

AFFIN HOLDINGS BERHAD

(Company no. 23218 - W)

Condensed Interim Financial Statements

Unaudited Statements of Financial Position As At 31 December 2010

	<-----GROUP----->		<-----COMPANY----->	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
	RM'000	RM'000	RM'000	RM'000
ASSETS				
Cash and short term funds	8,673,341	6,223,544	126,043	193,628
Deposits and placements with banks and other financial institutions	18,088	1,817	176,412	51,009
Financial assets held-for-trading	149,853	150,000	-	-
Financial investments available-for-sale	8,528,907	8,166,664	-	-
Financial investments held-to-maturity	533,458	518,216	-	-
Loans, advances and financing	26,574,066	22,496,936	-	-
Derivative financial assets	43,254	24,315	-	-
Statutory deposits with Bank Negara Malaysia	275,167	244,982	-	-
Investment in subsidiaries	-	-	3,636,991	3,795,474
Amount due from subsidiary	-	-	300,074	300,000
Investment in jointly controlled entities	113,311	107,642	128,520	128,520
Investment in associate	152,779	129,228	10,597	10,597
Amount due from associate	90,624	-	90,624	-
Trade receivables	270,012	79,361	-	-
Other assets	305,813	452,794	2,569	1,148
Tax recoverable	76,291	18,756	6,181	5,500
Deferred tax assets	10,180	57,430	-	-
Property and equipment	176,897	196,774	734	937
Land held for sale	-	62,354	-	-
Intangible assets	1,011,867	1,023,330	12	15
TOTAL ASSETS	47,003,908	39,954,143	4,478,757	4,486,828
LIABILITIES AND EQUITY				
Deposits from customers	33,098,432	28,599,251	-	-
Deposits and placements of banks and other financial institutions	6,837,631	5,147,094	-	-
Bills and acceptances payable	110,161	94,265	-	-
Trade payables	258,802	74,330	-	-
Recourse obligation on loans sold to Cagamas Berhad	286,370	297,216	-	-
Derivative financial liabilities	57,560	41,684	-	-
Other liabilities	738,025	662,104	108,086	101,357
Amount due to subsidiaries	-	-	689,348	839,206
Provision for taxation	188	2,734	-	-
Deferred tax liabilities	25,082	176	141	166
Borrowings	390,624	300,000	390,624	300,000
TOTAL LIABILITIES	41,802,875	35,218,854	1,188,199	1,240,729

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	<-----GROUP----->		<-----COMPANY----->	
	31/12/2010 RM'000	31/12/2009 RM'000	31/12/2010 RM'000	31/12/2009 RM'000
EQUITY				
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	990,542	874,360	-	-
Investment fluctuation reserve	84,630	24,453	-	-
Retained profits	1,230,875	942,125	395,572	351,748
TOTAL EQUITY	5,201,033	4,735,289	3,290,558	3,246,099
TOTAL LIABILITIES AND EQUITY	47,003,908	39,954,143	4,478,757	4,486,828
COMMITMENTS AND CONTINGENCIES	18,901,770	17,891,239	-	-
CAPITAL ADEQUACY				
<u>Before deducting proposed dividends:</u>				
Core capital ratio	12.64%	12.68%		
Risk-weighted capital ratio	13.92%	13.84%		
<u>After deducting proposed dividends:</u>				
Core capital ratio	12.33%	12.44%		
Risk-weighted capital ratio	13.61%	13.60%		
NET ASSETS PER SHARE (RM)	3.48	3.17		

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 Quarter and Year Ended 31 December 2010

<u>Group</u>	<---Individual Quarter Ended --->		<---Cumulative Quarter Ended --->	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
	RM'000	RM'000	RM'000	RM'000
Revenue	620,544	510,409	2,272,995	2,008,858
Interest income	444,045	380,997	1,645,809	1,468,655
Interest expense	(235,104)	(158,036)	(805,925)	(650,368)
Net interest income	208,941	222,961	839,884	818,287
Islamic banking income	44,496	42,630	177,783	162,637
Other operating income	99,987	94,998	347,737	318,232
Operating income	353,424	360,589	1,365,404	1,299,156
Other operating expenses	(165,170)	(155,859)	(640,161)	(604,494)
Operating profit before allowance for impairment on loans, advances and financing	188,254	204,730	725,243	694,662
Allowance for impairment on loans, advances and financing	(32,867)	(86,164)	(94,808)	(185,065)
Allowance for impairment on other assets	(4,046)	(5,683)	(7,296)	(13,888)
Transfer from/(to) profit equalisation reserve	-	776	-	-
Operating profit	151,341	113,659	623,139	495,709
Finance cost	(3,810)	(2,087)	(12,996)	(11,031)
Share of results of jointly controlled entity	7,421	(1,632)	6,923	233
Share of results of associate	1,249	4,062	12,004	12,249
Gain on dilution of interest in associate	501	-	8,463	-
Profit before taxation and zakat	156,702	114,002	637,533	497,160
Taxation	(29,420)	(29,832)	(143,487)	(121,909)
Zakat	(710)	-	(5,421)	(3,408)
Net profit for the financial period attributable to equity holders of the Company	126,572	84,170	488,625	371,843
Earnings per share attributable to the equity holders of the Company (sen)				
- Basic and fully diluted	8.47	5.63	32.70	24.88

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 Quarter and Year Ended 31 December 2010

<u>Group</u>	<---Individual Quarter Ended --->		<---Cumulative Quarter Ended --->	
	31/12/2010 RM'000	31/12/2009 RM'000	31/12/2010 RM'000	31/12/2009 RM'000
Profit after taxation and zakat	126,572	84,170	488,625	371,843
Other comprehensive income:				
- Net change in fair value of financial investments available-for-sale	8,285	21,545	14,756	61,018
- Deferred tax on revaluation of financial investments available-for-sale	(1,988)	(4,512)	(4,456)	(13,625)
- Recognition of proportionate share of effect of dilution in interest in associate on investment fluctuation reserve	-	-	(1,133)	-
Other comprehensive income for the period, net of tax	6,297	17,033	9,167	47,393
Total comprehensive income for the financial period attributable to the equity holders of the Company	132,869	101,203	497,792	419,236

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 Quarter and Year Ended 31 December 2010

Company	<---Individual Quarter Ended --->		<---Cumulative Quarter Ended --->	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
	RM'000	RM'000	RM'000	RM'000
Revenue	116,631	131,007	213,984	168,888
Interest income	6,329	3,170	20,616	12,265
Interest expense	-	-	-	-
Net interest income	6,329	3,170	20,616	12,265
Islamic banking income	-	-	-	-
Other operating income	110,302	127,837	193,368	156,632
Operating income	116,631	131,007	213,984	168,897
Other operating expenses	(3,106)	(2,494)	(8,644)	(7,426)
Operating profit before allowance for impairment on loans, advances and financing	113,525	128,513	205,340	161,471
Allowance for impairment on loans, advances and financing	-	-	-	-
Impairment loss on investment in subsidiaries	-	(12,143)	-	(12,143)
Transfer from/(to) profit equalisation reserve	-	-	-	-
Operating profit	113,525	116,370	205,340	149,328
Finance cost	(3,810)	(2,087)	(12,996)	(11,031)
Profit before taxation and zakat	109,715	114,283	192,344	138,297
Taxation	(26,721)	(32,250)	(47,636)	(38,374)
Zakat	-	-	-	-
Net profit for the financial period attributable to equity holders of the Company	82,994	82,033	144,708	99,923

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 Quarter and Year Ended 31 December 2010

<u>Company</u>	<---Individual Quarter Ended --->		<---Cumulative Quarter Ended --->	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
	RM'000	RM'000	RM'000	RM'000
Profit after taxation and zakat	82,994	82,033	144,708	99,923
Other comprehensive income	-	-	-	-
Total comprehensive income for the financial period attributable to equity holders of the Company	82,994	82,033	144,708	99,923

