

AFFIN HOLDINGS BERHAD
(Company no. 23218 - W)
Condensed Interim Financial Statements
Unaudited Balance Sheets As At 30 September 2008

	<-----GROUP----->		<-----COMPANY----->	
	Financial Quarter Ended 30-09-2008 RM'000	Previous Financial Year Ended 31-12-2007 RM'000	Financial Quarter Ended 30-09-2008 RM'000	Previous Financial Year Ended 31-12-2007 RM'000
ASSETS				
Cash and short term funds	6,101,712	8,386,113	19,093	238,213
Deposits and placements with financial institutions	13,328	721,548	251,757	230,000
Securities held for trading	1,194,818	280,326	-	-
Securities available-for-sale	5,808,046	5,868,465	-	-
Securities held-to-maturity	627,581	443,307	-	-
Loans, advances and financing	19,260,418	17,277,639	-	-
Statutory deposits with Bank Negara Malaysia	874,981	841,647	-	-
Investment in subsidiaries	-	-	3,807,617	3,807,617
Investment in jointly-controlled entity	99,130	97,330	120,870	111,180
Investment in associate	116,939	109,976	10,597	10,597
Trade debtors	926,842	855,363	-	-
Other assets	508,291	470,044	985	1,201
Tax recoverable	107,333	72,834	36,840	35,350
Deferred tax assets	61,362	32,871	-	-
Property, plant and equipment	204,455	226,159	1,148	1,245
Land held for sale	81,512	92,835	-	-
Intangible assets	1,038,995	1,036,929	2	-
TOTAL ASSETS	37,025,743	36,813,386	4,248,909	4,435,403
LIABILITIES AND EQUITY				
Deposits from customers	25,147,300	25,558,739	-	-
Deposits and placements of banks and other financial institutions	5,041,143	4,079,074	-	-
Bills and acceptances payable	112,964	126,697	-	-
Trade creditors	920,590	844,160	-	-
Recourse obligation on loans sold to Cagamas Berhad	24,103	361,510	-	-
Other liabilities	612,332	676,595	3,166	9,176
Provision for taxation	81,132	25,317	-	-
Amount due to subsidiaries	-	-	807,369	798,715
Deferred tax liabilities	363	4,316	219	219
Borrowings	700,000	900,000	200,000	400,000
TOTAL LIABILITIES	32,639,927	32,576,408	1,010,754	1,208,110

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	Financial Quarter Ended 30-09-2008 RM'000	Previous Financial Year Ended 31-12-2007 RM'000	Financial Quarter Ended 30-09-2008 RM'000	Previous Financial Year Ended 31-12-2007 RM'000
EQUITY				
Share capital	1,494,367	1,486,981	1,494,367	1,486,981
Reserves:-				
Share premium	1,399,970	1,397,183	1,399,970	1,397,183
Statutory reserve	649,065	534,212	-	-
Investment fluctuation reserve	(19,614)	17,201	-	-
Retained profits	862,028	801,401	343,818	343,129
TOTAL EQUITY	4,385,816	4,236,978	3,238,155	3,227,293
TOTAL LIABILITIES AND EQUITY	37,025,743	36,813,386	4,248,909	4,435,403
COMMITMENTS AND CONTINGENCIES	21,244,968	19,416,143	-	-
CAPITAL ADEQUACY				
<u>Before deducting proposed dividends:</u>				
Core capital ratio	11.51%	11.26%		
Risk-weighted capital ratio	14.42%	14.17%		
<u>After deducting proposed dividends:</u>				
Core capital ratio	11.30%	11.10%		
Risk-weighted capital ratio	14.21%	14.01%		
NET ASSETS PER SHARE (RM)	2.93	2.85		

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

AFFIN HOLDINGS BERHAD

(Company no. 23218 - W)

Condensed Interim Financial Statements

Unaudited Income Statements For The Financial Period Ended 30 September 2008

<u>Group</u>	<-----Individual Quarter----->		<-----Cumulative Quarter----->	
	Current Year Quarter ended 30-09-2008 RM'000	Preceding Year Corresponding Quarter ended 30-09-2007 RM'000	Current year- to-date ended 30-09-2008 RM'000	Preceding Year- to-date ended 30-09-2007 RM'000
Revenue	516,630	576,811	1,602,863	1,647,332
Interest income	398,192	430,347	1,174,650	1,229,128
Interest expense	(218,242)	(248,488)	(642,311)	(736,495)
Net interest income	179,950	181,859	532,339	492,633
Income from Islamic operations	37,405	32,229	107,947	94,974
Other operating income	57,796	85,872	227,788	251,089
Operating income	275,151	299,960	868,074	838,696
Other operating expenses	(145,531)	(167,457)	(443,225)	(424,902)
Operating profit before loan and financing loss and provision	129,620	132,503	424,849	413,794
Allowance for losses on loans and financing	(46,942)	(28,839)	(120,064)	(92,681)
Impairment losses	(4,156)	(13,380)	(5,410)	(29,726)
Transfer from profit equalisation reserve	-	290	-	501
Operating profit	78,522	90,574	299,375	291,888
Finance cost	(2,825)	(7,557)	(9,308)	(23,166)
Share of results of jointly controlled entity	(2,259)	88	(8,390)	(422)
Share of results of associate	1,729	1,546	6,963	14,076
Profit before taxation and zakat	75,167	84,651	288,640	282,376
Taxation	(21,272)	(24,612)	(77,626)	(85,133)
Zakat	-	-	(2,359)	(2,265)
Net profit for the financial period	53,895	60,039	208,655	194,978
Earnings per share (sen)	3.61	4.67	13.97	15.31
Fully diluted earnings per share (sen)	-	4.63	-	15.18

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

AFFIN HOLDINGS BERHAD

(Company no. 23218 - W)

Condensed Interim Financial Statements

Unaudited Income Statements For The Financial Period Ended 30 September 2008

<u>Company</u>	<-----Individual Quarter----->		<-----Cumulative Quarter----->	
	Current Year Quarter ended 30-09-2008 RM'000	Preceding Year Corresponding Quarter ended 30-09-2007 RM'000	Current year ended 30-09-2008 RM'000	Preceding Year ended 30-09-2007 RM'000
Revenue	2,431	978	61,724	11,702
Interest income	2,424	978	8,002	3,398
Interest expense	-	-	-	-
Net interest income	2,424	978	8,002	3,398
Income from Islamic operations	-	-	-	-
Other operating income	7	11	53,731	8,316
Operating income	2,431	989	61,733	11,714
Other operating expenses	(2,446)	(2,324)	(6,085)	(5,262)
Impairment loss on investment in subsidiary	-	-	-	(5,784)
Operating profit before loan and financing loss and provision	(15)	(1,335)	55,648	668
Allowance for losses on loans and financing	-	-	-	-
Transfer from profit equalisation reserve	-	-	-	-
Operating profit	(15)	(1,335)	55,648	668
Finance cost	(2,825)	(7,557)	(9,308)	(23,166)
Profit before taxation and zakat	(2,840)	(8,892)	46,340	(22,498)
Taxation	581	101	(12,476)	-
Zakat	-	-	-	-
Net profit for the financial period	(2,259)	(8,791)	33,864	(22,498)

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

AFFIN HOLDINGS BERHAD

(Company no. 23218 - W)

Unaudited Condensed Consolidated Statement Of Changes In Equity For The Financial Period Ended 30 September 2008

