:

5.1.1 To review the Quarterly Financial Results and Year-End Financial Statement prior to the approval by the Board focusing on the followings:

- Changes in or implementation of major accounting policy;
- Significant and unusual events or any going concern assumption;
- Significant adjustments arising from the audit; and
- Compliance with accounting standards and other legal requirements.

5.0 FUNCTIONS AND DUTIES (cont'd)

5.1 The functions and duties of AC shall include, but not limited to the following: (cont'd)

5.1.2 To act upon any request from the Board to investigate and report on any issues of concern as regard to the Management of the Group.

5.1.3 To obtain external professional advice and to invite outsiders with relevant experience to attend meetings, subject to the approval of the relevant regulatory body, where necessary.

5.1.4 To recommend to the Board the appointment of External Auditors and their audit fee.

5.1.5 To review with the External Auditors the scope of the audit plan, system of internal controls, the audit reports (including Management letter and Management response), the assistance given by the Management and any findings or action to be taken.

5.1.6 To review the Group's business risk management process including adequacy of the Group's control environment.

5.1.7 To consider the major findings of internal investigations and Management response.

5.1.8 To review the findings of any examinations by regulatory authorities and the Management response.

5.1.9 To review existing policies and practices within the Group in order to regulate and streamline the same to ensure uniformity.

5.1.10 To ensure that the accounts are prepared in a timely and accurate manner with frequent reviews of the adequacy of provisions against contingencies, bad and doubtful debts.

5.1.11 To review any related party transactions that may arise within the AFFIN Group.

5.1.12 To review the adequacy of the scope, functions, competency and resources of the Internal Audit Department and the necessary authority to carry its work. The review may cover the planned audit work, internal audit programmes, the results of completed work and Management implementation of agreed actions as recommended by the Head of Internal Audit (HIA). Where appropriate, the Committee may direct the Management to rectify and improve the system of internal controls and procedures based on the Internal Auditors' recommendations and suggestions for improvements.

5.1.13 To assess and determine the performance of HIA. The remuneration, annual increment and performance related incentives of the HIA and IA should be decided by the AC.

5.1.14 To approve the appointment or termination of HIA and to be informed of the appointment or resignations of Internal Auditors.

COMPOSITION OF MEMBERS AND MEETINGS

During the Financial Year Ended 31 December 2010, a total of four (4) AC meetings were held. The AC members and details of the attendance of each member at the meetings are as follows:

No.	Name	Date of AC Meeting in Year 2010				
		4 Feb	13 May	19 Aug	18 Nov	%
1.	Maj. Gen. (R) Dato' Mohamed Isa bin Che Kak *Chairman/Independent Non-Executive Director*	√	√	√	√	100
2.	Dato' Mustafa bin Mohamad Ali *Member/Independent Non-Executive Director*	√	√	√	√	100
3.	Raja Dato' Seri Aman bin Raja Haji Ahmad *Member/Independent Non-Executive Director*	–	√	√	√	75

The AHB's AC is in compliance with the principles and best practices set out in the Malaysian Code on Corporate Governance and they had met the criteria set by the Bursa Malaysia Securities Berhad (BMSB) Main Market Listing Requirements, Chapter 15 Part C, D and E on Audit Committee. The AC members comprised individuals with a diversity of skills, knowledge and caliber in providing independent, objectivity and effective oversight.

The AC meetings' agendas, relevant AC papers and audit reports were distributed to the AC members one (1) week prior to the date of the meetings. The Executive Director and the Head of Internal Audit were invited to attend all four (4) AC meetings during the financial year. The Head of Finance was invited to attend AC meetings specifically on issues related to financial information. This had allowed the AC members to have full consideration of the issues.

The Company's External Auditors attended two (2) AC meetings during the period. There were discussions between the AC and the External Auditors with regard to significant audit issues, changes in the implementation of major accounting policies, compliance with accounting standards and other legal requirements including regulatory requirement and business issues highlighted by them for both Holdings company and subsidiaries level for Financial Year Ended 31 December 2009. The AC had also reviewed the External Auditors' Audit Plan for the Financial Year Ending 31 December 2010.

The AC had two (2) private meetings with the External Auditors without the presence of Management and Internal Auditors in year 2010. In addition, the External Auditors were invited to attend the annual general meeting to answer shareholders' question on audit related issues. The AC also had direct and unrestricted access to the Internal Auditors and had ad-hoc discussions with the Internal Auditor without the presence of Management.

As the Board is ultimately responsible for the financial reporting and overall management of the Holding Company and oversight of its subsidiaries, the Chairman of the Audit Committee had consistently briefed the Board of Directors on issues discussed at the AC meetings and the minutes of the AC meetings are tabled to the Board information and action by the Board where appropriate.

All the three (3) AC members had attended trainings in the Financial Year Ended 2010 for continuous improvements. (Please refer to page 21 to 23 on the detail training courses/workshops attended by AC members.)

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

The Audit Committee has carried out the following activities in discharging its duties and responsibilities for the Financial Year Ended 31 December 2010:

EXTERNAL AUDIT

1) Reviewed the External Auditor's Audit Plan and Audit Strategy for the Financial Year Ended 31 December 2010 to ensure their scope of work adequately covered the activities of the Holding Company and its subsidiaries. In addition, the AC also evaluated the fee is sufficient and reasonable to enable a quality audit to be conducted;

2) Reviewed the significant audit, accounting, taxation and other matters arising from their audit of the financial year and resolution of such issues highlighted in their report to the Committee for the Company and its subsidiaries;

3) Reviewed and evaluated the External Audit performance, objectivity and independence during the year before recommending to the Board for their re-appointment and fee.

INTERNAL AUDIT

1) Reviewed and assessed the Internal Audit Plan and Training Budget for Year 2011 in ensuring that adequate scope and comprehensive coverage on the audit activities and principal risk areas are adequately identified and covered;

2) Reviewed and evaluated the adequacy of resources and the competencies of staff within the Internal Audit Department to execute the plan as well as the audit programmes used in the execution of Internal Auditors' job to ensure satisfactory performance of the Internal Audit department;

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE (cont'd)

INTERNAL AUDIT (cont'd)

3) Reviewed the internal audit reports, audit recommendations made and Management response to these recommendations with particular attention on the followings:

    a) Control environment (integrity, ethical values and competency of the personnel);
    b) Control activities (policies and procedures);
    c) Risk assessment (identified and assessed relevant risks and its preventive measure); and
    d) Monitor the status of corrective actions taken by Management to rectify any deficiencies identified by Internal Audit as well as ensuring that all issues are adequately resolved on a timely basis.

4) Reviewed the status report of Internal Audit activities for the Financial Year Ended 31 December 2010 to ensure all the planned activities were satisfactorily carried out;

5) Reviewed the Summary of Audit Findings by Subsidiaries Internal Auditors to ensure significant audit findings by subsidiaries especially on the investigations, fraud and non-compliances with regulatory and statutory requirements were promptly resolved;

6) Reviewed Quarterly Status Update on Issues Highlighted in the External Auditors' Audit Reports compiled by the Internal Auditors based on submissions by the Subsidiaries' Internal Auditors to ensure that significant issues were addressed and resolved on a timely basis;

7) Appraised the performance of the Internal Auditors and to ensure independent audit reports were presented to the Audit Committee;

8) Reviewed the Audit Committee Terms of Reference and Internal Audit Manual.

FINANCIAL RESULTS

1) Reviewed with the Top Management the quarterly and half yearly unaudited financial results before recommending to the Board for their approval.

2) Reviewed with the Top Management and External Auditors the annual audited financial statements of the Company and the subsidiaries before recommending to the Board for their approval and release of the Group's results to Bursa Malaysia focusing on the matters set out in the following Requirements, Acts and Standards:

    a) BMSB Main Market Listing Requirements;
    b) Provisions of the Companies Act;
    c) Banking and Financial Institutions Act, 1989;
    d) Applicable approved accounting standards in Malaysia; and
    e) Other relevant legal and regulatory requirements.

RELATED PARTY TRANSACTIONS

1) Reviewed related party transactions and recurrent related party transactions for compliance with the Main Market Listing Requirements of Bursa Malaysia and the appropriateness of such transactions entered into by the Company and its subsidiaries to avoid potential or actual conflict of interest to ensure the decisions are based on the best interest of the company and its shareholders.

OTHERS

1) Reviewed the Statement on Internal Control, Corporate Governance Statement and Audit Committee Report for inclusion in the Year 2010 Annual Report before recommending to the Board for approval.

The Board of AFFIN Holdings Berhad fully subscribes and supports the Malaysian Code on Corporate Governance ("MCCG") and the relevant provisions in the Bursa Malaysia Securities Berhad (BMSB) Main Market Listing Requirements. The Board is committed to ensuring that the highest standards of corporate governance are practised throughout the Group.

CORPORATE GOVERNANCE WITHIN AFFIN HOLDINGS BERHAD

The Board recognises that corporate governance is a continuous process that requires periodic reassessment and refinement.

THE BOARD OF DIRECTORS

The Board has the responsibility for leading and controlling the Group including those pertaining to corporate governance, strategic direction and overseeing the investments and operations of the Group. The Board has its own code of conduct which is stated in the Board Policy Manual.

COMPOSITION OF THE BOARD

The Board currently has nine (9) members comprising one (1) Non-Independent Non-Executive Chairman, one (1) Non-Independent Non-Executive Deputy Chairman, four (4) Independent Non-Executive Directors and three (3) Non-Independent Non-Executive Directors.

(a) Board Members

Name of Directors	Executive / Non-Executive Director	Independent / Non-Independent Director
Gen (R) Tan Sri Dato' Seri Mohd Zahidi bin Hj Zainuddin (Chairman)	Non-Executive	Non-Independent
Tan Sri Dato' Lodin bin Wok Kamaruddin (Deputy Chairman)	Non-Executive	Non-Independent
Raja Dato' Seri Aman bin Raja Haji Ahmad	Non-Executive	Independent
Maj Gen (R) Dato' Mohamed Isa bin Che Kak	Non-Executive	Independent
Dato' Mustafa bin Mohamad Ali	Non-Executive	Independent
Datuk Azzat bin Kamaludin	Non-Executive	Non-Independent
Dr. The Hon. Sir David Li Kwok Po	Non-Executive	Non-Independent
Professor Arthur Li Kwok Cheung	Non-Executive	Non-Independent
Abd Malik bin A Rahman (Appointed on 16 Feb 2011)	Non-Executive	Independent
Adrian David Li Man Kiu (Alternate Director to Dr. The Hon. Sir David Li Kwok Po)	Non-Executive	Non-Independent

A brief description of the background of each Director is presented in this Annual Report.

(b) Board Balance

The membership of the Board complies with the provision of MCCG in that at least one-third of the Board must be independent. The Directors have a wide range of business, financial and technical skills and experience. Together the members of the Board bring a mix of skills and experience required for the success of the Group.

There is a division of responsibility between the Chairman and the Executive Director, who is responsible for managing the overall business and day to day operations of the Company to ensure that there is a balance of power and authority.

The current Chairman is not the previous Chief Executive Officer of the Company. The key duties and responsibilities of the Chairman are to provide leadership to the Board, chairing the meetings of the Board and shareholders, ensuring that the Board fully discharges of its responsibilities and acting as liaison person between the Board and the management.

(b) Board Balance (cont'd)

There is also a balance in the Board with the presence of the Independent Non-Executive Directors of the necessary calibre and experience to carry sufficient weight in Board decisions. Although all the Directors have equal responsibility for the Group's operations, the role of the Independent Non-Executive Directors is particularly important in providing an independent view, advice and judgement to take into account the interest of the Group, shareholders, employees and communities in which the Group conducts business.

Maj Gen (R) Dato' Mohamed Isa bin Che Kak is the Senior Independent Non-Executive Director, to whom concerns from the other Directors, public or investors shall be conveyed.

Raja Dato' Seri Aman bin Raja Haji Ahmad, a member of the Audit Committee, is a member of the Malaysian Institute of Accountants ("MIA") and meets the requirements of Paragraph 15.09 (1) of the BMSB Main Market Listing Requirements.

BOARD MEETINGS

The Chairman is responsible for ensuring that the Board meets on a regular basis throughout the year. The Board meets at least four (4) times a year, with additional meetings convened as necessary. It has a formal time schedule that is determined in advance. The notice of the meetings is circulated to Board members at least fourteen (14) days before the meeting and the agenda and Board reports are circulated at least seven (7) days before each meeting.

The Board has a formal schedule of matters (including strategic and policy issues, financial decisions and the annual business plan) reserved to it. The Board and its committees are supplied with all necessary information to enable them to effectively discharge their responsibilities.

The quorum for the Board meetings is a minimum of 3 attendees or 50% of total board members, whichever is higher as set out in the Board Policy Manual and the revised Guidelines on Corporate Governance for Licensed Institution (Revised BNM/GP1). The Board records all its deliberations, in terms of the issues discussed and the conclusions in discharging its duties and responsibilities. All conclusions of the Board are duly recorded in the Board minutes.

During the financial year ended 31 December 2010, five (5) meetings were held. The details of attendance of each Director at the Board meetings held during his tenure of service are as follows:

Name of Directors	Attendance at Board meetings
Gen (R) Tan Sri Dato' Seri Mohd Zahidi bin Hj Zainuddin	5/5
Tan Sri Dato' Lodin bin Wok Kamaruddin	5/5
Raja Dato' Seri Aman bin Raja Haji Ahmad	5/5
Maj Gen (R) Dato' Mohamed Isa bin Che Kak	4/5
Datuk Azzat bin Kamaludin	5/5
Dato' Mustafa bin Mohamad Ali	5/5
Dr. The Hon Sir David Li Kwok Po	5/5
Professor Arthur Li Kwok Cheung	5/5
Mr. Adrian David Li Man Kiu (Alternate Director Dr. The Hon Sir David Li Kwok Po)	–

SUPPLY OF INFORMATION

All Directors are entitled to information pertaining to the Group to enable them to effectively discharge their duties as Directors. There are established procedures in place for any Director to obtain independent professional advice at the cost of the Group. All Directors have access to the advice and services of the Company Secretaries.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

(a) Appointment

The Nomination Committee is in compliance with the best practice set out in MCCG on the appointment of members to the Board, and is subject to the approval of Bank Negara Malaysia.

(b) Re-election

The Company's Articles of Association provides for all Directors to be subjected to re-election by rotation at each Annual General Meeting. The Articles of Association further provides for all Directors to submit themselves for re-election at least once in three (3) years in compliance with the BMSB Main Market Listing Requirements. The re-appointment of Directors retiring by rotation is also subject to the approval of Bank Negara Malaysia.

DIRECTORS' TRAINING

An integral element in the process of appointing new Directors requires new Directors to undergo an orientation program in respect of the businesses of the Group together with meeting the management teams within the Group, including reiterating the expectations of the Board with regard to individual members' contributions to the Board and the Group.

The Nomination Committee further ensures that all Board members undergo the necessary training from time to time and are kept abreast with current regulatory issues and changing commercial risks. During the year, the Directors have attended various courses and seminars to further enhance their skill and knowledge. Amongst the training programmes and seminars attended by the members of the Board in 2010 were:-

NO	TRAINING PROGRAM	CONDUCTED BY	ATTENDED BY	DATE
1	Economic Outlook 2010	BEA Training & Development Department	Dr The Hon Sir David Li Kwok Po	8 January 2010
2	The Financial Institution Directors' Education (FIDE) Programme – Module 4	Bank Negara Malaysia	Tan Sri Dato' Lodin bin Wok Kamaruddin Raja Dato' Seri Aman bin Raja Haji Ahmad	11-12 January 2010
3	Annual Directors Duties & Governance Conference – Towards Boardroom Excellence and Corporate Governance Best Practices.	Malaysian Institute of Corporate Governance (MICG)	Gen (R) Tan Sri Dato' Seri Mohd Zahidi bin Hj Zainuddin	13-14 January 2010
4	Supervisory Policy Manual regarding Internal Audit Function	BEA Internal Audit Department	Dr The Hon Sir David Li Kwok Po	4 February 2010
5	Connected Lending Definitions as lay down by the Hong Kong Banking Ordinances	Risk Management Division, The Bank of East Asia, Limited	Professor Arthur Li Kwok Cheung	11 February & 12 August 2010
6	The Financial Institution Directors' Education (FIDE) – Risk Management in Islamic Finance	Bank Negara Malaysia	Raja Dato' Seri Aman bin Raja Haji Ahmad	17 March 2010
7	FRS 139 Financial Instrument – Recognizing and Measurement	UHY Chartered Accountants	Maj Gen (R) Dato' Mohamed Isa bin Che Kak	24 March 2010
8	Practising Corporate Governance Agenda – Raising the Bar	Minority Shareholder Watchdog Group (MSWG)	Datuk Azzat bin Kamaludin	25 March 2010

NO	TRAINING PROGRAM	CONDUCTED BY	ATTENDED BY	DATE
9	Supervisory Policy Manual regarding risk management as required by Hong Kong Monetary Authority	Risk Management Division, The Bank of East Asia, Limited	Professor Arthur Li Kwok Cheung	22 April 2010 & 25 November 2010
10	Stress Testing Approaches as recommended by Hong Kong Monetary Authority	Risk Management Division, The Bank of East Asia, Limited	Professor Arthur Li Kwok Cheung	22 April 2010 & 25 November 2010
11	The Financial Institution Directors' Education (FIDE) Programme – Invitation to Colloquium on Risk Management of Derivatives by Prof Robert M. Conroy	Bank Negara Malaysia	Tan Sri Dato' Lodin bin Wok Kamaruddin	27 April 2010
12	The Financial Institution Directors' Education (FIDE) – Module 2	Bank Negara Malaysia	Raja Dato' Seri Aman bin Raja Haji Ahmad	10-11 May 2010
13	Luncheon talk on "Transformational Leadership-A Passionate Passage"	MINDA	Datuk Azzat bin Kamaludin Dato' Mustafa bin Mohamad Ali	13 May 2010
14	Global Strategy of Deutsche Bank Current Global Economic Environment and outlook for Europe, Americas & Asia Future Drivers of Growth Financial Markets Paradigm Change Geopolitical Consequences of the Financial Crisis	Deutsche Bank Regional Advisory Board	Dr The Hon Sir David Li Kwok Po	14-15 June 2010
15	Economic Finance Situation Regulation Issues in the Banking Sector (BASEL III) Economic situation and outlook	Credit Agricole International Advisory Board	Dr The Hon Sir David Li Kwok Po	29 June 2010
16	Forum on Islamic Banking	AFFIN Holdings Berhad	Gen (R) Tan Sri Dato' Seri Mohd Zahidi bin Hj Zainuddin Tan Sri Dato' Lodin bin Wok Kamaruddin Maj Gen (R) Dato' Mohamed Isa bin Che Kak Dato' Mustafa bin Mohamad Ali Raja Dato' Seri Aman bin Raja Haji Ahmad Datuk Azzat bin Kamaludin	1 July 2010
17	2nd Annual Corporate Governance Summit 2010 –"Truth, Lies and Corporate Governance"	Asia World Summit, MICG MICG and The Federation of Public Listed Companies	Gen (R) Tan Sri Dato' Seri Mohd Zahidi bin Hj Zainuddin	6 - 7 July 2010

NO	TRAINING PROGRAM	CONDUCTED BY	ATTENDED BY	DATE
18	Briefing on Financial Reporting Standards (FRS) and Goods and Service Tax (GST)	AFFIN Holdings Berhad	Gen (R) Tan Sri Dato' Seri Mohd Zahidi bin Hj Zainuddin Tan Sri Dato' Lodin bin Wok Kamaruddin Dato' Mustafa bin Mohamad Ali Raja Dato' Seri Aman bin Raja Haji Ahmad	8 July 2010
19	Mid Year Economic Review	BEA Training & Development Department	Dr The Hon Sir David Li Kwok Po	9 July 2010
20	Goldies Breakfast Gathering for Senior Members: How to be No.1 in China	Hong Kong Institute of Certified Public Accountants	Dr The Hon Sir David Li Kwok Po	14 July 2010
21	Corporate Governance	KPMG	Dato' Mustafa bin Mohamad Ali	18 August 2010
22	Briefing on Financial Industry Directors' Remuneration Study by PriceWaterhouseCoopers	AFFIN Holdings Berhad	Gen (R)Tan Sri Dato' Seri Mohd Zahidi bin Hj Zainuddin Tan Sri Dato' Lodin bin Wok Kamaruddin Maj. Gen. (R) Dato' Mohamed Isa bin Che Kak Dato' Mustafa bin Mohamad Ali	20 August 2010
23	CEO Breakfast Seminar: Practice of Succession Management & Trends across the Markets in Greater China	Employers' Federation of Hong Kong	Dr The Hon Sir David Li Kwok Po	2 September 2010
24	Development of High Impact Boards	Bank Negara Malaysia	Dato' Mustafa bin Mohamad Ali	October 2011 to January 2011
25	Corporate Governance – Board Simulation Exercise	Bank Negara Malaysia	Tan Sri Dato' Lodin bin Wok Kamaruddin	20-21 October 2010
26	Executive Sharing seminar: China & Asia after the Global Financial Crisis	BEA Training & Development Department	Dr The Hon Sir David Li Kwok Po	21 October 2010
27	Financial Industry Conference	Bank Negara Malaysia	Tan Sri Dato' Lodin bin Wok Kamaruddin Raja Dato' Seri Aman bin Raja Haji Ahmad	3 November 2010
28	Training on Financial Reporting Standards	PriceWaterhouseCoopers	Gen (R) Tan Sri Dato' Seri Mohd Zahidi bin Hj Zainuddin	19 November 2010
29	Economic Outlook 2011	BEA Training & Development Department	Dr The Hon Sir David Li Kwok Po	17 December 2010

NO	TRAINING PROGRAM	CONDUCTED BY	ATTENDED BY	DATE
30	Senior Manager's Conference – "Stepping up to Stepping Out" by Mr. Simon Treselyan	Genting Malaysia Berhad	Gen (R) Tan Sri Dato' Seri Mohd Zahidi bin Hj Zainuddin	28 - 29 November 2010

DIRECTORS' REMUNERATION

The objective of the Company's policy on Directors' remuneration is to attract and retain Directors of the calibre needed to lead the Group successfully.

The determination of the remuneration for Non-Executive Directors is a matter for the Board as a whole. The remuneration packages had taken into account of pay and employment conditions within the industry. The level of remuneration paid to Non-Executive Directors reflects the experience and level of responsibilities undertaken by the particular Non-Executive Director concerned. The Non-Executive Directors do not participate in decision on their own remuneration packages.

Fees payable to Directors are recommended by the Remuneration Committee to the Board for approval by the shareholders at the Annual General Meeting. The Company reimburses reasonable expenses incurred by the Directors in the course of performing their duties as Directors.

The details of the remuneration for the financial year ending 31 December 2010 of the Directors are as follows:

Directors	Fees (RM)	Allowances (RM)	Benefits in kind (RM)	Total (RM)
NON-EXECUTIVE DIRECTORS	1,295,000	264,900	20,718	1,580,618
TOTAL	1,295,000	264,900	20,718	1,580,618

The numbers of Directors whose total remuneration during the year fall within the following bands are as follows:

	No. of Directors
Non-Executive Directors:	
RM 50,001 to RM 100,000	2
RM 100,001 to RM 150,000	2
RM 200,001 to RM 300,000	2
RM 300,001 to RM 400,000	2

THE BOARD COMMITTEES

The current Board Committees to assist the Board in the execution of its responsibilities are as follows:

- Audit Committee
- Nomination Committee
- Remuneration Committee

(a) Audit Committee

The present terms of reference of the Audit Committee are in compliance with the requirements of the BMSB Main Market Listing Requirements and the best practices contained in MCCG.

The internal audit function of the Group is performed in-house. The head of the internal audit teams of AFFIN Holdings Berhad and the subsidiaries report to the Audit Committees of the respective Boards.

The report of the Audit Committee for the period, including the terms of reference of the Audit Committee is set out separately in this Annual Report.

THE BOARD COMMITTEES (cont'd)

(b) Nomination Committee

The members of the Nomination Committee are as follows:

Dato' Mustafa bin Mohamad Ali (Chairman)	Independent Non-Executive Director
Gen (R) Tan Sri Dato' Seri Mohd Zahidi bin Hj Zainuddin	Non-Independent Non-Executive Director
Tan Sri Dato' Lodin bin Wok Kamaruddin	Non-Independent Non-Executive Director
Maj Gen (R) Dato' Mohamed Isa bin Che Kak	Independent Non-Executive Director
Raja Dato' Seri Aman bin Raja Haji Ahmad	Independent Non-Executive Director

The composition of the Nomination Committee complies with BNM/GPI which requires a minimum of five members of which at least four must be Non-Executive Directors. It also complies with the best practices in MCCG which requires the Committee to be composed exclusively of Non-Executive Directors, a majority of whom are independent.

The Nomination Committee has the following terms of reference:

- To recommend candidates for all directorships to be filled by shareholders or the Board;
- To recommend candidates to fill the seats on Board Committees;
- To recruit and retain the best available Executive and Non-Executive Directors;
- To assess the contribution of each individual Director;
- Reviewing annually the Board structure, size, composition and the balance between Executive Directors, Non Executive Directors and Independent Directors to ensure that the Board has the appropriate mix of skills and experience including core competencies which Directors should bring to the Board and other qualities to function effectively and efficiently;
- Reviewing regularly the status of Independent Directors;
- Ensuring existence of an appropriate framework and succession plan for the Executive Director and senior management of the Company;
- Recommending Directors who are retiring (by rotation) for re-election and termination of Board membership for appropriate reasons;
- Recommending to the Board the removal of a Director or CEO from the Board or management if the Director or CEO is inefficient, errant and negligent in discharging his/her responsibilities;
- Ensuring that all Board appointees undergo the necessary training programmes prescribed by the applicable statutory and regulatory bodies;
- Providing for adequate training and orientation of new Directors with respect to the business, structure and management of the Group as well as the expectations of the Board with regards to their contribution to the Board and Group;
- Establishing and implementing processes for assessing the effectiveness of the Board as a whole, the Committees of the Board and assessing the contribution of each Director; and
- Considering other matters as referred to the Committee by the Board.

The Committee had reviewed the size and composition of the Board and its committees and is of the opinion that the current Board and its committees possess the appropriate mix of skills and competencies required to effectively lead the Group. The Nomination Committee held two (2) meetings during the financial year. All the members of the Nomination Committee attended the meetings. During the meetings, the Committee:-

i) noted the Bank Negara Malaysia's approval dates for the re-appointment of Directors and their respective expiry dates;
ii) determined the Directors who retire by rotation;
iii) conducted the Directors' Appraisal for the year 2010. The Directors were appraised based on their core competencies, namely integrity, commitment, ethics, governance, strategic perspective, business acumen, judgment, decision making, teamwork, communication and leadership;
iv) noted the list of trainings available for Directors in year 2011;
v) conducted an assessment of Board effectiveness and contribution as required by the Green Book under the Government Linked Companies (GLC) Transformation Programme;
vi) discussed and recommended to the Board the extension of service agreement of the Executive Director;
vii) considered and recommended to the Board the appointment of YBhg Dato' Zulkiflee Abbas bin Abdul Hamid as a Director to the Board of AFFIN Investment Bank Berhad, subject to the approval of Bank Negara Malaysia; and
viii) discussed and recommended to the Board the proposal for the Managing Director of AFFIN Investment Bank Berhad to attend AFFIN Bank Board's meetings on a "need to" basis.

THE BOARD COMMITTEES (cont'd)

(c) Remuneration Committee

The members of the Remuneration Committee are as follows:

Dato' Mustafa bin Mohamad Ali (Chairman)	Independent Non-Executive Director
Gen (R) Tan Sri Dato' Seri Mohd Zahidi bin Hj Zainuddin	Non-Independent Non-Executive Director
Datuk Azzat bin Kamaludin	Non-Independent Non-Executive Director

The Remuneration Committee is responsible for setting the framework for the remuneration policy and for recommending to the Board the remuneration and benefits extended to the senior management of the Company.

In addition, the Remuneration Committee also reviews and approves the salary increment, bonus and other benefits extended to the Company's senior management.

The Remuneration Committee has the following terms of reference:

- Review the performance of senior management of the Company;
- Determine the level of make-up of the Directors and senior management's remuneration so as to ensure that the Company attracts and retains the Directors and senior management of the appropriate calibre, experience and quality needed to run the Group successfully. The level and make-up of the remuneration should be structured so as to link rewards with corporate and individual performance and commensurate with responsibilities; and
- Develop policies, practices and recommend proposals appropriate to facilitate the recruitment and retention of Directors and senior management of the Company.

The Remuneration Committee held three (3) meetings during the financial year. All the members of the Remuneration Committee attended the meeting except Y. Bhg. Datuk Azzat bin Kamaludin who attended two (2) meetings. During the meetings, the Committee considered and discussed on the following:-

i) Findings of Bank Negara Malaysia's FIDE Financial Industry Directors' Remuneration Study on "Performance Pays" undertaken by PricewaterhouseCoopers;
ii) Proposed revision of Directors' remuneration and benefits of AFFIN Group; and
iii) Interim bonus for staff for year 2010.

SHAREHOLDERS

(a) Dialogue between the Company and Investors

The Group values dialogue with investors. The aims of the investor relations program are primarily to provide consistent and accurate information to shareholders and fund managers on the Group and to provide prompt feedback to senior management on investors' concerns and market perceptions thus, ensuring effectiveness of the information dissemination.

Various announcements, including quarterly financial results were made during the year to provide shareholders with information on the Group's performance and operations. The Group also holds meetings, briefings and road shows with investors and fund managers from time to time to update them on the latest developments and corporate exercises undertaken by the Group. The Board delegates the authority to the Chairman and Deputy Chairman to speak for the Group.

In addition, the Group has established a website at www.affin.com.my which shareholders can access for information pertaining to the Group.

The officer responsible for managing the investors' relations of the Company is Mr. Yu Choong Cheong who is the Executive Director.

SHAREHOLDERS (cont'd)

(b) Annual General Meeting

The Annual General Meeting is the principal forum for dialogue with the shareholders. At each Annual General Meeting, the Board presents the progress and performance of the business and encourages shareholders to participate in the question and answer session. All the Directors are available to respond to shareholders' questions during the meeting.

For re-election of Directors, full information is provided with the notice of the meeting regarding Directors who are retiring and whether they are willing to serve if re-elected.

Each item of special business included in the notice of the meeting is accompanied by a full explanation of the effects of a proposed resolution to facilitate understanding and evaluation of the issues involved. Separate resolutions are proposed for substantially separate issues at the meeting and the Chairman declares the number of proxy votes received both for and against each separate resolution.

ACCOUNTABILITY AND AUDIT

(a) Financial Reporting

In presenting the annual financial statements and quarterly announcements to shareholders, the Directors aim to present a balanced and understandable assessment of the Group's position and prospects. This also applies to other price-sensitive public reports and reports to regulators. In preparing the financial statements, the Directors consider that the Group had used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates.

(b) Performance targets

On 24 February 2011, AFFIN Holdings Berhad announced its achievement of Headline Key Performance Indicators ("KPIs") for the financial year ended 31 December 2010 and Headline KPIs for the financial year ending 31 December 2011 are as follows:-

HEADLINES KPIs ACHIEVED FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2010

Headline KPIs		As announced on 25 Feb 2010	As achieved	Favourable Variance
1	After Tax Return on Equity (ROE)	8.4 %	9.8 %	1.4 %
2	After Tax Return on Assets (ROA)	1.0 %	1.1 %	0.1 %
3	Net NPL Ratio	1.9 %	1.6 %	0.3%
4	Earnings Per Share (EPS)	27.5 sen	32.7 sen	5.2 sen

The Group achieved all its KPIs for financial year ended 31 December 2010.

HEADLINES KPIs FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2011

Headline KPIs		
1	After Tax Return on Equity (ROE)	10.0%
2	After Tax Return on Assets (ROA)	1.1 %
3	Gross Impaired Loan Ratio	2.8 %
4	Earnings Per Share (EPS)	35.3 sen

These Headline KPIs are targets or aspirations set by the Company as a transparent performance management practice. These headlines shall not be construed as either forecasts, projections or estimates of the Company or representations of any future performance, occurrence or matter as the headlines are merely a set of targets/aspirations of future performance aligned to the Company's strategy and may not be realised.

ACCOUNTABILITY AND AUDIT (cont'd)

(c) Internal Control

The Directors acknowledge their responsibility for the Group's system of internal controls covering not only financial controls but also operational and compliance controls as well as risk management, to safeguard shareholders' investments and the Group's assets. The Board believes that the internal control systems and procedures provide reasonable but not absolute assurance that assets are safeguarded, transactions are authorised and recorded properly and that material errors and irregularities are either detected or minimised to prevent recurrence. The Board has appointed the Audit Committee to review the effectiveness of control procedures and report to the Board on all findings for deliberations.

Some of the key elements of the Group's internal control systems are described below:

- Clearly defined delegation of responsibilities to the Board Committees and the management of the Group, including authorisation levels for all business units. Each business unit has clear accountabilities for ensuring that appropriate risk management and control procedures are in place. These delegated responsibilities are subject to review throughout the year;
- Audits are undertaken at regular intervals to monitor compliance with policies and procedures; and
- Monitoring of results against the annual business plan, with major variances examined and management action taken.

Details of the Group's internal control systems and the state of internal controls are further elaborated under the Statement on Internal Control provided separately in the Annual Report.

The officer responsible for managing the internal controls of the company is Mr Yu Choong Cheong who is the Executive Director.

(d) Relationship with the auditors

Through the Audit Committee, the Group has established transparent and appropriate relationships with the Group's auditors, both external and internal. A report of the Audit Committee is provided in pages 14 to 18 in this Annual Report.

(e) Directors' Responsibilities in Respect of the Audited Financial Statements

The Directors are required by the Companies Act, 1965 to prepare financial statements for each year which give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and of their results and cash flows for the financial year then ended.
In preparing these financial statements, the Directors have:

- adopted suitable accounting policies and applying them consistently;
- made judgements and estimates that are prudent and reasonable;
- ensured applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on the going concern basis, unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Company and which enable them to ensure that the financial statements comply with the Companies Act, 1965. The Directors have overall responsibility for taking such steps that are reasonably open to them to safeguard the assets of the Group and the Company to prevent and detect fraud and other irregularities.

Signed on behalf of the Board of Directors in accordance with their resolution dated 22 February 2011.

Gen (R) Tan Sri Dato' Seri Mohd Zahidi bin Hj Zainuddin
Chairman

Tan Sri Dato' Lodin bin Wok Kamaruddin
Deputy Chairman

The Board recognises and exercises overall responsibilities in promoting good corporate governance and ensuring sound system of internal controls and risk management practices are maintained throughout the Group. The Board is of the view that the system of internal controls instituted by the Group's operating units for the year under review and up to the date of annual report is sound and sufficient to safeguard shareholders' investment, customers' interests and the Group's assets. Notwithstanding this, there are on-going reviews to ensure the effectiveness, adequacy and integrity of the system. The control procedures are designed to manage rather than to eliminate completely all risks of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material errors, losses, fraud or the occurrence of unforeseeable circumstances.

The Board meets regularly to discuss matters related to system of internal control which covers inter alia financial, operational, compliance controls and risk management procedures. The key processes used by the Board in carrying out its review include the following:

1. Regular reports from the Heads of key risk functions of the main operating subsidiaries that systems and procedures are in place to identify, control and report on the major risks including credit risk, operational risk, market risk, IT risk and liquidity risk. The risk management framework is cascaded downwards through the Management's efforts of fostering a risk-aware and control-conscious environment across the Group.

2. Regular reports received from the Group's management on financial performance, key operating statistics, legal and regulatory compliance, breaches of law or regulations, unauthorised activities and fraud are reviewed by the Board.

3. The subsidiaries' annual business plan and budget approved at their respective Boards are submitted to the Group management. The variances between the actual and targeted results are presented to the Board on a periodic basis to allow for timely responses and corrective actions to be taken to mitigate risks.

4. The internal audit team of the Holding Company together with the internal audit team of the Banking Group who report to the Audit Committees of the respective Boards, carry out regular reviews of the business processes to assess the effectiveness of internal control and highlight significant risks impacting the whole Group. The Audit Committees of the respective Boards conduct annual reviews on the adequacy of the internal audit department's scope of work and resources.

5. The Audit Committees of the respective Boards regularly review and hold discussions with management on the action taken on internal control issues identified by the internal auditors, the external auditors and regulatory authorities.

6. The Audit Committees of the respective Boards follow up and monitor the status of actions on recommendations made by the internal auditors, the external auditors and regulatory authorities. In addition, it can direct investigations in respect of any specific instances or events, which are deemed to have violated internal policies pertaining to confidentiality or financial impropriety which has material impact on the Group.

7. There is a clearly defined framework and empowerment approved by the main operating subsidiaries' respective Board for acquisitions and disposals of property, plant and equipment, awarding tenders, applications for capital expenditure, writing off operational and credit items, approving general expenses including donations, etc.

8. The professionalism and competence of the Group's human resources are maintained through a recruitment process, training and re-skilling programmes and a performance appraisal system.

9. Establishment of channels of communication and procedures for reporting immediately to appropriate levels of management any significant control failings or weaknesses that are identified together with details of corrective action being undertaken.

Chairman's Statement

MY FELLOW SHAREHOLDERS,

On behalf of the Board of Directors, it is my pleasure to present the Annual Report of AFFIN Holdings Berhad (the Group) for the financial year ended 31 December 2010.

During the course of 2010, we continued to focus our efforts on growing our business portfolios and building a company that would enhance value to our stakeholders. We have done this by making strategic alliances and realising our organic growth from our existing business.

In light of the continuous business, financial and operational growth that we have achieved resulting in a commendable performance for the AFFIN Group, it gives me great pleasure to present to you, on behalf of the Board of Directors of AFFIN Holdings Berhad, the annual report and financial statements of AFFIN Holdings Berhad for the year ended 31 December 2010.

Despite the challenging operating environment, the Group was able to expand its reach and further enhance the 'AFFIN' brand name, through swift and concerted policy, conscientiously implemented across the AFFIN Group. Let me begin by expressing my sincere appreciation to every shareholder and stakeholder including the employees of the AFFIN Group who had joined with us to uphold the faith and with a strong commitment to remain in the forefront of the Malaysian banking and financial industry. Thanks to your stout and unflinching support, the AFFIN Group has successfully continued to grow its profitability to higher levels.