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 Year Ended 31 December 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		
At 1 January 2010								
- 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	
At 1 January 2010, as restated	1,494,371	1,494,371	1,399,980	874,360	75,463	959,316	4,803,490	
Net profit for the financial year	-	-	-	-	-	488,625	488,625	
Other comprehensive income	-	-	-	-	9,167	-	9,167	
Total comprehensive income for the financial year	-	-	-	-	9,167	488,625	497,792	
Issue of share capital pursuant to the exercise of Warrant 2000/2010	205	205	430	-	-	-	635	
Transfer to statutory reserve	-	-	-	116,182	-	(116,182)	-	
Dividends declared and payable for the financial year	-	-	-	-	-	(100,884)	(100,884)	
At 31 December 2010	1,494,576	1,494,576	1,400,410	990,542	84,630	1,230,875	5,201,033	
At 1 January 2009								
Net profit for the financial year	1,494,367	1,494,367	1,399,970	698,181	(22,940)	841,727	4,411,305	
Other comprehensive income	-	-	-	-	-	371,843	371,843	
Total comprehensive income for the financial year	-	-	-	-	47,393	-	47,393	
Issue of share capital:-								
- pursuant to the exercise of Warrant 2000/2010	4	4	10	-	-	-	14	
Transfer to statutory reserve	-	-	-	176,179	-	(176,179)	-	
Dividends declared and payable for the financial year	-	-	-	-	-	(95,266)	(95,266)	
At 31 December 2009	1,494,371	1,494,371	1,399,980	874,360	24,453	942,125	4,735,289	

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 Year Ended 31 December 2010

<u>COMPANY</u>	←-----Attributable to Equity Holders of the Company----->				
	Issued and fully paid ordinary shares of RM1 each	Nominal value RM'000	Non-distributable Share premium RM'000	Distributable Retained profits RM'000	Total Equity RM'000
At 1 January 2010	1,494,371	1,494,371	1,399,980	351,748	3,246,099
Total comprehensive income for the financial year					
- Net profit for the financial year	-	-	-	144,708	144,708
Issue of share capital pursuant to the exercise of Warrant 2000/2010	205	205	430	-	635
Dividends declared and payable for the financial year	-	-	-	(100,884)	(100,884)
At 31 December 2010	1,494,576	1,494,576	1,400,410	395,572	3,290,558
At 1 January 2009	1,494,367	1,494,367	1,399,970	347,091	3,241,428
Total comprehensive income for the financial year					
- Net profit for the financial year	-	-	-	99,923	99,923
Issue of share capital					
- pursuant to the exercise of Warrant 2000/2010	4	4	10	-	14
Dividends declared and payable for the financial year	-	-	-	(95,266)	(95,266)
At 31 December 2009	1,494,371	1,494,371	1,399,980	351,748	3,246,099

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 Year Ended 31 December 2010

	31/12/2010 RM'000	31/12/2009 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation and zakat	637,533	497,160
Adjustment for non-operating and non-cash items	(22,566)	77,320
Operating profit before changes in working capital	<u>614,967</u>	<u>574,480</u>
Net changes in operating assets	(4,366,120)	(1,971,723)
Net changes in operating liabilities	6,378,741	3,140,578
Payment of tax and zakat	(169,445)	(155,408)
Taxation refund	9,900	8,114
Net cash generated from operating activities	<u>2,468,043</u>	<u>1,596,041</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received from securities	218,248	214,582
Net purchase/(disposal) of:		
- securities	(224,794)	(2,108,241)
- property and equipment	(11,198)	(15,799)
- intangible assets	(1,720)	(932)
Dividend received from:		
- associate	-	3,000
- financial investments held-to-maturity/available-for-sale	3,317	6,037
Proceeds from disposal of property and equipment	2,593	5,705
Proceeds from disposal of leasehold land classified under prepaid lease payments	-	2,111
Proceeds from disposal/redemption of land held for sale	61,741	21,250
Proceeds from disposal of foreclosed properties	24,941	45,870
Final proceeds for surrendering the discount house license in previous year	-	120
Capital injection into a jointly controlled entity	-	(7,650)
Amount due from associate	(90,624)	-
Net cash generated from investing activities	<u>(17,496)</u>	<u>(1,833,947)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase/(decrease) in borrowings	90,624	(400,000)
Proceed from issuance of shares	635	14
Dividends paid to shareholders	(95,266)	-
Net cash used in financing activities	<u>(4,007)</u>	<u>(399,986)</u>
Net increase in cash and cash equivalents	2,446,540	(637,892)
Cash and cash equivalents at beginning of the period	6,174,651	6,812,543
Cash and cash equivalents at end of the period	<u>8,621,191</u>	<u>6,174,651</u>
Analysis of cash & cash equivalent		
Cash and short term funds	8,673,341	6,223,544
Adjustment for money held in trust on behalf of clients and remisiers	(52,150)	(48,893)
	<u>8,621,191</u>	<u>6,174,651</u>

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 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 and year ended 31 December 2010 have been prepared under the historical cost convention except for the following assets and liabilities which are stated at fair values:

- (i) financial assets held-for-trading,
- (ii) financial investments 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.

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 revised/new Financial Reporting Standards ("FRS"), Amendments to FRS, IC interpretations and Technical Release ("TR") that are effective for the Group's financial year beginning 1 January 2010.

- | | |
|-------------------------------|--|
| • FRS 4 | Insurance Contracts |
| • FRS 7 | Financial Instruments: Disclosures and the related Amendments |
| • FRS 8 | Operating Segments |
| • FRS 101 (revised) | Presentation of Financial Statements |
| • FRS 123 | Borrowing costs |
| • FRS 139 | Financial Instruments: Recognition and Measurement |
| • Amendments to FRS 1 | First-time Adoption of Financial Reporting Standards and FRS 127 "Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate" |
| • Amendments to FRS 2 | Share-based Payment: Vesting Conditions and Cancellations |
| • Amendments to FRS 132 | Financial Instruments: Presentation and FRS 101 (revised) Presentation of Financial Statements - Puttable financial instruments and obligations arising on liquidation |
| • Amendments to FRS 139 | Financial Instruments: Recognition and Measurement |
| • IC Interpretation 9 | Reassessment of Embedded Derivatives and the related Amendments |
| • IC Interpretation 10 | Interim Financial Reporting and Impairment |
| • IC Interpretation 11 | IC Interpretation 11 "FRS 2 Group and Treasury Share Transactions" |
| • IC Interpretation 13 | Customer Loyalty Programmes |
| • TR i - 3 | Presentation of Financial Statements of Islamic Financial Institutions |
| • Improvements to FRSs (2009) | |

The impact arising from adoption the above FRS, Amendments to FRS, IC Interpretations and TR on the financial statements of the Group are 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 and year ended 31 December 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 and year ended 31 December 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 year, 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 and year ended 31 December 2010.

A9. FINANCIAL ASSETS

	Group	
	31/12/2010	31/12/2009
	RM'000	RM'000
(a) <u>Financial assets held-for-trading</u>		
At fair value		
Bank Negara Malaysia Notes	99,853	-
Negotiable Instruments of Deposit	50,000	150,000
Total financial assets held-for-trading	149,853	150,000
(b) <u>Financial investments available-for-sale</u>		
At fair value		
Malaysian Government Securities	1,515,091	2,345,630
Malaysian Government Treasury Bills	166,566	151,098
Malaysian Government Investment Issuance	2,212,366	1,200,875
Cagamas Bonds	220,551	432,643
Bank Negara Malaysia Sukuk	31,712	-
Khazanah Bonds	13,250	24,961
Bankers' Acceptance and Islamic Acceptance Bills	556,994	36,580
Bank Negara Malaysia Notes	1,006,592	638,548
Negotiable Instruments of Deposit and Islamic Debt Certificate	140,057	460,005
	5,863,179	5,290,340
Quoted Securities		
- Shares in Malaysia	58,669	72,047
- Private Debt Securities in Malaysia	2,167	2,253
- Irredeemable Convertible Unsecured Loan Stock in Malaysia	4,031	4,031
Unquoted Securities		
- Shares in Malaysia	108,073	50
- Private Debt Securities in Malaysia	2,075,872	2,476,526
- Private Debt Securities outside Malaysia	507,172	439,247
	8,619,163	8,284,494
Allowance for impairment of securities	(90,256)	(117,830)
Total financial investments available-for-sale	8,528,907	8,166,664
(c) <u>Financial investments held-to-maturity</u>		
At amortised cost		
Quoted Securities		
- Private Debt Securities in Malaysia	38,123	38,123
Unquoted Securities		
- Private Debt Securities in Malaysia	583,435	517,893
- Redeemable Convertible Unsecured Loan Stock in Malaysia	12,919	-
	634,477	556,016
At cost		
Unquoted Securities		
- Shares in Malaysia	-	57,235
	634,477	613,251
Allowance for impairment of securities	(101,019)	(95,035)
Total financial investments held-to-maturity	533,458	518,216
Total securities held	9,212,218	8,834,880

