

# AFFIN HOLDINGS BERHAD

(Company no. 23218 - W)

## Condensed Interim Financial Statements

### Unaudited Statements of Financial Position As At 30 September 2010

	<-----GROUP----->		<-----COMPANY----->	
	30/9/2010 RM'000	31/12/2009 RM'000	30/9/2010 RM'000	31/12/2009 RM'000
<b>ASSETS</b>				
Cash and short term funds	7,824,868	6,223,544	207,244	193,628
Deposits and placements with banks and other financial institutions	2,381	1,817	4,181	51,009
Securities held-for-trading	9,971	150,000	-	-
Securities available-for-sale	8,060,458	8,166,664	-	-
Securities held-to-maturity	563,598	518,216	-	-
Loans, advances and financing	25,736,002	22,496,936	-	-
Statutory deposits with Bank Negara Malaysia	279,630	244,982	-	-
Investment in subsidiaries	-	-	3,636,991	3,795,474
Amount due from subsidiary	-	-	300,000	300,000
Investment in jointly controlled entities	105,755	107,642	128,520	128,520
Investment in associate	150,323	129,228	10,597	10,597
Amount due from associate	90,624	-	90,624	-
Trade debtors	265,451	79,361	-	-
Other assets	539,178	493,289	2,224	1,148
Tax recoverable	40,132	18,756	5,354	5,500
Deferred tax assets	95,006	57,430	-	-
Property and equipment	165,705	180,594	767	937
Land held for sale	27,332	62,354	-	-
Intangible assets	1,013,537	1,023,330	13	15
<b>TOTAL ASSETS</b>	<b>44,969,951</b>	<b>39,954,143</b>	<b>4,386,515</b>	<b>4,486,828</b>
<b>LIABILITIES AND EQUITY</b>				
Deposits from customers	32,014,752	28,599,251	-	-
Deposits and placements of banks and other financial institutions	5,976,792	5,147,094	-	-
Bills and acceptances payable	114,528	94,265	-	-
Trade creditors	257,107	74,330	-	-
Recourse obligation on loans sold to Cagamas Berhad	289,085	297,216	-	-
Other liabilities	666,585	703,788	6,558	101,357
Amount due to subsidiaries	-	-	680,719	839,206
Provision for taxation	91,264	2,734	-	-
Deferred tax liabilities	166	176	166	166
Borrowings	390,624	300,000	390,624	300,000
<b>TOTAL LIABILITIES</b>	<b>39,800,903</b>	<b>35,218,854</b>	<b>1,078,067</b>	<b>1,240,729</b>

**AFFIN HOLDINGS BERHAD**  
 (Company no. 23218 - W)  
**Condensed Interim Financial Statements**  
**Unaudited Statements of Financial Position As At 30 September 2010**

	<-----GROUP----->		<-----COMPANY----->	
	30/9/2010 RM'000	31/12/2009 RM'000	30/9/2010 RM'000	31/12/2009 RM'000
<b>EQUITY</b>				
Share capital	1,494,576	1,494,371	1,494,576	1,494,371
Reserves:-				
Share premium	1,400,410	1,399,980	1,400,410	1,399,980
Statutory reserve	961,939	874,360	-	-
Investment fluctuation reserve	78,333	24,453	-	-
Retained profits	1,233,790	942,125	413,462	351,748
<b>TOTAL EQUITY</b>	<b>5,169,048</b>	<b>4,735,289</b>	<b>3,308,448</b>	<b>3,246,099</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>44,969,951</b>	<b>39,954,143</b>	<b>4,386,515</b>	<b>4,486,828</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	<b>18,213,986</b>	<b>17,891,239</b>	<b>-</b>	<b>-</b>
<b>CAPITAL ADEQUACY</b>				
<u>Before deducting proposed dividends:</u>				
Core capital ratio	12.39%	12.68%		
Risk-weighted capital ratio	13.59%	13.84%		
<u>After deducting proposed dividends:</u>				
Core capital ratio	12.10%	12.44%		
Risk-weighted capital ratio	13.29%	13.60%		
<b>NET ASSETS PER SHARE (RM)</b>	<b>3.46</b>	<b>3.17</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 2009.*

**AFFIN HOLDINGS BERHAD**

(Company no. 23218 - W)

**Condensed Interim Financial Statements**

**Unaudited Income Statements For The Financial Period Ended 30 September 2010**

<u>Group</u>	<---Individual Quarter Ended --->		<---Cumulative Quarter Ended --->	
	30/9/2010 RM'000	30/9/2009 RM'000	30/9/2010 RM'000	30/9/2009 RM'000
<b>Revenue</b>	<b>597,821</b>	<b>508,867</b>	<b>1,652,451</b>	<b>1,498,449</b>
Interest income	438,477	360,667	1,201,764	1,087,658
Interest expense	(215,889)	(151,743)	(570,821)	(492,332)
<b>Net interest income</b>	<b>222,588</b>	<b>208,924</b>	<b>630,943</b>	<b>595,326</b>
Islamic banking income	45,247	42,119	133,287	120,007
Other operating income	86,841	84,273	247,750	223,234
<b>Operating income</b>	<b>354,676</b>	<b>335,316</b>	<b>1,011,980</b>	<b>938,567</b>
Other operating expenses	(167,583)	(152,491)	(474,991)	(448,635)
<b>Operating profit before allowance for impairment on loans, advances and financing</b>	<b>187,093</b>	<b>182,825</b>	<b>536,989</b>	<b>489,932</b>
Allowance for impairment on loans, advances and financing	(30,314)	(40,202)	(61,941)	(98,901)
Allowance for impairment on other assets	(3,795)	(4,928)	(3,250)	(8,205)
Transfer from/(to) profit equalisation reserve	271	2,845	-	(776)
<b>Operating profit</b>	<b>153,255</b>	<b>140,540</b>	<b>471,798</b>	<b>382,050</b>
Finance cost	(3,781)	(2,212)	(9,186)	(8,944)
Share of results of jointly controlled entity	(3,238)	88	(498)	1,865
Share of results of associate	2,961	1,566	10,755	8,187
Exceptional gain on dilution of interest in associate	-	-	7,962	-
<b>Profit before taxation and zakat</b>	<b>149,197</b>	<b>139,982</b>	<b>480,831</b>	<b>383,158</b>
Taxation	(34,097)	(33,614)	(114,067)	(92,077)
Zakat	(85)	(100)	(4,711)	(3,408)
<b>Net profit for the financial period attributable to equity holders of the Company</b>	<b>115,015</b>	<b>106,268</b>	<b>362,053</b>	<b>287,673</b>
Earnings per share attributable to the equity holders of the Company (sen)				
- Basic and fully diluted	7.70	7.11	24.23	19.25

*The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2009.*

**AFFIN HOLDINGS BERHAD**  
 (Company no. 23218 - W)  
**Condensed Interim Financial Statements**  
**Unaudited Statement of Comprehensive Income**  
**For The Financial Period Ended 30 September 2010**

<u>Group</u>	<---Individual Quarter Ended --->		<---Cumulative Quarter Ended --->	
	30/9/2010 RM'000	30/9/2009 RM'000	30/9/2010 RM'000	30/9/2009 RM'000
<b>Profit after taxation and zakat</b>	<b>115,015</b>	106,268	<b>362,053</b>	287,673
<b>Other comprehensive income:</b>				
- Net change in fair value of securities available-for-sale	8,412	33,675	6,471	39,473
- Deferred tax on revaluation of securities available-for-sale	(2,612)	(8,475)	(2,468)	(9,113)
- Recognition of proportionate share of investment fluctuation reserve in associate, arising from the dilution of interest in associate	-	-	(1,133)	-
<b>Other comprehensive income for the period, net of tax</b>	<b>5,800</b>	<b>25,200</b>	<b>2,870</b>	<b>30,360</b>
<b>Total comprehensive income for the financial period attributable to the equity holders of the Company</b>	<b>120,815</b>	<b>131,468</b>	<b>364,923</b>	<b>318,033</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 2009.*

**AFFIN HOLDINGS BERHAD**

(Company no. 23218 - W)

**Condensed Interim Financial Statements**

**Unaudited Income Statements For The Financial Period Ended 30 September 2010**

<u>Company</u>	<---Individual Quarter Ended --->		<---Cumulative Quarter Ended --->	
	30/9/2010 RM'000	30/9/2009 RM'000	30/9/2010 RM'000	30/9/2009 RM'000
<b>Revenue</b>	<b>6,004</b>	<b>3,196</b>	<b>97,353</b>	<b>37,881</b>
Interest income	6,004	3,196	14,287	9,095
Interest expense	-	-	-	-
<b>Net interest income</b>	<b>6,004</b>	<b>3,196</b>	<b>14,287</b>	<b>9,095</b>
Islamic banking income	-	-	-	-
Other operating income	-	(1)	83,066	28,795
<b>Operating income</b>	<b>6,004</b>	<b>3,195</b>	<b>97,353</b>	<b>37,890</b>
Other operating expenses	(1,866)	(1,655)	(5,538)	(4,932)
<b>Operating profit before allowance for impairment on loans, advances and financing</b>	<b>4,138</b>	<b>1,540</b>	<b>91,815</b>	<b>32,958</b>
Allowance for impairment on loans, advances and financing	-	-	-	-
Allowance for impairment on other assets	-	-	-	-
Transfer from/(to) profit equalisation reserve	-	-	-	-
<b>Operating profit</b>	<b>4,138</b>	<b>1,540</b>	<b>91,815</b>	<b>32,958</b>
Finance cost	(3,781)	(2,212)	(9,186)	(8,944)
<b>Profit before taxation and zakat</b>	<b>357</b>	<b>(672)</b>	<b>82,629</b>	<b>24,014</b>
Taxation	(192)	204	(20,915)	(6,124)
Zakat	-	-	-	-
<b>Net profit for the financial period attributable to equity holders of the Company</b>	<b>165</b>	<b>(468)</b>	<b>61,714</b>	<b>17,890</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 2009.*

**AFFIN HOLDINGS BERHAD**  
 (Company no. 23218 - W)  
**Condensed Interim Financial Statements**  
**Unaudited Statement of Comprehensive Income**  
**For The Financial Period Ended 30 September 2010**

<u>Company</u>	<---Individual Quarter Ended --->		<---Cumulative Quarter Ended --->	
	30/9/2010	30/9/2009	30/9/2010	30/9/2009
	RM'000	RM'000	RM'000	RM'000
Profit after taxation and zakat	165	(468)	61,714	17,890
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the financial period attributable to equity holders of the Company</b>	<b>165</b>	<b>(468)</b>	<b>61,714</b>	<b>17,890</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 2009.*

# AFFIN HOLDINGS BERHAD

(Company no. 23218 - W)

