

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

	<-----GROUP----->		<-----COMPANY----->	
	Financial Quarter Ended 30/06/2008 RM'000	Previous Financial Year Ended 31/12/2007 RM'000	Financial Quarter Ended 30/06/2008 RM'000	Previous Financial Year Ended 31/12/2007 RM'000
ASSETS				
Cash and short term funds	8,725,978	8,386,113	283,171	238,213
Deposits and placements with financial institutions	36,062	721,548	-	230,000
Securities held for trading	373,002	280,326	-	-
Securities available-for-sale	5,423,513	5,868,465	-	-
Securities held-to-maturity	625,229	443,307	-	-
Loans, advances and financing	18,258,346	17,277,639	-	-
Statutory deposits with Bank Negara Malaysia	844,429	841,647	-	-
Investment in subsidiaries	-	-	3,807,617	3,807,617
Investment in jointly-controlled entity	93,749	97,330	113,730	111,180
Investment in associate	115,210	109,976	10,597	10,597
Trade debtors	856,774	855,363	-	-
Other assets	383,983	470,044	478	1,201
Tax recoverable	104,193	72,834	36,259	35,350
Deferred tax assets	51,489	32,871	-	-
Property, plant and equipment	223,503	226,159	1,198	1,245
Land held for sale	81,620	92,835	-	-
Intangible assets	1,034,792	1,036,929	-	-
TOTAL ASSETS	37,231,872	36,813,386	4,253,050	4,435,403
LIABILITIES AND EQUITY				
Deposits from customers	26,114,975	25,558,739	-	-
Deposits and placements of banks and other financial institutions	4,341,711	4,079,074	-	-
Bills and acceptances payable	90,411	126,697	-	-
Trade creditors	860,332	844,160	-	-
Recourse obligation on loans sold to Cagamas Berhad	31,060	361,510	-	-
Other liabilities	697,894	676,595	5,042	9,176
Provision for taxation	62,247	25,317	-	-
Amount due to subsidiaries	-	-	807,375	798,715
Deferred tax liabilities	363	4,316	219	219
Borrowings	700,000	900,000	200,000	400,000
TOTAL LIABILITIES	32,898,993	32,576,408	1,012,636	1,208,110

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	Financial Quarter Ended 30/06/2008 RM'000	Previous Financial Year Ended 31/12/2007 RM'000	Financial Quarter Ended 30/06/2008 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	534,212	534,212	-	-
Investment fluctuation reserve	(18,656)	17,201	-	-
Retained profits	922,986	801,401	346,077	343,129
TOTAL EQUITY	4,332,879	4,236,978	3,240,414	3,227,293
TOTAL LIABILITIES AND EQUITY	37,231,872	36,813,386	4,253,050	4,435,403
COMMITMENTS AND CONTINGENCIES	18,042,409	19,416,143	-	-
CAPITAL ADEQUACY				
<u>Before deducting proposed dividends:</u>				
Core capital ratio	10.93%	11.26%		
Risk-weighted capital ratio	13.83%	14.17%		
<u>After deducting proposed dividends:</u>				
Core capital ratio	10.93%	11.10%		
Risk-weighted capital ratio	13.83%	14.01%		
NET ASSETS PER SHARE (RM)	2.90	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 June 2008

<u>Group</u>	<-----Individual Quarter----->		<-----Cumulative Quarter----->	
	Current Year Quarter ended 30/06/2008 RM'000	Preceding Year Corresponding Quarter ended 30/06/2007 RM'000	Current year- to-date ended 30/06/2008 RM'000	Preceding Year- to-date ended 30/06/2007 RM'000
Revenue	539,071	560,962	1,086,233	1,070,521
Interest income	387,397	410,313	776,458	798,781
Interest expense	(209,199)	(251,992)	(424,069)	(488,007)
Net interest income	178,198	158,321	352,389	310,774
Income from Islamic operations	34,511	29,684	70,542	62,745
Other operating income	81,507	93,082	169,992	165,217
Operating income	294,216	281,087	592,923	538,736
Other operating expenses	(146,598)	(127,875)	(297,694)	(257,445)
Operating profit before loan and financing loss and provision	147,618	153,212	295,229	281,291
Allowance for losses on loans and financing	(54,918)	(30,420)	(73,122)	(63,842)
Impairment losses	2,841	(15,739)	(1,254)	(16,346)
Transfer from profit equalisation reserve	-	1,008	-	211
Operating profit	95,541	108,061	220,853	201,314
Finance cost	(2,895)	(7,482)	(6,483)	(15,609)
Share of results of jointly controlled entity	(6,462)	153	(6,131)	(510)
Share of results of associate	2,875	8,146	5,234	12,530
Profit before taxation and zakat	89,059	108,878	213,473	197,725
Taxation	(24,335)	(34,186)	(56,354)	(60,521)
Zakat	(2,359)	(2,265)	(2,359)	(2,265)
Net profit for the financial period	62,365	72,427	154,760	134,939
Earnings per share (sen)	4.17	5.68	10.36	10.64
Fully diluted earnings per share (sen)	-	5.53	-	10.36

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 June 2008

<u>Company</u>	<-----Individual Quarter----->		<-----Cumulative Quarter----->	
	Current Year Quarter ended 30/06/2008 RM'000	Preceding Year Corresponding Quarter ended 30/06/2007 RM'000	Current year ended 30/06/2008 RM'000	Preceding Year ended 30/06/2007 RM'000
Revenue	2,698	5,399	59,293	10,724
Interest income	2,698	1,095	5,578	2,420
Interest expense	-	-	-	-
Net interest income	2,698	1,095	5,578	2,420
Income from Islamic operations	-	-	-	-
Other operating income	9	4,305	53,724	8,305
Operating income	2,707	5,400	59,302	10,725
Other operating expenses	(1,936)	(1,477)	(3,639)	(2,938)
Impairment loss on investment in subsidiary	-	(5,784)	-	(5,784)
Operating profit before loan and financing loss and provision	771	(1,861)	55,663	2,003
Allowance for losses on loans and financing	-	-	-	-
Transfer from profit equalisation reserve	-	-	-	-
Operating profit	771	(1,861)	55,663	2,003
Finance cost	(2,895)	(7,482)	(6,483)	(15,609)
Profit before taxation and zakat	(2,124)	(9,343)	49,180	(13,606)
Taxation	339	165	(13,057)	(101)
Zakat	-	-	-	-
Net profit for the financial period	(1,785)	(9,178)	36,123	(13,707)