The Malaysian economy has expanded by 7.2% in 2010, underpinned by strengthening domestic demand and supported by improving private investments. Private consumptions had benefited from improvements in the labour market, rising disposable incomes and improved customer confidence. This augurs well for the business development activities in year 2011 and AFFIN should benefit accordingly.

The Group was also engaged in measures to control cost and improve productivity. At the Bank level, overlapping and unprofitable business activities including the rationalisation of branch networks were rigorously pursued. Similar enhancing activities were also introduced throughout the Group. A more detailed look at what those initiatives were will be made in the appropriate sections in this statement.

The Board of Directors of AFFIN Holdings Berhad at the 34th Annual General Meeting (AGM) on 19th April 2010.

AFFIN Investment Bank as the Principal Advisor and lead arranger signed an agreement with Boustead Holdings Berhad, OCBC Bank (Malaysia) Berhad, Public Bank Berhad and The Bank of East Asia, Limited to raise up to RM1 billion via a Guaranteed Medium Term Notes programme on 2 November 2010.

AFFIN Investment Bank as the Principal Advisor and Lead Arranger signed an agreement with Syarikat Kapasi Sdn Bhd, a subsidiary of Asian Pac Holdings Bhd, for the issuance of a RM200 million Commercial Papers/Medium Term Notes (CP/MTN) Programme which also marked the inaugural Danajamin Nasional Berhad guaranteed issue on 29 June 2010.

YEAR 2010 GROUP RESULTS

The AFFIN Group reported a record net profit before tax of RM637.5 million. AFFIN Bank Berhad remained the largest contributor to the Group's profit as in previous years posting a profit before tax of RM521.9 million, an improvement of 22.8% over the previous year's result.

AFFIN Investment Bank Berhad's pre-tax profit for the year ended 31 December 2010 was RM87.1 million, representing an increase of 34.9% from year 2009.

AFFIN Moneybrokers Sdn Bhd recorded a pre-tax profit of RM1.8 million for the year ended 31 December 2010, a marked improvement as compared to RM0.7 million achieved in 2009.

AXA AFFIN Life Insurance Berhad recorded a gross premium of RM269.0 million for the year 2010, a 51.4% growth against RM177.7 million recorded previously. The company posted a pre tax profit of RM 1.9 million as compared to RM5.3 million previously. This was due to higher pay-out in claims for the year. Despite its lower profit, the company expects year 2011 to be a better year as several marketing and corporate initiatives were already in place.

AXA AFFIN General Insurance Berhad recorded a pre-tax profit of RM44.3 million as compared to RM29.0 million recorded last year. Acquisition of BH Insurance (M) Bhd has been completed and the merger will enhance the profitability of the company.

Barring any unforeseen circumstances, the Group expects to be able to further improve on its profitability in the current financial year ending December 2011.

AFFIN Islamic Bank signed an agreement with Prudential BSN Takaful Berhad (PruBSN) on 28 June 2010 to enter into a strategic alliance for Bancatakaful.

At this juncture, I would like to comment in more detail on the performance of each of our operating subsidiaries during the year under review.

AFFIN BANK BERHAD (ABB)

The Bank recorded a consolidated profit before tax and zakat of RM521.9 million for the financial year ended 31 December 2010, representing an increase of 22.8% from last year's results of RM425.1 million The earnings per share (EPS) for the year was 26.5 sen as compared to 22.1 sen the previous year. During the year, total assets increased to RM42.1 billion from RM35.6 billion at the end of 2009. Of significance, net loans, advances and financing grew by 18.2% to RM26.0 billion from RM22.0 billion registered in 2009.

The signing of Memorandum of Understanding between AFFIN Holdings Berhad and The Bank of East Asia, Limited on 26 August 2010.

During the year, the Bank concentrated on establishing itself as a preferred financial institution. In 2009, the Bank had undertaken various bold initiatives such as rebranding and strengthening of its human capital through the implementation of new and dynamic system and technology to enhance operations and improve on its quality products and services. The initiatives were vigorously and diligently implemented through 2010. Specific campaigns like AFFIN FD^2 Plus and OMG (Oh My Goshh!) were launched. Our brand position was further enhanced with exclusive sponsorship of the Malaysia Budget 2011 in two mainstream papers and the SME (small and medium enterprises) webpage, resulting in extra mileage gained in terms of brand awareness and value.

AFFIN Islamic Bank Berhad and UMP Holdings Sdn Bhd entered into an Islamic Term Financing of RM137.7 million to finance the purchase of property to support the growth of Universiti Malaysia Pahang on 1 March 2010.

AFFIN Investment Bank signed an agreement with MRCB Sentral Properties Sdn Bhd, a wholly-owned subsidiary of Malaysian Resources Corporation Berhad, to act as the Principal Adviser and Lead Arranger in relation to the Guaranteed Commercial Paper/Medium Term Note (CP/MTN) programme of up to RM400 million on 28 July 2010.

The Bank also undertook to expand, relocate and renovate existing branches as a priority to improve its reach and image in the communities we operate in. Presently, the Bank has 91 branches throughout Malaysia.

AFFIN Islamic Bank, a wholly owned subsidiary of the Bank, opened a new branch in 2010 at MSU (Management and Science University) campus in Shah Alam, Selangor, increasing its branch network to six. Despite being relatively new in the islamic banking industry, the Bank has managed to grow its business and will continue to nurture this business and develop a strong presence in this industry.

Looking ahead, the Bank will aggressively grow its consumer base, retail segment and fee-based income through introduction of new products and campaigns. Identification of appropriate locations for new branches is under way too as this will further strengthen the Bank's position in the market and increase its presence locally.

The prospect for the Bank is very encouraging as it also looked beyond the Malaysian shores towards Indonesia, with its proposed acquisition of PT Bank Ina Perdana which is expected to be completed in the second half of 2011.

AFFIN INVESTMENT BANK BERHAD (AIBB)

While the world economy experienced the worst effects of the global financial crisis in the first half of 2009, most economies experienced a recovery in the second half of the year. As a highly open economy, the Malaysian economy was similarly significantly affected by the financial meltdown. The Government's timely and swift domestic policy response coupled with its strong economic fundamentals, brought about an economic recovery in the second half of the year. Following a contraction in 2009 of 1.7%, the Malaysian economy recovered strongly to record a 7.2% growth in 2010. The recovery has been broad-based, underpinned by healthy exports and high domestic demand, more so in the private consumption and investment.

Against this backdrop, AIBB registered a profit before tax of RM87.1 million, representing an increase of 34.9% from financial year ended 2009. Net income was higher at RM181.0 million with strong contributions from brokerage fee, investment and interest income. EPS improved sharply to 33.2 sen with a healthy return on equity of 14.8%, while net impaired loans ratio was well below industry average at 1.4% and loan loss coverage at a reputable 103.2%.

Highlights for 2010 include arranging for the inaugural Danajamin Nasional Berhad [Malaysia's first Financial guarantee insurance for bonds and SUKUK issuances to financially viable Malaysian companies to enable access to the capital market], guaranteed Private Debt Securities issue in June 2010, launching of a new fund - AFFIN Tactical Fund - with an asset size of RM200 million in August 2010, launching of the Electronic Cross Border Trading platform thereby enabling access to trade and arranging for the first business cooperation between The Bank of East Asia, Limited ('BEA') and AFFIN Group since the signing of Memorandum of Understanding with BEA's participation in a Syndicated Bank Guarantee facility to guarantee a CP/MTN Programme arranged by the Bank in November 2010.

AIBB's subsidiary, AFFIN Fund Management Berhad (AFMB) has implemented various initiatives in 2010 to strengthen the company's operational efficiency and its delivery system. The company's continued investment in technology and re-engineering of business processes have enabled AFMB to manage its growth efficiently and to deliver its products and services in a cost-effective manner.

Moving into 2011, we expect emerging headwinds such as further normalization in monetary policy, crowding-out effects and inflation threats to slow down business growth. Nonetheless, the implementation of the Government's Economic Transformation Programme (GTP) and the anticipated roll out of the identified Entry Point Projects in 2010, are expected to bring positive drivers in the market such as rising capital market activities (Bond Issues, Mergers & Acquisitions, spin-offs and Initial Public Offerings), a buoyant stock market and industry consolidation / joint ventures which would spur business activities for the Bank.

AFFIN Bank signed on as an Official Sponsor for Defence Service Asia (DSA) 2010. YB Dato' Seri Dr Ahmad Zahid bin Hamidi, the Minister of Defence witnessed the presentation of AFFIN Bank's sponsorship cheque of RM 50,000 on 8 April 2010.

AFFIN MONEY BROKERS SDN BHD (AMBSB)

The Company's net turnover was RM9.4 million for the year ended 31 December 2010, an increase of 30.6%, compared with RM7.2 million for the previous year. Net assets as at 31 December 2010 were RM8.1 million, an increase of 8.0%, compared with RM7.5 million for the previous year. The Company recorded a higher profit after tax of RM1.3 million compared with RM0.5 million the previous year. The increase in net turnover was due to the renewed confidence in the financial market.

The revenue contribution was better from the Foreign Exchange, Forwards/Derivatives, Money Market, Fixed Income and Islamic Sections compared to the previous year. However, the highest brokerage income contributed for the year was from Forwards/ACU/Derivatives/Option Section of RM3.1 million representing 34.0% of total net brokerage income.

Launching ceremony of Integrated Community Centre at Bukit Kenau, Mukim Pulau Manis, Pekan, Pahang on 16 July 2010. The Chairman of AFFIN Islamic Bank, Gen (R) Tan Sri Dato' Seri Ismail Hj. Omar handed over 50 houses worth RM1.7 million to the Prime Minister of Malaysia, Yang Amat Berhormat Dato' Seri Mohd Najib Tun Abd Razak for the purpose of eradicating hard core poor in Pekan, Pahang.

Domestic demand is expected to strengthen with better employment conditions and uninterrupted credit flows and private investment is expected to increase in 2011. Despite the positive future outlook, we anticipate the globalization and liberalization of financial markets, as outlined in the Financial Sectors Master Plan, will see new entrants in the financial sector. The entry of foreign money broking companies competing in the domestic market will be a threat and for the company to retain its competitive edge, and remain a lead market player, we will continue to implement strategic plans which include:-

a) enhancing the synergy at group level;
b) introduction of new and quality products;
c) increasing efficiency through staff employment and skilled training;
d) introducing new and improve marketing plans;
e) introducing e-broking facilities;
f) retaining and retraining human capital by offering a progressive remuneration package;
g) strategic link with international money broking companies for the transfer of technology and professional expertise.

AFFIN Investment Bank's Chairman, YBhg Gen (R) Tan Sri Yaacob bin Mohd Zain presenting a replica van key to Yang Teramat Mulia Tengku Temenggong Negeri Kedah Darul Aman as its zakat contribution to Rumah Pertubuhan Pembangunan Anak-anak Yatim Daerah Kulim, Kedah on 7 January 2010.

AXA AFFIN LIFE INSURANCE BERHAD (AALIB)

2010 was indeed an eventful year for AXA AFFIN Life Insurance Berhad (AALIB) as the company finished the year on a strong note. During the year, AALIB took several initiatives to cushion itself from the effect of challenging economic conditions. AALIB recorded a gross premium of RM269.0 million, approximately 51.4% growth against RM177.7 million recorded last year. Gross new premium increased 49.0% to RM232.7 million in 2010. Underpinned by a series of expansion, AALIB posted a profit before tax of RM1.9 million as compared to RM5.3 million the year before.

The Agency division recorded a positive 184.0% growth in the agency force and an outstanding 149.0% growth in production. Bancassurance is another distribution platform that posted strong results with an impressive 83% growth to record RM56.3 million in weighted new business premium. Within the Bancassurance division, the Direct Marketing/Telemarketing (DM/TM) achieved a 60.0% growth and recorded RM10 million in production.

AFFIN Bank contributed its annual "Bungkusan Hari Raya" to "Tabung Kebajikan Angkatan Tentera" on 16 August 2010 at Ministry of Defence.

A series of marketing and corporate initiatives capped an exciting year for AALIB. A credential campaign was launched in January 2010 where AALIB redefines its identity and commitment to redefine the standards of the industry by breaking traditional codes and barriers. Leveraging on AXA Group strength as a global financial protection leader and AFFIN Holding's local knowledge and diversified network, AALIB is focused on helping individuals manage risk and achieve their financial goals.

AALIB launched some stellar products like MaxxSaver and AssureCare, in January 2010 and July 2010 respectively which helped the distribution channels in meeting customers' need and generated overall growth and productivity.

July 2010 saw the launch of AXA AFFIN MY Child Safety Programme in collaboration with Malaysia Crime Prevention Foundation (MCPF). The event was graced by the Prime Minister's wife, YABhg Datin Paduka Seri Rosmah Mansor. The Programme, which is slated to continue through to 2012, is part of the 'Community' pillar in AALIB's CSR plan and it represents an expansion to the existing 'AXA Hearts In Action'. The Programme is motivated by AALIB's aspiration to make the community safer for our future leaders. It is a unique programme that focuses on on-ground education and provide specific self defence techniques to primary school children.

AXA AFFIN GENERAL INSURANCE BERHAD (AAGIB)

AAGIB's performance was credible during the year under review. AAGIB ended year 2010 with gross written premium of RM592.6 million, representing a 67.8% growth over 2009 and a profit before tax of RM44.3 million compared with RM29.0 million previous year. AAGIB's proposed acquisition of the business of BH Insurance (M) Bhd has now been finalised and fully functional and operational. This merger brings the strength of previous BH Insurance (M) Bhd's commercial business, its branch network and the quality of its staff to complement AAGIB's operations. Post merger, we are now among the top 6-7 companies in the industry operating in the country. Our priority now is to propel AAGIB to a Billion-Ringgit entity in the very near future.

The focus for 2011 will be to improve profitability, service and organic growth. Strategies and action plans to achieve our targets are being put in place. Considering that we now have the resources, we are optimistic and confident of realising our goals for 2011 and our vision to be the preferred insurer in the insurance industry.

We are currently working on a few key projects, namely Health, Bancassurance and a Front End System which will support our objectives for 2011. As in the past, we will continue to invest in human capital and technology. With the merger now completed, we are confident that in 2011 we will reap our reward as we begin the new expansionary phase.

AFFIN GROUP'S CORPORATE SOCIAL RESPONSIBILITY (CSR) INITIATIVES

As AFFIN Group forges ahead with the next stage of growth, AFFIN Group believes in maintaining good relations with the community and strives to create an image of a good corporate citizen that cares for the community. Over the years, the Group has undertaken numerous corporate initiatives that take into consideration the interest of the community, employees, environment, shareholders and other stakeholders.

Given that AFFIN's major shareholder is Lembaga Tabung Angkatan Tentera (LTAT) and in line with the aspiration of the Group to improve the well-being of retired and serving Armed Forces personnel and their families, the Group has pledged an annual contribution of over RM2.0 million to Yayasan Warisan Perajurit. In line with the pledge, the Group contributed RM3.0 million to the Yayasan in year 2010. The objective of the Yayasan is to promote and assist in the education and welfare of the members and children of the serving and retired Armed Forces personnel who are in need.

The Chairman and CEO/MD of AFFIN Bank Berhad presenting Duit Raya during Majlis Berbuka Puasa with orphans and new converts on 20 August 2010.

In August 2010, AFFIN Bank contributed 'Bungkusan Hari Raya' to Armed Forces personnel in conjunction with the Hari Raya celebration. AFFIN Bank also donated and participated in the 'Rayuan Hari Pahlawan' campaign from July 2010 to September 2010.

Other CSR activities of AFFIN Bank for year 2010 were :-

a) Blood donation by staff on 1 April 2010;
b) Donation drive for flood victims in Pakistan in August 2010;
c) Breaking fast with orphans on 20 August 2010;
d) Donated RM20,000 to the Selangor & Federal Territory Association of the Mentally Handicapped in November 2010.

In 2010, AFFIN Islamic Bank donated 50 houses worth RM1.7 million as its zakat contribution to hardcore poor in Pekan, Pahang. The houses, with basic household furniture were handed-over to the residents by the Prime Minister, YAB Dato' Seri Mohd Najib Tun Razak on 16 July 2010. AFFIN Islamic Bank also donated RM50,000 to International Islamic University Endowment Fund in December 2010.

AFFIN Investment Bank embarked on a financial literacy programme named "Teenz.fm" for secondary students in Forms 1 & 2 to equip them with the basics of financial education, knowledge and skills and confidence they need to manage their finances. The programme was moderated by a CFP qualified instructor and participated by about 200 school children from about 20 schools in Selangor.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to thank everyone involved with the AFFIN Group, my colleagues on the Board and the Boards of subsidiary and associate companies and the management team and staff of all companies under the Group. I would also like to thank our shareholders, Lembaga Tabung Angkatan Tentera (LTAT), Boustead Holdings Bhd, The Bank of East Asia, Limited and our customers for their trust, confidence and continuous support. Our progress over the years would not have been possible without the trust, commitment, dedication and integrity of our people. They have certainly contributed much to the positive results I have just had the pleasure of highlighting to all shareholders and other stakeholders of the AFFIN Group.

Last but not least, my sincere thanks and appreciation to Bank Negara Malaysia and Securities Commission for their support and guidance.

Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Hj. Zainuddin
Chairman, AFFIN Holdings Berhad

The launching of AXA AFFIN MY Child Safety Programme in SK Seri Hartamas on 28 July 2010 by YBhg Datin Paduka Seri Rosmah Mansor, Yang DiPertua of BAKTI.

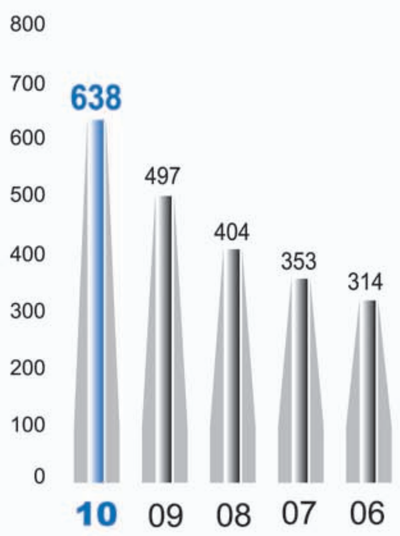
AXA AFFIN General Insurance Berhad collaborated with Damai Disabled Association of Selangor and Federal Territory to organise a Sports Day at Damai Training Centre, Petaling Jaya on 17 July 2010.

Five Year Group's Financial Record

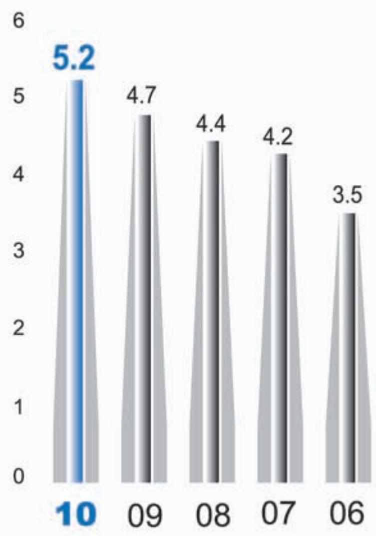
	2010	2009	2008	2007	2006
For the financial year ended 31 December (RM Million)					
OPERATING RESULTS					
Revenue	2,273	2,009	2,115	2,185	1,988
Profit before taxation	638	497	404	353	314
Net profit attributable to equity holders of the company	489	372	293	252	227
As at 31 December (RM Million)					
KEY BALANCE SHEET DATA					
Loans, advances and financing	26,574	22,497	19,928	17,278	17,357
Total assets	47,004	39,954	36,828	36,813	35,484
Deposits from customers	33,098	28,599	26,935	25,559	25,688
Total liabilities	41,803	35,219	32,417	32,576	32,007
Commitments and contigencies	18,902	17,891	22,682	19,416	17,847
Paid-up capital	1,495	1,494	1,494	1,487	1,253
Shareholders' equity	5,201	4,735	4,411	4,237	3,477
SHARE INFORMATION					
Per share (sen)					
Earnings - Basic	32.70	24.88	19.60	19.11	18.48
- Diluted	32.70	24.88	19.60	18.99	18.29
Gross Dividends	9.0	8.5	5.0	5.0	5.0
Net assets	348	317	295	285	278
Share price - high	326	254	278	308	204
Share price - low	247	114	114	181	154
Share price as at 31 December	309	2.52	1.52	259	192
Market capitalisation (RM' Million)	4,618	3,766	2,271	3,851	2,406
SEGMENT INFORMATION					
Profit before tax by activity (RM Million)					
Commercial banking & hire purchase	522	425	454	322	272
Investment banking	87	65	(40)	62	70
Insurance*	27	12	(5)	7	14
Others	2	(5)	(5)	(38)	(42)
	638	497	404	353	314
* net of tax					
Paid-up Capital by Subsidiaries (RM Million)					
AFFIN Bank Berhad	1,439.3	1,439.3	1,439.3	1,439.3	1,290.3
AFFIN Investment Bank Berhad	222.2	222.2	222.2	222.2	211.7
AFFIN Moneybrokers Sdn Bhd	1.0	1.0	1.0	1.0	1.0
AXA AFFIN Life Insurance Berhad	252.0	252.0	237.0	218.0	218.0

Charts of the Group's Five Year Financial Record

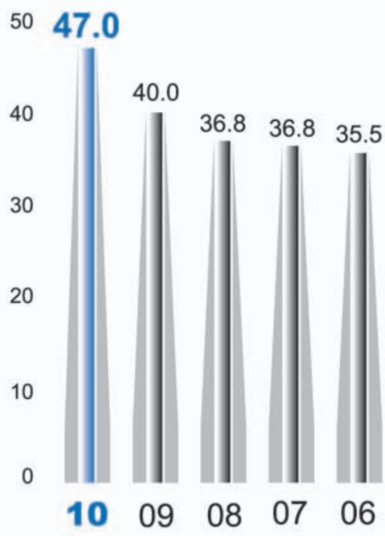
PROFIT BEFORE TAXATION
(RM MILLION)



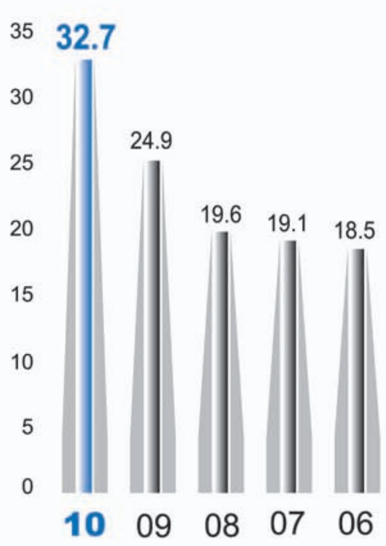
SHAREHOLDERS' EQUITY
(RM BILLION)



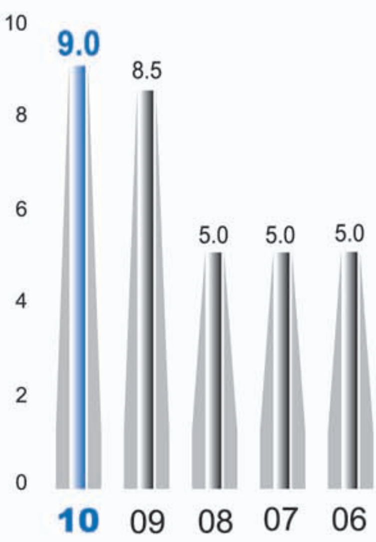
TOTAL ASSETS
(RM BILLION)



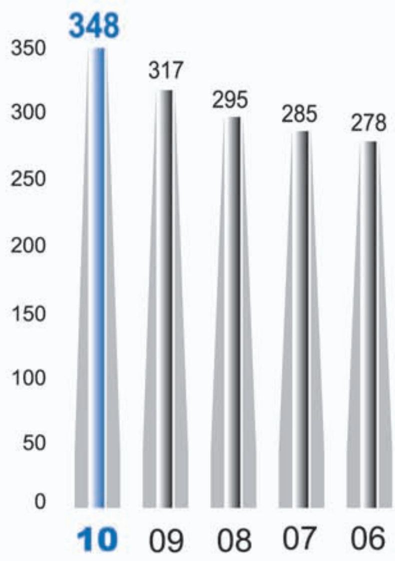
EARNINGS PER SHARE
(SEN)



GROSS DIVIDEND PER SHARE *(SEN)*



NET ASSETS PER SHARE
(SEN)



CONTENTS

The directors hereby submit their report together with the audited financial statements of the Group and the Company for the financial year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are commercial banking and hire purchase business, Islamic banking business, investment banking and stock-broking, money-broking, fund and unit trusts management.

The principal activity of the jointly controlled entities are underwriting of life insurance business and property development while the associate is principally engaged in the underwriting of general insurance business.

FINANCIAL RESULTS

	GROUP RM'000	COMPANY RM'000
Profit before taxation and zakat	637,533	192,344
Taxation and zakat	(148,908)	(47,636)
Net profit for the financial year	488,625	144,708

DIVIDENDS

The dividends on ordinary shares paid by the Company since 31 December 2009 were as follows:-

	RM'000
In respect of the financial year ended 31 December 2009:-	
Interim dividend of 5.0 sen gross per share and a special dividend of 3.5 sen gross per share, less 25% income tax, paid on 18 January 2010	95,266
In respect of the financial year ended 31 December 2010:-	
Interim dividend of 9.0 sen gross per share less 25% income tax has been declared on 26 November 2010 and paid on 26 January 2011	100,884

At the forthcoming Annual General Meeting, the directors do not propose any final dividend in respect of the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements and notes to the financial statements.

ISSUE OF SHARES

During the financial year, the following ordinary shares of RM1 each were issued by the Company:-

Date	Terms of issue	Class of shares	Purpose	Number of shares '000
22 June 2010 to 30 June 2010	At RM3.10 per share	Ordinary	Shares issued pursuant to the exercise of the Company's Warrant 2000/2010	134,306
6 July 2010 to 7 July 2010	At RM3.10 per share	Ordinary	Shares issued pursuant to the exercise of the Company's Warrant 2000/2010	70,083

The new ordinary shares issued during the year ranked pari passu in all respects with the existing ordinary shares of the Company.

WARRANT 2000/2010

On 8 July 2000, the Company issued 153,775,702 new warrants ("AFFIN Warrants 2000/2005") at no cost together with the rights issue exercise on the basis of one new AFFIN Warrants 2000/2005 for every four ordinary shares held. The exercise price of the AFFIN Warrants 2000/2005 was RM3.10 and was to expire on 7 July 2005. On 26 November 2004, the shareholders of the Company and the holders of AFFIN Warrants 2000/2005 approved the extension of the exercise period for a further 5 years and a Supplemental Deed Poll dated 26 November 2004 was executed to reflect the extension of the exercise period of the AFFIN Warrants 2000/2005 to expire on 7 July 2010 ("AFFIN Warrants 2000/2010"). The exercise price of the AFFIN Warrants 2000/2010 remains at RM3.10.

During the financial year, only 204,389 AFFIN Warrants 2000/2010 were exercised to take up unissued ordinary shares of RM1.00 each in the Company and the movement of the said Warrants during the financial year is as follows:-

	Number of AFFIN Warrants 2000/2010
At 1 January 2010	153,770,952
Exercised during the financial year	(204,389)
Expired during the financial year	(153,566,563)
At 31 December 2010	–

DIRECTORS

The directors who have held office during the period since the date of the last report are:-

Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin
Tan Sri Dato' Lodin bin Wok Kamaruddin
Raja Dato' Seri Aman bin Raja Haji Ahmad
Maj. Gen. (R) Dato' Mohamed Isa bin Che Kak
Datuk Azzat bin Kamaludin
Dato' Mustafa bin Mohamad Ali
Dr. The Hon. Sir David Li Kwok Po
Professor Arthur Li Kwok Cheung
Abdul Malik bin Abdul Rahman (Appointed on 16.2.2011)
Adrian David Li Man Kiu (Alternate Director to Dr. The Hon. Sir David Li Kwok Po)

In accordance with Article 105 of the Company's Articles of Association, Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin and Professor Arthur Li Kwok Cheung retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

In accordance with Article 111 of the Company's Articles of Association, Abdul Malik bin Abdul Rahman retires and being eligible, offers himself for re-election at the forthcoming Annual General Meeting.

Pursuant to section 129(6) of the Companies Act, 1965, Maj. Gen. (R) Dato' Mohamed Isa bin Che Kak, Dato' Mustafa bin Mohamad Ali and Dr. The Hon. Sir David Li Kwok Po retire and offer themselves for re-appointment at the forthcoming Annual General Meeting.

Datuk Azzat bin Kamaludin has expressed his intention not to seek re-appointment upon the expiry of his term of office on 13 April 2011.

DIRECTORS' BENEFITS

During and at end of the financial year, no arrangements subsisted to which the Company or its subsidiaries is a party, with the object or objects of enabling directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate except for the share options granted to directors of the Company by the Company, Boustead Holdings Berhad and Lembaga Tabung Angkatan Tentera.

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than directors' remuneration as disclosed in Note 37 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interest of directors in office at end of the financial year in shares and warrants in the Company and its related companies are as follows:-

	NUMBER OF ORDINARY SHARES OF RM1 EACH			
The Company	**At 1.1.2010**	**Bought**	**Sold**	**At 31.12.2010**
Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin	30,000	–	–	30,000
Tan Sri Dato' Lodin bin Wok Kamaruddin	808,714*	–	–	808,714*
Raja Dato' Seri Aman bin Raja Haji Ahmad	45,000	–	(43,000)	2,000
Datuk Azzat bin Kamaludin	110,000	–	–	110,000

* Shares held in trust by nominee company

DIRECTORS' INTERESTS (cont'd)

Related Companies	At 1.1.2010	Bought	Sold	At 31.12.2010
	NUMBER OF ORDINARY SHARES OF RM1 EACH			
Boustead Heavy Industries Corporation Berhad				
Tan Sri Dato' Lodin bin Wok Kamaruddin	2,000,000	–	–	2,000,000
Datuk Azzat bin Kamaludin	495,300	–	–	495,300
Boustead Petroleum Sdn Bhd				
Tan Sri Dato' Lodin bin Wok Kamaruddin	5,766,465	150,000	–	5,916,465
Al-Hadharah Boustead REIT				
Tan Sri Dato' Lodin bin Wok Kamaruddin	200,000	50,000	–	250,000

Related Company	At 1.1.2010	Bought	Sold	At 31.12.2010
	NUMBER OF ORDINARY SHARES OF 50 SEN EACH			
Boustead Holdings Berhad				
Tan Sri Dato' Lodin bin Wok Kamaruddin	26,122,599	–	–	26,122,599
Datuk Azzat bin Kamaludin	40,000	–	–	40,000
Dato' Mustafa bin Mohamad Ali	10,000	–	–	10,000

Related Company	At 1.1.2010	Bought	Sold	At 31.12.2010
	NUMBER OF REDEEMABLE PREFERENCE SHARES OF RM1 EACH			
Boustead Petroleum Sdn Bhd				
Tan Sri Dato' Lodin bin Wok Kamaruddin	50	–	–	50

The Company	At 1.1.2010	Bought	Expired	At 31.12.2010
	NUMBER OF WARRANTS 2000/2010			
Tan Sri Dato' Lodin bin Wok Kamaruddin	1,500	–	(1,500)	–

Each of the above Warrants 2000/2010 of the Company (previously known as "AFFIN Warrants 2000/2005") entitled the registered holder to subscribe for one new ordinary share of RM1.00 each in the Company at any time from the date of issue of 8 July 2000 at the exercise price of RM3.10 per share. The original exercise period of the AFFIN Warrants 2000/2010 was to expire on 7 July 2005. During the financial year 2005, AFFIN Warrants 2000/2005 was extended for another five years and has expired on 7 July 2010 ("AFFIN Warrants 2000/2010").

Other than the above, the directors in office at end of the financial year did not have any other interest in the shares in the Company or its related companies during the financial year.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements of the Group and the Company were made out, the directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing-off of bad debts and financing and the making of allowance for doubtful debts and financing and satisfied themselves that all known bad debts had been written-off and that adequate allowances had been made for doubtful debts and financing; and

(b) to ensure that any current assets, other than debts and financing, which were unlikely to realise in the ordinary course of business, their value as shown in the accounting records of the Group and the Company, have been written-down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances:

(a) which would render the amounts written-off for bad debts and financing or the amount of allowances for doubtful debts and financing in the financial statements of the Group and the Company inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and the Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

At the date of this report, there does not exist:

(a) any charge on the assets of the Group and the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Group and the Company which has arisen since the end of the financial year.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group or the Company to meet their obligations when they fall due.

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

In the opinion of the directors,

(a) the results of the Group's and the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to substantially affect the results of the operations of the Group or the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 49 to the financial statements.

SUBSEQUENT EVENTS

There were no material events subsequent to the reporting date that require disclosure or adjustment to the financial statements.

ULTIMATE HOLDING CORPORATE BODY

The directors regard Lembaga Tabung Angkatan Tentera, a corporate body established under the Tabung Angkatan Tentera Act, 1973, as the ultimate holding corporate body of the Company.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 28 February 2011.

TAN SRI DATO' LODIN BIN WOK KAMARUDDIN
DIRECTOR

MAJ. GEN. (R) DATO' MOHAMED ISA BIN CHE KAK
DIRECTOR

Kuala Lumpur
28 February 2011

	Note	GROUP 2010 RM'000	GROUP 2009 RM'000	COMPANY 2010 RM'000	COMPANY 2009 RM'000
ASSETS					
Cash and short-term funds	2	**8,673,341**	6,223,544	**126,043**	193,628
Deposits and placements with banks and other financial institutions	3	**18,088**	1,817	**176,412**	51,009
Financial assets held-for-trading	4	**149,853**	150,000	**–**	–
Financial investments available-for-sale	5	**8,528,907**	8,166,664	**–**	–
Financial investments held-to-maturity	6	**533,458**	518,216	**–**	–
Loans, advances and financing	7	**26,574,066**	22,496,936	**–**	–
Derivative financial assets	8	**43,254**	24,315	**–**	–
Statutory deposits with Bank Negara Malaysia	9	**275,167**	244,982	**–**	–
Investment in subsidiaries	10	**–**	–	**3,636,991**	3,795,474
Amount due from subsidiary	11	**–**	–	**300,074**	300,000
Investment in jointly controlled entities	12	**113,311**	107,642	**128,520**	128,520
Investment in associate	13	**152,779**	129,228	**10,597**	10,597
Amount due from associate	14	**90,624**	–	**90,624**	–
Trade receivables	15	**270,012**	79,361	**–**	–
Other assets	16	**305,813**	452,794	**2,569**	1,148
Taxation recoverable		**76,291**	18,756	**6,181**	5,500
Deferred tax assets	27	**10,180**	57,430	**–**	–
Property and equipment	17	**176,897**	196,774	**734**	937
Land held for sale	18	**–**	62,354	**–**	–
Intangible assets	19	**1,011,867**	1,023,330	**12**	15
TOTAL ASSETS		**47,003,908**	39,954,143	**4,478,757**	4,486,828
LIABILITIES AND EQUITY					
Deposits from customers	20	**33,098,432**	28,599,251	**–**	–
Deposits and placements of banks and other financial institutions	21	**6,837,631**	5,147,094	**–**	–
Bills and acceptances payable		**110,161**	94,265	**–**	–
Trade payables	22	**258,802**	74,330	**–**	–
Recourse obligation on loans sold to Cagamas Berhad	23	**286,370**	297,216	**–**	–
Derivative financial liabilities	24	**57,560**	41,684	**–**	–
Other liabilities	25	**738,025**	662,104	**108,086**	101,357
Amount due to subsidiaries	26	**–**	–	**689,348**	839,206
Provision for taxation		**188**	2,734	**–**	–
Deferred tax liabilities	27	**25,082**	176	**141**	166
Borrowings	28	**390,624**	300,000	**390,624**	300,000
TOTAL LIABILITIES		**41,802,875**	35,218,854	**1,188,199**	1,240,729

	Note	GROUP 2010 RM'000	GROUP 2009 RM'000	COMPANY 2010 RM'000	COMPANY 2009 RM'000
EQUITY					
Share capital	29	**1,494,576**	1,494,371	**1,494,576**	1,494,371
Share premium		**1,400,410**	1,399,980	**1,400,410**	1,399,980
Reserves	30	**2,306,047**	1,840,938	**395,572**	351,748
TOTAL EQUITY		**5,201,033**	4,735,289	**3,290,558**	3,246,099
TOTAL LIABILITIES AND EQUITY		**47,003,908**	39,954,143	**4,478,757**	4,486,828
COMMITMENTS AND CONTINGENCIES	44(c)	**18,901,770**	17,891,239	**–**	–

The accounting policies on pages 59 to 75 and the notes on pages 76 to 158 form an integral part of these financial statements.

Income Statements

For the financial year ended 31 December 2010

	Note	GROUP 2010 RM'000	GROUP 2009 RM'000	COMPANY 2010 RM'000	COMPANY 2009 RM'000
Revenue	31	**2,272,995**	2,008,858	**213,984**	168,888
Interest income	32	**1,645,809**	1,468,655	**20,616**	12,265
Interest expense	33	**(805,925)**	(650,368)	**–**	–
Net interest income		**839,884**	818,287	**20,616**	12,265
Islamic banking income	34	**177,783**	162,637	**–**	–
		1,017,667	980,924	**20,616**	12,265
Other operating income	35	**347,737**	318,232	**193,368**	156,632
Net income		**1,365,404**	1,299,156	**213,984**	168,897
Other operating expenses	36	**(640,161)**	(604,494)	**(8,644)**	(7,426)
Operating profit before allowance for impairment on loans, advances and financing		**725,243**	694,662	**205,340**	161,471
Allowance for impairment on loans, advances and financing	38	**(94,808)**	(185,065)	**–**	–
Allowance for impairment on other assets	39	**(7,296)**	(13,888)	**–**	(12,143)
Operating profit		**623,139**	495,709	**205,340**	149,328
Finance cost	40	**(12,996)**	(11,031)	**(12,996)**	(11,031)
Share of results of a jointly controlled entity		**6,923**	233	**–**	–
Share of results of associate		**12,004**	12,249	**–**	–
Gain on dilution of interest in associate		**8,463**	–	**–**	–
Profit before taxation and zakat		**637,533**	497,160	**192,344**	138,297
Taxation	41	**(143,487)**	(121,909)	**(47,636)**	(38,374)
Zakat		**(5,421)**	(3,408)	**–**	–
Net profit for the financial year attributable to equity holders of the Company		**488,625**	371,843	**144,708**	99,923
Earnings per share attributable to equity holders of the Company (sen) - Basic and fully diluted	42	**32.70**	24.88		

The accounting policies on pages 59 to 75 and the notes on pages 76 to 158 form an integral part of these financial statements.