A10. LOANS, ADVANCES AND FINANCING

	Group	
	31/12/2010 RM'000	31/12/2009 RM'000
(a) <u>BY TYPE</u>		
Overdrafts	1,971,364	1,936,567
Term loans/financing		
- Housing loans/financing	3,885,327	3,248,631
- Syndicated term loans/financing	1,394,211	1,166,656
- Hire purchase receivables	7,835,986	6,592,317
- Other term loans/financing	8,240,501	6,704,966
Bills receivables	39,077	39,727
Trust receipts	266,050	316,033
Claims on customers under acceptance credits	659,074	603,804
Staff loans/financing (of which RM NIL to Directors)	160,557	161,454
Credit/charge cards	101,682	93,959
Revolving credit	2,566,889	2,299,029
Margin financing	40,955	31,572
Factoring	3,185	3,532
Gross loans, advances and financing	27,164,858	23,198,247
Less: Allowance for impairment		
- Collective impairment	(405,085)	-
- Individual impairment	(185,707)	-
Less: Allowance for bad and doubtful debts and financing		
- General allowance	-	(343,276)
- Specific allowance	-	(358,035)
Total net loans, advances and financing	26,574,066	22,496,936
(b) <u>BY TYPE OF CUSTOMER</u>		
Domestic non-banking institutions		
- Stock-broking companies	270	-
- Others	2,146,330	1,519,286
Domestic business enterprises		
- Small medium enterprises	6,833,345	6,227,637
- Others	6,284,713	5,115,236
Government and statutory bodies	75,394	93,267
Individuals	11,549,238	9,976,212
Other domestic entities	45,584	20,117
Foreign entities	229,984	246,492
	27,164,858	23,198,247
(c) <u>BY INTEREST / PROFIT RATE SENSITIVITY</u>		
Fixed rate		
- Housing loans/financing	292,884	364,888
- Hire purchase receivables	7,834,034	6,589,445
- Other fixed rate loans/financing	3,975,266	3,845,555
- Margin financing	31,356	31,572
Variable rate		
- BLR plus	10,210,602	8,969,682
- Cost plus	4,820,716	3,397,105
	27,164,858	23,198,247

A10. LOANS, ADVANCES AND FINANCING (cont.)

	Group	
	31/12/2010	31/12/2009
	RM'000	RM'000
(d) <u>BY ECONOMIC PURPOSE</u>		
Construction	824,650	706,810
Purchase of landed property of which :-		
- Residential	4,014,078	3,518,102
- Non-residential	2,637,636	1,605,207
Purchase of securities	357,881	337,278
Purchase of transport vehicles	7,869,187	6,619,191
Fixed assets other than land and building	339,184	274,654
Personal use	731,288	756,439
Credit card	101,682	96,468
Consumer durable	1,067	1,365
Merger and acquisition	4,867	14,598
Working capital	9,912,895	8,708,193
Others	370,443	559,942
	27,164,858	23,198,247
(e) <u>BY SECTOR</u>		
Primary agriculture	532,442	597,399
Mining and quarrying	373,899	254,864
Manufacturing	1,834,288	1,706,329
Electricity, gas and water supply	215,707	155,944
Construction	2,494,920	2,533,205
Real estate	2,410,269	1,575,779
Wholesale and retail trade and restaurants and hotels	1,244,657	1,209,635
Transport, storage and communication	1,084,086	1,018,628
Finance, insurance and business services	4,421,179	3,325,599
Education, health and others	855,655	698,097
Household	11,654,880	10,070,950
Others	42,876	51,818
	27,164,858	23,198,247
(f) <u>BY MATURITY STRUCTURE</u>		
Maturing within one year	6,951,917	6,389,543
One year to three years	2,808,471	2,701,037
Three years to five years	4,475,504	3,491,274
Over five years	12,928,966	10,616,393
	27,164,858	23,198,247
(g) <u>BY GEOGRAPHICAL DISTRIBUTION</u>		
Perlis	27,648	17,882
Kedah	902,980	954,969
Pulau Pinang	1,271,331	1,137,272
Perak	853,633	726,315
Selangor	7,753,378	6,688,745
Wilayah Persekutuan	9,114,769	7,422,355
Negeri Sembilan	721,564	635,459
Melaka	663,856	575,803
Johor	2,027,324	1,849,159
Pahang	623,000	416,548
Terengganu	567,382	521,026
Kelantan	256,176	232,161
Sarawak	806,070	646,119
Sabah	1,173,362	1,048,697
Labuan	277,901	177,666
Abroad	124,484	148,071
	27,164,858	23,198,247

A10. LOANS, ADVANCES AND FINANCING (cont.)

	Group	
	31/12/2010	31/12/2009
	RM'000	RM'000
(h) <u>IMPAIRED/NON-PERFORMING LOANS, ADVANCES AND FINANCING</u>		
(i) <u>Movements of impaired loans, advances and financing</u>		
At 1 January, as previously stated	860,660	1,200,823
Adjustment arising from adoption of FRS 139	282,467	-
At 1 January, as restated	1,143,127	1,200,823
Classified as impaired during the financial year	689,486	780,474
Reclassified as non-impaired during the financial year	(313,634)	(387,831)
Amount recovered	(234,926)	(275,562)
Amount written-off	(282,920)	(457,244)
Amount converted to financial investments held-for-trading	(11,364)	-
Balance at the end of financial year	989,769	860,660
(ii) <u>Impaired loans, advances and financing by economic purpose</u>		
Construction	197,713	33,127
Purchase of landed property of which :-		
- Residential	407,763	341,928
- Non-residential	44,744	51,691
Purchase of securities	3,020	3,736
Purchase of transport vehicles	81,586	86,447
Fixed assets other than land and building	3,633	4,639
Personal use	16,373	18,946
Credit card	636	865
Consumer durable	34	33
Working capital	234,050	279,487
Others	217	39,761
	989,769	860,660

A10. LOANS, ADVANCES AND FINANCING (cont.)

	Group	
	31/12/2010 RM'000	31/12/2009 RM'000
(h) <u>IMPAIRED/NON-PERFORMING LOANS, ADVANCES AND FINANCING (cont.)</u>		
(iii) <u>Impaired loans, advances and financing by sector</u>		
Primary agriculture	11,937	5,443
Mining and quarrying	50	985
Manufacturing	99,831	86,803
Electricity, gas and water supply	2,360	2,154
Construction	253,827	140,963
Real estate	8,263	75,153
Wholesale and retail trade and restaurants and hotels	65,303	33,902
Transport, storage and communication	4,633	3,768
Finance, insurance and business services	15,108	15,498
Education, health and others	8,301	9,021
Household	520,156	460,217
Others	-	26,753
	989,769	860,660
(iv) <u>Impaired loans, advances and financing by geographical distribution</u>		
Perlis	840	563
Kedah	40,612	27,157
Pulau Pinang	30,120	58,647
Perak	16,202	15,372
Selangor	445,219	337,641
Wilayah Persekutuan	185,921	209,409
Negeri Sembilan	37,483	36,656
Melaka	15,854	17,717
Johor	88,097	113,682
Pahang	17,013	11,596
Terengganu	8,009	4,462
Kelantan	6,171	5,147
Sarawak	6,614	7,075
Sabah	14,387	15,497
Labuan	45	39
Abroad	77,182	-
	989,769	860,660

A10. LOANS, ADVANCES AND FINANCING (cont.)