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 June 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	-	-	-	-	(47,814)	-	(47,814)
Deferred tax on revaluation of securities available-for-sale	-	-	-	-	11,957	-	11,957
Income and expense recognised directly in equity	-	-	-	-	(35,857)	-	(35,857)
Net profit for the financial period	-	-	-	-	-	154,760	154,760
Total recognised income and expense for the financial period	-	-	-	-	(35,857)	154,760	118,903
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	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	(33,175)	(33,175)
At 30 June 2008	1,494,367	1,494,367	1,399,970	534,212	(18,656)	922,986	4,332,879
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	-	-	-	-	25,718	-	25,718
Deferred tax on revaluation of securities available-for-sale	-	-	-	-	(5,726)	-	(5,726)
Income and expense recognised directly in equity	-	-	-	-	19,992	-	19,992
Net profit for the financial period	-	-	-	-	-	134,939	134,939
Total recognised income and expense for the financial period	-	-	-	-	19,992	134,939	154,931
Issue of share capital:-							
- pursuant to the exercise of Employee Share Option Scheme	26,691	26,691	10,059	-	-	-	36,750
Dividend paid	-	-	-	-	-	(27,926)	(27,926)
At 30 June 2007	1,279,604	1,279,604	1,087,483	410,230	33,035	830,246	3,640,598

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 June 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	-	-	-	36,123	36,123
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 June 2008	1,494,367	1,494,367	1,399,970	346,077	3,240,414
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	-	-	-	(13,707)	(13,707)
Issue of share capital:-					
- pursuant to the exercise of Employee Share Option Scheme	26,691	26,691	10,059	-	36,750
Dividend paid	-	-	-	(27,926)	(27,926)
At 30 June 2007	1,279,604	1,279,604	1,087,483	76,074	2,443,161

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 June 2008

	Group	
	As at 30/06/2008 RM'000	As at 30/06/2007 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation and zakat	213,473	197,725
Adjustment for non-operating and non-cash items	(2,371)	(5,025)
Operating profit before changes in working capital	211,102	192,700
Net changes in operating assets	(333,342)	(227,142)
Net changes in operating liabilities	429,331	2,452,300
Payment of tax and zakat	(63,102)	(19,344)
Taxation refund	558	17,614
Net cash generated from operating activities	244,547	2,416,128
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received from securities	76,864	96,539
Net disposal/(purchase) of:		
- securities	265,358	913,461
- property, plant and equipment	(12,805)	(11,972)
- leasehold land	781	160
- intangible assets	(3,032)	(911)
Dividend received from:		
- associate	-	2,920
- securities	1,305	1,006
Capital injection into a jointly controlled entity	(2,550)	-
Net cash generated from investing activities	325,921	1,001,203
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in borrowings	(200,000)	(142,644)
Proceeds from issuance of shares	10,173	36,750
Dividends paid to shareholders	(33,175)	(27,926)
Net cash used in financing activities	(223,002)	(133,820)
Net increase in cash and cash equivalents	347,466	3,283,511
Cash and cash equivalents at beginning of the period	8,338,768	7,702,346
Cash and cash equivalents at end of the period	8,686,234	10,985,857
 <u>Analysis of cash & cash equivalent</u>		
Cash and short term funds	8,725,978	11,041,240
Adjustment for money held in trust on behalf of clients and remisers	(39,744)	(55,383)
	8,686,234	10,985,857

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 June 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 June 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 June 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 30/06/2008 RM'000	As at 31/12/2007 RM'000
(a) <u>Securities held-for-trading</u>		
At fair value		
Malaysian Government Securities	24,193	89,188
Negotiable Instruments of Deposit	50,002	-
Quoted Securities		
- Shares	574	1,721
- Warrants	114	383
Unquoted Securities		
- Private Debt Securities	298,119	189,034
Total securities held for trading	373,002	280,326

A9. SECURITIES HELD (cont.)

	Group	
	As at 30/06/2008 RM'000	As at 31/12/2007 RM'000
(b) <u>Securities available-for-sale</u>		
At fair value		
Malaysian Government Securities	210,689	216,750
Malaysian Government Treasury Bills	245,989	284,194
Malaysian Government Investment Issuance ('GII')	128,277	161,071
Cagamas Bonds	448,237	454,211
Khazanah Bonds	23,420	230,535
Bankers' Acceptance and Islamic Accepted Bills	365,273	495,009
Bank Negara Malaysia Notes	1,265,081	1,070,385
Negotiable Instruments of Deposit	718,929	1,139,190
Negotiable Islamic Debt Certificate	48,508	-
	3,454,403	4,051,345
Quoted Securities		
- Shares	162,113	185,315
- Private Debt Securities	3,415	3,474
- Irredeemable Convertible Unsecured Loan Stock	4,031	4,031
Unquoted Securities		
- Private Debt Securities	1,903,874	1,769,044
- Foreign currency bonds	32,435	-
	5,560,271	6,013,209
Allowance for impairment of securities	(136,758)	(144,744)
Total securities available-for-sale	5,423,513	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	640,053	476,446
	678,176	514,569
At cost		
Unquoted Securities		
- Shares	56,715	56,384
- Private Debt Securities	16	16
	734,907	570,969
Allowance for impairment of securities	(109,678)	(127,662)
Total securities held-to-maturity	625,229	443,307
Total securities held	6,421,744	6,592,098

A10. LOANS, ADVANCES AND FINANCING

(a) <u>BY TYPE</u>	Group	
	As at 30/06/2008 RM'000	As at 31/12/2007 RM'000
Overdrafts	1,950,935	1,880,246
Term loans/financing		
Housing loans/financing	4,296,190	4,063,704
Syndicated term loan/financing	491,083	766,835
Hire purchase receivables	6,881,256	6,982,975
Other term loans/financing	5,544,235	4,687,639
Bills receivable	189,067	95,596
Trust receipts	347,785	452,453
Claims on customers under acceptance credits	793,914	731,869
Staff loans/financing (of which RM NIL to Directors)	162,941	161,437
Credit/charge cards	114,643	115,291
Revolving credit	1,347,786	1,460,173
Margin financing	46,174	40,408
Other loans/financing	15,358	17,102
	22,181,367	21,455,728
Less: Unearned interest and income	(3,172,151)	(2,596,133)
Gross loans, advances and financing	19,009,216	18,859,595
Less: Allowance for bad and doubtful debts and financing		
- General	(282,159)	(274,585)
- Specific	(468,711)	(1,307,371)
Total net loans, advances and financing	18,258,346	17,277,639

(b) **BY TYPE OF CUSTOMER**

Domestic non-banking institutions		
- Stock-broking companies	166	410
- Others	117,063	157,121
Domestic business enterprises		
- Small medium enterprises	5,949,228	5,354,466
- Others	3,529,849	3,867,732
Government and statutory bodies	209,063	53,499
Individuals	9,003,146	9,136,558
Other domestic entities	32,571	100,738
Foreign entities	168,130	189,071
	19,009,216	18,859,595

A10. LOANS, ADVANCES AND FINANCING (cont.)