## Unaudited Condensed Consolidated Statement Of Changes In Equity For The Financial Period Ended 30 September 2010

←-----Attributable to Equity Holders of the Company-----→

GROUP	Issued and fully paid ordinary shares of RM1 each		Non-distributable			Distributable		Total Equity RM'000
	Number of shares '000	Nominal value RM'000	Share premium RM'000	Statutory reserves RM'000	Investment fluctuation reserve RM'000	Retained profits RM'000		
<b>At 1 January 2010</b>								
- As previously reported	1,494,371	1,494,371	1,399,980	874,360	24,453	942,125	4,735,289	
- Adjustment arising from adoption of FRS 139	-	-	-	-	51,010	17,191	68,201	
<b>At 1 January 2010, as restated</b>	<b>1,494,371</b>	<b>1,494,371</b>	<b>1,399,980</b>	<b>874,360</b>	<b>75,463</b>	<b>959,316</b>	<b>4,803,490</b>	
Net profit for the financial period	-	-	-	-	-	362,053	362,053	
Other comprehensive income	-	-	-	-	2,870	-	2,870	
Total comprehensive income for the financial period	-	-	-	-	2,870	362,053	364,923	
Issue of share capital pursuant to the exercise of Warrant 2000/2010	205	205	430	-	-	-	635	
Transfer to statutory reserve	-	-	-	87,579	-	(87,579)	-	
<b>At 30 September 2010</b>	<b>1,494,576</b>	<b>1,494,576</b>	<b>1,400,410</b>	<b>961,939</b>	<b>78,333</b>	<b>1,233,790</b>	<b>5,169,048</b>	
<b>At 1 January 2009</b>	<b>1,494,367</b>	<b>1,494,367</b>	<b>1,399,970</b>	<b>698,181</b>	<b>(22,940)</b>	<b>841,727</b>	<b>4,411,305</b>	
Net profit for the financial period	-	-	-	-	-	287,673	287,673	
Other comprehensive income	-	-	-	-	30,360	-	30,360	
Total comprehensive income for the financial period	-	-	-	-	30,360	287,673	318,033	
Transfer to statutory reserve	-	-	-	133,577	-	(133,577)	-	
<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>	

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2009.

**AFFIN HOLDINGS BERHAD**  
(Company no. 23218 - W)  
**Unaudited Condensed Statement Of Changes In Equity**  
**For The Financial Period Ended 30 September 2010**

<u>COMPANY</u>	←-----Attributable to Equity Holders of the Company-----→				
	Issued and fully paid ordinary shares of RMI each	Nominal value RM'000	Non-distributable Share premium RM'000	Distributable Retained profits RM'000	Total Equity RM'000
<b>At 1 January 2010</b>	1,494,371	1,494,371	1,399,980	351,748	3,246,099
Total comprehensive income for the financial period					
- Net profit for the financial period	-	-	-	61,714	61,714
Issue of share capital pursuant to the exercise of Warrant 2000/2010	205	205	430	-	635
<b>At 30 September 2010</b>	<b>1,494,576</b>	<b>1,494,576</b>	<b>1,400,410</b>	<b>413,462</b>	<b>3,308,448</b>
<b>At 1 January 2009</b>	1,494,367	1,494,367	1,399,970	347,091	3,241,428
Total comprehensive income for the financial period					
- Net profit for the financial period	-	-	-	17,890	17,890
<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>

*The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2009.*



**AFFIN HOLDINGS BERHAD**  
(Company no. 23218 - W)  
**Unaudited Condensed Consolidated Cash Flow Statement**  
**For The Financial Period Ended 30 September 2010**

	<-----9 Months Ended----->	
	30/9/2010 RM'000	30/9/2009 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation and zakat	480,831	383,158
Adjustment for non-operating and non-cash items	(31,294)	41,658
Operating profit before changes in working capital	449,537	424,816
Net changes in operating assets	(3,406,646)	(843,011)
Net changes in operating liabilities	4,405,540	2,010,589
Payment of tax and zakat	(110,522)	(133,105)
Taxation refund	1,239	3
Net cash generated from operating activities	1,339,148	1,459,292
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received from securities	158,638	148,758
Net purchase/(disposal) of:		
- securities	185,125	(1,262,263)
- property and equipment	(8,419)	(11,747)
- intangible assets	(1,357)	(1,058)
Dividend received from:		
- associate	-	2,961
- securities held-to-maturity/available-for-sale	2,909	8,376
Proceeds from disposal of property and equipment	1,065	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	8,926	4,867
Capital injection into a jointly controlled entity	-	(7,650)
Amount due from associate	(90,624)	-
Net cash generated from investing activities	256,263	(1,091,833)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase/(decrease) in borrowings	90,624	(400,000)
Proceed from issuance of shares	635	-
Dividends paid to shareholders	(95,266)	-
Net cash used in financing activities	(4,007)	(400,000)
Net increase in cash and cash equivalents	1,591,404	(32,541)
Cash and cash equivalents at beginning of the period	6,174,651	6,812,543
Cash and cash equivalents at end of the period	7,766,055	6,780,002
<b>Analysis of cash &amp; cash equivalent</b>		
Cash and short term funds	7,824,868	6,828,602
Adjustment for money held in trust on behalf of clients and remisers	(58,813)	(48,600)
	7,766,055	6,780,002

*The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2009.*

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

**A1. BASIS OF PREPARATION**

The unaudited condensed interim financial statements for the current financial quarter ended 30 September 2010 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 2009. 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 2009.

With effect from 1 January 2010, the Group and the Bank is required to apply FRS139 "Financial Instruments: Recognition and Measurement" (FRS139) for the first time in the presentation of its annual consolidated financial statements. In preparing this financial information, management has used its best knowledge of the expected standards and interpretations, facts and circumstances, and accounting policies that will be applied when the Group and the Bank prepares its first set of interim financial statements in accordance with FRS134 "Interim Financial Reporting" as of 30 June 2010, which is inclusive of FRS139.

Given that FRS139 is currently being applied in Malaysia for the first time and contains new and revised impairment methodologies/models, the practices that were drawn in applying the standard may develop. In this respect and at this preliminary stage, until such time the Group's and the Bank's first annual financial statements prepared under FRS139 are completed, the possibility cannot be excluded that the financial information in this interim financial statements may be subject to change.

**A2. ACCOUNTING POLICIES AND METHODS OF COMPUTATIONS**

The significant accounting policies and methods of computation applied in the condensed interim financial statements are consistent with those applied in the annual financial statements for the year ended 31 December 2009, except for the adoption of the following Financial Reporting Standards ("IFRS"), amendments to FRS, IC Interpretations and Technical Release ("TR") that are effective for the Group's financial year beginning 1 January 2010:

- |                         |  |
|-------------------------|--|
| • FRS 8                 | Operating Segments   |
| • FRS 101               | Presentation of Financial Statements                                   |
| • FRS 139               | Financial Instruments: Recognition and Measurement                     |
| • Amendments to FRS 139 | Financial Instruments: Recognition and Measurement                     |
| • Amendments to FRS 2   | Share-based Payment: Vesting Conditions and Cancellations              |
| • TR i - 3              | Presentation of Financial Statements of Islamic Financial Institutions |
| • IC Interpretation 10  | Interim Financial Reporting and Impairment                             |

The adoption of the above FRS, amendments to FRS, IC Interpretations and TR did not have any material financial impact on the financial statements of the Group and the Company, except for the adoption of FRS 139 and amendments to FRS 139 as disclosed in Note A26.

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

The auditors' report on the audited financial statements for the financial year ended 31 December 2009 was not subjected to any qualification.

**A4. SEASONAL OR CYCLICAL FACTORS**

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

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

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and the Company during the current financial quarter ended 30 September 2010.

**A6. CHANGES IN ESTIMATES**

There were no material changes in estimates of amounts reported in prior financial years that have a material effect in the current financial quarter ended 30 September 2010.

**A7. DEBT AND EQUITY SECURITIES**

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

**Issuance of shares**

During the financial period, the Company's issued and paid-up capital was increased from RM1,494,371,417 to RM1,494,575,806 by way of issuance of 204,389 new ordinary shares of RM1.00 each, pursuant to the exercise of Warrant 2000/2010 at an exercise price of RM3.10 per share.

**A8. DIVIDENDS PAID**

No dividend has been paid during the current financial quarter ended 30 September 2010.

**A9. SECURITIES HELD**

	Group	
	30/9/2010	31/12/2009
	RM'000	RM'000
<b>(a) <u>Securities held-for-trading</u></b>		
<b>At fair value</b>		
Bank Negara Malaysia Notes	-	-
Negotiable Instruments of Deposit	-	150,000
Unquoted Securities		
- Private Debt Securities in Malaysia	9,971	-
<b>Total securities held-for-trading</b>	<b>9,971</b>	<b>150,000</b>
<b>(b) <u>Securities available-for-sale</u></b>		
<b>At fair value</b>		
Malaysian Government Securities	1,148,266	2,345,630
Malaysian Government Treasury Bills	290,888	151,098
Malaysian Government Investment Certificates	1,095,460	-
Malaysian Government Investment Issuance	616,073	1,200,875
Cagamas Bonds	251,040	432,643
Khazanah Bonds	13,173	24,961
Bankers' Acceptance and Islamic Acceptance Bills	65,407	36,580
Bank Negara Malaysia Notes	1,383,166	638,548
Bank Negara Malaysia Sukuk	31,712	-
Negotiable Instruments of Deposit and Islamic Debt Certificate	609,851	460,005
	<b>5,505,036</b>	<b>5,290,340</b>
Quoted Securities		
- Shares in Malaysia	56,626	72,047
- Private Debt Securities in Malaysia	2,167	2,253
- Irredeemable Convertible Unsecured Loan Stock	4,031	4,031
Unquoted Securities		
- Shares in Malaysia	96,123	50
- Private Debt Securities in Malaysia	2,048,753	2,476,526
- Private Debt Securities outside Malaysia	456,235	439,247
	<b>8,168,971</b>	<b>8,284,494</b>
Allowance for impairment of securities	(108,513)	(117,830)
<b>Total securities available-for-sale</b>	<b>8,060,458</b>	<b>8,166,664</b>
<b>(c) <u>Securities held-to-maturity</u></b>		
<b>At amortised cost</b>		
Quoted Securities		
- Private Debt Securities in Malaysia	38,123	38,123
Unquoted Securities		
- Private Debt Securities in Malaysia	586,358	517,893
	<b>624,481</b>	<b>556,016</b>
<b>At cost</b>		
Unquoted Securities		
- Shares in Malaysia	31,306	57,235
	<b>655,787</b>	<b>613,251</b>
Allowance for impairment of securities	(92,189)	(95,035)
<b>Total securities held-to-maturity</b>	<b>563,598</b>	<b>518,216</b>
<b>Total securities held</b>	<b>8,634,027</b>	<b>8,834,880</b>