GROUP	Issued and fully paid ordinary shares of RM1 each		Non-distributable			Distributable	TOTAL EQUITY RM'000
	Number of shares '000	Nominal value RM'000	Share premium RM'000	Statutory reserves RM'000	Investment fluctuation reserve RM'000	Retained profits RM'000	
At 1 January 2008	1,486,981	1,486,981	1,397,183	534,212	17,201	801,401	4,236,978
Net change in fair value of securities available-for-sale	-	-	-	-	(48,966)	-	(48,966)
Deferred tax on revaluation of securities available-for-sale	-	-	-	-	12,151	-	12,151
Income and expense recognised directly in equity	-	-	-	-	(36,815)	-	(36,815)
Net profit for the financial period	-	-	-	-	-	208,655	208,655
Total recognised income and expense for the financial period	-	-	-	-	(36,815)	208,655	171,840
Issue of share capital:-							
- pursuant to the exercise of Employee Share Option Scheme	7,386	7,386	2,787	-	-	-	10,173
Transfer to statutory reserve	-	-	-	114,853	-	(114,853)	-
Dividend paid	-	-	-	-	-	(33,175)	(33,175)
At 30 September 2008	1,494,367	1,494,367	1,399,970	649,065	(19,614)	862,028	4,385,816
At 1 January 2007	1,252,913	1,252,913	1,077,424	410,230	13,043	723,233	3,476,843
Net change in fair value of securities available-for-sale	-	-	-	-	13,449	-	13,449
Deferred tax on revaluation of securities available-for-sale	-	-	-	-	(1,657)	-	(1,657)
Income and expense recognised directly in equity	-	-	-	-	11,792	-	11,792
Net profit for the financial period	-	-	-	-	-	194,978	194,978
Total recognised income and expense for the financial period	-	-	-	-	11,792	194,978	206,770
Issue of share capital:-							
- pursuant to the exercise of Employee Share Option Scheme	34,903	34,903	13,282	-	-	-	48,185
Transfer to statutory reserve	-	-	-	(84,238)	-	84,238	-
Dividend paid	-	-	-	-	-	(27,926)	(27,926)
At 30 June 2007	1,287,817	1,287,817	1,090,709	325,992	24,835	974,523	3,703,876

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

AFFIN HOLDINGS BERHAD
(Company no. 23218 - W)
Unaudited Condensed Statement Of Changes In Equity
For The Financial Period Ended 30 September 2008

<u>Company</u>	Issued and fully paid ordinary shares of RM1 each		Non-distributable	Distributable	Total Equity RM'000
	Number of shares '000	Nominal value RM'000	Share premium RM'000	Retained profits RM'000	
At 1 January 2008	1,486,981	1,486,981	1,397,183	343,129	3,227,293
Total recognised income and expense for the financial period					
- Net profit for the financial period	-	-	-	33,864	33,864
Issue of share capital:-					
- pursuant to the exercise of Employee Share Option Scheme	7,386	7,386	2,787	-	10,173
Dividend paid	-	-	-	(33,175)	(33,175)
At 30 September 2008	1,494,367	1,494,367	1,399,970	343,818	3,238,155
At 1 January 2007	1,252,913	1,252,913	1,077,424	117,707	2,448,044
Total recognised income and expense for the financial period					
- Net loss for the financial period	-	-	-	(22,498)	(22,498)
Issue of share capital:-					
- pursuant to the exercise of Employee Share Option Scheme	34,903	34,903	13,282	-	48,185
- pursuant to the exercise of Warrants 1997/2007	1	1	3	-	4
Dividend paid	-	-	-	(27,926)	(27,926)
At 30 June 2007	1,287,817	1,287,817	1,090,709	67,283	2,445,809

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

AFFIN HOLDINGS BERHAD
(Company no. 23218 - W)
Unaudited Condensed Consolidated Cash Flow Statement
For The Financial Period Ended 30 September 2008

	Group	
	As at 30-09-2008 RM'000	As at 30-09-2007 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation and zakat	288,640	282,376
Adjustment for non-operating and non-cash items	35,881	159,646
Operating profit before changes in working capital	324,521	442,022
Net changes in operating assets	(2,418,976)	(575,459)
Net changes in operating liabilities	120,193	231,061
Payment of tax and zakat	(86,291)	(29,708)
Taxation refund	9,195	17,696
Net cash generated from operating activities	(2,051,358)	85,612
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received from securities	116,584	125,342
Net disposal/(purchase) of:		
- securities	(108,789)	927,099
- property, plant and equipment	(1,010)	(17,498)
- leasehold land	1,319	228
- intangible assets	(5,176)	(2,069)
Dividend received from:		
- associate	-	2,920
- securities	4,602	3,628
Capital injection into jointly controlled entities	(10,190)	-
Net cash generated from investing activities	(2,660)	1,039,650
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in borrowings	(200,000)	(142,644)
Proceeds from issuance of shares	10,173	48,189
Dividends paid to shareholders	(33,175)	(27,926)
Net cash used in financing activities	(223,002)	(122,381)
Net increase in cash and cash equivalents	(2,277,020)	1,002,881
Cash and cash equivalents at beginning of the period	8,338,768	7,702,346
Cash and cash equivalents at end of the period	6,061,748	8,705,227
 <u>Analysis of cash & cash equivalent</u>		
Cash and short term funds	6,101,712	8,764,417
Adjustment for money held in trust on behalf of clients and remisers	(39,964)	(59,190)
	6,061,748	8,705,227

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

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

A1. BASIS OF PREPARATION

The unaudited condensed interim financial statements for the quarter ended 30 September 2008 have been prepared under the historical cost convention except for the following assets and liabilities which are stated at fair values:

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

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

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Company for the year ended 31 December 2007. The explanatory notes to this interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the Group since the year ended 31 December 2007.

A2. ACCOUNTING POLICIES AND METHODS OF COMPUTATIONS

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

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

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

A3. AUDITOR'S REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

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

A4. SEASONAL OR CYCLICAL FACTORS

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

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

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and the Company during the current financial quarter ended 30 September 2008.

A6. CHANGES IN ESTIMATES

There were no material changes in estimates of amounts reported in prior financial years that have a material effect in the current financial quarter ended 30 September 2008.

A7. DEBT AND EQUITY SECURITIES

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

Issuance of shares

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

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

A8. DIVIDEND

A final dividend of 3 sen per share less 26% tax in respect of the financial year ended 31 December 2007, amounting to RM33,174,940 had been paid on 6 June 2008.

A9. SECURITIES HELD

	Group	
	As at 30-09-2008 RM'000	As at 31-12-2007 RM'000
(a) <u>Securities held-for-trading</u>		
At fair value		
Malaysian Government Securities	-	89,188
Malaysian Government Treasury Bills	102,960	-
Bank Negara Malaysia Notes	823,899	-
Quoted Securities		
- Shares	572	1,721
- Warrants	85	383
Unquoted Securities		
- Private Debt Securities	267,302	189,034
Total securities held for trading	1,194,818	280,326

A9. SECURITIES HELD (cont.)

	Group	
	As at 30-09-2008 RM'000	As at 31-12-2007 RM'000
(b) <u>Securities available-for-sale</u>		
At fair value		
Malaysian Government Securities	222,149	216,750
Malaysian Government Treasury Bills	297,856	284,194
Malaysian Government Investment Issuance ('GII')	129,668	161,071
Cagamas Bonds	445,966	454,211
Khazanah Bonds	23,684	230,535
Bankers' Acceptance and Islamic Accepted Bills	243,090	495,009
Bank Negara Malaysia Notes	1,881,336	1,070,385
Negotiable Instruments of Deposit	340,085	1,139,190
Negotiable Islamic Debt Certificate	48,981	-
	3,632,815	4,051,345
Quoted Securities		
- Shares	143,222	185,315
- Private Debt Securities	3,212	3,474
- Irredeemable Convertible Unsecured Loan Stock	4,031	4,031
Unquoted Securities		
- Private Debt Securities	2,050,948	1,769,044
- Foreign currency bonds	89,369	-
	5,923,597	6,013,209
Allowance for impairment of securities	(115,551)	(144,744)
Total securities available-for-sale	5,808,046	5,868,465
(c) <u>Securities held-to-maturity</u>		
At amortised cost		
Quoted Securities		
- Private Debt Securities	38,123	38,123
Unquoted Securities		
- Private Debt Securities	641,605	476,446
	679,728	514,569
At cost		
Unquoted Securities		
- Shares	57,240	56,384
- Private Debt Securities	16	16
	736,984	570,969
Allowance for impairment of securities	(109,403)	(127,662)
Total securities held-to-maturity	627,581	443,307
Total securities held	7,630,445	6,592,098

