

**AFFIN HOLDINGS BERHAD**  
(Company no. 23218 - W)  
**Condensed Interim Financial Statements**  
**Unaudited Balance Sheets As At 30 September 2009**

|   | <-----GROUP----->    |                      | <-----COMPANY----->  |                      |
|---|----------------------|----------------------|----------------------|----------------------|
|   | 30/09/2009<br>RM'000 | 31/12/2008<br>RM'000 | 30/09/2009<br>RM'000 | 31/12/2008<br>RM'000 |
| <b>ASSETS</b>   |                      |                      |                      |                      |
| Cash and short term funds   | 6,828,602            | 6,851,602            | 146,392              | 34,293               |
| Deposits and placements with banks and other financial institutions | 102,800              | -                    | 3,600                | 295,121              |
| Securities held-for-trading   | 42                   | 403,813              | -                    | -                    |
| Securities available-for-sale                                       | 7,298,467            | 5,896,608            | -                    | -                    |
| Securities held-to-maturity   | 527,279              | 602,665              | -                    | -                    |
| Loans, advances and financing                                       | 21,535,970           | 19,927,677           | -                    | -                    |
| Statutory deposits with Bank Negara Malaysia                        | 228,043              | 835,628              | -                    | -                    |
| Investment in subsidiaries  | -                    | -                    | 3,807,617            | 3,807,617            |
| Amount due from subsidiary  | -                    | -                    | 300,000              | -                    |
| Investment in jointly-controlled entities                           | 105,545              | 96,030               | 128,520              | 120,870              |
| Investment in associate   | 121,848              | 113,661              | 10,597               | 10,597               |
| Trade debtors   | 97,022               | 40,005               | -                    | -                    |
| Other assets  | 512,695              | 626,772              | 1,040                | 4,304                |
| Tax recoverable   | 47,194               | 49,765               | 5,816                | 13,509               |
| Deferred tax assets   | 59,029               | 63,938               | -                    | -                    |
| Property and equipment  | 186,421              | 203,153              | 984                  | 1,104                |
| Land held for sale  | 66,247               | 87,412               | -                    | -                    |
| Intangible assets   | 1,027,919            | 1,037,702            | 12                   | 2                    |
| <b>TOTAL ASSETS</b>   | <b>38,745,123</b>    | <b>36,836,431</b>    | <b>4,404,578</b>     | <b>4,287,417</b>     |
| <b>LIABILITIES AND EQUITY</b>                                       |                      |                      |                      |                      |
| Deposits from customers   | 28,620,186           | 26,934,976           | -                    | -                    |
| Deposits and placements of banks and other financial institutions   | 4,141,168            | 3,888,707            | -                    | -                    |
| Bills and acceptances payable                                       | 118,523              | 136,243              | -                    | -                    |
| Trade creditors   | 94,272               | 36,941               | -                    | -                    |
| Recourse obligation on loans sold to Cagamas Berhad                 | 148,618              | 11,088               | -                    | -                    |
| Other liabilities   | 568,285              | 658,783              | 5,971                | 5,676                |
| Amount due to subsidiaries  | -                    | -                    | 839,098              | 839,122              |
| Provision for taxation  | 22,309               | 57,131               | -                    | -                    |
| Deferred tax liabilities  | 2,424                | 1,257                | 191                  | 1,191                |
| Borrowings  | 300,000              | 700,000              | 300,000              | 200,000              |
| <b>TOTAL LIABILITIES</b>  | <b>34,015,785</b>    | <b>32,425,126</b>    | <b>1,145,260</b>     | <b>1,045,989</b>     |

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|   | <-----GROUP----->    |                      | <-----COMPANY----->  |                      |
|---|----------------------|----------------------|----------------------|----------------------|
|   | 30/09/2009<br>RM'000 | 31/12/2008<br>RM'000 | 30/09/2009<br>RM'000 | 31/12/2008<br>RM'000 |
| <b>EQUITY</b>                               |                      |                      |                      |                      |
| Share capital                               | 1,494,367            | 1,494,367            | 1,494,367            | 1,494,367            |
| Reserves:-                                  |                      |                      |                      |                      |
| Share premium                               | 1,399,970            | 1,399,970            | 1,399,970            | 1,399,970            |
| Statutory reserve                           | 831,758              | 698,181              | -                    | -                    |
| Investment fluctuation reserve              | 7,420                | (22,940)             | -                    | -                    |
| Retained profits                            | 995,823              | 841,727              | 364,981              | 347,091              |
| <b>TOTAL EQUITY</b>                         | <u>4,729,338</u>     | <u>4,411,305</u>     | <u>3,259,318</u>     | <u>3,241,428</u>     |
| <b>TOTAL LIABILITIES AND EQUITY</b>         | <u>38,745,123</u>    | <u>36,836,431</u>    | <u>4,404,578</u>     | <u>4,287,417</u>     |
| <b>COMMITMENTS AND CONTINGENCIES</b>        | <u>17,576,009</u>    | <u>22,682,166</u>    | <u>-</u>             | <u>-</u>             |
| <b>CAPITAL ADEQUACY</b>                     |                      |                      |                      |                      |
| <u>Before deducting proposed dividends:</u> |                      |                      |                      |                      |
| Core capital ratio                          | 13.05%               | 11.08%               |                      |                      |
| Risk-weighted capital ratio                 | <u>15.41%</u>        | <u>13.88%</u>        |                      |                      |
| <u>After deducting proposed dividends:</u>  |                      |                      |                      |                      |
| Core capital ratio                          | 12.68%               | 11.00%               |                      |                      |
| Risk-weighted capital ratio                 | <u>15.04%</u>        | <u>13.80%</u>        |                      |                      |
| <b>NET ASSETS PER SHARE (RM)</b>            | <u>3.16</u>          | <u>2.95</u>          |                      |                      |

*The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2008.*

**AFFIN HOLDINGS BERHAD**

(Company no. 23218 - W)

**Condensed Interim Financial Statements**

**Unaudited Income Statements For The Financial Period Ended 30 September 2009**

| <u>Group</u>   | <----Individual Quarter Ended ----> |                      | <---Cumulative Quarter Ended ---> |                      |
|--|-------------------------------------|----------------------|-----------------------------------|----------------------|
|  | 30/09/2009<br>RM'000                | 30/09/2008<br>RM'000 | 30/09/2009<br>RM'000              | 30/09/2008<br>RM'000 |
| <b>Revenue</b>   | <b>508,867</b>                      | 516,630              | <b>1,498,449</b>                  | 1,602,863            |
| Interest income  | 360,667                             | 398,192              | <b>1,087,658</b>                  | 1,174,650            |
| Interest expense   | <b>(151,743)</b>                    | (218,242)            | <b>(492,332)</b>                  | (642,311)            |
| <b>Net interest income</b>   | <b>208,924</b>                      | 179,950              | <b>595,326</b>                    | 532,339              |
| Islamic banking income   | 42,119                              | 37,405               | <b>120,007</b>                    | 107,947              |
| Other operating income   | <b>84,273</b>                       | 57,796               | <b>223,234</b>                    | 227,788              |
| <b>Operating income</b>  | <b>335,316</b>                      | 275,151              | <b>938,567</b>                    | 868,074              |
| Other operating expenses   | <b>(152,491)</b>                    | (145,531)            | <b>(448,635)</b>                  | (443,225)            |
| <b>Operating profit before loan and financing loss and provision</b> | <b>182,825</b>                      | 129,620              | <b>489,932</b>                    | 424,849              |
| Allowance for losses on loans, advances and financing                | <b>(40,202)</b>                     | (46,942)             | <b>(98,901)</b>                   | (120,064)            |
| Impairment losses  | <b>(4,928)</b>                      | (4,156)              | <b>(8,205)</b>                    | (5,410)              |
| Transfer to profit equalisation reserve                              | <b>2,845</b>                        | -                    | <b>(776)</b>                      | -                    |
| <b>Operating profit</b>  | <b>140,540</b>                      | 78,522               | <b>382,050</b>                    | 299,375              |
| Finance cost   | <b>(2,212)</b>                      | (2,825)              | <b>(8,944)</b>                    | (9,308)              |
| Share of results of jointly controlled entity                        | <b>88</b>                           | (2,259)              | <b>1,865</b>                      | (8,390)              |
| Share of results of associate  | <b>1,566</b>                        | 1,729                | <b>8,187</b>                      | 6,963                |
| <b>Profit before taxation and zakat</b>                              | <b>139,982</b>                      | 75,167               | <b>383,158</b>                    | 288,640              |
| Taxation   | <b>(33,614)</b>                     | (21,272)             | <b>(92,077)</b>                   | (77,626)             |
| Zakat  | <b>(100)</b>                        | -                    | <b>(3,408)</b>                    | (2,359)              |
| <b>Net profit for the financial period</b>                           | <b>106,268</b>                      | 53,895               | <b>287,673</b>                    | 208,655              |
| Basic earnings per share (sen)                                       | <b>7.11</b>                         | 3.61                 | <b>19.25</b>                      | 13.97                |
| Fully diluted earnings per share (sen)                               | <b>7.11</b>                         | 3.61                 | <b>19.25</b>                      | 13.97                |

*The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2008.*

**AFFIN HOLDINGS BERHAD**

(Company no. 23218 - W)

**Condensed Interim Financial Statements**

**Unaudited Income Statements For The Financial Period Ended 30 September 2009**

| <u>Company</u>   | <---Individual Quarter Ended ---> |                      | <---Cumulative Quarter Ended ---> |                      |
|--|-----------------------------------|----------------------|-----------------------------------|----------------------|
|  | 30/09/2009<br>RM'000              | 30/09/2008<br>RM'000 | 30/09/2009<br>RM'000              | 30/09/2008<br>RM'000 |
| <b>Revenue</b>   | <b>3,195</b>                      | 2,431                | <b>37,890</b>                     | 61,724               |
| Interest income  | <b>3,196</b>                      | 2,424                | <b>9,095</b>                      | 8,002                |
| Interest expense   | -                                 | -                    | -                                 | -                    |
| <b>Net interest income</b>   | <b>3,196</b>                      | 2,424                | <b>9,095</b>                      | 8,002                |
| Islamic banking income   | -                                 | -                    | -                                 | -                    |
| Other operating income   | <b>(1)</b>                        | 7                    | <b>28,795</b>                     | 53,731               |
| <b>Operating income</b>  | <b>3,195</b>                      | 2,431                | <b>37,890</b>                     | 61,733               |
| Other operating expenses   | <b>(1,655)</b>                    | (2,446)              | <b>(4,932)</b>                    | (6,085)              |
| Impairment loss on investment in subsidiary                          | -                                 | -                    | -                                 | -                    |
| <b>Operating profit before loan and financing loss and provision</b> | <b>1,540</b>                      | (15)                 | <b>32,958</b>                     | 55,648               |
| Allowance for losses on loans, advances and financing                | -                                 | -                    | -                                 | -                    |
| Transfer from profit equalisation reserve                            | -                                 | -                    | -                                 | -                    |
| <b>Operating profit</b>  | <b>1,540</b>                      | (15)                 | <b>32,958</b>                     | 55,648               |
| Finance cost   | <b>(2,212)</b>                    | (2,825)              | <b>(8,944)</b>                    | (9,308)              |
| <b>Profit before taxation and zakat</b>                              | <b>(672)</b>                      | (2,840)              | <b>24,014</b>                     | 46,340               |
| Taxation   | <b>204</b>                        | 581                  | <b>(6,124)</b>                    | (12,476)             |
| Zakat  | -                                 | -                    | -                                 | -                    |
| <b>Net profit for the financial period</b>                           | <b>(468)</b>                      | (2,259)              | <b>17,890</b>                     | 33,864               |