	Group	
	31/12/2010	31/12/2009
	RM'000	RM'000
(h) <u>IMPAIRED/NON-PERFORMING LOANS, ADVANCES AND FINANCING (cont.)</u>		
(v) <u>Movements in allowance for impairment on loans, advances and financing</u>		
Collective impairment		
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 year	(1,654)	-
Amount written-off during the financial year	(51,148)	-
Amount written-back during the financial year	(358)	-
Balance at the end of financial year	405,085	-
Individual impairment		
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 year	200,097	-
Amount recovered during the financial year	(23,799)	-
Amount converted to financial investments held-for-trading	(11,364)	-
Allowance written-off during the financial year	(234,152)	-
Unwind of discount of allowance	(6,552)	-
Balance at the end of financial year	185,707	-
General allowance		
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	-	343,276
As a % of gross loans, advances and financing less specific allowance	-	1.50%
Specific allowance		
At 1 January, as previously stated	358,035	553,468
Adjustment arising from adoption of FRS 139	(358,035)	-
At 1 January, as restated	-	553,468
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	-	358,035

A11. TRADE RECEIVABLES

	Group	
	31/12/2010 RM'000	31/12/2009 RM'000
Amount in respect of management fees receivable and cancellation of funds' units	896	1,062
Amount due from clients	107,966	77,471
Amount due from Bursa Securities Clearing Sdn Bhd	165,326	8,553
	<u>274,188</u>	<u>87,086</u>
Less Allowance for impairment		
- Collective impairment	(190)	-
- Individual impairment	(3,986)	-
- General allowance	-	(91)
- Specific allowance	-	(4,341)
Less Interest-in-suspense	-	(3,293)
	<u><u>270,012</u></u>	<u><u>79,361</u></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 year	177	-
Amount recovered	(123)	-
Balance at the end of financial year	<u><u>190</u></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 year	128	-
Amount recovered	(483)	-
Balance at the end of financial year	<u><u>3,986</u></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></u>	<u><u>91</u></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></u>	<u><u>4,341</u></u>

A12. OTHER ASSETS

	Group	
	31/12/2010	31/12/2009
	RM'000	RM'000
Clearing accounts	4,160	153,097
Income / interest receivable	87,615	79,686
Foreclosed properties	161,261	180,329
Other debtors, deposits and prepayments	50,032	38,625
Amount due from jointly controlled entity	2,745	1,057
	<u>305,813</u>	<u>452,794</u>

Included in the foreclosed properties is an amount of RM613,000 (2009: RM Nil) related to properties previously classified as land held-for-sale.

A13. OTHER LIABILITIES

Bank Negara Malaysia and Credit Guarantee Corporation Funding Programmes	43,002	71,768
Amount due from other shareholders of a subsidiary		
- Liabilities directly associated with properties previously classified as land held-for-sale	10,541	24,335
Interest payable	180,510	133,197
Margin and collateral deposits	65,191	57,325
Trust accounts for clients and remisiers	52,150	48,893
Clearing accounts	44,616	-
Defined contribution plan	12,616	9,128
Accrued employee benefits	896	840
Other creditors and accruals	218,187	213,140
Dividend payable	100,884	95,266
Provision for zakat	9,432	8,212
	<u>738,025</u>	<u>662,104</u>

A14. INTEREST INCOME

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2010 RM'000	31/12/2009 RM'000	31/12/2010 RM'000	31/12/2009 RM'000
Loans, advances and financing	328,507	285,182	1,232,652	1,099,821
Money at call and deposit with financial institutions	30,955	16,952	109,521	76,598
Financial assets held-for-trading	93	200	320	3,956
Financial investments available-for-sale	53,474	57,715	198,828	191,829
Financial investments held-to-maturity	6,136	8,109	19,420	22,753
Derivatives	11,588	10,244	47,216	48,614
Others	87	35	177	111
	<u>430,840</u>	<u>378,437</u>	<u>1,608,134</u>	<u>1,443,682</u>
Accretion of discount less amortisation of premium	13,205	2,560	37,675	24,973
	<u>444,045</u>	<u>380,997</u>	<u>1,645,809</u>	<u>1,468,655</u>
The above interest income includes interest/income earned on impaired loans, advances and financing - Unwinding of discount of allowance (Net)	2,851	-	(382)	-

A15. INTEREST EXPENSE

Deposits and placements of banks and other financial institutions	33,424	18,965	110,004	61,305
Deposits from customers	182,430	118,836	607,457	504,075
Subordinated term loan	-	-	-	5,589
Loans sold to Cagamas Berhad	3,589	2,931	14,559	6,477
Derivatives	14,853	16,439	65,392	67,594
Others	808	865	8,513	5,328
	<u>235,104</u>	<u>158,036</u>	<u>805,925</u>	<u>650,368</u>

A16. OTHER OPERATING INCOME

	←-----Group-----→			
	Individual Quarter Ended 31/12/2010 RM'000	31/12/2009 RM'000	Cumulative Quarter Ended 31/12/2010 RM'000	31/12/2009 RM'000
<u>Fees income:</u>				
Fees on loans, advances and financing	106	667	352	1,405
Brokerage (net)	15,510	12,879	58,268	49,701
Underwriting fees	1,439	877	2,339	3,344
Portfolio management fees	2,338	1,994	8,431	6,675
Corporate advisory fees	3,233	1,658	7,129	3,408
Commission	3,444	3,439	12,295	12,832
Service charges and fees	12,334	14,063	47,955	47,389
Guarantee fees	5,827	7,930	27,392	32,965
Arrangement fees	2,720	1,802	9,849	10,136
Agency fees	300	194	2,043	1,267
Other fee income	2,791	(161)	7,708	4,379
	50,042	45,342	183,761	173,501
<u>Income from financial instruments:</u>				
Gains/(losses) on arising on financial assets held-for-trading				
- net gain on disposal	1,692	(254)	3,194	1,901
- unrealised gains/(losses)	(261)	473	(244)	6,061
Gains/(losses) on derivatives:				
- realised	(152)	286	346	951
- unrealised	9,109	2,703	4,271	13,937
Gains/(losses) on arising on financial investments available-for-sale				
- net gain on disposal	11,922	3,168	42,340	11,212
- gross dividend income	159	33	416	179
Gains/(losses) on arising on financial investments held-to-maturity				
- net gain on redemption	236	22	2,289	2,507
- gross dividend income	-	2,494	2,901	5,858
	22,705	8,925	55,513	42,606
<u>Other income:</u>				
Foreign exchange gains/(losses):				
- realised	117,967	53,469	82,713	71,813
- unrealised	(100,424)	(37,051)	(9,829)	(9,653)
Rental income	396	331	1,834	1,490
Gains/(losses) on disposal of property and equipment	238	(1,320)	246	279
Gains on disposal of prepaid lease payment	-	1,185	-	1,185
Gains on disposal of foreclosed properties	4,812	17,952	6,330	18,918
Gain arising from waiver of debts	(257)	-	4,996	-
Other non-operating income	4,508	6,165	22,173	18,093
	27,240	40,731	108,463	102,125
Total Other Operating Income	99,987	94,998	347,737	318,232

A17. OTHER OPERATING EXPENSES

	←-----Group-----→			
	Individual Quarter Ended 31/12/2010 RM'000	31/12/2009 RM'000	Cumulative Quarter Ended 31/12/2010 RM'000	31/12/2009 RM'000
<u>Personnel costs</u>				
Wages, salaries and bonus	69,963	60,617	284,459	242,896
Defined contribution plan	11,624	9,584	44,444	37,937
Other personnel costs	8,801	5,802	35,881	30,291
	90,388	76,003	364,784	311,124
<u>Promotion and marketing-related expenses</u>				
Business promotion and advertisement	2,285	1,849	5,855	3,851
Entertainment	1,093	574	2,551	1,806
Travelling and accommodation	1,281	969	4,133	3,536
Dealers' handling fees	251	8,312	1,047	26,235
Commission	1	7	21	42
Others	432	390	1,749	1,659
	5,343	12,101	15,356	37,129
<u>Establishment-related expenses</u>				
Rental of premises	6,505	6,359	25,564	25,494
Equipment rental	237	(186)	944	804
Repair and maintenance	7,702	6,335	27,585	26,876
Depreciation	5,680	6,702	24,414	26,934
Amortisation	2,606	5,282	16,980	21,016
IT consultancy fee	13,857	19,320	54,659	51,292
Dataline rental	833	(2,607)	5,014	4,214
Security services	2,432	2,507	9,228	8,991
Others	4,619	5,007	18,134	20,482
	44,471	48,719	182,522	186,103
<u>General administrative expenses</u>				
Telecommunication expenses	1,587	1,662	6,359	6,794
Director's Remuneration	822	253	1,581	988
Auditors' remuneration:				
(i) Statutory audit	174	74	1,190	1,082
(ii) Others	1,360	419	1,648	623
Professional fees	6,865	7,154	21,650	21,706
Property & equipment written off	43	289	225	527
Intangible asset written off	-	-	292	-
Diminution in value of foreclosed properties	-	-	-	-
Postage and courier charges	1,061	821	4,513	3,975
Stationery and consumables	2,494	978	7,511	7,185
Subscription fees	424	432	1,626	1,692
Subsidies and allowances	175	163	1,037	674
Transaction levy	444	362	1,435	1,258
Commissioned dealers representative performance incentive	844	1,094	3,967	4,635
Others	8,675	5,335	24,465	18,999
	24,968	19,036	77,499	70,138
Total other operating expenses	165,170	155,859	640,161	604,494