A10. LOANS, ADVANCES AND FINANCING

(a) <u>BY TYPE</u>	Group	
	As at 30-09-2008 RM'000	As at 31-12-2007 RM'000
Overdrafts	2,063,600	1,880,246
Term loans/financing		
Housing loans/financing	4,499,199	4,063,704
Syndicated term loan/financing	1,375,073	766,835
Hire purchase receivables	7,175,861	6,982,975
Other term loans/financing	4,873,685	4,687,639
Bills receivable	65,585	95,596
Trust receipts	309,442	452,453
Claims on customers under acceptance credits	785,336	731,869
Staff loans/financing (of which RM NIL to Directors)	164,041	161,437
Credit/charge cards	109,369	115,291
Revolving credit	2,037,654	1,460,173
Margin financing	38,837	40,408
Other loans/financing	14,455	17,102
	23,512,137	21,455,728
Less: Unearned interest and income	(3,451,657)	(2,596,133)
Gross loans, advances and financing	20,060,480	18,859,595
Less: Allowance for bad and doubtful debts and financing		
- General	(297,792)	(274,585)
- Specific	(502,270)	(1,307,371)
Total net loans, advances and financing	19,260,418	17,277,639

(b) **BY TYPE OF CUSTOMER**

Domestic non-banking institutions		
- Stock-broking companies	150	410
- Others	684,727	157,121
Domestic business enterprises		
- Small medium enterprises	6,205,498	5,354,466
- Others	3,526,687	3,867,732
Government and statutory bodies	96,043	53,499
Individuals	9,288,762	9,136,558
Other domestic entities	12,100	100,738
Foreign entities	246,513	189,071
	20,060,480	18,859,595

A10. LOANS, ADVANCES AND FINANCING (cont.)

	Group	
	As at 30-09-2008 RM'000	As at 31-12-2007 RM'000
(c) <u>BY INTEREST / PROFIT RATE SENSITIVITY</u>		
Fixed rate		
Housing loans/financing	447,372	478,049
Hire purchase receivables	6,055,006	5,911,029
Margin financing	38,837	40,408
Other fixed rate loan/financing	2,851,374	2,238,251
Variable rate		
BLR plus	8,513,360	9,024,593
Cost-plus	2,150,240	1,140,888
Other variable rates	4,291	26,377
	20,060,480	18,859,595
(d) <u>BY ECONOMIC PURPOSE</u>		
Construction	488,736	580,620
Purchase of landed property (of which: - Residential - Non-residential)	3,299,380	3,262,510
Purchase of securities	1,324,265	962,186
Purchase of transport vehicles	376,147	540,788
Fixed assets other than land and building	6,101,873	5,948,323
Personal uses	118,138	188,402
Credit card	709,174	648,834
Consumer durable	109,370	115,292
Merger and acquisition	2,175	4,461
Working capital	29,514	31,685
Others	7,092,798	3,641,865
	408,910	2,934,629
	20,060,480	18,859,595
(e) <u>BY SECTOR</u>		
Primary agriculture	584,803	257,245
Mining and quarrying	65,544	74,135
Manufacturing	1,519,473	1,736,814
Electricity, gas and water supply	10,029	18,539
Construction	2,018,072	1,618,135
Real estate	1,081,151	780,705
Wholesale and retail trade and restaurants and hotels	1,388,510	1,463,549
Transport, storage and communication	709,372	663,413
Finance, insurance and business services	2,568,755	1,930,305
Education, health and others	687,034	784,044
Household	9,373,470	9,204,306
Community, social and personal services	-	59,927
Others	54,267	268,478
	20,060,480	18,859,595

A10. LOANS, ADVANCES AND FINANCING (cont.)

(f) NON-PERFORMING LOANS/FINANCING

	Group	
	As at 30-09-2008 RM'000	As at 31-12-2007 RM'000
(i) <u>Movements in non-performing loans, advances and financing</u>		
Balance at the beginning of financial year	2,691,537	3,089,706
Classified as non-performing during the financial year	523,948	811,185
Reclassified as performing during the financial year	(379,807)	(633,024)
Loans/financing converted to securities	-	(25,723)
Amount recovered	(363,418)	(503,257)
Amount written-off	(1,018,331)	(47,497)
Reclassification arising from merger between AFFIN Securities Sdn Bhd ("ASSB") and AFFIN Investment Bank Berhad ("AIBB")	-	147
Balance at the end of financial year	1,453,929	2,691,537
less: Specific allowance	(502,270)	(1,307,371)
Net non-performing loans, advances and financing	951,659	1,384,166
Net NPL as a % of gross loans, advances and financing less specific allowance	4.87%	7.89%

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

Construction	109,201	43,633
Purchase of landed property:		
- Residential	412,599	546,544
- Non-residential	124,635	138,123
Purchase of securities	78,736	125,541
Purchase of transport vehicles	71,459	269,636
Fixed assets other than land and building	27,590	21,726
Personal uses	26,846	42,911
Credit card	3,085	3,236
Consumer durable	179	768
Working capital	500,055	372,631
Others	99,544	1,126,788
	1,453,929	2,691,537

A10. LOANS, ADVANCES AND FINANCING (cont.)

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

	Group	
	As at 30-09-2008 RM'000	As at 31-12-2007 RM'000
(iii) <u>Non-performing loans, advances and financing by sector</u>		
Primary agriculture	9,813	13,421
Mining and quarrying	4,838	4,792
Manufacturing	226,839	475,787
Electricity, gas and water supply	89	1,093
Construction	204,460	384,935
Real estate	92,092	99,323
Wholesale and retail trade and restaurants and hotels	104,283	315,069
Transport, storage and communication	43,567	103,193
Finance, insurance and business services	56,500	82,782
Education, health and others	138,601	254,762
Household	545,083	916,202
Others	27,764	40,178
	1,453,929	2,691,537
(iv) <u>Aging of net non-performing loans, advances and financing</u>		
Less than 5 years	695,217	1,069,341
5 years to 7 years	256,442	314,825
	951,659	1,384,166
(v) <u>Movement in allowance for bad and doubtful debts</u>		
General allowance		
Balance at the beginning of financial year	274,585	267,970
Allowance made during the financial year	23,207	6,586
Reclassification arising from merger between ASSB and AIBB	-	29
Balance at the end of financial year	297,792	274,585
As % of gross loans, advances and financing less specific allowance	1.52%	1.56%
Specific allowance		
Balance at the beginning of financial year	1,307,371	965,489
Allowance made during the financial year	316,296	529,604
Amount transferred to allowance for impairment of securities held-to-maturity/available-for-sales	-	(10,012)
Amount written-off	(1,018,203)	(46,279)
Amount written back during the financial year	(103,194)	(131,553)
Reclassification arising from merger between ASSB and AIBB	-	122
Balance at the end of financial year	502,270	1,307,371

A11. OTHER ASSETS

	Group	
	As at 30-09-2008 RM'000	As at 31-12-2007 RM'000
Clearing accounts	128,184	213,757
Money order and postal order purchased	1,589	1,915
Income / interest receivable	58,609	66,608
Premium receivable	621	1,431
Prepaid lease payments	17,411	17,690
Foreclosed properties	170,599	74,347
Derivative assets	43,381	44,148
Other debtors, deposits and prepayments	87,897	50,148
	508,291	470,044

A12. OTHER LIABILITIES

	Group	
	As at 30-09-2008 RM'000	As at 31-12-2007 RM'000
Bank Negara Malaysia and Credit Guarantee Corporation Funding Programmes	81,606	124,254
Liabilities directly associated with land held for sale	27,353	30,440
Interest payable	144,113	177,834
Margin and collateral deposits	40,248	38,723
Trust accounts for clients and remisiers	39,964	47,345
Defined contribution plan	9,262	8,480
Accrued employee benefits	1,362	1,577
Derivative liabilities	41,011	25,899
Other creditors and accruals	220,149	215,813
Provision for zakat	7,264	6,230
	612,332	676,595