	Group	
	As at 30/06/2008 RM'000	As at 31/12/2007 RM'000
(c) <u>BY INTEREST / PROFIT RATE SENSITIVITY</u>		
Fixed rate		
Housing loans/financing	382,579	478,049
Hire purchase receivables	5,821,893	5,911,029
Margin financing	46,174	40,408
Other fixed rate loan/financing	2,639,712	2,238,251
Variable rate		
BLR plus	8,451,068	9,024,593
Cost-plus	1,663,379	1,140,888
Other variable rates	4,411	26,377
	19,009,216	18,859,595
(d) <u>BY ECONOMIC PURPOSE</u>		
Construction	470,985	580,620
Purchase of landed property (of which: - Residential - Non-residential)	3,193,197	3,262,510
Purchase of securities	1,330,141	962,186
Purchase of transport vehicles	306,996	540,788
Fixed assets other than land and building	5,865,067	5,948,323
Personal uses	122,126	188,402
Credit card	695,860	648,834
Consumer durable	114,643	115,292
Merger and acquisition	3,012	4,461
Working capital	17,057	31,685
Others	6,375,283	3,641,865
	514,849	2,934,629
	19,009,216	18,859,595
(e) <u>BY SECTOR</u>		
Primary agriculture	511,946	257,245
Mining and quarrying	65,495	74,135
Manufacturing	1,580,347	1,736,814
Electricity, gas and water supply	9,333	18,539
Construction	2,018,007	1,618,135
Real estate	957,693	780,705
Wholesale and retail trade and restaurants and hotels	1,423,214	1,463,549
Transport, storage and communication	595,037	663,413
Finance, insurance and business services	1,969,585	1,930,305
Education, health and others	739,451	784,044
Household	9,080,706	9,204,306
Community, social and personal services	-	59,927
Others	58,402	268,478
	19,009,216	18,859,595

A10. LOANS, ADVANCES AND FINANCING (cont.)

(f) NON-PERFORMING LOANS/FINANCING

	Group	
	As at 30/06/2008 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	361,758	811,185
Reclassified as performing during the financial year	(259,212)	(633,024)
Loans/financing converted to securities	-	(25,723)
Amount recovered	(202,912)	(503,257)
Amount written-off	(974,645)	(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	1,616,526	2,691,537
less: Specific allowance	(468,711)	(1,307,371)
Net non-performing loans, advances and financing	1,147,815	1,384,166
Net NPL as a % of gross loans, advances and financing less specific allowance	6.19%	7.89%

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

Construction	169,353	43,633
Purchase of landed property:		
- Residential	416,262	546,544
- Non-residential	147,072	138,123
Purchase of securities	80,782	125,541
Purchase of transport vehicles	85,138	269,636
Fixed assets other than land and building	24,672	21,726
Personal uses	32,628	42,911
Credit card	3,112	3,236
Consumer durable	180	768
Working capital	504,699	372,631
Others	152,628	1,126,788
	1,616,526	2,691,537

A10. LOANS, ADVANCES AND FINANCING (cont.)

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

	Group	
	As at 30/06/2008 RM'000	As at 31/12/2007 RM'000
(iii) <u>Non-performing loans, advances and financing by sector</u>		
Primary agriculture	6,843	13,421
Mining and quarrying	4,642	4,792
Manufacturing	264,992	475,787
Electricity, gas and water supply	320	1,093
Construction	295,133	384,935
Real estate	66,097	99,323
Wholesale and retail trade and restaurants and hotels	98,360	315,069
Transport, storage and communication	50,032	103,193
Finance, insurance and business services	70,950	82,782
Education, health and others	152,754	254,762
Household	572,259	916,202
Others	34,144	40,178
	1,616,526	2,691,537
(iv) <u>Aging of net non-performing loans, advances and financing</u>		
Less than 5 years	870,463	1,069,341
5 years to 7 years	277,352	314,825
	1,147,815	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	7,574	6,586
Reclassification arising from merger between ASSB and AIBB	-	29
Balance at the end of financial year	282,159	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	223,864	529,604
Amount transferred to allowance for impairment of securities held-to-maturity/available-for-sales	-	(10,012)
Amount written-off	(971,172)	(46,279)
Amount written back during the financial year	(91,352)	(131,553)
Reclassification arising from merger between ASSB and AIBB	-	122
Balance at the end of financial year	468,711	1,307,371

A11. OTHER ASSETS

	Group	
	As at 30/06/2008 RM'000	As at 31/12/2007 RM'000
Clearing accounts	149,429	213,757
Money order and postal order purchased	1,562	1,915
Income / interest receivable	61,411	66,608
Premium receivable	1,481	1,431
Prepaid lease payments	17,997	17,690
Foreclosed properties	70,331	74,347
Derivative assets	38,625	44,148
Other debtors, deposits and prepayments	43,147	50,148
	383,983	470,044

A12. OTHER LIABILITIES

	Group	
	As at 30/06/2008 RM'000	As at 31/12/2007 RM'000
Bank Negara Malaysia and Credit Guarantee Corporation Funding Programmes	94,827	124,254
Liabilities directly associated with land held for sale	27,389	30,440
Interest payable	181,644	177,834
Margin and collateral deposits	42,343	38,723
Trust accounts for clients and remisiers	39,744	47,345
Defined contribution plan	7,314	8,480
Accrued employee benefits	2,154	1,577
Derivative liabilities	42,249	25,899
Other creditors and accruals	255,017	215,813
Provision for zakat	5,213	6,230
	697,894	676,595

A13. INTEREST INCOME

	<-----Group----->			
	Current	Preceding		
	Financial	Year		
	Quarter	Financial	Current Year-	Preceding
	ended	Quarter	to-date	Year-to-date
	30/06/2008	ended	30/06/2008	30/06/2007
	RM'000	30/06/2007	RM'000	RM'000
		RM'000		
Loans and advances				
- Interest income other than recoveries from NPL	247,845	238,126	495,791	476,670
- Recoveries from NPL	21,229	27,787	42,632	51,869
- Margin financing	1,290	1,336	2,049	1,776
Money at call and deposit with financial institutions	51,646	69,189	104,351	129,102
Securities				
- Held-for-trading	4,078	6,338	7,924	13,178
- Available-for-sale	32,909	31,975	65,791	64,230
- Held-to-maturity	6,606	9,387	10,267	19,131
Interest rate derivatives	8,305	14,796	18,403	20,684
Foreign exchange derivatives	315	-	315	-
Others	129	70	192	108
	<u>374,352</u>	<u>399,004</u>	<u>747,715</u>	<u>776,748</u>
Accretion of discount less amortisation of premium	13,045	11,309	28,743	22,033
	<u><u>387,397</u></u>	<u><u>410,313</u></u>	<u><u>776,458</u></u>	<u><u>798,781</u></u>