**A10. LOANS, ADVANCES AND FINANCING**

	Group	
	30/9/2010 RM'000	31/12/2009 RM'000
<b>(a) <u>BY TYPE</u></b>		
Overdrafts	1,973,439	1,936,567
Term loans/financing		
- Housing loans/financing	5,850,738	4,892,838
- Syndicated term loans/financing	1,908,153	1,908,052
- Hire purchase receivables	9,067,727	7,800,293
- Other term loans/financing	8,340,694	6,972,185
Bills receivables	35,121	39,791
Trust receipts	239,427	316,962
Claims on customers under acceptance credits	715,465	606,129
Staff loans/financing (of which RM <b>NIL</b> to Directors)	166,091	168,116
Credit/charge cards	100,047	96,468
Revolving credit	2,521,918	2,299,029
Margin financing	37,834	31,572
Factoring	3,357	3,532
	<hr/>	<hr/>
	30,960,011	27,071,534
Less: Unearned interest and income	(4,653,922)	(3,873,287)
<b>Gross loans, advances and financing</b>	<hr/> <b>26,306,089</b>	<hr/> <b>23,198,247</b>
Less: Allowance for impairment		
- Collective impairment	(432,263)	-
- Individual impairment	(137,824)	-
Less: Allowance for bad and doubtful debts and financing		
- General allowance	-	(343,276)
- Specific allowance	-	(358,035)
<b>Total net loans, advances and financing</b>	<hr/> <b>25,736,002</b>	<hr/> <b>22,496,936</b>
<b>(b) <u>BY TYPE OF CUSTOMER</u></b>		
Domestic non-banking institutions		
- Stock-broking companies	272	-
- Others	2,073,842	1,519,286
Domestic business enterprises		
- Small medium enterprises	6,884,830	6,227,637
- Others	5,582,959	5,115,236
Government and statutory bodies	90,195	93,267
Individuals	11,307,445	9,976,212
Other domestic entities	142,934	20,117
Foreign entities	223,612	246,492
	<hr/>	<hr/>
	<b>26,306,089</b>	<b>23,198,247</b>
<b>(c) <u>BY INTEREST / PROFIT RATE SENSITIVITY</u></b>		
Fixed rate		
- Housing loans/financing	360,774	364,888
- Hire purchase receivables	7,676,760	6,589,445
- Other fixed rate loans/financing	3,998,400	3,845,555
- Margin financing	37,834	31,572
Variable rate		
- BLR plus	9,501,377	8,969,682
- Cost plus	4,730,944	3,397,105
	<hr/>	<hr/>
	<b>26,306,089</b>	<b>23,198,247</b>

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

	Group	
	30/9/2010 RM'000	31/12/2009 RM'000
<b>(d) <u>BY ECONOMIC PURPOSE</u></b>		
Construction	798,842	706,810
Purchase of landed property of which :-		
- Residential	3,863,253	3,518,102
- Non-residential	2,332,862	1,605,207
Purchase of securities	318,125	337,278
Purchase of transport vehicles	7,712,300	6,619,191
Fixed assets other than land and building	350,032	274,654
Personal use	774,334	756,439
Credit card	100,049	96,468
Consumer durable	1,088	1,365
Merger and acquisition	7,299	14,598
Working capital	9,600,580	8,708,193
Others	447,325	559,942
	<b>26,306,089</b>	<b>23,198,247</b>
<b>(e) <u>BY SECTOR</u></b>		
Primary agriculture	588,432	597,399
Mining and quarrying	261,554	254,864
Manufacturing	1,855,858	1,706,329
Electricity, gas and water supply	190,490	155,944
Construction	2,397,979	2,533,205
Real estate	2,144,986	1,575,779
Wholesale and retail trade and restaurants and hotels	1,335,696	1,209,635
Transport, storage and communication	1,048,169	1,018,628
Finance, insurance and business services	4,019,464	3,325,599
Education, health and others	914,760	698,097
Household	11,408,958	10,070,950
Others	139,743	51,818
	<b>26,306,089</b>	<b>23,198,247</b>
<b>(f) <u>BY MATURITY STRUCTURE</u></b>		
Maturing within one year	6,454,200	6,389,543
One year to three years	3,235,199	2,701,037
Three years to five years	4,033,741	3,491,274
Over five years	12,582,949	10,616,393
	<b>26,306,089</b>	<b>23,198,247</b>
<b>(g) <u>BY GEOGRAPHICAL DISTRIBUTION</u></b>		
Perlis	17,136	17,882
Kedah	931,058	954,969
Pulau Pinang	1,216,889	1,137,272
Perak	827,572	726,315
Selangor	7,309,553	6,688,745
Wilayah Persekutuan	8,895,148	7,422,355
Negeri Sembilan	705,453	635,459
Melaka	640,673	575,803
Johor	1,979,513	1,849,159
Pahang	584,106	416,548
Terengganu	569,768	521,026
Kelantan	255,706	232,161
Sarawak	774,297	646,119
Sabah	1,192,296	1,048,697
Labuan	284,852	177,666
Abroad	122,069	148,071
	<b>26,306,089</b>	<b>23,198,247</b>

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

	Group	
	30/9/2010	31/12/2009
	RM'000	RM'000
<b>(h) <u>IMPAIRED/NON-PERFORMING LOANS, ADVANCES AND FINANCING</u></b>		
<b>(i) <u>Movements in non-performing loans, advances and financing</u></b>		
Balance at the beginning of financial year	-	1,200,823
Classified as non-performing during the financial year	-	780,474
Reclassified as performing during the financial year	-	(379,573)
Amount recovered	-	(263,202)
Amount written-off	-	(477,862)
Balance at the end of financial year	-	<b>860,660</b>
less: Specific allowance	-	(358,035)
Net non-performing loans, advances and financing	-	<b>502,625</b>
Net NPL as a % of gross loans, advances and financing less specific allowance	-	2.20%
<b>(ii) <u>Movements of impaired loans, advances and financing</u></b>		
At 1 January, as previously stated	860,660	-
Adjustment arising from adoption of FRS 139	240,124	-
At 1 January, as restated	1,100,784	-
Classified as impaired during the financial year	480,211	-
Reclassified as non-impaired during the financial year	(245,034)	-
Amount recovered	(160,081)	-
Amount written-off	(258,172)	-
Balance at the end of financial year	<b>917,708</b>	-
<b>(iii) <u>Impaired loans, advances and financing by economic purpose</u></b>		
Construction	71,392	33,127
Purchase of landed property of which :-		
- Residential	360,703	341,928
- Non-residential	44,386	51,691
Purchase of securities	3,975	3,736
Purchase of transport vehicles	70,935	86,447
Fixed assets other than land and building	4,592	4,639
Personal use	17,327	18,946
Credit card	774	865
Consumer durable	30	33
Working capital	324,255	279,487
Others	19,339	39,761
	<b>917,708</b>	<b>860,660</b>

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

	Group	
	30/9/2010 RM'000	31/12/2009 RM'000
<b>(h) <u>IMPAIRED/NON-PERFORMING LOANS, ADVANCES AND FINANCING (cont.)</u></b>		
<b>(iv) <u>Impaired loans, advances and financing by sector</u></b>		
Primary agriculture	11,942	5,443
Mining and quarrying	1,076	985
Manufacturing	104,867	86,803
Electricity, gas and water supply	2,134	2,154
Construction	186,335	140,963
Real estate	34,237	75,153
Wholesale and retail trade and restaurants and hotels	79,172	33,902
Transport, storage and communication	4,054	3,768
Finance, insurance and business services	22,749	15,498
Education, health and others	8,321	9,021
Household	461,622	460,217
Others	1,199	26,753
	<b>917,708</b>	<b>860,660</b>
<b>(v) <u>Impaired loans, advances and financing by geographical distribution</u></b>		
Perlis	640	563
Kedah	43,276	27,157
Pulau Pinang	29,084	58,647
Perak	14,033	15,372
Selangor	365,133	337,641
Wilayah Persekutuan	197,362	209,409
Negeri Sembilan	35,671	36,656
Melaka	15,580	17,717
Johor	92,614	113,682
Pahang	16,228	11,596
Terengganu	7,233	4,462
Kelantan	4,411	5,147
Sarawak	5,750	7,075
Sabah	13,377	15,497
Labuan	45	39
Abroad	77,271	-
	<b>917,708</b>	<b>860,660</b>



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

	Group	
	30/9/2010	31/12/2009
	RM'000	RM'000
<b>(h) <u>IMPAIRED/NON-PERFORMING LOANS, ADVANCES AND FINANCING (cont.)</u></b>		
<b>(vi) <u>Movements in allowance for impairment on loans, advances and financing</u></b>		
<b>Collective impairment</b>		
At 1 January, as previously stated	-	-
Adjustment arising from adoption of FRS 139	458,245	-
At 1 January, as restated	458,245	-
Allowance (net of recovery) made during the financial period	14,537	-
Amount written-off during the financial period	(39,234)	-
Exchange differences	(1,285)	-
Balance at the end of financial period	<b>432,263</b>	-
<b>Individual impairment</b>		
At 1 January, as previously stated	-	-
Adjustment arising from adoption of FRS 139	261,477	-
At 1 January, as restated	261,477	-
Allowance made during the financial period	112,768	-
Amount recovered during the financial period	(14,052)	-
Allowance written-off during the financial period	(222,369)	-
Balance at the end of financial period	<b>137,824</b>	-
<b>General allowance</b>		
At 1 January, as previously stated	343,276	306,033
Adjustment arising from adoption of FRS 139	(343,276)	-
At 1 January, as restated	-	306,033
Allowance made during the financial year	-	37,290
Amount written-back during the financial year	-	(47)
Balance at the end of financial year	<b>-</b>	<b>343,276</b>
As a % of gross loans, advances and financing less specific allowance	-	1.50%
<b>Specific allowance</b>		
At 1 January, as previously stated	358,035	553,468
Adjustment arising from adoption of FRS 139	(358,035)	-
At 1 January, as restated	-	<b>553,468</b>
Allowance made during the financial year	-	322,570
Amount written-off during the financial year	-	(477,685)
Amount written-back during the financial year	-	(48,535)
Amount transferred from allowance for impairment of securities	-	9,843
Amount transferred to allowance for impairment of securities	-	(1,626)
Balance at the end of financial year	<b>-</b>	<b>358,035</b>

**A11. TRADE RECEIVABLES**

	Group	
	30/9/2010 RM'000	31/12/2009 RM'000
Amount in respect of management fees receivable and cancellation of funds' units	1,118	1,062
Amount due from clients	135,564	77,471
Amount due from Bursa Securities Clearing Sdn Bhd	133,038	8,553
	<u>269,720</u>	<u>87,086</u>
Less: Allowance for impairment		
- Collective impairment	(172)	-
- Individual impairment	(4,097)	-
- General allowance	-	(91)
- Specific allowance	-	(4,341)
Less: Interest-in-suspense	-	(3,293)
	<u>265,451</u>	<u>79,361</u>