Statements of Comprehensive Income

For the financial year ended 31 December 2010

	Note	GROUP 2010 RM'000	GROUP 2009 RM'000	COMPANY 2010 RM'000	COMPANY 2009 RM'000
Profit after taxation and zakat		**488,625**	371,843	**144,708**	99,923
Other comprehensive income:					
Income and expense recognised directly in equity		**14,756**	61,018	**–**	–
Deferred tax on revaluation of financial investments available-for-sale		**(4,456)**	(13,625)	**–**	–
Recognition of proportionate share of effects of dilution in interest in associate on investment fluctuation reserve		**(1,133)**	–	**–**	–
Other comprehensive income for the financial year, net of tax		**9,167**	47,393	**–**	–
Total comprehensive income for the financial year		**497,792**	419,236	**144,708**	99,923
Attributable to equity holders of the Company:					
- Total comprehensive income		**497,792**	419,236	**144,708**	99,923

The accounting policies on pages 59 to 75 and the notes on pages 76 to 158 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2010

GROUP	Note	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	Investment fluctuation reserves RM'000	Retained profits RM'000	Total equity RM'000
		<--- Attributable to Equity Holders of the Company					--->
			<--- Non-Distributable		--->	Distributable	
At 1 January 2010							
- As previously reported		**1,494,371**	**1,399,980**	**874,360**	**24,453**	**942,125**	**4,735,289**
- Effect of adoption of FRS 139	53	–	–	–	**51,010**	**17,191**	**68,201**
At 1 January 2010, as restated		**1,494,371**	**1,399,980**	**874,360**	**75,463**	**959,316**	**4,803,490**
Comprehensive income:							
- Net profit for the financial year		–	–	–	–	**488,625**	**488,625**
Other comprehensive income		–	–	–	**9,167**	–	**9,167**
Total comprehensive income for the financial year		–	–	–	**9,167**	**488,625**	**497,792**
Issue of share capital:-							
- pursuant to the exercise of Warrant 2000/2010	29	**205**	**430**	–	–	–	**635**
Transfer to statutory reserves		–	–	**116,182**	–	**(116,182)**	–
Dividends declared and payable for the financial year	43	–	–	–	–	**(100,884)**	**(100,884)**
At 31 December 2010		**1,494,576**	**1,400,410**	**990,542**	**84,630**	**1,230,875**	**5,201,033**

		<--------------- Attributable to Equity Holders of the Company				---------------->
			<---------- Non-Distributable	-------->		Distributable	
GROUP	Note	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	Investment fluctuation reserves RM'000	Retained profits RM'000	Total equity RM'000
At 1 January 2009		1,494,367	1,399,970	698,181	(22,940)	841,727	4,411,305
Comprehensive income:							
- Net profit for the financial year		–	–	–	–	371,843	371,843
Other comprehensive income		–	–	–	47,393	–	47,393
Total comprehensive income for the financial year		–	–	–	47,393	371,843	419,236
Issue of share capital:-							
- pursuant to the exercise of Warrant 2000/2010	29	4	10	–	–	–	14
Transfer to statutory reserves		–	–	176,179	–	(176,179)	–
Dividends declared and payable for the financial year	43	–	–	–	–	(95,266)	(95,266)
At 31 December 2009		1,494,371	1,399,980	874,360	24,453	942,125	4,735,289

The accounting policies on pages 59 to 75 and the notes on pages 76 to 158 form an integral part of these financial statements.

COMPANY	Note	<------- Attributable to Equity Holders of the Company -------> Share capital RM'000	Non-Distributable Share premium RM'000	Distributable Retained profits RM'000	Total equity RM'000
At 1 January 2010		**1,494,371**	**1,399,980**	**351,748**	**3,246,099**
Total comprehensive income for the financial year					
- Net profit for the financial year		**–**	**–**	**144,708**	**144,708**
Issue of share capital:-					
- pursuant to the exercise of Warrant 2000/2010	29	**205**	**430**	**–**	**635**
Dividends declared and payable for the financial year	43	**–**	**–**	**(100,884)**	**(100,884)**
At 31 December 2010		**1,494,576**	**1,400,410**	**395,572**	**3,290,558**
At 1 January 2009		1,494,367	1,399,970	347,091	3,241,428
Total comprehensive income for the financial year					
- Net profit for the financial year		–	–	99,923	99,923
Issue of share capital:-					
- pursuant to the exercise of Warrant 2000/2010	29	4	10	–	14
Dividends declared and payable for the financial year	43	–	–	(95,266)	(95,266)
At 31 December 2009		1,494,371	1,399,980	351,748	3,246,099

The accounting policies on pages 59 to 75 and the notes on pages 76 to 158 form an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2010

	2010 RM'000	2009 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation and zakat	**637,533**	497,160
Adjustments for items not involving the movement of cash and cash equivalents:-		
Interest income from		
- financial assets held-for-trading	**(320)**	(3,956)
- financial investments available-for-sale	**(198,828)**	(191,829)
- financial investments held-to-maturity	**(19,420)**	(22,753)
Dividend income from		
- financial investments available-for-sale	**(416)**	(179)
- financial investments held-to-maturity	**(2,901)**	(5,858)
Amortisation of premium net of accretion of discount		
- financial investments available-for-sale	**(35,315)**	(23,782)
- financial investments held-to-maturity	**(2,360)**	(1,191)
Gain on disposal/redemption		
- financial assets held-for-trading	**(3,194)**	(1,901)
- financial investments available-for-sale	**(42,340)**	(11,212)
- financial investments held-to-maturity	**(2,289)**	(2,507)
Unrealised (gain)/loss on revaluation		
- financial assets held-for-trading	**244**	(6,061)
- derivatives	**(4,271)**	(13,937)
- foreign exchange	**9,829**	9,653
Allowance for/(write-back of) impairment loss		
- financial investments available-for-sale	**3,939**	10,467
- financial investments held-to-maturity	**3,357**	(387)
- land held for sale	**–**	3,808
Depreciation of property and equipment	**24,414**	26,934
Property and equipment written-off	**225**	527
Intangible assets written-off	**292**	–
Gain on waiver of debts	**(4,996)**	–
Net gain on disposal of property and equipment	**(246)**	(279)
Gain on disposal of leasehold land	**–**	(1,185)
Gain on disposal of foreclosed properties	**(6,330)**	(18,918)
Amortisation of intangible assets	**16,980**	21,016
Bad debts written-off	**15,810**	12,237
Share of results of jointly controlled entity	**(6,923)**	(233)
Share of results of associate	**(12,004)**	(12,249)
Gain on dilution of interest in associate	**(8,463)**	–
Additional/(write-back of) allowance for impairment on loans, advances and financing		
- collective impairment	**(1,958)**	–
- individual impairment	**175,943**	–
- general allowance	**–**	37,258
- specific allowance	**–**	273,635
- litigation losses arising from loans	**78,000**	–
Additional allowance for impaired debts - other debtors	**975**	202
OPERATING PROFIT BEFORE CHANGES IN WORKING CAPITAL	**614,967**	574,480

	2010 RM'000	2009 RM'000
INCREASE/(DECREASE) IN OPERATING ACTIVITIES		
(Increase)/decrease in operating assets:-		
Deposits and placements with banks and other financial institutions	**(16,271)**	(1,817)
Financial assets held-for-trading	**3,417**	265,731
Loans, advances and financing	**(4,242,993)**	(2,892,389)
Other assets	**110,608**	105,462
Statutory deposits with Bank Negara Malaysia	**(30,185)**	590,646
Trade receivables	**(190,696)**	(39,356)
Increase/(decrease) in operating liabilities:-		
Deposits from customers	**4,499,181**	1,664,275
Deposits and placements of banks and other financial institutions	**1,690,537**	1,258,387
Bills and acceptances payable	**15,896**	(41,978)
Trade payables	**184,472**	37,389
Recourse obligation on loans sold to Cagamas Berhad	**(10,846)**	286,128
Other liabilities	**(499)**	(63,623)
Cash generated from operations	**2,627,588**	1,743,335
Tax and zakat paid	**(169,445)**	(155,408)
Tax refund	**9,900**	8,114
NET CASH GENERATED FROM OPERATING ACTIVITIES	**2,468,043**	1,596,041
CASH FLOW FROM INVESTING ACTIVITIES		
Net purchase of financial investments available-for-sale	**(184,915)**	(2,196,775)
Net disposal/(purchase) of financial investments held-to-maturity	**(39,879)**	88,534
Proceeds from disposal of property and equipment	**2,593**	5,705
Proceeds from disposal of leasehold land	**–**	2,111
Proceeds from disposal/redemption of land held for sale	**61,741**	21,250
Proceeds from disposal of foreclosed properties	**24,941**	45,870
Final proceeds for surrendering the discount house license in previous year	**–**	120
Purchase of property and equipment	**(11,198)**	(15,799)
Purchase of intangible assets	**(1,720)**	(932)
Dividends received from associate	**–**	3,000
Capital injection into jointly controlled entities	**–**	(7,650)
Interest received from		
- financial investments available-for-sale	**198,828**	191,829
- financial investments held-to-maturity	**19,420**	22,753
Dividend received from		
- financial investments available-for-sale	**416**	179
- financial investments held-to-maturity	**2,901**	5,858
Amount due from associate	**(90,624)**	–
NET CASH USED IN INVESTING ACTIVITIES	**(17,496)**	(1,833,947)

	2010 RM'000	2009 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase/(decrease) in borrowings	**90,624**	(400,000)
Dividends paid to shareholders of the Company	**(95,266)**	–
Proceeds from issue of shares pursuant to the exercise of Warrants	**635**	14
NET CASH USED IN FINANCING ACTIVITIES	**(4,007)**	(399,986)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**2,446,540**	(637,892)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**6,174,651**	6,812,543
CASH AND CASH EQUIVALENTS AT END OF YEAR	**8,621,191**	6,174,651
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and short-term funds (Note 2)	**8,673,341**	6,223,544
Adjustment for money held in trust on behalf of clients and remisiers (Note 25)	**(52,150)**	(48,893)
Cash and cash equivalent	**8,621,191**	6,174,651

The accounting policies on pages 59 to 75 and the notes on pages 76 to 158 form an integral part of these financial statements.

Company Statement of Cash Flows

For the financial year ended 31 December 2010

	2010 RM'000	2009 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation and zakat	**192,344**	138,297
Adjustments for items not involving the movement of cash and cash equivalents:-		
Gross dividends from subsidiaries	**(193,368)**	(152,623)
Gross dividend from associate	**–**	(4,000)
Depreciation of property and equipment	**231**	235
Amortisation of intangible assets	**4**	4
Loss on disposal of property and equipment	**–**	2
Impairment loss on investment in subsidiaries	**–**	12,143
OPERATING LOSS BEFORE CHANGES IN WORKING CAPITAL	**(789)**	(5,942)
INCREASE/(DECREASE) IN OPERATING ACTIVITIES		
(Increase)/decrease in operating assets:-		
Deposits and placements with banks and other financial institutions	**(125,403)**	244,112
Other assets	**(1,420)**	2,558
Increase in operating liabilities:-		
Other liabilities	**1,111**	415
Cash (used in)/generated from operations	**(126,501)**	241,143
Tax refund	**–**	7,766
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	**(126,501)**	248,909
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend received from subsidiaries	**145,025**	114,467
Dividend received from associate	**–**	3,000
Net cash movement in amount due from/to subsidiaries	**8,551**	(299,318)
Purchase of property and equipment	**(28)**	(70)
Purchase of intangible assets	**(1)**	(17)
Amount due from associate	**(90,624)**	–
Capital injection into a jointly controlled entity	**–**	(7,650)
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	**62,923**	(189,588)

	2010 RM'000	2009 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in borrowings	**90,624**	100,000
Dividends paid to shareholders of the Company	**(95,266)**	–
Proceeds from issue of shares pursuant to the exercise of Warrants	**635**	14
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	**(4,007)**	100,014
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(67,585)**	159,335
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**193,628**	34,293
CASH AND CASH EQUIVALENTS AT END OF YEAR	**126,043**	193,628
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and short-term funds (Note 2)	**126,043**	193,628

The accounting policies on pages 59 to 75 and the notes on pages 76 to 158 form an integral part of these financial statements.

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements. These policies have been consistently applied to all the financial years presented, unless otherwise stated.

1 BASIS OF PREPARATION

The financial statements of the Group and the Company have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies and in accordance with the Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards for Entities Other than Private Entities, Bank Negara Malaysia Guidelines and the provisions of the Companies Act, 1965.

The financial statements incorporate those activities relating to Islamic banking business which have been undertaken by the Group. Islamic banking refers generally to the acceptance of deposits and granting of financing under the Syariah principles.

The preparation of financial statements in conformity with the MASB Approved Accounting Standards for Entities Other than Private Entities and BNM Guidelines requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires directors to exercise judgement in the process of applying the Group's accounting policies. Although these estimates are based on the directors' best knowledge of current events and actions, actual results may differ from these estimates.

(a) Standards, amendments to published standards and interpretations that are applicable and effective to the Group

- FRS 7 "Financial Instruments: Disclosures" and the related Amendments
- FRS 8 "Operating Segments"
- FRS 101 (revised) "Presentation of Financial Statements"
- FRS 123 "Borrowing Costs"
- FRS 139 "Financial Instruments: Recognition and Measurement" and the related Amendments
- Amendment to FRS 1 "First-time Adoption of Financial Reporting Standards" and FRS 127 "Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate"
- Amendment to FRS 2 "Share-based Payment: Vesting Conditions and Cancellations"
- Amendments to FRS 132 "Financial Instruments: Presentation" and FRS 101 (revised) "Presentation of Financial Statements"- Puttable financial instruments and obligations arising on liquidation
- IC Interpretation 9 "Reassessment of Embedded Derivatives" and the related Amendments
- IC Interpretation 10 "Interim Financial Reporting and Impairment"
- IC Interpretation 11 "FRS 2 Group and Treasury Share Transactions"
- IC Interpretation 13 "Customer Loyalty Programmes"
- Improvements to FRSs (2009)

A summary of the impact of the new accounting standards, amendments and improvements to published standards and interpretations on the financial statements of the Group are set out in Note 53.

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group but not yet effective

- Amendment to FRS 2 "Share-based payment: Group cash-settled share-based payment transactions" (effective from 1 January 2011) clarifies that an entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. The amendments also incorporate guidance previously included in IC Interpretation 8 "Scope of FRS 2" and IC Interpretation 11 "FRS 2 – group and treasury share transactions", which shall be withdrawn upon application of this amendment.

- The revised FRS 3 "Business combinations" (effective prospectively from 1 July 2010) continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through profit or loss. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

1 BASIS OF PREPARATION (cont'd)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group but not yet effective (cont'd)

- The revised FRS 124 "Related party disclosures" (effective from 1 January 2012) removes the exemption to disclose transactions between government-related entities and the government, and all other government-related entities. The following new disclosures are now required for government related entities:

  - Clarifies The name of the government and the nature of their relationship;
  - The nature and amount of each individually significant transactions; and
  - The extent of any collectively significant transactions, qualitatively or quantitatively.

- The revised FRS 127 "Consolidated and separate financial statements" (applies prospectively to transactions with non-controlling interests from 1 July 2010) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. When this standard is effective, all earnings and losses of the subsidiary are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interest results in a debit balance in the shareholders' equity. Profit or loss attribution to non-controlling interests for prior years is not restated. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss.

- Amendments to FRS 7 "Financial instruments: Disclosures" and FRS 1 "First-time adoption of financial reporting standards" (effective from 1 January 2011) requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy.

  The Group has applied the transitional provision which exempts entities from disclosing the possible impact arising from the initial application of this amendment on the financial statements of the Group and the Company.

- Amendment to FRS 132 "Financial instruments: Presentation" on classification of rights issues (effective from 1 March 2010) addresses accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity instruments instead of as derivative liabilities, regardless of the currency in which the exercise price is denominated. Currently, these issues are accounted for as derivative liabilities.

- IC Interpretation 4 "Determining whether an arrangement contains a lease" (effective from 1 January 2011) requires the Group to identify any arrangement that does not take the legal form of a lease, but conveys a right to use an asset in return for a payment or series of payments. This interpretation provides guidance for determining whether such arrangements are, or contain, leases. The assessment is based on the substance of the arrangement and requires assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset. If the arrangement contains a lease, the requirements of FRS 117 "Leases" should be applied to the lease element of the arrangement.

- IC Interpretation 17 "Distribution of non-cash assets to owners" (effective from 1 July 2010) provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. FRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.

- IC Interpretation 19 "Extinguishing financial liabilities with equity instruments" (effective from 1 July 2011) provides clarification when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. A gain or loss, being the difference between the carrying value of the financial liability and the fair value of the equity instruments issued, shall be recognised in profit or loss. Entities are no longer permitted to reclassify the carrying value of the existing financial liability into equity with no gain or loss recognised in profit or loss.

1 BASIS OF PREPARATION (cont'd)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group but not yet effective (cont'd)

Improvements to FRSs:-

- FRS 2 (effective from 1 July 2010) clarifies that contribution of a business on formation of a joint venture and common control transactions are outside the scope of FRS 2.

- FRS 3 (effective from 1 January 2011)

  – Clarifies that the choice of measuring non-controlling interests at fair value or at the proportionate share of the acquiree's net assets applies only to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by FRS.

  – Clarifies that the amendments to FRS 7, FRS 132 and FRS 139 that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of FRS 3 (2010). Those contingent consideration arrangements are to be accounted for in accordance with the guidance in FRS 3 (2005).

- FRS 5 "Non-current assets held for sale and discontinued operations" (effective from 1 July 2010) clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met.

- FRS 101 "Presentation of financial statements" (effective from 1 January 2011) clarifies that an entity shall present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

- FRS 138 "Intangible Assets" (effective from 1 July 2010) clarifies that a group of complementary intangible assets acquired in a business combination may be recognised as a single asset if each asset has similar useful lives.

- IC Interpretation 9 (effective from 1 July 2010) clarifies that this interpretation does not apply to embedded derivatives in contracts acquired in a business combination, businesses under common control or the formation of a joint venture.

The Group will apply these standards when effective. The adoption of these standards and amendments will not have significant impact on the results of the Group and the Company.

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors dated 28 February 2011.

2 ECONOMIC ENTITIES IN THE GROUP

The consolidated financial statements include the financial statements of the Company, subsidiaries, jointly controlled entities and associates, made up to the end of the financial year.

(a) Subsidiaries

Subsidiaries are those corporations, partnerships or other entities in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

2 ECONOMIC ENTITIES IN THE GROUP (cont'd)

(a) Subsidiaries (cont'd)

Subsidiaries are consolidated using the purchase method of accounting. Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceases. The cost of an acquisition is measured as fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of identifiable net assets acquired at the date of acquisition is reflected as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary, to ensure consistency with the policies adopted by the Group.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences that relate to the subsidiary, is recognised in the consolidated income statement.

Minority interests represent that portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since that date.

(b) Jointly controlled entities

Jointly controlled entities are corporations, partnerships or other entities over which there is contractually agreed sharing of control by the Group with one or more parties where the strategic financial and operating decisions relating to the entities require unanimous consent of the parties sharing control.

Investments in jointly controlled entities are accounted for in the consolidated financial statements using the equity method of accounting and are initially recognised at cost. The Group's investment in jointly controlled entities includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of the post-acquisition profits or losses of the jointly controlled entities are recognised in the income statement, and its share of post-acquisition movements in reserves are recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other unsecured receivables, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the jointly controlled entity.

Where necessary, adjustments have been made to the financial statements of jointly controlled entities to ensure consistency of accounting policies with those of the Group.

Dilution gains and losses in jointly controlled entities are recognised in the income statement.

For incremental interest in a jointly controlled entity, the date of acquisition is purchase date at each stage and goodwill is calculated at each purchase date based on the fair value of assets and liabilities identified. There is no "step up to fair value" of net assets of previously acquired stake and the share of profits and equity movements for the previously acquired stake is recorded directly through equity.

2 ECONOMIC ENTITIES IN THE GROUP (cont'd)

(c) Associates

Associates are those corporations, partnerships or other entities in which the Group exercises significant influence, but which it does not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not the power to exercise control over those policies.

Investments in associates are accounted for in the consolidated financial statements using equity method of accounting as described in Note 2 (b) above.

(d) Changes in ownership interests

When the Group ceases to have control, joint control or significant influence over an entity, the carrying amount of the investment at the date control, joint control or significant influence ceases become its cost on initial measurement as a financial asset in accordance with FRS 139. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

In the Company's financial statements, the investments in subsidiaries, jointly controlled entities and associate are stated at cost less impairment losses. At each reporting date, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the investment is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount. Any subsequent increase in recoverable amount is recognised in the income statement.

3 INTANGIBLE ASSETS

Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries, jointly controlled entities and associates over the fair value of the Group's share of the identifiable net assets at the date of acquisition.

Goodwill on acquisition of subsidiaries are included in the statement of financial position as intangible assets. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicated that the goodwill may be impaired. The amount retained in the consolidated financial statements is stated at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to the respective subsidiaries, representing the cash-generating units ("CGUs") of the Group for the purpose of impairment testing. The allocation is made to those CGUs that are expected to benefit from the synergies of the business combination in which goodwill arose.

Goodwill on acquisition of jointly controlled entities and associates are included in investments in jointly controlled entities and associates respectively. Such goodwill is tested for impairment as part of the overall balances.

Computer software

Acquired computer software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives which are three to five years and are stated at cost less accumulated amortisation and accumulated impairment losses, if any.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development employee costs and appropriate portion of relevant overhead.

4 IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the assets' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of the other assets, any subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash in hand, bank balances and deposits and placements maturing within one month which are held for the purpose of meeting short-term commitments and are readily convertible into cash without significant risk of changes in value.

6 TRADE RECEIVABLES

Trade receivables arising from the stock-broking business are carried at cost net of impairment allowances.

With the adoption of FRS 139, the Group assesses at each reporting date whether there is objective evidence of impairment. It 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 (a 'loss event') and that loss event (or events) has an impact on the estimated collateral value.

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

- Breach of trading accounts terms and conditions
- Significantly financial difficulty
- Probability of bankruptcy
- Conduct of dealer

The Group assesses whether objective evidence of impairment exists individually for trade receivables. If the Group determines that no objective evidence of impairment exists for individual assessment, it will be collectively assessed for impairment.

The amount of the loss is measured as the difference between the carrying amount and the collateral value.

Impairment is collectively assessed based on historical loss experience, 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.

The collective impairment is subject to the transitional arrangement prescribed in BNM's guidelines on Classifications and Impairment Provisions for Loans/Financing issued on 17 December 2010, whereby banking institutions are required to maintain collective assessment impairment allowance of at least 1.5% of total overdue trade receivables, net of individual impairment allowance.

The impairment allowance is in conformity with the requirements of Chapter 11, Schedule 7, Rule 1104.1 of Rules of the Bursa Malaysia Securities Berhad.

7 INCOME TAX

Current tax

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and includes all taxes based upon the taxable profits for the financial year.

Deferred tax

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised.

Deferred tax is recognised on temporary differences principally arising from depreciation of property and equipment, amortisation of intangible assets, collective allowance (transitional provision) or general allowances for loans, advances and financing, unrealised gains/(losses) on revaluation of securities, forex and derivatives, provision for other liabilities and unused tax losses carried forward.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax related to fair value re-measurement of financial investments available-for-sale, which are charged or credited directly to equity and is subsequently recognised in the income statement together with the deferred gain or loss.

8 PROPERTY AND EQUIPMENT AND DEPRECIATION

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Freehold land is not depreciated as it has an infinite life. Other property and equipment are depreciated on the straight line basis to write-off the cost of the assets or their revalue amounts, to their residual values over their estimated useful lives, summarised as follows:-

Buildings on freehold land	50 years
Leasehold buildings	Over the remaining lease period
Renovation and leasehold premises	5 to 10 years or the period of the lease, whichever is greater
Furniture and equipment	3 to 10 years
Computer equipment and software	4 to 10 years
Motor vehicles	5 years

Residual value and useful lives of assets are reviewed, and adjusted if appropriate, at each reporting date.

At each reporting date, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount. Any subsequent increase in the recoverable amount is recognised in the income statement.

Gains and losses on disposal are determined by comparing proceeds with carrying amount and are recognised in the income statement.

9 LEASES

Accounting by lessee:-

(i) *Finance leases*

Leases of property and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a periodic constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property and equipment acquired under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to the carrying amount of the leased assets and recognised as an expense in income statement over the lease term on the same basis as the lease expense.

(ii) *Operating leases*

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on the straight line basis over the lease period.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are recognised in income statement when incurred.

Following the adoption of the improvement to FRS 117 "Leases", leasehold land in which the Group has substantially all the risks and rewards incidental to ownership has been reclassified retrospectively from operating lease to finance lease. Previously, leasehold land was classified as an operating lease unless title is expected to pass to the lessee at the end of the lease term. The impact of this change in accounting policy is disclosed in Note 53.

10 FORECLOSED PROPERTIES

Foreclosed properties are stated at the lower of cost and net realisable value.

11 LAND HELD FOR SALE

Land held for sale is stated at cost less accumulated impairment losses. Where an indication of impairment exists, an analysis is performed to assess whether the carrying amount of the land is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount. Any subsequent increase in recoverable amount is recognised in the income statement.

12 BILLS AND ACCEPTANCES PAYABLE

Bills and acceptances payable represent bills and acceptances rediscounted and outstanding in the market.

13 EMPLOYEE BENEFITS

Short-term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

13 EMPLOYEE BENEFITS (cont'd)

Defined contribution plan

The defined contribution plan is a pension plan under which the Group pays fixed contributions to the National Pension Scheme, the Employees' Provident Fund ("EPF") and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

The Group's contributions to the defined contribution plan are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without any possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Share-based compensation

The Group operates an equity-settled, share-based compensation plan for the employees of the Group. The fair value of the employee services received in exchange for the grant of the share options is recognised as an expense in the income statement over the vesting periods of the grant with a corresponding increase in equity.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each reporting date, the Group revises its estimates of the number of share options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

14 OTHER PROVISIONS

Provisions are recognised by the Group when all of the following conditions have been met:

(i) the Group has a present legal or constructive obligation as a result of past events;
(ii) it is probable that an outflow of resources to settle the obligation will be required; and
(iii) a reliable estimate of the amount of obligation can be made.

15 ZAKAT

This represents business zakat payable by the Group to comply with the principles of Syariah and as approved by the Syariah Supervisory Council. The Group only pays zakat on its business and does not pay zakat on behalf of depositors or shareholders. Zakat provision is calculated based on 2.5% of the net assets method.

16 DIVIDENDS

Dividends on ordinary shares are recognised as liabilities when shareholders' right to receive the dividends is established.

17 COMPOUND FINANCIAL INSTRUMENTS

Compound financial instruments contain both liability and equity elements. The Company's compound financial instruments comprise of Warrants 2000/2010. The Group has taken advantage of the exemption provided by FRS 132 "Financial Instruments: Presentation" not to reclassify compound instruments issued by the Group prior to 31 December 2006 into liability and equity components. These instruments continued to be classified according to their legal form.

18 INCOME RECOGNITION

Interest/financing income

FRS 139 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 bank subsidiaries' loans and receivables continued to be recognised based on contractual interest rates. Upon the full adoption of FRS 139 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 FRS 139, 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 FRS 139, 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.

The effects of the changes are disclosed in Note 53.

Islamic financing income is recognised on an accrual basis in accordance with the Syariah principles and Guidelines on Financial Reporting for Licensed Islamic Banks ("BNM/GP8-i"). Al-Ijarah Thumma Al-Bai' ("AITAB") financing income recognised using the "sum-of-digit" method over the lease terms, whilst Al-Bai' Bithaman Ajil ("BBA"), Al-Murabahah, Al-Istisnaa and Bai' Inah financing income is recognised on a monthly basis over the period of the financing contracts, based on an agreed profit at the inception of such contracts.

Interest income from securities portfolio is recognised on an accrual basis using the effective interest method. The interest income includes coupons earned and accrued discount and amortisation of premium on these securities.

Fees and other income

Loan arrangement fees and commissions are recognised as income when all conditions precedent are fulfilled.

Portfolio management fees, commitment fees, guarantee fees, agency fees and commissions are recognised as income based on time apportionment.

Corporate advisory fees, project feasibility study, management and participation fees, acceptance and underwriting commissions are recognised as income where progress payments are agreed, by reference to the stage of completion.

For stock-broking business, brokerage income is recognised on execution of contract. Interest income and other fee income are recognised on an accrual basis. Where debtors are classified as doubtful or bad, interest income is suspended until it is realised on a cash basis as laid down in the Rules of the Bursa Malaysia Securities Berhad.

For fund and unit trusts management, initial service charge and management fee are recognised as income on an accrual basis at the rates stated in the prospectus of the respective unit trust funds. Distribution income from the unit trust funds is recognised on the ex-distribution date.

Dividends from securities portfolio are recognised when received.

Dividends from subsidiaries and associates are included in the income statement when the shareholders' right to receive payment is established.

Fees and other profits from Islamic banking business are recognised on an accrual basis in accordance with the principles of Syariah.

19 INTEREST, FINANCING AND RELATED EXPENSES RECOGNITION

Interest expense and attributable profit on deposits and borrowings are expensed as incurred.

20 FINANCIAL ASSETS

The Group has changed its accounting policies for recognition and measurement of financial assets upon adoption of FRS 139 "Financial Instruments: Recognition and Measurement" on 1 January 2010. The Group has applied the new policies according to the transitional provision of FRS 139 by re-measuring all financial assets, as appropriate, and recording and adjustments to the previous carrying amounts to opening retained earnings. The effects of these changes in accounting policies are disclosed in Note 53.

In accordance with FRS 139, all financial assets which include derivative financial instruments have to be recognised in the statement of financial position and measured in accordance with their assigned category.

The Group allocates financial assets to the following FRS 139 categories: loans, advances and financing; financial assets at fair value through profit or loss, financial investment available-for-sale; and financial investments held-to-maturity. Management determines the classification of its financial instruments at initial recognition.

a) Loans, advances and financing

Loans, advances and financing are non-derivative financial assets with fixed or determinable payments that are not quoted in active market.

Loans, advances and financing are initially recognised at fair value which is the cash consideration to originate or purchase the loan including any transaction costs and measured subsequently at amortised cost using the effective interest rate method, less impairment allowance.

An uncollectible loan, advance and financing or portion of a loan, advance and financing classified as bad is written-off after taking into consideration the realisable value of collateral, if any, when in the judgement of the management, there is no prospect of recovery.

The adoption of FRS 139 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 FRS 139. Prior to the adoption of FRS 139, 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 FRS 139, the Group assess at each reporting 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; and
- 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.

20 FINANCIAL ASSETS (cont'd)

a) Loans, advances and financing (cont'd)

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.

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 17 December 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.

b) Financial assets at fair value through profit or loss

A financial asset is classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held-for-trading unless they are designated and effective as hedging instruments. Derivatives are recognised in the statement of financial position as "Derivative financial assets" when their fair values are positive. Financial assets held-for-trading consist of debt instruments, including money-market paper, traded corporate and bank loans, and equity instruments, as well as financial assets with embedded derivatives. They are recognised in the statement of financial position as 'Financial assets held-for-trading'.

Financial instruments included in this category are recognised initially at fair value; transaction costs are taken directly to the income statement. Gains and losses arising from changes in fair value are included directly in the income statement.

20 FINANCIAL ASSETS (cont'd)

b) Financial assets at fair value through profit or loss (cont'd)

The Group may designate certain financial assets upon initial recognition as at fair value through profit or loss (fair value option). This designation cannot subsequently be changed. According to FRS 139, the fair value option is only applied when the following conditions are met:

- the application of the fair value option reduces or eliminates an accounting mismatch that would otherwise arise or
- the financial assets are part of a portfolio of financial instruments which is risk managed and reported to senior management on a fair value basis or
- the financial assets consists of debt host and an embedded derivatives that must be separated.

Financial assets for which the fair value option is applied are recognised in the statement of financial position as 'Financial assets designated at fair value'. Fair value changes relating to financial assets designated at fair value through profit or loss are recognised in the income statement.

The Group may choose to reclassify a non-derivative financial assets held-for-trading out of this category where:

- in rare circumstances, it is no longer held for the purpose of selling or repurchasing in the near term or
- it is no longer held for purpose of trading, it would have met the definition of a loan and receivable on initial classification and the Group have the intention and ability to hold it for the foreseeable future or until maturity.

c) Financial investments available-for-sale

Financial investments available-for-sale are non-derivative financial assets that are either designated in this category or not classified as held-for-trading or held-to-maturity investments.

Investments in equity instruments where there is no quoted market price in an active market and whose fair value cannot be reliably measured, will be stated at cost.

Any gains or losses arising from the change in fair value adjustments are recognised directly in statement of comprehensive income except for impairment losses and foreign exchange gains or losses. When the financial asset is derecognised, the cumulative gains or loss previously recognised in statement of comprehensive income shall be transferred to the income statement.

A financial investments available-for-sale that would have met the definition of loans and receivables may only be transferred from the available-for-sale classification where the Group has the intention and the ability to hold the asset for the foreseeable future or until maturity.

Impairment of financial investments available-for-sale is assessed when there is an objective evidence of impairment. Cumulative unrealised losses that had been recognised directly in equity shall be removed and recognised in income statement even though the securities have not been derecognised. Impairment loss in addition to the above unrealised losses is also recognised in the income statement. Subsequent reversal of impairment on debt instrument in the income statement is allowed when the decrease in impairment can be related objectively to an event occurring after the impairment was recognised.

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment resulting in the recognition of an impairment loss. Impairment losses recognised in the income statement on equity instruments shall not be reversed.

d) Financial investments held-to-maturity

Financial investments held-to-maturity are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity.

Financial investments held-to-maturity are measured at amortised cost using the effective interest method. Gains or losses are recognised in income statement when the securities are derecognised or impaired and through the amortisation process.

20 FINANCIAL ASSETS (cont'd)

d) Financial investments held-to-maturity (cont'd)

If, as a result of a change in intention or ability, it is no longer appropriate to classify a financial investment as held-to-maturity, the investment is reclassified as available-for-sale and re-measured at fair value, and the difference between its carrying amount and fair value shall be recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses.

Any sale or reclassification of a significant amount of financial investments held-to-maturity before maturity during the current financial year or last two preceding financial years will "taint" the entire category and result in the remaining financial investments held-to-maturity being reclassified to available-for-sale except for sales or reclassification that:

- are so close to maturity or call date that changes in the market rate of interest would not have significant effect on the financial asset's fair value;
- occur after the Group has collected substantially all of the financial asset's original principal; or
- are attributable to an isolated event that is beyond the Group's control, non-recurring and could not have been reasonably anticipated by the Group.

Impairment of financial investments held-to-maturity is assessed when there is an objective evidence of impairment. The impairment loss is measured as the difference between the financial investments' carrying amount and the present value of estimated future cash flows discounted at the financial investments' original effective interest rate. Subsequent reversal of impairment is allowed in the event of an objective decrease in impairment. Recognition of impairment losses and its reversal is made through the income statement.

e) Recognition

The Group uses trade date accounting for regular way contracts when recording financial asset transactions. Financial assets that are transferred to a third party but do not qualify for derecognition are presented in the statement of financial position as 'Assets pledged as collateral', if the transferee has the right to sell or re-pledge them.

21 FINANCIAL LIABILITIES

In accordance with FRS 139, all financial liabilities which include derivative financial instruments have to be recognised in the statement of financial position and measured in accordance with their assigned category.

The Group's holding in financial liabilities are in financial liabilities at fair value through profit or loss (including financial liabilities held-for-trading and those that designated at fair value) and financial liabilities at amortised cost. Financial liabilities are derecognised when extinguished.

a) Financial liabilities at fair value through profit or loss

This category comprises two sub-categories: financial liabilities classified as held-for-trading, and financial liabilities designated by the Group as at fair value through profit or loss upon initial recognition.

A financial liability is classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held-for-trading unless they are designated and effective as hedging instruments. Derivatives are recognised in the statement of financial position as "Derivative financial liabilities" when their fair values are negative. Financial liabilities held-for-trading also include obligations to deliver financial assets borrowed by a short seller. Those financial instruments are recognised in the statement of financial position as 'Financial liabilities held-for-trading'.

Gains and losses arising from changes in fair value of financial liabilities classified held-for-trading are included in the income statement.

21 FINANCIAL LIABILITIES (cont'd)

a) Financial liabilities at fair value through profit or loss (cont'd)

The Group measure all financial liabilities at amortised cost using the effective interest method except for:

- derivatives that are liabilities, which shall be measured at fair value. For derivative liabilities that are linked to and settled by delivery of unquoted equity instruments whose fair value cannot be realiably measured, the derivatives shall be measured at cost;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
- financial guarantee contracts;
- commitments to provide a loan at below-market interest rate; and
- financial liabilities that designated as hedged items and subject to hedge accounting requirements under the applicable FRS.

Financial liabilities for which the fair value option is applied are recognised in the statement of financial position as 'Financial liabilities designated at fair value'. Fair value changes relating to financial liabilities designated at fair value through profit or loss are recognised in income statement.

b) Other liabilities measured at amortised cost

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortised cost. All the financial liabilities of the Group and the Company are measured at amortised cost.

c) Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Group and the Company test control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition). Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

22 CURRENCY TRANSLATION

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Ringgit Malaysia, which is the Group's functional and presentation currency.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchanges rate prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in the statement of comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in income, and other changes in the carrying amount are recognised in the statement of comprehensive income.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets are recognised in income statement as part of fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the fair value reserve in the statement of comprehensive income.

23 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are initially recognised at fair values on the date on which derivative contracts are entered into and are subsequently re-measured at their fair values. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are classified as assets when fair values are positive and as liabilities when fair values are negative.