A18. ALLOWANCE FOR IMPAIRMENT ON LOANS AND FINANCING

	←-----Group-----→			
	Individual Quarter Ended 31/12/2010 RM'000	31/12/2009 RM'000	Cumulative Quarter Ended 31/12/2010 RM'000	31/12/2009 RM'000
Collective impairment				
- allowance made/(written-back) during the financial period	(16,531)	-	(1,958)	-
Individual impairment				
- allowance made during the financial year	87,367	-	200,225	-
- allowance written-back during the financial year	(9,896)	-	(24,282)	-
General allowance (net)	-	14,383	"	37,258
Specific allowance				
- Made during the financial year	-	121,363	-	322,713
- Written back	-	(9,162)	-	(49,078)
Bad debts				
- recovered	(33,075)	(43,374)	(173,962)	(138,267)
- written off	4,647	3,119	15,810	12,237
Provision for litigation loss	-	-	78,000	-
Additional/(Write-back of) allowance for impaired debts				
- other debtors	355	(165)	975	202
	<u>32,867</u>	<u>86,164</u>	<u>94,808</u>	<u>185,065</u>

A19. ALLOWANCE FOR IMPAIRMENT ON OTHER ASSETS

Additional/(Write-back of) allowance for impairment loss:-				
- Land held for sale	-	3,808	-	3,808
- Financial investments available-for-sale	146	3,166	3,939	10,467
- Financial investments held-to-maturity	3,900	(1,291)	3,357	(387)
	<u>4,046</u>	<u>5,683</u>	<u>7,296</u>	<u>13,888</u>

A20. SEGMENTAL INFORMATION ON REVENUE AND PROFIT

The segment analysis by activity for the individual and cumulative quarters ended 31 December 2010 and 31 December 2009 are as follows:-

	<-----Current year's individual quarter ended 31 December 2010----->					
RM '000	Commercial Banking	Investment Banking	Insurance	Others	Eliminations	Group
Segment revenue	550,840	65,881	-	3,823	-	620,544
Intersegment revenue	778	1,255	-	352	(2,385)	-
Revenue	<u>551,618</u>	<u>67,136</u>	<u>-</u>	<u>4,175</u>	<u>(2,385)</u>	<u>620,544</u>
Segment results	129,167	18,363	-	576	4,554	152,660
Unallocated expenses						(5,129)
Share of results of:						
- jointly controlled entity	-	-	7,421	-	-	7,421
- associate	-	-	1,249	-	-	1,249
Gain on dilution of interest in associate						501
Profit before taxation and zakat						<u>156,702</u>
Taxation and zakat						<u>(30,130)</u>
Net profit for the quarter						<u>126,572</u>

	<-----Preceding year's individual quarter ended 31 December 2009----->					
RM '000	Commercial Banking	Investment Banking	Insurance	Others	Eliminations	Group
Segment revenue	454,082	54,743	-	1,584	-	510,409
Intersegment revenue	1,573	1,374	-	264	(3,211)	-
Revenue	<u>455,655</u>	<u>56,117</u>	<u>-</u>	<u>1,848</u>	<u>(3,211)</u>	<u>510,409</u>
Segment results	101,186	11,463	-	334	3,170	116,153
Unallocated expenses						(4,581)
Share of results of:						
- jointly controlled entity	-	-	(1,632)	-	-	(1,632)
- associate	-	-	4,062	-	-	4,062
Profit before taxation and zakat						<u>114,002</u>
Taxation and zakat						<u>(29,832)</u>
Net profit for the quarter						<u>84,170</u>

A20. SEGMENTAL INFORMATION ON REVENUE AND PROFIT

<-----Current year's cumulative quarter ended 31 December 2010----->

RM '000	Commercial Banking	Investment Banking	Insurance	Others	Eliminations	Group
Segment revenue	2,017,239	242,531	-	13,225	-	2,272,995
Intersegment revenue	2,004	4,588	-	1,165	(7,757)	-
Revenue	2,019,243	247,119	-	14,390	(7,757)	2,272,995
Segment results	521,904	87,074	-	2,178	15,945	627,101
Unallocated expenses						(16,958)
Share of results of:						
- jointly controlled entity	-	-	6,923	-	-	6,923
- associate	-	-	12,004	-	-	12,004
Gain on dilution of interest in associate						8,463
Profit before taxation and zakat						637,533
Taxation and zakat						(148,908)
Net profit for the cumulative quarter						488,625

<-----Preceding year's cumulative quarter ended 31 December 2009----->

RM '000	Commercial Banking	Investment Banking	Insurance	Others	Eliminations	Group
Segment revenue	1,778,091	224,200	-	6,567	-	2,008,858
Intersegment revenue	7,139	6,555	-	1,009	(14,703)	-
Revenue	1,785,230	230,755	-	7,576	(14,703)	2,008,858
Segment results	425,147	64,563	-	1,151	12,265	503,126
Unallocated expenses						(18,448)
Share of results of:						
- jointly controlled entity	-	-	233	-	-	233
- associate	-	-	12,249	-	-	12,249
Profit before taxation and zakat						497,160
Taxation and zakat						(125,317)
Net profit for the cumulative quarter						371,843

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 RM8,463,000 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 31/12/2010				Previous financial year ended 31/12/2009			
	Principal Amount RM'000	Positive fair value of derivative contracts RM'000	Credit Equivalent Amount* RM'000	Risk- Weighted Amount* RM'000	Principal Amount RM'000	Positive fair value of derivative contracts RM'000	Credit Equivalent Amount* RM'000	Risk- Weighted Amount* RM'000
Direct credit substitutes	408,608	-	408,609	299,520	495,326	-	495,326	470,810
Transaction-related contingent items	2,387,456	-	1,193,728	1,022,073	2,648,189	-	1,324,094	1,106,247
Short-term self-liquidating trade-related contingencies	1,232,752	-	246,551	140,554	1,401,193	-	280,239	120,271
Obligations under underwriting agreements	19,691	-	9,845	1,969	33,020	-	16,510	5,240
Foreign exchange related contracts								
- Less than one year	2,214,726	25,839	50,818	19,949	2,110,013	18,438	45,881	20,343
- One year to less than five years	181,120	7,419	15,897	6,326	83,687	2,297	7,184	2,784
Interest rate related contracts								
- Less than one year	93,784	-	14	3	385,000	-	910	184
- One year to less than five years	940,228	1,757	31,214	7,242	524,086	301	13,144	4,037
- Five years and above	445,273	7,079	38,490	8,842	440,277	4,083	38,564	7,910
Irrevocable commitments to extend credit:								
- Maturity exceeding 1 year	4,256,209	-	-	-	3,958,046	-	-	-
- Maturity not exceeding 1 year	6,127,819	-	-	-	5,256,924	-	-	-
Unutilised credit card lines	594,104	-	118,821	89,026	555,478	-	111,096	83,248
	18,901,770	42,094	2,113,987	1,595,504	17,891,239	25,119	2,332,948	1,821,074

* 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:-

	31/12/2010 RM'000	31/12/2009 RM'000
<u>Tier 1 Capital</u>		
Share capital	1,661,531	1,661,531
Share premium	550,659	550,659
Retained profits	551,422	356,018
Statutory reserve	1,041,692	925,509
	<u>3,805,304</u>	<u>3,493,717</u>
Less:-		
Goodwill	(190,384)	(190,384)
Deferred tax assets	(5,650)	(63,434)
Total Tier 1 capital (a)	<u>3,609,270</u>	<u>3,239,899</u>
<u>Tier 2 Capital</u>		
Subordinated loans	300,000	300,000
General allowance for bad and doubtful debts and financing	-	343,276
Collective impairment #	162,870	-
Total Tier 2 capital (b)	<u>462,870</u>	<u>643,276</u>
Total capital (a) + (b)	4,072,140	3,883,175
Less:-		
Investment in capital instruments of other banking institutions	(56,216)	(305,358)
Investment in subsidiaries	(41,180)	(41,180)
Capital base	<u>3,974,744</u>	<u>3,536,637</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:-

	31/12/2010 RM'000	31/12/2009 RM'000
Credit risk	26,157,944	23,271,148
Market risk	125,094	88,120
Operational risk	2,276,503	2,190,893
Total risk-weighted assets	<u>28,559,541</u>	<u>25,550,161</u>

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

Before deducting proposed dividends:-

Core capital ratio	12.64%	12.68%
Risk-weighted capital ratio	<u>13.92%</u>	<u>13.84%</u>

After deducting proposed dividends:-

Core capital ratio	12.33%	12.44%
Risk-weighted capital ratio	<u>13.61%</u>	<u>13.60%</u>

Qualifying collective impairment is restricted to allowances on the unimpaired loans, advances and financing.