**Movement in allowance for impairment and interest-in-suspense on trade receivables:-**

**Collective impairment**

At 1 January, as previously stated	-	-
Adjustment arising from adoption of FRS 139	136	-
At 1 January, as restated	<u>136</u>	-
Allowance made during the financial period	159	-
Amount recovered	(123)	-
Balance at the end of financial period	<u>172</u>	-

**Individual impairment**

At 1 January, as previously stated	-	-
Adjustment arising from adoption of FRS 139	4,341	-
At 1 January, as restated	<u>4,341</u>	-
Allowance made during the financial period	90	-
Amount recovered	(334)	-
Balance at the end of financial period	<u>4,097</u>	-

**General allowance**

At 1 January, as previously stated	91	76
Adjustment arising from adoption of FRS 139	(91)	-
At 1 January, as restated	<u>-</u>	76
Allowance made during the financial year	-	71
Amount recovered	-	(56)
Balance at the end of financial year	<u>-</u>	<u>91</u>

**Specific allowance**

At 1 January, as previously stated	4,341	4,741
Adjustment arising from adoption of FRS 139	(4,341)	-
At 1 January, as restated	<u>-</u>	4,741
Allowance made during the financial year	-	143
Amount recovered	-	(543)
Balance at the end of financial year	<u>-</u>	<u>4,341</u>

**A12. OTHER ASSETS**

	Group	
	30/9/2010 RM'000	31/12/2009 RM'000
Clearing accounts	138,543	153,097
Income / interest receivable	68,866	79,686
Prepaid lease payments	15,998	16,180
Foreclosed properties	171,851	180,329
Derivative assets	50,226	24,315
Other debtors, deposits and prepayments	92,049	38,625
Amount due from jointly controlled entity	1,645	1,057
	<u>539,178</u>	<u>493,289</u>

**A13. OTHER LIABILITIES**

Bank Negara Malaysia and Credit Guarantee Corporation Funding Programmes	49,113	71,768
Amount due from other shareholders of a subsidiary - Liabilities directly associated with land held for sale	11,589	24,335
Interest payable	138,679	133,197
Margin and collateral deposits	66,081	57,325
Trust accounts for clients and remisiers	56,867	48,893
Defined contribution plan	12,121	9,128
Accrued employee benefits	547	840
Derivative liabilities	76,531	41,684
Other creditors and accruals	245,319	213,140
Profit equalisation reserve	-	-
Dividend payable	-	95,266
Provision for zakat	9,738	8,212
	<u>666,585</u>	<u>703,788</u>

**A14. INTEREST INCOME**

	←-----Group-----→			
	Individual Quarter Ended		Cumulative Quarter Ended	
	30/9/2010	30/9/2009	30/9/2010	30/9/2009
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing	332,875	269,100	904,145	814,639
Money at call and deposit with financial institutions	28,874	17,567	78,566	59,646
Securities				
- Held-for-trading	16	1	227	3,756
- Available-for-sale	46,917	51,901	145,354	134,114
- Held-to-maturity	4,974	7,630	13,284	14,644
Derivatives	12,009	10,665	35,628	38,370
Others	27	59	90	76
	<u>425,692</u>	<u>356,923</u>	<u>1,177,294</u>	<u>1,065,245</u>
Accretion of discount less amortisation of premium	12,785	3,744	24,470	22,413
	<u>438,477</u>	<u>360,667</u>	<u>1,201,764</u>	<u>1,087,658</u>
The above interest income includes interest/income earned on impaired loans, advances and financing				
- Unwinding of discount of allowance (Net)	(2,300)	-	933	-

**A15. INTEREST EXPENSE**

Deposits and placements of banks and other financial institutions	27,675	14,059	76,580	42,340
Deposits from customers	166,917	118,389	425,027	385,239
Subordinated term loan	-	-	-	5,589
Loans sold to Cagamas Berhad	3,623	1,879	10,970	3,546
Derivatives	16,168	15,888	50,539	51,155
Others	1,506	1,528	7,705	4,463
	<u>215,889</u>	<u>151,743</u>	<u>570,821</u>	<u>492,332</u>

**A16. OTHER OPERATING INCOME**

	<-----Group----->			
	Individual Quarter Ended 30/9/2010 RM'000	30/9/2009 RM'000	Cumulative Quarter Ended 30/9/2010 RM'000	30/9/2009 RM'000
<u>Fees income:</u>				
Fees on loans, advances and financing	115	-	246	738
Brokerage (net)	13,549	14,287	42,758	36,822
Underwriting fees	107	108	900	2,467
Portfolio management fees	2,196	1,753	6,093	4,681
Corporate advisory fees	564	731	3,896	1,750
Commission	3,084	3,246	8,851	9,393
Service charges and fees	13,387	11,081	35,621	33,326
Guarantee fees	7,613	10,089	21,565	25,035
Arrangement fees	5,002	5,514	7,129	8,334
Agency fees	678	606	1,743	1,073
Other fee income	4,901	4,271	4,917	4,540
	51,196	51,686	133,719	128,159
<u>Investment income:</u>				
Gains arising from sales of securities:				
- Held-for-trading	722	295	1,502	2,155
- Available-for-sale	8,313	3,833	30,418	8,044
- Held-to-maturity	-	138	2,053	2,485
Unrealised gains/(losses) on revaluation of securities held-for-trading	(33)	(15)	17	5,588
Gains/(losses) on derivatives:				
- realised	212	341	498	665
- unrealised	(4,244)	2,050	(4,838)	11,234
	4,970	6,642	29,650	30,171
<u>Dividend income:</u>				
Securities available-for-sale	30	57	257	146
Securities held-to-maturity	2,006	1,492	2,901	3,364
	2,036	1,549	3,158	3,510
<u>Other income:</u>				
Foreign exchange gains/(losses):				
- realised	(18,922)	(17,117)	(35,254)	18,344
- unrealised	34,189	33,624	90,595	27,398
Rental income	568	424	1,438	1,159
Gains/(Losses) on disposal of property and equipment	(102)	276	8	1,599
Gains on disposal of foreclosed properties	911	906	1,518	966
Other non-operating income	11,995	6,283	22,918	11,928
	28,639	24,396	81,223	61,394
<b>Total Other Operating Income</b>	<b>86,841</b>	<b>84,273</b>	<b>247,750</b>	<b>223,234</b>

**A17. OTHER OPERATING EXPENSES**

	←-----Group-----→			
	Individual Quarter Ended 30/9/2010 RM'000	30/9/2009 RM'000	Cumulative Quarter Ended 30/9/2010 RM'000	30/9/2009 RM'000
<u>Personnel costs</u>				
Wages, salaries and bonus	78,547	60,572	214,496	182,279
Defined contribution plan	11,441	9,577	32,820	28,353
Other personnel costs	9,856	8,007	27,080	24,489
	<u>99,844</u>	<u>78,156</u>	<u>274,396</u>	<u>235,121</u>
<u>Promotion and marketing-related expenses</u>				
Business promotion and advertisement	1,877	583	3,570	2,002
Entertainment	579	494	1,458	1,232
Travelling and accommodation	978	802	2,852	2,567
Dealers' handling fees	336	7,023	796	17,923
Commission	(52)	(5)	20	35
Others	376	375	1,317	1,269
	<u>4,094</u>	<u>9,272</u>	<u>10,013</u>	<u>25,028</u>
<u>Establishment-related expenses</u>				
Rental of premises	6,366	6,526	19,059	19,135
Equipment rental	242	363	707	990
Repair and maintenance	6,959	6,491	19,883	20,541
Depreciation	5,998	6,745	18,552	20,050
Amortisation	3,569	5,297	14,374	15,734
Lease rental - leasehold properties	61	59	182	182
IT consultancy fee	13,868	10,799	40,802	31,972
Dataline rental	1,398	2,147	4,181	6,821
Security services	2,259	2,288	6,796	6,484
Others	4,809	5,992	13,515	15,475
	<u>45,529</u>	<u>46,707</u>	<u>138,051</u>	<u>137,384</u>
<u>General administrative expenses</u>				
Telecommunication expenses	1,674	1,865	4,772	5,132
Director's Remuneration	150	250	759	735
Auditors' remuneration:				
(i) Statutory audit	303	346	1,016	1,008
(ii) Others	83	90	288	204
Professional fees	5,075	5,147	14,785	14,552
Property & equipment written off	125	115	182	238
Intangible asset written off	292	-	292	-
Postage and courier charges	883	892	3,452	3,154
Stationery and consumables	1,533	2,084	5,017	6,207
Subscription fees	390	398	1,202	1,260
Subsidies and allowances	273	148	862	511
Transaction levy	373	371	991	896
Commissioned dealers representative performance incentive	395	1,481	3,123	3,541
Others	6,567	5,169	15,790	13,664
	<u>18,116</u>	<u>18,356</u>	<u>52,531</u>	<u>51,102</u>
<b>Total other operating expenses</b>	<b><u>167,583</u></b>	<b><u>152,491</u></b>	<b><u>474,991</u></b>	<b><u>448,635</u></b>

**A18. ALLOWANCE FOR IMPAIRMENT ON LOANS AND FINANCING**

	<-----Group----->			
	Individual Quarter Ended 30/9/2010 RM'000	30/9/2009 RM'000	Cumulative Quarter Ended 30/9/2010 RM'000	30/9/2009 RM'000
Collective impairment				
- allowance made/(written-back) during the financial period	(24,282)	-	14,573	-
Individual impairment				
- allowance made during the financial period	48,075	-	112,858	-
- allowance written-back during the financial period	(3,966)	-	(14,386)	-
General allowance (net)	-	3,923	-	22,875
Specific allowance				
- Made during the financial period	-	77,232	-	201,350
- Written back	-	(14,053)	-	(39,916)
Bad debts				
- recovered	(42,572)	(29,190)	(140,887)	(94,893)
- written off	4,771	2,117	11,163	9,118
Provision for litigation loss	48,000	-	78,000	-
Additional/(Write-back of) allowance for impaired debts				
- trade debtors	-	-	-	-
- other debtors	288	173	620	367
	30,314	40,202	61,941	98,901

**A19. ALLOWANCE FOR IMPAIRMENT ON OTHER ASSETS**

Additional/(Write-back of) allowance for impairment loss:-				
- Securities available-for-sale	3,795	4,928	3,793	8,416
- Securities held-to-maturity	-	-	(543)	(211)
	3,795	4,928	3,250	8,205

## A20. SEGMENTAL INFORMATION ON REVENUE AND PROFIT

The segment analysis by activity for the individual and cumulative quarters ended 30 September 2010 and 30 September 2009 are as follows:-