The best evidence of fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group recognises fair value gain or loss immediately.

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

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

a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used, is amortised to income statement over the period to maturity. The adjustment to the carrying amount of a hedged equity security remains in retained profits until disposal of the equity security.

b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in the statement of comprehensive income. The gain and loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in other comprehensive income are recycled to the income statement in the periods in which the hedged item will affect income statement (for example, when the forecast sale that is hedged takes place).

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to income statement over the period to maturity. The adjustment to the carrying amount of a hedged equity security remains in retained earnings until the disposal of the equity security.

c) Derivatives that do not qualify for hedge accounting

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

Gains and losses on interest rate swaps, futures, forward and option contracts that qualify as hedges are deferred and amortised over the life of hedged assets or liabilities as adjustments to interest income or interest expense. Gains and losses on interest rate swaps, futures, forward and option contracts that do not qualify as hedges are recognised in the current financial year using the mark-to-market method and are included in the income statement.

24 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

25 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

The Group has adopted FRS 8 "Operating segments" from 1 January 2010. FRS 8 replaces FRS 114 "Segment reporting" and is applied retrospectively. Comparatives have been restated accordingly.

26 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) *Allowance for impairment on loans, advances and financing.*

The accounting estimates and judgments related to the impairment of loans and provision for off-balance sheet positions is a critical accounting estimate because the underlying assumptions used for both the individually and collectively assessed impairment can change from period to period and may significantly affect the Group's results of operations.

In assessing assets for impairment, management judgment is required. The determination of the impairment allowance required for loans which are deemed to be individually significant often requires the use of considerable management judgment concerning such matters as local economic conditions, the financial performance of the counterparty and the value of any collateral held, for which there may not be a readily accessible in the market. The actual amount of the future cash flows and their timing may differ from the estimates used by management and consequently may cause actual losses to differ from the reported allowances.

The impairment allowance for portfolios of smaller-balance homogenous loans, such as those to individuals and small business customers of the private and retail business, and for those loans which are individually significant but for which no objective evidence of impairment exists, is determined on a collective basis. The collective impairment allowance is calculated on a portfolio basis using statistical models which incorporate numerous estimates and judgments, and therefore is subject to estimation uncertainty. The Group performs regular review of the models and underlying data and assumptions as far as possible to reflect the current economic circumstances. The probability of default, loss given defaults, and loss identification period, amongst other things, are all taken into account during this review.

(b) *Estimated impairment of goodwill*

The Group performs an impairment review on an annual basis to ensure that the carrying value of the goodwill does not exceed its recoverable amounts from cash-generating units to which the goodwill is allocated. The recoverable amount represents the present value of the estimated future cash flows expected to arise from continuing operations. Therefore, in arriving at the recoverable amount, management exercise judgement in estimating the future cash flows, growth rate and discount rate.

1 GENERAL INFORMATION

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are commercial banking, Islamic banking business, investment banking and stock-broking, money-broking, fund and unit trusts management. The principal activities of the jointly controlled entities are underwriting of life insurance business and property development while the associate is principally engaged in general insurance business.

The number of employees in the Group and the Company as at 31 December 2010 was 3,580 (2009: 3,528) and 25 (2009: 26) employees respectively.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Market of the Bursa Malaysia Securities Berhad.

2 CASH AND SHORT-TERM FUNDS

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Cash and bank balances with banks and other financial institutions	**191,219**	171,188	**45**	61
Money at call and deposits placements maturing within one month	**8,482,122**	6,052,356	**125,998**	193,567
	8,673,341	6,223,544	**126,043**	193,628

Included in cash and short-term funds of the Group is RM54,601,630 (2009: RM50,093,193) related to accounts maintained for clients and remisiers.

3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Licensed banks	**18,088**	1,817	**176,412**	51,009

Included in deposits placed with banks and other financial institutions of the Group and the Company is RM2,408,000 (2009: RM1,800,000) pledged with licensed banks as securities for term loan facilities granted to the Company.

4 FINANCIAL ASSETS HELD-FOR-TRADING

	GROUP	
At fair value	2010 RM'000	2009 RM'000
Bank Negara Malaysia Notes	**99,853**	–
Negotiable Instruments of Deposit	**50,000**	150,000
Total financial assets held-for-trading	**149,853**	150,000

5 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	GROUP	
	2010	2009
At fair value	RM'000	RM'000
Malaysian Government Securities	**1,515,091**	2,345,630
Malaysian Government Treasury Bills	**166,566**	151,098
Malaysian Government Investment Issuance	**2,212,366**	1,200,875
Cagamas Bonds	**220,551**	432,643
Bank Negara Malaysia Sukuk	**31,712**	–
Khazanah Bonds	**13,250**	24,961
Bankers' Acceptance and Islamic Acceptance Bills	**556,994**	36,580
Bank Negara Malaysia Notes	**1,006,592**	638,548
Negotiable Instruments of Deposit and Islamic Debt Certificate	**140,057**	460,005
	5,863,179	5,290,340
Quoted securities		
- Shares in Malaysia	**58,669**	72,047
- Private Debt Securities in Malaysia	**2,167**	2,253
- Irredeemable Convertible Unsecured Loan Stock in Malaysia	**4,031**	4,031
Unquoted securities		
- Shares in Malaysia	**108,073**	50
- Private Debt Securities in Malaysia	**2,075,872**	2,476,526
- Private Debt Securities outside Malaysia	**507,172**	439,247
	8,619,163	8,284,494
Allowance for impairment of securities	**(90,256)**	(117,830)
Total financial investments available-for-sale	**8,528,907**	8,166,664

6 FINANCIAL INVESTMENTS HELD-TO-MATURITY

	GROUP	
	2010	2009
At amortised cost	RM'000	RM'000
Quoted securities		
- Private Debt Securities in Malaysia	**38,123**	38,123
Unquoted securities		
- Private Debt Securities in Malaysia	**583,435**	517,893
- Redeemable Convertible Unsecured Loan Stock in Malaysia	**12,919**	–
	634,477	556,016
At cost		
Unquoted securities		
- Shares in Malaysia	**–**	57,235
	634,477	613,251
Allowance for impairment of securities	**(101,019)**	(95,035)
Total financial investments held-to-maturity	**533,458**	518,216

7 LOANS, ADVANCES AND FINANCING

	GROUP	
	2010	2009
	RM'000	RM'000
By Type		
Overdrafts	**1,971,364**	1,936,567
Term loans/financing		
- Housing loans/financing	**3,885,327**	3,248,631
- Syndicated term loans/financing	**1,394,211**	1,166,656
- Hire purchase receivables	**7,835,986**	6,592,317
- Other term loans/financing	**8,240,501**	6,704,966
Bills receivables	**39,077**	39,727
Trust receipts	**266,050**	316,033
Claims on customers under acceptance credits	**659,074**	603,804
Staff loans/financing (of which RM Nil to directors)	**160,557**	161,454
Credit/charge cards	**101,682**	93,959
Revolving credit	**2,566,889**	2,299,029
Margin financing	**40,955**	31,572
Factoring	**3,185**	3,532
Gross loans, advances and financing	**27,164,858**	23,198,247
Less: Allowance for impairment		
- Collective impairment	**(405,085)**	–
- Individual impairment	**(185,707)**	–
Less: Allowance for bad and doubtful debts and financing		
- General allowance	**–**	(343,276)
- Specific allowance	**–**	(358,035)
Total net loans, advances and financing	**26,574,066**	22,496,936

Included in term loans are housing loans amounting to RM286,370,000 (2009: RM297,216,000) sold to Cagamas Berhad with recourse.

Included in other term loans/financing is a term financing of RM13.5 million (2009: RM13.5 million) granted by AFFIN Islamic Bank Berhad to a jointly controlled entity, namely AFFIN-I Goodyear Sdn Bhd.

	GROUP	
	2010	2009
	RM'000	RM'000
BY TYPE OF CUSTOMER		
Domestic non-banking institutions		
- Stock-broking companies	**270**	–
- Others	**2,146,330**	1,519,286
Domestic business enterprises		
- Small medium enterprise	**6,833,345**	6,227,637
- Others	**6,284,713**	5,115,236
Government and statutory bodies	**75,394**	93,267
Individuals	**11,549,238**	9,976,212
Other domestic entities	**45,584**	20,117
Foreign entities	**229,984**	246,492
	27,164,858	23,198,247

7 LOANS, ADVANCES AND FINANCING (cont'd)

	GROUP	
	2010	2009
	RM'000	RM'000
BY INTEREST/PROFIT RATE SENSITIVITY		
Fixed rate		
- Housing loans/financing	**292,884**	364,888
- Hire purchase receivables	**7,834,034**	6,589,445
- Other fixed rate loans/financing	**3,975,266**	3,845,555
- Margin financing	**31,356**	31,572
Variable rate		
- BLR plus	**10,210,602**	8,969,682
- Cost plus	**4,820,716**	3,397,105
	27,164,858	23,198,247
BY ECONOMIC PURPOSE		
Construction	**824,650**	706,810
Purchase of landed property of which		
- Residential	**4,014,078**	3,518,102
- Non-residential	**2,637,636**	1,605,207
Purchase of securities	**357,881**	337,278
Purchase of transport vehicles	**7,869,187**	6,619,191
Fixed assets other than land and building	**339,184**	274,654
Personal use	**731,288**	756,439
Credit card	**101,682**	96,468
Consumer durable	**1,067**	1,365
Merger and acquisition	**4,867**	14,598
Working capital	**9,912,895**	8,708,193
Others	**370,443**	559,942
	27,164,858	23,198,247
BY SECTOR		
Primary agriculture	**532,442**	597,399
Mining and quarrying	**373,899**	254,864
Manufacturing	**1,834,288**	1,706,329
Electricity, gas and water supply	**215,707**	155,944
Construction	**2,494,920**	2,533,205
Real estate	**2,410,269**	1,575,779
Wholesale and retail trade and restaurants and hotels	**1,244,657**	1,209,635
Transport, storage and communication	**1,084,086**	1,018,628
Finance, insurance and business services	**4,421,179**	3,325,599
Education, health and others	**855,655**	698,097
Household	**11,654,880**	10,070,950
Others	**42,876**	51,818
	27,164,858	23,198,247

7 LOANS, ADVANCES AND FINANCING (cont'd)

	GROUP 2010 RM'000	GROUP 2009 RM'000
BY GEOGRAPHICAL DISTRIBUTION		
Perlis	**27,648**	17,882
Kedah	**902,980**	954,969
Pulau Pinang	**1,271,331**	1,137,272
Perak	**853,633**	726,315
Selangor	**7,753,378**	6,688,745
Wilayah Persekutuan	**9,114,769**	7,422,355
Negeri Sembilan	**721,564**	635,459
Melaka	**663,856**	575,803
Johor	**2,027,324**	1,849,159
Pahang	**623,000**	416,548
Terengganu	**567,382**	521,026
Kelantan	**256,176**	232,161
Sarawak	**806,070**	646,119
Sabah	**1,173,362**	1,048,697
Labuan	**277,901**	177,666
Abroad	**124,484**	148,071
	27,164,858	23,198,247

IMPAIRED LOANS, ADVANCES AND FINANCING

Movements of impaired loans, advances and financing

	GROUP 2010 RM'000	GROUP 2009 RM'000
At 1 January, as previously stated	**860,660**	1,200,823
Effect of adoption of FRS 139	**282,467**	–
At 1 January, as restated	**1,143,127**	1,200,823
Classified as impaired during the financial year	**689,486**	780,474
Reclassified as non-impaired during the financial year	**(313,634)**	(387,831)
Amount recovered	**(234,926)**	(275,562)
Amount written-off	**(282,920)**	(457,244)
Amount converted to financial investments held-for-trading	**(11,364)**	–
At 31 December	**989,769**	860,660

Impaired loans, advances and financing by economic purpose

	GROUP 2010 RM'000	GROUP 2009 RM'000
Construction	**197,713**	33,127
Purchase of landed property of which:		
- Residential	**407,763**	341,928
- Non-residential	**44,744**	51,691
Purchase of securities	**3,020**	3,736
Purchase of transport vehicles	**81,586**	86,447
Fixed assets other than land and building	**3,633**	4,639
Personal use	**16,373**	18,946
Credit card	**636**	865
Consumer durable	**34**	33
Working capital	**234,050**	279,487
Others	**217**	39,761
	989,769	860,660

7 LOANS, ADVANCES AND FINANCING (cont'd)

	GROUP 2010 RM'000	GROUP 2009 RM'000
Impaired loans, advances and financing by sector		
Primary agriculture	**11,937**	5,443
Mining and quarrying	**50**	985
Manufacturing	**99,831**	86,803
Electricity, gas and water supply	**2,360**	2,154
Construction	**253,827**	140,963
Real estate	**8,263**	75,153
Wholesale and retail trade and restaurants and hotels	**65,303**	33,902
Transport, storage and communication	**4,633**	3,768
Finance, insurance and business services	**15,108**	15,498
Education, health and others	**8,301**	9,021
Household	**520,156**	460,217
Others	**–**	26,753
	989,769	860,660
Impaired loans, advances and financing by geographical distribution		
Perlis	**840**	563
Kedah	**40,612**	27,157
Pulau Pinang	**30,120**	58,647
Perak	**16,202**	15,372
Selangor	**445,219**	337,641
Wilayah Persekutuan	**185,921**	209,409
Negeri Sembilan	**37,483**	36,656
Melaka	**15,854**	17,717
Johor	**88,097**	113,682
Pahang	**17,013**	11,596
Terengganu	**8,009**	4,462
Kelantan	**6,171**	5,147
Sarawak	**6,614**	7,075
Sabah	**14,387**	15,497
Labuan	**45**	39
Abroad	**77,182**	–
	989,769	860,660
Movements in allowance for impairment on loans, advances and financing		
Collective impairment		
At 1 January, as previously stated	**–**	–
Effect of adoption of FRS 139	**458,245**	–
At 1 January, as restated	**458,245**	–
Allowance (net of write-back) made during the financial year	**(2,012)**	–
Amount written-off during the financial year	**(51,148)**	–
At 31 December	**405,085**	–

7 LOANS, ADVANCES AND FINANCING (cont'd)

	GROUP 2010 RM'000	GROUP 2009 RM'000
Individual impairment		
At 1 January, as previously stated	**–**	–
Effect of adoption of FRS 139	**261,477**	–
At 1 January, as restated	**261,477**	–
Allowance made during the financial year	**200,097**	–
Amount recovered during the financial year	**(23,799)**	–
Amount converted to financial investments held-for-trading	**(11,364)**	–
Amount written-off during the financial year	**(234,152)**	–
Unwind of discount of allowance	**(6,552)**	–
At 31 December	**185,707**	–
General allowance		
At 1 January, as previously stated	**343,276**	306,033
Effect of 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)
At 31 December	**–**	343,276
As % of gross loans, advances and financing less specific allowance	**–**	1.50%
Specific allowance		
At 1 January, as previously stated	**358,035**	553,468
Effect of 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 in respect of recoveries	**–**	(48,535)
Amount transferred from allowance for impairment of securities	**–**	9,843
Amount transferred to allowance for impairment of securities	**–**	(1,626)
At 31 December	**–**	358,035

8 DERIVATIVE FINANCIAL ASSETS

	<--------- GROUP ---------> 2010		<--------- GROUP ---------> 2009	
	Contract/ Notional Amount RM'000	Assets RM'000	Contract/ Notional Amount RM'000	Assets RM'000
At fair value:-				
Foreign exchange derivatives:				
- Currency forwards	**240,549**	**2,381**	338,607	4,134
- Currency swaps	**1,326,525**	**32,162**	1,016,545	16,625
Interest rate derivatives				
- Interest rate swaps	**560,092**	**8,711**	310,000	3,556
	2,127,166	**43,254**	1,665,152	24,315

9 STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

The non-interest bearing statutory deposits are maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act 2009, the amounts of which are determined as a set percentages of total eligible liabilities.

10 INVESTMENT IN SUBSIDIARIES

	COMPANY 2010 RM'000	2009 RM'000
Unquoted shares at cost	**3,640,443**	3,813,401
Allowance for impairment losses	**(3,452)**	(17,927)
	3,636,991	3,795,474

10 INVESTMENT IN SUBSIDIARIES (cont'd)

The subsidiaries, all of which are incorporated in Malaysia, are as follows:-

Name	Principal activities	Issued and paid up share capital RM'000	Effective percentage of equity held 2010 %	2009 %
(1) AFFIN Bank Berhad	Provision of commercial banking and hire purchase services	1,439,285	**100**	100
- AFFIN Islamic Bank Bhd	Provision of Islamic banking services	260,000	**100**	100
- ABB Trustee Berhad #	Trustee management services	500	**100**	100
- PAB Properties Sdn Bhd	Property management services	8,000	**100**	100
- ABB Nominee (Tempatan) Sdn Bhd	Nominee services	40	**100**	100
- ABB Nominee (Asing) Sdn Bhd	Nominee services	@	**100**	100
- AFFIN Factors Sdn Bhd	Dormant	10,000	**100**	100
- PAB Property Development Sdn Bhd	Dormant	250	**100**	100
- PAB Property Management Services Sdn Bhd	Dormant	30	**100**	100
- ABB Venture Capital Sdn Bhd	Dormant	@	**100**	100
- AFFIN Futures Sdn Bhd	Dormant	13,000	**100**	100
- ABB IT & Services Sdn Bhd	Dormant	2,000	**100**	100
- BSNCB Nominees (Tempatan) Sdn Bhd	Dormant	500	**100**	100
- BSNC Nominees (Tempatan) Sdn Bhd	Dormant	10	**100**	100
- BSN Merchant Nominees (Tempatan) Sdn Bhd	Dormant	10	**100**	100
- BSN Merchant Nominees (Asing) Sdn Bhd	Dormant	10	**100**	100
- AFFIN Recoveries Berhad	Dormant	125,000	**100**	100
- ABB Asset Management (M) Berhad	Dormant	@	**100**	100
- AFFIN-ACF Nominees (Tempatan) Sdn Bhd	Dormant	25	**100**	100

10 INVESTMENT IN SUBSIDIARIES (cont'd)

	Name	Principal activities	Issued and paid up share capital RM'000	Effective percentage of equity held 2010 %	2009 %
(2)	AFFIN Investment Bank Berhad	Provision of investment banking services	222,246	**100**	100
	- AFFIN Fund Management Berhad	Asset management and management of unit trust	12,000	**100**	100
	- AFFIN Nominees (Tempatan) Sdn Bhd	Nominees services	@	**100**	100
	- AFFIN Nominees (Asing) Sdn Bhd	Nominees services	@	**100**	100
	- Classic Precision Sdn Bhd	Investment holding	10	**67**	67
	- Merchant Nominees (Tempatan) Sdn Bhd	In members' voluntary winding-up	–	**100**	100
	- Merchant Nominees (Asing) Sdn Bhd	In members' voluntary winding-up	–	**100**	100
	- AFFIN Trust Management Berhad	Liquidated	–	**–**	100
(3)	AFFIN Moneybrokers Sdn Bhd	Money-broking	1,000	**100**	100
(4)	AFFIN-ADB Sdn Bhd	In members' voluntary winding-up	–	**100**	100
(5)	AFFIN Capital Sdn Bhd	Dormant	100,000	**100**	100
	- AFFIN Securities Sdn Bhd	In members' voluntary winding-up	–	**100**	100
(6)	AFFIN-ACF Holdings Sdn Bhd	Investment holding	338,382	**100**	100
	- AFFIN-ACF Capital Sdn Bhd	Dormant	498,589	**100**	100
	- AFFIN Leasing Sdn Bhd	In members' voluntary winding-up	–	**100**	100
	- AFFIN.Com Sdn Bhd	In members' voluntary winding-up	–	**100**	100
	- AFFIN-ACF Management Services Sdn Bhd	In members' voluntary winding-up	–	**100**	100

80% held by directors of AFFIN Bank Berhad, in trust for AFFIN Bank Berhad
@ Subsidiaries with issued and paid up share capital of RM 2 each

11 AMOUNT DUE FROM SUBSIDIARY

	COMPANY 2010 RM'000	COMPANY 2009 RM'000
10-year subordinated term loan to a licensed bank subsidiary (a)	**300,000**	300,000
Other receivables (b)	**74**	–
	300,074	300,000

(a) The 10-year subordinated term loan to a licensed bank subsidiary is unsecured and carries an interest rates ranging from 3.01% to 3.77% per annum during the financial year. The term loan has a bullet repayment on 10 March 2019.

(b) The other receivables from subsidiary are unsecured, interest-free and have no fixed term of repayment.

12 INVESTMENT IN JOINTLY CONTROLLED ENTITIES

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Unquoted shares at cost	**129,020**	129,020	**128,520**	128,520
Group's share of post acquisition reserves	**(15,709)**	(21,378)	**–**	–
	113,311	107,642	**128,520**	128,520

	GROUP 2010 RM'000	GROUP 2009 RM'000
Group's share of net assets	**113,311**	107,642

	GROUP 2010 RM'000	GROUP 2009 RM'000
The summarised financial information of jointly controlled entities are as follows:-		
Revenue	**291,650**	187,005
Profit after tax	**894**	6,857
Total assets	**840,569**	618,309
Total liabilities	**621,644**	399,642
Capital commitment for property and equipment	**3,950**	5,728

12 INVESTMENT IN JOINTLY CONTROLLED ENTITIES (cont'd)

The jointly controlled entities were incorporated in Malaysia and the details are as follows:-

Name	Principal activities	Issued and paid up share capital RM'000	Percentage of equity held 2010 %	2009 %
AXA AFFIN Life Insurance Berhad*	Underwriting of life insurance business	252,000	**51**	51
AFFIN-I Goodyear Sdn Bhd#	Property development	1,000	**50**	50

* Shareholding of AXA AFFIN Life Insurance Berhad held directly by the Company.
# Shareholding of AFFIN-I Goodyear Sdn Bhd held directly by AFFIN Islamic Bank Berhad. As at year end, AFFIN-I Goodyear Sdn Bhd has yet to commence operations.

13 INVESTMENT IN ASSOCIATE

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Unquoted shares at cost	**10,597**	10,597	**10,597**	10,597
Group's share of post acquisition reserves	**142,182**	118,631	–	–
	152,779	129,228	**10,597**	10,597

	GROUP	
	2010 RM'000	2009 RM'000
Group's share of net assets	**153,305**	129,754
Discount on acquisition	**(526)**	(526)
	152,779	129,228

	GROUP	
	2010 RM'000	2009 RM'000
The summarised financial information of associate are as follows:-		
Revenue	**621,071**	371,346
Profit after tax	**23,304**	22,225
Total assets	**1,377,249**	698,532
Total liabilities	**911,792**	355,361
Capital commitment for property and equipment	**3,459**	2,076

13 INVESTMENT IN ASSOCIATE (cont'd)

The associate was incorporated in Malaysia and the details are as follows:-

Name	Principal activities	Issued and paid up share capital RM'000	Percentage of equity held 2010 %	2009 %
AXA AFFIN General Insurance Berhad*	Underwriting of general insurance business	119,048	**33.6**	40

* Shareholding held directly by the Company

During the financial year, the Company's equity interest in AXA AFFIN General Insurance Berhad had been diluted from 40% to 33.6%, resulting from the acquisition of the entire share capital of BH Insurance (M) Berhad by AXA AFFIN General Insurance Berhad as disclosed in Note 49 (a).

14 AMOUNT DUE FROM ASSOCIATE

	COMPANY 2010 RM'000	2009 RM'000
3-year senior loan (a)	**24,314**	–
10-year subordinated loan (b)	**66,310**	–
	90,624	–

(a) The 3-year senior loan to associate is unsecured and carries a fixed interest rate of 6.0% per annum during the financial year. The senior loan has a bullet repayment on 28 April 2013.

(b) The 10-year subordinated loan to associate is unsecured and carries a fixed interest rate of 8.00% per annum during the financial year. The subordinated loan has a bullet repayment on 28 April 2020.

15 TRADE RECEIVABLES

	GROUP 2010 RM'000	2009 RM'000
Management fees receivable on fund management	**896**	1,062
Amount due from stock-broking clients (a)	**107,966**	74,178
Amount due from Bursa Securities Clearing Sdn Bhd	**165,326**	8,553
	274,188	83,793
Allowance for impairment (b)		
- collective impairment	**(190)**	–
- individual impairment	**(3,986)**	–
- general allowance	**–**	(91)
- specific allowance	**–**	(4,341)
	270,012	79,361

15 TRADE RECEIVABLES (cont'd)

	GROUP 2010 RM'000	GROUP 2009 RM'000
(a) Movements of impaired amount due from clients are as follows:-		
At 1 January	**4,341**	4,741
Amount classified as impaired during the financial year	**128**	143
Amount recovered	**(483)**	(543)
At 31 December	**3,986**	4,341

	GROUP 2010 RM'000	GROUP 2009 RM'000
(b) Movements in allowance for impairment on trade receivables:-		
Collective impairment		
At 1 January, as previously stated	**–**	–
Effect of adoption of FRS 139	**136**	–
At 1 January, as restated	**136**	–
Allowance made during the financial year	**177**	–
Amounts recovered	**(123)**	–
At 31 December	**190**	–
Individual impairment		
At 1 January, as previously stated	**–**	–
Effect of adoption of FRS 139	**4,341**	–
At 1 January, as restated	**4,341**	–
Allowance made during the financial year	**128**	–
Amounts recovered	**(483)**	–
At 31 December	**3,986**	–
General allowance		
At 1 January, as previously stated	**91**	76
Effect of adoption of FRS 139	**(91)**	–
At 1 January, as restated	**–**	76
Allowance made during the financial year	**–**	71
Amounts recovered	**–**	(56)
At 31 December	**–**	91
Specific allowance		
At 1 January, as previously stated	**4,341**	4,741
Effect of adoption of FRS 139	**(4,341)**	–
At 1 January, as restated	**–**	4,741
Allowance made during the financial year	**–**	143
Amounts recovered	**–**	(543)
At 31 December	**–**	4,341

16 OTHER ASSETS

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Clearing accounts	**4,160**	153,097	**–**	–
Accrued income/interest receivable	**87,615**	79,686	**2,250**	791
Prepaid lease payments (a)	**–**	–	**–**	–
Foreclosed properties (b)	**161,261**	180,329	**–**	–
Other debtors, deposits and prepayments (c)	**50,032**	38,625	**319**	357
Amount due from a jointly controlled entity (d)	**2,745**	1,057	**–**	–
	305,813	452,794	**2,569**	1,148

	GROUP	
	2010 RM'000	2009 RM'000
(a) Prepaid lease payments		
Cost		
At 1 January, as previously reported	**19,164**	20,167
Reclassification to property and equipment (Note 17)	**(19,164)**	(20,167)
As restated/at 31 December	**–**	–
Accumulated amortisation		
At 1 January, as previously reported	**2,984**	2,820
Reclassification to property and equipment (Note 17)	**(2,984)**	(2,820)
As restated/at 31 December	**–**	–
Net book value		
At 31 December	**–**	–
(b) Foreclosed properties		
As at beginning of the financial year	**180,329**	187,422
Amount arising during the financial year	**1,370**	21,657
Reclassification from land held for sale (Note 18)	**613**	–
Disposal during the financial year	**(18,611)**	(26,952)
	163,701	182,127
Provision for diminution in value of foreclosed properties	**(2,440)**	(1,798)
As at end of the financial year	**161,261**	180,329

16 OTHER ASSETS (cont'd)

(c) Other debtors, deposits and prepayments

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Other debtors, deposits and prepayments	**59,894**	47,583	**319**	357
Less: Allowance for bad and doubtful debts	**(9,862)**	(8,958)	**–**	–
	50,032	38,625	**319**	357

(d) Amount due from a jointly controlled entity

The amount due from jointly controlled entity is unsecured, interest-free and has no fixed term of repayment.

17 PROPERTY AND EQUIPMENT

GROUP	Freehold land RM'000	<--- Leasehold land ---> 50 years or more RM'000	Less than 50 years RM'000	Buildings on freehold land RM'000	Building on leasehold land RM'000	Renovations RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Computers RM'000	Total RM'000
2010											
Cost											
At 1 January	25,087	–	–	33,480	89,549	107,509	58,117	6,383	2,250	83,521	405,896
Reclassified from other assets (Note 16)	–	13,470	5,694	–	–	–	–	–	–	–	19,164
As restated	25,087	13,470	5,694	33,480	89,549	107,509	58,117	6,383	2,250	83,521	425,060
- Additions	–	–	–	–	–	1,753	1,465	1,419	3,559	3,002	11,198
- Disposals	(800)	(608)	(314)	(269)	(480)	(694)	(62)	(622)	–	(343)	(4,192)
- Write-off	–	–	–	–	–	(52)	(1,648)	(20)	–	(554)	(2,274)
- Reclassification	–	–	–	–	–	53	87	–	(104)	(36)	–
- Reclassification to intangible assets (Note 19)	–	–	–	–	–	–	–	–	(4,089)	–	(4,089)
At 31 December	24,287	12,862	5,380	33,211	89,069	108,569	57,959	7,160	1,616	85,590	425,703
Accumulated depreciation											
At 1 January	–	–	–	12,810	18,078	87,265	38,584	4,561	–	64,004	225,302
Reclassified from other assets (Note 16)	–	1,757	1,227	–	–	–	–	–	–	–	2,984
As restated	–	1,757	1,227	12,810	18,078	87,265	38,584	4,561	–	64,004	228,286
- Charge for the financial year	–	111	122	552	1,789	7,692	3,854	1,722	–	8,572	24,414
- Disposals	–	(57)	(17)	(89)	(74)	(598)	(50)	(617)	–	(343)	(1,845)
- Write-off	–	–	–	–	–	(36)	(1,511)	(18)	–	(484)	(2,049)
- Reclassification	–	–	–	–	–	–	5	–	–	(5)	–
At 31 December	–	1,811	1,332	13,273	19,793	94,323	40,882	5,648	–	71,744	248,806
Net book value											
At 31 December	24,287	11,051	4,048	19,938	69,276	14,246	17,077	1,512	1,616	13,846	176,897

17 PROPERTY AND EQUIPMENT (cont'd)

GROUP	Freehold land RM'000	<--- Leasehold land ---> 50 years or more RM'000	Less than 50 years RM'000	Buildings on freehold land RM'000	Building on leasehold land RM'000	Renovations RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Computers RM'000	Total RM'000
2009											
Cost											
At 1 January	28,630	–	–	35,616	90,095	104,914	56,932	6,863	5,115	85,516	413,681
Reclassified from other assets (Note 16)	–	14,039	6,128	–	–	–	–	–	–	–	20,167
As restated	28,630	14,039	6,128	35,616	90,095	104,914	56,932	6,863	5,115	85,516	433,848
- Additions	–	–	–	–	–	4,969	3,867	330	3,670	2,963	15,799
- Disposals	(3,543)	(569)	(434)	(2,136)	(546)	(93)	(647)	(767)	–	(76)	(8,811)
- Write-off	–	–	–	–	–	(2,723)	(2,167)	(43)	–	(5,131)	(10,064)
- Reclassification	–	–	–	–	–	442	132	–	(823)	249	–
- Reclassification to intangible assets (Note 19)	–	–	–	–	–	–	–	–	(5,712)	–	(5,712)
At 31 December	25,087	13,470	5,694	33,480	89,549	107,509	58,117	6,383	2,250	83,521	425,060
Accumulated depreciation											
At 1 January	–	–	–	13,383	16,343	82,118	36,109	4,130	–	58,445	210,528
Reclassified from other assets (Note 16)	–	1,662	1,158	–	–	–	–	–	–	–	2,820
As restated	–	1,662	1,158	13,383	16,343	82,118	36,109	4,130	–	58,445	213,348
- Charge for the financial year	–	117	124	556	1,799	7,716	5,044	859	–	10,719	26,934
- Disposals	–	(22)	(55)	(1,129)	(64)	(92)	(638)	(385)	–	(74)	(2,459)
- Write-off	–	–	–	–	–	(2,477)	(1,931)	(43)	–	(5,086)	(9,537)
At 31 December	–	1,757	1,227	12,810	18,078	87,265	38,584	4,561	–	64,004	228,286
Net book value											
At 31 December	25,087	11,713	4,467	20,670	71,471	20,244	19,533	1,822	2,250	19,517	196,774

17 PROPERTY AND EQUIPMENT (cont'd)

COMPANY	Renovations RM'000	Furniture and equipment RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Total RM'000
2010					
Cost					
At 1 January	**562**	**565**	**243**	**399**	**1,769**
- Additions	**3**	**6**	**19**	**–**	**28**
At 31 December	**565**	**571**	**262**	**399**	**1,797**
Accumulated depreciation					
At 1 January	**192**	**230**	**141**	**269**	**832**
- Charge for the financial year	**56**	**63**	**40**	**72**	**231**
At 31 December	**248**	**293**	**181**	**341**	**1,063**
Net book value					
At 31 December	**317**	**278**	**81**	**58**	**734**
2009					
Cost					
At 1 January	562	549	202	399	1,712
- Additions	–	20	50	–	70
- Disposals	–	(4)	(7)	–	(11)
- Write-off	–	–	(2)	–	(2)
At 31 December	562	565	243	399	1,769
Accumulated depreciation					
At 1 January	136	172	111	189	608
- Charge for the financial year	56	60	39	80	235
- Disposals	–	(2)	(7)	–	(9)
- Write-off	–	–	(2)	–	(2)
At 31 December	192	230	141	269	832
Net book value					
At 31 December	370	335	102	130	937

18 LAND HELD FOR SALE

	GROUP 2010 RM'000	GROUP 2009 RM'000
Freehold land	–	62,354

The Freehold land comprising 2 lots of land in Mukim of Tebrau, Johor Bahru, was previously received by AFFIN Investment Bank Berhad ("AIBB") and other lenders, namely Kewangan Bersatu Bhd and BI Credit & Leasing Bhd as part settlement of the financial obligations of a borrower, which had defaulted earlier. The land was subsequently transferred to Classic Precision Sdn Bhd ("Classic Precision"), a 66.89% owned subsidiary of AIBB, which will hold the land for sale.

Classic Precision had appointed a property developer to develop the freehold land and a portion of the proceeds from the sale of developed properties would be paid to Classic Precision. The Shareholders Agreement between the shareholders (AIBB and other lenders) states that Classic Precision is obliged to pay the proceeds received from the property developer, net of operating expenses, to its shareholders, based on their shareholdings in Classic Precision.

The consideration for the transfer of land has been reflected as 'Amount due to other shareholders of a subsidiary' in Note 25 to the financial statements.

Remaining carrying value of RM0.613 million has been reclassified to other assets under foreclosed properties.

Movement of land held for sale during the year:

	GROUP 2010 RM'000	GROUP 2009 RM'000
As at 1 January	**62,354**	72,412
Proceed from disposal/redemption of land held for sale	**(61,741)**	(6,250)
Reclassified to other assets under foreclosed properties (Note 16)	**(613)**	–
Allowance for impairment loss	**–**	(3,808)
As at 31 December	**–**	62,354

19 INTANGIBLE ASSETS

GROUP	Goodwill RM'000	Computer Software RM'000	Total RM'000
2010			
Cost			
At 1 January	**989,741**	**114,921**	**1,104,662**
Reclassification from property and equipment (Note 17)	–	**4,089**	**4,089**
Additions	–	**1,720**	**1,720**
Write-off	–	**(618)**	**(618)**
At 31 December	**989,741**	**120,112**	**1,109,853**

19 INTANGIBLE ASSETS (cont'd)

GROUP	Goodwill RM'000	Computer Software RM'000	Total RM'000
Accumulated amortisation and impairment losses			
At 1 January	–	**81,332**	**81,332**
Charge for the financial year	–	**16,980**	**16,980**
Write-off	–	**(326)**	**(326)**
At 31 December	–	**97,986**	**97,986**
Net book value			
At 31 December	**989,741**	**22,126**	**1,011,867**

GROUP	Goodwill RM'000	Computer Software RM'000	Total RM'000
2009			
Cost			
At 1 January	989,741	108,277	1,098,018
Reclassification from property and equipment (Note 17)	–	5,712	5,712
Additions	–	932	932
At 31 December	989,741	114,921	1,104,662
Accumulated amortisation and impairment losses			
At 1 January	–	60,316	60,316
Charge for the financial year	–	21,016	21,016
At 31 December	–	81,332	81,332
Net book value			
At 31 December	989,741	33,589	1,023,330

19 INTANGIBLE ASSETS (cont'd)

COMPANY	Computer Software 2010 RM'000	2009 RM'000
Cost		
At 1 January	**19**	2
Additions	**1**	17
At 31 December	**20**	19
Accumulated amortisation		
At 1 January	**4**	–
Charge for the financial year	**4**	4
At 31 December	**8**	4
Net book value		
At 31 December	**12**	15

Goodwill

The carrying amount of goodwill have been allocated to the respective subsidiaries (based on their principal activities), representing the cash-generating units ("CGUs") of the Group as follows:-

Cash generating units	Carrying amount RM'000	Discount rate %
Commercial banking	829,478	11.26
Investment banking	97,346	12.70
Stock-broking	51,797	14.66
Money-broking	11,120	14.43
	989,741	

Goodwill is allocated to the Group's CGU which are expected to benefit from the synergies of the acquisitions. For annual impairment testing purposes, the recoverable amount of the CGUs are based on their value-in-use calculations using the cash flow projections based on 5 years financial budgets of the respective subsidiaries, which were approved by directors. The cash flow beyond the fifth year are assumed to grow at 5% to infinity.

The cash flow projections are derived based on a number of key factors including past performance and management's expectations of the market developments. The discount rates used are based on the pre-tax weighted average cost of capital plus an appropriate risk premium where applicable ("WACC"), at the date of assessment of the CGUs.

No impairment charge was required for goodwill arising from all the CGUs. The directors are of the view that any reasonable possible changes to the assumptions applied are not likely to cause the recoverable amount of all the CGUs to be lower than its carrying amount.