*The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2008.*

**AFFIN HOLDINGS BERHAD**  
(Company no. 23218 - W)  
**Unaudited Condensed Consolidated Statement Of Changes In Equity**  
**For The Financial Period Ended 30 September 2009**

|  | Issued and fully paid<br>ordinary shares of<br>RMI each |                         | Non-distributable       |                              |   | Distributable              |                  | Total Equity<br>RM'000 |
|--|---|-------------------------|-------------------------|------------------------------|---|----------------------------|------------------|------------------------|
|  | Number of shares<br>'000                                | Nominal value<br>RM'000 | Share premium<br>RM'000 | Statutory reserves<br>RM'000 | Investment<br>fluctuation reserve<br>RM'000 | Retained profits<br>RM'000 |                  |                        |
| <b>At 1 January 2009</b>                                     | 1,494,367   | 1,494,367               | 1,399,970               | 698,181                      | (22,940)                                    | 841,727                    | 4,411,305        |                        |
| Net change in fair value of securities available-for-sale    | -   | -                       | -                       | -                            | 39,473                                      | -                          | 39,473           |                        |
| Deferred tax on revaluation of securities available-for-sale | -   | -                       | -                       | -                            | (9,113)                                     | -                          | (9,113)          |                        |
| Income and expense recognised directly in equity             | -   | -                       | -                       | -                            | 30,360                                      | -                          | 30,360           |                        |
| Net profit for the financial period                          | -   | -                       | -                       | -                            | -   | 287,673                    | 287,673          |                        |
| Total recognised income and expense for the financial period | -   | -                       | -                       | -                            | 30,360                                      | 287,673                    | 318,033          |                        |
| Transfer to statutory reserve                                | -   | -                       | -                       | 133,577                      | -   | (133,577)                  | -                |                        |
| Dividends paid   | -   | -                       | -                       | -                            | -   | -                          | -                |                        |
| <b>At 30 September 2009</b>                                  | <b>1,494,367</b>  | <b>1,494,367</b>        | <b>1,399,970</b>        | <b>831,758</b>               | <b>7,420</b>                                | <b>995,823</b>             | <b>4,729,338</b> |                        |
| <b>At 1 January 2008</b>                                     | 1,486,981   | 1,486,981               | 1,397,183               | 534,212                      | 17,201                                      | 801,401                    | 4,236,978        |                        |
| Net change in fair value of securities available-for-sale    | -   | -                       | -                       | -                            | (48,966)                                    | -                          | (48,966)         |                        |
| Deferred tax on revaluation of securities available-for-sale | -   | -                       | -                       | -                            | 12,151                                      | -                          | 12,151           |                        |
| Income and expense recognised directly in equity             | -   | -                       | -                       | -                            | (36,815)                                    | -                          | (36,815)         |                        |
| Net profit for the financial period                          | -   | -                       | -                       | -                            | -   | 208,655                    | 208,655          |                        |
| Total recognised income and expense for the financial period | -   | -                       | -                       | -                            | (36,815)                                    | 208,655                    | 171,840          |                        |
| Issue of share capital:-                                     |   |                         |                         |                              |   |                            |                  |                        |
| - pursuant to the exercise of Employee Share Option Scheme   | 7,386   | 7,386                   | 2,787                   | -                            | -   | -                          | 10,173           |                        |
| Transfer to statutory reserve                                | -   | -                       | -                       | 114,853                      | -   | (114,853)                  | -                |                        |
| Dividends paid   | -   | -                       | -                       | -                            | -   | (33,175)                   | (33,175)         |                        |
| <b>At 30 September 2008</b>                                  | <b>1,494,367</b>  | <b>1,494,367</b>        | <b>1,399,970</b>        | <b>649,065</b>               | <b>(19,614)</b>                             | <b>862,028</b>             | <b>4,385,816</b> |                        |

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2008.

**AFFIN HOLDINGS BERHAD**

(Company no. 23218 - W)

**Unaudited Condensed Statement Of Changes In Equity  
For The Financial Period Ended 30 September 2009**

| <u>COMPANY</u>  | Issued and fully paid<br>ordinary shares of |                                     | Non-distributable       |                            | Distributable |  | Total Equity<br>RM'000 |
|---|---|-------------------------------------|-------------------------|----------------------------|---------------|--|------------------------|
|   | Number of shares<br>'000                    | RMI each<br>Nominal value<br>RM'000 | Share premium<br>RM'000 | Retained profits<br>RM'000 |               |  |                        |
| <b>At 1 January 2009</b>  | 1,494,367                                   | 1,494,367                           | 1,399,970               | 347,091                    |               |  | 3,241,428              |
| Total recognised income and expense for the<br>financial period | -   | -                                   | -                       | 17,890                     |               |  | 17,890                 |
| - Net profit for the financial period                           |   |                                     |                         |                            |               |  |                        |
| <b>At 30 September 2009</b>                                     | <b>1,494,367</b>                            | <b>1,494,367</b>                    | <b>1,399,970</b>        | <b>364,981</b>             |               |  | <b>3,259,318</b>       |
| <b>At 1 January 2008</b>  | 1,486,981                                   | 1,486,981                           | 1,397,183               | 343,129                    |               |  | 3,227,293              |
| Total recognised income and expense for the<br>financial period | -   | -                                   | -                       | 33,864                     |               |  | 33,864                 |
| - Net profit for the financial period                           |   |                                     |                         |                            |               |  |                        |
| Issue of share capital  |   |                                     |                         |                            |               |  |                        |
| - pursuant to the exercise of Employee Share<br>Option Scheme   | 7,386                                       | 7,386                               | 2,787                   | -                          |               |  | 10,173                 |
| Dividends paid  | -   | -                                   | -                       | (33,175)                   |               |  | (33,175)               |
| <b>At 30 September 2008</b>                                     | <b>1,494,367</b>                            | <b>1,494,367</b>                    | <b>1,399,970</b>        | <b>343,818</b>             |               |  | <b>3,238,155</b>       |

*The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2008.*

**AFFIN HOLDINGS BERHAD**  
(Company no. 23218 - W)  
**Unaudited Condensed Consolidated Cash Flow Statement**  
**For The Financial Period Ended 30 September 2009**

|  | <-----9 Months Ended-----> |             |
|--|----------------------------|-------------|
|  | 30/09/2009                 | 30/09/2008  |
|  | RM'000                     | RM'000      |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                      |                            |             |
| Profit before taxation and zakat   | 383,158                    | 288,640     |
| Adjustment for non-operating and non-cash items                                  | 41,658                     | 35,881      |
| Operating profit before changes in working capital                               | 424,816                    | 324,521     |
| Net changes in operating assets  | (843,011)                  | (2,418,976) |
| Net changes in operating liabilities   | 2,010,589                  | 120,193     |
| Payment of tax and zakat   | (133,105)                  | (86,291)    |
| Taxation refund  | 3                          | 9,195       |
| Net cash generated from operating activities                                     | 1,459,292                  | (2,051,358) |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                      |                            |             |
| Interest received from securities  | 148,758                    | 116,584     |
| Net (purchase)/disposal of:  |                            |             |
| - securities   | (1,262,263)                | (108,789)   |
| - property and equipment   | (11,747)                   | (1,010)     |
| - intangible assets  | (1,058)                    | (5,176)     |
| - leasehold land   | -                          | 1,319       |
| Dividend received from:  |                            |             |
| - associate  | 2,961                      | -           |
| - securities held-to-maturity/available-for-sale                                 | 8,376                      | 4,602       |
| Proceeds from disposal of property and equipment                                 | 3,712                      | -           |
| Proceeds from disposal of leasehold land classified under prepaid lease payments | 2,111                      | -           |
| Proceeds from disposal of land held for sale                                     | 20,100                     | -           |
| Proceeds from disposal of foreclosed properties                                  | 4,867                      | -           |
| Capital injection into a jointly controlled entity                               | (7,650)                    | (10,190)    |
| Net cash generated from investing activities                                     | (1,091,833)                | (2,660)     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                      |                            |             |
| Decrease in borrowings   | (400,000)                  | (200,000)   |
| Proceed from issuance of shares  | -                          | 10,173      |
| Dividends paid to shareholders   | -                          | (33,175)    |
| Net cash used in financing activities  | (400,000)                  | (223,002)   |
| Net increase in cash and cash equivalents  | (32,541)                   | (2,277,020) |
| Cash and cash equivalents at beginning of the period                             | 6,812,543                  | 8,338,768   |
| Cash and cash equivalents at end of the period                                   | 6,780,002                  | 6,061,748   |
| <b>Analysis of cash &amp; cash equivalent</b>                                    |                            |             |
| Cash and short term funds  | 6,828,602                  | 6,101,712   |
| Adjustment for money held in trust on behalf of clients and remisiers            | (48,600)                   | (39,964)    |
|  | 6,780,002                  | 6,061,748   |

*The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2008.*

**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 financial period ended 30 September 2009 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 2008. 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 2008.

**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 2008.

**A3. AUDITOR'S REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS**

The auditors' report on the audited financial statements for the financial year ended 31 December 2008 was not subjected to any qualification.

**A4. SEASONAL OR CYCLICAL FACTORS**

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



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

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and the Company during the financial period ended 30 September 2009.

**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 financial period ended 30 September 2009.

**A7. DEBT AND EQUITY SECURITIES**

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

**A8. DIVIDENDS PAID**

No dividend has been paid during the financial period ended 30 September 2009.

**A9. SECURITIES HELD**

|   | Group      |            |
|---|------------|------------|
|   | 30/09/2009 | 31/12/2008 |
|   | RM'000     | RM'000     |
| <b>(a) <u>Securities held-for-trading</u></b> |            |            |
| <b>At fair value</b>                          |            |            |
| Negotiable Instruments of Deposit             | -          | 70,000     |
| Quoted Securities                             |            |            |
| - Shares                                      | -          | 433        |
| - Warrants                                    | 42         | 57         |
| Unquoted Securities                           |            |            |
| - Private Debt Securities                     | -          | 333,323    |
| Total securities held for trading             | 42         | 403,813    |

**A9. SECURITIES HELD (cont.)**

|  | Group            |                  |
|--|------------------|------------------|
|  | 30/09/2009       | 31/12/2008       |
|  | RM'000           | RM'000           |
| <b>(b) <u>Securities available-for-sale</u></b>                |                  |                  |
| <b>At fair value</b>   |                  |                  |
| Malaysian Government Securities                                | 1,772,915        | 821,181          |
| Malaysian Government Treasury Bills                            | 115,232          | 364,774          |
| Malaysian Government Investment Issuance                       | 1,142,623        | 211,689          |
| Cagamas Bonds  | 498,903          | 461,298          |
| Khazanah Bonds   | 24,762           | 24,078           |
| Bankers' Acceptance and Islamic Acceptance Bills               | 74,222           | 320,824          |
| Bank Negara Malaysia Notes                                     | 256,929          | 897,736          |
| Negotiable Instruments of Deposit and Islamic Debt Certificate | 560,035          | 639,702          |
|  | 4,445,621        | 3,741,282        |
| Quoted Securities  |                  |                  |
| - Shares   | 70,365           | 83,646           |
| - Private Debt Securities                                      | 2,926            | 2,867            |
| - Irredeemable Convertible Unsecured Loan Stock                | 4,031            | 4,031            |
| Unquoted Securities  |                  |                  |
| - Shares   | 50               | 50               |
| - Private Debt Securities in Malaysia                          | 2,435,632        | 1,932,457        |
| - Private Debt Securities outside Malaysia                     | 462,018          | 265,777          |
|  | 7,420,643        | 6,030,110        |
| Allowance for impairment of securities                         | (122,176)        | (133,502)        |
| Total securities available-for-sale                            | 7,298,467        | 5,896,608        |
| <b>(c) <u>Securities held-to-maturity</u></b>                  |                  |                  |
| <b>At amortised cost</b>                                       |                  |                  |
| Quoted Securities  |                  |                  |
| - Private Debt Securities                                      | 38,123           | 38,123           |
| Unquoted Securities  |                  |                  |
| - Private Debt Securities                                      | 527,111          | 615,333          |
|  | 565,234          | 653,456          |
| <b>At cost</b>   |                  |                  |
| Unquoted Securities  |                  |                  |
| - Shares   | 57,240           | 57,240           |
| - Private Debt Securities                                      | 16               | 16               |
|  | 622,490          | 710,712          |
| Allowance for impairment of securities                         | (95,211)         | (108,047)        |
| Total securities held-to-maturity                              | 527,279          | 602,665          |
| <b>Total securities held</b>                                   | <b>7,825,788</b> | <b>6,903,086</b> |