<-----Individual quarter ended 30 September 2010----->						
RM '000	Commercial Banking and Hire Purchase	Investment Banking	Insurance	Others	Eliminations	Group
Segment revenue	527,268	66,563	-	3,990	-	597,821
Intersegment revenue	385	1,742	-	296	(2,423)	-
Revenue	<u>527,653</u>	<u>68,305</u>	<u>-</u>	<u>4,286</u>	<u>(2,423)</u>	<u>597,821</u>
Segment results	119,999	28,521	-	597	4,294	153,411
Unallocated expenses						(3,937)
Share of results of:						
- jointly controlled entity	-	-	(3,238)	-	-	(3,238)
- associate	-	-	2,961	-	-	2,961
Exceptional item						-
Profit before taxation and zakat						<u>149,197</u>
Taxation and zakat						<u>(34,182)</u>
Net profit for the quarter						<u>115,015</u>

<-----Individual quarter ended 30 September 2009----->						
RM '000	Commercial Banking and Hire Purchase	Investment Banking	Insurance	Others	Eliminations	Group
Segment revenue	445,870	61,374	-	1,623	-	508,867
Intersegment revenue	1,856	1,598	-	245	(3,699)	-
Revenue	<u>447,726</u>	<u>62,972</u>	<u>-</u>	<u>1,868</u>	<u>(3,699)</u>	<u>508,867</u>
Segment results	118,907	19,768	-	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 and zakat						<u>139,982</u>
Taxation and zakat						<u>(33,714)</u>
Net profit for the quarter						<u>106,268</u>



**A20. SEGMENTAL INFORMATION ON REVENUE AND PROFIT**

<-----Current year's cumulative quarter ended 30 September 2010----->

RM '000	Commercial Banking and Hire Purchase	Investment Banking	Insurance	Others	Eliminations	Group
Segment revenue	1,466,399	176,650	-	9,402	-	1,652,451
Intersegment revenue	1,226	3,333	-	813	(5,372)	-
Revenue	<u>1,467,625</u>	<u>179,983</u>	<u>-</u>	<u>10,215</u>	<u>(5,372)</u>	<u>1,652,451</u>
Segment results	392,737	68,711	-	1,601	11,391	474,440
Unallocated expenses						(11,828)
Share of results of:						
- jointly controlled entity	-	-	(498)	-	-	(498)
- associate	-	-	10,755	-	-	10,755
Exceptional item						7,962
Profit before taxation and zakat						<u>480,831</u>
Taxation and zakat						<u>(118,778)</u>
Net profit for the cumulative quarter						<u>362,053</u>

<-----Preceding year's cumulative quarter ended 30 September 2009----->

RM '000	Commercial Banking and Hire Purchase	Investment Banking	Insurance	Others	Eliminations	Group
Segment revenue	1,324,009	169,457	-	4,983	-	1,498,449
Intersegment revenue	5,566	5,181	-	745	(11,492)	-
Revenue	<u>1,329,575</u>	<u>174,638</u>	<u>-</u>	<u>5,728</u>	<u>(11,492)</u>	<u>1,498,449</u>
Segment results	323,961	53,100	-	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 and zakat						<u>383,158</u>
Taxation and zakat						<u>(95,485)</u>
Net profit for the cumulative quarter						<u>287,673</u>

## A21. 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 2009.

## A22. 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.

## A23. CHANGES IN THE COMPOSITION OF THE GROUP

### Acquisition of the entire share capital of BH Insurance (M) Berhad ("BHI") by AXA AFFIN General Insurance Berhad ("The Acquisition")

On 2 March 2010, AXA AFFIN General Insurance Berhad ("AAGI"), a 40%-owned associated company of AFFIN Holdings Berhad ("AHB") had entered into the following agreements in relation to the acquisition of the entire share capital of BHI :-

- (i) Sale and Purchase Agreement with Boustead Holdings Berhad for the acquisition of 80% of the issued share capital of BHI for a total cash consideration of RM362,580,164 comprising the principal amount of RM359,000,000 and interest accrued on the principal amount of RM3,580,164; and
- (ii) Sale and Purchase Agreement with Felda Marketing Services Sdn Bhd ("FMS") for the proposed acquisition of 20% of the issued share capital of BHI for a total consideration of RM90,645,041 to be satisfied by way of issuance and allotment of 19,047,619 new ordinary shares of RM1.00 each in AAGI to FMS, representing 16.0% of the enlarged share capital of AAGI after the Acquisition.

AHB had on the same day entered into the following shareholders' agreements to, among others, record the respective rights and obligations of the shareholders of AAGI pursuant to the Acquisition and the subsequent merger of AAGI and BHI :-

- (i) Shareholders' Agreement between AXA S.A., AFFIN and AAGI; and
- (ii) Shareholders' Agreement between AXA S.A., AFFIN, FMS and AAGI.

The Acquisition and the subsequent merger of AAGI and BHI are expected to derive synergistic benefits and provide a stronger platform for future growth in the Malaysian insurance industry. The combination of the two entities is expected to constitute a major player on both the individual lines and commercial markets leveraging on both companies' strength.

The Acquisition was completed on 30 April 2010 and BHI became a wholly-owned subsidiary company of AAGI on the same day.

The Acquisition had resulted in a dilution of AHB's equity interest in AAGI from 40% to 33.6%, with an exceptional gain of RM7,962,000 on share of enlarged net assets in AAGI upon the completion of the Acquisition.

#### A24. 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 30/9/2010			Previous financial year ended 31/12/2009		
	Principal Amount RM'000	Credit Equivalent Amount* RM'000	Risk-Weighted Amount* RM'000	Principal Amount RM'000	Credit Equivalent Amount* RM'000	Risk-Weighted Amount* RM'000
Direct credit substitutes	423,254	423,254	405,893	495,326	495,326	470,810
Transaction-related contingent items	2,410,910	1,205,455	1,013,314	2,648,189	1,324,094	1,106,247
Short-term self-liquidating trade-related contingencies	1,129,597	225,920	158,449	1,401,193	280,239	120,271
Obligations under underwriting agreements	11,729	5,865	1,252	33,020	16,510	5,240
Foreign exchange related contracts						
- Less than one year	2,215,221	52,779	22,356	2,110,013	45,881	20,343
- One year to less than five years	181,120	15,202	6,187	83,687	7,184	2,784
Interest rate related contracts						
- Less than one year	97,408	107	33	385,000	910	184
- One year to less than five years	875,547	28,055	6,337	524,086	13,144	4,037
- Five years and above	445,585	47,028	10,185	440,277	38,564	7,910
Irrevocable commitments to extend credit:						
- Maturity exceeding 1 year	5,734,008	-	-	3,958,046	-	-
- Maturity not exceeding 1 year	4,103,516	-	-	5,256,924	-	-
Unutilised credit card lines	586,091	117,218	87,836	555,478	111,096	83,248
	18,213,986	2,120,883	1,711,842	17,891,239	2,332,948	-

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

## 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:-

	30/9/2010 RM'000	31/12/2009 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	557,956	356,018
Statutory reserve	1,013,088	925,509
	<u>3,783,234</u>	<u>3,493,717</u>
Less:-		
Goodwill	(190,384)	(190,384)
Deferred tax assets	(117,694)	(63,434)
<b>Total Tier 1 capital (a)</b>	<u><b>3,475,156</b></u>	<u><b>3,239,899</b></u>
<b><u>Tier 2 Capital</u></b>		
Subordinated loans	300,000	300,000
General allowance for bad and doubtful debts and financing	-	343,276
Collective impairment	133,839	-
<b>Total Tier 2 capital (b)</b>	<u><b>433,839</b></u>	<u><b>643,276</b></u>
Total capital (a) + (b)	3,908,995	3,883,175
Less:-		
Investment in capital instruments of other banking institutions	(41,180)	(305,358)
Investment in subsidiaries	(57,791)	(41,180)
<b>Capital base</b>	<u><b>3,810,024</b></u>	<u><b>3,536,637</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:-

	30/9/2010 RM'000	31/12/2009 RM'000
Credit risk	25,672,172	23,271,148
Market risk	108,780	88,120
Operational risk	2,262,223	2,190,893
<b>Total risk-weighted assets</b>	<u><b>28,043,175</b></u>	<u><b>25,550,161</b></u>

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

### Before deducting proposed dividends:-

Core capital ratio	12.39%	12.68%
Risk capital weighted ratio	<u>13.59%</u>	<u>13.84%</u>

### After deducting proposed dividends:-

Core capital ratio	12.10%	12.44%
Risk capital weighted ratio	<u>13.29%</u>	<u>13.60%</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. CHANGES IN ACCOUNTING POLICY AND RESTATEMENT OF OPENING BALANCES

### (a) Changes in accounting policy

The accounting policies applied are consistent with those adopted for the annual financial statements for the year ended 31 December 2009 except for the adoption of the following new standards and amendments to standards during the financial period which have resulted in the changes in accounting policies as stated below:

- i) FRS139 Financial Instruments: Recognition and Measurement; and
- ii) Amendments to FRS139 Financial Instruments: Recognition and Measurement

FRS139 establishes the principles for the recognition, derecognition and measurement of an entity's financial instruments and for hedge accounting. However, since the adoption of BNM's revised BNM/GP8 - Guidelines on Financial Reporting for Licensed Institutions on 1 January 2005, certain principles in connection with the recognition, derecognition and measurement of financial instruments, including derivative instruments, and hedge accounting which are similar to those prescribed by FRS139 have already been adopted by the Group. Therefore, the full adoption of FRS139 on 1 January 2010 has resulted in the following material changes in accounting policies as follows:

#### Impairment of loans, advances and financing

The adoption of FRS139 has resulted in a change in accounting policy relating to the assessment for impairment of loans, advances and financing. The existing accounting policies relating to the assessment of impairment of other financial assets of the Group are already largely in line with those of FRS139. Prior to the adoption of FRS139, allowances for impaired loans, advances and financing (previously referred to as non-performing loans) were computed in conformity with the BNM/GP3 - Guidelines on Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts.

Upon the adoption of FRS139, the Group assess at each balance sheet date whether there is objective evidence that a loan or group of loans is impaired. A loan or a group of loans is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the loan or group of loans that can be reliably estimated.

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

- Past due contractual payments
- Significant financial difficulties of borrower
- Probability of bankruptcy or other financial re-organisation
- Default of related borrower
- A breach of contract
- The lender grants a concession to the borrower in relation to the borrower's financial difficulties
- The disappearance of an active market for that financial asset because of financial difficulties
- Measurable decrease in estimated future cash flows from a group of financial assets

The estimated period between a loss occurring and its identification is vary between three months and twelve months; in exceptional cases, longer periods are warranted.

The Group first assess whether objective evidence of impairment exists individually for loans that are individually significant, and individually or collectively for loans that are not individually significant. If the Group determine that no objective evidence of impairment exists for an individually assessed loan, whether significant or not, it includes the loan in a group of loans with similar credit risk characteristics and collectively assesses them for impairment. Loans that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the loan's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the loan's original effective interest rate. The carrying amount of the loan is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

## A26. CHANGES IN ACCOUNTING POLICY AND RESTATEMENT OF OPENING BALANCES (cont.)

The calculation of the present value of the estimated future cash flows of a collateralised loan reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, loans are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such loans by being indicative of the borrowers' ability to pay all amounts due according to the contractual terms of the loans being evaluated.

