

AFFIN HOLDINGS BERHAD
(Company no. 23218 - W)
Condensed Interim Financial Statements
Unaudited Balance Sheets As At 31 December 2008

	<-----GROUP----->		<-----COMPANY----->	
	Financial Quarter Ended 31/12/2008 RM'000	Previous Financial Year Ended 31/12/2007 RM'000	Financial Quarter Ended 31/12/2008 RM'000	Previous Financial Year Ended 31/12/2007 RM'000
ASSETS				
Cash and short term funds	6,851,602	8,386,113	34,293	238,213
Deposits and placements with financial institutions	-	721,548	295,121	230,000
Securities held-for-trading	403,813	280,326	-	-
Securities available-for-sale	5,896,608	5,868,465	-	-
Securities held-to-maturity	602,665	443,307	-	-
Loans, advances and financing	19,927,677	17,277,639	-	-
Statutory deposits with Bank Negara Malaysia	835,628	841,647	-	-
Investment in subsidiaries	-	-	3,807,617	3,807,617
Investment in jointly-controlled entities	96,030	97,330	120,870	111,180
Investment in associate	113,661	109,976	10,597	10,597
Trade debtors	40,005	174,859	-	-
Other assets	626,772	470,044	4,304	1,201
Tax recoverable	49,765	72,834	13,509	35,350
Deferred tax assets	63,938	32,871	-	-
Property and equipment	203,153	226,159	1,104	1,245
Land held for sale	87,412	92,835	-	-
Intangible assets	1,037,702	1,036,929	2	-
TOTAL ASSETS	36,836,431	36,132,882	4,287,417	4,435,403
LIABILITIES AND EQUITY				
Deposits from customers	26,934,976	25,558,739	-	-
Deposits and placements of banks and other financial institutions	3,888,707	4,079,074	-	-
Bills and acceptances payable	136,243	126,697	-	-
Trade creditors	36,941	163,656	-	-
Recourse obligation on loans sold to Cagamas Berhad	11,088	361,510	-	-
Other liabilities	658,783	676,595	5,676	9,176
Amount due to subsidiaries	-	-	839,122	798,715
Provision for taxation	57,131	25,317	-	-
Deferred tax liabilities	1,257	4,316	1,191	219
Borrowings	700,000	900,000	200,000	400,000
TOTAL LIABILITIES	32,425,126	31,895,904	1,045,989	1,208,110

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	Financial Quarter Ended 31/12/2008 RM'000	Previous Financial Year Ended 31/12/2007 RM'000	Financial Quarter Ended 31/12/2008 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	698,181	534,212	-	-
Investment fluctuation reserve	(22,940)	17,201	-	-
Retained profits	841,727	801,401	347,091	343,129
TOTAL EQUITY	4,411,305	4,236,978	3,241,428	3,227,293
TOTAL LIABILITIES AND EQUITY	36,836,431	36,132,882	4,287,417	4,435,403
COMMITMENTS AND CONTINGENCIES	22,682,166	19,416,143	-	-
CAPITAL ADEQUACY				
<u>Before deducting proposed dividends:</u>				
Core capital ratio	11.11%	11.26%		
Risk-weighted capital ratio	13.91%	14.17%		
<u>After deducting proposed dividends:</u>				
Core capital ratio	11.03%	11.10%		
Risk-weighted capital ratio	13.83%	14.01%		
NET ASSETS PER SHARE (RM)	2.95	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 Year Ended 31 December 2008

<u>Group</u>	<-----Individual Quarter----->		<-----Cumulative Quarter----->	
	Current Year Quarter ended 31/12/2008 RM'000	Preceding Year Corresponding Quarter ended 31/12/2007 RM'000	Current year- to-date ended 31/12/2008 RM'000	Preceding Year to-date ended 31/12/2007 RM'000
Revenue	512,575	537,541	2,115,438	2,184,873
Interest income	401,371	401,950	1,576,021	1,631,078
Interest expense	(209,465)	(216,827)	(851,776)	(953,322)
Net interest income	191,906	185,123	724,245	677,756
Income from Islamic operations	40,187	34,252	148,134	129,226
Other operating income	37,657	82,728	265,445	333,817
Operating income	269,750	302,103	1,137,824	1,140,799
Other operating expenses	(144,356)	(154,479)	(587,581)	(579,381)
Operating profit before loan and financing loss and provision	125,394	147,624	550,243	561,418
Allowance for losses on loans and financing	19,590	(54,230)	(100,474)	(146,911)
Impairment losses	(23,192)	(9,763)	(28,602)	(39,489)
Transfer from profit equalisation reserve	-	-	-	501
Operating profit	121,792	83,631	421,167	375,519
Finance cost	(2,804)	(6,273)	(12,112)	(29,439)
Share of results of a jointly controlled entity	(3,100)	(10,161)	(11,490)	(10,583)
Share of results of associate	(318)	3,398	6,645	17,474
Profit before taxation and zakat	115,570	70,595	404,210	352,971
Taxation	(31,433)	(13,715)	(109,059)	(98,848)
Zakat	(30)	(85)	(2,389)	(2,350)
Net profit for the financial period	84,107	56,795	292,762	251,773
Earnings per share (sen)	5.63	3.93	19.60	19.11
Fully diluted earnings per share (sen)	5.63	3.90	19.60	18.99

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 Year Ended 31 December 2008

<u>Company</u>	<-----Individual Quarter----->		<-----Cumulative Quarter----->	
	Current Year Quarter ended 31/12/2008 RM'000	Preceding Year Corresponding Quarter ended 31/12/2007 RM'000	Current year ended 31/12/2008 RM'000	Preceding Year ended 31/12/2007 RM'000
Revenue	79,658	409,885	141,382	421,587
Interest income	2,894	3,625	10,896	7,023
Interest expense	-	-	-	-
Net interest income	2,894	3,625	10,896	7,023
Income from Islamic operations	-	-	-	-
Other operating income	76,767	406,260	130,498	414,576
Operating income	79,661	409,885	141,394	421,599
Other operating expenses	(1,311)	(1,596)	(7,396)	(6,858)
Impairment loss on investment in subsidiary	-	-	-	(5,784)
Operating profit before loan and financing loss and provision	78,350	408,289	133,998	408,957
Allowance for losses on loans and financing	-	-	-	-
Transfer from profit equalisation reserve	-	-	-	-
Operating profit	78,350	408,289	133,998	408,957
Finance cost	(2,804)	(6,273)	(12,112)	(29,439)
Profit before taxation and zakat	75,546	402,016	121,886	379,518
Taxation	(16,981)	(104,473)	(29,457)	(104,473)
Zakat	-	-	-	-
Net profit for the financial period	58,565	297,543	92,429	275,045

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 Year Ended 31 December 2008**