A14. INTEREST EXPENSE

Deposits and placements of banks and other financial institutions	23,493	13,531	45,554	25,033
Deposits from customers	166,287	186,343	333,516	377,458
Subordinated term loan	7,236	7,791	15,027	15,527
Loans sold to Cagamas	856	5,576	4,204	11,637
Interest rate derivatives	9,673	22,847	22,874	28,035
Others	1,654	15,904	2,894	30,317
	<u>209,199</u>	<u>251,992</u>	<u>424,069</u>	<u>488,007</u>

A15. OTHER OPERATING INCOME

	<-----Group----->			
	Current	Preceding		
	Financial	Year		
	Quarter	Financial	Current Year-	Preceding
	ended	Quarter	to-date	Year-to-date
	30/06/2008	ended	30/06/2008	30/06/2007
	RM'000	30/06/2007	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000
<u>Fees income:</u>				
Fees on loans, advances and financing	33	50	393	195
Brokerage (net)	11,410	21,192	30,834	44,987
Underwriting fees	378	154	1,143	1,446
Portfolio management fees	1,817	1,191	3,331	2,282
Corporate advisory fees	2,354	640	2,738	3,001
Commission	3,586	4,386	7,107	8,469
Service charges and fees	12,394	12,818	24,446	27,798
Guarantee fees	6,687	4,227	13,441	7,652
Other fee income	5,666	843	10,428	1,273
	<u>44,325</u>	<u>45,501</u>	<u>93,861</u>	<u>97,103</u>
<u>Investment income:</u>				
Gains/(losses) arising from sales of securities:				
- Held-for-trading	226	6,532	1,146	9,582
- Available-for-sale	7,218	21,555	10,418	24,213
- Held-to-maturity	11,956	607	12,235	662
Unrealised loss on revaluation of securities held-for-trading	(11,987)	(3,324)	(10,209)	(1,221)
Gains/(losses) on revaluation of derivatives:				
- realised	162	440	177	1,298
- unrealised	6,846	767	7,311	(944)
Unrealised gains/(losses) on revaluation of foreign exchange derivatives	1,033	-	1,033	-
	<u>15,454</u>	<u>26,577</u>	<u>22,111</u>	<u>33,590</u>
<u>Dividend income:</u>				
- Securities held-for-trading	-	20	-	39
- Securities available-for-sale	-	265	12	271
- Securities held-to-maturity	1,173	572	1,293	696
	<u>1,173</u>	<u>857</u>	<u>1,305</u>	<u>1,006</u>
<u>Other income:</u>				
Foreign exchange gains/(losses):				
- realised	29,773	11,219	18,998	18,926
- unrealised	(16,611)	4,619	21,899	6,561
Rental income	353	516	756	594
Gain on disposal of property, plant and equipment	1,956	200	3,307	955
Gain on disposal of foreclosed properties	857	222	857	222
Other non-operating income	4,227	3,371	6,898	6,260
	<u>20,555</u>	<u>20,147</u>	<u>52,715</u>	<u>33,518</u>
Total Other Operating Income	<u>81,507</u>	<u>93,082</u>	<u>169,992</u>	<u>165,217</u>

A16. OTHER OPERATING EXPENSES

	<-----Group----->			
	Current Financial Quarter ended 30/06/2008 RM'000	Preceding Year Financial Quarter ended 30/06/2007 RM'000	Current Year- to-date 30/06/2008 RM'000	Preceding Year-to-date 30/06/2007 RM'000
<u>Personnel costs</u>				
Wages, salaries and bonus	61,295	49,985	122,044	96,698
Defined contribution plan	8,770	7,942	17,614	15,808
Termination benefits	3,000	3,000	6,000	6,000
Other personnel costs	5,965	6,966	12,619	13,425
	<u>79,030</u>	<u>67,893</u>	<u>158,277</u>	<u>131,931</u>
<u>Promotion and marketing-related expenses</u>				
Business promotion and advertisement	556	846	1,249	1,515
Entertainment	405	598	854	1,049
Travelling and accommodation	1,008	986	1,933	1,779
Dealers' handling fees	7,309	6,618	15,906	12,825
Others	606	(296)	1,143	1,222
	<u>9,884</u>	<u>8,752</u>	<u>21,085</u>	<u>18,390</u>
<u>Establishment-related expenses</u>				
Rental of premises	6,059	5,949	12,110	11,967
Equipment rental	715	(673)	1,439	599
Repair and maintenance	4,097	4,904	12,615	10,501
Depreciation	6,840	6,847	13,498	13,638
Amortisation	4,423	4,060	8,826	8,024
Lease rental - leasehold properties	72	67	352	135
Others	15,935	13,313	33,009	24,688
	<u>38,141</u>	<u>34,467</u>	<u>81,849</u>	<u>69,552</u>
<u>General administrative expenses</u>				
Telecommunication expenses	1,816	2,096	3,643	3,989
Director's Remuneration	241	241	743	477
Auditors' remuneration:				
(i) Statutory audit				
- current year	289	384	584	660
- (over)/underprovision in previous years	(5)	2	(5)	(8)
(ii) Others	65	58	130	96
Professional fees	4,734	3,072	8,340	6,483
Property, plant & equipment written off	161	73	196	491
Others	12,242	10,837	22,852	25,384
	<u>19,543</u>	<u>16,763</u>	<u>36,483</u>	<u>37,572</u>
Total other operating expenses	<u>146,598</u>	<u>127,875</u>	<u>297,694</u>	<u>257,445</u>

A17. ALLOWANCE FOR LOSSES ON LOANS AND FINANCING

	<-----Group----->			
	Current Financial Quarter ended 30/06/2008 RM'000	Preceding Year Financial Quarter ended 30/06/2007 RM'000	Current Year- to-date 30/06/2008 RM'000	Preceding Year-to-date 30/06/2007 RM'000
<u>Allowance for bad and doubtful debts</u>				
<u>on loans and financing:-</u>				
Specific allowance				
- Made during the financial year	142,483	91,656	223,864	182,056
- Written back	(58,171)	(28,649)	(91,352)	(46,953)
General allowance (net)	2,577	665	7,574	953
<u>Bad debts:-</u>				
- recovered	(34,412)	(33,731)	(69,988)	(73,616)
- written off	2,654	644	3,518	2,162
<u>Losses arising from non-performing loans</u>				
<u>sold to Danaharta:-</u>				
- written back on final settlement	-	(39)	-	(39)
<u>Addition / (Writeback) of allowance for bad</u>				
<u>and doubtful debts:</u>				
- trade debtors	(433)	(299)	(611)	(575)
- other debtors	220	173	117	(146)
	54,918	30,420	73,122	63,842