20 DEPOSITS FROM CUSTOMERS

	GROUP 2010 RM'000	GROUP 2009 RM'000
By type of deposits		
Money market deposit	**706,697**	401,391
Demand deposits	**5,063,061**	4,399,320
Savings deposits	**1,400,535**	1,030,103
Fixed deposits	**22,166,952**	17,992,559
Negotiable instruments of deposit ("NID")	**3,119,514**	4,069,301
Special investment deposits	**641,673**	706,577
	33,098,432	28,599,251
Maturity structure of fixed deposits and NID are as follows:-		
Due within six months	**22,036,969**	19,102,077
Six months to one year	**3,176,519**	2,860,461
One year to three years	**50,026**	74,881
Three years to five years	**22,952**	24,441
	25,286,466	22,061,860
By type of customers		
Government and statutory bodies	**5,554,300**	4,654,275
Business enterprise	**11,060,615**	10,195,116
Individuals	**5,003,875**	3,969,168
Others	**11,479,642**	9,780,692
	33,098,432	28,599,251

21 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	GROUP 2010 RM'000	GROUP 2009 RM'000
Licensed banks	**5,412,341**	3,697,844
Licensed investment banks	**66,078**	530,717
Bank Negara Malaysia	**308,350**	–
Other financial institutions	**1,050,862**	918,533
	6,837,631	5,147,094
Maturity structure of deposits are as follows:-		
Due within six months	**6,577,735**	5,142,870
Six months to one year	**259,896**	4,224
	6,837,631	5,147,094

22 TRADE PAYABLES

	GROUP 2010 RM'000	GROUP 2009 RM'000
Amount due to stock-broking clients	**258,802**	74,330

The trade payables represent amount payable under outstanding sales contracts in relation to the stock-broking business.

23 RECOURSE OBLIGATION ON LOANS SOLD TO CAGAMAS BERHAD

In the normal course of banking operations, the banking subsidiaries sell loans and advances to Cagamas Berhad with recourse to the banking subsidiaries at values equivalent to the unpaid principal balances of loans and advances due from mortgages.

The banking subsidiaries are liable in respect of housing loans and hire purchase portfolio sold directly and indirectly to Cagamas Berhad, under the condition that the banking subsidiaries undertake to administer the loans on behalf of Cagamas Berhad and to buy back any loans which are regarded as defective based on agreed prudential criteria. Such financing transactions and the obligations to buy back the loans are reflected as a liability in the statement of financial position.

24 DERIVATIVE FINANCIAL LIABILITIES

	<---------- GROUP ----------> 2010		<-------- GROUP ----------> 2009	
	Contract/ Notional Amount RM'000	Liabilities RM'000	Contract/ Notional Amount RM'000	Liabilities RM'000
At fair value:-				
Foreign exchange derivatives:				
- Currency forwards	**487,922**	**19,025**	365,393	7,040
- Currency swaps	**340,846**	**21,087**	473,155	7,698
Interest rate derivatives				
- Interest rate swap	**919,193**	**17,448**	1,039,363	26,946
	1,747,961	**57,560**	1,877,911	41,684

25 OTHER LIABILITIES

	GROUP 2010 RM'000	GROUP 2009 RM'000	COMPANY 2010 RM'000	COMPANY 2009 RM'000
Bank Negara Malaysia and Credit Guarantee Corporation Funding Programmes	**43,002**	71,768	**–**	–
Amount due to other shareholders of a subsidiary (Note 18)	**10,541**	24,335	**–**	–
Interest payable	**180,510**	133,197	**1,762**	1,157
Margin and collateral deposits	**65,191**	57,325	**–**	–
Trust accounts for clients and remisiers	**52,150**	48,893	**–**	–
Clearing accounts	**44,616**	–	**–**	–
Defined contribution plan (a)	**12,616**	9,128	**–**	–
Accrued employee benefits (b)	**896**	840	**57**	58
Other creditors and accruals	**218,187**	213,140	**5,383**	4,876
Provision for zakat	**9,432**	8,212	**–**	–
Dividends payable	**100,884**	95,266	**100,884**	95,266
	738,025	662,104	**108,086**	101,357

(a) Defined contribution plan

The Group contributes to the Employees Provident Fund ("EPF"), the national defined contribution plan. Once the contributions have been paid, the Group has no further payment obligations.

(b) Accrued employee benefits

This refers to the accruals for short-term employee benefits for leave entitlement. Under employment contract, employees earn their leave entitlement which they are entitled to carry forward and will lapse if not utilised in the following accounting period.

26 AMOUNT DUE TO SUBSIDIARIES

The amount due to subsidiaries is unsecured, interest-free and has no fixed term of repayment.

27 DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets and current tax liabilities and when the deferred tax related to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:-

	GROUP 2010 RM'000	GROUP 2009 RM'000	COMPANY 2010 RM'000	COMPANY 2009 RM'000
Deferred tax assets				
- to be recovered after more than 12 months	**(2,472)**	40,770	**–**	–
- to be recovered within 12 months	**12,652**	16,660	**–**	–
	10,180	57,430	**–**	–
Deferred tax liabilities				
- to be recovered after more than 12 months	**(2,966)**	(141)	**(90)**	(141)
- to be recovered within 12 months	**(22,116)**	(35)	**(51)**	(25)
	(25,082)	(176)	**(141)**	(166)
	(14,902)	57,254	**(141)**	(166)

27 DEFERRED TAX ASSETS/(LIABILITIES) (cont'd)

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
At beginning of the financial year	**57,254**	62,681	**(166)**	(1,191)
Effect of adoption of FRS 139 (Note 53)	**(22,736)**	–	**–**	–
	34,518	62,681	**(166)**	(1,191)
Charged/credited to income statements (Note 41)	**(47,088)**	5,981	**25**	1,025
Charged to equity*	**(2,332)**	(11,408)	**–**	–
At end of the financial year	**(14,902)**	57,254	**(141)**	(166)

The movements in deferred tax assets and liabilities during the financial year are as follows:-

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
At beginning of the financial year	**57,254**	62,681	**(166)**	(1,191)
Effect of adoption of FRS 139 (Note 53)	**(22,736)**	–		
(Charged)/credited to income statements (Note 41)	**(47,088)**	5,981	**25**	1,025
- property and equipment	**1,217**	2,567	**24**	29
- intangible assets	**2,864**	1,633	**1**	(4)
- tax losses	**–**	(5,262)	**–**	–
- general allowance on loans, advances and financing	**(85,842)**	9,035	**–**	–
- collective allowances (transitional provision) for bad and doubtful financing	**9,178**	–	**–**	–
- provision for other liabilities	**3,510**	144	**–**	–
- revaluation gain/(losses) on forex	**13,507**	(6,047)	**–**	–
- revaluation gain/(losses) on derivatives	**2,301**	(3,484)	**–**	–
- unrealised gain on securities	**–**	842	**–**	–
- amortisation of premium less accretion of discounts	**674**	5,316	**–**	–
- accumulated impairment loss on securities	**(19)**	1,746	**–**	–
- others	**5,522**	(509)	**–**	1,000
Charged to equity*	**(2,332)**	(11,408)	**–**	–
At end of the financial year	**(14,902)**	57,254	**(141)**	(166)

* Excludes the deferred tax of RM1,744,000 (2009: RM2,217,000) on revaluation of financial investments available-for-sale of associate and jointly controlled entity.

27 DEFERRED TAX ASSETS/(LIABILITIES) (cont'd)

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Subject to income tax:-				
Deferred tax assets (before offsetting):-				
Provision for other liabilities	**5,038**	1,528	**–**	–
Collective allowances (transitional provision) for bad and doubtful financing	**9,178**	–	**–**	–
General allowance on loans, advances and financing	**–**	85,842	**–**	–
Revaluation losses on derivatives	**725**	1,353	**–**	–
Accumulated impairment loss on securities	**11,530**	11,549	**–**	–
Investment fluctuation reserve	**–**	2,287	**–**	–
Others	**12**	10	**–**	–
	26,483	102,569	**–**	–
Offsetting	**(16,303)**	(45,139)	**–**	–
Deferred tax assets (after offsetting)	**10,180**	57,430	**–**	–
Deferred tax liabilities (before offsetting):-				
Property and equipment	**(5,928)**	(7,145)	**(138)**	(162)
Intangible assets	**(5,490)**	(8,354)	**(3)**	(4)
Investment fluctuation reserve	**(21,615)**	(4,562)	**–**	–
Revaluation gain on forex	**–**	(13,507)	**–**	–
Revaluation gain on derivatives	**–**	(2,929)		
Accretion of discounts less amortisation of premium	**(1,511)**	(2,185)	**–**	–
Others	**(6,841)**	(6,633)	**–**	–
	(41,385)	(45,315)	**(141)**	(166)
Offsetting	**16,303**	45,139	**–**	–
Deferred tax liabilities (after offsetting)	**(25,082)**	(176)	**(141)**	(166)

The amount of unused tax losses for which no deferred tax assets is recognised in the statements of the financial position are as follows:-

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Tax losses	**105,595**	135,942	**–**	–

28 BORROWINGS

	GROUP AND COMPANY 2010 RM'000	GROUP AND COMPANY 2009 RM'000
Unsecured long-term borrowings		
- 5-year floating rate term loan (a)	**300,000**	300,000
- 5-year fixed rate term loan (b)	**66,310**	–
- 3-year floating rate term loan (c)	**24,314**	–
	390,624	300,000

(a) **5-year floating rate term loan**

The 5-year floating rate term loan is unsecured and carries interest rates ranging from 2.76% to 3.52% per annum during the financial year, repayable in one (1) lump sum five (5) years from the date of first drawdown on 11 May 2009.

(b) **5-year fixed rate term loan**

The 5-year fixed rate term loan is unsecured and carries a fixed interest rate of 5.32% per annum during the financial year. The term loan has a bullet repayment on 30 April 2015.

(c) **3-year floating rate term loan**

The 3-year floating rate term loan is unsecured and carries interest rates ranging from 3.89% to 4.23% per annum during the financial year. The term loan has a bullet repayment on 30 April 2013.

29 SHARE CAPITAL

Group and Company	NUMBER OF ORDINARY SHARES OF RM1.00 EACH 2010 '000	NUMBER OF ORDINARY SHARES OF RM1.00 EACH 2009 '000	AMOUNT 2010 RM'000	AMOUNT 2009 RM'000
Authorised:-				
Ordinary shares of RM1 each	**5,000,000**	5,000,000	**5,000,000**	5,000,000
Issued and fully paid up:-				
Ordinary shares of RM1 each				
At 1 January	**1,494,371**	1,494,367	**1,494,371**	1,494,367
Issue of share capital pursuant to:				
- the exercise of Warrants 2000/2010 (a)	**205**	4	**205**	4
At 31 December	**1,494,576**	1,494,371	**1,494,576**	1,494,371

29 SHARE CAPITAL (cont'd)

(a) Warrants 2000/2010

On 8 July 2000, the Company issued 153,775,702 new warrants ("AFFIN Warrants 2000/2005") at no cost together with the right issue exercise on the basis of 1 new AFFIN Warrant 2000/2005 for every four ordinary shares held. The exercise price of AFFIN Warrants 2000/2005 was RM3.10 and was to expire on 7 July 2005. On 26 November 2004, the shareholders of the Company and the holders of AFFIN Warrant 2000/2005 approved the extension of the exercise period for a further 5 years and a Supplemental Deed Poll dated 26 November 2004 was executed to reflect the extension of the exercise period of the AFFIN Warrants 2000/2005 to expire on 7 July 2010 ("AFFIN Warrants 2000/2010"). The exercise price of the AFFIN Warrants 2000/2010 remain at RM3.10.

The Warrants 2000/2010 has expired on 7 July 2010 and the movement during the financial year is as follows:-

	Number of AFFIN Warrants 2000/2010
At 1 January 2010	153,770,952
Exercised during the financial year	(204,389)
Expired during the financial year	(153,566,563)
At 31 December 2010	–

30 RESERVES

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Distributable				
- Retained profits	**1,230,875**	942,125	**395,572**	351,748
Non-distributable				
- Investment fluctuation reserves	**84,630**	24,453	**–**	–
- Statutory reserves	**990,542**	874,360	**–**	–
	2,306,047	1,840,938	**395,572**	351,748

(a) As at 31 December 2010, the Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and tax exempt income under Section 12 of the Income Tax (Amendment) Act, 2001 (subject to agreement with the tax authorities) to frank the payment of dividends out of its entire retained profits without incurring additional tax.

(b) The statutory reserves of the Group are maintained in compliance with the provisions of the Banking and Financial Institutions Act, 1989 and Islamic Banking Act, 1983 and are not distributable as cash dividends.

(c) Investment fluctuation reserves represent the unrealised gains or losses arising from the change in fair value of investments classified as financial investments available-for-sale. The gains or losses are transferred in the income statement upon disposal or when the securities become impaired.

31 REVENUE

	GROUP 2010 RM'000	GROUP 2009 RM'000	COMPANY 2010 RM'000	COMPANY 2009 RM'000
Gross interest income (Note 32)	**1,645,809**	1,468,655	**20,616**	12,265
Other operating income:-				
Fee income	**183,761**	173,501	**–**	–
Income from financial instruments	**55,513**	42,606	**–**	–
Dividend income	**–**	–	**193,368**	156,623
Foreign exchange gains				
- realised	**82,713**	14,223	**–**	–
- unrealised	**(9,829)**	47,937	**–**	–
Miscellaneous operating income	**9,574**	5,048	**–**	–
	321,732	283,315	**193,368**	156,623
Income from Islamic operations:-				
Income derived from investment of depositors' funds and others	**287,402**	242,605	**–**	–
Income derived from the investment of Islamic Banking Capital funds	**18,052**	14,283	**–**	–
	305,454	256,888	**–**	–
TOTAL OPERATING REVENUE	**2,272,995**	2,008,858	**213,984**	168,888

32 INTEREST INCOME

	GROUP 2010 RM'000	GROUP 2009 RM'000	COMPANY 2010 RM'000	COMPANY 2009 RM'000
Loans, advances and financing	**1,232,652**	1,099,821	**–**	–
Money at call and deposits with financial institutions	**109,521**	76,598	**5,388**	4,818
Financial assets held-for-trading	**320**	3,956	**–**	–
Financial investments available-for-sale	**198,828**	191,829	**–**	–
Financial investments held-to-maturity	**19,420**	22,753	**–**	–
Derivatives	**47,216**	48,614	**–**	–
Subordinated term loan	**–**	–	**15,228**	7,447
Others	**177**	111	**–**	–
	1,608,134	1,443,682	**20,616**	12,265
Amortisation of premium less accretion of discount	**37,675**	24,973	**–**	–
	1,645,809	1,468,655	**20,616**	12,265
The above interest income includes interest/income earned on impaired loans, advances and financing - unwinding of discount of allowance (Net)	**(382)**	–		

33 INTEREST EXPENSE

	GROUP	
	2010 RM'000	2009 RM'000
Deposits and placements of banks and other financial institutions	**110,004**	61,305
Deposits from customers	**607,457**	504,075
Subordinated term loan	–	5,589
Loans sold to Cagamas Berhad	**14,559**	6,477
Derivatives	**65,392**	67,594
Others	**8,513**	5,328
	805,925	650,368

34 ISLAMIC BANKING INCOME

	GROUP	
	2010 RM'000	2009 RM'000
Income derived from investment of depositors' funds and others	**287,402**	242,605
Less: Income attributable to depositors	**(127,671)**	(94,251)
	159,731	148,354
Income derived from investment of shareholders' funds	**18,052**	14,283
	177,783	162,637

35 OTHER OPERATING INCOME

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Fee income:-				
Fees on loans, advances and financing	**352**	1,405	**–**	–
Net brokerage	**58,268**	49,701	**–**	–
Underwriting fees	**2,339**	3,344	**–**	–
Portfolio management fees	**8,431**	6,675	**–**	–
Corporate advisory fees	**7,129**	3,408	**–**	–
Commission	**12,295**	12,832	**–**	–
Service charges and fees	**47,955**	47,389	**–**	–
Guarantee fees	**27,392**	32,965	**–**	–
Arrangement fees	**9,849**	10,136	**–**	–
Agency fees	**2,043**	1,267	**–**	–
Other fee income	**7,708**	4,379	**–**	–
	183,761	173,501	**–**	–

35 OTHER OPERATING INCOME (cont'd)

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Income from financial instruments:-				
Gains arising on financial assets held-for-trading				
- net gain on disposal	**3,194**	1,901	**–**	–
- unrealised (losses)/gains	**(244)**	6,061		
Gains on derivatives				
- realised	**346**	951	**–**	–
- unrealised	**4,271**	13,937	**–**	–
Gains arising on financial investments available-for-sale				
- net gain on disposal	**42,340**	11,212	**–**	–
- gross dividend income	**416**	179	**–**	–
Gains arising on financial investments held-to-maturity				
- net gain on redemption	**2,289**	2,507	**–**	–
- gross dividend income	**2,901**	5,858	**–**	–
	55,513	42,606	**–**	–
Other income:-				
Foreign exchange gains/(losses)				
- realised	**82,713**	71,813	**–**	–
- unrealised	**(9,829)**	(9,653)	**–**	–
Rental income	**1,834**	1,490	**–**	–
Net gain/(loss) on disposal of property and equipment	**246**	279	**–**	(2)
Gain on disposal of leasehold land	**–**	1,185	**–**	–
Gain on disposal of foreclosed properties	**6,330**	18,918	**–**	–
Gain on arising from waiver of debts	**4,996**	–	**–**	–
Gross dividends:-				
- Subsidiaries	**–**	–	**193,368**	152,623
- Associate	**–**	–	**–**	4,000
Other non-operating income	**22,173**	18,093	**–**	11
	108,463	102,125	**193,368**	156,632
Total other operating income	**347,737**	318,232	**193,368**	156,632

36 OTHER OPERATING EXPENSES

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Personnel costs				
Wages, salaries and bonus	**284,459**	242,896	**2,814**	2,478
Defined contribution plan	**44,444**	37,937	**490**	429
Other personnel costs	**35,881**	30,291	**493**	460
	364,784	311,124	**3,797**	3,367

36 OTHER OPERATING EXPENSES (cont'd)

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Promotion and marketing-related expenses				
Business promotion and advertisement	**5,855**	3,851	**–**	–
Entertainment	**2,551**	1,806	**–**	–
Travelling and accommodation	**4,133**	3,536	**–**	–
Dealer's handling fees	**1,047**	26,235	**–**	–
Commission	**21**	42	**–**	–
Others	**1,749**	1,659	**–**	–
	15,356	37,129	**–**	–
Establishment-related expenses				
Rental of premises	**25,564**	25,494	**696**	695
Equipment rental	**944**	804	**6**	6
Repair and maintenance	**27,585**	26,876	**76**	70
Depreciation of property and equipment	**24,414**	26,934	**231**	235
Amortisation of intangible assets	**16,980**	21,016	**4**	4
IT consultancy fee	**54,659**	51,292	**–**	–
Dataline rental	**5,014**	4,214	**–**	–
Security services	**9,228**	8,991	**–**	–
Others	**18,134**	20,482	**20**	18
	182,522	186,103	**1,033**	1,028
General and administrative expenses				
Telecommunication expenses	**6,359**	6,794	**34**	23
Auditors' remuneration	**2,838**	1,705	**185**	182
Professional fees	**21,650**	21,706	**49**	31
Property and equipment written-off	**225**	527	**–**	–
Intangible assets written-off	**292**	–	**–**	–
Postage and courier charges	**4,513**	3,975	**6**	4
Stationery and consumables	**7,511**	7,185	**17**	23
Subscription fees	**1,626**	1,692	**11**	9
Subsidies and allowances	**1,037**	674	**–**	–
Transaction levy	**1,435**	1,258	**–**	–
Commissioned dealers representative performance incentive	**3,967**	4,635	**–**	–
Others	**26,046**	19,987	**3,512**	2,759
	77,499	70,138	**3,814**	3,031
Total other operating expenses	**640,161**	604,494	**8,644**	7,426

The above expenditure includes the following statutory disclosures:-

	GROUP 2010 RM'000	GROUP 2009 RM'000	COMPANY 2010 RM'000	COMPANY 2009 RM'000
Directors' remuneration (Note 37)	**1,581**	988	**1,092**	690
Auditors' remuneration:-				
- Statutory	**1,190**	1,082	**159**	149
- Others	**1,648**	623	**26**	33

37 DIRECTORS' REMUNERATION

The directors of the Company in office during the year were as follows:-

Non-executive directors

Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Hj Zainuddin
Tan Sri Dato' Lodin bin Wok Kamaruddin
Maj. Gen. (R) Dato' Mohamed Isa bin Che Kak
Datuk Azzat bin Kamaludin
Dato' Mustafa bin Mohamad Ali
Raja Dato' Seri Aman bin Raja Hj Ahmad
Dr. The Hon. Sir David Li Kwok Po
Professor Arthur Li Kwok Cheung
Adrian David Li Man Kiu (Alternate Director to Dr. The Hon. Sir David Li Kwok Po)

The aggregate amount of emoluments receivables by directors of the Company during the financial year were as follows:-

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Non-executive directors				
- fees	**1,295**	721	**893**	511
- other emoluments	**265**	247	**178**	159
- estimated money value of benefits-in-kind	**21**	20	**21**	20
Total directors' remuneration	**1,581**	988	**1,092**	690
Total directors' remuneration excluding estimated money value of benefits-in-kind	**1,560**	968	**1,071**	670

Other emoluments comprise mainly fixed allowances, EPF and meeting allowances paid by the Group and Company during the year. The other emoluments of the Group and the Company also include professional fees of RM Nil (2009: RM1,000) paid to a firm of which a director is a partner.

The number of directors of the Company whose total remuneration (including benefits-in-kind) received from the Group falls into the following remuneration bands:-

	GROUP			
	<-------------- 2010 -------------->		<--------------- 2009 ------------->	
	Number of non-executive directors	Number of executive directors	Number of non-executive directors	Number of executive directors
<u>**Remuneration band:-**</u>				
RM1 – RM50,000	**–**	**–**	1	–
RM50,001 – RM100,000	**2**	**–**	4	–
RM100,001 – RM150,000	**2**	**–**	1	–
RM150,001 – RM200,000	**–**	**–**	1	–
RM200,001 – RM300,000	**2**	**–**	2	–
RM300,001 – RM400,000	**2**	**–**	–	–

38 ALLOWANCES FOR IMPAIRMENT ON LOANS, ADVANCES AND FINANCING

	GROUP 2010 RM'000	GROUP 2009 RM'000
Collective impairment		
- written-back during the financial year	**(1,958)**	–
Individual impairment		
- made during the financial year	**200,225**	–
- written-back during the financial year	**(24,282)**	–
Specific allowance		
- made during the financial year	**–**	322,713
- written-back during the financial year	**–**	(49,078)
General allowance		
- made during the financial year	**–**	37,361
- written-back during the financial year	**–**	(103)
Bad debts		
- recovered	**(173,962)**	(138,267)
- written-off	**15,810**	12,237
Provision for litigation loss (Note 45 (a) and (b))	**78,000**	–
Additional allowance for impaired debts		
- other debtors	**975**	202
	94,808	185,065

39 ALLOWANCE FOR IMPAIRMENT ON OTHER ASSETS

	GROUP 2010 RM'000	GROUP 2009 RM'000	COMPANY 2010 RM'000	COMPANY 2009 RM'000
Allowance made for impairment loss				
- Financial investments available-for-sale	**4,012**	10,467	**–**	–
- Financial investments held-to-maturity	**3,900**	–	**–**	–
- Investment in subsidiaries	**–**	–	**–**	12,143
- Land held for sale	**–**	3,808	**–**	–
Write-back of allowance for impairment loss				
- Financial investments available-for-sale	**(73)**	–	**–**	–
- Financial investments held-to-maturity	**(543)**	(387)	**–**	–
	7,296	13,888	**–**	12,143

Allowance for impairment loss on financial investments available-for-sale and financial investments held-to-maturity were made by certain subsidiaries to write-down the carrying value of the securities to the recoverable amount.

40 FINANCE COST

	GROUP AND COMPANY 2010 RM'000	GROUP AND COMPANY 2009 RM'000
Interest expenses		
- Term loans	**12,905**	5,954
- Medium term notes	**–**	4,281
Upfront fees	**91**	–
Guarantee fees	**–**	796
	12,996	11,031

41 TAXATION

	GROUP 2010 RM'000	GROUP 2009 RM'000	COMPANY 2010 RM'000	COMPANY 2009 RM'000
Malaysian income tax:-				
- Current tax	**90,638**	127,873	**48,379**	38,869
- Deferred tax (Note 27)	**47,088**	(5,981)	**(25)**	(1,025)
	137,726	121,892	**48,354**	37,844
Under/(over) provision in prior years	**5,761**	17	**(718)**	530
	143,487	121,909	**47,636**	38,374

The numeric reconciliation between the applicable statutory income tax rate to the effective income tax rate of the Group and of the Company is as follows:-

	GROUP 2010 RM'000	GROUP 2009 RM'000	COMPANY 2010 RM'000	COMPANY 2009 RM'000
Profit before tax	**637,533**	497,160	**192,344**	138,297
Tax on current year's profit based on statutory tax rate in Malaysia of 25% (2009: 25%)	**159,383**	124,290	**48,086**	34,574
Tax effect in respect of:-				
- non-allowable expenses	**13,902**	6,369	**268**	3,270
- non-taxable income	**(8,647)**	(4,168)	**–**	–
- recognition of deferred tax previously not recognised	**(1,195)**	1,249	**–**	–
Effect of different tax rate	**(2,682)**	(4,690)	**–**	–
Utilisation of previously unrecognised tax losses	**(62)**	(516)	**–**	–
Reversal of deferred taxation due to changes in tax treatment	**(22,973)**	–	**–**	–
Others	**–**	(642)	**–**	–
Under/(over) provision in prior years	**5,761**	17	**(718)**	530
Tax expense for the financial year	**143,487**	121,909	**47,636**	38,374

	GROUP 2010 RM'000	GROUP 2009 RM'000
Tax losses are analysed as follows:-		
Tax savings during the financial year arising from recognition of previously unrecognised tax losses	**62**	516

42 EARNINGS PER SHARE

Basic earnings per share

The basic earnings per share of the Group has been calculated based on the net profit attributable to the equity holders of the parent of RM488,625,000 (2009: RM371,843,000) divided by the weighted average number of ordinary shares in issue of 1,494,474,000 (2009: 1,494,367,000) during the financial year.

Diluted earnings per share

The Group had only one category of dilutive potential ordinary shares, namely Warrants 2000/2010. The conversion of the warrants 2000/2010 was considered dilutive when it would result in the issue of new ordinary shares for less than market value of the shares. The said Warrants had expired on 7 July 2010 and thus it has no dilutive effect on the earnings per share for the current financial year. For the previous financial year/period, as the exercise price of the Warrants 2000/2010 was higher than the market value of the ordinary shares, there was no impact of dilution to the earnings per share and thus, the said warrants were not included in the computation of diluted earnings per share.

	GROUP	
	2010 RM'000	2009 RM'000
Net profit attributable to equity holders of the Company	**488,625**	371,843
Weighted average number of ordinary shares in issue	**1,494,474**	1,494,367
Basic earnings per share (sen)	**32.70**	24.88
Diluted earnings per share (sen)	**32.70**	24.88

43 DIVIDENDS

Dividends declared for the financial year are as follows:-

	GROUP AND COMPANY			
	2010		2009	
Ordinary shares	Gross dividend per share sen	Amount of dividend net of tax RM'000	Gross dividend per share sen	Amount of dividend net of tax RM'000
- Interim dividend	**9.0**	**100,884**	5.0	56,039
- Special dividend	**–**	**–**	3.5	39,227
	9.0	**100,884**	8.5	95,266

At the forthcoming Annual General Meeting, the directors do not propose any final dividend in respect of the current financial year.

43 DIVIDENDS (cont'd)

Dividends recognised as distribution to ordinary equity holders of the Company:-

	GROUP AND COMPANY			
	2010		2009	
Ordinary shares	Gross dividend per share sen	Amount of dividend net of tax RM'000	Gross dividend per share sen	Amount of dividend net of tax RM'000
- Interim dividend	**9.0**	**100,884**	5.0	56,039
- Special dividend	**–**	**–**	3.5	39,227
	9.0	**100,884**	8.5	95,266

44 COMMITMENTS AND CONTINGENCIES

(a) Capital commitments

	GROUP	
	2010 RM'000	2009 RM'000
Property and equipment:-		
Authorised capital expenditure contracted but not provided for	**4,163**	3,188
Capital expenditure approved by the Board but not contracted for	**14,550**	4,527
	18,713	7,715

(b) Lease commitments

The Group has lease commitments in respect of rented premises and hired equipment, all of which are classified as operating leases. A summary of the non-cancellable long-term commitments, net of sub-leases are as follows:-

	GROUP		COMPANY	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Within one year	**25,976**	24,683	**702**	702
Between one to five years	**83,359**	92,885	**2,807**	2,807

44 COMMITMENTS AND CONTINGENCIES (cont'd)

(c) Other commitments and contingencies

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

GROUP	2010 PRINCIPAL AMOUNT RM'000	2010 POSITIVE FAIR VALUE OF DERIVATIVE CONTRACTS RM'000	2010 CREDIT EQUIVALENT AMOUNT* RM'000	2010 RISK-WEIGHTED AMOUNT* RM'000	2009 PRINCIPAL AMOUNT RM'000	2009 POSITIVE FAIR VALUE OF DERIVATIVE CONTRACTS RM'000	2009 CREDIT EQUIVALENT AMOUNT* RM'000	2009 RISK-WEIGHTED AMOUNT* RM'000
Direct credit substitutes	**408,608**	**–**	**408,609**	**299,520**	495,326	–	495,326	470,810
Transaction related contingent items	**2,387,456**	**–**	**1,193,728**	**1,022,073**	2,648,189	–	1,324,094	1,106,247
Short-term self-liquidating trade related contingencies	**1,232,752**	**–**	**246,551**	**140,554**	1,401,193	–	280,239	120,271
Obligation under underwriting commitments	**19,691**	**–**	**9,845**	**1,969**	33,020	–	16,510	5,240
Foreign exchange related contracts								
- less than one year	**2,214,726**	**25,839**	**50,818**	**19,949**	2,110,013	18,438	45,881	20,343
- one year to less than five years	**181,120**	**7,419**	**15,897**	**6,326**	83,687	2,297	7,184	2,784
Interest rate related contracts								
- less than one year	**93,784**	**–**	**14**	**3**	385,000	–	910	184
- one year to less than five years	**940,228**	**1,757**	**31,214**	**7,242**	524,086	301	13,144	4,037
- five years and above	**445,273**	**7,079**	**38,490**	**8,842**	440,277	4,083	38,564	7,910
Irrevocable commitments to extend credit								
- maturity more than one year	**4,256,209**	**–**	**–**	**–**	3,958,046	–	–	–
- maturity less than one year	**6,127,819**	**–**	**–**	**–**	5,256,924	–	–	–
Unutilised credit card lines	**594,104**	**–**	**118,821**	**89,026**	555,478	–	111,096	83,248
	18,901,770	**42,094**	**2,113,987**	**1,595,504**	17,891,239	25,119	2,332,948	1,821,074

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

44 COMMITMENTS AND CONTINGENCIES (cont'd)

(c) Other commitments and contingencies (cont'd)

Financial Derivatives

Financial derivatives are financial instruments whose characteristics are derived from the underlying assets, or from interest and exchange rates or indices. These include forwards, swaps, futures and options.

Exchange rate contracts

Forward foreign exchange contracts are agreements to buy or sell fixed amounts of currency at agreed rates of exchange on a specified future date.

Cross currency swaps are agreements to exchange, and on termination of the swap, re-exchange principal amounts denominated in different currencies. Cross currency swaps may involve the exchange of interest payments in one specified currency for interest payments in another specified currency for a specified period.

Currency futures are typically exchange-traded agreements to buy or sell standard amounts of a specified currency at an agreed exchange rate on a standard future date.

Currency options give the buyer on payment of a premium the right, but not the obligation, to buy or sell specified amounts of currency at agreed rates of exchange on or before a specified future date.

Interest rate contracts

Interest rate swaps involve the exchange of interest obligations with counterparties for a specified period without exchanging the underlying (or notional principal).

Interest rate caps and floors give the buyer the ability to fix the maximum or minimum rate of interest. There is no facility to deposit or drawdown funds; instead the writer pays to the buyer the amount by which the market rate exceeds or is less than the cap rate or the floor rate respectively. A combination of an interest rate cap and floor is known as an interest rate collar.

Forward rate agreements give the buyer the ability to determine the underlying rate of interest for a specified period commencing on a specified future date (the settlement date). There is no exchange of principal and settlement is effected on the settlement date. The settlement amount is calculated by reference to the difference between the contracted rate and the market rate prevailing on the settlement date.

Swaptions give the buyer the right, but not the obligation, to enter an interest rate swap as either the payer or receiver of the fixed side of the swap.

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 amounts 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 were not hedged and hence, exposed to market risk was RM13.7 million (2009: RM7.2 million), while the notional amount of interest rate contract was RM903.3 million (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 banking subsidiaries have a gain position. As at reporting date, the amounts of foreign exchange and interest rate credit risk, measured in terms of the cost to replace the profitable contracts, was RM66.7 million (2009: RM53.1 million) and RM69.7 million (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.

45 LITIGATION AGAINST THE GROUP

(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 reassign to BSNC were not identified then.

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

On 30 November 2009, the Court has fixed the matter for further case management where filing of documents, statement of agreed/non-agreed facts and statements of issues will be tried accordingly. 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.

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.

(b) 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.

45 LITIGATION AGAINST THE GROUP (cont'd)

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 to be paid to MBB.

The Court of Appeal had fixed the hearing of ABB's appeal on 25 August 2010 and parties were required to file in their respective written submission on or before 11 August 2010. On 8 October 2010, the appeal was however dismissed.

On 8 November 2010 the Bank filed the Notice for Motion together with the Affidavit pertaining to the application for leave to appeal to the Federal Court against decision of the Court of Appeal. The Federal Court however dismissed ABB's application for leave to appeal on 22 February 2011.

(c) There are various other legal suits against AFFIN Bank Berhad ("ABB") in respect of claims and counter claims of approximately RM86.3 million (31 December 2009: RM68.7 million). Based on legal advice, the Directors of the Bank are of the opinion that no provision for damages need to be made in the financial statements, as the probability of adverse adjudication against ABB is remote.

46 CAPITAL MANAGEMENT

The Group actively manages its capital to counter underlying risks in its business activities and to enable future business growth. The Group's capital management strategy is to continue to maximise shareholders and stakeholders values via efficient capital structure, whilst ensuring compliance with regulatory capital requirements. The allocation of capital resources forms part of the Group's strategic planning review and is subject to the approval of the Board of Directors.

The regulatory capital of requirements banking subsidiaries are determined based on Bank Negara Malaysia's Risk-Weighted Capital Adequacy Framework and all banking subsidiaries have complied with the minimum regulatory capital adequacy requirement of 8.0% (2009: 8.0%) for the risk-weighted capital ratio.

The components of the Group's capital base and capital adequacy ratios are disclosed in Note 47.

47 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:-

	GROUP	
	2010 RM'000	2009 RM'000
Tier I capital		
Share capital	**1,661,531**	1,661,531
Share premium	**550,659**	550,659
Retained profits	**551,422**	356,018
Statutory reserve	**1,041,692**	925,509
	3,805,304	3,493,717
Less:-		
Goodwill	**(190,384)**	(190,384)
Deferred tax assets	**(5,650)**	(63,434)
Total tier I capital (a)	**3,609,270**	3,239,899
Tier II capital		
Subordinated loans	**300,000**	300,000
Collective impairment #	**162,870**	–
General allowance for bad and doubtful debts and financing	**–**	343,276
Total tier II capital (b)	**462,870**	643,276
Total capital (a) + (b)	**4,072,140**	3,883,175
Less:-		
Investment in capital instruments of other banking institutions	**(56,216)**	(305,358)
Investment in subsidiaries	**(41,180)**	(41,180)
Capital base	**3,974,744**	3,536,637

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

	GROUP	
	2010 RM'000	2009 RM'000
Credit risk	**26,157,944**	23,271,148
Market risk	**125,094**	88,120
Operational risk	**2,276,503**	2,190,893
Total risk-weighted assets	**28,559,541**	25,550,161

47 CAPITAL ADEQUACY (cont'd)

Capital adequacy ratios of the Group are as follows:-

	GROUP	
	2010 RM'000	2009 RM'000
Before deducting proposed dividends:-		
Core capital ratio	**12.64%**	12.68%
Risk-weighted capital ratio	**13.92%**	13.84%
After deducting proposed dividends:-		
Core capital ratio	**12.33%**	12.44%
Risk-weighted capital ratio	**13.61%**	13.60%

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.

48 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

In the normal course of business, the Group and the Company undertakes various transactions with its ultimate holding corporate body, subsidiaries, jointly controlled entity, associate, substantial shareholder and other related companies, which comprise subsidiaries and associated companies of Lembaga Tabung Angkatan Tentera ("LTAT Group").

The related parties that have transactions and relationship with the Group and the Company are as follows:-

Related parties	**Relationship**
Subsidiaries of the Company as disclosed in Note 10	Subsidiaries
Lembaga Tabung Angkatan Tentera ("LTAT")	Ultimate holding corporate body
AXA AFFIN Life Insurance Berhad	Jointly controlled entity
AXA AFFIN General Insurance Berhad	Associate
Subsidiaries and associates of LTAT	Subsidiaries and associated companies of the ultimate holding corporate body
The Bank of East Asia, Limited	Substantial shareholder
Key management personnel	The key management personnel of the Company consists of all directors of the Company
Related parties of key management personnel (deemed as related to the Company)	(i) Close family members and dependents of key management personnel (ii) Entities that are controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly by key management personnel or its close family members

Key management personnel includes the directors of the Company in office during the year and their remuneration for the financial year are disclosed in Note 37.

48 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (cont'd)

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions and balances. The related party transactions described below were carried out on terms and conditions obtainable in transactions with unrelated parties unless otherwise stated. Interest rates on fixed and short-term deposits were at normal commercial rates.