**A10. LOANS, ADVANCES AND FINANCING**

| (a) <b>BY TYPE</b>                                       | Group                |                      |
|--|----------------------|----------------------|
|  | 30/09/2009<br>RM'000 | 31/12/2008<br>RM'000 |
| Overdrafts   | 2,024,779            | 2,059,761            |
| Term loans/financing                                     |                      |                      |
| - Housing loans/financing                                | 4,773,516            | 4,620,336            |
| - Syndicated term loans/financing                        | 1,500,573            | 1,354,582            |
| - Hire purchase receivables                              | 7,369,445            | 7,253,275            |
| - Other term loans/financing                             | 6,866,241            | 5,268,884            |
| Bills receivables  | 43,573               | 57,879               |
| Trust receipts   | 288,461              | 299,477              |
| Claims on customers under acceptance credits             | 560,656              | 583,103              |
| Staff loans/financing (of which RM NIL to Directors)     | 166,925              | 164,295              |
| Credit/charge cards                                      | 96,910               | 108,273              |
| Revolving credit   | 2,298,285            | 2,540,205            |
| Margin financing   | 36,685               | 32,728               |
| Factoring  | 4,689                | 12,691               |
|  | <hr/>                | <hr/>                |
|  | 26,030,738           | 24,355,489           |
| Less: Unearned interest and income                       | (3,691,002)          | (3,568,311)          |
|  | <hr/>                | <hr/>                |
| <b>Gross loans, advances and financing</b>               | <b>22,339,736</b>    | <b>20,787,178</b>    |
| Less: Allowance for bad and doubtful debts and financing |                      |                      |
| - General  | (328,885)            | (306,033)            |
| - Specific   | (474,881)            | (553,468)            |
|  | <hr/>                | <hr/>                |
| <b>Total net loans, advances and financing</b>           | <b>21,535,970</b>    | <b>19,927,677</b>    |

(b) **BY TYPE OF CUSTOMER**

|                                   |                   |                   |
|-----------------------------------|-------------------|-------------------|
| Domestic banking institutions     | -                 | -                 |
| Domestic non-banking institutions |                   |                   |
| - Stock-broking companies         | -                 | 194               |
| - Others                          | 1,523,580         | 939,819           |
| Domestic business enterprises     |                   |                   |
| - Small medium enterprises        | 6,660,866         | 6,271,165         |
| - Others                          | 4,182,217         | 3,711,190         |
| Government and statutory bodies   | 93,135            | 91,130            |
| Individuals                       | 9,615,509         | 9,451,464         |
| Other domestic entities           | 34,576            | 54,841            |
| Foreign entities                  | 229,853           | 267,375           |
|                                   | <hr/>             | <hr/>             |
|                                   | <b>22,339,736</b> | <b>20,787,178</b> |

**A10. LOANS, ADVANCES AND FINANCING (cont.)**

|   | Group             |                   |
|---|-------------------|-------------------|
|   | 30/09/2009        | 31/12/2008        |
|   | RM'000            | RM'000            |
| <b>(c) <u>BY INTEREST / PROFIT RATE SENSITIVITY</u></b> |                   |                   |
| Fixed rate  |                   |                   |
| - Housing loans/financing                               | 379,887           | 451,498           |
| - Hire purchase receivables                             | 6,226,200         | 6,118,148         |
| - Margin financing                                      | 36,685            | 32,728            |
| - Other fixed rate loans/financing                      | 3,270,991         | 3,000,371         |
| Variable rate   |                   |                   |
| - BLR plus  | 8,873,437         | 8,328,511         |
| - Cost plus   | 3,552,536         | 2,855,922         |
|   | <b>22,339,736</b> | <b>20,787,178</b> |
| <b>(d) <u>BY ECONOMIC PURPOSE</u></b>                   |                   |                   |
| Construction  | 621,235           | 462,359           |
| Purchase of landed property of which                    |                   |                   |
| - Residential   | 3,475,207         | 3,381,681         |
| - Non-residential                                       | 1,570,253         | 1,456,315         |
| Purchase of securities                                  | 364,160           | 365,285           |
| Purchase of transport vehicles                          | 6,259,612         | 6,163,738         |
| Fixed assets other than land and building               | 238,827           | 114,429           |
| Personal use  | 766,248           | 764,574           |
| Credit card   | 96,912            | 108,273           |
| Consumer durable  | 1,441             | 1,841             |
| Merger and acquisition                                  | 17,028            | 29,522            |
| Working capital   | 8,374,209         | 7,282,135         |
| Others  | 554,604           | 657,026           |
|   | <b>22,339,736</b> | <b>20,787,178</b> |
| <b>(e) <u>BY SECTOR</u></b>                             |                   |                   |
| Primary agriculture                                     | 636,421           | 608,588           |
| Mining and quarrying                                    | 269,020           | 170,103           |
| Manufacturing   | 1,655,371         | 1,536,451         |
| Electricity, gas and water supply                       | 37,197            | 10,754            |
| Construction  | 2,128,665         | 2,017,580         |
| Real estate   | 1,369,121         | 1,161,005         |
| Wholesale and retail trade and restaurants and hotels   | 1,199,675         | 1,238,710         |
| Transport, storage and communication                    | 1,001,743         | 895,997           |
| Finance, insurance and business services                | 3,468,516         | 2,848,131         |
| Education, health and others                            | 787,061           | 568,687           |
| Household   | 9,706,236         | 9,537,023         |
| Others  | 80,710            | 194,149           |
|   | <b>22,339,736</b> | <b>20,787,178</b> |

**A10. LOANS, ADVANCES AND FINANCING (cont.)**

**(f) NON-PERFORMING LOANS/FINANCING**

|   | Group                |                      |
|---|----------------------|----------------------|
|   | 30/09/2009<br>RM'000 | 31/12/2008<br>RM'000 |
| <b>(i) <u>Movements in non-performing loans, advances and financing</u></b>         |                      |                      |
| Balance at the beginning of financial year  | 1,200,823            | 2,691,432            |
| Classified as non-performing during the financial period/year                       | 606,604              | 690,130              |
| Reclassified as performing during the financial period/year                         | (284,752)            | (478,188)            |
| Amount recovered  | (118,169)            | (645,324)            |
| Amount written-off  | (250,398)            | (1,057,227)          |
| <b>Balance at the end of financial period/year</b>                                  | <b>1,154,108</b>     | <b>1,200,823</b>     |
| less: Specific allowance  | (474,881)            | (553,468)            |
| <b>Net non-performing loans, advances and financing</b>                             | <b>679,227</b>       | <b>647,355</b>       |
| Net NPL as a % of gross loans, advances and financing less specific allowance       | 3.11%                | 3.20%                |
| <b>(ii) <u>Non-performing loans, advances and financing by economic purpose</u></b> |                      |                      |
| Construction  | 35,548               | 62,132               |
| Purchase of landed property of which  |                      |                      |
| - Residential   | 391,723              | 405,854              |
| - Non-residential   | 118,712              | 73,948               |
| Purchase of securities  | 4,100                | 6,377                |
| Purchase of transport vehicles  | 78,871               | 82,306               |
| Fixed assets other than land and building   | 5,000                | 27,492               |
| Personal use  | 23,605               | 24,214               |
| Credit card   | 1,203                | 3,804                |
| Consumer durable  | 38                   | 96                   |
| Working capital   | 440,146              | 395,006              |
| Others  | 55,162               | 119,594              |
|   | <b>1,154,108</b>     | <b>1,200,823</b>     |

**A10. LOANS, ADVANCES AND FINANCING (cont.)**

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

|  | Group            |                  |
|--|------------------|------------------|
|  | 30/09/2009       | 31/12/2008       |
|  | RM'000           | RM'000           |
| <b>(iii) <u>Non-performing loans, advances and financing by sector</u></b>       |                  |                  |
| Primary agriculture  | 11,717           | 6,428            |
| Mining and quarrying   | 4,023            | 4,753            |
| Manufacturing  | 139,111          | 206,992          |
| Electricity, gas and water supply  | 2,166            | 85               |
| Construction   | 90,166           | 125,761          |
| Real estate  | 95,519           | 93,763           |
| Wholesale and retail trade and restaurants and hotels                            | 125,726          | 55,447           |
| Transport, storage and communication   | 7,214            | 46,539           |
| Finance, insurance and business services   | 39,487           | 52,874           |
| Education, health and others   | 103,232          | 37,964           |
| Household  | 513,561          | 540,930          |
| Others   | 22,186           | 29,287           |
|  | <b>1,154,108</b> | <b>1,200,823</b> |
| <b>(iv) <u>Aging of net non-performing loans, advances and financing</u></b>     |                  |                  |
| Less than 5 years  | 591,819          | 566,104          |
| 5 years to 7 years   | 87,408           | 81,251           |
|  | <b>679,227</b>   | <b>647,355</b>   |
| <b>(v) <u>Movement in allowance for bad and doubtful debts and financing</u></b> |                  |                  |
| <b>General allowance</b>   |                  |                  |
| Balance at the beginning of financial year                                       | 306,033          | 274,585          |
| Allowance made during the financial period/year                                  | 22,899           | 31,738           |
| Amount written-back during the financial period/year                             | (47)             | (290)            |
| Balance at the end of financial period/year                                      | <b>328,885</b>   | <b>306,033</b>   |
| As a % of gross loans, advances and financing<br>less specific allowance         | <b>1.50%</b>     | <b>1.51%</b>     |
| <b>Specific allowance</b>  |                  |                  |
| Balance at the beginning of financial year                                       | 553,468          | 1,307,371        |
| Allowance made during the financial period/year                                  | 201,235          | 417,019          |
| Amount transferred to allowance for impairment of securities                     | (10,775)         | -                |
| Amount written-off   | (229,448)        | (1,055,027)      |
| Amount written-back during the financial period/year                             | (39,599)         | (115,895)        |
| Balance at the end of financial period/year                                      | <b>474,881</b>   | <b>553,468</b>   |

**A11. OTHER ASSETS**

|   | Group      |            |
|---|------------|------------|
|   | 30/09/2009 | 31/12/2008 |
|   | RM'000     | RM'000     |
| Clearing accounts                         | 145,998    | 173,371    |
| Income / interest receivable              | 79,656     | 74,173     |
| Prepaid lease payments                    | 16,240     | 17,347     |
| Foreclosed properties                     | 186,427    | 187,422    |
| Derivative assets                         | 35,680     | 60,276     |
| Other debtors, deposits and prepayments   | 47,939     | 110,472    |
| Amount due from jointly-controlled entity | 755        | 750        |
| Amount due from associate                 | -          | 2,961      |
|   | 512,695    | 626,772    |
|   | 512,695    | 626,772    |