A13. INTEREST INCOME

	<-----Group----->			
	Current	Preceding		
	Financial	Year		
	Quarter	Financial	Current Year-	Preceding
	ended	Quarter	to-date	Year-to-date
	30-09-2008	ended	30-09-2008	30-09-2007
	RM'000	30-09-2007	RM'000	RM'000
		ended		RM'000
		RM'000		
Loans and advances				
- Interest income other than recoveries from NPL	268,546	246,925	764,139	723,595
- Recoveries from NPL	17,938	37,071	60,768	88,940
- Margin financing	862	1,005	2,911	2,781
Money at call and deposit with financial institutions	41,019	67,357	145,370	196,459
Securities				
- Held-for-trading	3,906	6,104	11,830	19,282
- Available-for-sale	34,739	28,620	100,530	92,850
- Held-to-maturity	3,961	12,589	14,228	31,720
Interest rate derivatives	12,074	21,152	30,477	41,836
Foreign exchange derivatives	707	-	1,022	-
Others	18	65	210	173
	<u>383,770</u>	<u>420,888</u>	<u>1,131,485</u>	<u>1,197,636</u>
Accretion of discount less amortisation of premium	14,422	9,459	43,165	31,492
	<u><u>398,192</u></u>	<u><u>430,347</u></u>	<u><u>1,174,650</u></u>	<u><u>1,229,128</u></u>

A14. INTEREST EXPENSE

Deposits and placements of banks and other financial institutions	36,577	28,736	82,131	53,769
Deposits from customers	157,034	179,489	490,550	556,947
Subordinated term loan	7,562	7,876	22,589	23,403
Loans sold to Cagamas	323	4,720	4,527	16,357
Interest rate derivatives	14,223	25,244	37,097	53,279
Others	2,523	2,423	5,417	32,740
	<u>218,242</u>	<u>248,488</u>	<u>642,311</u>	<u>736,495</u>

A15. OTHER OPERATING INCOME

	<-----Group----->			
	Current	Preceding		
	Financial	Year		
	Quarter	Financial	Current Year-	Preceding
	ended	Quarter	to-date	Year-to-date
	30-09-2008	ended	30-09-2008	30-09-2007
	RM'000	30-09-2007	RM'000	RM'000
		ended		
		RM'000		RM'000
<u>Fees income:</u>				
Fees on loans, advances and financing	125	367	268	562
Brokerage (net)	9,678	20,834	40,512	65,821
Underwriting fees	671	1,455	1,814	2,901
Portfolio management fees	1,619	1,555	4,950	3,837
Corporate advisory fees	400	2,315	3,138	5,316
Commission	3,961	4,343	11,068	12,812
Service charges and fees	11,824	12,164	36,250	39,679
Guarantee fees	7,742	8,036	21,183	15,688
Arrangement fees	2,188	1,261	7,021	1,209
Agency fees	812	204	1,393	487
Other fee income	157	4,338	5,441	5,663
	<u>39,177</u>	<u>56,872</u>	<u>133,038</u>	<u>153,975</u>
<u>Investment income:</u>				
Gains/(losses) arising from sales of securities:				
- Held-for-trading	736	1,139	1,882	10,721
- Available-for-sale	3,624	3,260	14,042	27,473
- Held-to-maturity	-	3,221	12,235	3,883
Unrealised gains/(losses) on revaluation of securities held-for-trading	1,059	1,466	(9,150)	245
Gains/(losses) on revaluation of derivatives:				
- realised	-	334	177	1,632
- unrealised	(13,386)	1,803	(6,075)	859
Unrealised gains/(losses) on revaluation of foreign exchange derivatives	(975)	-	58	-
	<u>(8,942)</u>	<u>11,223</u>	<u>13,169</u>	<u>44,813</u>
<u>Dividend income:</u>				
- Securities held-for-trading	3	17	14	56
- Securities available-for-sale	208	294	209	565
- Securities held-to-maturity	3,086	2,329	4,379	3,025
	<u>3,297</u>	<u>2,640</u>	<u>4,602</u>	<u>3,646</u>
<u>Other income:</u>				
Foreign exchange gains/(losses):				
- realised	16,977	(3,066)	35,975	15,860
- unrealised	(5,151)	14,873	16,748	21,434
Rental income	367	248	1,123	842
Gains on disposal of property, plant and equipment	6,772	1,538	10,079	2,493
Gains/(losses) on disposal of foreclosed properties	2,026	(1,440)	2,883	(1,218)
Other non-operating income	3,273	2,984	10,171	9,244
	<u>24,264</u>	<u>15,137</u>	<u>76,979</u>	<u>48,655</u>
Total Other Operating Income	<u>57,796</u>	<u>85,872</u>	<u>227,788</u>	<u>251,089</u>

A16. OTHER OPERATING EXPENSES

	<-----Group----->			
	Current Financial Quarter ended	Preceding Year Financial Quarter ended	Current Year- to-date	Preceding Year-to-date
	30-09-2008	30-09-2007	30-09-2008	30-09-2007
	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs</u>				
Wages, salaries and bonus	58,551	76,379	180,595	173,077
Defined contribution plan	9,276	8,712	26,890	24,520
Termination benefits	-	3,000	6,000	9,000
Other personnel costs	6,872	8,999	19,491	22,424
	<u>74,699</u>	<u>97,090</u>	<u>232,976</u>	<u>229,021</u>
<u>Promotion and marketing-related expenses</u>				
Business promotion and advertisement	423	780	1,672	2,295
Entertainment	1,263	1,314	2,117	2,363
Travelling and accommodation	984	926	2,917	2,705
Dealers' handling fees	8,735	8,048	24,641	20,873
Others	828	355	1,971	1,577
	<u>12,233</u>	<u>11,423</u>	<u>33,318</u>	<u>29,813</u>
<u>Establishment-related expenses</u>				
Rental of premises	6,081	6,109	18,191	18,076
Equipment rental	644	1,082	2,083	1,681
Repair and maintenance	3,543	5,411	16,158	15,912
Depreciation	6,920	7,013	20,418	20,651
Amortisation	4,595	4,168	13,421	12,192
Lease rental - leasehold properties	49	67	401	202
Others	18,780	15,550	51,789	40,238
	<u>40,612</u>	<u>39,400</u>	<u>122,461</u>	<u>108,952</u>
<u>General administrative expenses</u>				
Telecommunication expenses	1,631	1,426	5,274	5,415
Director's Remuneration	315	233	1,058	710
Auditors' remuneration:				
(i) Statutory audit				
- current year	281	274	865	934
- (over)/underprovision in previous years	-	(3)	(5)	(11)
(ii) Others	56	76	186	172
Professional fees	5,043	2,714	13,383	9,197
Property, plant & equipment written off	449	291	629	782
Intangible asset written off	1	-	17	-
Others	10,211	14,533	33,063	39,917
	<u>17,987</u>	<u>19,544</u>	<u>54,470</u>	<u>57,116</u>
Total other operating expenses	<u>145,531</u>	<u>167,457</u>	<u>443,225</u>	<u>424,902</u>

A17. ALLOWANCE FOR LOSSES ON LOANS AND FINANCING

	<-----Group----->			
	Current Financial Quarter ended 30-09-2008 RM'000	Preceding Year Financial Quarter ended 30-09-2007 RM'000	Current Year- to-date 30-09-2008 RM'000	Preceding Year-to-date 30-09-2007 RM'000
<u>Allowance for bad and doubtful debts</u>				
<u>on loans and financing:-</u>				
Specific allowance				
- Made during the financial year	92,432	231,166	316,296	413,222
- Written back	(11,843)	(34,117)	(103,194)	(81,070)
General allowance (net)	15,633	1,964	23,207	2,917
<u>Bad debts:-</u>				
- recovered	(52,414)	(171,286)	(122,402)	(244,902)
- written off	2,967	735	6,485	2,897
<u>Losses arising from non-performing loans</u>				
<u>sold to Danaharta:-</u>				
- written back on final settlement	-	-	-	(39)
<u>Addition / (Writeback) of allowance for bad</u>				
<u>and doubtful debts:</u>				
- trade debtors	52	837	(559)	262
- other debtors	115	(460)	231	(606)
	46,942	28,839	120,064	92,681