	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	-	-	-	-	(52,223)	-	(52,223)	
Deferred tax on revaluation of securities available-for-sale	-	-	-	-	12,082	-	12,082	
Income and expense recognised directly in equity	-	-	-	-	(40,141)	-	(40,141)	
Net profit for the financial year	-	-	-	-	-	292,762	292,762	
Total recognised income and expense for the financial year	-	-	-	-	(40,141)	292,762	252,621	
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	-	-	-	163,969	-	(163,969)	-	
Dividend paid	-	-	-	-	-	(88,467)	(88,467)	
At 31 December 2008	1,494,367	1,494,367	1,399,970	698,181	(22,940)	841,727	4,411,305	
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	-	-	-	-	4,310	-	4,310	
Deferred tax on revaluation of securities available-for-sale	-	-	-	-	(152)	-	(152)	
Income and expense recognised directly in equity	-	-	-	-	4,158	-	4,158	
Net profit for the financial year	-	-	-	-	-	251,773	251,773	
Total recognised income and expense for the financial year	-	-	-	-	4,158	251,773	255,931	
Issue of share capital:-								
- pursuant to the exercise of Employee Share Option Scheme	40,865	40,865	15,614	-	-	-	56,479	
- pursuant to the exercise of Warrants 1997/2007	1	1	3	-	-	-	4	
- Pursuant to placement of new ordinary shares to The Bank of East Asia, Limited ("BEA")	193,202	193,202	305,259	-	-	-	498,461	
Share issue expenses on placement of shares to BEA	-	-	(1,117)	-	-	-	(1,117)	
Transfer to statutory reserve	-	-	-	123,982	-	(123,982)	-	
Dividend paid	-	-	-	-	-	(49,623)	(49,623)	
At 31 December 2007	1,486,981	1,486,981	1,397,183	534,212	17,201	801,401	4,236,978	

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 Year Ended 31 December 2008**

Company	Issued and fully paid ordinary shares of RMI each		Non-distributable		Distributable		Total Equity RM'000
	Number of shares '000	Nominal value RM'000	Share premium RM'000	Retained profits 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 year							
- Net profit for the financial year	-	-	-	92,429			92,429
Issue of share capital							
- pursuant to the exercise of Employee Share Option Scheme	7,386	7,386	2,787	-			10,173
Dividend paid	-	-	-	(88,467)			(88,467)
At 31 December 2008	1,494,367	1,494,367	1,399,970	347,091			3,241,428
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 year							
- Net profit for the financial year	-	-	-	275,045			275,045
Issue of share capital							
- pursuant to the exercise of Employee Share Option Scheme	40,865	40,865	15,614	-			56,479
- pursuant to the exercise of Warrants 1997/2007	1	1	3	-			4
- Pursuant to placement of new ordinary shares to The Bank of East Asia, Limited ("BEA")	193,202	193,202	305,259	-			498,461
Share issue expenses on placement of shares to BEA	-	-	(1,117)	-			(1,117)
Dividend paid	-	-	-	(49,623)			(49,623)
At 31 December 2007	1,486,981	1,486,981	1,397,183	343,129			3,227,293

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 Year Ended 31 December 2008

	Group	
	As at 31/12/2008 RM'000	As at 31/12/2007 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation and zakat	404,210	352,971
Adjustment for non-operating and non-cash items	142,341	121,046
Operating profit before changes in working capital	546,551	474,017
Net changes in operating assets	(1,707,027)	(958,551)
Net changes in operating liabilities	25,907	401,654
Payment of tax and zakat	(130,574)	(54,200)
Taxation refund	53,965	36,696
Net cash generated from operating activities	(1,211,178)	(100,384)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received from securities	160,174	173,650
Net disposal/(purchase) of:		
- securities	(178,746)	338,448
- property and equipment	(8,564)	(25,812)
- intangible assets	(7,554)	(2,314)
Dividend received from:		
- associate	-	5,840
- securities	4,768	4,089
Proceeds from disposal of prepaid lease payments	1,318	228
Proceeds from disposal of a subsidiary	2,041	-
Capital injection into jointly controlled entities	(10,190)	-
Net cash generated from investing activities	(36,753)	494,129
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in borrowings	(200,000)	(262,644)
Proceeds from issue of shares pursuant to the exercise of Employee Share Option Scheme and Warrants	10,173	56,483
Proceeds from placement of new ordinary shares	-	498,461
Dividends paid to shareholders of the Company	(88,467)	(49,623)
Net cash used in financing activities	(278,294)	242,677
Net increase in cash and cash equivalents	(1,526,225)	636,422
Cash and cash equivalents at beginning of the period	8,338,768	7,702,346
Cash and cash equivalents at end of the period	6,812,543	8,338,768
 <u>Analysis of cash & cash equivalent</u>		
Cash and short term funds	6,851,602	8,386,113
Adjustment for money held in trust on behalf of clients and remisiers	(39,059)	(47,345)
	6,812,543	8,338,768

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 current financial quarter and year ended 31 December 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 the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the Group since the year ended 31 December 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 134 Interim Financial Reporting
- FRS 137 Provision, Contingent Liabilities and Contingent Assets

The adoption of the above FRS 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 and year ended 31 December 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 and year ended 31 December 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>Option price per share</u>
588,000	RM 1.00
6,797,900	RM 1.41

A8. DIVIDEND

During the financial year, the following dividends were paid by the Company:-

- a) 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 was paid on 6 June 2008.
- b) An interim dividend of 5 sen per share less 26% tax in respect of the current financial year ended 31 December 2008, amounting to RM55,291,566 was paid on 31 December 2008.

A9. SECURITIES HELD

	Group	
	As at 31/12/2008 RM'000	As at 31/12/2007 RM'000
(a) <u>Securities held-for-trading</u>		
At fair value		
Malaysian Government Securities	-	39,303
Negotiable Instruments of Deposit	70,000	49,885
Quoted Securities		
- Shares	433	1,721
- Warrants	57	383
Unquoted Securities		
- Private Debt Securities	333,323	189,034
Total securities held for trading	403,813	280,326

A9. SECURITIES HELD (cont.)

	Group	
	As at 31/12/2008 RM'000	As at 31/12/2007 RM'000
(b) <u>Securities available-for-sale</u>		
At fair value		
Malaysian Government Securities	821,181	216,750
Malaysian Government Treasury Bills	364,774	284,194
Malaysian Government Investment Issuance	211,689	161,071
Cagamas Bonds	461,298	454,211
Khazanah Bonds	24,078	230,535
Bankers' Acceptance and Islamic Accepted Bills	320,824	495,009
Bank Negara Malaysia Notes	897,736	1,070,385
Negotiable Instruments of Deposit and Islamic Debt Certificate	639,702	1,139,190
	3,741,282	4,051,345
Quoted Securities		
- Shares	83,646	185,315
- Private Debt Securities	2,867	3,474
- Irredeemable Convertible Unsecured Loan Stock	4,031	4,031
Unquoted Securities		
- Shares	50	45
- Private Debt Securities	2,198,234	1,768,999
	6,030,110	6,013,209
Allowance for impairment of securities	(133,502)	(144,744)
Total securities available-for-sale	5,896,608	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	615,333	476,446
	653,456	514,569
At cost		
Unquoted Securities		
- Shares	57,240	56,384
- Private Debt Securities	16	16
	710,712	570,969
Allowance for impairment of securities	(108,047)	(127,662)
Total securities held-to-maturity	602,665	443,307
Total securities held	6,903,086	6,592,098

A10. LOANS, ADVANCES AND FINANCING

	Group	
	As at 31/12/2008 RM'000	As at 31/12/2007 RM'000
(a) <u>BY TYPE</u>		
Overdrafts	2,059,761	1,880,246
Term loans/financing		
Housing loans/financing	4,620,336	4,063,704
Syndicated term loan/financing	1,354,582	766,835
Hire purchase receivables	7,253,275	6,982,975
Other term loans/financing	5,268,884	4,687,639
Bills receivable	57,879	95,596
Trust receipts	299,477	452,453
Claims on customers under acceptance credits	583,103	731,869
Staff loans/financing (of which RM NIL to Directors)	164,295	161,437
Credit/charge cards	108,273	115,291
Revolving credit	2,540,205	1,460,173
Margin financing	32,728	40,408
Factoring	12,691	17,102
	<u>24,355,489</u>	<u>21,455,728</u>
Less: Unearned interest and income	(3,568,311)	(2,596,133)
Gross loans, advances and financing	20,787,178	18,859,595
Less: Allowance for bad and doubtful debts and financing		
- General	(306,033)	(274,585)
- Specific	(553,468)	(1,307,371)
Total net loans, advances and financing	19,927,677	17,277,639
(b) <u>BY TYPE OF CUSTOMER</u>		
Domestic non-banking institutions		
- Stock-broking companies	194	410
- Others	939,819	157,121
Domestic business enterprises		
- Small medium enterprises	6,271,165	5,354,466
- Others	3,711,190	3,867,732
Government and statutory bodies	91,130	53,499
Individuals	9,451,464	9,136,558
Other domestic entities	54,841	100,738
Foreign entities	267,375	189,071
	<u>20,787,178</u>	<u>18,859,595</u>

A10. LOANS, ADVANCES AND FINANCING (cont.)