Future cash flows in a group of loans that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the loans in the Group and historical loss experience for loans with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of loans should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

The collective assessment is also subject to the transitional arrangement prescribed in BNM's guidelines on Classification and Impairment Provisions for Loans/Financing issued on 8 January 2010, whereby banking institutions are required to maintain collective assessment impairment allowances of at least 1.5% of total outstanding loans, advances and financing, net of individual impairment allowance.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement in allowance for impairment on loans, advances and financing.

### Interest Income Recognition

FRS139 prescribes that financial assets classified as held-to-maturity and loans and receivables are measured at amortised cost using effective interest method. Whilst the Group's financial investments held-to-maturity are already measured on this basis under the requirements of BNM's revised BNM/GP8 effective from 1 January 2005, interest income on its loans and receivables continued to be recognised based on contractual interest rates. Upon the full adoption of FRS139 on 1 January 2010, interest income is recognised using effective interest rates ("EIR"), which is the rate that exactly discounts estimated future cash receipts through the expected life of the loan or, when appropriate, a shorter period to the net carrying amount of the loan.

Prior to the adoption of FRS139, interest accrued and recognised as income prior to the date that a loan is classified as non-performing is reversed out of income and set-off against the interest receivable account in the statement of financial position. Thereafter, interest on the non-performing loan is recognised as income on a cash basis. Upon adoption of FRS139, once a loan has been written down as a result of an impairment loss, interest income is thereafter recognised using the rate of interest used to discount the future cash flows for the purpose of measuring impairment loss.

**A26. CHANGES IN ACCOUNTING POLICY AND RESTATEMENT OF OPENING BALANCES (cont.)**

**(b) Restatement of opening balances**

The Group has applied the new standard in relation to the financial instruments in accordance with the transitional provisions in FRS 139 by recognising and re-measuring all financing assets and financial liabilities as at 1 January 2010 as appropriate. The related adjustments to the previous carrying amounts are made to the opening retained earnings or available-for-sale investment fluctuation reserve as appropriate. The effects of the changes are disclosed below:-

	As at 1 January 2010	Effect of adoption of FRS 139	Adjusted as at 1 January 2010
	RM'000	RM'000	RM'000
<b>Statement of Financial Position</b>			
<b>Assets</b>			
Securities available-for-sale	8,166,664	93,943	8,260,607
Securities held-to-maturity	518,216	(25,929)	492,287
Loans, advances and financing	22,496,936	23,932	22,520,868
Trade debtor	79,361	(45)	79,316
Other assets	493,289	(964)	492,325
Taxation recoverable	18,756	58,085	76,841
Deferred tax assets	57,430	(56,402)	1,028
	<u>31,830,652</u>	<u>92,620</u>	<u>31,923,272</u>
<b>Liabilities</b>			
Provision for taxation	2,734	(2,712)	22
Deferred tax liabilities	176	27,131	27,307
	<u>2,910</u>	<u>24,419</u>	<u>27,329</u>
<b>Equity</b>			
Retained profits	942,125	17,191	959,316
Investment fluctuation reserve	24,453	51,010	75,463
	<u>966,578</u>	<u>68,201</u>	<u>1,034,779</u>

**A27. COMPARATIVE FIGURES**

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

## A28. OPERATIONS OF ISLAMIC BANKING

### (i) Unaudited Islamic Statements of Financial Position

	Group	
	30/9/2010 RM'000	31/12/2009 RM'000
<b>ASSETS</b>		
Cash and short term funds	2,586,387	2,211,477
Securities held-for-trading	1	-
Securities available-for-sale	1,368,616	1,383,903
Securities held-to-maturity	-	575
Loans, advances and financing	3,529,570	2,880,708
Investment in jointly-controlled entity	500	500
Other assets	48,073	35,289
Deferred tax assets	10,928	8,431
Property and equipment	2,092	4,159
Intangible assets	1,665	727
<b>TOTAL ASSETS</b>	<b>7,547,832</b>	<b>6,525,769</b>
		-
<b>LIABILITIES, ISLAMIC BANKING FUNDS</b>		
Deposits from customers	5,565,205	4,627,330
Deposits and placements of banks and other financial institutions	1,418,781	1,238,459
Other liabilities	130,471	260,315
Provision for tax	8,601	1,594
<b>Total Liabilities</b>	<b>7,123,058</b>	<b>6,127,698</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	260,000	260,000
Reserves	164,774	138,071
<b>Total Equity</b>	<b>424,774</b>	<b>398,071</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>7,547,832</b>	<b>6,525,769</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	<b>1,603,846</b>	<b>2,157,508</b>



**A28. OPERATIONS OF ISLAMIC BANKING (cont.)**

**(ii) Unaudited Islamic Income Statements**

	←-----Group-----→			
	Individual Quarter Ended 30/9/2010 RM'000	30/9/2009 RM'000	Cumulative Quarter Ended 30/9/2010 RM'000	30/9/2009 RM'000
Income derived from investment of depositors' funds and others	75,677	59,279	208,266	182,414
Allowance for losses on financing	(10,678)	(6,922)	(18,096)	(12,257)
Transfer to profit equalisation reserve	271	2,845	-	(776)
	65,270	55,202	190,170	169,381
Income attributable to depositors	(38,031)	(22,995)	(96,395)	(79,392)
Income attributable to shareholders	27,239	32,207	93,775	89,989
Income derived from investment of Shareholders' funds	4,622	3,790	13,176	9,985
	31,861	35,997	106,951	99,974
Other operating expenses	(23,817)	(19,306)	(69,258)	(56,859)
Profit before tax and zakat	8,044	16,691	37,693	43,115
Taxation	(7,073)	(4,213)	(17,382)	(10,289)
Zakat	-	-	(4,626)	(3,308)
Net profit for the financial period	971	12,478	15,685	29,518

**(ii) Unaudited Statements of Comprehensive Islamic Income**

	←-----Group-----→			
	Individual Quarter Ended 30/9/2010 RM'000	30/9/2009 RM'000	Cumulative Quarter Ended 30/9/2010 RM'000	30/9/2009 RM'000
Profit after taxation and zakat	971	12,478	15,685	29,518
Other comprehensive income:				
- Net change in fair value of securities available-for-sale	5,688	4,186	7,276	4,571
- Deferred tax on revaluation of securities available-for-sale	(1,423)	(1,047)	(1,820)	(1,143)
Other comprehensive income for the financial period, net of tax	4,265	3,139	5,456	3,428
<b>Total comprehensive income for the financial period attributable to the equity holders of the Company</b>	<b>5,236</b>	<b>15,617</b>	<b>21,141</b>	<b>32,946</b>

**A28. OPERATIONS OF ISLAMIC BANKING (cont.)**

	Group	
	30/9/2010 RM'000	31/12/2009 RM'000
<b>(iii) <u>Financing</u></b>		
<u>By type</u>		
Cash line	218,098	218,213
Term financing		
- Housing financing	3,095,217	2,404,644
- Syndicated term financing	766,523	913,988
- Hire purchase receivables	1,239,321	1,050,395
- Other term financing	1,369,987	818,981
Bills financing	2,204	7,899
Trust receipts	30,060	77,390
Interest-free accepted bills	142,489	95,431
Staff financing	15,058	14,524
Revolving credit	134,242	121,112
	<u>7,013,199</u>	<u>5,722,577</u>
Less : Unearned income	(3,401,799)	(2,770,998)
	<u>3,611,400</u>	<u>2,951,579</u>
Less : Allowance for impairment		
- Collective impairment	(51,419)	-
- Individual impairment	(30,411)	-
Less : Allowance for bad and doubtful debts and financing		
- General allowance	-	(44,067)
- Specific allowance	-	(26,804)
<b>Total net financing</b>	<u><u>3,529,570</u></u>	<u><u>2,880,708</u></u>

**(iv) Impaired/non-performing financing**

**(a) Movements in non-performing financing (including income receivables):**

Balance at the beginning of financial year	-	40,102
Classified as non-performing during the financial year	-	83,346
Reclassified as performing during the financial year	-	(43,440)
Amount written-off	-	(3,432)
Amount written back in respect of recoveries	-	(16,120)
Balance at the end of financial year	<u>-</u>	<u>60,456</u>
less: Specific allowance	-	(26,804)
Net non-performing loans, advances and financing	<u>-</u>	<u>33,652</u>
As a % of gross loans, advances and financing less specific allowance	<u>-</u>	<u>1.15%</u>

**(b) Movements of impaired financing**

At 1 January, as previously stated	60,456	-
Adjustment arising from adoption of FRS 139	68,515	-
At 1 January, as restated	<u>128,971</u>	<u>-</u>
Classified as impaired during the financial period	76,237	-
Reclassified as non-impaired during the financial period	(32,177)	-
Amount recovered	(18,920)	-
Amount written-off	(2,231)	-
Balance at end of financial period	<u>151,880</u>	<u>-</u>

**A28. OPERATIONS OF ISLAMIC BANKING (cont.)**

	Group	
	30/9/2010 RM'000	31/12/2009 RM'000
<b>(iv) Impaired/non-performing financing (cont.)</b>		
<b>(c) <u>Movements in the allowance for impairment on financing</u></b>		
<b>Collective impairment</b>		
At 1 January, as previously stated	-	-
Adjustment arising from adoption of FRS 139	43,925	-
At 1 January, as restated	43,925	-
Allowance for impairment made during the financial period	11,022	-
Amount written-off	(2,243)	-
Exchange differences	(1,285)	-
Balance at end of financial period	<b>51,419</b>	-
<b>Individual impairment</b>		
At 1 January, as previously stated	-	-
Adjustment arising from adoption of FRS 139	23,228	-
At 1 January, as restated	23,228	-
Allowance for impairment during the financial period	10,151	-
Amount recovered	(2,968)	-
Balance at end of financial period	<b>30,411</b>	-
<b>General allowance</b>		
At 1 January, as previously stated	44,067	37,309
Adjustment arising from adoption of FRS 139	(44,067)	-
At 1 January, as restated	-	37,309
Allowance made during the financial year	-	6,758
Balance at the end of financial year	-	<b>44,067</b>
As a % of gross loans, advances and financing less specific allowance	-	<b>1.51%</b>
<b>Specific allowance</b>		
At 1 January, as previously stated	26,804	6,780
Adjustment arising from adoption of FRS 139	(26,804)	-
At 1 January, as restated	-	6,780
Allowance made during the financial year	-	24,939
Amount written off	-	(3,431)
Amount written back in respect of recoveries	-	(1,484)
Balance at the end of financial year	-	<b>26,804</b>
<b>(vi) Deposits from customers</b>		
<b><u>By type of deposits</u></b>		
<b>Non-Mudharabah Funds</b>		
Demand deposits	1,461,958	1,187,013
Savings deposits	188,486	176,485
Negotiable Instruments of Deposits	-	309,626
	<b>1,650,444</b>	<b>1,673,124</b>
<b>Mudharabah Funds</b>		
Demand deposits	10,148	4,356
Savings deposits	53,591	29,490
General investment deposits	3,046,387	2,213,783
Special investment deposits	804,635	706,577
	<b>3,914,761</b>	<b>2,954,206</b>
Total deposits from customers	<b>5,565,205</b>	<b>4,627,330</b>

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

**BI. REVIEW OF PERFORMANCE OF THE COMPANY AND ITS PRINCIPAL SUBSIDIARIES**

The Group reported a higher pretax profit of RM149.2 million for the current financial quarter as compared to RM140.0 million for the preceeding year's corresponding quarter. For the 9 months ended 30 September 2010, the Group's pretax profit increased by RM97.7 million or 25.5% to RM480.8 million as compared to RM383.2 million achieved last year. The improved performance was mainly due to the increase in net interest income, other operating income and Islamic banking income totalling RM73.4 million, lower allowance for impaired loans, advances and financing of RM37.0 million and lower allowance for impairment loss on securities of RM4.9 million, net of higher overhead expenses of RM26.4 million. In addition, there was an exceptional gain of RM8.0 million on dilution of interest in associate arising from the acquisition of the entire share capital of BH Insurance (M) Berhad by AXA AFFIN General Insurance Berhad for the period under review.