A18. IMPAIRMENT LOSSES

Addition / (Writeback) of allowance for impairment loss:				
- Property, plant and equipment	-	-	-	(38)
- Securities available-for-sale	4,341	16,775	8,781	33,336
- Securities held-to-maturity	(185)	(3,395)	(3,371)	(3,572)
	4,156	13,380	5,410	29,726

A19. SEGMENTAL INFORMATION ON REVENUE AND PROFIT

The segment analysis by activity for the individual and cumulative quarters ended 30 September 2008 and 30 September 2007 are as follows:-

	<-----Current year's individual quarter ended 30 September 2008----->						
RM '000	Commercial Banking and Hire Purchase	Investment Banking	Stockbroking	Insurance	Others	Eliminations	Group
Segment revenue	469,465	36,264	7,760	-	3,141	-	516,630
Intersegment revenue	1,264	1,617	73	-	377	(3,331)	-
Revenue	<u>470,729</u>	<u>37,881</u>	<u>7,833</u>	<u>-</u>	<u>3,518</u>	<u>(3,331)</u>	<u>516,630</u>
Segment results	97,107	(16,659)	(2,504)	-	592	2,425	80,961
Unallocated expenses							(5,264)
Share of results of:							
- jointly controlled entity	-	-	-	(2,259)	-	-	(2,259)
- associate	-	-	-	1,729	-	-	1,729
Profit before taxation and zakat							<u>75,167</u>
Taxation and zakat							<u>(21,272)</u>
Net profit for the quarter							<u><u>53,895</u></u>

A19. SEGMENTAL INFORMATION ON REVENUE AND PROFIT

<-----Preceding year's individual quarter ended 30 September 2007----->

RM '000	Commercial Banking and Hire Purchase	Investment Banking	Stockbroking	Insurance	Others	Eliminations	Group
Segment revenue	498,956	55,950	18,722	-	3,183	-	576,811
Intersegment revenue	(31)	1,137	144	-	418	(1,668)	-
Revenue	<u>498,925</u>	<u>57,087</u>	<u>18,866</u>	<u>-</u>	<u>3,601</u>	<u>(1,668)</u>	<u>576,811</u>
Segment results	82,292	4,190	4,580	-	836	954	92,852
Unallocated expenses							(9,835)
Share of results of:							
- jointly controlled entity	-	-	-	88	-	-	88
- associate	-	-	-	1,546	-	-	1,546
Profit before taxation and zakat							<u>84,651</u>
Taxation and zakat							<u>(24,612)</u>
Net profit for the quarter							<u><u>60,039</u></u>

A19. SEGMENTAL INFORMATION ON REVENUE AND PROFIT

<-----Current year's cumulative quarter ended 30 September 2008----->

RM '000	Commercial Banking and Hire Purchase	Investment Banking	Stockbroking	Insurance	Others	Eliminations	Group
Segment revenue	1,451,061	108,526	33,022	-	10,254	-	1,602,863
Intersegment revenue	1,835	2,906	112	-	988	(5,841)	-
Revenue	<u>1,452,896</u>	<u>111,432</u>	<u>33,134</u>	-	<u>11,242</u>	<u>(5,841)</u>	<u>1,602,863</u>
Segment results	317,586	(22,187)	(453)	-	2,533	7,851	305,330
Unallocated expenses							(15,263)
Share of results of:							
- jointly controlled entity	-	-	-	(8,390)	-	-	(8,390)
- associate	-	-	-	6,963	-	-	6,963
Profit before taxation and zakat							<u>288,640</u>
Taxation and zakat							<u>(79,985)</u>
Net profit for the cumulative quarter							<u>208,655</u>

A19. SEGMENTAL INFORMATION ON REVENUE AND PROFIT

	<-----Preceding year's cumulative quarter ended 30 September 2007----->						
RM '000	Commercial Banking and Hire Purchase	Investment Banking	Stockbroking	Insurance	Others	Eliminations	Group
Segment revenue	1,416,272	160,222	61,434	-	9,404	-	1,647,332
Intersegment revenue	281	1,623	600	-	1,026	(3,530)	-
Revenue	<u>1,416,553</u>	<u>161,845</u>	<u>62,034</u>	<u>-</u>	<u>10,430</u>	<u>(3,530)</u>	<u>1,647,332</u>
Segment results	259,333	28,274	23,806	-	1,306	(15,652)	297,067
Unallocated expenses							(28,345)
Share of results of:							
- jointly controlled entity	-	-	-	(422)	-	-	(422)
- associate	-	-	-	14,076	-	-	14,076
Profit before taxation and zakat							<u>282,376</u>
Taxation and zakat							<u>(87,398)</u>
Net profit for the cumulative quarter							<u><u>194,978</u></u>

A20. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

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

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

A21. SUBSEQUENT MATERIAL EVENT

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

A22. CHANGES IN THE COMPOSITION OF THE GROUP

On 1st April 2008, AFFIN Islamic Bank Berhad and Jurus Positif Sdn Bhd, a subsidiary of Mutiara Goodyear Development Berhad, entered into a joint venture agreement under the shariah principles ("Musharakah Agreement") to develop a land into a housing scheme at Bukit Gambir, Penang .

Pursuant to the joint venture, a joint venture company namely AFFIN-I Goodyear Sdn Bhd ("AFFIN-I Goodyear") had been incorporated on 13 March 2008 with an initial issued and paid-up share capital of RM1.0 million divided into 1,000,000 ordinary shares of RM1.00 each, subscribed by and allotted and issued to AFFIN Islamic Bank Berhad and Jurus Positif Sdn Bhd in equal proportion of 50% each.

Under this hybrid structure, AFFIN Islamic Bank Berhad is the sole banker to AFFIN-I Goodyear and will be providing financing to AFFIN-I Goodyear using the Islamic concept such as Murabahah for the purchase of the land and Istisna' for bridging financing. AFFIN-I Goodyear is expected to commence operations in year 2009.

A23. COMMITMENTS AND CONTINGENCIES

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

GROUP	Current financial period ended			Previous financial year ended		
	30-09-2008			31-12-2007		
	Principal	Credit	Risk-	Principal	Credit	Risk-weighted
	Amount	Equivalent	weighted	Amount	Equivalent	amount*
	RM'000	Amount*	amount*	RM'000	Amount*	amount*
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	661,839	661,839	661,839	779,119	779,119	779,119
Transaction-related contingent items	2,814,148	1,407,074	1,407,074	2,420,083	1,210,042	1,210,042
Short-term self-liquidating trade-related contingencies	3,159,946	631,989	180,479	3,511,291	702,258	108,604
Obligations under underwriting agreements	62,014	31,007	20,593	283,000	141,500	141,500
Foreign exchange related contracts						
- Less than one year	2,003,026	54,700	18,054	3,263,570	68,391	17,244
- One year to less than five years	384,595	33,001	10,422	389,739	33,789	12,600
Interest rate related contracts						
- Less than one year	270,000	861	430	114,728	86	43
- One year to less than five years	785,556	17,030	8,515	352,478	9,144	4,572
- Five years and above	123,662	7,435	3,718	25,075	1,739	870
Irrevocable commitments to extend credit:						
- Maturity exceeding 1 year	3,270,627	1,635,313	1,600,047	3,205,735	1,602,868	1,575,004
- Maturity not exceeding 1 year	7,709,555	5,023	3,792	5,071,325	-	-
	21,244,968	4,485,272	3,914,963	19,416,143	4,548,936	3,849,598