	Group	
	As at 31/12/2008 RM'000	As at 31/12/2007 RM'000
(c) <u>BY INTEREST / PROFIT RATE SENSITIVITY</u>		
Fixed rate		
Housing loans/financing	451,498	478,049
Hire purchase receivables	6,118,148	5,911,029
Margin financing	32,728	40,408
Other fixed rate loan/financing	3,000,371	2,238,251
Variable rate		
BLR plus	8,328,511	9,050,970
Cost-plus	2,855,922	1,140,888
	20,787,178	18,859,595
(d) <u>BY ECONOMIC PURPOSE</u>		
Construction	462,359	580,620
Purchase of landed property		
(of which: - Residential	3,381,681	3,262,510
- Non-residential)	1,456,315	962,186
Purchase of securities	365,285	540,788
Purchase of transport vehicles	6,163,738	5,948,323
Fixed assets other than land and building	114,429	188,402
Personal uses	764,574	648,834
Credit card	108,273	115,292
Consumer durable	1,841	4,461
Merger and acquisition	29,522	31,685
Working capital	7,282,135	3,641,865
Others	657,026	2,934,629
	20,787,178	18,859,595
(e) <u>BY SECTOR</u>		
Primary agriculture	608,588	257,245
Mining and quarrying	170,103	74,135
Manufacturing	1,536,451	1,736,814
Electricity, gas and water supply	10,754	18,539
Construction	2,017,580	1,618,135
Real estate	1,161,005	780,705
Wholesale and retail trade and restaurants and hotels	1,238,710	1,463,549
Transport, storage and communication	895,997	663,413
Finance, insurance and business services	2,848,131	1,930,305
Education, health and others	568,687	784,044
Household	9,537,023	9,204,306
Community, social and personal services	-	59,927
Others	194,149	268,478
	20,787,178	18,859,595

A10. LOANS, ADVANCES AND FINANCING (cont.)

(f) NON-PERFORMING LOANS/FINANCING

	Group	
	As at 31/12/2008 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	2,691,432	3,089,706
Classified as non-performing during the financial year	690,130	811,105
Reclassified as performing during the financial year	(478,188)	(633,024)
Loans/financing converted to securities	-	(25,723)
Amount recovered	(645,324)	(503,257)
Amount written-off	(1,057,227)	(47,497)
Reclassification arising from the merger between AFFIN Securities Sdn Bhd ("ASSB") and AFFIN Investment Bank Berhad ("AIBB")	-	122
Balance at the end of financial year	1,200,823	2,691,432
less: Specific allowance	(553,468)	(1,307,371)
Net non-performing loans, advances and financing	647,355	1,384,061
Net NPL as a % of gross loans, advances and financing less specific allowance	3.20%	7.89%

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

Construction	62,132	43,633
Purchase of landed property:		
- Residential	405,854	546,544
- Non-residential	73,948	138,123
Purchase of securities	6,377	125,436
Purchase of transport vehicles	82,306	269,636
Fixed assets other than land and building	27,492	21,726
Personal uses	24,214	42,911
Credit card	3,804	3,236
Consumer durable	96	768
Working capital	395,006	372,631
Others	119,594	1,126,788
	1,200,823	2,691,432

A10. LOANS, ADVANCES AND FINANCING (cont.)

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

	Group	
	As at 31/12/2008 RM'000	As at 31/12/2007 RM'000
(iii) <u>Non-performing loans, advances and financing by sector</u>		
Primary agriculture	6,428	13,421
Mining and quarrying	4,753	4,792
Manufacturing	206,992	475,787
Electricity, gas and water supply	85	1,093
Construction	125,761	384,935
Real estate	93,763	90,935
Wholesale and retail trade and restaurants and hotels	55,447	305,069
Transport, storage and communication	46,539	103,193
Finance, insurance and business services	52,874	82,904
Education, health and others	37,964	254,762
Household	540,930	934,363
Others	29,287	40,178
	1,200,823	2,691,432
(iv) <u>Aging of net non-performing loans, advances and financing</u>		
Less than 5 years	566,104	1,069,236
5 years to 7 years	81,251	314,825
	647,355	1,384,061
(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	31,738	6,586
Amount written back during the financial year	(290)	-
Reclassification arising from the merger between ASSB and AIBB	-	29
Balance at the end of financial year	306,033	274,585
As % of gross loans, advances and financing less specific allowance	1.51%	1.56%
Specific allowance		
Balance at the beginning of financial year	1,307,371	965,489
Allowance made during the financial year	417,019	529,604
Amount transferred to allowance for impairment of securities held-to-maturity/available-for-sales	-	(10,012)
Amount written-off	(1,055,027)	(46,279)
Amount written back during the financial year	(115,895)	(131,553)
Reclassification arising from merger between ASSB and AIBB	-	122
Balance at the end of financial year	553,468	1,307,371

A11. OTHER ASSETS

	Group	
	As at 31/12/2008 RM'000	As at 31/12/2007 RM'000
Clearing accounts	173,371	213,757
Income / interest receivable	74,173	66,608
Premium receivable	-	1,431
Prepaid lease payments	17,347	17,690
Foreclosed properties	187,422	74,347
Derivative assets	60,276	44,148
Other debtors, deposits and prepayments	110,472	52,063
Amount due from jointly controlled entity	750	-
Amount due from associate	2,961	-
	626,772	470,044

A12. OTHER LIABILITIES

	Group	
	As at 31/12/2008 RM'000	As at 31/12/2007 RM'000
Bank Negara Malaysia and Credit Guarantee Corporation Funding Programmes	69,358	124,254
Amount due from other shareholders of a subsidiary - Liabilities directly associated with land held for sale	26,696	30,440
Interest payable	183,315	177,834
Margin and collateral deposits	43,916	38,723
Trust accounts for clients and remisiers	39,059	47,345
Defined contribution plan	9,539	8,480
Accrued employee benefits	987	1,577
Derivative liabilities	81,393	25,899
Other creditors and accruals	197,231	215,813
Provision for zakat	7,289	6,230
	658,783	676,595

A13. INTEREST INCOME

	<-----Group----->			
	Current Financial Quarter ended 31/12/2008 RM'000	Preceding Year Financial Quarter ended 31/12/2007 RM'000	Current Year- to-date 31/12/2008 RM'000	Preceding Year-to-date 31/12/2007 RM'000
Loans and advances				
- Interest income other than recoveries from NPL	283,327	250,439	1,061,937	992,778
- Recoveries from NPL	16,737	26,325	77,505	115,265
- Margin financing	682	1,036	3,593	3,817
Money at call and deposit with financial institutions	30,090	54,273	175,460	250,732
Securities				
- Held-for-trading	4,198	5,565	16,028	24,847
- Available-for-sale	39,177	37,017	139,707	129,867
- Held-to-maturity	6,239	4,505	20,467	36,225
Interest rate derivatives	13,075	13,180	44,574	55,016
Others	31	20	241	193
	<u>393,556</u>	<u>392,360</u>	<u>1,539,512</u>	<u>1,608,740</u>
Accretion of discount less amortisation of premium	12,906	14,644	56,071	46,136
Interest suspended	(5,091)	(5,054)	(19,562)	(23,798)
	<u>401,371</u>	<u>401,950</u>	<u>1,576,021</u>	<u>1,631,078</u>