AFFIN Bank Berhad ("ABB") group registered a higher pretax profit of RM120.0 million for the current financial quarter as compared to RM118.9 million for the preceeding year's corresponding quarter. For the 9 months ended 30 September 2010, the Bank's pretax profit of RM392.7 million also indicated a significant improvement of RM68.7 million or 21.2% as compared to RM324.0 million achieved last year. This was mainly due to the increase in net interest income, other operating income and Islamic banking income totalling RM53.5 million as well as the reduction in allowance for impaired loans, advances and financing of RM38.1 million, net of higher overhead expenses of RM20.7 million.

AFFIN Investment Bank Berhad ("AIBB") group registered a higher pretax profit of RM28.5 million for the current financial quarter as compared to RM19.8 million for the preceding year's corresponding quarter. This brought the Bank's pretax profit to RM68.7 million for the 9 months ended 30 September 2010 as compared to RM53.1 million for the same period last year. The improved performance was mainly due to the increase in other operating income of RM12.9 million and the write-back of impairment loss on securities of RM0.8 million as compared to a charge of RM7.1 million for the preceding year's corresponding period, net of higher overhead expenses of RM4.9 million. As for AFFIN Fund Management Berhad, the Company registered a higher pretax profit of RM5.3 million as compared to RM3.9 million for the same period last year.

AFFIN Moneybrokers Sdn Bhd registered a higher pretax profit of RM0.5 million for the current financial quarter as compared to RM0.2 million for the same quarter last year. For the period ended 30 September 2010, the Company also reported a higher pretax profit of RM1.3 million as compared to RM0.6 million for the same period last year, mainly due to higher net brokerage income net of higher overheads.

AXA AFFIN Life Insurance Berhad ("AALI") reported a pretax loss of RM6.3 million for the current financial quarter as compared to a pretax profit of RM171,000 for the preceding year's corresponding quarter. For the period ended 30 September 2010, AALI also registered a pretax loss of RM10.1 million as compared to a pretax profit of RM3.7 million achieved last year. This was mainly due to the recognition of year-to-date deficits of the Life Fund Revenue Accounts of RM21.0 million, net of RM8.4 million of the unallocated surplus of the Policyholders' Fund brought forward from the previous financial year. The share of loss in jointly-controlled entity of RM0.5 million for the period under review was mainly attributable to the share of current year's loss of RM5.3 million in AALI and the adjustment of RM4.8 million on under-recognition of Group's share of financial impact on implementation of Risk-Based Capital ("RBC") Framework as well as the reversal of the deficits of Life Fund Revenue Accounts by AALI in the previous financial year.

AXA AFFIN General Insurance Berhad ("AAGI") recorded a higher pretax profit of RM14.6 million for the current financial quarter as compared to RM5.2 million for the preceeding year's corresponding quarter. For the 9 months ended 30 September 2010, AAGI also registered a higher pretax profit of RM28.6 million as compared to RM21.2 million achieved last year, mainly due to the increase in earned premium, investment income and the gains on sale of investment of RM91.7 million, RM5.6 million and RM3.0 million respectively, net of the increase in net claim, overhead expenses and net commission of RM57.7 million, RM13.5 million and RM11.4 million respectively for the period under review. As for the pretax profit contribution of RM16.5 million from its newly acquired wholly-owned subsidiary namely BH Insurance (M) Berhad ("BHI"), the amount was substantially offset by the financing cost of RM6.4 million and other acquisition/integration costs of RM3.7 million incurred by AAGI in relation to the acquisition of and merger with BHI. Included in the share of results in associate of RM10.8 million for the current financial period was an adjustment of RM4.3 million on under-recognition of Group's share of profit after tax in AAGI for the previous financial year ended 31 December 2009.

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

The Group recorded a slightly lower pretax profit of RM149.2 million for the current financial quarter as compared to RM154.3 million for the preceding quarter ended 30 June 2010. Both the net interest income and other operating income were higher by RM13.7 million and RM14.1 million for the quarter under review but the amounts were partially offset by the increase in allowance for impaired loans, advances and financing, overhead expenses and allowance for impairment loss on securities of RM11.1 million, RM10.1 million and RM4.2 million respectively. In addition, there was no exceptional gain of RM8.0 million on dilution of interest in associate arising from the acquisition of BH Insurance (M) Berhad by AXA AFFIN General Insurance Berhad as in the preceding quarter.

**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 2010.

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 2010:-

<u>Headline KPIs</u>	As announced	Actual
	for financial Year 2010	achieved for 9 months ended 30-9-2010
(i) After Tax Returns on Equity (ROE)	8.4%	7.3%
(ii) After Tax Returns on Assets (ROA)	1.0%	0.9%
(iii) Net NPL Ratio *	1.9%	1.8%
(iv) Earnings Per Share (EPS)	27.50 sen	24.23 sen

\* The Net NPL ratio was computed in accordance with the BNM/GP3-Guidelines on Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts.

**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	
	30/9/2010	30/9/2009	30/9/2010	30/9/2009
	RM'000	RM'000	RM'000	RM'000
Malaysian Taxation:-				
- Income tax based on profit for the financial period	73,111	30,304	153,439	95,110
Deferred tax:-				
- Relating to originating temporary differences	(28,525)	3,429	(30,129)	(3,036)
Recognition of deferred tax benefits previously not recognised	-	-	(1,908)	-
Under/(over) provision in prior years:				
- Current taxation	(10,489)	(119)	(7,335)	3
	<b>34,097</b>	<b>33,614</b>	<b>114,067</b>	<b>92,077</b>

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

## **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 ANNOUNCED BUT NOT COMPLETED**

Save as disclosed below, there were no corporate proposals announced but not completed as at 30 September 2010:-

### **a) Proposed acquisition of a controlling stake in PT Bank Ina Perdana, Indonesia (cont.)**

On 15 January 2010, The Board of Directors ("Board") of AFFIN Holdings Berhad ("AHB") announced that Bank Negara Malaysia ("BNM") had vide its letter dated 14 January 2010 granted its approval for AHB to commence negotiations with the existing shareholders of PT Bank Ina Perdana ("Bank Ina"), Indonesia for a possible acquisition of a controlling stake in Bank Ina ("Proposal").

The necessary approvals of BNM will be sought should AHB intends to proceed with the Proposal upon conclusion of the negotiation.

The Board has considered Indonesia to be the first overseas venture for the Group which is seen to have significant growth potential given that Indonesia is the fourth most populous nation in the world and the banking penetration remains low.

On 4 August 2010 AFFIN Investment Bank Berhad had on behalf of the Board of AHB, announced that AFFIN Bank Berhad ("AFFIN Bank"), a wholly-owned subsidiary of AHB, entered into the following agreements:-

- (i) Share Purchase Agreement with P.T. Kharisma Prima Karya ("PT Kharisma" or the "Vendor") for the acquisition of 65,280,000 existing ordinary shares of Indonesian Rupiah ("Rp") 1,000 each in Bank Ina ("Existing Shares"), representing 20.82% of the enlarged issued and paid-up share capital of Bank Ina for a cash consideration to be determined later ("Proposed Acquisition").

The consideration for the Proposed Acquisition will be based on the price to book ratio of 3.15 times over the agreed Net Tangible Assets ("NTA") per Existing Share of Bank Ina as per the balance sheet as at the end of the month preceding the month (or the latest practicable month end) where the date of the last conditions precedent as set out in the Share Purchase Agreement are fulfilled and/or waived ("Completion Balance Sheet").

- (ii) Subscription Agreement with the Vendor and Bank Ina for the subscription of 185,600,000 new ordinary shares of par value to be determined later in Bank Ina ("Subscription Shares"), representing 59.18% of the enlarged issued and paid-up share capital of Bank Ina for a cash consideration to be determined later ("Proposed Subscription").

The consideration for the Proposed Subscription will be based on the NTA per Existing Share of Bank Ina as per the Completion Balance Sheet.

- (iii) Call Option Agreement with the Vendor pursuant to which the Vendor irrevocably agreed to grant AFFIN Bank an option for AFFIN Bank to call on the Vendor to require it to sell to AFFIN Bank all or any of 56,488,856 Existing Shares held by the Vendor ("Option Shares") representing 18.01% of the enlarged issued and paid-up share capital of Bank Ina at a call option price to be determined later.

The option price shall be determined based on the price to book ratio of 3.15 times over the NTA per share of Bank Ina at the material future date as determined by AFFIN Bank and the Vendor for each Option Share but in any case, the option price shall not be less than the price to book ratio of 3.15 times over the NTA per Existing Share of Bank Ina pursuant to the Completion Balance Sheet as at the Closing Date.

## **B8. STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED**

### **a) Proposed acquisition of a controlling stake in PT Bank Ina Perdana, Indonesia (cont.)**

- (iv) Put Option Agreement with the Vendor pursuant to which AFFIN Bank irrevocably agreed to grant the Vendor an option for the Vendor to put to AFFIN Bank to require it to purchase from the Vendor all or any of the Option Shares at a put option price to be determined later, the basis of which is similar to that of the option price set out in item (iii) above.
- (v) Non-Competition Agreement with the Vendor whereby the Vendor agrees for itself and shall procure that Bapak Oki Widjaja (a director and substantial shareholder of the Vendor), shall not venture or participate directly and/or indirectly in any business which competes with the business of Bank Ina in the Republic of Indonesia within a period of three (3) years from the date of completion of the Proposed Acquisition ("Closing Date"); and
- (vi) Shareholders Agreement with the Vendor and Bank Ina setting out certain commitments and their rights as shareholders of Bank Ina from the Closing Date.