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.

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.

A26. CHANGES IN ACCOUNTING POLICIES

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
- iii) FRS 117 Leases

(a) Changes in accounting policies due to the adoption of FRS139

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:

i) **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.

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.

A26. CHANGES IN ACCOUNTING POLICIES (cont.)

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.

ii) 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.

(b) Restatement of opening balances due to the adoption of FRS139

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:-

	<----- GROUP ----->		
	As at 1 January 2010	Effect of adoption of FRS 139	Restated as at 1 January 2010
	RM'000	RM'000	RM'000
Statement of Financial Position			
Assets			
Financial investments available-for-sale	8,166,664	93,943	8,260,607
Financial investments held-to-maturity	518,216	(25,929)	492,287
Loan, 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
Deferred tax assets	57,430	(22,736)	34,694
	<u>31,811,896</u>	<u>68,201</u>	<u>31,880,097</u>
Equity			
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>

The Group did not disclosed the effect of the adoption of FRS 139 on the current year's results as it is impractical to do so.

A26. CHANGES IN ACCOUNTING POLICIES (cont.)

(c) Changes in accounting policy due to the adoption of FRS 117 Leases

Following the adoption of the Improvement to FRS 117 "Leases", leasehold land in which the Group has substantially all the risks and rewards incidental to ownership has been reclassified retrospectively from operating lease to finance lease.

Previously, leasehold land was classified as an operating lease unless title is expected to pass to the lessee at the end of the lease term.

(d) Restatement of comparative figures due to the adoption of FRS 117 and FRS 101 (revised)

The following comparative figures have been restated following the adoption of FRS 101 (revised) "Presentation of Financial Statements" and Improvement to FRS 117 "Leases" where leasehold land in which the Group has substantially all the risks and rewards incidental to ownership has been reclassified retrospectively from operating lease to finance lease:-

	<----- GROUP ----->			
	As previously stated	Effect of adoption FRS 101 (revised)	Effect of adoption FRS 117	As restated
	RM'000	RM'000	RM'000	RM'000
<u>Statement of Financial Position As At 31 December 2009</u>				
Other assets	493,289	(24,315)	(16,180)	452,794
Derivative financial assets	-	24,315	-	24,315
Property, plant and equipment	180,594	-	16,180	196,774
Other liabilities	703,788	(41,684)	-	662,104
Derivative financial liabilities	-	41,684	-	41,684

Statement of Financial Position As At 31 December 2008

Other assets	626,772	(60,276)	(17,347)	549,149
Derivative financial assets	-	60,276	-	60,276
Property, plant and equipment	203,153	-	17,347	220,500
Other liabilities	658,783	(81,393)	-	577,390
Derivative financial liabilities	-	81,393	-	81,393

	<----- GROUP ----->		
	As previously stated	Effect of adoption FRS 117	As restated
	RM'000	RM'000	RM'000
<u>Income Statement For The Financial Year Ended 31 December 2009</u>			
<u>Establishment cost</u>			
Depreciation		26,693	26,934
Lease rental - leasehold properties		241	-

Income Statement For The Financial Year Ended 31 December 2008

<u>Establishment cost</u>			
Depreciation		27,474	27,939
Lease rental - leasehold properties		465	-

A27. COMPARATIVE FIGURES

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

A28. OPERATIONS OF ISLAMIC BANKING

(i) Unaudited Islamic Statements of Financial Position

	Group	
	31/12/2010 RM'000	31/12/2009 RM'000
ASSETS		
Cash and short term funds	2,635,218	2,211,477
Financial investments available-for-sale	1,334,083	1,383,903
Financial investments held-to-maturity	-	575
Loans, advances and financing	3,555,596	2,880,708
Investment in jointly-controlled entity	500	500
Other assets	20,186	35,289
Tax recoverable	3,816	-
Deferred tax assets	4,291	8,431
Property and equipment	2,123	4,159
Intangible assets	1,462	727
TOTAL ASSETS	7,557,275	6,525,769
LIABILITIES, ISLAMIC BANKING FUNDS		
Deposits from customers	5,533,474	4,627,330
Deposits and placements of banks and other financial institutions	1,345,086	1,238,459
Other liabilities	245,211	260,315
Provision for tax	-	1,594
Total Liabilities	7,123,771	6,127,698
SHAREHOLDERS' EQUITY		
Share capital	260,000	260,000
Reserves	173,504	138,071
Total Equity	433,504	398,071
TOTAL LIABILITIES & EQUITY	7,557,275	6,525,769
COMMITMENTS AND CONTINGENCIES	2,022,889	2,157,508

A28. OPERATIONS OF ISLAMIC BANKING (cont.)

(ii) Unaudited Islamic Income Statements

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	79,136	60,191	287,402	242,605
Allowance for losses on financing	(10,558)	(17,738)	(28,654)	(29,995)
Transfer to profit equalisation reserve	-	776	-	-
	68,578	43,229	258,748	212,610
Income attributable to depositors	(43,150)	(23,870)	(139,545)	(103,262)
Income attributable to shareholders	25,428	19,359	119,203	109,348
Income derived from investment of Shareholders' funds	4,876	4,299	18,052	14,284
	30,304	23,658	137,255	123,632
Other operating expenses	(21,456)	(19,768)	(90,714)	(76,627)
Profit before tax and zakat	8,848	3,890	46,541	47,005
Taxation	1,493	(624)	(15,889)	(10,913)
Zakat	-	-	(4,626)	(3,308)
Net profit for the financial period	10,341	3,266	26,026	32,784

(ii) Unaudited Statements of Comprehensive Islamic Income

	<-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
	RM'000	RM'000	RM'000	RM'000
Profit after taxation and zakat	10,341	3,266	26,026	32,784
Other comprehensive income:				
- Net change in fair value of financial investments available-for-sale	(2,149)	(1,083)	5,127	3,488
- Deferred tax on revaluation of financial investments available-for-sale	538	271	(1,282)	(872)
Other comprehensive income for the financial period, net of tax	(1,611)	(812)	3,845	2,616
Total comprehensive income for the financial period attributable to the equity holders of the Company	8,730	2,454	29,871	35,400

A28. OPERATIONS OF ISLAMIC BANKING (cont.)

	Group	
	31/12/2010 RM'000	31/12/2009 RM'000
(iii) <u>Financing</u>		
<u>By type</u>		
Cash line	223,926	218,213
Term financing		
- Housing financing	1,053,556	832,765
- Syndicated term financing	116,995	179,024
- Hire purchase receivables	1,061,166	863,225
- Other term financing	934,792	552,514
Bills financing	1,389	7,871
Trust receipts	43,958	76,461
Interest-free accepted bills	57,938	95,041
Staff financing	8,035	7,862
Revolving credit	142,463	118,603
	3,644,218	2,951,579
Less : Allowance for impairment		
- Collective impairment	(52,481)	-
- Individual impairment	(36,141)	-
Less : Allowance for bad and doubtful debts and financing		
- General allowance	-	(44,067)
- Specific allowance	-	(26,804)
Total net financing	3,555,596	2,880,708

(iv) Impaired/non-performing financing

(a) Movements of impaired financing

At 1 January, as previously stated	60,456	40,102
Adjustment arising from adoption of FRS 139	68,515	-
At 1 January, as restated	128,971	40,102
Classified as impaired during the financial year	92,689	83,346
Reclassified as non-impaired during the financial year	(42,087)	(43,440)
Amount recovered	(22,714)	-
Amount written-off	(6,127)	(3,432)
Amount written back in respect of recoveries	-	(16,120)
Balance at end of financial year	150,732	60,456

A28. OPERATIONS OF ISLAMIC BANKING (cont.)