A14. INTEREST EXPENSE

Deposits and placements of banks and other financial institutions	21,948	19,692	103,946	73,461
Deposits from customers	163,382	169,944	654,065	726,891
Subordinated term loan	7,562	7,877	30,151	31,280
Loans sold to Cagamas	175	3,995	4,702	20,352
Interest rate derivatives	13,261	13,976	50,358	67,255
Others	3,137	1,343	8,554	34,083
	<u>209,465</u>	<u>216,827</u>	<u>851,776</u>	<u>953,322</u>

A15. OTHER OPERATING INCOME

	<-----Group----->			
	Current Financial Quarter ended 31/12/2008 RM'000	Preceding Year Financial Quarter ended 31/12/2007 RM'000	Current Year- to-date 31/12/2008 RM'000	Preceding Year-to-date 31/12/2007 RM'000
<u>Fees income:</u>				
Fees on loans, advances and financing	30	-	298	562
Brokerage (net)	8,327	14,742	48,839	80,563
Underwriting fees	514	658	2,328	3,559
Portfolio management fees	1,403	1,940	6,353	5,777
Corporate advisory fees	985	1,118	4,123	6,434
Commission	3,286	3,916	14,354	16,728
Service charges and fees	12,060	13,175	48,310	52,854
Guarantee fees	6,469	5,393	27,652	21,081
Arrangement fees	-	-	7,021	1,209
Agency fees	394	206	1,787	693
Other fee income	(207)	1,394	5,234	7,057
	33,261	42,542	166,299	196,517
<u>Investment income:</u>				
Gains/(losses) arising from sales of securities:				
- Held-for-trading	2,386	1,429	4,268	7,129
- Available-for-sale	3,791	4,036	17,833	31,509
- Held-to-maturity	2,995	2,843	15,230	6,726
Gain on disposal of subsidiaries	1,500	-	1,500	-
Unrealised gains/(losses) on revaluation of securities held-for-trading	1,066	4,557	(8,084)	9,823
Gains/(losses) on revaluation of derivatives:				
- realised	-	(139)	177	1,493
- unrealised	(30,776)	(2,153)	(36,851)	(1,294)
Unrealised gains/(losses) on revaluation of foreign exchange derivatives	(58)	-	-	-
	(19,096)	10,573	(5,927)	55,386
<u>Dividend income:</u>				
- Securities held-for-trading	(14)	10	-	66
- Securities available-for-sale	3	16	212	581
- Securities held-to-maturity	177	483	4,556	3,508
	166	509	4,768	4,155
<u>Other income:</u>				
Foreign exchange gains/(losses):				
- realised	(3,972)	(24,036)	32,003	(8,176)
- unrealised	23,956	37,784	40,704	59,218
Rental income	370	196	1,493	1,038
Gains on disposal of property, plant and equipment	(31)	191	10,048	2,684
Gains/(losses) on disposal of foreclosed properties	-	2,600	2,883	1,382
Proceeds on surrendering the discount house licence	-	8,750	-	8,750
Other non-operating income	3,003	3,619	13,174	12,863
	23,326	29,104	100,305	77,759
Total Other Operating Income	37,657	82,728	265,445	333,817

A16. OTHER OPERATING EXPENSES

	<-----Group----->			
	Current Financial Quarter ended	Preceding Year Financial Quarter ended	Current Year- to-date	Preceding Year-to-date
	31/12/2008	31/12/2007	31/12/2008	31/12/2007
	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs</u>				
Wages, salaries and bonus	44,860	69,341	225,455	242,418
Defined contribution plan	8,647	10,635	35,537	35,155
Termination benefits	(6,000)	(8,991)	-	9
Other personnel costs	9,513	9,837	29,004	32,261
	57,020	80,822	289,996	309,843
<u>Promotion and marketing-related expenses</u>				
Business promotion and advertisement	1,761	711	3,433	3,006
Entertainment	466	635	2,583	2,998
Travelling and accommodation	794	775	3,711	3,480
Dealers' handling fees	6,357	7,114	30,998	27,987
Others	(401)	727	1,570	2,304
	8,977	9,962	42,295	39,775
<u>Establishment-related expenses</u>				
Rental of premises	5,913	6,044	24,104	24,120
Equipment rental	197	(182)	2,280	1,499
Repair and maintenance	7,118	5,767	23,276	21,679
Depreciation	7,079	5,891	27,497	26,493
Amortisation	4,976	4,235	18,397	16,476
Lease rental - leasehold properties	64	69	465	271
Others	18,875	14,996	70,664	55,234
	44,222	36,820	166,683	145,772
<u>General administrative expenses</u>				
Telecommunication expenses	1,677	1,651	6,951	7,066
Director's Remuneration	371	356	1,320	1,066
Auditors' remuneration:				
(i) Statutory audit	106	65	966	988
(ii) Others	241	223	427	395
Professional fees	6,452	4,579	19,835	13,776
Property and equipment written off	206	433	835	1,215
Intangible asset written off	(1)	473	16	473
Diminution in value of foreclosed properties	558	11,446	558	11,836
Others	24,527	7,649	57,699	47,176
	34,137	26,875	88,607	83,991
Total other operating expenses	144,356	154,479	587,581	579,381

A17. ALLOWANCE FOR LOSSES ON LOANS AND FINANCING

	<-----Group----->			
	Current Financial Quarter ended	Preceding Year Financial Quarter ended	Current Year- to-date	Preceding Year-to-date
	31/12/2008	31/12/2007	31/12/2008	31/12/2007
	RM'000	RM'000	RM'000	RM'000
<u>Allowance for bad and doubtful debts</u>				
<u>on loans and financing:-</u>				
Specific allowance				
- Made during the financial year	99,546	116,382	415,842	529,604
- Written back	(11,523)	(50,821)	(114,718)	(131,891)
General allowance (net)	8,241	3,669	31,448	6,586
<u>Bad debts:-</u>				
- recovered	(118,365)	(15,558)	(240,767)	(260,460)
- written off	2,444	1,239	8,929	4,136
<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	6	(626)	(553)	(364)
- other debtors	61	(55)	293	(661)
	(19,590)	54,230	100,474	146,911

A18. IMPAIRMENT LOSSES

Net addition / (writeback) of allowance				
for impairment loss:				
- Land held for sale	445	-	445	-
- Property and equipment	-	-	-	(38)
- Securities available-for-sale	23,056	10,194	31,837	43,530
- Securities held-to-maturity	(309)	(431)	(3,680)	(4,003)
	23,192	9,763	28,602	39,489

A19. SEGMENTAL INFORMATION ON REVENUE AND PROFIT

The segment analysis by activity for the individual and cumulative quarters ended 31 December 2008 and 31 December 2007 are as follows:-

	<-----Current year's individual quarter ended 31 December 2008----->						
RM '000	Commercial Banking and Hire Purchase	Investment Banking	Stockbroking	Insurance	Others	Eliminations	Group
Segment revenue	476,037	26,445	7,315	-	2,778	-	512,575
Intersegment revenue	4,486	6,408	(112)	-	849	(11,631)	-
Revenue	480,523	32,853	7,203	-	3,627	(11,631)	512,575
Segment results	137,042	(18,917)	1,138	-	995	2,904	123,162
Unallocated expenses							(4,174)
Share of results of:							
- jointly controlled entity	-	-	-	(3,100)	-	-	(3,100)
- associate	-	-	-	(318)	-	-	(318)
Profit before taxation and zakat							115,570
Taxation and zakat							(31,463)
Net profit for the quarter							84,107