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

A24. INTEREST / PROFIT RATE RISK

GROUP	<-----Non-trading Book----->						Trading Book	Total	Weighted average interest rate (%)
	Up to 1 month	1-3 months	> 3-12 months	> 1-5 years	Over 5 years	Non-interest bearing			
30 September 2008	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
ASSETS									
Cash & short-term funds	5,883,130	-	-	-	-	218,582	-	6,101,712	3.53
Deposits & placements with banks and other financial institutions	13,328	-	-	-	-	-	-	13,328	3.48
Securities held for trading	572	-	-	-	-	-	1,194,246	1,194,818	4.21
Securities available-for-sale	873,531	1,584,617	1,144,823	1,482,052	628,331	94,692	-	5,808,046	4.20
Securities held-to-maturity	29,317	-	30,549	115,137	215,694	236,884	-	627,581	4.93
Loans, advances & financing:									
- Performing	9,930,320	1,350,635	1,580,347	4,260,010	1,485,239	(297,792)	-	18,308,759	5.65
- Non-performing	-	-	-	-	-	951,659	-	951,659	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	874,981	-	874,981	
Other assets	-	-	-	-	-	2,953,083	2,931	2,956,014	
Tax recoverable	-	-	-	-	-	107,333	-	107,333	
Land held for sale	-	-	-	-	-	81,512	-	81,512	
TOTAL ASSETS	16,730,198	2,935,252	2,755,719	5,857,199	2,329,264	5,220,934	1,197,177	37,025,743	
LIABILITIES, INSURANCE RESERVES AND EQUITY									
Deposits from customers	13,276,293	4,289,156	5,441,808	184,240	-	1,955,803	-	25,147,300	3.07
Deposits & placements of banks and other financial institutions	3,460,565	1,578,951	1,627	-	-	-	-	5,041,143	3.51
Bills and acceptance payable	-	-	-	-	-	112,964	-	112,964	
Recourse obligation on loans sold to Cagamas Berhad	-	12,748	11,355	-	-	-	-	24,103	4.23
Other liabilities	39,964	-	-	-	-	1,480,976	12,345	1,533,285	
Provision for taxation	-	-	-	-	-	81,132	-	81,132	
Borrowings	-	-	200,000	500,000	-	-	-	700,000	5.41
TOTAL LIABILITIES	16,776,822	5,880,855	5,654,790	684,240	-	3,630,875	12,345	32,639,927	

A24. INTEREST / PROFIT RATE RISK (cont.)

GROUP	<-----Non-trading Book----->						Trading Book	Total	Weighted average interest rate (%)
	Up to 1 month	1-3 months	> 3-12 months	> 1-5 years	Over 5 years	Non-interest bearing			
<u>30 September 2008</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
EQUITY									
Shareholders' Funds	-	-	-	-	-	4,385,816	-	4,385,816	
Total liabilities and shareholders' funds	16,776,822	5,880,855	5,654,790	684,240	-	8,016,691	12,345	37,025,743	
On balance sheet- interest sensitivity gap	(46,624)	(2,945,603)	(2,899,071)	5,172,959	2,329,264	(2,795,757)	1,184,832	-	
Off balance sheet- interest sensitivity gap	270,728	20,880	(20,157)	(262,933)	(8,518)	-	-	-	
Total interest sensitivity gap	224,104	(2,924,723)	(2,919,228)	4,910,026	2,320,746	(2,795,757)	1,184,832	-	

A24. INTEREST / PROFIT RATE RISK (cont.)

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

A24. INTEREST / PROFIT RATE RISK (cont.)

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

A25. CAPITAL ADEQUACY

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

	As at 30-09-2008 RM'000	As at 31-12-2007 RM'000
<u>Tier I Capital</u>		
Paid-up share capital	1,661,531	1,661,531
Share premium	550,659	550,659
Retained profits	281,257	226,904
Statutory reserve	700,214	585,361
	<u>3,193,661</u>	<u>3,024,455</u>
less: Goodwill	(190,384)	(190,384)
Deferred tax assets	(58,634)	(40,119)
Total Tier 1 capital (a)	<u>2,944,643</u>	<u>2,793,952</u>
<u>Tier II Capital</u>		
Subordinated loans/financing	500,000	500,000
General allowance for bad and doubtful debts and financing	297,284	274,295
Total Tier 2 capital (b)	<u>797,284</u>	<u>774,295</u>
Total capital (a) + (b)	3,741,927	3,568,247
less: Investment in subsidiaries	(53,229)	(53,229)
Capital base	<u>3,688,698</u>	<u>3,515,018</u>
<u>Before deducting proposed dividends:</u>		
Core capital ratio	11.51%	11.26%
Risk-weighted capital ratio	14.42%	14.17%
<u>After deducting proposed dividends:</u>		
Core capital ratio	11.30%	11.10%
Risk-weighted capital ratio	14.21%	14.01%

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

A26. COMPARATIVE FIGURES

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

A27. OPERATIONS OF ISLAMIC BANKING

(i) **Unaudited Islamic Balance Sheet**

	GROUP	
	Financial Quarter Ended 30-09-2008 RM'000	Previous Financial Year Ended 31-12-2007 RM'000
ASSETS		
Cash and short term funds	2,509,483	3,532,550
Securities available-for-sale	1,026,400	774,250
Securities held-to-maturity	575	-
Loans, advances and financing	2,304,030	1,734,155
Statutory deposit with Bank Negara Malaysia	108,100	82,300
Investment in jointly-controlled entity	500	-
Other assets	35,627	135,676
Tax recoverable	2,890	-
Deferred tax assets	5,661	6,212
Property, plant and equipment	3,391	273
Intangible assets	1,286	1,610
TOTAL ASSETS	5,997,943	6,267,026
LIABILITIES, ISLAMIC BANKING FUNDS		
Deposits from customers	3,811,892	3,708,613
Deposits and placements of banks and other financial institutions	1,669,011	2,078,923
Other liabilities	263,820	238,045
Provision for tax and zakat	-	5,838
Total Liabilities	5,744,723	6,031,419
SHAREHOLDERS' EQUITY		
Share capital	160,000	160,000
Reserves	93,220	75,607
Total Equity	253,220	235,607
TOTAL LIABILITIES & EQUITY	5,997,943	6,267,026
COMMITMENTS AND CONTINGENCIES	3,587,744	3,917,054

A27. OPERATIONS OF ISLAMIC BANKING (cont.)

(ii) **Unaudited Islamic Income Statement**

	<-----GROUP----->			
	Current Year Quarter ended 30-09-2008 RM'000	Preceding Year Corresponding Quarter ended 30-09-2007 RM'000	Current year- to-date ended 30-09-2008 RM'000	Preceding Year- to-date ended 30-09-2007 RM'000
Income derived from investment of depositors' funds and others	67,101	60,747	207,242	164,405
Allowance for losses on financing	(9,111)	(3,354)	(18,691)	(2,600)
Transfer from/(to) profit equalisation reserve	-	290	-	501
	57,990	57,683	188,551	162,306
Income attributable to depositors	(35,925)	(34,414)	(116,838)	(89,651)
Income attributable to shareholders	22,065	23,269	71,713	72,655
Income derived from investment of Shareholders' funds	2,886	2,987	8,725	9,794
	24,951	26,256	80,438	82,449
Other operating expenses	(16,848)	(12,337)	(49,873)	(33,467)
Profit before tax and zakat	8,103	13,919	30,565	48,982
Taxation	(2,777)	(3,587)	(8,742)	(11,729)
Zakat	-	-	(2,359)	(2,240)
Net profit for the financial period	5,326	10,332	19,464	35,013

(iii) **Financing**

<u>BY TYPE</u>	Group	
	As at 30-09-2008 RM'000	As at 31-12-2007 RM'000
Cash line	205,636	171,901
Term financing		
Housing financing	2,033,463	1,517,539
Syndicated term financing	895,884	349,942
Hire purchase receivables	831,416	599,925
Other term financing	539,074	492,916
Bills financing	7,830	8,037
Trust receipts	65,452	64,895
Interest-free accepted bills	134,389	54,259
Staff financing	10,812	11,452
Revolving credit	3,000	3,024
	4,726,956	3,273,890
less: Unearned income	(2,374,646)	(1,506,080)
	2,352,310	1,767,810
less: Allowance for bad and doubtful debts and financing		
- General	(36,170)	(26,485)
- Specific	(12,110)	(7,170)
Total net financing	2,304,030	1,734,155

A27. OPERATIONS OF ISLAMIC BANKING (cont.)