A18. IMPAIRMENT LOSSES

Addition / (Writeback) of allowance for impairment loss:				
- Property, plant and equipment	-	(38)	-	(38)
- Securities available-for-sale	345	15,777	4,440	16,561
- Securities held-to-maturity	(3,186)	-	(3,186)	(177)
	(2,841)	15,739	1,254	16,346

A19. SEGMENTAL INFORMATION ON REVENUE AND PROFIT

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

<-----Current year's individual quarter ended 30 June 2008----->

RM '000	Commercial Banking and Hire Purchase	Investment Banking	Stockbroking	Insurance	Others	Eliminations	Group
Segment revenue	495,925	30,985	8,248	-	3,913	-	539,071
Intersegment revenue	568	731	6	-	291	(1,596)	-
Revenue	<u>496,493</u>	<u>31,716</u>	<u>8,254</u>	<u>-</u>	<u>4,204</u>	<u>(1,596)</u>	<u>539,071</u>
Segment results	112,315	(18,196)	(665)	-	1,338	2,641	97,433
Unallocated expenses							(4,787)
Share of results of:							
- jointly controlled entity	-	-	-	(6,462)	-	-	(6,462)
- associate	-	-	-	2,875	-	-	2,875
Profit before taxation and zakat							<u>89,059</u>
Taxation and zakat							<u>(26,694)</u>
Net profit for the quarter							<u><u>62,365</u></u>

A19. SEGMENTAL INFORMATION ON REVENUE AND PROFIT

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

RM '000	Commercial Banking and Hire Purchase	Investment Banking	Stockbroking	Insurance	Others	Eliminations	Group
Segment revenue	487,917	48,950	20,658	-	3,437	-	560,962
Intersegment revenue	152	77	411	-	235	(875)	-
Revenue	<u>488,069</u>	<u>49,027</u>	<u>21,069</u>	<u>-</u>	<u>3,672</u>	<u>(875)</u>	<u>560,962</u>
Segment results	105,815	11,826	8,275	-	(17,452)	1,071	109,535
Unallocated expenses							(8,956)
Share of results of:							
- jointly controlled entity	-	-	-	153	-	-	153
- associate	-	-	-	8,146	-	-	8,146
Profit before taxation and zakat							<u>108,878</u>
Taxation and zakat							<u>(36,451)</u>
Net profit for the quarter							<u><u>72,427</u></u>

A19. SEGMENTAL INFORMATION ON REVENUE AND PROFIT

	<-----Current year's cumulative quarter ended 30 June 2008----->						
RM '000	Commercial Banking and Hire Purchase	Investment Banking	Stockbroking	Insurance	Others	Eliminations	Group
Segment revenue	981,596	72,262	25,262	-	7,113	-	1,086,233
Intersegment revenue	571	1,289	39	-	611	(2,510)	-
Revenue	<u>982,167</u>	<u>73,551</u>	<u>25,301</u>	<u>-</u>	<u>7,724</u>	<u>(2,510)</u>	<u>1,086,233</u>
Segment results	220,479	(5,528)	2,051	-	1,940	5,426	224,368
Unallocated expenses							(9,998)
Share of results of:							
- jointly controlled entity	-	-	-	(6,131)	-	-	(6,131)
- associate	-	-	-	5,234	-	-	5,234
Profit before taxation and zakat							<u>213,473</u>
Taxation and zakat							(58,713)
Net profit for the cumulative quarter							<u>154,760</u>

A19. SEGMENTAL INFORMATION ON REVENUE AND PROFIT

	<-----Preceding year's cumulative quarter ended 30 June 2007----->						
RM '000	Commercial Banking and Hire Purchase	Investment Banking	Stockbroking	Insurance	Others	Eliminations	Group
Segment revenue	917,316	104,272	42,712	-	6,221	-	1,070,521
Intersegment revenue	312	486	456	-	608	(1,862)	-
Revenue	<u>917,628</u>	<u>104,758</u>	<u>43,168</u>	<u>-</u>	<u>6,829</u>	<u>(1,862)</u>	<u>1,070,521</u>
Segment results	177,041	24,084	19,226	-	470	(16,606)	204,215
Unallocated expenses							(18,510)
Share of results of:							
- jointly controlled entity	-	-	-	(510)	-	-	(510)
- associate	-	-	-	12,530	-	-	12,530
Profit before taxation and zakat							<u>197,725</u>
Taxation and zakat							<u>(62,786)</u>
Net profit for the cumulative quarter							<u><u>134,939</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

There were no significant changes in the composition of the Group during the financial quarter ended 30 June 2008.

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		
	30/06/2008			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	666,885	666,885	666,885	779,119	779,119	779,119
Transaction-related contingent items	2,529,757	1,264,879	1,264,879	2,420,083	1,210,042	1,210,042
Short-term self-liquidating trade-related contingencies	3,048,204	609,641	157,925	3,511,291	702,258	108,604
Obligations under underwriting agreements	148,871	74,436	54,871	283,000	141,500	141,500
Foreign exchange related contracts						
- Less than one year	3,404,136	54,787	15,146	3,263,570	68,391	17,244
- One year to less than five years	336,911	34,388	12,540	389,739	33,789	12,600
Interest rate related contracts						
- Less than one year	220,208	3,380	976	114,728	86	43
- One year to less than five years	392,841	15,480	7,740	352,478	9,144	4,572
- Five years and above	11,250	1,415	708	25,075	1,739	870
Irrevocable commitments to extend credit:						
- Maturity exceeding 1 year	3,044,850	1,522,425	1,493,007	3,205,735	1,602,868	1,575,004
- Maturity not exceeding 1 year	4,238,496	-	-	5,071,325	-	-
	18,042,409	4,247,716	3,674,677	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			
<u>30 June 2008</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
ASSETS									
Cash & short-term funds	8,559,526	-	-	-	-	166,452	-	8,725,978	3.50
Deposits & placements with banks and other financial institutions	12,850	23,200	-	-	-	12	-	36,062	3.31
Securities held for trading	574	-	-	-	-	-	372,428	373,002	6.00
Securities available-for-sale	993,918	967,251	1,395,722	1,494,691	469,179	102,752	-	5,423,513	4.23
Securities held-to-maturity	29,390	-	15,472	130,358	213,834	236,175	-	625,229	4.93
Loans, advances & financing:									
- Performing	9,531,693	1,556,014	1,405,094	3,660,929	1,238,960	(282,159)	-	17,110,531	5.94
- Non-performing	-	-	-	-	-	1,147,815	-	1,147,815	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	844,429	-	844,429	
Other assets	-	-	-	-	-	2,754,076	5,424	2,759,500	
Tax recoverable	-	-	-	-	-	104,193	-	104,193	
Land held for sale	-	-	-	-	-	81,620	-	81,620	
TOTAL ASSETS	19,127,951	2,546,465	2,816,288	5,285,978	1,921,973	5,155,365	377,852	37,231,872	
LIABILITIES, INSURANCE RESERVES AND EQUITY									
Deposits from customers	14,725,170	5,286,809	4,071,881	132,714	-	1,898,401	-	26,114,975	3.08
Deposits & placements of banks and other financial institutions	2,573,363	1,762,758	5,590	-	-	-	-	4,341,711	3.50
Bills and acceptance payable	-	-	-	-	-	90,411	-	90,411	
Recourse obligation on loans sold to Cagamas Berhad	-	6,492	24,568	-	-	-	-	31,060	4.18
Other liabilities	39,744	-	-	-	-	1,517,633	1,212	1,558,589	
Provision for taxation	-	-	-	-	-	62,247	-	62,247	
Borrowings	-	-	-	700,000	-	-	-	700,000	5.67
TOTAL LIABILITIES	17,338,277	7,056,059	4,102,039	832,714	-	3,568,692	1,212	32,898,993	