A19. SEGMENTAL INFORMATION ON REVENUE AND PROFIT

<-----Preceding year's individual quarter ended 31 December 2007----->

RM '000	Commercial Banking and Hire Purchase	Investment Banking	Stockbroking	Insurance	Others	Eliminations	Group
Segment revenue	476,665	43,739	14,193	-	2,944	-	537,541
Intersegment revenue	(83)	3,027	(288)	-	144	(2,800)	-
Revenue	<u>476,582</u>	<u>46,766</u>	<u>13,905</u>	<u>-</u>	<u>3,088</u>	<u>(2,800)</u>	<u>537,541</u>
Segment results	62,670	8,925	969	-	9,054	3,153	84,771
Unallocated expenses							(7,413)
Share of results of:							
- jointly controlled entity	-	-	-	(10,161)	-	-	(10,161)
- associate	-	-	-	3,398	-	-	3,398
Profit before taxation and zakat							<u>70,595</u>
Taxation and zakat							<u>(13,800)</u>
Net profit for the quarter							<u>56,795</u>

A19. SEGMENTAL INFORMATION ON REVENUE AND PROFIT

<-----Current year's cumulative quarter ended 31 December 2008----->

RM '000	Commercial Banking and Hire Purchase	Investment Banking	Stockbroking	Insurance	Others	Eliminations	Group
Segment revenue	1,927,098	134,971	40,337	-	13,032	-	2,115,438
Intersegment revenue	6,321	9,314	-	-	1,837	(17,472)	-
Revenue	<u>1,933,419</u>	<u>144,285</u>	<u>40,337</u>	<u>-</u>	<u>14,869</u>	<u>(17,472)</u>	<u>2,115,438</u>
Segment results	454,628	(41,104)	685	-	3,528	10,755	428,492
Unallocated expenses							(19,437)
Share of results of:							
- jointly controlled entity	-	-	-	(11,490)	-	-	(11,490)
- associate	-	-	-	6,645	-	-	6,645
Profit before taxation and zakat							404,210
Taxation and zakat							(111,448)
Net profit for the cumulative quarter							<u>292,762</u>

A19. SEGMENTAL INFORMATION ON REVENUE AND PROFIT

	<-----Preceding year's cumulative quarter ended 31 December 2007----->						
RM '000	Commercial Banking and Hire Purchase	Investment Banking	Stockbroking	Insurance	Others	Eliminations	Group
Segment revenue	1,892,937	203,961	75,627	-	12,348	-	2,184,873
Intersegment revenue	198	4,650	312	-	1,152	(6,312)	-
Revenue	<u>1,893,135</u>	<u>208,611</u>	<u>75,939</u>	<u>-</u>	<u>13,500</u>	<u>(6,312)</u>	<u>2,184,873</u>
Segment results	322,003	37,199	24,775	-	10,362	(12,931)	381,408
Unallocated expenses							(35,328)
Share of results of:							
- jointly controlled entity	-	-	-	(10,583)	-	-	(10,583)
- associate	-	-	-	17,474	-	-	17,474
Profit before taxation and zakat							<u>352,971</u>
Taxation and zakat							<u>(101,198)</u>
Net profit for the cumulative quarter							<u><u>251,773</u></u>

A20. VALUATION OF PROPERTY AND EQUIPMENT

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

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

a) Establishment of a jointly controlled entity namely AFFIN-I Goodyear Sdn Bhd.

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.

Major strategic operation and financial decisions relating to the activities of AFFIN-I Goodyear Sdn Bhd requires unanimous consent by both joint venture parties. The Group's interest in AFFIN-I Goodyear Sdn Bhd has been treated as investment in jointly controlled entity, which has been accounted for in the consolidated financial statements using the equity method of accounting.

AFFIN-I Goodyear has not started its operations during the year. Operation is expected to commence in the financial year ending 31 December 2009.

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

On 10 November 2008, AFFIN-ACF Holdings Sdn Bhd ("AACH"), a wholly owned subsidiary of AHB entered into a Share Sale Agreement ("SSA") with Commerce International Group Berhad ("CIGB") for the proposed disposal of its 100% equity interest in AFFIN Insurance Brokers Sdn Bhd ("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 proposed disposal had been approved by Bank Negara Malaysia on 25 September 2008 and was completed on the day of the execution of the SSA.

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 31/12/2008			Previous financial year ended 31/12/2007		
	Principal Amount RM'000	Credit Equivalent Amount* RM'000	Risk- weighted amount* RM'000	Principal Amount RM'000	Credit Equivalent Amount* RM'000	Risk-weighted amount* RM'000
Direct credit substitutes	658,062	658,062	609,474	779,119	779,119	779,119
Transaction-related contingent items	2,785,699	1,392,849	1,115,835	2,420,083	1,210,042	1,210,042
Short-term self-liquidating trade-related contingencies	2,379,763	475,952	202,368	3,511,291	702,258	108,604
Obligations under underwriting agreements	60,214	30,107	20,622	283,000	141,500	141,500
Foreign exchange related contracts						
- Less than one year	574,103	11,551	11,442	3,263,570	68,391	17,244
- One year to less than five years	164,180	10,543	6,715	389,739	33,789	12,600
Interest rate related contracts						
- Less than one year	1,628,702	49,413	11,876	114,728	86	43
- One year to less than five years	940,234	31,074	12,297	352,478	9,144	4,572
- Five years and above	507,100	63,522	13,449	25,075	1,739	870
Irrevocable commitments to extend credit:						
- Maturity exceeding 1 year	9,155,758	1,813,298	893,963	3,205,735	1,602,868	1,575,004
- Maturity not exceeding 1 year	3,828,351	1,907,572	1,705,255	5,071,325	-	-
	<u>22,682,166</u>	<u>6,443,943</u>	<u>4,603,296</u>	<u>19,416,143</u>	<u>4,548,936</u>	<u>3,849,598</u>

* 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 RM'000	Total RM'000	Weighted average interest rate (%)
	Up to 1 month RM'000	1-3 months RM'000	> 3-12 months RM'000	> 1-5 years RM'000	Over 5 years RM'000	Non-interest bearing RM'000			
31 December 2008									
ASSETS									
Cash & short-term funds	6,695,731	-	2,829	-	-	153,042	6,851,602	3.25	
Deposits & placements with banks and other financial institutions	-	-	-	-	-	-	-	-	
Securities held for trading	-	-	-	-	-	433	403,380	5.75	
Securities available-for-sale	798,999	1,565,703	1,441,547	1,399,684	653,155	37,520	5,896,608	4.30	
Securities held-to-maturity	27,938	-	15,564	111,087	214,407	233,669	602,665	3.86	
Loans, advances & financing:									
- Performing	10,500,418	1,601,685	1,698,820	4,312,181	1,473,250	(306,032)	19,280,322	5.54	
- Non-performing	-	-	-	-	-	647,355	647,355	-	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	835,628	835,628	-	
Other assets	-	-	-	-	-	2,153,045	2,153,045	-	
Tax recoverable	-	-	-	-	-	49,765	49,765	-	
Land held for sale	-	-	-	-	-	87,412	87,412	-	
TOTAL ASSETS	18,023,086	3,167,388	3,158,760	5,822,952	2,340,812	3,891,837	431,596	36,836,431	
LIABILITIES, INSURANCE RESERVES AND EQUITY									
Deposits from customers	11,343,132	8,188,700	5,224,468	139,217	-	2,039,459	26,934,976	5.13	
Deposits & placements of banks and other financial institutions	2,878,968	1,004,994	4,745	-	-	-	3,888,707	3.01	
Bills and acceptance payable	-	-	-	-	-	136,243	136,243	-	
Recourse obligation on loans sold to Cagamas Berhad	-	11,088	-	-	-	-	11,088	4.82	
Other liabilities	-	-	-	-	-	696,012	754,112	-	
Borrowings	-	-	200,000	500,000	-	-	700,000	5.63	
TOTAL LIABILITIES	14,222,100	9,204,782	5,429,213	639,217	-	2,871,714	58,100	32,425,126	

A24. INTEREST / PROFIT RATE RISK (cont.)