(a) The significant transactions of the Group and Company with the related parties

GROUP	Ultimate holding corporate body 2010 RM'000	2009 RM'000	Other related companies 2010 RM'000	2009 RM'000	Jointly controlled entity / Associate 2010 RM'000	2009 RM'000	Substantial shareholder 2010 RM'000	2009 RM'000	Key management personnel 2010 RM'000	2009 RM'000
Income										
Interest income on advances	**–**	–	**5,627**	12,895	**4,596**	–	**–**	–	**–**	–
Interest income on private debt securities	**–**	–	**–**	–	**–**	–	**3,149**	3,386	**–**	–
Fee income	**104**	87	**6,308**	600	**–**	12	**–**	–	**–**	–
Brokerage income	**4,598**	1,973	**78**	614	**–**	–	**–**	–	**–**	–
Commission income	**–**	–	**–**	–	**5,720**	4,092	**–**	–	**–**	–
Others	**–**	–	**–**	–	**–**	36	**–**	–	**–**	–
	4,702	2,060	**12,013**	14,109	**10,316**	4,140	**3,149**	3,386	**–**	–
Expenses										
Interest expenses:-										
- deposits and placements of banks and other financial institutions	**–**	–	**–**	–	**2,449**	2,122	**–**	–	**–**	–
- deposits from customers	**5,062**	6,367	**22,914**	6,537	**–**	–	**–**	–	**–**	–
Rental of premises	**613**	613	**17,355**	17,386	**–**	–	**–**	–	**–**	–
Insurance premium	**–**	–	**–**	51	**34,909**	31,257	**–**	–	**–**	–
Other expenses	**–**	–	**3,033**	1,393	**–**	–	**–**	–	**–**	–
	5,675	6,980	**43,302**	25,367	**37,358**	33,379	**–**	–	**–**	–

48 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (cont'd)

(a) The significant transactions of the Group and Company with the related parties (cont'd)

COMPANY	Ultimate holding corporate body 2010 RM'000	Ultimate holding corporate body 2009 RM'000	Subsidiaries 2010 RM'000	Subsidiaries 2009 RM'000	Other related Companies 2010 RM'000	Other related Companies 2009 RM'000	Jointly controlled entity / Associate 2010 RM'000	Jointly controlled entity / Associate 2009 RM'000	Key management personnel 2010 RM'000	Key management personnel 2009 RM'000
Income										
Interest income:-										
- money at call and deposits with financial institutions	–	–	**5,377**	4,818	–	–	–	–	–	–
- subordinated term loan/senior loan	–	–	**10,633**	7,447	–	–	**4,596**	–	–	–
	–	–	**16,010**	12,265	–	–	**4,596**	–	–	–
Expenses										
Professional fees	–	–	**65**	55	–	1	–	–	–	–
Rental of premises	–	–	–	–	**696**	696	–	–	–	–
Other expenses	–	–	–	–	**175**	161	**104**	94	–	–
	–	–	**65**	55	**871**	858	**104**	94	–	–

48 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (cont'd)

(b) Related parties balances

GROUP	Ultimate holding corporate body 2010 RM'000	Ultimate holding corporate body 2009 RM'000	Other related companies 2010 RM'000	Other related companies 2009 RM'000	Jointly controlled entity / Associate 2010 RM'000	Jointly controlled entity / Associate 2009 RM'000	Substantial shareholder 2010 RM'000	Substantial shareholder 2009 RM'000	Key management personnel 2010 RM'000	Key management personnel 2009 RM'000
Amount due from										
Loans and advances	**–**	–	**482,343**	513,083	**–**	–	**–**	–	**–**	–
Rental deposits	**200**	200	**4,235**	4,233	**–**	–	**–**	–	**–**	–
Purchase of securities by Lembaga Tabung Angkatan Tentera	**9,739**	973	**–**	–	**–**	–		–	**–**	–
Management fees receivable	**27**	24	**20**	–	**–**	12	**–**	–	**–**	–
Interest receivable	**–**	–	**–**	–	**1,717**	–	**–**	–	**–**	–
Subordinated/senior loan	**–**	–	**–**	–	**90,624**	–	**–**	–	**–**	–
Other assets	**187**	79	**168**	112	**–**	–	**67,013**	56,235	**–**	–
	10,153	1,276	**486,766**	517,428	**92,341**	12	**67,013**	56,235	**–**	–
Amount due to										
Deposits from customers	**414,973**	137,571	**282,131**	67,317	**–**	–	**–**	–	**–**	–
Deposits and placements of banks and other financial institutions	**–**	–	**–**	–	**88,413**	103,870	**–**	–	**–**	–
Interest payable	**439**	156	**1,247**	743	**513**	438	**–**	–	**–**	–
Sales of securities	**954**	7,722	**–**	–	**–**	–	**–**	–	**–**	–
Current accounts	**112,803**	63,706	**84,602**	100,694	**(2,986)**	(461)	**191**	115	**502**	–
Premium payable	**–**	–	**–**	–	**2,778**	3,933	**–**	–	**–**	–
Other liabilities	**7**	7	**–**	–	**–**	–	**–**	–	**–**	–
	529,176	209,162	**367,980**	168,754	**88,718**	107,780	**191**	115	**502**	–

48 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (cont'd)

(b) Related parties balances (cont'd)

COMPANY	Ultimate holding corporate body 2010 RM'000	Ultimate holding corporate body 2009 RM'000	Subsidiaries 2010 RM'000	Subsidiaries 2009 RM'000	Other related companies 2010 RM'000	Other related companies 2009 RM'000	Jointly controlled entity / Associate 2010 RM'000	Jointly controlled entity / Associate 2009 RM'000	Key management personnel 2010 RM'000	Key management personnel 2009 RM'000
Amount due from										
Cash and bank balances with banks and other financial institutions	–	–	**26**	43	–	–	–	–	–	–
Money at call and deposits placements maturing within one month	–	–	**125,998**	193,567	–	–	–	–	–	–
Deposits and placements with banks and other financial institutions	–	–	**174,005**	49,192	–	–	–	–	–	–
Interest receivable	–	–	**1,035**	786	–	–	**1,717**	–	–	–
Subordinated/senior loan	–	–	**300,000**	300,000	–	–	**90,624**	–	–	–
Other assets	–	–	**74**	–	**184**	184	–	–	–	–
	–	–	**601,138**	543,588	**184**	184	**92,341**	–	–	–
Amount due to										
Interest-free advances	–	–	**689,348**	839,206	–	–	–	–	–	–
Other liabilities	–	–	**3,674**	3,628	–	–	–	–	–	–
	–	–	**693,022**	842,834	–	–	–	–	–	–

49 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) Acquisition of the entire share capital of BH Insurance (M) Berhad ("BHI") by AXA AFFIN General Insurance Berhad ("AAGI") ("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 a gain on dilution of interest of RM8,463,000 on share of enlarged net assets in AAGI upon the completion of the Acquisition.

(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.

49 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (cont'd)

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

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 statements of financial position 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.

49 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (cont'd)

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

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

50 SEGMENT ANALYSIS

The segment analysis is presented based on the principal activities of the subsidiaries. The Group's operations are principally conducted in Malaysia and accordingly, no analysis in respect of geographical segments have been presented.

The format of the segment analysis is based on the internal financial reporting system which reflect the Group's management reporting structure. The Group comprises the following main segments:-

Commercial Banking

The Commercial Banking segment focuses on business of banking in all aspects which includes Islamic Banking operations. Its activities are generally structured into two key areas, Consumer Banking and Enterprise Banking Services.

Consumer Banking comprises the full range of products and services offered to individuals, including savings and fixed deposits, remittance services, current accounts, consumer loans such as vehicle loans (i.e. hire purchase), housing loans, overdrafts and personal loans, credit cards, unit trusts and bancassurance products.

Enterprise Banking provides a full range of financial products and services to cater mainly the business and funding needs of corporate customers, ranging from large corporate and the public sector to small and medium enterprises. The products and services offered include long-term loans, project and equipment financing and short-term credit such as overdrafts and trade financing, and other fee-based services.

50 SEGMENT ANALYSIS (cont'd)

Investment Banking

The Investment Banking segment focuses on business of a merchant bank, stock-broking, discount house, fund and unit trusts management.

This segment focuses on business needs of mainly large corporate customers and financial institutions. The products and services offered to customers include advisory services and structuring of private debt securities, corporate finance and advisory services for corporate listings, mergers and acquisitions, capital raising through issues of equity and debt instruments, corporate and debts restructuring exercises.

It also provides structured lending solutions mainly in support of corporate finance and capital market activities as well as access to variety of funds and capital market investment products to both corporate and institutional investors for competitive returns and other investment benefits including portfolio diversification and liquidity enhancement.

The stock-broking business comprises institutional and retail stock-broking business for securities listed on Bursa Malaysia Securities Berhad, investment management and research services. Prior to the adoption of FRS 8 "Operating Segments", the stock-broking business was reported under separate operating segment in the previous year. Upon adoption of FRS 8 during the financial year, the stock-broking business has been aggregated with Investment Banking segment as one reportable segment.

Insurance

The insurance segment includes the business of underwriting all classes of general and life insurance businesses in Malaysia.

Others

Other business segments in the Group include operation of investment holding companies, money-broking, insurance-broking and other related financial services whose results are not material to the Group and therefore do not render separate disclosure in the financial statements and have been reported in aggregate.

50 SEGMENT ANALYSIS (cont'd)

The segment analysis of the Group by activities in 2010 and 2009 are as follows:

2010	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Eliminations RM'000	Group RM'000
Segment revenue	2,017,239	242,531	–	8,619	–	2,268,389
Intersegment revenue	2,004	4,588	–	1,165	(7,757)	–
Unallocated revenue	–	–	–	–	–	4,606
Revenue	2,019,243	247,119	–	9,784	(7,757)	2,272,995
Segment results	521,904	87,074	–	2,178	15,945	627,101
Unallocated expenses	–	–	–	–	–	(16,958)
Share of results of a jointly controlled entity (net of tax)	–	–	6,923	–	–	6,923
Share of results of associate (net of tax)	–	–	12,004	–	–	12,004
Gain on dilution of interest in associate	–	–	8,463	–	–	8,463
Profit before taxation and zakat						637,533
Taxation and zakat						(148,908)
Net profit for the financial year						488,625
Segment assets	42,564,056	4,060,732	–	15,192	–	46,639,980
Investment in jointly controlled entities	–	–	112,811	500	–	113,311
Investment in associate	–	–	152,778	–	–	152,779
Unallocated assets	–	–	–	–	–	97,838
Total segment assets						47,003,908
Segment liabilities	37,964,313	3,341,382	–	1,999	–	41,307,694
Unallocated liabilities	–	–	–	–	–	495,181
Total segment liabilities						41,802,875
<u>Non-cash items</u>						
Capital expenditure	10,651	2,221	–	17	29	12,918
Depreciation of property and equipment	20,071	3,974	–	138	231	24,414
Amortisation of intangible assets	16,474	494	–	8	4	16,980
Allowances for impairment on loans, advances and financing	252,310	(325)	–	–	–	251,985
Other non-cash items*	(173,045)	(115,510)	(27,390)	–	–	(315,945)

* Other non-cash income refers to net income earned from financial assets held-for-trading, financial investments available-for-sale and held-to-maturity.

50 SEGMENT ANALYSIS (cont'd)

The segment analysis of the Group by activities in 2010 and 2009 are as follows: (cont'd)

2009	Commercial Banking RM'000	Investment Banking RM'000	Insurance RM'000	Others RM'000	Eliminations RM'000	Group RM'000
Segment revenue	1,778,091	224,200	–	6,567	–	2,008,858
Intersegment revenue	7,139	6,555	–	1,009	(14,703)	–
Unallocated revenue	–	–	–	–	–	–
Revenue	1,785,230	230,755	–	7,576	(14,703)	2,008,858
Segment results	425,147	64,563	–	1,151	12,265	503,126
Unallocated expenses	–	–	–	–	–	(18,448)
Share of results of a jointly controlled entity (net of tax)	–	–	233	–	–	233
Share of results of associate (net of tax)	–	–	12,249	–	–	12,249
Profit before taxation and zakat						497,160
Taxation and zakat						(125,317)
Net profit for the financial year						371,843
Segment assets	36,140,667	3,548,647	–	19,310	–	39,708,624
Investment in jointly controlled entities	–	–	107,142	500	–	107,642
Investment in associate	–	–	129,228	–	–	129,228
Unallocated assets	–	–	–	–	–	8,649
Total segment assets						39,954,143
Segment liabilities	31,900,124	2,919,176	–	1,659	–	34,820,959
Unallocated liabilities	–	–	–	–	–	397,895
Total segment liabilities						35,218,854
Non-cash items						
Capital expenditure	15,338	1,261	–	45	87	16,731
Depreciation of property and equipment	22,103	4,209	–	387	235	26,934
Amortisation of intangible assets	20,502	503	–	7	4	21,016
Allowances for impairment on loans, advances and financing	312,728	(1,835)	–	–	–	310,893
Other non-cash items*	(162,933)	(106,054)	(12,482)	(55)	1	(281,523)

* Other non-cash income refers to net income earned from financial assets held-for-trading, financial investments available-for-sale and held-to-maturity.

51 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has set up objectives and policies to manage the risks that arise in connection with financial instruments. The risk management framework and policies of the Group are guided by specific objectives to ensure that comprehensive and adequate risk management policies are established to mitigate the salient risk elements in the operations of the Group. The establishment of the overall financial risk management objectives is consistent and in tandem with the strategy to create and enhance shareholders' value, whilst guided by a prudent and robust framework of risk management policies. In achieving the objective of maximising returns to shareholders, the Board takes cognisance of the risk elements that the Group is confronted with in its operations. In view of the multi-faceted risks inherent especially in the Group's operations in the banking sector, the Group places great emphasis on the importance of risk management and has put in place clear and comprehensive risk management mechanisms and strategies to identify, monitor, manage and control the relevant risk factors.

Credit Risk

Credit risk is the potential financial loss resulting from the failure of the customer or counterparty to settle the financial and contractual obligation to the Group. Exposure to credit risks for the Group arises primarily from lending activities by its banking subsidiaries. Credit risk arises mainly from corporate and consumer loans, advances and financing and loan commitments arising from such lending activities, but also arise from credit enhancement provided, such as financial guarantees, letters of credit and acceptances. The Group is also exposed to other credit risks arising from investments in debt securities and trading exposures, including non-equity trading portfolio assets, derivatives and settlement balances with market counterparties.

The management of credit in the Group is governed by a set of credit policies approved by the Board of Directors. Approval authorities are delegated to Senior Management and the Group Management Loan Committee to implement the credit policies and ensure sound credit granting standards.

An independent Group Risk Management ('GRM') function with a direct reporting line to Board Risk Management Committee ('BRMC') is in place to ensure adherence to risk standards and discipline. Portfolio management risk reports are submitted regularly to BRMC.

Lending guidelines and credit strategies are formulated and incorporated in the Annual Credit Plan. New businesses are governed by the risk acceptance criteria and customer qualifying criteria/fitness standards prescribed in the Credit Plan. The Credit Plan is reviewed at least annually and approved by the BRMC.

Credit Risk measurement

i) Loans, advances and financing

Credit evaluation is the process of analyzing the creditworthiness of the prospective customer against the Group's underwriting criteria and the ability of the Group to make a return commensurate to the level of risk undertaken. A critical element in the evaluation process is the assignment of a credit risk grade to the counterparty. This assists in the risk assessment and decision making process. The Group has developed internal rating models to support the assessment and quantification of credit risk.

For consumer mass market products, statistically developed application scorecards are used by the Business to assess the risks associated with the credit application. The scorecards are used as a decision support tool at loan origination.

ii) Over-the-Counter ('OTC') Derivatives

The OTC Derivatives credit exposure is computed using the Current Exposure Method. Under the Current Exposure Method, computation of credit equivalent exposure for interest rate and exchange rate related contracts is derived from the summation of the two elements; the replacement costs (obtained by marking-to-market) of all contracts and the potential future exposure of outstanding contracts (Add On charges depending on the specific remaining tenor to maturity).

51 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Risk limit control and mitigation policies

The Group employs various policies and practices to control and mitigate credit risk.

i) Lending limits

The Group establishes internal limits and related lending guidelines to manage large exposures and avoid undue concentration of credit risk in its credit portfolio. The limits include single customer groupings, connected parties, and geographical and industry segments. These risks are monitored regularly and the limits reviewed annually or sooner depending on changing market and economic conditions.

The credit risk exposure for derivative and loan books is managed as part of the overall lending limits with customers together with potential exposure from market movements.

ii) Collateral

Credits are established against borrower's capacity to repay rather than rely solely on security. However, collateral may be taken to mitigate credit risk. The main collateral types accepted and given value by the Group are:

- Mortgage over residential properties;
- Charges over commercial real estate or vehicles financed;
- Charges over business assets such as business premises, inventory and accounts receivable; and
- Charges over financial instruments such as marketable equities.

iii) Financing covenants (for credit related commitments and loans books)

The primary purpose of these instruments is to ensure that funds are available to a customer when required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit are collaterised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitment to extend credit represents unutilized portion of approved credit in the form of loans, guarantees or letters of credit. In terms of credit risk, the Group is potentially exposed to loss in an amount equal to the total unutilized commitments. However, the potential amount of loss is less than the total unutilized commitments, as most commitments to extend credit are contingent upon customers maintaining specific minimum credit standards.

The Group monitor the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than short-term commitments.

Credit Risk monitoring

Retail credits are actively monitored and managed on a portfolio basis by product type. A new collection management system has been implemented with a dedicated team in place to promptly identify, monitor and manage delinquent accounts at early stages of delinquency.

Corporate credits and large individual accounts are reviewed by the Business Units at least once a year against updated information. This is to ensure that the credit grades remain appropriate and detect any signs of weaknesses or deterioration in the credit quality. Remedial action is taken where evidence of deterioration exists.

Early Alert Process is in place as part of a means to pro-actively identify, report and manage deteriorating credit quality. Watchlist accounts are closely reviewed and monitored with corrective measures initiated to prevent them from turning non-performing. As a rule, Watchlist accounts are either worked up or worked out within a period of twelve months.

Credit Risk culture

The Group recognize that learning is a continuous journey and is committed to enhance the knowledge and required skills set of its staff. It places strong emphasis in creating and enhancing risk awareness in the organization.

For effective and efficient staff learning, the Group has implemented an E–Learning Program with an online Learning Management System ('LMS'). The LMS provides staff with a progressive self-learning alternative at own pace.

51 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Credit Risk culture (cont'd)

Group Risk Management commenced an Internal Credit Certification ('ICC') Programme for both Business Banking and Consumer Credit in July 2009 and August 2009 respectively. In October 2010, the Group introduced ICC-Market Risk with the Diagnostic Assessment conducted through the LMS.

The aim of the ICCs is to assist the core credit related group of personnel in the Group achieve a minimum level of knowledge and analytical skills required to make sound corporate and commercial loans to customers. It is envisaged that the core credit related group of personnel would all be certified within 2 to 3 years.

a) Maximum exposure to credit risk

The following table presents the Group and the Company's maximum exposure to credit risk of on-balance sheet and off-balance sheet financial instruments, without taking into account of any collateral held or other credit enhancements. For on-balance sheet assets, the exposure to credit risk equals their carrying amount. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Group and the Company would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

	GROUP	COMPANY
	Maximum exposure	
	RM'000	RM'000
Credit risk exposures of on-balance sheet assets		
Cash and short-term funds (exclude cash in hand)	8,567,763	126,043
Deposits and placements with banks and other financial institutions	18,088	176,412
Financial assets held-for-trading	149,853	–
Financial investments available-for-sale (exclude equity securities)	8,402,372	–
Financial investments held-to-maturity	533,458	–
Loans, advances and financing	26,979,151	–
Trade receivables	270,203	–
Other assets	119,155	2,509
Derivative financial assets	43,254	–
	45,083,297	304,964
Credit risk exposure of off-balance sheet items		
Financial guarantees	1,602,337	–
Loan commitments and other credit related commitments	501,805	–
Obligation under underwriting agreement	9,845	–
	2,113,987	–
Total maximum credit risk exposure	47,197,284	304,964

Cash and short-tem funds

Substantially all balances are held with BNM. There is limited credit risk in relation to balances at BNM.

Other assets

There is limited credit risk in relation to items in the course of collection through the clearing system from other banks.

Off-balance sheet

The Group and the Company apply fundamentally the same risk management policies for off-balance sheet risks as it does for its on-balance sheet risks. In the case of commitments to lend, customers and counterparties will be subject to the same credit management policies as for loans, advances and financing. Collateral may be sought depending on the strength of the counterparty and the nature of the transaction.

51 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Credit Risk (cont'd)

b) **Credit risk concentrations**

Credit risk is the risk of financial loss from the failure of customers to meet their obligations. Exposure to credit risk is managed through portfolio management. The credit portfolio's risk profiles and exposures are reviewed and monitored regularly to ensure that an acceptable level of risk diversification is maintained. Exposure to credit risk is also managed in part by obtaining collateral security and corporate and personal guarantees.

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The following tables analyse the Group's and the Company's financial assets and commitments and contingencies by industry concentration as at reporting date:-

GROUP	Short-term funds and placements with banks and other financial institutions RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Loans, advances and financing RM'000	Other assets RM'000	Derivative financial assets RM'000	On balance sheet total RM'000	Commitments and Contingencies RM'000
2010									
Agriculture	–	–	15,036	–	526,663	242	–	541,941	31,535
Mining and quarrying	–	–	–	–	373,899	–	–	373,899	1,053
Manufacturing	–	–	43,725	158,660	1,800,665	1,519	–	2,004,569	212,361
Electricity, gas and water	–	–	255,472	–	199,128	3,087	–	457,687	57
Construction	–	–	15,576	207,108	2,418,680	203	–	2,641,567	652,610
Real estate	–	–	15,060	–	2,401,148	98	–	2,416,306	185,829
General commerce	–	–	59,290	24,037	1,208,032	1,661	–	1,293,020	140,172
Transport, storage and communication	–	–	159,806	70,751	1,014,963	17,198	–	1,262,718	30,976
Finance, insurance and business services	308,835	149,853	2,729,783	27,000	4,415,793	37,889	43,254	7,712,407	236,660
Government and government agencies	8,277,016	–	4,932,327	16,186	75,394	46,509	–	13,347,432	135,825
Purchase of landed property, securities and vehicles	–	–	–	–	40,833	268,011	–	308,844	–
Others	–	–	176,297	29,716	12,503,953	12,941	–	12,722,907	486,909
Total	8,585,851	149,853	8,402,372	533,458	26,979,151*	389,358	43,254	45,083,297	2,113,987

* Not inclusive of collective allowance amounting to RM405 million.

Risk concentrations for commitments and contingencies are based on the credit equivalent balances in Note 44.

51 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Credit Risk (cont'd)

b) **Credit risk concentrations (cont'd)**

GROUP	Short-term funds and placements with banks and other financial institutions RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Loans, advances and financing RM'000	Other assets RM'000	Derivative financial assets RM'000	On balance sheet total RM'000	Commitments and Contingencies RM'000
2009									
Agriculture	–	–	49,551	–	596,183	583	–	646,317	3,580
Mining and quarrying	–	–	–	–	254,488	–	–	254,488	19,107
Manufacturing	–	–	118,380	152,524	1,693,308	3,107	–	1,967,319	213,405
Electricity, gas and water	–	–	178,516	–	154,709	2,356	–	335,581	563
Construction	–	–	28,713	213,689	2,430,789	3,186	–	2,676,377	709,607
Real estate	–	–	–	–	1,539,940	–	–	1,539,940	95,128
General commerce	–	–	92,254	27,937	1,178,674	462	–	1,299,327	84,394
Transport, storage and communication	–	–	156,025	–	1,017,407	673	–	1,174,105	40,368
Finance, insurance and business services	502,293	150,000	2,918,899	37,000	3,295,521	35,867	24,315	6,963,895	381,830
Government and government agencies	5,623,970	–	4,345,458	27,124	93,261	36,474	–	10,126,287	15,719
Purchase of landed property, securities and vehicles	–	–	–	–	31,450	77,262	–	108,712	–
Others	–	–	253,395	34,010	10,554,482	170,848	–	11,012,735	769,247
Total	6,126,263	150,000	8,141,191	492,284	22,840,212*	330,818	24,315	38,105,083	2,332,948

* Not inclusive of general allowance amounting to RM343 million.

Risk concentrations for commitments and contingencies are based on the credit equivalent balances in Note 44.

51 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Credit Risk (cont'd)

b) **Credit risk concentrations (cont'd)**

COMPANY	Short-term funds and placements with banks and other financial institutions RM'000	Other assets RM'000	Total on-balance sheet RM'000
2010			
Finance, insurance and business services	**302,455**	**2,250**	**304,705**
Others	**–**	**259**	**259**
	302,455	**2,509**	**304,964**
2009			
Finance, insurance and business services	244,637	791	245,428
Others	–	258	258
	244,637	1,049	245,686

c) **Collateral**

The main types of collateral obtained by the Group are as follows:-
- For personal housing loans, mortgages over residential properties;
- For commercial property loans, charges over the properties being financed;
- For car loans, charges over the vehicles financed; and
- For other loans, charges over business assets such as premises, inventories, trade receivables or deposits.

d) **Total loan, advances and financing - credit quality**

All loans, advances and financing are categorised into "neither past due nor impaired", "past due but not impaired" and "impaired". Past due loans refer to loans that are overdue by one day or more. Impaired loans are loans with months-in-arrears more than 90 days or with impairment allowances.

i) Distribution of loans, advances and financing by credit quality

	GROUP RM'000
Neither past due nor impaired	22,923,611
Past due but not impaired	3,251,478
Impaired	989,769
Gross financing, advances and other loans	27,164,858
Less: Allowance for impairment	
- individual impairment	(185,707)
- collective impairment	(405,085)
Net financing, advances and other loans	26,574,066

Past due but not impaired includes accounts within grace period amounting to RM1.2 billion.

51 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Credit Risk (cont'd)

d) **Total loan, advances and financing - credit quality** (cont'd)

ii) Loans neither past due nor impaired

Analysis of loans, advances and financing that are neither past due nor impaired analysed based on the Group's internal credit grading system is as follows:

	GROUP RM'000
Quality classification:-	
Satisfactory *	19,086,537
Special mention #	3,837,074
	22,923,611

* Exposures demonstrate a strong capacity to meet financial commitments, with negligible or low probability of default and/or levels of expected loss.

\# Exposures require varying degrees of special attention and default risk is of greater concern.

iii) Loans past due but not impaired

Certain financing, advances and other loans are past due but not impaired as the collateral values of these loans are in excess of the principal and profit outstanding. Allowances for these loans may have been set aside on a portfolio basis. The Group's financing, advances and other loans which are past due but not impaired are as follows:

	GROUP RM'000
Past due up to 30 days	1,768,351
Past due 30-60 days	996,340
Past due 60-90 days	486,787
	3,251,478

The Group does not disclose the fair value of collateral held as security on assets past due but not impaired as it is not practicable to do so.

iv) Loans that are individually determined to be impaired as at 31 December 2010

	GROUP RM'000
Analysis of individually impaired assets:	
Gross amount	989,769
Individually impaired loans	449,856
Fair value of collateral	1,259,440

51 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Credit Risk (cont'd)

d) **Total loan, advances and financing - credit quality (cont'd)**

v) Collateral and other credit enhancements obtained

During the year, the Group obtained assets by taking possession of collateral held as security or calling upon other credit enhancements as follows:

	GROUP Carrying Amount RM'000
Nature of assets:	
Vacant industrial land	1,370

Foreclosed properties are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness. The carrying amount of foreclosed properties held by the Group as at reporting date has been classified as other assets as disclosed in Note 16.

e) **Renegotiated financial assets**

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria that, in the judgement of management indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans - in particular, customer finance loans.

Renegotiated loans and advances:	GROUP RM'000
- Continuing to be impaired after restructuring	32,069
- Non-impaired after restructuring-would otherwise have been impaired	487,387
	519,456

f) **Private debt securities, treasury bills and derivatives**

Private debt securities, treasury bills and other eligible bills included in financial assets held-for-trading and financial investments available-for-sale are measured on a fair value basis. The fair value will reflect the credit risk of the issuer.

Most listed and some unlisted securities are rated by external rating agencies. The Group mainly uses external credit ratings provided by RAM, MARC, Standard & Poors' or Moody's.

51 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Credit Risk (cont'd)

g) **Private debt securities, treasury bills and derivatives**

The table below presents an analysis of debt securities, treasury bills and other eligible bills by rating agency:

GROUP	AAA RM'000	AA- to AA+ RM'000	A- to A+ RM'000	Lower than A- RM'000	Unrated RM'000	Total RM'000
2010						
Financial assets held-for-trading	–	–	–	–	149,853	149,853
Financial investments available-for-sale	1,286,116	461,038	683,209	162,763	5,935,781	8,528,907
Financial investments held to-maturity	–	–	–	27,000	506,458	533,458
Total	1,286,116	461,038	683,209	189,763	6,592,092	9,212,218

Included in the above, there are impaired financial investments available-for-sale and held-to-maturity with a carrying value for the Group of RM268,382 (2009: RM293,671).

Collateral is not generally obtained directly from the issuers of debt securities. Certain debt securities may be collateralised by specifically identified assets that would be obtainable in the event of default.

Market Risk

Market risk is defined as the risk of losses to the Group's portfolio positions arising from movements in market prices. The Group's market risk management objective is to ensure that market risk is appropriately identified, measured, controlled, managed and reported.

The Group's exposure to market risk stems primarily from interest rate risk and foreign exchange rate risk. Interest rate risk arises mainly from differences in timing between the maturities or re-pricing of assets, liabilities and derivatives. The Group is also exposed to basis risk when there is a mismatch between the change in price of a hedge and the change in price of the assets it hedges. Foreign exchange rate risk arises from unhedged positions of customers' requirements and proprietary positions.

Market risk is primarily controlled through the imposition of Cut-loss, Value-at-Risk (VaR) and Net Open Position Limits which are approved by both the Asset Liability Management Committee ('ALCO') and Board Risk Management Committee ('BRMC') in accordance with the Group's risk appetite. These limits are set and reviewed regularly according to a number of factors, including liquidity and the Group's business strategy. In addition, the Group conducts periodic stress test of its respective portfolios to ascertain the market risk under abnormal market conditions. For the asset liability mismatch position in the statement of financial position, the risk is measured using Net Interest Income simulations based on projected interest rate scenarios managed through limits set over time buckets together with an Overall Risk Tolerance Limit.

The Group's Management, ALCO and BRMC are regularly kept informed of its risk profile and positions.

51 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Market Risk (cont'd)

a) **Value at risk ('VaR')**

Value-at-Risk ('VaR') is used to compute the maximum potential loss amount over a specified holding period of a Trading portfolio. It measures the risk of losses arising from potential adverse movements in interest rates and foreign exchange rates that could affect values of financial instruments.

The Variance-Covariance Parametric methodology is adopted to compute the potential loss amount. This is a statistically defined, probability-based approach that uses volatilities and correlations to quantify price risks. Under this methodology, a matrix of historical volatilities and correlations is computed from the past 100 business days' market data. VaR is then computed by applying these volatilities and correlations to the outstanding Trading portfolio valued at current price levels.

The table below sets out a summary of the Group's VaR profile by financial instrument types and fixed income for the Trading Portfolio:-

GROUP	Balance RM'000	Average for the year RM'000	Minimum RM'000	Maximum RM'000
2010				
Instruments:				
FX swap	**201**	**241**	**134**	**437**
Government securities	**–**	**1**	**–**	**11**
Private debt securities	**–**	**1**	**–**	**18**
Fixed income:				
Proprietary trading	**–**	**101**	**–**	**1,283**

Other Risk Measures

i) Mark-to-market

Mark-to-Market valuation tracks the current market value of the outstanding financial instruments.

ii) Stress testing

Stress tests are conducted to attempt to quantify market risk arising from low probability, abnormal market movements. The stress test measure the change in value arising from range of extreme movements in the interest rates and foreign exchange rates based on past experience and simulated stress scenarios.

iii) Sensitivity/Dollar Duration

Sensitivity/Dollar Duration is an additional measure of interest rate risk that is computed on a daily basis. It measures the change in value of a portfolio resulting from a 0.01% increase in interest rates. This measure identifies the Group's interest rate exposures that are most vulnerable to interest rate changes and it facilitates the implementation of hedging strategies.

51 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Market Risk (cont'd)

Net interest income sensitivity

The table below shows the pre-tax net interest income sensitivity for the non-trading financial assets and financial liabilities held at 31 December 2010. The sensitivity has been measured using the Repricing Gap Simulation methodology based on parallel shifts in the interest rate.

GROUP	+100 basis points RM million	-100 basis points RM million
2010		
Impact on net interest income	(44.0)	44.0
As percentage of net interest income	-4.3%	4.3%

Foreign exchange risk sensitivity analysis

	Open position			
GROUP	US Dollar equivalent amount '000	Ringgit Malaysia equivalent amount '000	Ringgit Malaysia equivalent amount for 1% fall in US Dollar '000	Impact of 1% fall in US Dollar exchange Rate '000
2010				
US Dollar	(8,834)	(27,240)	(26,968)	(272)
Japanese Yen	218	672	665	7
Others	(1,290)	(3,978)	(3,938)	(40)

The impact on the outstanding foreign exchange position as at 31 December 2010 for a one percent change in USD exchange rate from 3.0835 to 3.0527 was a decrease of about RM304,360.

51 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Market Risk (cont'd)

b) **Foreign exchange risk**

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table summarises the Group's exposure to foreign currency exchange rate risk at 31 December 2010. Included in the table are the Group's financial instruments at carrying amounts, categorised by currency.

GROUP	Euro RM'000	United States Dollar RM'000	Australian Dollar RM'000	Great Britain Pound RM'000	Japanese Yen RM'000	Others RM'000	Total RM'000
2010							
Assets							
Cash and short-term funds	3,205	163,867	2,049	2,058	–	36,513	207,692
Deposits and placements of banks and other financial institutions	–	147,057	15,680	–	–	29,597	192,334
Financial investments available-for- sale	–	332,521	39,548	46,067	29,669	59,367	507,172
Loans, advances and financing	271	752,912	–	113	–	1,503	754,799
Other assets	–	4,174	376	846	–	1,986	7,382
Total financial assets	3,476	1,400,531	57,653	49,084	29,669	128,966	1,669,379
Liabilities							
Deposits from customers	7,660	208,366	9,941	8,487	–	29,784	264,238
Deposits and placements of banks and other financial institutions	–	667,756	4,157	–	29,648	–	701,561
Other liabilities	–	12,436	173	3,411	–	431	16,451
Total financial liabilities	7,660	888,558	14,271	11,898	29,648	30,215	982,250
Net on-balance sheet financial position	(4,184)	511,973	43,382	37,186	21	98,751	687,129
Off balance sheet credit commitments	1,093,230	2,115,824	25,235	65,866	–	396,827	3,696,982

51 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Market Risk (cont'd)

c) **Interest/profit rate risk**

The tables below summarise the Group's and the Company's exposure to interest/profit rate risks. Included in the tables are the Group's and the Company's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The off-balance sheet gap represents the interest/profit rate sensitive commitments and contingencies.

GROUP	<--- Non-trading Book ---> Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	> 1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Weighted Average Rate %
2010									
Assets									
Cash and short-term funds	8,520,578	–	–	–	–	152,763	–	8,673,341	2.76
Deposits and placements of banks and other financial institutions	551	–	17,537	–	–	–	–	18,088	2.83
Financial assets held-for-trading	–	–	–	–	–	–	149,853	149,853	2.81
Financial investments available-for-sale	436,716	970,463	786,749	5,566,677	642,024	126,278	–	8,528,907	3.75
Financial investments held-to-maturity	24,037	207,108	–	216,238	16	86,059	–	533,458	5.09
Loans, advances and financing									
- non-impaired	12,625,122	1,060,363	2,466,732	7,529,323	2,493,549	(405,085)*	–	25,770,004	4.97
- impaired	–	–	–	–	–	804,062^	–	804,062	
Statutory deposits with Bank Negara Malaysia	–	–	–	–	–	275,167	–	275,167	
Other assets	–	–	–	90,624	–	2,150,661	9,743	2,251,028	
Total assets	21,607,004	2,237,934	3,271,018	13,402,862	3,135,589	3,189,905	159,596	47,003,908	

51 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Market Risk (cont'd)

c) **Interest/profit rate risk (cont'd)**

GROUP	<---- Non-trading Book: Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	> 1-5 years RM'000	Over 5 years RM'000 ---->	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Weighted Average Rate %
2010									
Liabilities									
Deposits from customers	16,889,720	8,466,152	5,477,866	72,979	–	2,191,715	–	33,098,432	2.99
Deposits and placements of banks and other financial institutions	3,444,164	3,326,336	–	67,131	–	–	–	6,837,631	2.80
Bills and acceptances payable	–	–	–	–	–	110,161	–	110,161	–
Recourse obligation on loans sold to Cagamas Berhad	–	–	–	286,370	–	–	–	286,370	5.00
Borrowings	324,314	–	–	66,310	–	–	–	390,624	3.30
Other liabilities	–	–	–	–	–	1,062,209	17,448	1,079,657	
Total liabilities	20,658,198	11,792,488	5,477,866	492,790	–	3,364,085	17,448	41,802,875	
Shareholders' funds	–	–	–	–	–	5,201,033	–	5,201,033	
Total liabilities and shareholders' funds	**20,658,198**	**11,792,488**	**5,477,866**	**492,790**	**–**	**8,565,118**	**17,448**	**47,003,908**	
On-balance sheet interest sensitivity gap	948,806	(9,554,554)	(2,206,848)	12,910,072	3,135,589	(5,375,213)	142,148	–	
Off-balance sheet interest sensitivity gap	299,637	455,305	(5,193)	(704,458)	(45,291)	–	–	–	
Total interest sensitivity gap	**1,248,443**	**(9,099,249)**	**(2,212,041)**	**12,205,614**	**3,090,298**	**(5,375,213)**	**142,148**		

* The negative balance represents collective allowance for loans, advances and financing in accordance with the Group's accounting policy on allowance for impaired loans, advances and financing.

^ Net of individual allowance.

(1) Other assets include investment in associate, investment in jointly controlled entities, trade receivables, property and equipment, intangible assets, tax recoverable, deferred tax assets and other assets.

(2) Other liabilities include trade payables, provision for taxation, deferred tax liabilities and other liabilities.