	Group	
	31/12/2010	31/12/2009
	RM'000	RM'000
(iv) Impaired/non-performing financing (cont.)		
(b) <u>Movements in the allowance for impairment on financing</u>		
Collective impairment		
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 year	13,365	-
Amount written-off	(4,809)	-
Exchange differences	-	-
Balance at end of financial year	52,481	-
Individual impairment		
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 year	25,307	-
Amount recovered	(9,891)	-
Amount written-off	(1,175)	-
Unwind of discount of allowance	(1,328)	-
Balance at end of financial year	36,141	-
General allowance		
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	-	44,067
As a % of gross loans, advances and financing less specific allowance	-	1.51%
Specific allowance		
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	-	26,804
(vi) Deposits from customers		
<u>By type of deposits</u>		
Non-Mudharabah Funds		
Demand deposits	1,488,093	1,187,013
Savings deposits	192,016	176,485
Negotiable Instruments of Deposits	-	309,626
	1,680,109	1,673,124
Mudharabah Funds		
Demand deposits	10,794	4,356
Savings deposits	66,187	29,490
General investment deposits	3,134,711	2,213,783
Special investment deposits	641,673	706,577
	3,853,365	2,954,206
Total deposits from customers	5,533,474	4,627,330

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

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

The Group reported a higher pretax profit of RM156.7 million for the current financial quarter as compared to RM114.0 million for the preceding year's corresponding quarter. For the financial year ended 31 December 2010, the Group's pretax profit increased by RM140.3 million or 28.2% to RM637.5 million as compared to RM497.2 million achieved last year. The improved performance was mainly due to the increase in net interest income, other operating income and Islamic banking income totaling RM66.2 million, lower allowance for impaired loans, advances and financing of RM90.3 million and lower allowance for impairment loss on securities of RM6.6 million, net of higher overhead expenses of RM35.7 million. In addition, there was a gain of RM8.5 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 year under review.

AFFIN Bank Berhad ("ABB") group registered a higher pretax profit of RM129.2 million for the current financial quarter as compared to RM101.2 million for the preceding year's corresponding quarter. For the financial year ended 31 December 2010, the Bank's pretax profit of RM521.9 million was a significant improvement of RM96.8 million or 22.8% as compared to RM425.1 million achieved last year. This was mainly due to the reduction in allowance for impaired loans, advances and financing of RM92.1 million as well as the increase in net interest income, other operating income and Islamic banking income totaling RM35.6 million. The overhead expenses and impairment loss on securities however increased by RM24.4 million and RM6.5 million respectively for the year under review.

AFFIN Investment Bank Berhad ("AIBB") group reported a higher pretax profit of RM18.4 million for the current financial quarter as compared to RM11.5 million for the preceding year's corresponding quarter. For the financial year ended 31 December 2010, the AIBB group also registered a higher pretax profit of RM87.1 million as compared to RM64.6 million achieved last year. The improved performance was mainly due to the increase in other operating income of RM23.4 million as well as the write-back of impairment loss on securities of RM0.6 million as compared to a charge of RM12.5 million for the previous year, net of higher overhead expenses of RM10.3 million. As for AFFIN Fund Management Berhad, the Company achieved a higher pretax profit of RM9.8 million for the current financial year as compared to RM3.8 million achieved last year, mainly due to higher management fee income of RM1.8 million. In addition there was a surplus of RM3.8 million on realisation of assets of a subsidiary placed under Member's Voluntary Winding-up in the previous year.

AFFIN Moneybrokers Sdn Bhd reported a higher pretax profit of RM0.5 million for the current financial quarter as compared to RM0.1 million for the same quarter last year. For the year ended 31 December 2010, the Company also registered a higher pretax profit of RM1.8 million as compared to RM0.7 million for the previous financial year, mainly due to higher net brokerage income net of higher overheads.

AXA AFFIN Life Insurance Berhad ("AALI") reported a higher pretax profit of RM14.5 million for the current financial quarter as compared to RM1.6 million for the preceding year's corresponding quarter mainly attributable to the surplus of Life Fund Revenue Account, largely from lower claims and the adoption of fair value option for fixed income securities of Non-Participating Funds. For the financial year ended 31 December 2010, the Company however registered a lower pretax profit of RM4.4 million as compared to RM5.3 million reported in last year, mainly due to lower gain on sales of investments securities and higher overhead expenses net of the surplus from Life Fund Revenue Account. The share of profit in jointly-controlled entity of RM6.9 million for the current financial year comprises current year's post tax profit of RM2.1 million and adjustment of RM4.8 million on under-recognition of Group's share of financial impact arising from the implementation of Risk-Based Capital ("RBC") Framework in the previous financial year.

AXA AFFIN General Insurance Berhad ("AAGI") recorded a higher pretax profit of RM14.1 million for the current financial quarter as compared to RM4.4 million for the preceding year's corresponding quarter. For the financial year ended 31 December 2010, AAGI also reported a higher pretax profit of RM42.7 million as compared to RM25.6 million achieved last year. This was mainly due to higher earned premium of RM169.7 million, higher net investment income of RM10.5 million and higher gain on disposal of investment securities of RM6.3 million, net of the increase in net claim, net commission and overhead expenses of RM113.4 million, RM12.3 million and RM27.4 million respectively. As for the pretax profit contribution of RM28.0 million from its newly acquired wholly-owned subsidiary namely BH Insurance (M) Berhad ("BHI"), the amount was partially offset by the financing cost of RM10.2 million and other acquisition/integration costs of RM6.0 million incurred by AAGI in relation to the acquisition of and merger with BHI. Included in the share of results in associate of RM12.0 million for the current financial year 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 higher pretax profit of RM156.7 million for the current financial quarter as compared to RM149.2 million for the preceding quarter ended 30 September 2010. This was mainly attributable to the share of profit in jointly-controlled entity of RM7.4 million as compared a loss of RM3.2 million for the preceding quarter, higher other operating income of RM13.1 million net of lower net interest income of RM13.6 million.

B3. HEADLINE KEY PERFORMANCE INDICATOR ("KPI") FOR YEAR 2010

The Group has achieved all its announced headline Key Performance Indicators (KPIs) for the financial year 2010 as follows:-

<u>Headline KPIs</u>	<u>As announced for financial</u>	<u>Actual achieved</u>
(i) After Tax Returns on Equity (ROE)	8.4%	9.8%
(ii) After Tax Returns on Assets (ROA)	1.0%	1.1%
(iii) Net NPL Ratio *	1.9%	1.6%
(iv) Earnings Per Share (EPS)	27.50 sen	32.70 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. 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 2011.

B5. VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

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

B6. TAXATION

	-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
	RM'000	RM'000	RM'000	RM'000
Malaysian Taxation:-				
- Income tax based on profit for the financial year	(62,801)	32,763	90,638	127,873
Deferred tax:-				
- Relating to originating temporary differences	78,412	(2,945)	48,283	(5,981)
Recognition of deferred tax benefits previously not recognised	713	-	(1,195)	-
Under provision in prior years:				
- Current taxation	13,096	14	5,761	17
	29,420	29,832	143,487	121,909

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

B7. SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

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

B8. PURCHASE OR DISPOSAL OF QUOTED SECURITIES

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

B9. STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED

Save as disclosed below, there were no corporate proposals announced but not completed as at 31 December 2010:-

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 ("AIBB") 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.

B9. STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED

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.

On 27 December 2010, AIBB had on behalf of the Board of AHB announced that BNM had vide its letter dated 23 December 2010 granted its approval to AFFIN Bank for the following:-

- (i) To establish a subsidiary by acquiring Bank Ina pursuant to Section 29 of the Banking and Financial Institution Act 1989; and
- (ii) To issue 121.356 million fully paid-up new ordinary shares to fund the proposal.

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.