**A12. OTHER LIABILITIES**

|  | Group      |            |
|--|------------|------------|
|  | 30/09/2009 | 31/12/2008 |
|  | RM'000     | RM'000     |
| Bank Negara Malaysia and Credit Guarantee Corporation Funding Programmes | 65,354     | 69,358     |
| Amount due from other shareholders of a subsidiary                       |            |            |
| - Liabilities directly associated with land held for sale                | 25,627     | 26,696     |
| Interest payable   | 123,083    | 183,315    |
| Margin and collateral deposits   | 49,652     | 43,916     |
| Trust accounts for clients and remisiers                                 | 48,600     | 39,059     |
| Defined contribution plan  | 9,804      | 9,539      |
| Accrued employee benefits  | 914        | 987        |
| Derivative liabilities   | 53,567     | 81,393     |
| Other creditors and accruals   | 182,345    | 197,231    |
| Profit equalisation reserve  | 776        | -          |
| Provision for zakat  | 8,563      | 7,289      |
|  | 568,285    | 658,783    |
|  | 568,285    | 658,783    |

**A13. INTEREST INCOME**

|   | ←-----Group----->        |                      |                          |                      |
|---|--------------------------|----------------------|--------------------------|----------------------|
|   | Individual Quarter Ended |                      | Cumulative Quarter Ended |                      |
|   | 30/09/2009<br>RM'000     | 30/09/2008<br>RM'000 | 30/09/2009<br>RM'000     | 30/09/2008<br>RM'000 |
| Loans and advances                                    |                          |                      |                          |                      |
| - Interest income other than recoveries from NPL      | 264,467                  | 273,828              | 792,656                  | 781,323              |
| - Recoveries from NPL                                 | 11,127                   | 17,938               | 38,732                   | 60,768               |
| Money at call and deposit with financial institutions | 17,567                   | 41,019               | 59,646                   | 145,370              |
| Securities  |                          |                      |                          |                      |
| - Held-for-trading                                    | 1                        | 3,906                | 3,756                    | 11,830               |
| - Available-for-sale                                  | 51,901                   | 34,739               | 134,114                  | 100,530              |
| - Held-to-maturity                                    | 7,630                    | 3,961                | 14,644                   | 14,228               |
| Derivatives   | 10,665                   | 12,781               | 38,370                   | 31,499               |
| Others  | 59                       | 18                   | 76                       | 210                  |
|   | <u>363,417</u>           | <u>388,190</u>       | <u>1,081,994</u>         | <u>1,145,758</u>     |
| Accretion of discount less<br>amortisation of premium | 3,744                    | 14,422               | 22,413                   | 43,165               |
| Interest suspended                                    | (6,494)                  | (4,420)              | (16,749)                 | (14,273)             |
|   | <u>360,667</u>           | <u>398,192</u>       | <u>1,087,658</u>         | <u>1,174,650</u>     |

**A14. INTEREST EXPENSE**

|  |                |                |                |                |
|--|----------------|----------------|----------------|----------------|
| Deposits and placements of banks<br>and other financial institutions | 14,059         | 36,577         | 42,340         | 82,131         |
| Deposits from customers  | 118,389        | 157,034        | 385,239        | 490,550        |
| Subordinated term loan   | -              | 7,562          | 5,589          | 22,589         |
| Loans sold to Cagamas Berhad   | 1,879          | 323            | 3,546          | 4,527          |
| Derivatives  | 15,888         | 15,145         | 51,155         | 38,375         |
| Others   | 1,528          | 1,601          | 4,463          | 4,139          |
|  | <u>151,743</u> | <u>218,242</u> | <u>492,332</u> | <u>642,311</u> |



**A15. OTHER OPERATING INCOME**

|   | ←-----Group-----→                                |                      |  |                       |
|---|--|----------------------|--|-----------------------|
|   | Individual Quarter Ended<br>30/09/2009<br>RM'000 | 30/09/2008<br>RM'000 | Cumulative Quarter Ended<br>30/09/2009<br>RM'000 | 30/09/2008<br>RM'000  |
| <u>Fees income:</u>   |  |                      |  |                       |
| Fees on loans, advances and financing                                   | -  | 145                  | 738  | 288                   |
| Brokerage (net)   | 14,287   | 9,678                | 36,822   | 40,512                |
| Underwriting fees   | 108  | 671                  | 2,467  | 1,814                 |
| Portfolio management fees   | 1,753  | 1,618                | 4,681  | 4,950                 |
| Corporate advisory fees   | 731  | 400                  | 1,750  | 3,138                 |
| Commission  | 3,246  | 3,961                | 9,393  | 11,068                |
| Service charges and fees  | 11,081   | 12,083               | 33,326   | 36,509                |
| Guarantee fees  | 10,089   | 7,742                | 25,035   | 21,183                |
| Arrangement fees  | 5,514  | 2,197                | 8,334  | 7,020                 |
| Agency fees   | 606  | 653                  | 1,073  | 1,114                 |
| Other fee income  | 4,271  | 28                   | 4,540  | 5,442                 |
|   | <u>51,686</u>                                    | <u>39,176</u>        | <u>128,159</u>                                   | <u>133,038</u>        |
| <u>Investment income:</u>   |  |                      |  |                       |
| Gains arising from sales of securities:                                 |  |                      |  |                       |
| - Held-for-trading  | 295  | 736                  | 2,155  | 1,882                 |
| - Available-for-sale  | 3,833  | 3,624                | 8,044  | 14,042                |
| - Held-to-maturity  | 138  | -                    | 2,485  | 12,235                |
| Unrealised gains/(losses) on revaluation of securities held-for-trading | (15)   | 1,059                | 5,588  | (9,150)               |
| Gains on derivatives:   |  |                      |  |                       |
| - realised  | 341  | -                    | 665  | 177                   |
| - unrealised  | 2,050  | (14,361)             | 11,234   | (6,017)               |
|   | <u>6,642</u>                                     | <u>(8,942)</u>       | <u>30,171</u>                                    | <u>13,169</u>         |
| <u>Dividend income:</u>   |  |                      |  |                       |
| - Securities Held-for-trading   | -  | 14                   | -  | 14                    |
| - Securities available-for-sale   | 57   | 197                  | 146  | 209                   |
| - Securities held-to-maturity   | 6,358  | 3,086                | 8,230  | 4,379                 |
|   | <u>6,415</u>                                     | <u>3,297</u>         | <u>8,376</u>                                     | <u>4,602</u>          |
| <u>Other income:</u>  |  |                      |  |                       |
| Foreign exchange gains/(losses):  |  |                      |  |                       |
| - realised  | (17,117)   | 16,977               | 18,344   | 35,975                |
| - unrealised  | 33,624   | (5,150)              | 27,398   | 16,748                |
| Rental income   | 424  | 367                  | 1,159  | 1,123                 |
| Gains on disposal of property and equipment                             | 276  | 6,772                | 1,599  | 10,079                |
| Gains on disposal of foreclosed properties                              | 906  | 2,026                | 966  | 2,883                 |
| Other non-operating income  | 1,417  | 3,273                | 7,062  | 10,171                |
|   | <u>19,530</u>                                    | <u>24,265</u>        | <u>56,528</u>                                    | <u>76,979</u>         |
| <b>Total Other Operating Income</b>                                     | <b><u>84,273</u></b>                             | <b><u>57,796</u></b> | <b><u>223,234</u></b>                            | <b><u>227,788</u></b> |

**A16. OTHER OPERATING EXPENSES**

|   | ←-----Group-----→        |                       |                          |                       |
|---|--------------------------|-----------------------|--------------------------|-----------------------|
|   | Individual Quarter Ended |                       | Cumulative Quarter Ended |                       |
|   | 30/09/2009               | 30/09/2008            | 30/09/2009               | 30/09/2008            |
|   | RM'000                   | RM'000                | RM'000                   | RM'000                |
| <u>Personnel costs</u>                                    |                          |                       |                          |                       |
| Wages, salaries and bonus                                 | 60,572                   | 58,551                | 182,279                  | 180,595               |
| Defined contribution plan                                 | 9,577                    | 9,276                 | 28,353                   | 26,890                |
| Termination benefits                                      | -                        | -                     | -                        | 6,000                 |
| Other personnel costs                                     | 8,007                    | 6,872                 | 24,489                   | 19,491                |
|   | <u>78,156</u>            | <u>74,699</u>         | <u>235,121</u>           | <u>232,976</u>        |
| <u>Promotion and marketing-related expenses</u>           |                          |                       |                          |                       |
| Business promotion and advertisement                      | 583                      | 423                   | 2,002                    | 1,672                 |
| Entertainment   | 494                      | 1,263                 | 1,232                    | 2,117                 |
| Travelling and accommodation                              | 802                      | 984                   | 2,567                    | 2,917                 |
| Dealers' handling fees                                    | 7,023                    | 8,735                 | 17,923                   | 24,641                |
| Commission  | (5)                      | 423                   | 35                       | 563                   |
| Others  | 375                      | 405                   | 1,269                    | 1,408                 |
|   | <u>9,272</u>             | <u>12,233</u>         | <u>25,028</u>            | <u>33,318</u>         |
| <u>Establishment-related expenses</u>                     |                          |                       |                          |                       |
| Rental of premises  | 6,526                    | 6,081                 | 19,135                   | 18,191                |
| Equipment rental  | 363                      | 644                   | 990                      | 2,083                 |
| Repair and maintenance                                    | 6,491                    | 3,543                 | 20,541                   | 16,158                |
| Depreciation  | 6,745                    | 6,920                 | 20,050                   | 20,418                |
| Amortisation  | 5,297                    | 4,595                 | 15,734                   | 13,421                |
| Lease rental - leasehold properties                       | 59                       | 49                    | 182                      | 401                   |
| IT consultancy fee  | 10,799                   | 10,304                | 31,972                   | 29,130                |
| Dataline rental   | 2,147                    | 2,164                 | 6,821                    | 3,815                 |
| Security services   | 2,288                    | 2,081                 | 6,484                    | 6,156                 |
| Others  | 5,992                    | 4,231                 | 15,475                   | 12,688                |
|   | <u>46,707</u>            | <u>40,612</u>         | <u>137,384</u>           | <u>122,461</u>        |
| <u>General administrative expenses</u>                    |                          |                       |                          |                       |
| Telecommunication expenses                                | 1,865                    | 1,631                 | 5,132                    | 5,274                 |
| Director's Remuneration                                   | 250                      | 315                   | 735                      | 1,064                 |
| Auditors' remuneration:                                   |                          |                       |                          |                       |
| (i) Statutory audit                                       | 346                      | 281                   | 1,008                    | 865                   |
| (ii) Others   | 90                       | 56                    | 204                      | 181                   |
| Professional fees   | 5,147                    | 5,043                 | 14,552                   | 13,383                |
| Property & equipment written off                          | 115                      | 449                   | 238                      | 629                   |
| Intangible asset written off                              | -                        | 1                     | -                        | 17                    |
| Postage and courier charges                               | 892                      | 1,467                 | 3,154                    | 4,323                 |
| Stationery and consumables                                | 2,084                    | 2,159                 | 6,207                    | 5,864                 |
| Subscription fees   | 398                      | 572                   | 1,260                    | 1,737                 |
| Subsidies and allowances                                  | 148                      | 355                   | 511                      | 778                   |
| Transaction levy  | 371                      | 227                   | 896                      | 1,106                 |
| Commissioned dealers representative performance incentive | 1,481                    | 589                   | 3,541                    | 2,468                 |
| Others  | 5,169                    | 4,842                 | 13,664                   | 16,781                |
|   | <u>18,356</u>            | <u>17,987</u>         | <u>51,102</u>            | <u>54,470</u>         |
| <b>Total other operating expenses</b>                     | <b><u>152,491</u></b>    | <b><u>145,531</u></b> | <b><u>448,635</u></b>    | <b><u>443,225</u></b> |