GROUP	Non-trading Book						Total	Weighted average interest rate (%)
	Up to 1 month RM'000	1-3 months RM'000	> 3-12 months RM'000	> 1-5 years RM'000	Over 5 years RM'000	Non-interest bearing RM'000		
31 December 2008								
EQUITY								
Shareholders' Funds	-	-	-	-	-	4,411,305	-	4,411,305
Total liabilities and shareholders' funds	14,222,100	9,204,782	5,429,213	639,217	-	7,283,019	58,100	36,836,431
On balance sheet- interest sensitivity gap	3,800,986	(6,037,394)	(2,270,453)	5,183,735	2,340,812	(3,391,182)	373,496	-
Off balance sheet- interest sensitivity gap	597,179	101,855	43,402	(648,461)	(93,975)	-	-	-
Total interest sensitivity gap	4,398,165	(5,935,539)	(2,227,051)	4,535,274	2,246,837	(3,391,182)	373,496	-

A24. INTEREST / PROFIT RATE RISK (cont.)

GROUP	Non-trading Book						Total	Weighted average interest rate (%)	
	Up to 1 month RM'000	1-3 months RM'000	> 3-12 months RM'000	> 1-5 years RM'000	Over 5 years RM'000	Non-interest bearing RM'000			Trading Book RM'000
31 December 2007									
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	7.69
- non-performing	-	-	-	-	-	1,384,166	-	1,384,166	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	841,647	-	841,647	
Other assets	-	-	-	-	-	2,147,955	213	2,148,168	
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	4,797,761	278,818	36,132,882	
LIABILITIES									
Deposits from customers	12,384,021	6,142,544	4,950,286	143,136	-	1,938,752	-	25,558,739	2.98
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	-	-	-	-	818,594	3,945	869,884	
Borrowings	200,000	-	200,000	500,000	-	-	-	900,000	5.43
Total liabilities	14,918,798	8,067,947	5,365,776	655,395	-	2,884,043	3,945	31,895,904	

A24. INTEREST / PROFIT RATE RISK (cont.)

GROUP	Non-trading Book						Total	Weighted average interest rate (%)
	Up to 1 month RM'000	1-3 months RM'000	> 3-12 months RM'000	> 1-5 years RM'000	Over 5 years RM'000	Non-interest bearing RM'000		
31 December 2007								
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	-	7,121,021	3,945	36,132,882
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 31/12/2008	As at 31/12/2007
	RM'000	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	269,709	226,904
Statutory reserve	749,330	585,361
	<u>3,231,229</u>	<u>3,024,455</u>
less: Goodwill	(190,384)	(190,384)
Deferred tax assets	(55,896)	(40,119)
Total Tier 1 capital (a)	<u>2,984,949</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	305,853	274,295
Total Tier 2 capital (b)	<u>805,853</u>	<u>774,295</u>
Total capital (a) + (b)	3,790,802	3,568,247
less: Investment in subsidiaries	(53,229)	(53,229)
Capital base	<u>3,737,573</u>	<u>3,515,018</u>
<u>Before deducting proposed dividends:</u>		
Core capital ratio	11.11%	11.26%
Risk-weighted capital ratio	<u>13.91%</u>	<u>14.17%</u>
<u>After deducting proposed dividends:</u>		
Core capital ratio	11.03%	11.10%
Risk-weighted capital ratio	<u>13.83%</u>	<u>14.01%</u>

The Group implemented the Basel II – Risk Weighted Assets Computation under the BNM's Risk Weighted Capital Adequacy Framework with effect from 1 January 2008. The Group has adopted the Standardised Approach for credit risk and market risk, and Basic Indicator Approach for operational risk computation.

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	
	Current Financial Quarter Ended 31/12/2008 RM'000	Previous Financial Year Ended 31/12/2007 RM'000
ASSETS		
Cash and short term funds	2,358,150	3,532,550
Securities available-for-sale	1,071,326	774,250
Securities held-to-maturity	575	-
Loans, advances and financing	2,449,939	1,734,155
Statutory deposit with Bank Negara Malaysia	106,400	82,300
Investment in jointly-controlled entity	500	-
Amount due from jointly-controlled entity	750	-
Other assets	52,585	135,676
Tax recoverable	5,187	-
Deferred tax assets	4,552	6,212
Property, plant and equipment	3,247	273
Land held for sale	15,000	-
Intangible assets	1,392	1,610
TOTAL ASSETS	6,069,603	6,267,026
LIABILITIES, ISLAMIC BANKING FUNDS		
Deposits from customers	4,252,119	3,708,613
Deposits and placements of banks and other financial institutions	1,261,205	2,078,923
Other liabilities	293,608	238,045
Provision for tax and zakat	-	5,838
Total Liabilities	5,806,932	6,031,419
SHAREHOLDERS' EQUITY		
Share capital	160,000	160,000
Reserves	102,671	75,607
Total Equity	262,671	235,607
TOTAL LIABILITIES & EQUITY	6,069,603	6,267,026
COMMITMENTS AND CONTINGENCIES	6,994,462	3,917,054

A27. OPERATIONS OF ISLAMIC BANKING (cont.)

(ii) **Unaudited Islamic Income Statement**

<-----GROUP----->

	Preceding Year		Current year- to-date ended 31/12/2008 RM'000	Preceding Year to-date ended 31/12/2007 RM'000
	Current Year Quarter ended 31/12/2008 RM'000	Corresponding Quarter ended 31/12/2007 RM'000		
Income derived from investment of depositors' funds and others	71,346	62,999	278,588	227,404
Allowance for losses on financing	(8,422)	(4,538)	(27,113)	(7,138)
Transfer from/(to) profit equalisation reserve	-	-	-	501
	62,924	58,461	251,475	220,767
Income attributable to depositors	(38,357)	(34,996)	(155,195)	(124,647)
Income attributable to shareholders	24,567	23,465	96,280	96,120
Income derived from investment of Shareholders' funds	3,337	2,842	12,062	12,636
	27,904	26,307	108,342	108,756
Other operating expenses	(17,108)	(14,045)	(66,981)	(47,512)
Profit before tax and zakat	10,796	12,262	41,361	61,244
Taxation	(2,258)	(4,476)	(11,000)	(16,205)
Zakat	-	-	(2,359)	(2,240)
Net profit for the financial period	8,538	7,786	28,002	42,799