(iv) Non-performing financing (NPF)

<u>Movements in non-performing financing</u> <u>(including income receivables):</u>	GROUP	
	As at 30-09-2008 RM'000	As at 31-12-2007 RM'000
Balance at the beginning of financial year	37,779	39,150
Classified as non-performing during the financial year	45,624	56,440
Reclassified as performing during the financial year	(26,941)	(52,642)
Amount written-off	(3,762)	-
Amount written back in respect of recoveries	(26,941)	(5,169)
Balance at the end of financial year	25,759	37,779
less: Specific allowance	(12,110)	(7,170)
Net non-performing loans, advances and financing	13,649	30,609
 As % of gross loans, advances and financing less specific allowance	 0.58%	 1.74%

Movements in allowance for bad and doubtful financing:

General allowance

Balance at the beginning of financial year	26,485	21,893
Allowance made during the year	9,685	6,600
Amount written back during the year	-	(2,008)
Balance at the end of financial year	36,170	26,485
 As % of gross loans, advances and financing less specific allowance	 1.55%	 1.50%

Specific allowance

Balance at the beginning of financial year	7,170	4,770
Allowance made during the financial year	9,854	3,248
Amount written off	(3,941)	-
Amount written back in respect of recoveries	(973)	(848)
Balance at the end of financial year	12,110	7,170

(v) Deposits from customers

<u>By type of deposits</u>	GROUP	
	As at 30-09-2008 RM'000	As at 31-12-2007 RM'000
Non-Mudharabah Funds		
Demand deposits	1,542,012	1,415,404
Savings deposits	194,109	183,216
Negotiable Instruments of Deposits	-	82,215
	1,736,121	1,680,835
Mudharabah Funds		
Savings deposits	6,738	5,792
General investment deposits	855,202	798,415
Special investment deposits	1,213,831	1,223,571
	2,075,771	2,027,778
Total deposits from customers	3,811,892	3,708,613

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

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

The Group posted a lower pretax profit of RM75.2 million for the current financial quarter as compared to RM84.7 million for the preceding year's corresponding quarter ended 30 September 2007. For the 9 months ended 30 September 2008, the Group reported a higher pretax profit of RM288.7 million as compared to RM282.4 million for the same period last year, mainly due to the increase in net interest income and Islamic banking income totalling RM52.7 million as well as the reduction in both impairment loss on securities and finance cost of RM24.3 million and RM13.9 million respectively. This was partially offset by the increase in loan loss provision, overhead expenses and share of losses in jointly controlled entity of RM27.4 million, RM18.3 million and RM8.0 million respectively, as well as the drop in other operating income and share of profits in associate of RM23.3 million and RM7.1 million.

AFFIN Bank Berhad ("ABB") group recorded a higher pretax profit of RM97.1 million for the current financial quarter as compared to RM82.3 million for the preceding year's corresponding quarter. For the 9 months ended 30 September 2008, the ABB group also registered a higher pretax profit of RM317.6 million as compared to RM259.3 million for the preceding year's corresponding period, mainly due to the increase in net interest income, other operating income and Islamic banking income totalling RM76.0 million as well as the reduction in loan loss provision of RM18.0 million. However, the overhead expenses and impairment loss on securities were higher by RM22.4 million and RM12.8 million for the period under review.

AFFIN Investment Bank Berhad ("AIBB") group reported a pretax loss of RM19.2 million for the current financial quarter as compared to a pretax profit of RM8.8 million for the preceding year's corresponding quarter. For the 9 months ended 30 September 2008, the group suffered a pretax loss of RM22.6 million as compared to a pretax profit of RM52.1 million achieved last year. Loan loss provision was higher by RM49.4 million attributable largely to specific allowances on legacy NPLs aged 5 to 7 years, while the other operating income was lower by RM50.1 million mainly due to the drop in net brokerage income of RM26.6 million, lower gain on sales of securities of RM16.5 million and higher unrealised loss on held-for-trading securities of RM10.2 million, in line with the prevailing bearish market condition triggered by the global financial crisis. This was partially cushioned by the increase in fee income of RM4.1 million, reduction in overhead expenses of RM5.6 million as well as the write-back of impairment loss on securities of RM8.2 million as compared to a provision of RM13.1 million for the preceding year's corresponding period. For the nine months ended 30 September 2008, the stockbroking division suffered a pretax loss of RM0.5 million as compared to a pretax profit of RM23.8 million achieved last year.

AFFIN Moneybrokers Sdn Bhd posted a lower pretax profit of RM0.4 million for the current financial quarter as compared to RM0.5 million for the same quarter last year. For the 9 months ended 30 September 2008, the company however registered a higher pretax profit of RM1.7 million as compared to RM1.5 million for the preceding year's corresponding period, mainly due to higher net brokerage income net of higher overheads.

AXA-AFFIN Life Insurance Berhad reported a pretax loss of RM4.6 million for the current financial quarter as compared to a pretax profit of RM0.2 million for the preceding year's corresponding quarter. For the 9 months ended 30 September 2008, the company reported a higher pretax loss of RM16.5 million as compared to the pretax loss of RM1.1 million for the same period last year. The pretax loss for the current period was mainly due to the early recognition of the year-to-date deficit of the Life Fund Revenue Accounts of RM17.4 million at Group level, while the pretax loss for the preceding year's corresponding period was mainly due to the deficit of the Life Fund Revenue Accounts for the year 2006 of RM1.8 million transferred to the Income Statement in January 2007.

AXA-AFFIN General Insurance Berhad recorded a higher pretax profit of RM5.9 million for the current financial quarter as compared to RM5.3 million for the preceding year's corresponding quarter. For the financial period ended 30 September 2008, the company however reported a lower pretax profit of RM23.6 million as compared to RM43.5 million for the same period last year, mainly due to higher net claims, higher overhead expenses and lower gain on sale of investment securities of RM20.8 million, RM6.0 million and RM3.5 million respectively. For the period under review, both the earned premium and investment income were up by RM8.1 million and RM1.6 million while the net commission incurred reduced by RM0.5 million.

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

For the current financial quarter, the Group recorded a lower pretax profit of RM75.2 million as compared to RM89.1 million for the preceding quarter ended 30 June 2008, mainly due to the drop in other operating income of RM23.7 million and the allowance for impairment loss on securities of RM4.2 million as compared to a write-back of RM2.8 million for the preceding quarter. This was partially cushioned by the drop in both loan loss provision and share of losses in jointly controlled entity of RM8.0 million and RM4.2 million as well as the increase in both net interest income and Islamic Banking Income totalling RM4.6 million.

B3. PROSPECT FOR THE CURRENT FINANCIAL YEAR

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

As shown below, the Board of Directors is of the view that the Group would be able to achieve some of the announced headline Key Performance Indicators (KPIs) for the financial year 2008 :-

<u>Headline KPIs</u>	<u>As announced for financial Year 2008</u>	<u>Achieved for 9 months ended 30-9-08</u>
(i) After Tax Returns on Equity (ROE)	7.0%	4.8%
(ii) After Tax Returns on Assets (ROA)	0.8%	0.6%
(iii) Net NPL Ratio	5.6%	4.9%
(iv) Earnings Per Share (EPS)	21.4 sen	13.97 sen

B4. VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

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

B5. TAXATION

	<-----Group----->			
	Current financial quarter ended 30-09-2008 RM'000	Preceding year corresponding quarter ended 30-09-2007 RM'000	Current year- to-date 30-09-2008 RM'000	Preceding year- to-date 30-09-2007 RM'000
Malaysian Taxation:				
- Income tax based on profit for the period	30,442	25,000	97,385	48,141
Deferred tax relating to net originating temporary differences	(9,697)	(407)	(20,311)	36,584
Under provision in previous year:				
- Current taxation	527	19	552	408
	21,272	24,612	77,626	85,133

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

B6. SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

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

B7. PURCHASE OR DISPOSAL OF QUOTED SECURITIES

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

B8. STATUS OF CORPORATE PROPOSALS

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

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

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

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

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

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

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

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

On 18 November 2008, the Board of Directors of AHB announced that both AFM and AEP had decided not to proceed with the joint venture.