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 June 2008</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
EQUITY									
Shareholders' Funds	-	-	-	-	-	4,332,879	-	4,332,879	
Total liabilities and shareholders' funds	17,338,277	7,056,059	4,102,039	832,714	-	7,901,571	1,212	37,231,872	
On balance sheet- interest sensitivity gap	1,789,674	(4,509,594)	(1,285,751)	4,453,264	1,921,973	(2,746,206)	376,640	-	
Off balance sheet- interest sensitivity gap	270,728	20,880	(20,157)	(262,933)	(8,518)	-	-	-	
Total interest sensitivity gap	2,060,402	(4,488,714)	(1,305,908)	4,190,331	1,913,455	(2,746,206)	376,640	-	

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 30/06/2008 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	187,155	226,904
Statutory reserve	585,360	585,361
Current year's loss	(6,384)	-
	<u>2,978,321</u>	<u>3,024,455</u>
less: Goodwill	(190,384)	(190,384)
Deferred tax assets	(42,976)	(40,119)
Total Tier 1 capital (a)	<u>2,744,961</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	281,718	274,295
Total Tier 2 capital (b)	<u>781,718</u>	<u>774,295</u>
Total capital (a) + (b)	3,526,679	3,568,247
less: Investment in subsidiaries	(53,229)	(53,229)
Capital base	<u>3,473,450</u>	<u>3,515,018</u>
<u>Before deducting proposed dividends:</u>		
Core capital ratio	10.93%	11.26%
Risk-weighted capital ratio	<u>13.83%</u>	<u>14.17%</u>
<u>After deducting proposed dividends:</u>		
Core capital ratio	10.93%	11.10%
Risk-weighted capital ratio	<u>13.83%</u>	<u>14.01%</u>

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 30/06/2008 RM'000	Previous Financial Year Ended 31/12/2007 RM'000
ASSETS		
Cash and short term funds	2,846,218	3,532,550
Securities available-for-sale	907,624	774,250
Securities held-to-maturity	575	-
Loans, advances and financing	2,210,426	1,734,155
Statutory deposit with Bank Negara Malaysia	105,200	82,300
Other assets	73,774	135,676
Deferred tax assets	6,931	6,212
Property, plant and equipment	3,450	273
Intangible assets	1,368	1,610
TOTAL ASSETS	6,155,566	6,267,026
LIABILITIES, ISLAMIC BANKING FUNDS		
Deposits from customers	4,318,980	3,708,613
Deposits and placements of banks and other financial institutions	1,468,574	2,078,923
Other liabilities	116,879	238,045
Provision for tax and zakat	2,419	5,838
Total Liabilities	5,906,852	6,031,419
SHAREHOLDERS' EQUITY		
Share capital	160,000	160,000
Reserves	88,714	75,607
Total Equity	248,714	235,607
TOTAL LIABILITIES & EQUITY	6,155,566	6,267,026
COMMITMENTS AND CONTINGENCIES	3,331,982	3,917,054

A27. OPERATIONS OF ISLAMIC BANKING (cont.)

(ii) Unaudited Islamic Income Statement

	<-----GROUP----->			
	Preceding Year			
	Current Year Quarter ended 30/06/2008 RM'000	Corresponding Quarter ended 30/06/2007 RM'000	Current year- to-date ended 30/06/2008 RM'000	Preceding Year- to-date ended 30/06/2007 RM'000
Income derived from investment of depositors' funds and others	70,983	56,688	140,141	103,658
Allowance for losses on financing	(3,854)	1,467	(9,580)	754
Transfer from/(to) profit equalisation reserve	-	1,008	-	211
	67,129	59,163	130,561	104,623
Income attributable to depositors	(41,993)	(32,162)	(80,913)	(55,237)
Income attributable to shareholders	25,136	27,001	49,648	49,386
Income derived from investment of Shareholders' funds	2,882	3,242	5,839	6,807
	28,018	30,243	55,487	56,193
Other operating expenses	(16,923)	(11,162)	(33,025)	(21,130)
Profit before tax and zakat	11,095	19,081	22,462	35,063
Taxation	(2,898)	(3,864)	(5,965)	(8,142)
Zakat	(2,359)	(2,240)	(2,359)	(2,240)
Net profit for the financial period	5,838	12,977	14,138	24,681

(iii) Financing

<u>BY TYPE</u>	Group	
	As at 30/06/2008 RM'000	As at 31/12/2007 RM'000
Cash line	203,115	171,901
Term financing		
Housing financing	1,886,555	1,517,539
Syndicated term financing	714,354	349,942
Hire purchase receivables	742,269	599,925
Other term financing	500,924	492,916
Bills financing	116,994	8,037
Trust receipts	58,903	64,895
Interest-free accepted bills	148,582	54,259
Staff financing	10,917	11,452
Revolving credit	3,012	3,024
	4,385,625	3,273,890
less: Unearned income	(2,135,688)	(1,506,080)
	2,249,937	1,767,810
less: Allowance for bad and doubtful debts and financing		
- General	(33,675)	(26,485)
- Specific	(5,836)	(7,170)
Total net financing	2,210,426	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 30/06/2008 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	33,318	56,440
Reclassified as performing during the financial year	(19,846)	(52,642)
Amount written-off	(2,562)	-
Amount written back in respect of recoveries	(3,152)	(5,169)
Balance at the end of financial year	45,537	37,779
less: Specific allowance	(5,836)	(7,170)
Net non-performing loans, advances and financing	39,701	30,609
As % of gross loans, advances and financing less specific allowance	1.77%	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	7,190	6,600
Amount written back during the year	-	(2,008)
Balance at the end of financial year	33,675	26,485
As % of gross loans, advances and financing less specific allowance	1.50%	1.50%