(iii) **Financing**

BY TYPE	Group	
	As at 31/12/2008 RM'000	As at 31/12/2007 RM'000
Cash line	193,632	171,901
Term financing		
Housing financing	2,121,908	1,517,539
Syndicated term financing	896,342	349,942
Hire purchase receivables	874,759	599,925
Other term financing	606,786	492,916
Bills financing	6,275	8,037
Trust receipts	83,763	64,895
Interest-free accepted bills	88,092	54,259
Staff financing	11,780	11,452
Revolving credit	99,486	3,024
	4,982,823	3,273,890
less: Unearned income	(2,488,795)	(1,506,080)
	2,494,028	1,767,810
less: Allowance for bad and doubtful debts and financing		
- General	(37,309)	(26,485)
- Specific	(6,780)	(7,170)
Total net financing	2,449,939	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 31/12/2008 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	61,712	56,440
Reclassified as performing during the financial year	(38,442)	(52,642)
Amount written-off	(16,697)	-
Amount written back in respect of recoveries	(4,250)	(5,169)
Balance at the end of financial year	40,102	37,779
less: Specific allowance	(6,780)	(7,170)
Net non-performing loans, advances and financing	33,322	30,609
As % of gross loans, advances and financing less specific allowance	1.34%	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 financial year	10,824	6,600
Amount written back during the financial year	-	(2,008)
Balance at the end of financial year	37,309	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	17,562	3,248
Amount written off	(16,573)	-
Amount written back in respect of recoveries	(1,379)	(848)
Balance at the end of financial year	6,780	7,170

(v) Deposits from customers

<u>By type of deposits</u>	GROUP	
	As at 31/12/2008 RM'000	As at 31/12/2007 RM'000
Non-Mudharabah Funds		
Demand deposits	1,333,821	1,415,404
Savings deposits	190,415	183,216
Negotiable Instruments of Deposits	222,268	82,215
	1,746,504	1,680,835
Mudharabah Funds		
Savings deposits	6,677	5,792
General investment deposits	1,095,288	798,415
Special investment deposits	1,403,650	1,223,571
	2,505,615	2,027,778
Total deposits from customers	4,252,119	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 pretax profit of RM115.6 million for the current financial quarter, an increase of RM45.0 million or 63.7% as compared to RM70.6 million for the preceding year's corresponding quarter ended 31 December 2007. For the financial year ended 31 December 2008, the Group's pretax profit of RM404.2 million was an improvement of RM51.2 million or 14.5% as compared to RM353.0 million achieved last year. This was mainly due to the increase in net interest income and Islamic banking income totalling RM65.4 million as well as the reduction in loan loss provision, impairment loss on securities and finance cost of RM46.4 million, RM10.9 million and RM17.3 million respectively. The other operating income and share of results in associate however reduced by RM68.4 million and RM10.8 million for the year under review.

AFFIN Bank Berhad ("ABB") group recorded a higher pretax profit of RM137.0 million for the current financial quarter as compared to RM62.7 million for the preceding year's corresponding quarter. For the financial year ended 31 December 2008, the ABB group also registered higher pretax profit of RM454.6 million as compared to RM322.0 million achieved last year, mainly due to the increase in net interest income, other operating income and Islamic banking income totalling RM71.3 million as well as the reduction in loan loss provision of RM89.3 million. However, the overhead expenses and impairment loss on securities were higher by RM22.7 million and RM4.8 million respectively.

AFFIN Investment Bank Berhad ("AIBB") group reported a pretax loss of RM17.8 million for the current financial quarter as compared to a pretax profit of RM9.9 million for the preceding year's corresponding quarter. For the financial year ended 31 December 2008, the group suffered a total pretax loss of RM40.4 million as compared to a pretax profit of RM62.0 million achieved last year. Loan loss provision was higher by RM46.5 million attributable largely to the specific allowances made on legacy NPLs aged 5 to 7 years, while the other operating income was lower by RM69.0 million mainly due to the drop in net brokerage income of RM32.5 million and the net unrealised loss on the held-for-trading securities and derivatives totalling RM21.2 million, in line with the prevailing bearish market condition. This was partially cushioned by the drop in overhead expenses of RM15.6 million during the year. Overall, the stockbroking division and AFFIN Fund Management contributed a pretax profit of RM685,000 and RM4.3 million for the current financial year as compared to the respective pretax profit of RM24.8 million and RM4.0 million reported last year.

AFFIN Moneybrokers Sdn Bhd posted a lower pretax profit of RM0.1 million for the current financial quarter as compared to RM0.3 million for the same quarter last year, mainly due to lower net brokerage income of RM0.3 million net of lower overhead expenses of RM0.1 million. Similar to that of previous year, the company continued to contribute favourably to the Group's results with a pretax profit of RM1.8 million for the current financial year ended 31 December 2008.

AXA-AFFIN Life Insurance Berhad reported a lower pretax loss of RM6.1 million for the current financial quarter as compared to the pretax loss of RM19.9 million for the preceding year's corresponding quarter. For the financial year ended 31 December 2008, the company however registered a higher pretax loss of RM22.6 million as compared to the pretax loss of RM21.1 million for year 2007, mainly due to the unrealised loss on investment securities of RM3.0 million and there was no reversal of overprovision for stamp duty of RM4.3 million as in the previous year. However, the deficit of Life Fund Revenue Accounts transferred to the Income Statements was lower by RM5.5 million for the year under review.

AXA-AFFIN General Insurance Berhad recorded a lower pretax profit of RM0.3 million for the current financial quarter as compared to RM12.7 million for the preceding year's corresponding quarter. For the financial year ended 31 December 2008, the company also registered a lower pretax profit of RM24.0 million as compared to RM56.2 million achieved last year. This was mainly due to higher net claims and higher overhead expenses of RM24.6 million and RM8.2 million, and the drop in both gains on sale of investments and investment income totalling RM17.2 million. The earned premium was however higher by RM15.9 million for the year under review.

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

For the current financial quarter, the Group recorded a higher pretax profit of RM115.6 million as compared to RM75.2 million for the preceding quarter ended 30 September 2008, mainly due to the net write-back of loan loss provision of RM19.6 million as compared to a charge of RM46.9 million for the preceding quarter, and the increase in both net interest income and Islamic banking income totalling RM14.7 million. This was partially offset by the drop in other operating income of RM20.1 million and higher impairment loss on securities of RM19.0 million for the quarter under review.

B3. HEADLINE KEY PERFORMANCE INDICATOR ("KPI") FOR YEAR 2008

The Group has achieved of some of its announced headline KPIs for year 2008 as follows:-

<u>Headline KPIs</u>	<u>As announced</u>	<u>Actual achieved</u>
(i) After Tax Returns on Equity (ROE)	7.0%	6.8%
(ii) After Tax Returns on Assets (ROA)	0.8%	0.8%
(iii) Net NPL Ratio	5.6%	3.2%
(iv) Earnings Per Share (EPS)	21.40 sen	19.60 sen

B4. PROSPECT FOR YEAR 2009

Despite the current challenging operating environment, the Group is expected to continue to achieve satisfactory results for year 2009.

B5. VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

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

B6. TAXATION

	<-----Group----->			
	Current financial quarter ended 31/12/2008 RM'000	Preceding year corresponding quarter ended 31/12/2007 RM'000	Current year- to-date 31/12/2008 RM'000	Preceding year- to-date 31/12/2007 RM'000
Malaysian Taxation:				
- Income tax based on profit for the period	35,723	13,724	133,108	61,865
Deferred tax:				
- Relating to originating temporary differences	(1,878)	(1,727)	(24,124)	34,857
- Relating to changes in tax rate	145	1,057	2,080	1,057
Under provision in previous year:				
- Current taxation	(2,557)	661	(2,005)	1,069
	31,433	13,715	109,059	98,848

After excluding the effect of the change in Corporate tax rate, the Group's effective tax rate was still higher than the prevailing statutory tax rate mainly due to certain expenses being disallowed for tax purposes.

B7. 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.

B8. 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.

B9. 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) **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.