**A17. ALLOWANCE FOR LOSSES ON LOANS AND FINANCING**

|  | -----Group----->                                 |                      |  |                      |
|--|--|----------------------|--|----------------------|
|  | Individual Quarter Ended<br>30/09/2009<br>RM'000 | 30/09/2008<br>RM'000 | Cumulative Quarter Ended<br>30/09/2009<br>RM'000 | 30/09/2008<br>RM'000 |
| <u>Allowance for bad and doubtful debts<br/>on loans and financing</u>   |  |                      |  |                      |
| Specific allowance   |  |                      |  |                      |
| - Made during the financial period                                       | 77,155   | 92,432               | 201,235  | 316,296              |
| - Written back   | (13,950)   | (11,843)             | (39,600)   | (103,195)            |
| General allowance (net)  | 3,956  | 15,633               | 22,852   | 23,207               |
| <u>Bad debts</u>   |  |                      |  |                      |
| - recovered  | (29,190)   | (52,414)             | (94,893)   | (122,402)            |
| - written off  | 2,117  | 2,967                | 9,118  | 6,485                |
| <u>Addition / (Writeback) of allowance for bad<br/>and doubtful debt</u> |  |                      |  |                      |
| - trade debtors  | (59)   | 52                   | (178)  | (559)                |
| - other debtors  | 173  | 115                  | 367  | 232                  |
|  | 40,202   | 46,942               | 98,901   | 120,064              |

**A18. IMPAIRMENT LOSSES**

|  |       |       |       |         |
|--|-------|-------|-------|---------|
| Net allowance / (Writeback) for impairment loss on |       |       |       |         |
| - Securities available-for-sale                    | 4,928 | 4,341 | 8,416 | 8,781   |
| - Securities held-to-maturity                      | -     | (185) | (211) | (3,371) |
|  | 4,928 | 4,156 | 8,205 | 5,410   |

**A19. SEGMENTAL INFORMATION ON REVENUE AND PROFIT**

The segment analysis by activity for the individual and cumulative quarters ended 30 September 2009 and 30 September 2008 are as follows:-

| ←-----Current year's individual quarter ended 30 September 2009-----→ |  |                       |               |           |              |                |                 |
|---|--|-----------------------|---------------|-----------|--------------|----------------|-----------------|
| RM '000   | Commercial<br>Banking and<br>Hire Purchase | Investment<br>Banking | Stockbroking  | Insurance | Others       | Eliminations   | Group           |
| Segment revenue   | 445,870                                    | 47,500                | 13,874        | -         | 1,623        | -              | 508,867         |
| Intersegment revenue  | 1,856                                      | 1,598                 | -             | -         | 245          | (3,699)        | -               |
| Revenue   | <u>447,726</u>                             | <u>49,098</u>         | <u>13,874</u> | <u>-</u>  | <u>1,868</u> | <u>(3,699)</u> | <u>508,867</u>  |
| Segment results   | 118,907                                    | 17,272                | 2,496         | -         | 325          | 3,196          | 142,196         |
| Unallocated expenses  |  |                       |               |           |              |                | (3,868)         |
| Share of results of:  |  |                       |               |           |              |                |                 |
| - jointly controlled entity   | -  | -                     | -             | 88        | -            | -              | 88              |
| - associate   | -  | -                     | -             | 1,566     | -            | -              | 1,566           |
| Profit before taxation<br>and zakat                                   |  |                       |               |           |              |                | <u>139,982</u>  |
| Taxation and zakat  |  |                       |               |           |              |                | <u>(33,714)</u> |
| Net profit for the quarter  |  |                       |               |           |              |                | <u>106,268</u>  |

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

**A19. SEGMENTAL INFORMATION ON REVENUE AND PROFIT**

| <-----Current year's cumulative quarter ended 30 September 2009----->   |  |                       |               |           |               |                 |                  |
|---|--|-----------------------|---------------|-----------|---------------|-----------------|------------------|
| RM '000   | Commercial<br>Banking and<br>Hire Purchase | Investment<br>Banking | Stockbroking  | Insurance | Others        | Eliminations    | Group            |
| Segment revenue   | 1,324,009                                  | 135,311               | 34,146        | -         | 4,983         | -               | 1,498,449        |
| Intersegment revenue  | 5,566                                      | 5,181                 | -             | -         | 745           | (11,492)        | -                |
| Revenue   | <u>1,329,575</u>                           | <u>140,492</u>        | <u>34,146</u> | <u>-</u>  | <u>5,728</u>  | <u>(11,492)</u> | <u>1,498,449</u> |
| Segment results   | 323,961                                    | 50,903                | 2,197         | -         | 817           | 9,095           | 386,973          |
| Unallocated expenses  |  |                       |               |           |               |                 | (13,867)         |
| Share of results of:  |  |                       |               |           |               |                 |                  |
| - jointly controlled entity   | -  | -                     | -             | 1,865     | -             | -               | 1,865            |
| - associate   | -  | -                     | -             | 8,187     | -             | -               | 8,187            |
| Profit before taxation<br>and zakat                                     |  |                       |               |           |               |                 | <u>383,158</u>   |
| Taxation and zakat  |  |                       |               |           |               |                 | (95,485)         |
| Net profit for the cumulative quarter                                   |  |                       |               |           |               |                 | <u>287,673</u>   |
| <-----Preceding year's cumulative quarter ended 30 September 2008-----> |  |                       |               |           |               |                 |                  |
| RM '000   | Commercial<br>Banking and<br>Hire Purchase | Investment<br>Banking | Stockbroking  | Insurance | Others        | Eliminations    | Group            |
| Segment revenue   | 1,451,061                                  | 108,526               | 33,022        | -         | 10,254        | -               | 1,602,863        |
| Intersegment revenue  | 1,835                                      | 2,906                 | 112           | -         | 988           | (5,841)         | -                |
| Revenue   | <u>1,452,896</u>                           | <u>111,432</u>        | <u>33,134</u> | <u>-</u>  | <u>11,242</u> | <u>(5,841)</u>  | <u>1,602,863</u> |
| Segment results   | 317,586                                    | (22,187)              | (453)         | -         | 2,533         | 7,851           | 305,330          |
| Unallocated expenses  |  |                       |               |           |               |                 | (15,263)         |
| Share of results of:  |  |                       |               |           |               |                 |                  |
| - jointly controlled entity   | -  | -                     | -             | (8,390)   | -             | -               | (8,390)          |
| - associate   | -  | -                     | -             | 6,963     | -             | -               | 6,963            |
| Profit before taxation<br>and zakat                                     |  |                       |               |           |               |                 | <u>288,640</u>   |
| Taxation and zakat  |  |                       |               |           |               |                 | (79,985)         |
| Net profit for the cumulative quarter                                   |  |                       |               |           |               |                 | <u>208,655</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 2008.

**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 period ended 30 September 2009.

### A23. COMMITMENTS AND CONTINGENCIES

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

| GROUP   | Current financial period ended<br>30/09/2009 |   |  | Previous financial year ended<br>31/12/2008 |   |  |
|---|--|---|--|---|---|--|
|   | Principal<br>Amount<br>RM'000                | Credit<br>Equivalent<br>Amount*<br>RM'000 | Risk-<br>Weighted<br>Amount*<br>RM'000 | Principal<br>Amount<br>RM'000               | Credit<br>Equivalent<br>Amount*<br>RM'000 | Risk-<br>Weighted<br>Amount*<br>RM'000 |
| Direct credit substitutes                               | 488,786                                      | 488,786                                   | 460,752                                | 658,062                                     | 658,062                                   | 609,474                                |
| Transaction-related contingent items                    | 2,585,399                                    | 1,292,700                                 | 1,078,531                              | 2,785,699                                   | 1,392,849                                 | 1,115,835                              |
| Short-term self-liquidating trade-related contingencies | 1,858,272                                    | 371,654                                   | 195,582                                | 2,379,763                                   | 475,952                                   | 202,368                                |
| Obligations under underwriting agreements               | 33,036                                       | 16,518                                    | 8,198                                  | 60,214                                      | 30,107                                    | 20,622                                 |
| Foreign exchange related contracts                      |  |   |  |   |   |  |
| - Less than one year                                    | 1,893,490                                    | 38,232                                    | 16,498                                 | 1,925,805                                   | 60,174                                    | 23,038                                 |
| - One year to less than five years                      | 141,257                                      | 14,029                                    | 4,656                                  | 354,390                                     | 27,420                                    | 15,025                                 |
| Interest rate related contracts                         |  |   |  |   |   |  |
| - Less than one year                                    | 402,000                                      | 927                                       | 192                                    | 277,000                                     | 790                                       | 280                                    |
| - One year to less than five years                      | 453,602                                      | 10,487                                    | 3,532                                  | 750,024                                     | 14,197                                    | 3,986                                  |
| - Five years and above                                  | 440,590                                      | 45,079                                    | 9,219                                  | 507,100                                     | 63,522                                    | 13,449                                 |
| Irrevocable commitments to extend credit:               |  |   |  |   |   |  |
| - Maturity exceeding 1 year                             | 3,619,417                                    | -   | -                                      | 3,808,203                                   | 1,904,102                                 | 1,703,168                              |
| - Maturity not exceeding 1 year                         | 5,119,959                                    | -   | -                                      | 8,669,397                                   | 1,715,466                                 | 820,105                                |
| Unutilised credit card lines                            | 540,201                                      | 108,040                                   | 80,958                                 | 506,509                                     | 101,302                                   | 75,946                                 |
|   | <b>17,576,009</b>                            | <b>2,386,452</b>                          | <b>1,858,118</b>                       | <b>22,682,166</b>                           | <b>6,443,943</b>                          | <b>4,603,296</b>                       |

\* 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<br>RM'000 | Total<br>RM'000   | Weighted<br>average<br>interest<br>rate (%) |
|--|----------------------------|-------------------------|----------------------------|--------------------------|---------------------------|-----------------------------------|------------------------|-------------------|---|
|  | Up to 1<br>month<br>RM'000 | 1-3<br>months<br>RM'000 | > 3-12<br>months<br>RM'000 | > 1-5<br>years<br>RM'000 | Over 5<br>years<br>RM'000 | Non-interest<br>bearing<br>RM'000 |                        |                   |   |
| <b>As at 30 September 2009</b>                                       |                            |                         |                            |                          |                           |                                   |                        |                   |   |
| <b>ASSETS</b>  |                            |                         |                            |                          |                           |                                   |                        |                   |   |
| Cash & short-term funds  | 6,660,659                  | -                       | -                          | -                        | -                         | 167,943                           | -                      | 6,828,602         | 1.95  |
| Deposits & placements with banks<br>and other financial institutions | -                          | 98,166                  | 4,634                      | -                        | -                         | -                                 | -                      | 102,800           | 1.67  |
| Securities held for trading  | -                          | -                       | -                          | -                        | -                         | -                                 | 42                     | 42                | -   |
| Securities available-for-sale  | 828,392                    | 176,731                 | 2,092,695                  | 2,883,711                | 1,274,648                 | 42,290                            | -                      | 7,298,467         | 3.75  |
| Securities held-to-maturity  | 27,937                     | -                       | 211,870                    | 100,217                  | 16                        | 187,239                           | -                      | 527,279           | 4.76  |
| Loans, advances & financing:   |                            |                         |                            |                          |                           |                                   |                        |                   |   |
| - Performing   | 12,018,473                 | 1,649,379               | 2,023,154                  | 4,016,806                | 1,477,816                 | (328,885)                         | -                      | 20,856,743        | 4.81  |
| - Non-performing   | -                          | -                       | -                          | -                        | -                         | 679,227                           | -                      | 679,227           | -   |
| Statutory deposits with<br>Bank Negara Malaysia                      | -                          | -                       | -                          | -                        | -                         | 228,043                           | -                      | 228,043           | -   |
| Other assets   | -                          | -                       | -                          | -                        | -                         | 2,157,673                         | -                      | 2,157,673         | -   |
| Land held for sale   | -                          | -                       | -                          | -                        | -                         | 66,247                            | -                      | 66,247            | -   |
| <b>TOTAL ASSETS</b>  | <b>19,535,461</b>          | <b>1,924,276</b>        | <b>4,332,353</b>           | <b>7,000,734</b>         | <b>2,752,480</b>          | <b>3,199,777</b>                  | <b>42</b>              | <b>38,745,123</b> |   |
| <b>LIABILITIES, INSURANCE<br/>RESERVES AND EQUITY</b>                |                            |                         |                            |                          |                           |                                   |                        |                   |   |
| Deposits from customers  | 13,483,652                 | 6,250,872               | 6,680,277                  | 153,577                  | -                         | 2,051,808                         | -                      | 28,620,186        | 2.26  |
| Deposits & placements of banks<br>and other financial institutions   | 2,463,532                  | 1,283,545               | 394,091                    | -                        | -                         | -                                 | -                      | 4,141,168         | 1.92  |
| Bills and acceptance payable   | -                          | -                       | -                          | -                        | -                         | 118,523                           | -                      | 118,523           | -   |
| Recourse obligation on loans<br>sold to Cagamas Berhad               | -                          | -                       | -                          | 148,618                  | -                         | -                                 | -                      | 148,618           | 5.05  |
| Other liabilities  | -                          | -                       | -                          | -                        | -                         | 687,290                           | -                      | 687,290           | -   |
| Borrowings   | -                          | -                       | -                          | 300,000                  | -                         | -                                 | -                      | 300,000           | 2.76  |
| <b>TOTAL LIABILITIES</b>   | <b>15,947,184</b>          | <b>7,534,417</b>        | <b>7,074,368</b>           | <b>602,195</b>           | <b>-</b>                  | <b>2,857,621</b>                  | <b>-</b>               | <b>34,015,785</b> |   |