Specific allowance

Balance at the beginning of financial year	7,170	4,770
Allowance made during the financial year	3,012	3,248
Amount written off	(3,597)	-
Amount written back in respect of recoveries	(749)	(848)
Balance at the end of financial year	5,836	7,170

(v) Deposits from customers

<u>By type of deposits</u>	GROUP	
	As at 30/06/2008 RM'000	As at 31/12/2007 RM'000
Non-Mudharabah Funds		
Demand deposits	1,575,381	1,415,404
Savings deposits	182,720	183,216
Negotiable Instruments of Deposits	126,887	82,215
	1,884,988	1,680,835
Mudharabah Funds		
Savings deposits	6,361	5,792
General investment deposits	949,672	798,415
Special investment deposits	1,477,959	1,223,571
	2,433,992	2,027,778
Total deposits from customers	4,318,980	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 RM89.1 million for the second quarter ended 30 June 2008, a drop of RM19.8 million as compared to the pretax profit of RM108.9 million for the preceding year's corresponding quarter ended 30 June 2007. For the half-year ended 30 June 2008, the Group recorded a higher pretax profit of RM213.5 million as compared to RM197.7 million for the corresponding half-year ended 30 June 2007. This was mainly due to the increase in net interest income, Islamic banking income and other operating income totalling RM54.2 million as well as the reduction in both impairment loss on securities and finance cost of RM15.1 million and RM9.1 million respectively. This was partially offset by the increase in overhead expenses, loan loss provision and share of losses in jointly controlled entity of RM40.2 million, RM9.3 million and RM5.6 million respectively, while the share of profits in associate was lower by RM7.3 million.

AFFIN Bank Berhad ("ABB") group recorded a higher pretax profit of RM112.3 million for the current financial quarter as compared to RM105.8 million for the preceding year's corresponding quarter. For the half-year ended 30 June 2008, the ABB group also reported a higher pretax profit of RM220.5 million as compared to RM177.0 million for the preceding year's corresponding period. This was mainly due to the increase in net interest income, other operating income and Islamic banking income totalling RM75.5 million as well as the reduction in loan loss provision of RM13.5 million. The overhead expenses and impairment loss on securities were however higher by RM37.3 million and RM8.1 million for the period under review.

AFFIN Investment Bank Berhad ("AIBB") group reported a pretax loss of RM18.9 million for the current financial quarter as compared to a pretax profit of RM20.1 million for the preceding year's corresponding quarter. For the half-year ended 30 June 2008, the group suffered a year-to-date pretax loss of RM3.5 million as compared to a pretax profit of RM43.3 million achieved last year. Loan loss provision was higher by RM26.4 million attributable largely to specific allowances on legacy NPLs aged 5 to 7 years, while the other operating income was lower by RM27.0 million mainly due to the drop in net brokerage income of RM15.6 million, lower gain on sales of securities of RM12.8 million and higher unrealised loss on held-for-trading securities of RM9.1 million, in line with the prevailing bearish market condition and the recent hike in PDS yield. This was partially cushioned by the write-back of impairment loss on securities of RM7.6 million and the increase in both fee income and net interest income of RM10.4 million and RM2.6 million respectively. For the six months ended 30 June 2008, the stockbroking division contributed a lower pretax profit of RM2.1 million as compared to RM19.2 million for the preceding year's corresponding period.

AFFIN Moneybrokers Sdn Bhd posted a higher pretax profit of RM0.7 million for the current financial quarter as compared to RM0.5 million for the same quarter last year. For the period ended 30 June 2008, the company's pretax profit of RM1.3 million also indicated an improvement of RM0.3 million as compared to a pretax profit of RM1.0 million reported last year, mainly due to higher net brokerage income net of higher overheads.

AXA-AFFIN Life Insurance Berhad reported a pretax loss of RM12.5 million for the current financial quarter as compared to a pretax profit of RM334,000 for the preceding year's corresponding quarter. For the half-year ended 30 June 2008, the Company reported a higher pretax loss of RM11.9 million as compared to the pretax loss of RM1.3 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 RM12.4 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 lower pretax profit of RM9.7 million for the current financial quarter as compared to RM27.9 million for the preceding year's corresponding quarter. For the half-year ended 30 June 2008, the Company reported a lower pretax profit of RM17.7 million as compared to RM38.1 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 RM17.4 million, RM3.4 million and RM3.0 million respectively. This was however cushioned by higher investment income of RM1.1 million and lower net commission of RM1.4 million for the period under review.

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

For the current financial quarter, the Group recorded a lower pretax profit of RM89.1 million as compared to RM124.4 million for the preceding quarter ended 31 March 2008, mainly due to higher loan loss provision of RM36.7 million, lower other operating income of RM7.0 million and higher share of losses in jointly controlled entity of RM6.8 million. This was partially cushioned by the reduction in both allowance for impairment loss on securities and overhead expenses of RM6.9 million and RM4.5 million respectively, with an increase in net interest income of RM4.0 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.

Based on the current performance, the Board of Directors is of the view that the Group is on track to achieve following announced headline Key Performance Indicators (KPIs) for the financial year 2008:-

	As announced for financial Year 2008	Achieved for 6 months ended 30-6-08
Headline KPIs		
(i) After Tax Returns on Equity (ROE)	7.0%	3.6%
(ii) After Tax Returns on Assets (ROA)	0.8%	0.4%
(iii) Net NPL Ratio	5.6%	6.2%
(iv) Earnings Per Share (EPS)	21.4 sen	10.36 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 30/06/2008 RM'000	Preceding year corresponding quarter ended 30/06/2007 RM'000	Current year- to-date 30/06/2008 RM'000	Preceding year- to-date 30/06/2007 RM'000
Malaysian Taxation:				
- Income tax based on profit for the period	26,367	15,132	66,943	23,141
Deferred tax relating to net originating temporary differences	(2,032)	19,054	(10,614)	36,991
Under provision in previous year:				
- Current taxation	-	-	25	389
	24,335	34,186	56,354	60,521

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 Sdn Bhd ("AFM") with Asia Equity Partners Sdn Bhd ("AEP")("JV")**

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.

Under the Proposed Fund, AFM will act as the Fund Manager whilst AEP will act as the Portfolio Advisor. The JV would not involve any capital investment by AFM as there would not be any joint venture company to be incorporated.

The JV is conditional upon satisfaction of the following condition precedent:

- (i) The approvals of AFM's Board, shareholders, SC and/or any other authorities, if required; and,
- (ii) The approvals of AEP's Board, shareholders and/or investment committee or other relevant authorities, if required.