B8. STATUS OF CORPORATE PROPOSALS (cont.)

c) Proposed disposal of 100% equity interest in AFFIN Insurance Brokers Sdn Bhd ("AIB") ("Proposed Disposal")

On 16 October 2007, the Board of Directors of AHB announced that BNM had vide its letter dated 5 October 2007 stated it had no objection for AHB to enter into discussions with Commerce International Group Berhad ("CIGB") for the proposed disposal of 100% equity interest in AFFIN Insurance Brokers Sdn Bhd ("AIB"), a wholly owned subsidiary of AFFIN-ACF Holdings Sdn Bhd ("AACH") which in turn, is a wholly-owned subsidiary of AHB. The approval by BNM is for AHB to initiate discussions and negotiations with CIGB and should not be deemed as the final approval. Under Section 67 of the Insurance Act 1996 (Act), BNM's approval is required before entering into any agreement to acquire or dispose of equity interest in any licensees under the Act.

On 4 March 2008, AFFIN Investment Bank Berhad had on behalf of AHB submitted an application to Bank Negara Malaysia in relation to the Proposed Disposal and Bank Negara Malaysia had on 25 September 2008 given its approval on the said Proposed Disposal.

On 10 November 2008, AACH and CIGB entered into a Share Sale Agreement ("SSA") for the proposed disposal of 100% equity interest in AIB to CIGB, for a cash purchase consideration of RM2.5 million. The purchase consideration was based on the net asset value of AIB as at completion, to be determined pursuant to a post-completion audit notwithstanding any other provision in the SSA, the purchase consideration must under no circumstances exceed RM2.55 million, which shall be the maximum total amount payable by CIGB.

The Proposal Disposal was completed on the day of the execution of the SSA.

d) Proposed formation of AFFIN Banking Group

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

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

B8. STATUS OF CORPORATE PROPOSALS (cont.)

d) Proposed formation of AFFIN Banking Group (cont.)

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

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

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

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

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

B9. GROUP BORROWINGS AND DEBT SECURITIES

(i) <u>Deposits from Customers</u>	Group	
	As at 30-09-2008 RM'000	As at 31-12-2007 RM'000
<u>By Type of Deposits:-</u>		
Money Market Deposits	1,168,006	1,424,795
Demand Deposits	3,847,277	3,658,132
Savings Deposits	991,078	903,325
Fixed Deposits	16,837,704	15,860,651
Negotiable Instruments of Deposits ('NIDs')	1,089,404	2,488,265
Special Investment Deposits	1,213,831	1,223,571
	<u>25,147,300</u>	<u>25,558,739</u>
Maturity structure of fixed deposits and NIDs are as follows:		
Due within six months	14,368,754	14,332,480
Six months to one year	3,398,674	3,014,233
One year to three years	158,206	998,355
Three years to five years	1,474	3,848
	<u>17,927,108</u>	<u>18,348,916</u>
<u>By Type of Customers:-</u>		
Government and statutory bodies	4,840,530	5,605,041
Business enterprises	10,137,582	9,052,289
Individuals	4,146,604	3,317,576
Others	6,022,584	7,583,833
	<u>25,147,300</u>	<u>25,558,739</u>
(ii) <u>Deposits and Placements of Banks and Other Financial Institutions</u>		
<u>By Type of Institutions:-</u>		
Licensed banks	1,075,462	538,420
Licensed investment banks	380,324	-
Bank Negara Malaysia	83,905	327,280
Other financial institutions	3,501,452	3,213,374
	<u>5,041,143</u>	<u>4,079,074</u>
<u>By Maturity Structure:-</u>		
Due within six months	5,041,143	4,079,074
(iii) <u>Borrowings</u>		
Unsecured		
- One year or less (short-term)	200,000	400,000
- More than one year (medium/long-term)	500,000	500,000
	<u>700,000</u>	<u>900,000</u>

B10. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

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

RM'000

Items	Principal Amount	> 1 - 3 months	> 3 - 6 months	> 6 - 12 months	> 1 - 5 years	> 5 years	Margin requirement
Foreign Exchange	2,387,621	1,481,177	298,911	222,938	384,595	-	-
- Forwards	1,021,716	689,866	145,887	11,578	174,385	-	-
- Swaps	1,365,905	791,311	153,024	211,360	210,210	-	-
- Options	-	-	-	-	-	-	-
Interest Rate related	1,179,218	10,000	110,000	150,000	785,556	123,662	-
- Forwards	-	-	-	-	-	-	-
- Futures	-	-	-	-	-	-	-
- Swaps	1,179,218	10,000	110,000	150,000	785,556	123,662	-
Total	3,566,839	1,491,177	408,911	372,938	1,170,151	123,662	-

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

Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at end of the financial year, the notional amount of foreign exchange exposure which was not hedged and hence, exposed to market risk was RM5.6 million (FYE 31/12/2007: RM19.2 million), while the notional amount of interest rate contract was RM847.9 million (FYE 31/12/2007: RM452.3 million).

Credit risk

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the bank has a gain position. As at the reporting date, the amounts of foreign exchange and interest rate credit risk, measured in term of the cost to replace the profitable contracts, was RM87.7 million (FYE 31/12/2007: RM102.2 million) and RM25.3 million (FYE 31/12/2007: RM11.0 million) respectively. This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

Related accounting policies

i. Derivative financial instruments

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

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

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

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

Related accounting policies (cont.)

a) Fair value hedge

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

b) Cash flow hedge

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

c) Derivatives that do not qualify for hedge accounting

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

ii. Forward exchange related contracts

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

B11. MATERIAL LITIGATION

There are various other legal suits against AFFIN Bank Berhad ("ABB") in respect of claims and counter claims of approximately RM757.1 million (31 December 2007: RM118.2 million). Based on legal advice, the Directors are of the opinion that no provision for damages need to be made in the financial statements, as the probability of adverse adjudication against ABB is remote.

B12. PROPOSED DIVIDENDS

An interim dividend has been proposed for the financial year ending 31 December 2008 as follows :-

Amount per share	: 5 sen per share less 26% tax
Previous corresponding period	: 2 sen per share less 27% tax
Date payable	: 31 December 2008
Date of entitlement	: 10 December 2008
Total dividend for the current financial period	: 5 sen per share less 26% tax

B13. EARNINGS PER SHARE

	<-----Group----->			
	Current Financial Quarter ended 30-09-2008	Preceding Year Financial Quarter ended 30-09-2007	Current Year- to-date 30-09-2008	Preceding Year- to-date 30-09-2007
Net profit attributable to equity holders of the parent (RM'000)	53,895	60,039	208,655	194,978
Weighted average number of ordinary share in issue	1,494,366,667	1,284,989,107	1,493,693,055	1,273,909,390
Adjustment for share options	-	10,767,869	-	10,767,869
Adjusted weighted average number of ordinary shares for diluted earnings per share	1,494,366,667	1,295,756,976	1,493,693,055	1,284,677,259
Basic earning per share (sen)	3.61	4.67	13.97	15.31
Diluted earnings per share (sen)	-	4.63	-	15.18

Basic earnings per share

The basic earnings per share of the Group for the current financial quarter ended 30 September 2008 has been calculated based on the net profit attributable to the equity holders of the parent of RM53,895,000 (30 September 2007: RM60,039,000) divided by the weighted average number of ordinary shares in issue during the current financial quarter of 1,494,366,667 (30 September 2007: 1,284,989,107).

The basic earnings per share of the Group for the cumulative quarter ended 30 September 2008 has been calculated based on the net profit attributable to the equity holders of the parent of RM208,655,000 (30 September 2007: RM194,978,000) divided by the weighted average number of ordinary shares in issue during the financial period under review of 1,493,693,055 (30 September 2007: 1,273,909,390).

Diluted earnings per share

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

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

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

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

B14. ECONOMIC PROFIT

	<-----Group----->			
	Current Financial Quarter ended 30-09-2008 RM'000	Preceding Year Financial Quarter ended 30-09-2007 RM'000	Current Year- to-date 30-09-2008 RM'000	Preceding Year- to-date 30-09-2007 RM'000
Net profit for the financial period	53,895	60,039	208,655	194,978
Less: Economic charge	(117,642)	(96,800)	(349,042)	(283,926)
Economic loss for the financial period	<u>(63,747)</u>	<u>(36,761)</u>	<u>(140,387)</u>	<u>(88,948)</u>

Formula for calculation of economic charge:

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

Beta = 5-year adjusted Bloomberg Beta

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

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