51 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Market Risk (cont'd)

c) **Interest/profit rate risk (cont'd)**

GROUP	<--- Non-trading Book ---> Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	> 1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Weighted Average Rate %
2009									
Assets									
Cash and short-term funds	6,052,355	–	–	–	–	171,189	–	6,223,544	1.97
Deposits and placements of banks and other financial institutions	–	–	1,817	–	–	–	–	1,817	1.55
Financial assets held-for-trading	–	–	–	–	–	–	150,000	150,000	2.18
Financial investments available-for-sale	945,663	610,778	1,897,854	3,586,507	1,081,859	44,003	–	8,166,664	3.69
Financial investments held-to-maturity	236,035	–	26,530	79,261	16	176,374	–	518,216	4.75
Loans, advances and financing									
- performing	11,660,313	2,626,570	2,219,599	4,244,167	1,573,938	(343,276)*	–	21,981,311	4.70
- non-performing	–	–	–	–	–	515,625^	–	515,625	
Statutory deposits with Bank Negara Malaysia	–	–	–	–	–	244,982	–	244,982	
Land held for sale	–	–	–	–	–	62,354	–	62,354	
Other assets	–	–	–	–	–	2,081,567	8,063	2,089,630	
Total assets	18,894,366	3,237,348	4,145,800	7,909,935	2,655,813	2,952,818	158,063	39,954,143	

51 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Market Risk (cont'd)

c) **Interest/profit rate risk (cont'd)**

GROUP	<------- Non-trading Book ------- Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	> 1-5 years RM'000	Over 5 years RM'000 ------->	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Weighted Average Rate %
2009									
Liabilities									
Deposits from customers	10,441,278	7,856,234	6,128,411	99,327	–	4,074,001	–	28,599,251	2.29
Deposits and placements of banks and other financial institutions	2,213,325	2,525,046	408,723	–	–	–	–	5,147,094	2.05
Bills and acceptances payable	–	–	–	–	–	94,265	–	94,265	
Recourse obligation on loans sold to Cagamas Berhad	–	–	–	297,216	–	–	–	297,216	5.00
Borrowings	300,000	–	–	–	–	–	–	300,000	2.76
Other liabilities	–	–	–	–	–	754,082	26,946	781,028	
Total liabilities	12,954,603	10,381,280	6,537,134	396,543	–	4,922,348	26,946	35,218,854	
Shareholders' funds	–	–	–	–	–	4,735,289	–	4,735,289	
Total liabilities and shareholders' funds	12,954,603	10,381,280	6,537,134	396,543	–	9,657,637	26,946	39,954,143	
On-balance sheet interest sensitivity gap	5,939,763	(7,143,932)	(2,391,334)	7,513,392	2,655,813	(6,704,819)	131,117	–	
Off-balance sheet interest sensitivity gap	529,078	199,536	(339,724)	(293,106)	(95,784)	–	–	–	
Total interest sensitivity gap	6,468,841	(6,944,396)	(2,731,058)	7,220,286	2,560,029	(6,704,819)	131,117	–	

* The negative balance represents general allowance for loans, advances and financing computed in conformity with the BNM/GP3 Guidelines.

^ Net of specific allowance.

(1) Other assets include investment in associate, investment in jointly controlled entities, trade receivables, property and equipment, intangible assets, tax recoverable, deferred tax assets and other assets.

(2) Other liabilities include trade payables, provision for taxation, deferred tax liabilities and other liabilities.

51 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Market Risk (cont'd)

c) **Interest/profit rate risk (cont'd)**

COMPANY	<------ Non-trading Book Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	> 1-5 years RM'000	Over 5 years RM'000 ------>	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Weighted Average Rate %
2010									
Assets									
Cash and short-term funds	125,998	–	–	–	–	45	–	126,043	3.00
Deposits and placements with banks and other financial institutions	551	172,204	3,657	–	–	–	–	176,412	3.05
Investment in subsidiaries	–	–	–	–	–	3,636,991	–	3,636,991	
Amount due from subsidiaries	300,074	–	–	–	–	–	–	300,074	3.47
Investment in jointly controlled entities	–	–	–	–	–	128,520	–	128,520	
Investment in associate	–	–	–	–	–	10,597	–	10,597	
Amount due from associate	–	–	–	90,624	–	–	–	90,624	5.07
Other assets (Note 1)	–	–	–	–	–	9,496	–	9,496	
Total assets	426,623	172,204	3,657	90,624	–	3,785,649	–	4,478,757	
Liabilities									
Amount due to subsidiaries	–	–	–	–	–	689,348	–	689,348	
Other liabilities	–	–	–	–	–	108,086	–	108,086	
Deferred tax liabilities	–	–	–	–	–	141	–	141	
Borrowings	324,314	–	–	66,310	–	–	–	390,624	3.30
Total liabilities	324,314	–	–	66,310	–	797,575	–	1,188,199	
Shareholders' funds	–	–	–	–	–	3,290,558	–	3,290,558	
Total liabilities and shareholders' funds	324,314	–	–	66,310	–	4,088,133	–	4,478,757	
On-balance sheet interest sensitivity gap	102,309	172,204	3,657	24,314	–	(302,484)	–	–	
Total interest sensitivity gap	102,309	172,204	3,657	24,314	–	(302,484)	–	–	

Note 1:
Other assets include property and equipment, intangible assets, tax recoverable, deferred tax assets and other assets.

51 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Market Risk (cont'd)

c) **Interest/profit rate risk (cont'd)**

COMPANY	<------ Non-trading Book ------> Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	> 1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Weighted Average Rate %
2009									
Assets									
Cash and short-term funds	193,567	–	–	–	–	61	–	193,628	2.16
Deposits and placements with banks and other financial institutions	–	47,392	3,617	–	–	–	–	51,009	2.18
Investment in subsidiaries	–	–	–	–	–	3,795,474	–	3,795,474	
Amount due from subsidiaries	300,000	–	–	–	–	–	–	300,000	2.48
Investment in jointly controlled entities	–	–	–	–	–	128,520	–	128,520	
Investment in associate	–	–	–	–	–	10,597	–	10,597	
Other assets (Note 1)	–	–	–	–	–	7,600	–	7,600	
Total assets	493,567	47,392	3,617	–	–	3,942,252	–	4,486,828	
Liabilities									
Amount due to subsidiaries	–	–	–	–	–	839,206	–	839,206	
Other liabilities	–	–	–	–	–	101,357	–	101,357	
Deferred tax liabilities	–	–	–	–	–	166	–	166	
Borrowings	300,000	–	–	–	–	–	–	300,000	2.76
Total liabilities	300,000	–	–	–	–	940,729	–	1,240,729	
Shareholders' funds	–	–	–	–	–	3,246,099	–	3,246,099	
Total liabilities and shareholders' funds	–	–	–	–	–	4,186,828	–	4,486,828	
On-balance sheet interest sensitivity gap	193,567	47,392	3,617	–	–	(244,576)	–	–	
Total interest sensitivity gap	193,567	47,392	3,617	–	–	(244,576)	–	–	

Note 1:
Other assets include property and equipment, intangible assets, tax recoverable, deferred tax assets and other assets.

51 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Operational Risk

Financial instruments comprise financial assets, financial liabilities and also off balance sheet financial instruments. The fair value of a financial instrument is the amount at which the instruments could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents estimates of fair values as at reporting date.

Quoted market prices, when available, are used as the measure of fair values. For financial instruments, without quoted market prices, fair values are estimated using net present value or other valuation techniques. These techniques involve a certain degree of uncertainty depending on the assumptions used and judgements made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors. Changes in these assumptions could materially affect these estimates and the resulting fair value.

Fair value information for non-financial assets and liabilities are excluded as they do not fall within the scope of FRS132 which requires fair values to be disclosed. This includes property and equipment, statutory deposits with Bank Negara Malaysia, investment in subsidiaries, other assets, tax recoverable, deferred tax and intangible assets.

Liquidity Risk

Liquidity risk is the risk of loss due to failure to access funds at reasonable cost to fund the Group's operations and meet its liabilities when they fall due. Liquidity risk arises from the Group's funding activities and the management of its assets.

To measure and manage net funding requirements, the Group adopts BNM's New Liquidity Framework ('NLF'). The NLF ascertains the liquidity condition based on the contractual and behavioral cash-flow of assets, liabilities and off-balance sheet commitments, taking into consideration the realisable cash value of the eligible liquefiable assets.

The Group employs liquidity risk indicators as an early alert of any structural change for liquidity risk management. The risk is measured monthly using internal and external qualitative and quantitative liquidity risk indicators. The Group also conducts liquidity stress tests to gauge the Group's resilience in the event of a funding crisis. In addition, the Group has in place the Contingency Funding Plan to deal with liquidity crisis and emergencies.

The BRMC is responsible for the Group's liquidity policy although the strategic management of liquidity has been delegated to the ALCO. The BRMC is however, informed regularly of the liquidity situation in the Group.

51 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Liquidity Risk (cont'd)

i) Liquidity risk disclosure table based on contractual undiscounted cash flow:-

GROUP	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
2010						
Deposits from customers	19,112,806	8,456,068	5,481,164	66,789	–	33,116,827
Deposits and placements of banks and other financial institutions	3,433,307	3,196,960	56,035	176,435	–	6,862,737
Bills and acceptances payable	110,161	–	–	–	–	110,161
Recourse obligation on loans sold to Cagamas Berhad	1,441	1,312	8,491	275,126	–	286,370
Trade payables	258,802	–	–	–	–	258,802
Other liabilities	231,459	131,963	563,023	167,623	56,830	1,150,898
Borrowings	–	–	–	390,624	–	390,624
Total financial liabilities	23,147,976	11,786,303	6,108,713	1,076,597	56,830	42,176,419

COMPANY	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
2010						
Other liabilities	101,377	4,102	12,338	45,748	1,800	165,365
Amount due to subsidiaries	–	–	–	–	689,348	689,348
Borrowings	–	–	–	390,624	–	390,624
Total financial liabilities	101,377	4,102	12,338	436,372	691,148	1,245,337

51 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Liquidity Risk (cont'd)

ii) Derivatives financial liabilities based on contractual undiscounted cash flow:-

GROUP	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
2010						
Derivatives settled on a net basis						
Interest rate derivative	(1,098)	(1,353)	(9,658)	(33,596)	(12,799)	(58,504)
Derivatives settled on a gross basis						
Outflow	(278,479)	(207,640)	(229,901)	(115,560)	–	(831,580)
Inflow	278,466	205,907	229,397	115,560	–	829,330
	(13)	(1,733)	(504)	–	–	(2,250)

51 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Liquidity Risk (cont'd)

iii) Liquidity risk for assets and liabilities based on remaining contractual maturities:-

The maturities of on-balance sheet assets and liabilities as well as other off-balance sheet assets and liabilities, commitments and counter-guarantees are important factors in assessing the liquidity of the Group. The table below provides analysis of assets and liabilities into relevant maturity tenures based on remaining contractual maturities:-

Maturities of assets and liabilities of the Group and Company by remaining contractual maturities profile are as follows.

GROUP	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
2010						
Assets						
Cash and short-term funds	8,673,341	–	–	–	–	8,673,341
Deposits and placements with banks and other financial institutions	551	–	17,537	–	–	18,088
Financial assets held-for-trading	149,853	–	–	–	–	149,853
Financial investments available-for-sale	450,252	970,465	879,922	5,573,537	654,731	8,528,907
Financial investments held-to-maturity	110,096	–	–	216,238	207,124	533,458
Loan, advances and financing	2,405,184	814,898	1,722,140	7,525,985	14,105,859	26,574,066
Derivative financial assets	9,530	12,599	3,713	10,333	7,079	43,254
Statutory deposit with Bank Negara Malaysia	275,167	–	–	–	–	275,167
Other assets (Note 1)	318,481	27,889	115,922	59,414	1,686,068	2,207,774
Total assets	12,392,455	1,825,851	2,739,234	13,385,507	16,660,861	47,003,908

Note 1:
Other assets include investment in associate, investment in jointly controlled entities, trade receivables, property and equipment, intangible assets, tax recoverable, deferred tax assets and other assets.

51 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Liquidity Risk (cont'd)

iii) Liquidity risk for assets and liabilities based on remaining contractual maturities (cont'd):-

Maturities of assets and liabilities of the Group and Company by remaining contractual maturities profile are as follows (cont'd):-

GROUP	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
2010						
Liabilities						
Deposits from customers	19,081,437	8,466,152	5,477,865	72,978	–	33,098,432
Deposits and placements of banks and other financial institutions	3,444,164	3,326,336	67,131	–	–	6,837,631
Bills and acceptances payable	110,161	–	–	–	–	110,161
Recourse obligation on loans sold to Cagamas Berhad	–	–	–	286,370	–	286,370
Derivative financial liabilities	2,913	9,294	13,268	25,164	6,921	57,560
Other liabilities	855,269	69,357	60,504	10,451	26,516	1,022,097
Borrowings	–	–	–	390,624	–	390,624
Total liabilities	23,493,944	11,871,139	5,618,768	785,587	33,437	41,802,875
On balance sheet gap	(11,101,489)	(10,045,288)	(2,879,534)	12,599,920	16,627,424	5,201,033
Off balance sheet credit commitments	(9,845)	–	13,700,237	–	–	13,690,392
Derivatives	318,479	67,119	195,759	(32,263)	–	549,094
Net maturity mismatch	(10,792,855)	(9,978,169)	11,016,462	12,567,657	16,627,424	19,440,519

51 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Liquidity Risk (cont'd)

iii) Liquidity risk for assets and liabilities based on remaining contractual maturities (continued):-

Maturities of assets and liabilities of the Group and Company by remaining contractual maturities profile are as follows (continued):-

COMPANY	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
2010						
Assets						
Cash and short-term funds	126,043	–	–	–	–	126,043
Deposits and placements with banks and other financial institutions	551	172,204	3,657	–	–	176,412
Investment in subsidiaries	–	–	–	–	3,636,991	3,636,991
Amount due from subsidiaries	74	–	–	–	300,000	300,074
Investment in jointly controlled entities	–	–	–	–	128,520	128,520
Investment in associates	–	–	–	–	10,597	10,597
Amount due from associate	–	–	–	24,314	66,310	90,624
Other assets (Note 1)	1,468	887	6,197	–	944	9,496
Total assets	128,136	173,091	9,854	24,314	4,143,362	4,478,757
Liabilities						
Amount due to subsidiaries	–	–	–	–	689,348	689,348
Other liabilities	101,282	2,180	950	1,874	1,800	108,086
Deferred tax liabilities	–	–	51	90	–	141
Borrowings	–	–	–	390,624	–	390,624
Total liabilities	101,282	2,180	1,001	392,588	691,148	1,188,199
On balance sheet gap	26,854	170,911	8,853	(368,274)	3,452,214	3,290,558
Off balance sheet credit commitments	–	–	–	–	–	–
Derivatives	–	–	–	–	–	–
Net maturity mismatch	26,854	170,911	8,853	(368,274)	3,452,214	3,290,558

Note 1:
Other assets include property and equipment, intangible assets, tax recoverable, deferred tax assets and other assets.

52 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets, financial liabilities and also off-balance sheet financial instruments. The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents estimates of fair values as at reporting date.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the uncertainties and assumptions could materially affect these estimates and the resulting fair value estimates.

In addition, fair value information for non-financial assets and liabilities is excluded as they do not fall within the scope of FRS 132 which requires the fair value information to be disclosed. These include property and equipment, investments in subsidiaries, jointly controlled entities and associate, deferred tax, land held for sale and intangible assets.

The fair value of the financial assets and financial liabilities of the Group and the Company approximated to their respective carrying value as at reporting date, except for the following:-

	GROUP		COMPANY	
	Carrying value	Fair value	Carrying value	Fair value
2010	RM'000	RM'000	RM'000	RM'000
Financial assets				
Financial investments held-to-maturity	**533,458**	**749,240**	**–**	**–**
Loan, advances and financing	**26,574,066**	**26,868,273**	**–**	**–**
Financial liabilities				
Deposits from customers	**33,098,432**	**33,078,201**	**–**	**–**
Recourse obligation on loans sold to Cagamas Berhad	**286,370**	**303,270**	**–**	**–**
Borrowings	**390,624**	**390,392**	**390,624**	**390,392**
2009				
Financial assets				
Financial investments held-to-maturity	518,216	539,274	–	–
Loan, advances and financing	22,496,936	22,818,835	–	–
Financial liabilities				
Deposits from customers	28,599,251	27,395,502	–	–
Recourse obligation on loans sold to Cagamas Berhad	297,216	313,077	–	–

The fair values of the financial assets and liabilities are based on the following methodologies and assumptions:

<u>Short-term funds and placements with banks and other financial institutions</u>

For short-term funds and placements with banks and other financial institutions with maturities of less than six months, the carrying amount is a reasonable estimate of the fair value.

For amounts with maturities of six months or more, fair values have been estimated by reference to current rates at which similar deposits and placements would be made with similar risks and maturity profile.

52 FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd)

Financial assets held-for-trading, financial investments available-for-sale and financial investments held-to-maturity

The fair values of financial assets held-for-trading, financial investments available-for-sale and financial investments held-to-maturity are reasonable estimates based on quoted market prices. In the absence of such quoted prices, the fair values are based on the expected cash flows of the instruments discounted by indicative market yields for the similar instruments as at reporting date or the audited net tangible asset of the invested company.

Other assets and liabilities

The carrying value less any estimated allowance for financial assets and liabilities included in other assets and other liabilities are assumed to approximate their fair values as these items are not materially sensitive to the shift in market interest rates.

Loans, advances and financing

Loans and advances of the Group comprise of floating rate loans and fixed rate loans. For performing floating rate loans, the carrying amount is a reasonable estimate of their fair values.

The fair values of performing fixed rate loans are arrived at using the discounted cash flows based on the prevailing market rates of loans and advances with similar credit ratings and maturities.

The fair values of impaired loans and advances, whether fixed or floating are represented by their carrying values, net of individual and collective allowances, being the reasonable estimate of recoverable amount.

Deposits from customers, banks and other financial institutions
Bills and acceptances payable

The carrying values of deposits and liabilities with maturities of six months or less are assumed to be reasonable estimates of their fair values. Where the remaining maturities of deposits and liabilities are above six months, their estimated fair values are arrived at using the discounted cash flows based on prevailing market rates currently offered for similar remaining maturities.

The estimated fair value of deposits with no stated maturity, which include non-interest bearing deposits, approximates carrying amount which represents the amount repayable on demand.

Recourse obligation on loans sold to Cagamas Berhad

For floating rate loans sold to Cagamas Berhad, the carrying value is generally a reasonable estimate of their fair values.

The fair values of fixed rate loans sold to Cagamas Berhad are arrived at using the discounted cash flow methodology at prevailing market rates of similarly profiled loans.

Borrowings

For fixed rate borrowings, the estimate of fair value is based on discounted cash flow model using prevailing lending rates for borrowings with similar risks and remaining term to maturity.

For floating rate borrowings, the carrying value is generally a reasonable estimate of their fair values.

Derivative financial instruments

The fair value of exchange rate and interest rate contracts is the estimated amount the Group would receive or pay to terminate the contracts at the reporting date.

53 CHANGES IN ACCOUNTING POLICIES

a) Restatement of opening balances due to the adoption of FRS 139

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 profits or available-for-sale investment fluctuation reserve as appropriate. The effects of the changes are disclosed below:-

	GROUP		
	As previously reported RM'000	Effect of adoption of FRS 139 RM'000	As restated RM'000
Statement of Financial Position As At 1 January 2010			
Assets			
Financial investments available-for-sale	**8,166,664**	**93,943**	**8,260,607**
Financial investments held-to-maturity	**518,216**	**(25,929)**	**492,287**
Loan, advances and financing	**22,496,936**	**23,932**	**22,520,868**
Trade receivables	**79,361**	**(45)**	**79,316**
Other assets	**493,289**	**(964)**	**492,325**
Deferred tax assets	**57,430**	**(22,736)**	**34,694**
	31,811,896	**68,201**	**31,880,097**
Retained profits	**942,125**	**17,191**	**959,316**
Investment fluctuation reserve	**24,453**	**51,010**	**75,463**
	966,578	**68,201**	**1,034,779**

The Group did not disclose the effect of the adoption of FRS 139 on the current year's results as it is impractical to do so.

b) Restatement of comparative figures due to adoption of FRS 117 and FRS 101 (revised)

The following comparative figures have been restated following the adoption of FRS 101 (revised) "Presentation of Financial Statements" and Improvement to FRS 117 "Leases" where leasehold land in which the Group has substantially all the risks and rewards incidental to ownership has been reclassified retrospectively from operating lease to finance lease.

	GROUP			
	As previously reported RM'000	Effect of adoption of FRS 101 (revised) RM'000	Effect of adoption of FRS 117 RM'000	As restated RM'000
Statement of Financial Position As At 1 January 2009				
Other assets	493,289	(24,315)	(16,180)	452,794
Derivative financial assets	–	24,315	–	24,315
Property and equipment	180,594	–	16,180	196,774
Other liabilities	703,788	(41,684)	–	662,104
Derivative financial liabilities	–	41,684	–	41,684

53 CHANGES IN ACCOUNTING POLICIES (cont'd)

b) Restatement of comparative figures due to adoption of FRS 117 and FRS 101 (revised) (cont'd)

	GROUP			
	As previously reported RM'000	Effect of adoption of FRS 101 (revised) RM'000	Effect of adoption of FRS 117 RM'000	As restated RM'000
Statement of Financial Position As At 1 January 2008				
Other assets	626,772	(60,276)	(17,347)	549,149
Derivative financial assets	–	60,276	–	60,276
Property and equipment	203,153	–	17,347	220,500
Other liabilities	658,783	(81,393)	–	577,390
Derivative financial liabilities	–	81,393	–	81,393

	GROUP		
	As previously reported RM'000	Effect of adoption of FRS 117 RM'000	As restated RM'000
Income Statement For The Financial Year Ended 31 December 2009			
Establishment cost			
Depreciation	26,693	241	26,934
Lease rental – leasehold properties	241	(241)	–
Income Statement For The Financial Year Ended 31 December 2008			
Establishment cost			
Depreciation	27,474	465	27,939
Lease rental – leasehold properties	465	(465)	–

54 COMPARATIVE FIGURES

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

55 SUPPLEMENTARY INFORMATION DISCLOSED PURSUANT TO BURSA MALAYSIA SECURTIES BERHAD LISTING REQUIREMENTS

Realised and unrealised unappropriated profits

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses into realised and unrealised profits or losses as at the end of the reporting period. On 20 December 2010, Bursa Malaysia had also issued a guide to all 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 31 December 2010 is disclosed as follows:-

	RM'000
Total retained profits of AFFIN Holdings Berhad and its's subsidiaries:-	
- Realised	957,831
- Unrealised	
- deferred tax recognised in the income statement	6,713
- other items of income and expense	26,858
	991,402
Total share of retained profits in associate:-	
- Realised	130,303
- Unrealised	2,453
Total share of accumulated losses in jointly controlled entities:-	
- Realised	(25,865)
- Unrealised	7,681
	1,105,974
Add: Consolidation adjustments	124,901
Total Group retained profits as per consolidated financial statements	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.

Statement by Directors

Pursuant to Section 169(15) of the Companies ACT, 1965

We, Tan Sri Dato' Lodin bin Wok Kamaruddin and Maj. Gen. (R) Dato' Mohamed Isa Bin Che Kak, two of the directors of AFFIN Holdings Berhad, state that, in the opinion of the directors, the accompanying financial statements set out on pages 47 to 158 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2010 and of the results and cash flows of the Group and the Company for the financial year ended on that date in accordance with the MASB Approved Accounting Standards for Entities Other than Private Entities, Bank Negara Malaysia Guidelines and the provisions of the Companies Act, 1965.

Signed on behalf of the Board of Directors in accordance with their resolution dated 28 February 2011.

TAN SRI DATO' LODIN BIN WOK KAMARUDDIN
DIRECTOR

MAJ. GEN. (R) DATO' MOHAMED ISA BIN CHE KAK
DIRECTOR

Kuala Lumpur
28 February 2011

Declaration

Pursuant to Section 169(16) of the Companies ACT, 1965

I, Lee Yoke Kiow, the officer primarily responsible for the financial management of AFFIN Holdings Berhad, do solemnly and sincerely declare that in my opinion, the financial statements set out on pages 47 to 158 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

LEE YOKE KIOW

Subscribed and solemnly declared by the above named Lee Yoke Kiow at Kuala Lumpur in Malaysia on 28 February 2011, before me.

COMMISSIONER FOR OATHS

Independent Auditors' Report to the Members of AFFIN Holdings Berhad

(Incorporated in Malaysia) (Company No. 23218-W)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of AFFIN Holdings Berhad, which comprise the statements of financial position as at 31 December 2010 of the Group and of the Company, and the statements of income, comprehensive income, changes in equity and cash flows of the Group and the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Note 1 to Note 54 on pages 47 to 157.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities, Bank Negara Malaysia Guidelines and the Companies Act, 1965. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities, Bank Negara Malaysia Guidelines and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2010 and of their financial performance and cash flows for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

c) Our audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 55 on page 158 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on 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, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

MOHAMMAD FAIZ BIN MOHAMMAD AZMI
(No. 2025/03/12 (J))
Chartered Accountant

Kuala Lumpur
28 February 2011

Additional Disclosure

Pursuant to Listing Requirements

The information set out below is disclosed in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Bhd ('BMSB'):

1. Utilisation of proceeds from corporate proposal

Not applicable.

2. Share buy-backs during the financial year

The Company did not carry out any share buy-backs exercise during the financial year ended 31 December 2010.

3. Options, warrants or convertible securities exercised

No options, warrants or convertible securities were issued by the Company or exercised during the financial year ended 31 December 2010, except for the exercise of warrants as disclosed in Note 29 to the financial statements.

4. Sanctions / penalties

There were no material sanctions and / or penalties imposed on the Company and its subsidiaries, directors and management by the relevant material regulatory bodies during the financial year ended 31 December 2010.

5. Non-audit fees

	GROUP RM'000	COMPANY RM'000
Non-audit fees paid to external auditors for the financial year ended 31 December 2010	1,648	26

6. Variation in result

There were no profit estimate, forecast and projection issued by AFFIN Holdings Berhad and its subsidiary companies during the financial year ended 31 December 2010 except for the proposed acquisition of PT Bank Ina Perdana, Indonesia as disclosed in note 49 to the financial statements.

7. Profit guarantee

There were no profit guarantees given by the Company and its subsidiaries during the financial year ended 31 December 2010.

8. Revaluation policy of landed properties

The Group does not revalue its landed properties classified as Property and Equipment.

9. Material contracts

There were no material contracts outside the ordinary course of business entered by the Group during the financial year except for those disclosed in note 49 to the financial statements.

10. Recurrent related party transactions of a revenue or trading nature

At the Annual General Meeting held on 19 April 2010, the Company obtained Shareholders' Mandate to allow the Group to enter into recurrent related party transactions of a revenue or trading nature.

In accordance with Section 3.1.5 of Practise Note No. 12 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the details of recurrent related party transactions conducted during the financial year ended 31 December 2010 pursuant to the Shareholders' Mandate are disclosed as follows:

Name of company	Related company	Nature of transaction	Interested Directors / Major Shareholders / persons connected to Directors or Major Shareholders	Value of Transaction RM'000
AFFIN Holdings Berhad	Boustead Management Services Sdn Bhd	Provision of share registrar services	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin, Tan Sri Dato' Lodin bin Wok Kamaruddin and Datuk Azzat bin Kamaludin Interested Major Shareholders Lembaga Tabung Angkatan Tentera (LTAT) and Boustead Holdings Berhad (Boustead)	55
	Irat Hotels & Resorts Sdn Bhd (Irat)	Rental payment for rental of office premises, car park and utilities charges payable monthly for a lease term renewable every three (3) years and payment for other related services	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin, Tan Sri Dato' Lodin bin Wok Kamaruddin and Datuk Azzat bin Kamaludin Interested Major Shareholder LTAT	720
	Azzat & Izzat	Legal fees	Interested Director Datuk Azzat bin Kamaludin	–
	Boustead Travel Services Sdn Bhd (Boustead Travel)	Provision of traveling related services	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin, Tan Sri Dato' Lodin bin Wok Kamaruddin and Datuk Azzat bin Kamaludin Interested Major Shareholders LTAT and Boustead	–
	Boustead Hotel & Resorts Sdn Bhd (Boustead Hotel & Resorts)	Hotel facilities and refreshment	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin, Tan Sri Dato' Lodin bin Wok Kamaruddin and Datuk Azzat bin Kamaludin Interested Major Shareholders LTAT and Boustead	69

10. Recurrent related party transactions of a revenue or trading nature (cont'd)

Name of company	Related company	Nature of transaction	Interested Directors / Major Shareholders / persons connected to Directors or Major Shareholders	Value of Transaction RM'000
AFFIN Holdings Berhad (Continued)	Boustead Advertising Sdn Bhd (Boustead Advertising)	Artwork and material charges for printing of annual report and other services	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin, Tan Sri Dato' Lodin bin Wok Kamaruddin and Datuk Azzat bin Kamaludin Interested Major Shareholders LTAT and Boustead	2
	Tricor Investor Services Sdn Bhd	Special registrar services	Interested Directors Dr. The Hon. Sir David Li Kwok Po, Professor Arthur Li Kwok Cheung and Adrian David Li Man Kiu Interested Major Shareholder The Bank of East Asia, Limited	2
	Boustead Information Technology Sdn Bhd	Provision for information technology support services and facility for external storage	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin, Tan Sri Dato' Lodin bin Wok Kamaruddin and Datuk Azzat bin Kamaludin Interested Major Shareholders LTAT and Boustead	15
	Boustead Holdings Bhd	Provision of training for directors and staff	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin, Tan Sri Dato' Lodin bin Wok Kamaruddin and Datuk Azzat bin Kamaludin Interested Major Shareholders LTAT and Boustead	1
AFFIN Bank Berhad (ABB)	Perbadanan Perwira Niaga Malaysia	Rental payment for rental of office premises payable monthly for a lease term renewable every two (2) years (Lumut Branch)	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin, Tan Sri Dato' Lodin bin Wok Kamaruddin and Datuk Azzat bin Kamaludin Interested Major Shareholder LTAT	78

10. Recurrent related party transactions of a revenue or trading nature (cont'd)

Name of company	Related company	Nature of transaction	Interested Directors / Major Shareholders / persons connected to Directors or Major Shareholders	Value of Transaction RM'000
ABB (Continued)	Boustead Travel	Provision of traveling related services	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin, Tan Sri Dato' Lodin bin Wok Kamaruddin and Datuk Azzat bin Kamaludin Interested Major Shareholders LTAT and Boustead	862
	Boustead Properties Sdn Bhd	Rental payment for rental of office premises and car park payable monthly for a lease term renewable every five (5) years (Menara AFFIN)	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin, Tan Sri Dato' Lodin bin Wok Kamaruddin and Datuk Azzat bin Kamaludin Interested Major Shareholders LTAT and Boustead	11,082
	Lembaga Tabung Angkatan Tentera (LTAT)	Rental payment for rental of office premises and car park payable monthly for a lease term renewable every three (3) years	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin, Tan Sri Dato' Lodin bin Wok Kamaruddin and Datuk Azzat bin Kamaludin Interested Major Shareholder LTAT	613
	Boustead Curve Sdn Bhd (Boustead Curve)	Rental payment for rental of office premises payable monthly for a lease term renewable every three (3) years (The Curve)	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin, Tan Sri Dato' Lodin bin Wok Kamaruddin and Datuk Azzat bin Kamaludin Interested Major Shareholders LTAT and Boustead	305
	Boustead Hotel & Resorts	Hotel accommodation and training for staff	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin, Tan Sri Dato' Lodin bin Wok Kamaruddin and Datuk Azzat bin Kamaludin Interested Major Shareholders LTAT and Boustead	721

10. Recurrent related party transactions of a revenue or trading nature (cont'd)

Name of company	Related company	Nature of transaction	Interested Directors / Major Shareholders / persons connected to Directors or Major Shareholders	Value of Transaction RM'000
ABB (Continued)	Boustead Advertising	Advertisement in media	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin, Tan Sri Dato' Lodin bin Wok Kamaruddin and Datuk Azzat bin Kamaludin Interested Major Shareholders LTAT and Boustead	3
AFFIN Islamic Bank Bhd	Boustead Travel	Provision of traveling related services	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin, Tan Sri Dato' Lodin bin Wok Kamaruddin and Datuk Azzat bin Kamaludin Interested Major Shareholders LTAT and Boustead	302
	Boustead Hotel & Resorts	Hotel facilities and refreshment for training	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin, Tan Sri Dato' Lodin bin Wok Kamaruddin and Datuk Azzat bin Kamaludin Interested Major Shareholders LTAT and Boustead	3
AFFIN Investment Bank Berhad (AFFIN Investment)	Boustead Travel	Provision of traveling related services	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin, Tan Sri Dato' Lodin bin Wok Kamaruddin and Datuk Azzat bin Kamaludin Interested Major Shareholders LTAT and Boustead	730
	Boustead Realty Sdn Bhd (Boustead Realty)	Rental payment for rental of office premises and car park fees payable monthly for a lease term renewable every three (3) years and payment for other related services (Menara Boustead)	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin, Tan Sri Dato' Lodin bin Wok Kamaruddin and Datuk Azzat bin Kamaludin Interested Major Shareholders LTAT and Boustead	1,564

10. Recurrent related party transactions of a revenue or trading nature (cont'd)

Name of company	Related company	Nature of transaction	Interested Directors / Major Shareholders / persons connected to Directors or Major Shareholders	Value of Transaction RM'000
AFFIN Investment (Continued)	Boustead Petroleum Marketing Sdn Bhd	Petrol consumption	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin, Tan Sri Dato' Lodin bin Wok Kamaruddin and Datuk Azzat bin Kamaludin Interested Major Shareholders LTAT and Boustead	20
	Boustead Curve	Rental payment for rental of office premises, car parking and utilities charges for a lease term renewable every three (3) years and payment for other related services (The Curve)	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin, Tan Sri Dato' Lodin bin Wok Kamaruddin and Datuk Azzat bin Kamaludin Interested Major Shareholders LTAT and Boustead	311
	Boustead Advertising	Design artwork, marketing advertisement, signing ceremonies backdrop and other related services	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin, Tan Sri Dato' Lodin bin Wok Kamaruddin and Datuk Azzat bin Kamaludin Interested Major Shareholders LTAT and Boustead	27
	Irat	Rental payment for rental of office premises, car parking and utilities charges for a renewable lease term every three (3) years and payment for other related services (Chulan Tower)	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin, Tan Sri Dato' Lodin bin Wok Kamaruddin and Datuk Azzat bin Kamaludin Interested Major Shareholder LTAT	2,605
	Boustead Hotel & Resorts	Hotel facilities and refreshment for training	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin, Tan Sri Dato' Lodin bin Wok Kamaruddin and Datuk Azzat bin Kamaludin Interested Major Shareholders LTAT and Boustead	47

10. Recurrent related party transactions of a revenue or trading nature (cont'd)

Name of company	Related company	Nature of transaction	Interested Directors / Major Shareholders / persons connected to Directors or Major Shareholders	Value of Transaction RM'000
AFFIN Fund Management Berhad	Boustead Realty	Rental payment for rental of office premises and car park payable monthly for a lease term renewable every three (3) years and payment for other related services (Menara Boustead)	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin, Tan Sri Dato' Lodin bin Wok Kamaruddin and Datuk Azzat bin Kamaludin Interested Major Shareholders LTAT and Boustead	450
	LTAT	Management fees	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin, Tan Sri Dato' Lodin bin Wok Kamaruddin and Datuk Azzat bin Kamaludin Interested Major Shareholder LTAT	104
	Boustead REIT Managers Sdn Bhd	Management fees	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin, Tan Sri Dato' Lodin bin Wok Kamaruddin and Datuk Azzat bin Kamaludin Interested Major Shareholders LTAT and Boustead	45
AFFIN Money brokers SdnBhd (AFFIN Money brokers)	Boustead Realty	Rental payment for rental of office premises and car park payable monthly for a lease term renewable every three (3) years and payment for other related services	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin, Tan Sri Dato' Lodin bin Wok Kamaruddin and Datuk Azzat bin Kamaludin Interested Major Shareholders LTAT and Boustead	287
	Boustead Advertising	Artwork and material charges for printing of annual report	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin, Tan Sri Dato' Lodin bin Wok Kamaruddin and Datuk Azzat bin Kamaludin Interested Major Shareholders LTAT and Boustead	1

10. Recurrent related party transactions of a revenue or trading nature (cont'd)

Name of company	Related company	Nature of transaction	Interested Directors / Major Shareholders / persons connected to Directors or Major Shareholders	Value of Transaction RM'000
AFFIN Money brokers (continued)	Boustead Travel	Provision of traveling related services	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin, Tan Sri Dato' Lodin bin Wok Kamaruddin and Datuk Azzat bin Kamaludin Interested Major Shareholders LTAT and Boustead	64
AXA AFFIN Life Insurance Berhad	Irat	Rental payment for rental of office premises, car park and utilities charges for lease term renewable every three (3) years and payment for other related services	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin, Tan Sri Dato' Lodin bin Wok Kamaruddin and Datuk Azzat bin Kamaludin Interested Major Shareholder LTAT	1,438
	AXA Asia Pacific Ltd	Provision of information technology support services	Interested Directors David William Mathews, Dato' Mohd Sallehuddin bin Othman and Loke Kah Meng Interested Major Shareholder AXA Asia Pacific Ltd	4,349
	AXA Asia Pacific Ltd	Provision of other support services	Interested Directors David William Mathews, Dato' Mohd Sallehuddin bin Othman and Loke Kah Meng Interested Major Shareholder AXA Asia Pacific Ltd	2,086
	AXA Asia Pacific Ltd	Software development and license fees	Interested Directors David William Mathews, Dato' Mohd Sallehuddin bin Othman and Loke Kah Meng Interested Major Shareholder AXA Asia Pacific Ltd	2,100
	Boustead Travel	Provision of traveling related services	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin, Tan Sri Dato' Lodin bin Wok Kamaruddin and Datuk Azzat bin Kamaludin Interested Major Shareholders LTAT and Boustead	278
	Boustead Hotel & Resorts	Hotel facilities and refreshment for training	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin, Tan Sri Dato' Lodin bin Wok Kamaruddin and Datuk Azzat bin Kamaludin Interested Major Shareholders LTAT and Boustead	45
	ABB	Commission	Interested Directors Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin, Tan Sri Dato' Lodin bin Wok Kamaruddin and Datuk Azzat bin Kamaludin Interested Major Shareholders LTAT and Boustead	2,093
Total				**33,477**