B10. GROUP BORROWINGS AND DEBT SECURITIES

	Group	
	31/12/2010 RM'000	31/12/2009 RM'000
(i) Deposits from Customers		
<u>By Type of Deposits:-</u>		
Money Market Deposits	706,697	401,391
Demand Deposits	5,063,061	4,399,320
Savings Deposits	1,400,535	1,030,103
Fixed Deposits	22,166,952	17,992,559
Negotiable Instruments of Deposits ('NIDs')	3,119,514	4,069,301
Special Investment Deposits	641,673	706,577
	<u>33,098,432</u>	<u>28,599,251</u>
Maturity structure of fixed deposits and NIDs are as follows:		
Due within six months	22,036,969	19,102,077
Six months to one year	3,176,519	2,860,461
One year to three years	50,026	74,881
Three years to five years	22,952	24,441
	<u>25,286,466</u>	<u>22,061,860</u>
<u>By Type of Customers:-</u>		
Government and statutory bodies	5,554,300	4,654,275
Business enterprises	11,060,615	10,195,116
Individuals	5,003,875	3,969,168
Others	11,479,642	9,780,692
	<u>33,098,432</u>	<u>28,599,251</u>
(ii) Deposits and Placements of Banks and Other Financial Institutions		
<u>By Type of Institutions:-</u>		
Licensed banks	5,412,341	3,697,844
Licensed investment banks	66,078	530,717
Bank Negara Malaysia	308,350	-
Other financial institutions	1,050,862	918,533
	<u>6,837,631</u>	<u>5,147,094</u>
<u>By Maturity Structure:-</u>		
Due within six months	6,577,735	5,142,870
Six months to one year	259,896	4,224
	<u>6,837,631</u>	<u>5,147,094</u>
(iii) Borrowings		
Unsecured		
- More than one year (medium/long-term)	390,624	300,000
	<u>390,624</u>	<u>300,000</u>

B11. REALISED AND UNREALISED PROFITS

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses into realised and unrealised profits or losses as at the end of the reporting period. On 20 December 2010, Bursa Malaysia had also issued a guide to all list issuers on the disclosure requirement for the realised and unrealised unappropriated profits and losses.

Pursuant to the above directives, the breakdown of retained profits of the Group into realised and unrealised profits as at the reporting date is disclosed as follows:-

	Group	
	31/12/2010 RM'000	30/9/2010 RM'000
<u>Total retained profits of AFFIN Holdings Berhad and its's subsidiaries</u>		
- Realised	957,833	867,633
- Unrealised		
- deferred tax recognised in the income statement	6,711	109,656
- other items of income and expense	26,858	33,650
	991,402	1,010,939
<u>Total share of retained profits in associate:-</u>		
- Realised	130,303	128,462
- Unrealised	2,453	2,544
<u>Total share of accumulated losses in jointly controlled entities:-</u>		
- Realised	(25,865)	(28,637)
- Unrealised	7,681	3,032
	1,105,974	1,116,340
Add: Consolidation adjustments	124,901	117,951
Total Group retained profits as per consolidated financial statements	1,230,875	1,234,291

The breakdown of realised and unrealised retained profits is determined based on the Guidance of Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad listing Requirements" issued by the Malaysian Institute of Accountants on 20 December 2010.

The unrealised retained profits of the Group as disclosed above does not include translation gains and losses on monetary items denominated in a currency other than the functional currency and foreign exchange contracts. These translation gains and losses are incurred in the ordinary course of business of the Group and hence deemed as realised.

The above disclosure of realised and unrealised unappropriated profits and losses is strictly for the compliance of the disclosure requirements stipulated in the directive issued by Bursa Malaysia and should not be used for any other purposes.

B12. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

Details of derivative financial instruments outstanding as at 31 December 2010 are as follows:-

(i) Derivative financial instruments measured at their fair values together with their corresponding contract/notional amount

Group	←----- As at 31 December 2010 ----->			←----- As at 31 December 2009 ----->		
	Contract/ Notional Amount RM'000	Fair Value		Contract/ Notional Amount RM'000	Fair Value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
Trading derivatives:						
Foreign exchange contract						
- Currency forwards	728,471	2,381	19,025	704,000	4,134	7,040
- Currency swaps	1,667,375	32,162	21,087	1,489,700	16,625	7,698
Interest rate contract						
- Interest rate swaps	1,479,285	8,711	17,448	1,349,363	3,556	26,946
Total	3,875,131	43,254	57,560	3,543,063	24,315	41,684

(ii) The derivative financial instrument of the Group classified by remaining period to maturity/repricing date (whichever earlier) as at reporting date are as follows:-

Items	←----- As at 31 December 2010 ----->						
	Contract/ Notional Amount RM'000	1 month or less RM'000	> 1 - 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 3 years RM'000	> 3 years RM'000
Trading derivatives:							
Foreign exchange contract							
- Currency forwards	728,471	388,937	152,045	173,672	13,817	-	-
- Currency swaps	1,667,375	605,896	447,376	412,971	20,012	181,120	-
	2,395,846	994,833	599,421	586,643	33,829	181,120	-
Interest rate contract							
- Interest rate swaps	1,479,285	85,000	4,117	917	3,750	245,970	1,139,531
Total	3,875,131	1,079,833	603,538	587,560	37,579	427,090	1,139,531

B12. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (cont.)

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

Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at end of the financial year, the notional amount of foreign exchange exposure which was not hedged and hence, exposed to market risk was RM13.7 million (FYE 31/12/2009: RM7.2 million), while the notional amount of interest rate contract was RM903.3 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 RM66.7 million (FYE 31/12/2009: RM53.1 million) and RM69.7 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.

Liquidity risk

Liquidity risk on derivatives is the risk that the derivative position cannot be closed out promptly. The exposure to liquidity risk is mitigated by entering into transactions where the underlying financial instruments are widely traded and also easily closed out through alternative markets.

Cash Requirement of the Derivatives

Cash requirements of the derivatives may arise from margin requirements to post cash collateral with counterparties as the fair value moves beyond the agreed upon threshold limits in the counterparties's favour, or upon downgrade in the Bank's credit ratings. As at 31 December 2010, there is no requirement for the Group to post any additional cash collateral on its derivative contracts.

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.

B13. MATERIAL LITIGATION

- a) 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. 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.

On 8 September 2010, the Plaintiff’s solicitors requested for an adjournment at the trial. The Judge vacated the trial dates and set the matter down for case management on 8 October 2010 which was further postponed to 10 December 2010. On 10 December 2010 the matter was fixed for trial on 4, 5, 6,7 and 8 April 2011.

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.

B13. MATERIAL LITIGATION

- b) 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.

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. On 8 October 2010, the appeal was however dismissed.

On 8 November 2010 the Bank filed the Notice for Motion together with the Affidavit pertaining to the application for leave to the Federal Court. On 22 February 2011, the application for leave to the Federal Court was dismissed.

- c) There are various other legal suits against AFFIN Bank Berhad ("ABB") in respect of claims and counter claims of approximately RM86.3 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.

B14. PROPOSED DIVIDENDS

- a) No final dividend has been proposed for the current financial year ended 31 December 2010.
- b) Total dividend for the current financial year : Interim dividend of 9 sen per share (less 25% tax), paid on 26 January 2011.
- c) Total dividend for the previous financial year : 8.5 sen per share (less 25% tax), comprising an interim dividend of 5 sen per share (less 25% tax) and a special dividend of 3.5 sen per share (less 25% tax).

B15. EARNINGS PER SHARE

	←-----Group-----→			
	<u>Individual Quarter Ended</u>		<u>Cumulative Quarter Ended</u>	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
Net profit attributable to equity holders of the parent (RM'000)	126,572	84,170	488,625	371,843
Weighted average number of ordinary share in issue	1,494,570,019	1,494,366,667	1,494,439,153	1,494,366,667
Basic earning per share (sen)	8.47	5.63	32.70	24.88
Diluted earnings per share (sen)	8.47	5.63	32.70	24.88

The basic and diluted earnings per share of the Group for the current financial quarter ended 31 December 2010 have been calculated based on the net profit attributable to the equity holders of the parent of RM126,572,000 (31 December 2009: RM84,170,000) divided by the weighted average number of ordinary shares in issue during the current financial quarter of 1,494,570,019 (31 December 2009: 1,494,366,667).

The basic earnings per share of the Group for the financial year ended 31 December 2010 has been calculated based on the net profit attributable to the equity holders of the parent of RM488,625,000 (31 December 2009: RM371,843,000) divided by the weighted average number of ordinary shares in issue during the financial year under review of 1,494,439,153 (31 December 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.

B16. ECONOMIC PROFIT

	←-----Group----->			
	Individual Quarter Ended		Cumulative Quarter Ended	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial year	126,572	84,170	488,625	371,843
Less: Economic charge	(129,346)	(120,456)	(495,743)	(465,635)
Economic (loss)/profit for the financial year	<u>(2,774)</u>	<u>(36,286)</u>	<u>(7,118)</u>	<u>(93,792)</u>

Formula for calculation of economic charge:

- (i) Economic charge = Cost of equity x Average total equity for the financial year
- (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