**A24. INTEREST / PROFIT RATE RISK (cont.)**

| GROUP  | Non-trading Book  |                    |                    |                  |                  | Total              | Weighted average interest rate (%) |
|--|-------------------|--------------------|--------------------|------------------|------------------|--------------------|------------------------------------|
|  | Up to 1 month     | 1-3 months         | > 3-12 months      | > 1-5 years      | Over 5 years     |                    |                                    |
| As at 30 September 2009                          | RM'000            | RM'000             | RM'000             | RM'000           | RM'000           | RM'000             | RM'000                             |
| <b>EQUITY</b>                                    |                   |                    |                    |                  |                  |                    |                                    |
| Shareholders' Funds                              | -                 | -                  | -                  | -                | -                | 4,729,338          | 4,729,338                          |
| <b>Total liabilities and shareholders' funds</b> | <b>15,947,184</b> | <b>7,534,417</b>   | <b>7,074,368</b>   | <b>602,195</b>   | <b>-</b>         | <b>7,586,959</b>   | <b>38,745,123</b>                  |
| On balance sheet- interest sensitivity gap       | 3,588,277         | (5,610,141)        | (2,742,015)        | 6,398,539        | 2,752,480        | (4,387,182)        | 42                                 |
| Off balance sheet- interest sensitivity gap      | 574,160           | 110,747            | (41,460)           | (584,312)        | (59,135)         | -                  | -                                  |
| <b>Total interest sensitivity gap</b>            | <b>4,162,437</b>  | <b>(5,499,394)</b> | <b>(2,783,475)</b> | <b>5,814,227</b> | <b>2,693,345</b> | <b>(4,387,182)</b> | <b>42</b>                          |

**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 |                |                   |                                    |
| As at 31 December 2008  | RM'000            | RM'000           | RM'000           | RM'000           | RM'000           | RM'000               | RM'000         | RM'000            |                                    |
| <b>ASSETS</b>   |                   |                  |                  |                  |                  |                      |                |                   |                                    |
| Cash and short-term funds                                       | 6,695,731         | -                | 2,829            | -                | -                | 153,042              | -              | 6,851,602         | 3.25                               |
| Securities held for trading                                     | -                 | -                | -                | -                | -                | 433                  | 403,380        | 403,813           | 5.75                               |
| Securities available-for-sale                                   | 798,999           | 1,565,703        | 1,441,547        | 1,399,684        | 653,155          | 37,520               | -              | 5,896,608         | 4.21                               |
| Securities held-to-maturity                                     | 27,938            | -                | 15,564           | 111,087          | 214,407          | 233,669              | -              | 602,665           | 4.72                               |
| Loans, advances & financing:                                    |                   |                  |                  |                  |                  |                      |                |                   |                                    |
| - performing  | 10,500,418        | 1,601,685        | 1,698,820        | 4,312,181        | 1,473,251        | (306,033)            | -              | 19,280,322        | 5.54                               |
| - non-performing  | -                 | -                | -                | -                | -                | 647,355              | -              | 647,355           | -                                  |
| Statutory deposits with   |                   |                  |                  |                  |                  |                      |                |                   |                                    |
| Bank Negara Malaysia  | -                 | -                | -                | -                | -                | 835,628              | -              | 835,628           | -                                  |
| Other assets  | -                 | -                | -                | -                | -                | 2,202,810            | 28,216         | 2,231,026         | -                                  |
| Land held for sale  | -                 | -                | -                | -                | -                | 87,412               | -              | 87,412            | -                                  |
| <b>Total assets</b>   | <b>18,023,086</b> | <b>3,167,388</b> | <b>3,158,760</b> | <b>5,822,952</b> | <b>2,340,813</b> | <b>3,891,836</b>     | <b>431,596</b> | <b>36,836,431</b> |                                    |
| <b>LIABILITIES</b>  |                   |                  |                  |                  |                  |                      |                |                   |                                    |
| Deposits from customers   | 11,343,132        | 8,188,700        | 5,224,468        | 139,217          | -                | 2,039,459            | -              | 26,934,976        | 3.01                               |
| 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              | 58,100         | 754,112           | -                                  |
| Borrowings  | -                 | -                | 200,000          | 500,000          | -                | -                    | -              | 700,000           | 5.63                               |
| <b>Total liabilities</b>  | <b>14,222,100</b> | <b>9,204,782</b> | <b>5,429,213</b> | <b>639,217</b>   | <b>-</b>         | <b>2,871,714</b>     | <b>58,100</b>  | <b>32,425,126</b> |                                    |

**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     |                |                    |                                    |
| As at 31 December 2008                           | RM'000            | RM'000             | RM'000             | RM'000           | RM'000           | RM'000         | RM'000             |                                    |
| <b>EQUITY</b>                                    |                   |                    |                    |                  |                  |                |                    |                                    |
| Shareholders' Funds                              | -                 | -                  | -                  | -                | -                | -              | 4,411,305          | 4,411,305                          |
| <b>Total liabilities and shareholders' funds</b> | <b>14,222,100</b> | <b>9,204,782</b>   | <b>5,429,213</b>   | <b>639,217</b>   | <b>-</b>         | <b>58,100</b>  | <b>7,283,019</b>   | <b>36,836,431</b>                  |
| On balance sheet- interest sensitivity gap       | 3,800,986         | (6,037,394)        | (2,270,453)        | 5,183,735        | 2,340,813        | 373,496        | (3,391,183)        | -                                  |
| Off balance sheet- interest sensitivity gap      | 597,179           | 101,855            | 43,402             | (648,461)        | (93,975)         | -              | -                  | -                                  |
| <b>Total interest sensitivity gap</b>            | <b>4,398,165</b>  | <b>(5,935,539)</b> | <b>(2,227,051)</b> | <b>4,535,274</b> | <b>2,246,838</b> | <b>373,496</b> | <b>(3,391,183)</b> | <b>-</b>                           |

## A25. CAPITAL ADEQUACY

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

|  | 30/09/2009<br>RM'000    | 31/12/2008<br>RM'000    |
|--|-------------------------|-------------------------|
| <b><u>Tier 1 Capital</u></b>                               |                         |                         |
| Share capital  | 1,661,531               | 1,661,531               |
| Share premium  | 550,659                 | 550,659                 |
| Retained profits   | 399,754                 | 269,709                 |
| Statutory reserve  | 882,907                 | 749,330                 |
|  | <u>3,494,851</u>        | <u>3,231,229</u>        |
| Less:-   |                         |                         |
| Goodwill   | (190,384)               | (190,384)               |
| Deferred tax assets/(liabilities)                          | (61,777)                | (55,896)                |
| <b>Total Tier 1 capital (a)</b>                            | <u><b>3,242,690</b></u> | <u><b>2,984,949</b></u> |
| <b><u>Tier 2 Capital</u></b>                               |                         |                         |
| Subordinated loans   | 300,000                 | 500,000                 |
| General allowance for bad and doubtful debts and financing | 328,885                 | 305,853                 |
| <b>Total Tier 2 capital (b)</b>                            | <u><b>628,885</b></u>   | <u><b>805,853</b></u>   |
| Total capital (a) + (b)                                    | 3,871,575               | 3,790,802               |
| Less:-   |                         |                         |
| Investment in subsidiaries                                 | (43,663)                | (53,229)                |
| <b>Capital base</b>  | <u><b>3,827,912</b></u> | <u><b>3,737,573</b></u> |

The risk-weighted assets of the Group are derived by aggregating the risk-weighted assets of the banking subsidiaries. The breakdown of risk-weighted assets of the Group in the various categories of risk-weights are as follows:-

|                                   | 30/09/2009<br>RM'000     | 31/12/2008<br>RM'000     |
|-----------------------------------|--------------------------|--------------------------|
| Credit risk                       | 22,637,843               | 24,545,176               |
| Market risk                       | 51,226                   | 320,843                  |
| Operational risk                  | 2,145,558                | 2,060,483                |
| <b>Total risk-weighted assets</b> | <u><b>24,834,627</b></u> | <u><b>26,926,502</b></u> |

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

### Before deducting proposed dividends:-

|                             |               |               |
|-----------------------------|---------------|---------------|
| Core capital ratio          | 13.05%        | 11.08%        |
| Risk capital weighted ratio | <u>15.41%</u> | <u>13.88%</u> |

### After deducting proposed dividends:-

|                             |               |               |
|-----------------------------|---------------|---------------|
| Core capital ratio          | 12.68%        | 11.00%        |
| Risk capital weighted ratio | <u>15.04%</u> | <u>13.80%</u> |

Pursuant to Bank Negara Malaysia's circular, 'Recognition of Deferred Tax Asset ("DTA") and Treatment of DTA for RWCR Purposes' dated 8 August 2003, deferred tax income/(expenses) is excluded from the calculation of Tier I capital and DTA is excluded from the calculation of risk - weighted assets.