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

B8. STATUS OF CORPORATE PROPOSALS (cont.)

c) Proposed acquisition of equity interest in Malaysian Assurance Alliance Berhad ("MAA Assurance") ("Proposed Acquisition")

On 21 September 2007, the Board of Directors of AHB announced that Bank Negara Malaysia ("BNM") had vide its letter dated 21 September 2007 stated that it had no objection in principle for AXA Asia Pacific Holdings Limited ("AXA APH") and AHB to commence preliminary negotiations with MAA Holdings Berhad ("MAA Holdings") for the proposed acquisition of equity interest in MAA Assurance, a wholly-owned subsidiary of MAA Holdings.

AXA APH, AHB and MAA Holdings would be required to obtain the prior approval of the Minister of Finance, based on the recommendation of BNM, pursuant to the Insurance Act 1966 ("Act") before entering into any agreement to effect the Proposed Acquisition.

The final approval pursuant to the Act will only be considered upon AXA APH and AHB complying with the following requirements:-

- (i) submitting a plan to rationalise the insurance business of MAA Holdings with AXA AFFIN General Insurance Berhad ("AXA AFFIN General") and AXA AFFIN Life Insurance Berhad ("AXA AFFIN Life") in accordance with Section 69 of the Act;
- (ii) submitting a detailed capital plan for AXA AFFIN General and AXA AFFIN Life as well as the rationalised entities to comply with the supervisory and internal target capital as prescribed under the Risk Based Capital Framework; and
- (iii) compliance with the foreign equity participation limit imposed on insurance companies.

On 16 May 2008, the Board of Directors of AHB announced that AHB is no longer preceeding with the negotiation for the Proposed Acquisition.

d) Proposed disposal of 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 CIMB Group ("CIMBG") for the proposed disposal of the equity interest in AFFIN Insurance Brokers Sdn Bhd ("AIB"), a wholly owned subsidiary of AFFIN-ACF Holdings Sdn Bhd which in turn, is a wholly-owned subsidiary of AHB.

The approval by BNM is for AHB to initiate discussions and negotiations with CIMBG 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.

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

B8. STATUS OF CORPORATE PROPOSALS (cont.)

e) Proposed formation of AFFIN Banking Group

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

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

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

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

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 30/06/2008 RM'000	As at 31/12/2007 RM'000
<u>By Type of Deposits:-</u>		
Money Market Deposits	1,756,187	1,424,795
Demand Deposits	3,806,537	3,658,132
Savings Deposits	938,159	903,325
Fixed Deposits	15,701,007	15,860,651
Negotiable Instruments of Deposits ('NIDs')	2,435,126	2,488,265
Special Investment Deposits	1,477,959	1,223,571
	<u>26,114,975</u>	<u>25,558,739</u>
Maturity structure of fixed deposits and NIDs are as follows:		
Due within six months	15,643,468	14,332,480
Six months to one year	2,309,165	3,014,233
One year to three years	180,730	998,355
Three years to five years	2,770	3,848
	<u>18,136,133</u>	<u>18,348,916</u>
<u>By Type of Customers:-</u>		
Government and statutory bodies	5,305,232	5,605,041
Business enterprises	10,223,354	9,052,289
Individuals	3,989,899	3,317,576
Others	6,596,490	7,583,833
	<u>26,114,975</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	498,303	538,420
Licensed investment banks	80,015	-
Bank Negara Malaysia	469,114	327,280
Other financial institutions	3,294,279	3,213,374
	<u>4,341,711</u>	<u>4,079,074</u>
<u>By Maturity Structure:-</u>		
Due within six months	4,341,711	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	3,741,047	3,129,162	141,187	133,787	336,911	-	-
- Forwards	1,534,235	1,272,667	48,221	16,646	196,701	-	-
- Swaps	2,187,439	1,846,809	83,279	117,141	140,210	-	-
- Options	19,373	9,686	9,687	-	-	-	-
Interest Rate related	624,299	208	10,000	210,000	392,841	11,250	-
- Forwards	-	-	-	-	-	-	-
- Futures	-	-	-	-	-	-	-
- Swaps	624,299	208	10,000	210,000	392,841	11,250	-
Total	4,365,346	3,129,370	151,187	343,787	729,752	11,250	-

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 RM1.4 million (FYE 31/12/2007: RM19.2 million), while the notional amount of interest rate contract was RM361.3 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 RM89.2 million (FYE 31/12/2007: RM102.2 million) and RM17.9 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 is a lawsuit against the investment bank subsidiary, namely AFFIN Investment Bank Berhad in respect of counter claims of approximately RM200.1 million and interest thereon until full settlement. As the Directors are confident that they will be successful in winning the case, no provision has been made at this juncture. On 23 April 2008, the judge has fixed the final case management on 12 August 2008.

There are various other legal suits against AFFIN Bank Berhad ("ABB") in respect of claims and counter claims of approximately RM653.7 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

No dividend has been proposed or declared for the second quarter ended 30 June 2008.

B13. EARNINGS PER SHARE

	<-----Group----->			
	Current Financial Quarter ended 30/06/2008	Preceding Year Financial Quarter ended 30/06/2007	Current Year- to-date 30/06/2008	Preceding Year- to-date 30/06/2007
Net profit attributable to equity holders of the parent (RM'000)	62,365	72,427	154,760	134,939
Weighted average number of ordinary share in issue	1,494,366,667	1,276,121,125	1,493,352,548	1,268,277,711
Adjustment for share options	-	34,243,689	-	34,243,689
Adjusted weighted average number of ordinary shares for diluted earnings per share	1,494,366,667	1,310,364,814	1,493,352,548	1,302,521,400
Basic earning per share (sen)	4.17	5.68	10.36	10.64
Diluted earnings per share (sen)	-	5.53	-	10.36

Basic earnings per share

The basic earnings per share of the Group for the current financial quarter ended 30 June 2008 has been calculated based on the net profit attributable to the equity holders of the parent of RM62,365,000 (30 June 2007: RM72,427,000) divided by the weighted average number of ordinary shares in issue during the current financial quarter of 1,494,366,667 (30 June 2007: 1,276,121,125).

The basic earnings per share of the Group for the cumulative quarter ended 30 June 2008 has been calculated based on the net profit attributable to the equity holders of the parent of RM154,760,000 (30 June 2007: RM134,939,000) divided by the weighted average number of ordinary shares in issue during the financial period under review of 1,493,352,548 (30 June 2007: 1,268,277,711).

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 30/06/2008 RM'000	Preceding Year Financial Quarter ended 30/06/2007 RM'000	Current Year- to-date 30/06/2008 RM'000	Preceding Year- to-date 30/06/2007 RM'000
Net profit for the financial period	62,365	72,427	154,760	134,939
Less: Economic charge	(122,993)	(96,660)	(243,119)	(190,363)
Economic loss for the financial period	<u>(60,628)</u>	<u>(24,233)</u>	<u>(88,359)</u>	<u>(55,424)</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