B9. STATUS OF CORPORATE PROPOSALS (cont.)

b) 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).

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

B10. GROUP BORROWINGS AND DEBT SECURITIES

	Group	
	As at 31/12/2008 RM'000	As at 31/12/2007 RM'000
(i) <u>Deposits from Customers</u>		
<u>By Type of Deposits:-</u>		
Money Market Deposits	1,654,643	1,424,795
Demand Deposits	3,714,185	3,658,132
Savings Deposits	990,251	903,325
Fixed Deposits	16,521,716	15,860,651
Negotiable Instruments of Deposits ('NIDs')	2,650,531	2,488,265
Special Investment Deposits	1,403,650	1,223,571
	<u>26,934,976</u>	<u>25,558,739</u>
Maturity structure of fixed deposits and NIDs are as follows:		
Due within six months	16,566,570	14,332,480
Six months to one year	2,412,991	3,014,233
One year to three years	191,240	998,355
Three years to five years	1,446	3,848
	<u>19,172,247</u>	<u>18,348,916</u>
<u>By Type of Customers:-</u>		
Government and statutory bodies	5,087,629	5,605,041
Business enterprises	10,274,853	9,052,289
Individuals	3,467,846	3,317,576
Others	8,104,648	7,583,833
	<u>26,934,976</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	1,062,942	538,420
Licensed investment banks	339,350	-
Bank Negara Malaysia	65,353	327,280
Other financial institutions	2,421,062	3,213,374
	<u>3,888,707</u>	<u>4,079,074</u>
<u>By Maturity Structure:-</u>		
Due within six months	3,883,962	4,079,074
Six months to one year	4,745	-
	<u>3,888,707</u>	<u>4,079,074</u>

B10. GROUP BORROWINGS AND DEBT SECURITIES (cont.)

(iii) Borrowings

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>

B11. 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	738,283	447,079	41,693	85,331	164,180	-	-
- Forwards	738,283	447,079	41,693	85,331	164,180	-	-
- Swaps	-	-	-	-	-	-	-
- Options	-	-	-	-	-	-	-
Interest Rate related	3,076,036	1,170,994	143,165	314,543	940,234	507,100	-
- Forwards	-	-	-	-	-	-	-
- Futures	-	-	-	-	-	-	-
- Swaps	3,076,036	1,170,994	143,165	314,543	940,234	507,100	-
Total	3,814,319	1,618,073	184,858	399,874	1,104,414	507,100	-

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 RM1.3 million (FYE 31/12/2007: RM19.2 million), while the notional amount of interest rate contract was RM868.5 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 RM27.6 million (FYE 31/12/2007: RM102.2 million) and RM45.49 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.

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

Related accounting policies (cont.)

i. Derivative financial instruments (cont.)

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.

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.

B12. MATERIAL LITIGATION

- a) There are various other legal suits against AFFIN Bank Berhad ("ABB") in respect of claims and counter claims of approximately RM103.8 million (31 December 2007: RM118.2 million). Based on legal advice, the Directors of the Bank are of the opinion that no provision for damages need to be made in the financial statements, as the probability of adverse adjudication against ABB is remote.
- b) Pursuant to clause 2.1.5 of the Acquisition of Business Agreement dated 30 August 2000 between the Company, AFFIN Bank Berhad ("ABB"), BSN Commercial Bank (Malaysia) Berhad ("BSNC") and Bank Simpanan Nasional ("BSN") in respect of the acquisition of certain assets and liabilities of BSNC by the ABB, BSNC and BSN undertake to ABB that debts other than those reflected as bad or doubtful debts in the audited financial statements of BSNC will be recoverable in the ordinary course of business. For the debts not recoverable, BSNC undertakes to pay ABB within 30 days from the date of receipt of the Bank's letter of demand, the amounts claimed subject to a limit of 30% of the purchase price.

On 6 April 2001, ABB exercised the warranty and issued a letter of demand for RM 101,694,000, equivalent to 30% of the original purchase price of RM 338,980,000 as a result of doubtful or bad debts arising during the year. Arising from the above, ABB is required to reassign all the rights and benefits of the said bad or doubtful debts to BSNC or its nominee. However, the bad and doubtful debts to be reassigned to BSNC were not identified then.

A dispute arose when ABB subsequently did not agreed with BSNC on the reassignment of 106 non-performing loan ("NPL") accounts amounting to RM988 million (gross) or RM578 million (net) unilaterally identified by BSNC. As the dispute could not be resolved, BSNC filed an Originating Summons against the Company and AFFIN Bank in 2005 for the return of the 106 NPL accounts.

The hearing of the Originating Summons was held on 6 February 2009 and the High Court concluded that the disputes of the material facts must be resolved before BSNC is entitled to secure any part of its claims and it is also pointless for BSNC to seek a declaration when the facts are in dispute. The High Court was contended to order that the Suit be continued as if it had begun by way of Writ, in fairness to the alleged claims of BSNC to ascertain whether there is factual basis to their claims. As a result of the Order, both BSNC and AFFIN are now ordered to file their respective pleadings and proceed to a full trial. In view of the hearing, the Directors are of the opinion that the probable outcome of the Suit is still uncertain at this junction and it is too preliminary to quantify the financial impact to both ABB and the Group.

B13. PROPOSED DIVIDENDS

- a) No final dividend has been proposed or declare for the financial year ended 31 December 2008.
- b) Total dividend for the current financial year : 5 sen per share less 26% tax.
- c) Total dividend for the previous financial year : 5 sen per share, comprising 2 sen per share less 27% tax and 3 sen per share less 26% tax.

B14. EARNINGS PER SHARE

	<-----Group----->			
	Current Financial Quarter ended 31/12/2008	Preceding Year Financial Quarter ended 31/12/2007	Current Year- to-date 31/12/2008	Preceding Year- to-date 31/12/2007
Net profit attributable to equity holders of the parent (RM'000)	84,107	56,795	292,762	251,773
Weighted average number of ordinary share in issue	1,494,366,667	1,446,578,912	1,493,862,378	1,317,481,265
Adjustment for share options	-	8,602,941	-	8,602,941
Adjusted weighted average number of ordinary shares for diluted earnings per share	1,494,366,667	1,455,181,853	1,493,862,378	1,326,084,206
Basic earning per share (sen)	5.63	3.93	19.60	19.11
Diluted earnings per share (sen)	5.63	3.90	19.60	18.99

Basic earnings per share

The basic earnings per share of the Group for the current financial quarter ended 31 December 2008 has been calculated based on the net profit attributable to the equity holders of the parent of RM84,107,000 (31 December 2007: RM56,795,000) divided by the weighted average number of ordinary shares in issue during the current financial quarter of 1,494,366,667 (31 December 2007: 1,446,578,912).

The basic earnings per share of the Group for the cumulative quarter ended 31 December 2008 has been calculated based on the net profit attributable to the equity holders of the parent of RM292,762,000 (31 December 2007: RM251,773,000) divided by the weighted average number of ordinary shares in issue during the financial period under review of 1,493,862,378 (31 December 2007: 1,317,481,265).

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.

For the previous 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.

B15. ECONOMIC PROFIT

	<-----Group----->			
	Current Financial Quarter ended 31/12/2008 RM'000	Preceding Year Financial Quarter ended 31/12/2007 RM'000	Current Year- to-date 31/12/2008 RM'000	Preceding Year- to-date 31/12/2007 RM'000
Net profit for the financial year	84,107	56,795	292,762	251,773
Less: Economic charge	(103,141)	(109,953)	(405,583)	(427,238)
Economic loss for the financial year	(19,034)	(53,158)	(112,821)	(175,465)

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