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                |                      |
|--|----------------------|----------------------|
|  | 30/09/2009<br>RM'000 | 31/12/2008<br>RM'000 |
| <b>ASSETS</b>  |                      |                      |
| Cash and short term funds  | 2,641,179            | 2,358,150            |
| Securities available-for-sale  | 1,048,398            | 1,071,326            |
| Securities held-to-maturity  | 575                  | 575                  |
| Loans, advances and financing  | 2,635,171            | 2,449,939            |
| Statutory deposit with Bank Negara Malaysia                          | -                    | 106,400              |
| Investment in jointly-controlled entity                              | 500                  | 500                  |
| Other assets   | 61,002               | 53,335               |
| Tax recoverable  | -                    | 5,187                |
| Deferred tax assets  | 7,146                | 4,552                |
| Property and equipment   | 2,783                | 3,247                |
| Land held for sale   | -                    | 15,000               |
| Intangible assets  | 989                  | 1,392                |
| <b>TOTAL ASSETS</b>  | <b>6,397,743</b>     | <b>6,069,603</b>     |
| <b>LIABILITIES, ISLAMIC BANKING FUNDS</b>                            |                      |                      |
| Deposits from customers  | 5,310,163            | 4,252,119            |
| Deposits and placements of banks and<br>other financial institutions | 620,510              | 1,261,205            |
| Other liabilities  | 71,364               | 293,608              |
| Provision for tax  | 89                   | -                    |
| <b>Total Liabilities</b>   | <b>6,002,126</b>     | <b>5,806,932</b>     |
| <b>SHAREHOLDERS' EQUITY</b>  |                      |                      |
| Share capital  | 260,000              | 160,000              |
| Reserves   | 135,617              | 102,671              |
| <b>Total Equity</b>  | <b>395,617</b>       | <b>262,671</b>       |
| <b>TOTAL LIABILITIES &amp; EQUITY</b>                                | <b>6,397,743</b>     | <b>6,069,603</b>     |
| <b>COMMITMENTS AND CONTINGENCIES</b>                                 | <b>2,286,386</b>     | <b>6,994,462</b>     |

**A27. OPERATIONS OF ISLAMIC BANKING (cont.)**

**(ii) Unaudited Islamic Income Statement**

|  | ←-----Group----->        |            |                          |            |
|--|--------------------------|------------|--------------------------|------------|
|  | Individual Quarter Ended |            | Cumulative Quarter Ended |            |
|  | 30/09/2009               | 30/09/2008 | 30/09/2009               | 30/09/2008 |
|  | RM'000                   | RM'000     | RM'000                   | RM'000     |
| Income derived from investment of depositors' funds and others | 59,279                   | 67,101     | 182,414                  | 207,242    |
| Allowance for losses on financing                              | (6,922)                  | (9,111)    | (12,257)                 | (18,691)   |
| Transfer from/(to) profit equalisation reserve                 | 2,845                    | -          | (776)                    | -          |
|  | 55,202                   | 57,990     | 169,381                  | 188,551    |
| Income attributable to depositors                              | (22,995)                 | (35,925)   | (79,392)                 | (116,838)  |
| Income attributable to shareholders                            | 32,207                   | 22,065     | 89,989                   | 71,713     |
| Income derived from investment of Shareholders' funds          | 3,790                    | 2,886      | 9,985                    | 8,725      |
|  | 35,997                   | 24,951     | 99,974                   | 80,438     |
| Other operating expenses                                       | (19,306)                 | (16,848)   | (56,859)                 | (49,873)   |
| Profit before tax and zakat                                    | 16,691                   | 8,103      | 43,115                   | 30,565     |
| Taxation   | (4,213)                  | (2,777)    | (10,289)                 | (8,742)    |
| Zakat  | -                        | -          | (3,308)                  | (2,359)    |
| Net profit for the financial period                            | 12,478                   | 5,326      | 29,518                   | 19,464     |

**(iii) Financing**

| By type  | Group            |                  |
|--|------------------|------------------|
|  | 30/09/2009       | 31/12/2008       |
|  | RM'000           | RM'000           |
| Cash line  | 203,364          | 193,632          |
| Term financing   |                  |                  |
| - Housing financing                                      | 2,270,010        | 2,121,908        |
| - Syndicated term financing                              | 878,439          | 896,342          |
| - Hire purchase receivables                              | 990,272          | 874,759          |
| - Other term financing                                   | 702,211          | 606,786          |
| Bills financing  | 5,329            | 6,275            |
| Trust receipts   | 56,610           | 83,763           |
| Interest-free accepted bills                             | 107,665          | 88,092           |
| Staff financing  | 13,836           | 11,780           |
| Revolving credit   | 96,030           | 99,486           |
|  | 5,323,766        | 4,982,823        |
| less: Unearned income                                    | (2,635,480)      | (2,488,795)      |
|  | 2,688,286        | 2,494,028        |
| less: Allowance for bad and doubtful debts and financing |                  |                  |
| - General  | (40,504)         | (37,309)         |
| - Specific   | (12,611)         | (6,780)          |
| <b>Total net financing</b>                               | <b>2,635,171</b> | <b>2,449,939</b> |

**A27. OPERATIONS OF ISLAMIC BANKING (cont.)**

**(iv) Non-performing financing (NPF)**

|  | Group         |               |
|--|---------------|---------------|
|  | 30/09/2009    | 31/12/2008    |
|  | RM'000        | RM'000        |
| <u>Movements in non-performing financing (including income receivables):</u> |               |               |
| Balance at the beginning of financial year                                   | 40,102        | 37,779        |
| Classified as non-performing during the financial period/year                | 68,071        | 61,712        |
| Reclassified as performing during the financial period/year                  | (29,650)      | (38,442)      |
| Amount written-off   | (3,294)       | (16,697)      |
| Amount written back in respect of recoveries                                 | (13,624)      | (4,250)       |
| <b>Balance at the end of financial period/year</b>                           | <b>61,605</b> | <b>40,102</b> |
| less: Specific allowance   | (12,611)      | (6,780)       |
| <b>Net non-performing loans, advances and financing</b>                      | <b>48,994</b> | <b>33,322</b> |
| As a % of gross loans, advances and financing less specific allowance        | 1.83%         | 1.34%         |

Movements in allowance for bad and doubtful financing:

**General allowance**

|   |        |        |
|---|--------|--------|
| Balance at the beginning of financial year                            | 37,309 | 26,485 |
| Allowance made during the financial period/year                       | 3,195  | 10,824 |
| Balance at the end of financial period/year                           | 40,504 | 37,309 |
| As a % of gross loans, advances and financing less specific allowance | 1.51%  | 1.50%  |

**Specific allowance**

|   |         |          |
|---|---------|----------|
| Balance at the beginning of financial year      | 6,780   | 7,170    |
| Allowance made during the financial period/year | 10,060  | 17,562   |
| Amount written off                              | (3,294) | (1,379)  |
| Amount written back in respect of recoveries    | (935)   | (16,573) |
| Balance at the end of financial period/year     | 12,611  | 6,780    |

**(v) Deposits from customers**

|                                    | Group            |                  |
|------------------------------------|------------------|------------------|
|                                    | 30/09/2009       | 31/12/2008       |
|                                    | RM'000           | RM'000           |
| <u>By type of deposits</u>         |                  |                  |
| <b>Non-Mudharabah Funds</b>        |                  |                  |
| Demand deposits                    | 2,096,770        | 1,333,821        |
| Savings deposits                   | 183,070          | 190,415          |
| Negotiable Instruments of Deposits | 299,636          | 222,268          |
|                                    | <b>2,579,476</b> | <b>1,746,504</b> |
| <b>Mudharabah Funds</b>            |                  |                  |
| Demand deposits                    | 6                | -                |
| Savings deposits                   | 7,198            | 6,677            |
| General investment deposits        | 1,898,777        | 1,095,288        |
| Special investment deposits        | 824,706          | 1,403,650        |
|                                    | <b>2,730,687</b> | <b>2,505,615</b> |
| Total deposits from customers      | <b>5,310,163</b> | <b>4,252,119</b> |

**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 recorded a higher pretax profit of RM140.0 million for the current financial quarter as compared to RM75.2 million for the preceding year's corresponding quarter. For the nine months ended 30 September 2009, the Group's pretax profit increased by 32.8% or RM94.6 million to RM383.2 million as compared to RM288.6 million for the same period last year. This was mainly due to the increase in both net interest income and Islamic banking income totalling RM75.1 million and the reduction in loan loss provision of RM21.1 million, net of higher operating expenses of RM5.4 million and lower other operating income of RM4.6 million.

AFFIN Bank Berhad ("ABB") group recorded a higher pretax profit of RM118.9 million for the current financial quarter as compared to RM97.1 million for the preceding year's corresponding quarter. This brought its pretax profit for the nine months ended 30 September 2009 to RM324.0 million as compared to RM317.6 million achieved last year. For the period under review, both the net interest income and Islamic banking income were higher by RM45.7 million and RM12.1 million respectively while the impairment loss on securities was lower by RM12.5 million. However, this was offset by the drop in other operating income of RM24.3 million and the increase in both loan loss provisions and overhead expenses of RM29.8 million and RM9.0 million.

AFFIN Investment Bank Berhad ("AIBB") group reported a pretax profit of RM19.8 million for the current financial quarter as compared to a pretax loss of RM19.2 million for the preceding year's corresponding quarter. As at year-to-date, the AIBB group recorded a total pretax profit of RM53.1 million as compared to the pretax loss of RM22.6 million registered in the previous year. The improved performance was mainly due to the increase in both other operating income and net interest income totalling RM41.1 million, as well as the write-back of loan loss provision of RM1.7 million as compared to a charge of RM49.3 million for the previous year. This was partially offset by the allowance for impairment loss on securities of RM7.1 million as compared to a write-back of RM8.2 million for the same period last year. For the period under review, the stockbroking division registered a pretax profit of RM2.2 million as compared to a pretax loss of RM0.5 million for the same period last year. As for AFFIN Fund Management Berhad, the Company registered a lower pretax profit of RM3.9 million as compared to RM5.1 million achieved last year.

AFFIN Moneybrokers Sdn Bhd posted a lower pretax profit of RM0.2 million for the current financial quarter as compared to RM0.4 million for the same quarter last year. For the 9 months ended 30 September 2009, the Company also registered a lower pretax profit of RM0.6 million as compared to RM1.7 million achieved last year, mainly due to lower net brokerage income net of lower overheads.

AXA-AFFIN Life Insurance Berhad reported a pretax profit of RM171,000 for the current financial quarter as compared to a pretax loss of RM4.6 million for the preceding year's corresponding quarter. For the nine months ended 30 September 2009, the Company registered a total pretax profit of RM3.7 million as compared to a pretax loss of RM16.5 million for the same period last year. The pretax profit for the current period was mainly attributed to the unrealised gain on investment securities of RM3.0 million while the pretax loss for the preceding year's corresponding period was mainly due to the early recognition of the year-to-date deficit of the Life Fund Revenue Accounts of RM17.4 million at Group level.

AXA-AFFIN General Insurance Berhad recorded a slightly lower pretax profit of RM5.2 million for the current financial quarter as compared to RM5.9 million for the preceding year's corresponding quarter. For the nine months ended 30 September 2009, the Company's pretax profit also declined by RM2.6 million to RM21.0 million as compared to RM23.6 million achieved last year. This was mainly due to the increase in net claim, net commission and overhead expenses of RM16.2 million, RM4.3 million and RM3.5 million respectively. For the period under review, the earned premium increased by RM31.5 million while the gain on the sale of investments was lower by RM8.1 million.

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

The Group recorded a higher pretax profit of RM140.0 million for the current financial quarter as compared to RM122.9 million for the preceding quarter ended 30 June 2009. The improved performance was attributable to the increase in other operating income, net interest income and Islamic banking income of RM7.7 million, RM7.1 million and RM2.3 million respectively as well as the write-back of profit equalisation reserve of RM2.8 million as compared to a transfer of RM3.6 million in the preceding quarter. This was partially offset by the increase in both impairment loss on securities and loan loss provision of RM2.6 million and RM2.4 million respectively.



### B3. PROSPECT FOR THE CURRENT FINANCIAL YEAR

Barring any unforeseen circumstances, the Group is expected to perform well and achieve satisfactory results for the financial year ending 31 December 2009.