Particulars of Properties

as at 31 December 2010

NO.	TITLE/LOT NO.	LOCATION / ADDRESS	DESCRIPTION / EXISTING USE	TENURE	AREA SQ. FT. L: LAND AREA B: BUILT-UP AREA	APPROX. AGE OF BUILDING (YEARS)	NET BOOK VALUE AS AT 31.12.2010 (RM)
1	HS(M) 6367, PT 7485 Mukim of Chenor District of Maran	Nadi Kota, Bandar Pusat Jengka 26400 Jengka Pahang	Single storey bungalow / Branch premises (Jengka) CRC	Leasehold 99 years Expiry: 21/08/2091	L: 20,056 B: -	20	450,489
2	HS(D) 39216, K1 PT 2068 Mukim and District of Petaling	No. 1, Jln TK 1/11A Tmn Kinrara Section 1, Batu 7 1/2 Jln Puchong 58200 Selangor	3 storey basement s/office / Branch premises (Kinrara) CRC	Leasehold Expiry: 27/08/2091	L: 3,900 B: 15,600	16	1,524,733
3	Town Lease No. 017541374 & 017541383 Lots 82 & 83, Blok K Mukim of Karamunsing District of K. Kinabalu	Lot 19 & 20 Sadong Jaya Complex Jalan Juara Ikan 3 Karamunsing 88300 K. Kinabalu Sabah	4 storey s/office / Branch premises (Kota Kinabalu) CRC	Leasehold 999 years Expiry: 21/01/2901	L: 2,780 B: 10,144	17	2,337,239
4	PT 3686 & 3687 HS(D) 5167 & 5168 Mukim 1 District of Seberang Perai Tengah Penang	No. 10 Jln Todak 1 Pusat Bandar Seberang Jaya 13700 Perai Penang	4 storey s/office / Branch premises (Seberang Jaya) CRC	Leasehold 99 years Expiry: 21/10/2092	L: 3,681 B: 13,716	14	1,897,507
5	HS(D) 52849,52850, 52988 & 52989 PT 2, 3, 6620 & 6621 Mukim of Batu District of W. Persekutuan	No. 81, 83 & 85 Jalan 2/3A Pusat Pasar Borong KM 12, Jalan Ipoh 68100 Batu Caves Kuala Lumpur	3 units 4 storey s/office / Branch premises (Selayang) CRC	Leasehold 99 years Expiry: 01/01/2086	L: 4,950 B: 16,733	15	1,073,513
6	Lot 2387 & 2388 Block 5 District of Miri	Lot 2387 & 2388 Jalan Boulevard 1A Boulevard Commercial Centre 3km, Jalan Miri-Pujut 98000 Miri, Sarawak	2 units 3 storey s/office / Branch premises (Miri) CRC/HPC	Leasehold 60 years Expiry: 21/01/2050	L: 3,190 B: 8,371	14	907,098
7	HS(D) 143324, PT 18, Seksyen 14 Bandar Shah Alam Selangor	a) Commercial Land Precint 3.4 Pusat Bandar Shah Alam b) Bangunan AFFIN Bank	16 storey building with 4 storey Basement Building/Bangunan AFFIN Bank Shah Alam	Leasehold 99 years Expiry: 11/05/2100	L: 32,561 B: 81,400	11	44,856,309

NO.	TITLE/LOT NO.	LOCATION / ADDRESS	DESCRIPTION / EXISTING USE	TENURE	AREA SQ. FT. L: LAND AREA B: BUILT-UP AREA	APPROX. AGE OF BUILDING (YEARS)	NET BOOK VALUE AS AT 31.12.2010 (RM)
8	Lot (PT) 34827 HS(M) 18, 32987 Mukim of Ampang District of Ulu Langat (Held under, corner unit H.S. (D) 16878, P.T. 20871 & Intermediate Unit, H.S. (D) 16879, P.T. 20872, Mukim of Ampang District of Ulu Langat State of Selangor	No. 1 & 3 Jalan Pandan Indah 4/2 Pandan Indah 55100 Kuala Lumpur	2 Units of 3 1/2 storey s/apartment / Branch premises Pandan Indah Vacant	Leasehold 99 years Expiry: 14/04/2087	L: 4,843 B: 16,227	17	3,353,993
9	HS(M) 14862 & 14863 PT 21350 & 21351 Tempat Bukit Raja Mukim of Kapar District of Klang	No. 29 & 31 Jalan Tiara 3 Bandar Baru Kelang 41150 Kelang Selangor	2 units 4 storey s/office / Branch premises (Klang Utara) CRC	Leasehold 99 years Expiry: 08/05/2093	L: 3,300 B: 13,200	13	2,819,210
10	Sub-Lot 13, Lot 3060 District of Bintulu	Sub Lot 13 Off Lot 3299 Bintulu Town District Off Jalan Diwarta 97000 Bintulu Sarawak	1 unit 3 storey s/office / Branch premises (Bintulu) CRC	Leasehold 60 years Expiry: 29/03/2055	L: 3,240 B: 9,720	13	689,720
11	PTD 62642 & 62643 HS (D) 227069 & 227070 Mukim of Pulai District of Johor Bahru	No. 49 & 51 Jalan Sri Perkasa 2/1 Taman Tampoi Utama 81200 Tampoi Johor Bahru, Johor	2 adjacent lots / 3 storey s/house / Branch premises (Tampoi) CRC	Leasehold 99 years Expiry: 13/04/2094	L: 5,468 B: 10,710	13	1,337,591
12	Lot 27/28, Seksyen 1 No. Hakmilik 980/981 Mukim of Pekan Batu	No. 840 & 842, Bt 4 1/2 Jalan Ipoh 51200 Kuala Lumpur	4 1/2 storey building (with basement) / Branch premises (Batu Cant.) CRC	Leasehold 60 years Expiry: 13/01/2037	L: 3,081 B: 9,243	25	1,711,595

NO.	TITLE/LOT NO.	LOCATION / ADDRESS	DESCRIPTION / EXISTING USE	TENURE	AREA SQ. FT. L: LAND AREA B: BUILT-UP AREA	APPROX. AGE OF BUILDING (YEARS)	NET BOOK VALUE AS AT 31.12.2010 (RM)
13	HS(D) 96849 (30438 [New]) Lot/PT 6536 (28035 [New]) Mukim of Setapak District & State of Wilayah Persekutuan	No. 2, Jln 1/27F KLSC Wangsa Maju, 53300 Kuala Lumpur [C7/5O/86-1 C7/5O/86-2 C7/5O/86-4 & C7/5O/86-3]	4 storey s/office (Corner Unit)	Leasehold 99 years Expiry: 19/4/2083	L: 4,480 B: 14,920	12	2,724,005
	HS(D) 96848 (30437 [New]) Lot/PT 6537 (28034 [New]) Mukim of Setapak District & State of Wilayah Persekutuan	No. 4, Jln 1/27F KLSC Wangsa Maju, 53300 Kuala Lumpur [C7/5O/85-1, C7/5O/85-3]	3 storey s/office Branch premises (Wangsa Maju) CRC	Leasehold 99 years Expiry: 19/4/2083	L: 1,920 B: 5,760		
14	PTD 112746, HS(D) 380770 PTD 112747, HS(D) 380771 Mukim of Plentong District of Johor Bahru, Johor	No. 40 & 41 Pasir Gudang Business Centre Jalan Bandar 81700 Pasir Gudang Johor	2 units 2 storey s/office / unoccupied Branch premises (Pasir Gudang) vacant	Leasehold 99 years Expiry: 20/09/2084	L: 2,800 B: 4,327	15	617,701
15	Developer's Lot S03 & S04 PT 72, HS(D) 7295 District of Port Dickson Negeri Sembilan	No. 3 & 4 Jalan Aman Kawasan Penambakan Laut 71000 Port Dickson Negeri Sembilan	2 units 3 storey s/office / Branch premises (Port Dickson) CRC	Leasehold 99 years Expiry: 31/01/2085	L: 3,532 B: 9,900	14	824,474
16	Lots 436 & 437 Geran No. 12256 & 12257 Section 13 District of Kota Bharu, Kelantan New Title: HS(D) KB. 4/98 No. PT 136 & HS(D) KB. 5/98 No. PT 134 Section 13 District of Kota Bharu	No. 3788 H & 3788 I Section 13 Jalan Sultan Ibrahim 15050 Kota Bharu Kelantan	2 units 3 storey s/house / Branch premises (Kota Bharu) CRC	Leasehold 66 years Expiry: 09/03/2064	L: 3,200 B: 9,152	25	924,680

NO.	TITLE/LOT NO.	LOCATION / ADDRESS	DESCRIPTION / EXISTING USE	TENURE	AREA SQ. FT. L: LAND AREA B: BUILT-UP AREA	APPROX. AGE OF BUILDING (YEARS)	NET BOOK VALUE AS AT 31.12.2010 (RM)
17	HS(M) 6836 P.T. 14531 Mukim of Damansara District of Petaling Jaya	No. 101, 201, 301, 401 & 501, Block C, Menara Glomac, Kelana Business Centre 97, Jalan 227/2 47301 Kelana Jaya Selangor	Branch premises (Kelana Jaya) CRC	Leasehold 99 years Expiry: 21/11/2092	Not stated	10	8,465,165
18	HS(D) 103053 Lot No. 770 Section 11 District of Petaling Town of Shah Alam	No. 11, Kompleks Perdagangan Umno Persiaran Damai 40000 Shah Alam Selangor Darul Ehsan	1 unit 4 storey s/office / Branch premises	Leasehold 99 years Expiry: 12/5/2095	L: 1,650 B: 8,000	10	2,100,840
	HS(D) 103053 Lot No. 770 Section 11 District of Petaling Town of Shah Alam	No. 12, Kompleks Perdagangan Umno Persiaran Damai 40000 Shah Alam Selangor Darul Ehsan	1 unit 4 storey s/office / Branch premises	Leasehold 99 years Expiry: 12/5/2095	L: 1,650 B: 8,000		
19	HS(D) 9980 PT 4370 Mukim & District Port Dickson	Corus Lagoon Apartment Unit B-L3-06 Batu 2, Jalan Pantai 71000 Port Dickson Negeri Sembilan	Holiday resort apartment	Leasehold 99 years Expiry: 06/07/2087	L: Not Applicable B: 792 73.58 Sq Mtr	10	153,353
	New Title:- Lot No. 287 PN 2474 / M1 / 3/48 Mukim Bandar Port Dickson District of Port Dickson						
20	HS(D) 1772 PT 2851 Mukim of Kijal District of Kemaman	Awana Kijal Beach Resort Apartment (2 Rooms) 13B Baiduri Apartment KM 28, Jalan Kemaman-Dungun 24100 Kijal Terengganu	Holiday resort apartment	Leasehold 99 years Expiry: 27/11/2091	–	10	333,113
	HS(D) 1772 PT 2851 Mukim of Kijal District of Kemaman	Awana Kijal Beach Resort Apartment (3 Rooms), 19A, Baiduri Apartment KM 28, Jalan Kemaman-Dungun 24100 Kijal Terengganu					

NO.	TITLE/LOT NO.	LOCATION / ADDRESS	DESCRIPTION / EXISTING USE	TENURE	AREA SQ. FT. L: LAND AREA B: BUILT-UP AREA	APPROX. AGE OF BUILDING (YEARS)	NET BOOK VALUE AS AT 31.12.2010 (RM)
21	Lot 1894 Title No. 1289 & Lot 1895 Title No. 1290 Daerah & Bandar Kuala Terengganu Negeri Terengganu	63 & 63A Jalan Sultan Ismail 20200 Kuala Terengganu Terengganu	3 storey s/office / Branch premises (Kuala Terengganu) CRC	Leasehold 99 years Expiry: 18/12/2048	L: 4,171 B: N/A	10	1,647,852
22	HS(D) 4705 & 4706 District of Melaka Tengah	No. 200 & 201 Taman Melaka Raya Off Jalan Parameswara 75000 Melaka	2 units 3 storey s/office / Branch premises (Melaka Raya) CRC/HPC	Leasehold 90 years Expiry: 19/12/2075	L: 4,430 B: 10,031	30	513,504
23	Lot 247 & 248, Section 49 Lease of State Land	Lots 247 & 248 Section 49, KTLD Jalan Tunku Abdul Rahman 93100 Kuching	2 units 4 storey s/office / Branch premises (Kuching) CRC/HPC	Leasehold 56 years Expiry: 24/07/2044	L: 2,500	24	1,016,082
24	HS(D) 5217 PT. 90 Section 1 Town of P. Swethenham District of Klang	No. 1, Jln Berangan 42000 Port Klang Selangor	4 storey s/office / Branch premises (Port Klang) CRC	Freehold	L: 3,000 B: 12,768	29	487,191
25	HS(D) 892 PT 6727/24, Mukim of Kuala Kuantan District of Kuantan Pahang	No. 1 Jln Tun Ismail 25740 Kuantan Pahang	3 1/2 storey s/office / Branch premises (Kuantan) CRC	Freehold	L: 3,367 B: 12,800	19	560,923
26	Lot 119, Section 14, P.T. 15727 & 15728 GRN 62485 HS(D) 11547 & 11548 Mukim of Ampang Town of Ampang District of Ulu Langat Selangor	No. 11 & 11A Jln Mamanda 7/1 Ampang Point 68000 Ampang Selangor Darul Ehsan	5 storey s/office (Grd Flr & 1st Flr) / Branch premises (Ampang Jaya) CRC	Freehold	L: 3,261 B: 5,658.4	14	1,157,034

NO.	TITLE/LOT NO.	LOCATION / ADDRESS	DESCRIPTION / EXISTING USE	TENURE	AREA SQ. FT. L: LAND AREA B: BUILT-UP AREA	APPROX. AGE OF BUILDING (YEARS)	NET BOOK VALUE AS AT 31.12.2010 (RM)
27	Plots 65 & 66 HS(D) 7570 & 7571 Also known as HS(D) 14249 & HS(D) 14250 Lot 8552 & 8553 Mukim 12 South West District Penang	No. 124 & 126 Jalan Mayang Pasir Tmn Sri Tunas 11950 Bayan Lepas Penang	2 units 3 storey s/office/house / Branch premises (Bayan Baru) CRC	Freehold	L: 3,080 B: 8,360	18	1,119,843
28	HS(D) 2874 & PTB 4161 T/ship of Kluang District of Kluang Johor	No. 503 Jln Mersing 86000 Kluang Johor	3 storey s/office / Branch premises (Kluang) CRC/HPC	Freehold	L: 6,000 B: 9,944	17	494,831
29	HS(D) 9406, Lot 8226 & PT 4045 HS(D) 9407, Lot 8227 & PT 4046 Mukim of Damansara District of Petaling Selangor	No. 7 & 9 Jln SS15/8A 47500 Subang Jaya Selangor	2 units 4 storey s/office / Branch premises (Subang Jaya) CRC	Freehold	L: 3,520 B: 9,944	17	1,018,052
30	Lot 51412 & 51413 HS(D) 23844 & 23843 PT 3479 & 3480 Mukim of Kuala Lumpur District of W. Persekutuan	No. 4 & 6 Jalan Telawi 3 Bangsar Baru 59100 Kuala Lumpur	2 units 3 storey s/office / Branch premises (Bangsar) CRC	Freehold	L: 4,659 B: 11,858	19	3,445,275
31	HS(M) 4961 & HS(M) 4962 PT 457 & PT 458 Mukim of Kajang District of Hulu Langat Selangor	No. 2 & 3, Jln Saga Tmn Sri Saga Off Jln Sg Chua 43000 Kajang Selangor	2 units 3 1/2 storey s/office / Branch premises (Kajang) CRC	Freehold	L: 3,510 B: 11,136	15	231,127
32	GM 2251 & 2252 Lots 3991 & 3992 Mukim 5 District Seberang Perai Utara Pulau Pinang	No. 1317 & 1318 Taman Sepakat Off Jln Butterworth 13200 Kepala Batas Seberang Perai Utara Pulau Pinang	2 units 3 storey s/house / Branch premises (Kepala Batas) CRC	Freehold	L: 2,390 B: 6,920	15	537,896

NO.	TITLE/LOT NO.	LOCATION / ADDRESS	DESCRIPTION / EXISTING USE	TENURE	AREA SQ. FT. L: LAND AREA B: BUILT-UP AREA	APPROX. AGE OF BUILDING (YEARS)	NET BOOK VALUE AS AT 31.12.2010 (RM)
33	HS(D) 73618 & 73619 PT 5733 & 5734 Mukim of Labu District of Seremban Negeri Sembilan	No. 5733 & 5734 Jln TS 2/1, Tmn Semarak Phase II 71800 Nilai Negeri Sembilan	2 units 3 storey s/office / Branch premises (Nilai) CRC	Freehold	L: 3,600 B: 10,800	16	734,114
34	PTD 48474 & 48475 HS(D) 86046 & 86047 Mukim of Plentong District of Johor Bharu, Johor	No. 130 & 132 Jln Rosmerah 2/17 Tmn Johor Jaya 81100 Johor Bahru Johor	2 units 3 storey s/house / Branch premises (Johor Jaya) CRC	Freehold	L: 4,773 B: 14,319	16	1,546,850
35	HS(D) 67773 & 67774 Lots 29427 & 29428 Mukim of Kuala Lumpur District & State of Wilayah Persekutuan	No. 47 & 49 Jalan Tun Mohd Fuad 3 Taman Tun Dr Ismail 60000 Kuala Lumpur	2 units 3 storey s/office / Branch premises (TTDI) CRC	Freehold	L: 5,138 B: 11,250	19	3,648,456
36	Lots 14127 & 141281 GRN 7792 & 7793 Mukim of Setapak District of Kuala Lumpur Federal Territory of Kuala Lumpur	No. 159 & 161 Jln Genting Kelang 53000 Setapak Kuala Lumpur	2 units 3 Storey with Basement / S/office / Branch Premises (Setapak) CRC	Freehold	L: 4,306 B: 17,224	22	1,856,723
37	PTD 100479 & 100480 Mukim of Plentong District of Johor Bahru, Johor	No. 23 & 25 Jalan Permas 10/2 Permas Jaya 81750 Masai Johor Bahru, Johor	2 units 4 storey s/house / Branch premises (Permas Jaya) CRC	Freehold	L: 3,840 B: 13,440	17	1,863,619
38	HS(D) 16728, PTD 9887 & HS(D) 16729 PTD 9888 Mukim of Simpang Kanan District of Batu Pahat	No. 3 & 4 Jalan Merah Taman Bukit Pasir 83000 Batu Pahat Johor Darul Takzim	2 units 3 storey s/house / Branch premises (Batu Pahat) CRC	Freehold	L: 3,080 B: 16,227	20	776,251

NO.	TITLE/LOT NO.	LOCATION / ADDRESS	DESCRIPTION / EXISTING USE	TENURE	AREA SQ. FT. L: LAND AREA B: BUILT-UP AREA	APPROX. AGE OF BUILDING (YEARS)	NET BOOK VALUE AS AT 31.12.2010 (RM)
39	HS(D) 45011 PT Lot 42262 Mukim and District of Kelang Selangor	No. 312, Jalan Batu Unjur, Bayu Perdana, 41200 Klang Selangor	4 storey s/office / unoccupied Branch premises (Pandamaran)	Freehold	L: 2,780 B: 11,116	14	1,455,703
40	PT 288 & 289 Mukim of Seriap District of Pengkalan Asam	No. A2 Taman Pengkalan Assam 01000 Kangar Perlis	4 storey free standing / building Branch premises (Kangar) CRC	Freehold	L: 2,445 B: 9,677	14	842,141
41	HSD 41955 & 41954 PT 24179 & 24178 Mukim of Cheras District Ulu Langat Selangor	Nos. 39 & 41 Taming Permai Business Park Off Jalan Balakong 43300 Balakong Selangor	2 units 3 storey s/office with basement / unoccupied Branch premises (Balakong)	Freehold	L: 5,565 B: 15,288	13	2,476,422
42	Lots 175 & 176 PT1386 & 1387 GRN 6787 Mukim of Kuah District of Langkawi Kedah	No. 149-A, 149-B, 149-C & 151-A, 151-B, 151-C Persiaran Bunga Raya, Langkawi Mall 07000 Kuah Langkawi Kedah	2 units 3 storey s/houses / Branch premises (Kuah) CRC	Freehold	L: 3,304 B: 9,912	13	1,302,027
43	HS(D) 7156,7157, 7187 & 7188 PT 34, 35, 65 & 66 Bandar Bukit Baru Seksyen II District of Melaka Tengah Melaka	No. 7,7-1, 7-2,7-3A, 7-3B, 7-4A, 7-4B No.8, 8-1, 8-2, 8-3A,8-3B, 8-4A, 8-4B Jalan DR1 Delima Point Taman Delima Point 75150 Melaka	2 units 5 storey s/office / Apartment / Branch premises (Bukit Baru) CRC	Freehold	L: 3,509 B: 17,160	14	1,465,166

NO.	TITLE/LOT NO.	LOCATION / ADDRESS	DESCRIPTION / EXISTING USE	TENURE	AREA SQ. FT. L: LAND AREA B: BUILT-UP AREA	APPROX. AGE OF BUILDING (YEARS)	NET BOOK VALUE AS AT 31.12.2010 (RM)
44	Lot 1 Mukim of Padang Cina District of Kulim (Known as Grant 99940 9181, Town of Kulim District of Kulim Kedah)	Suite B-4 Ground Floor KHTP Business Centre Kulim Hi-tech Park 09000 Kulim, Kedah	Office / commercial complex (ground floor) KTHP Business Centre (5-s/office)/ unoccupied Branch permises (Kulim Hi-tech) vacant	Freehold	L: 9,064.36 B: 9,064.36	12	2,050,364
45	HS(D) 342228 & 342229 PTD 50679 & 50680 Lot 840 & 842 PT 6 & 7 Mukim of Senai-Kulai District of Johor Bahru, Johor	No. 93 & 94 Jalan Kenanga 29/7 Indahpura Taman Bandar Indahpura 81000 Johor Bahru Johor	2 units 4 storey s/houses / Unoccupied Branch premises (Kulai) Vacant	Freehold	L: 4,607 B: 17,749	11	1,204,591
46	Geran No.48649, Lot No 8066, HS(D) 895, No. P.T. 1201, Mukim Padang China District of Kulim	Lot E189 Kulim Golf & Country Resort Kulim, Kedah	Land / Branch Mgr's Residence (Kulim) Vacant	Freehold	L: 9,534	10	162,078
47	Geran HBM 107/M1/22/124 Parcel No. 124 Storey No. 22 Building No. M1 Parent Lot 666 Section 2 Town of Batu Ferringhi North East District Penang New Title:- Lot No. 666 Geran HBM 107/M1/22/124 Mukim Bandar Batu Ferringhi, Sek. 2 Daerah Timur Laut Negeri Pulau Pinang	No. 188-21-6 Sri Sayang Jalan Batu Ferringhi 11000 Penang (Sri Sayang Resort Apartment) Unit No. 22-06 22nd storey Batu Ferringhi Pulau Pinang	An end unit 3-bedroom apartment / Holiday resort apartment	Freehold	L: Not applicable B: 911 84.6sq mtr	10	188,001

NO.	TITLE/LOT NO.	LOCATION / ADDRESS	DESCRIPTION / EXISTING USE	TENURE	AREA SQ. FT. L: LAND AREA B: BUILT-UP AREA	APPROX. AGE OF BUILDING (YEARS)	NET BOOK VALUE AS AT 31.12.2010 (RM)
48	HS(D) 23766 PT 199, Seksyen 40 Town of Kuala Lumpur District of Kuala Lumpur Federal Territory of Kuala Lumpur	No. 133, Jalan Bunus, Off Jalan Masjid India 50100 Kuala Lumpur	1 unit 5 storey s/office / Branch premises (Jln Bunus) CRC	Freehold	–	10	3,278,085
49	HSD 120238 & 120239 PT 39 & 40 Pekan Desa Puchong District of Petaling Selangor	No. 16 & 18 Jalan Bandar 3 Pusat Bandar Puchong 47100 Puchong Selangor	2 units 4 storey s/office / Branch premises (Puchong) CRC	Freehold	L: 3,300 B: 12,400	10	1,102,121
50	GM 405, Lot 1927 GM 407, Lot 2007 GM 409, Lot 2006 Mukim Nibong Tanah Merah Kelantan	Lot PT 1995/1996 Bandar Baru Bukit Bunga 17700 Tanah Merah Kelantan	1 unit 2 storey s/office / Branch premises (Jeli) CRC	Freehold	L: 2,000 B: 4,000	10	302,640
51	HS(D) 36868, Lot 25724, Mukim of Petaling	No. 161 Jalan SS2/24 47300 Petaling Jaya Selangor	3 storey s/house / Branch premises (SS2) HPC	Freehold	L: 2,268 B: 8,902	30	857,199
52	No. 14269, Lot 1929, Town of Taiping District of Larut Perak	No. 157 Jalan Kota 34000 Taiping Perak	3 storey s/house / Branch premises	Freehold	L: 1,700 B: 4,960	34	283,084
53	HS(D) 194608, PT 1106 Pekan Serdang Daerah Petaling Selangor	No. 36 Jln PS3 Pusat Perdagangan Seri Kembangan 43300 Seri Kembangan Selangor	3 storey s/house / Branch premises (Seri Kembangan) CRC	Freehold	L: 3,563 B: 10,684	10	1,445,230

NO.	TITLE/LOT NO.	LOCATION / ADDRESS	DESCRIPTION / EXISTING USE	TENURE	AREA SQ. FT. L: LAND AREA B: BUILT-UP AREA	APPROX. AGE OF BUILDING (YEARS)	NET BOOK VALUE AS AT 31.12.2010 (RM)
54	Unit No. P1-01-32, Held Under Hakmilik Strata No Berdaftar Geran 61929/M1/1/53 Lot No. 1594, Seksyen 2 Bandar Tanjong Tokong Unit No. P1-02-32 Held Under Hakmilik Strata No Berdaftar Geran 61929/M1/2/121 Lot No. 1594, Seksyen 2 Bandar Tanjong Tokong Unit No. P1-03-32 Held Under Hakmilik Strata No Berdaftar Geran 61929/M1 Menara B/3/223 Lot No. 1594 Seksyen 2 Bandar Tanjong Tokong Unit No. P1-04-32, Held Under Hakmilik Strata No Berdaftar Geran 61929/M1 Menara B/4/257 Lot No. 1594, Seksyen 2 Bandar Tanjong Tokong Unit No. P1-05-32, Held Under Hakmilik Strata No Berdaftar Geran 61929/M1 Menara B/5/259 Lot No. 1594, Seksyen 2 Bandar Tanjong Tokong	98-G-32 to 98-3A-32 Block 32 Prima Tanjung Business Centre Jalan Tanjung Tokong 10470 Pulau Pinang	5 storey S/house / Branch premises (Fettes Park) CRC	Freehold	L: 1,037 B: 7,732	10	1,910,752

NO.	TITLE/LOT NO.	LOCATION / ADDRESS	DESCRIPTION / EXISTING USE	TENURE	AREA SQ. FT. L: LAND AREA B: BUILT-UP AREA	APPROX. AGE OF BUILDING (YEARS)	NET BOOK VALUE AS AT 31.12.2010 (RM)
55	HS(M) 4884 Lot No. P.T. 10107 Town of Sungai Petani District of Kuala Muda Kedah	Residence Plot No. 195 Persiaran Cinta Sayang Taman Ria 08000 Sg. Petani Kedah	Single-storey detached house / bungalow Branch Mgr's residence (Sg Petani) vacant	Freehold	L: 16,620 B: 1,221	17	120,697
56	Lot No. 002595 HS(D) 810 Section 4 Daerah Seberang Perai Utara	61, Jalan Selat Taman Selat 12000 Butterworth Pulau Pinang	4 storey s/office / unoccupied Branch premises vacant	Freehold	L: 1,841 B: 4,698	26	556,064
57	Lot 1903 & 2503 Section 41 Town and District of Kuala Lumpur Title No Geran 6249 & 43738	No. 383 & 385 Jln Tuanku Abdul Rahman 50100 Kuala Lumpur	4 storey shop office (investment property)	Lot 1903 Leasehold Expiry 12/01/2071 Lot 2503 - Freehold	19,749	39	6,600,000
58	PT Nos, 3672, 3673, 3674, 3675, 3676 & 3677 All within Mukim Damansara District of Petaling, Selangor Title No. HD(D) 78045, 78046 78047, 78048, 78049 & 78050	41, 43, 45, 47, 49 & 51 Jln SS 6/12 Kelana Jaya 47301 Petaling Jaya, Selangor	6 units 4 storey s/office (investment properties)	Freehold	46,093	16	6,500,000
59	Lot 400, Mukim of Kaw Bandar XXXIX, District of Melaka Tengah, Melaka	No. 596, Jln Melaka Raya 10, Tmn Melaka Raya Bandar Hilir 75000 Melaka	2-Storey Shop Office (self-occupied as a Branch)	Leasehold Expiry: 4/10/2082	2,740	28	291,616

NO.	TITLE/LOT NO.	LOCATION / ADDRESS	DESCRIPTION / EXISTING USE	TENURE	AREA SQ. FT. L: LAND AREA B: BUILT-UP AREA	APPROX. AGE OF BUILDING (YEARS)	NET BOOK VALUE AS AT 31.12.2010 (RM)
60	HS(D) 807 & 808 PT 2592 & 2593 District of Seberang Perai Utama	Nos. 55 & 57 Taman Selat Jalan Bagan Luar 12000 Butterworth	2 units 4 storey shopoffice Branch premises	Freehold	L: 4,779.2 B: 13,760	25	1,653,120
61	HS(M) 2926 & 2925 PT 21346 & 21345 Mukim of Petaling District of W. Persekutuan	Nos.10 & 12 Jalan Radin Tengah Bandar Baru Sri Petaling 50770 Kuala Lumpur	2 units 3 storey shopoffice Branch Premises	Leasehold Expiry: 05/04/2078 Long Term	L: 3,840 B: 11,520	27	582,269
62	HS(D) 16521 & 16496 PT 8192/1387 & PT 8912/1366 Mukim of Kuala Lumpur District of Petaling	Nos. 20 & 22 Jln 21/22 SEA Park 46730 Petaling Jaya	2 units 3 storey shopoffice Branch Premises	Freehold	L: 3,230 B: 9,750	26	1,439,038
63	Town Lease: 107516432 Town Lease: 107516441 Town Lease: 107516450 District of Tawau	No. TB 281, 282 & 283 Jln Haji Karim Town Extension 11 91008 Tawau Sabah	3 units 4 storey shopoffice Branch Premises	Leasehold Expiry: 31/12/2895 Long Term	L: 6,720 B: 13,440	26	1,512,894
64	HS(D) 3659 & 3662 PT 3227 & 3228 District of Seremban	Nos. 93A & 93B Jln Rasah 70470 Seremban N. Sembilan	2 units 3 storey shopoffice Branch Premises	Freehold	L: 4,107 B: 8,400	26	651,628
65	Grant No. 4731, Lot 232, Section 89, Town and District of Kuala Lumpur, State of Wilayah Persekutuan KL	No. 3, Jln Ampang Hilir 55100 Kuala Lumpur	Training Center	Freehold	2,431 sqm	34.5	11,500,000
							153,490,881

Size of Shareholdings	No. of Holders	%	No. of Shares	%
Less than 100	581	3.70	17,066	0.00
100 - 1,000	2,635	16.78	2,368,912	0.16
1,001 – 10,000	10,245	65.26	38,643,165	2.59
10,001 – 100,000	1,925	12.26	58,473,267	3.91
100,001 – 74,728,790	310	1.98	201,367,200	13.47
74,728,791 & above	3	0.02	1,193,706,196	79.87
TOTAL	**15,699**	**100.00**	**1,494,575,806**	**100.00**

* Less than 5% of issued shares
** 5% and above of issues shares

LIST OF TOP 30 SHAREHOLDERS AS AT 28 FEBRUARY 2011

	Name	Shareholdings	%
1	Lembaga Tabung Angkatan Tentera	532,971,563	35.66
2	Mayban Nominees (Asing) Sdn Bhd The Bank of East Asia, Limited, Hong Kong For The Bank of East Asia Limited (Investment Ac)	351,494,226	23.52
3	Boustead Holdings Berhad Account Non-Trading	309,240,407	20.69
4	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	30,542,800	2.04
5	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Nomura)	20,000,000	1.34
6	Citigroup Nominees (Asing) Sdn Bhd CBNY for Dimensional Emerging Markets Value Fund	9,611,900	0.64
7	HSBC Nominees (Asing) Sdn Bhd Exempt An for the Bank of New York Mellon (Mellon Act)	5,190,300	0.35
8	Citigroup Nominees (Tempatan) Sdn Bhd ING Insurance Berhad (INV-IL Par)	5,120,100	0.34
9	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank Berhad (ETP)	4,899,300	0.33
10	Citigroup Nominees (Asing) Sdn Bhd CB GW Spore for American International Assurance Co. Ltd (AIA Reg Eqty FD)	4,000,000	0.27
11	BHLB Trustee Berhad Public Focus Select Fund	2,899,800	0.19
12	HSBC Nominees (Asing) Sdn Bhd Exempt An for JPMorgan Chase Bank, National Association (U.S.A)	2,689,400	0.18
13	HSBC Nominees (Asing) Sdn Bhd Exempt An for Morgan Stanley & Co . International PLC (Client)	2,620,000	0.18
14	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (CIMB PRIN)	2,599,800	0.17
15	Yayasan Guru Malaysia Berhad	2,474,000	0.17

LIST OF TOP 30 SHAREHOLDERS AS AT 28 FEBRUARY 2011

	Name	Shareholdings	%
16	HSBC Nominees (Asing) Sdn Bhd BNY Brussels for Powershares Dwa Emerging Markets Technical Leaders Portfolio	2,189,600	0.15
17	Mayland Parkview Sdn Bhd	2,154,000	0.14
18	Amanahraya Trustees Berhad Publics Savings Fund	1,943,100	0.13
19	Koperasi Kebangsaan Permodalan Tanah Berhad	1,800,000	0.12
20	Citigroup Nominees (Tempatan) Sdn Bhd Nomura Asset Management Msia for Kumpulan Wang Persaraan (Diperbadankan)	1,750,000	0.12
21	SBB Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan)	1,655,000	0.11
22	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (RHB INV)	1,500,000	0.10
23	Emploees Provident Fund Board	1,500,000	0.10
24	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (F Templeton)	1,480,000	0.10
25	HSBC Nominees (Asing) Sdn Bhd Exempt An for JPMorgan Chase Bank, National Association (Australia)	1,471,600	0.10
26	HLB Nominees (Asing) Sdn Bhd Pledged Securities Account for Keen Capital Investment limited (SIN 9534-6)	1,264,700	0.09
27	Pertubuhan Peladang Kebangsaan	1,250,000	0.08
28	Mayban Nominees (Tempatan) Sdn Bhd Etiqa Insurance Berhad (Sharehldr's FD)	1,241,500	0.08
29	Kenanga Investment Bank Berhad IVT (naga 8-Do)	1,237,500	0.08
30	Cartaban Nominees (Tempatan) Sdn Bhd Exempt An for MIDF Amanah Asset Nominees (Tempatan) Sdn Bhd (Account 1)	1,225,000	0.08
	TOTAL	**1,310,015,596**	**87.65**

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 28 FEBRUARY 2011

	Name	Shareholdings	Effective Interest (%)
1	Lembaga Tabung Angkatan Tentera	532,971,563	47.93
2	The Bank of East Asia, Limited, Hong Kong	351,494,226	23.52
3	Boustead Holdings Berhad	309,240,407	20.69

AFFIN HOLDINGS
AFFIN HOLDINGS BERHAD (23218-W)
(Incorporated In Malaysia)

Proxy Form

I/We, ______________________________ NRIC No./Company No. ____________________
(Full Name in Block Capitals)
of ____
being a member/members of **AFFIN HOLDINGS BERHAD** hereby appoint ____________________
____
of ____
or failing him, ____
of ____
or failing him, the CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the Thirty-Fifth Annual General Meeting of the Company to be held on Monday, 18 April 2011 at 10:00 a.m. at 13th Floor, Bangunan LTAT, Jalan Bukit Bintang, 55100 Kuala Lumpur and at any adjournment thereof.

My/our proxy is to vote as indicated below:-

RESOLUTION	FOR	AGAINST
1. To receive and adopt the Financial Statements and the Reports of the Directors and Auditors thereon		
2. To re-elect Y. Bhg. Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin as Director		
3. To re-elect Professor Arthur Li Kwok Cheung as Director		
4. To re-elect Encik Abd Malik bin A Rahman as Director		
5. To re-appoint Y. Bhg. Maj. Gen. (R) Dato' Mohamed Isa bin Che Kak as Director		
6. To re-appoint Y. Bhg. Dato' Mustafa bin Mohamad Ali as Director		
7. To re-appoint Dr. The Hon. Sir David Li Kwok Po as Director		
8. To approve Directors' Fees		
9. To re-appoint Auditors and to authorise Directors to fix their remuneration		
10. To authorise the Directors to allot and issue shares		
11. To approve the Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue of Trading Nature		
12. To approve the proposed amendment to the Articles of Association of the Company		

NO. OF SHARES HELD	

____
Signature or common seal of Shareholder(s)

Signed this ____________ day of ____________ 2011

NOTES:

1. *A member entitled to attend or vote at the meeting may appoint a proxy or proxies (not more than two) to attend and vote instead of him. A proxy need not be a member.*
2. *Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
3. *The instrument appointing a proxy in the case of any individual shall be signed by the appointer or his attorney and in the case of a corporation, under its common seal or under the hand of the officer duly authorised.*
4. *Unless voting instructions are indicated in the spaces provided above, the proxy may vote as he thinks fit.*
5. *The instrument appointing a proxy must be deposited at the Registered Office of the Company, located at 7th Floor, Chulan Tower, 3, Jalan Conlay, 50450 Kuala Lumpur not less than forty-eight hours before the time of the Meeting or any adjournment thereof.*

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Fold here

STAMP

AFFIN HOLDINGS BERHAD
7th Floor, Chulan Tower
3, Jalan Conlay
50450 Kuala Lumpur

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