The Call Option Agreement, Put Option Agreement, Non-Competition Agreement and Shareholders Agreement shall only take effect on the Closing Date.

The Share Purchase Agreement and Subscription Agreement are conditional upon the fulfillment of the conditions precedent set out in the Share Purchase Agreement and Subscription Agreement within twelve (12) months from the date of the respective agreement, which include amongst others, the following:-

- (i) The approval of the shareholders of Bank Ina in extraordinary general meetings ("EGM") to be convened for amongst others, the Proposed Acquisition and Proposed Subscription;
- (ii) Issuance of the acquisition permit and/or written notification from Bank Indonesia ("BI") that AFFIN Bank has passed the Fit and Proper Test as governed by BI ("Fit and Proper Test"); and
- (iii) Approvals from BNM and BI for the Proposed Acquisition and Proposed Subscription and such other transactions contemplated in the Share Purchase Agreement and Subscription Agreement.

Barring unforeseen circumstances and subject to the approvals of the relevant authorities, the Proposed Acquisition and Proposed Subscription are expected to be completed by the second quarter of 2011. The Proposed Option is expected to complete on the second anniversary of the Closing Date.

**B9. GROUP BORROWINGS AND DEBT SECURITIES**

	Group	
	30/9/2010	31/12/2009
	RM'000	RM'000
<b>(i) Deposits from Customers</b>		
<u>By Type of Deposits:-</u>		
Money Market Deposits	693,268	401,391
Demand Deposits	4,891,440	4,399,320
Savings Deposits	1,276,023	1,030,103
Fixed Deposits	22,079,454	17,992,559
Negotiable Instruments of Deposits ('NIDs')	2,269,932	4,069,301
Special Investment Deposits	804,635	706,577
	32,014,752	28,599,251
Maturity structure of fixed deposits and NIDs are as follows:		
Due within six months	20,959,518	19,102,077
Six months to one year	3,329,036	2,860,461
One year to three years	37,452	74,881
Three years to five years	23,380	24,441
	24,349,386	22,061,860
<u>By Type of Customers:-</u>		
Government and statutory bodies	5,536,313	4,654,275
Business enterprises	10,856,718	10,195,116
Individuals	4,723,542	3,969,168
Others	10,898,179	9,780,692
	32,014,752	28,599,251
<b>(ii) Deposits and Placements of Banks and Other Financial Institutions</b>		
<u>By Type of Institutions:-</u>		
Licensed banks	4,423,850	3,697,844
Licensed investment banks	447,460	530,717
Bank Negara Malaysia	1,264	-
Other financial institutions	1,104,218	918,533
	5,976,792	5,147,094
<u>By Maturity Structure:-</u>		
Due within six months	5,770,818	5,142,870
Six months to one year	205,974	4,224
	5,976,792	5,147,094
<b>(iii) Borrowings</b>		
Unsecured		
- More than one year (medium/long-term)	390,624	300,000
	390,624	300,000



## 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:-

Items	Principal Amount	> 1 - 3 months	> 3 - 6 months	> 6 - 12 months	> 1 - 5 years	> 5 years	Margin requirement
<b>Foreign Exchange</b>	<b>2,396,341</b>	<b>1,512,790</b>	<b>598,676</b>	<b>103,755</b>	<b>181,120</b>	-	-
- Forwards	953,119	761,165	134,916	57,038	-	-	-
- Swaps	1,443,222	751,625	463,760	46,717	181,120	-	-
- Options	-	-	-	-	-	-	-
<b>Interest Rate related</b>	<b>1,418,540</b>	-	<b>91,185</b>	<b>6,223</b>	<b>875,547</b>	<b>445,585</b>	-
- Forwards	-	-	-	-	-	-	-
- Futures	-	-	-	-	-	-	-
- Swaps	1,418,540	-	91,185	6,223	875,547	445,585	-
<b>Total</b>	<b>3,814,881</b>	<b>1,512,790</b>	<b>689,861</b>	<b>109,978</b>	<b>1,056,667</b>	<b>445,585</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 period, the notional amount of foreign exchange exposure which was not hedged and hence, exposed to market risk was RM4.1 million (FYE 31/12/2009: RM7.2 million), while the notional amount of interest rate contract was RM902.5 million (FYE 31/12/2009: RM880.5 million).

### Credit risk

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the 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 RM68.0 million (FYE 31/12/2009: RM53.1 million) and RM75.2 million (FYE 31/12/2009: RM52.6 million) respectively. This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

### Related Accounting Policies

The related accounting policies for off-balance sheet financial instruments applied in the condensed interim financial statements are consistent with those applied in the annual financial statements for the year ended 31 December 2009.

## B11. MATERIAL LITIGATION

- a) There are various other legal suits against AFFIN Bank Berhad ("ABB") in respect of claims and counter claims of approximately RM115.1 million (31 December 2009: RM68.7 million). Based on legal advice, the Directors of ABB 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 30 November 2009, the Court has fixed the matter for further case management where filing of documents, statement of agreed/non-agreed facts and statements of issues will be tried accordingly. The Court has set the date on 8 December 2009 on order for discovery, 9 February 2010 for monitoring of progress of trial preparation and hearing for trial to be between 13 September 2010 to 16 September 2010.

On 20 August 2010 when the matter came up for case management before the Judge, both counsels briefed the Judge on the facts of this case. The Judge suggested for both parties to come to a settlement, in the event that there is still room for negotiation.

The matter came up for mention on 8 September 2010. The plaintiff's solicitors requested for an adjournment of the trial. The Judge vacated the trial dates between 13 September 2010 to 16 September 2010 and set the matter down for case management on 8 October 2010.

On 8 October 2010, the case came for further case management before the Judge. Both parties informed the Judge that the negotiations by both parties are still on-going and requested for more time to consider the offer by both parties. The matter was postponed to 26 November 2010 for further case management.

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.

## B11. MATERIAL LITIGATION

- c) There was a legal suit between Malayan Banking Berhad's ("MBB") predecessor-in-title, PhileoAllied Bank (Malaysia) Berhad and AFFIN Bank Berhad's ("ABB") predecessor-in-title, BSN Commercial Bank (Malaysia) Berhad with regards to who has prior charge over the shares of Kuo Shinn Sdn Bhd. (the "Shares")

The suit was initiated by PhileoAllied Bank (Malaysia) Berhad vide an Originating Summons dated 28 January 2000 against BSN Commercial Bank (Malaysia) Berhad for inter alia the return of the Shares or its equivalent value if the Shares had been sold by BSN Commercial Bank (Malaysia) Berhad.

Subsequently, the High Court allowed MBB's claim on 25 November 2002 wherein the High Court ordered for the return of the Shares within 7 days from the date of the Order or in the event the Shares had been sold, the sale proceeds of the Shares to be paid to MBB ("25 November 2002 Order"). ABB had filed an appeal to the Court of Appeal against the 25 November 2002 Order which was dismissed on 27 November 2008. Further thereto, ABB had applied for leave to appeal to the Federal Court but the leave application was dismissed with costs by the Federal Court on 8 July 2009.

Following the decision of the Federal Court, ABB had delivered the share certificates to MBB in August 2009. However, MBB refused to accept the share certificates, with the view that the shares had been disposed. MBB then proceeded to enforce the 25 November 2002 Order vide an application for a monetary judgment in the Kuala Lumpur High Court.

On 31 May 2010, the High Court allowed MBB's application for monetary judgement wherein the High Court ordered ABB to pay the sum of RM30 million together with 8% interest thereon from 2 December 2002 until the date of payment and payment to be made within 14 days of the Order dated 31 May 2010 (the "Judgement Sum") ("31 May 2010 Order").

Pursuant thereto, ABB had applied for a stay of execution of the 31 May 2010 Order pending appeal to the Court of Appeal. The stay of execution was dismissed by the Kuala Lumpur High Court on 18 June 2010 and ABB was ordered to pay the Judgement Sum within 21 days from 18 June 2010. Thereafter, ABB filed an application for stay of execution of the 31 May 2010 Order to the Court of Appeal which was subsequently dismissed on 5 July 2010 with costs in the sum of RM2,000.00 to be paid to MBB.

ABB had since filed an appeal against the decision of the Kuala Lumpur High Court dated 31 May 2010. On 6 July 2010, ABB complied with the terms of the 31 May 2010 Order by paying the Judgement Sum together with the Court of Appeal costs in the sum of RM2,000.00 totalling RM48,229,849.31.

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

On 8 October 2010, the appeal was however dismissed and ABB is currently in the midst of filing a further appeal to the Federal Court.

## B12. PROPOSED DIVIDENDS

An interim dividend of 9 sen per share (less 25% tax) has been proposed for the financial year ending 31 December 2010 as follows:-

Amount per share	: 9.0 sen per share less 25 % tax
Previous corresponding period	: 8.5 sen per share less 25% tax
Date payable	: 26 January 2011
Date of entitlement	: 28 December 2010
Total dividend for the current financial period	: 9.0 sen per share less 25 % tax

## B13. EARNINGS PER SHARE

	Group			
	<u>Individual Quarter Ended</u>		<u>Cumulative Quarter Ended</u>	
	30/9/2010	30/9/2009	30/9/2010	30/9/2009
Net profit attributable to equity holders of the parent (RM'000)	<u>115,015</u>	106,268	<u>362,053</u>	287,673
Weighted average number of ordinary share in issue	<u>1,494,570,019</u>	1,494,366,667	<u>1,494,439,153</u>	1,494,366,667
Basic earning per share (sen)	<u>7.70</u>	7.11	<u>24.23</u>	19.25
Diluted earnings per share (sen)	<u>7.70</u>	7.11	<u>24.23</u>	19.25

The basic and diluted earnings per share of the Group for the current financial quarter ended 30 September 2010 have been calculated based on the net profit attributable to the equity holders of the parent of RM115,015,000 (30 September 2009: RM106,268,000) divided by the weighted average number of ordinary shares in issue during the current financial quarter of 1,494,570,019 (30 September 2009: 1,494,366,667).

The basic earnings per share of the Group for the cumulative quarter ended 30 September 2010 has been calculated based on the net profit attributable to the equity holders of the parent of RM362,053,000 (30 September 2009: RM287,673,000) divided by the weighted average number of ordinary shares in issue during the financial period under review of 1,494,439,153 (30 September 2009: 1,494,366,667).

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

**B14. ECONOMIC PROFIT**

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	30/9/2010	30/9/2009	30/9/2010	30/9/2009
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period	115,015	106,268	362,053	287,673
Less: Economic charge	(122,002)	(119,062)	(354,803)	(350,041)
Economic (loss)/profit for the financial period	<u>(6,987)</u>	<u>(12,794)</u>	<u>7,250</u>	<u>(62,368)</u>

Formula for calculation of economic charge:

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

Beta = 5-year adjusted Bloomberg Beta

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

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