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 2009:-

| <u>Headline KPIs</u>                   | <u>As announced<br/>for financial<br/>Year 2009</u> | <u>Actual<br/>achieved for 9<br/>months ended<br/>30-9-09</u> |
|--|---|---|
| (i) After Tax Returns on Equity (ROE)  | 7.5%  | 6.3%  |
| (ii) After Tax Returns on Assets (ROA) | 0.9%  | 0.8%  |
| (iii) Net NPL Ratio                    | 2.3%  | 3.1%  |
| (iv) Earnings Per Share (EPS)          | <u>22.70 sen</u>                                    | <u>19.25 sen</u>  |

### B4. VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

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

### B5. TAXATION

|   | ←-----Group-----→        |               |                          |               |
|---|--------------------------|---------------|--------------------------|---------------|
|   | Individual Quarter Ended |               | Cumulative Quarter Ended |               |
|   | 30/09/2009               | 30/09/2008    | 30/09/2009               | 30/09/2008    |
|   | RM'000                   | RM'000        | RM'000                   | RM'000        |
| Malaysian Taxation:                                   |                          |               |                          |               |
| - Income tax based on profit for the financial period | 30,303                   | 30,442        | 95,110                   | 97,385        |
| Deferred tax:   |                          |               |                          |               |
| - Relating to originating temporary differences       | 3,430                    | (9,727)       | (3,036)                  | (20,311)      |
| - Relating to changes in tax rate                     | -                        | 30            | -                        | -             |
| Under provision in previous year:                     |                          |               |                          |               |
| - Current taxation                                    | (119)                    | 527           | 3                        | 552           |
|   | <u>33,614</u>            | <u>21,272</u> | <u>92,077</u>            | <u>77,626</u> |

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

### B6. SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

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

### B7. PURCHASE OR DISPOSAL OF QUOTED SECURITIES

There were no purchases or disposals of quoted securities for the financial 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's shareholdings in BH Insurance Berhad ("BHI") 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 The London Assurance in BHI. It is Boustead's intention to rationalise its shareholdings in BHI and consolidate its interests in BHI into AXA AFFIN General Insurance Berhad ("AAGI"), a 40.0% associated company of AHB 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 AAGI on the proposed rationalisation of Boustead's interest in BHI and AAGI. The approval in principle from BNM for commencement of the negotiations is not an approval for the proposed rationalisation.

On 3 March 2009, the Board of Directors of AHB announced that BNM had vide its letter dated 27 February 2009 stated that it had no objection in principle for AHB and AXA Asia Pacific General Insurance to commence preliminary negotiations with Felda Holdings Bhd or any other designated entity within its Group of Companies ("Felda") on the proposed acquisition of Felda's equity interest in BHI. The approval in principle from BNM for commencement of the negotiations is not an approval for the acquisition of equity interest in BHI.

Further announcement on the development will be made to Bursa Malaysia 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.

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").

## B8. STATUS OF CORPORATE PROPOSALS(cont.)

### b) Proposed formation of AFFIN Banking Group (cont.)

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.

## B9. GROUP BORROWINGS AND DEBT SECURITIES

|  | Group                |                      |
|--|----------------------|----------------------|
|  | 30/09/2009<br>RM'000 | 31/12/2008<br>RM'000 |
| <b>(i) <u>Deposits from Customers</u></b>  |                      |                      |
| <u>By Type of Deposits:-</u>   |                      |                      |
| Money Market Deposits  | 462,554              | 1,654,643            |
| Demand Deposits  | 4,804,109            | 3,714,185            |
| Savings Deposits   | 902,778              | 990,251              |
| Fixed Deposits   | 17,703,859           | 16,521,716           |
| Negotiable Instruments of Deposits ('NIDs')  | 3,922,180            | 2,650,531            |
| Special Investment Deposits  | 824,706              | 1,403,650            |
|  | <u>28,620,186</u>    | <u>26,934,976</u>    |
| <br>Maturity structure of fixed deposits and NIDs are as follows:                        |                      |                      |
| Due within six months  | 18,481,516           | 16,566,570           |
| Six months to one year   | 2,498,335            | 2,412,991            |
| One year to three years  | 622,814              | 191,240              |
| Three years to five years  | 23,374               | 1,446                |
|  | <u>21,626,039</u>    | <u>19,172,247</u>    |
| <br><u>By Type of Customers:-</u>  |                      |                      |
| Government and statutory bodies  | 6,182,945            | 5,087,629            |
| Business enterprises   | 9,468,648            | 10,274,853           |
| Individuals  | 3,758,153            | 3,467,846            |
| Others   | 9,210,440            | 8,104,648            |
|  | <u>28,620,186</u>    | <u>26,934,976</u>    |
| <br><b>(ii) <u>Deposits and Placements of Banks and Other Financial Institutions</u></b> |                      |                      |
| <u>By Type of Institutions:-</u>   |                      |                      |
| Licensed banks   | 2,526,745            | 1,062,942            |
| Licensed investment banks  | 394,420              | 339,350              |
| Bank Negara Malaysia   | 15,325               | 65,353               |
| Other financial institutions   | 1,204,678            | 2,421,062            |
|  | <u>4,141,168</u>     | <u>3,888,707</u>     |
| <br><u>By Maturity Structure:-</u>   |                      |                      |
| Due within six months  | 3,991,600            | 3,883,962            |
| Six months to one year   | 5,967                | 4,745                |
| One year to three years  | 143,601              | -                    |
|  | <u>4,141,168</u>     | <u>3,888,707</u>     |
| <br><b>(iii) <u>Borrowings</u></b>   |                      |                      |
| Unsecured  |                      |                      |
| - One year or less (short-term)  | -                    | 200,000              |
| - More than one year (medium/long-term)  | 300,000              | 500,000              |
|  | <u>300,000</u>       | <u>700,000</u>       |

## B10. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

The value of derivative contracts 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 |
|------------------------------|------------------|------------------|----------------|-----------------|----------------|----------------|--------------------|
| <b>Foreign Exchange</b>      | <b>2,034,747</b> | <b>1,401,280</b> | <b>347,268</b> | <b>144,942</b>  | <b>141,257</b> | -              | -                  |
| - Forwards                   | 732,374          | 572,609          | 63,776         | 4,732           | 91,257         | -              | -                  |
| - Swaps                      | 1,302,373        | 828,671          | 283,492        | 140,210         | 50,000         | -              | -                  |
| - Options                    | -                | -                | -              | -               | -              | -              | -                  |
| <b>Interest Rate related</b> | <b>1,296,192</b> | <b>17,000</b>    | <b>35,000</b>  | <b>350,000</b>  | <b>453,602</b> | <b>440,590</b> | -                  |
| - Forwards                   | -                | -                | -              | -               | -              | -              | -                  |
| - Futures                    | -                | -                | -              | -               | -              | -              | -                  |
| - Swaps                      | 1,296,192        | 17,000           | 35,000         | 350,000         | 453,602        | 440,590        | -                  |
| <b>Total</b>                 | <b>3,330,939</b> | <b>1,418,280</b> | <b>382,268</b> | <b>494,942</b>  | <b>594,859</b> | <b>440,590</b> | -                  |

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 RM2.7 million (FYE 31/12/2008: RM1.3 million), while the notional amount of interest rate contract was RM880.5 million (FYE 31/12/2008: RM868.5 million).

### Credit risk

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the commercial bank has a gain position. As at the reporting date, the amounts of foreign exchange and interest rate credit risk, measured in terms of the cost to replace the profitable contracts, was RM52.3 million (FYE 31/12/2008: RM87.6 million) and RM56.5 million (FYE 31/12/2008: RM78.5 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.

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

### 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.

##### 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**

Deriv 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

## B11. MATERIAL LITIGATION

- a) There are various other legal suits against AFFIN Bank Berhad ("ABB") in respect of claims and counter claims of approximately RM97.9 million (31 December 2008: RM103.8 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) As part of a merger of banking businesses, by an Agreement dated 30 August 2000 ("the Acquisition Agreement") between AFFIN Holdings Berhad ("AHB"), AFFIN Bank Berhad ("ABB" or "the Bank"), BSN Commercial Bank (Malaysia) Berhad ("BSNC") and Bank Simpanan Nasional Berhad ("BSN"), it was agreed that all banking assets and liabilities of BSNC would be sold to ABB in consideration of a purchase price of RM338,560,000 to be paid partly in cash and partly in AHB shares ("the Purchase Price"). Pursuant to clause 2.1.5 of the Acquisition Agreement, BSNC and BSN undertook to ABB that debts other than those reflected as bad or doubtful debts in the audited financial statements of BSNC will be recoverable in the ordinary course of business. For the debts not recoverable, BSNC undertook to pay ABB within 30 days from the date of receipt of the Bank's letter of demand, the amounts claimed subject to a limit of 30% of the Purchase Price amounting to RM101,568,000.

Subsequent to the merger, an audit was conducted and it was found that there had been significant under provisioning of bad and doubtful debts by BSNC. AHB, ABB and BSN agreed that the purchase price payable to BSNC would be reduced to compensate for this under provisioning ("the Settlement Agreement"). In return, it was agreed that ABB would assign the bad and doubtful debts to BSNC under clause 2.1.5 of the Acquisition Agreement, subject to approval being given to both parties by regulatory authorities for the reassignment. However, the accounts to be reassigned to BSNC were not identified then.

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

On 6 February 2009, the High Court has given its decision on the Originating Summons. The High Court concluded that there were numerous disputes of fact which had to be resolved before any final conclusion could be reached and has ordered to proceed to a full trial. No date has been fixed for the trial.

The Directors are of the opinion that the probable outcome of the legal case is still uncertain at this junction and it is too preliminary to quantify the financial impact to both ABB and the Group.

## B12. PROPOSED DIVIDENDS

An interim dividend of 5 sen per share (less 25% tax) and a special dividend of 3.5 sen per share (less 25% tax) have been proposed for the financial year ending 31 December 2009 as follows :-

|   |                                  |
|---|----------------------------------|
| Amount per share                                | : 8.5 sen per share less 25% tax |
| Previous corresponding period                   | : 5 sen per share less 26% tax   |
| Date payable                                    | : 18 January 2010                |
| Date of entitlement                             | : 23 December 2009               |
| Total dividend for the current financial period | : 8.5 sen per share less 25% tax |

### B13. EARNINGS PER SHARE

|  | Group                    |               |                          |               |
|--|--------------------------|---------------|--------------------------|---------------|
|  | Individual Quarter Ended |               | Cumulative Quarter Ended |               |
|  | 30/09/2009               | 30/09/2008    | 30/09/2009               | 30/09/2008    |
| Net profit attributable to equity holders of the parent (RM'000) | 106,268                  | 53,895        | 287,673                  | 208,655       |
| Weighted average number of ordinary share in issue               | 1,494,366,667            | 1,494,366,667 | 1,494,366,667            | 1,493,693,055 |
| Basic earning per share (sen)                                    | 7.11                     | 3.61          | 19.25                    | 13.97         |
| Diluted earnings per share (sen)                                 | 7.11                     | 3.61          | 19.25                    | 13.97         |

The basic and diluted earnings per share of the Group for the current financial quarter ended 30 September 2009 have been calculated based on the net profit attributable to the equity holders of the parent of RM106,268,000 (30 September 2008: RM53,895,000) divided by the weighted average number of ordinary shares in issue during the current financial quarter of 1,494,366,667 (30 September 2008: 1,494,366,667).

The basic earnings per share of the Group for the cumulative quarter ended 30 September 2009 has been calculated based on the net profit attributable to the equity holders of the parent of RM287,673,000 (30 September 2008: RM208,655,000) divided by the weighted average number of ordinary shares in issue during the financial period under review of 1,494,366,667 (30 September 2008: 1,493,693,055).

The Group has only one category of potential ordinary shares, that is Warrants 2000/2010. The conversion of the said warrants is considered dilutive when it 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 2000/2010 is higher than the market value of the ordinary shares, there is no impact of dilution to the earnings per share. Hence, the said warrants are not included in the computation of diluted earnings per share.

### B14. ECONOMIC PROFIT

|  | Group                    |            |                          |            |
|--|--------------------------|------------|--------------------------|------------|
|  | Individual Quarter Ended |            | Cumulative Quarter Ended |            |
|  | 30/09/2009               | 30/09/2008 | 30/09/2009               | 30/09/2008 |
|  | RM'000                   | RM'000     | RM'000                   | RM'000     |
| Net profit for the financial period    | 106,268                  | 53,895     | 287,673                  | 208,655    |
| Less: Economic charge                  | (119,062)                | (117,642)  | (350,041)                | (349,042)  |
| Economic loss for the financial period | (12,794)                 | (63,747)   | (62,368)                 | (140,387)  |

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