

Company No: 9999V

**AFFIN Investment Bank Berhad**  
(Incorporated in Malaysia)

**Reports and financial statements  
for the financial year ended 31 December 2009**

Company No: 9999V

# **AFFIN Investment Bank Berhad**

(Incorporated in Malaysia)

## **Reports and financial statements for the financial year ended 31 December 2009**

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## **AFFIN Investment Bank Berhad**

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### **Directors' report for the financial year ended 31 December 2009**

The Directors are pleased to submit their report together with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2009.

#### **Principal activities**

The principal activities of the Bank are investment banking, stockbroking activities and related financial services. The principal activities of the subsidiaries are the provision of nominee services, investment holding, asset management and management of unit trust. There were no significant changes in the nature of these activities during the financial year.

#### **Financial results**

	<b>The Group RM'000</b>	<b>The Bank RM'000</b>
Profit before taxation and zakat	64,563	67,587
Taxation and zakat	<u>(18,366)</u>	<u>(18,920)</u>
	<u><u>46,197</u></u>	<u><u>48,667</u></u>

#### **Dividends**

The dividends on ordinary shares paid by the Bank in respect of the financial year ended 31 December 2009 were as follows:-

	<b>RM'000</b>
Interim dividend of 11.33 sen gross per share, less income tax of 25%, paid on 15 December 2009.	<u><u>18,885</u></u>

The Director recommend the payment of final dividend of 5.00 sen gross per share, less 25% income tax of RM8,334,219 for the financial year ended 31 December 2009, which is subject to the approval of member of the forthcoming Annual General Meeting of the Bank.

#### **Reserves and provisions**

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements and notes to the financial statements.

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### **Directors' report for the financial year ended 31 December 2009 (continued)**

#### **Bad and doubtful debts and financing**

Before the income statements and balance sheets of the Group and the Bank were made out, the Directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad debts and financing and the making of allowance for doubtful debts and financing, and satisfied themselves that all known bad debts and financing had been written off and adequate allowance had been made for doubtful debts and financing.

At the date of this report, the Directors are not aware of any circumstances which would render the amounts written off for bad debts and financing, or the amount of the allowance for doubtful debts and financing in the financial statements of the Group and of the Bank inadequate to any substantial extent.

#### **Current assets**

Before the income statements and balance sheets of the Group and the Bank were made out, the Directors took reasonable steps to ascertain that any current assets, other than debts and financing which were unlikely to be realised in the ordinary course of business and their values as shown in the accounting records of the Group and the Bank have been written down to an amount which they might be expected to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and the Bank misleading.

#### **Valuation methods**

At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Bank misleading or inappropriate.

#### **Contingent and other liabilities**

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group and the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability in respect of the Group and the Bank that has arisen since the end of the financial year other than in the ordinary course of banking business.

No contingent or other liability of the Group and the Bank has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and the Bank to meet its obligations when they fall due.

## **AFFIN Investment Bank Berhad**

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### **Directors' report for the financial year ended 31 December 2009 (continued)**

#### **Change of circumstances**

At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and the Bank that would render any amount stated in the financial statements misleading.

#### **Items of an unusual nature**

In the opinion of the Directors:

- (a) the results of the operations of the Group and the Bank for the financial year were not, substantially affected by any item, transaction or event of a material and unusual nature; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and the Bank for the financial year in which this report is made.

#### **Subsequent events**

There were no material events subsequent to the balance sheet date that require disclosure or adjustments to the financial statements.

## **AFFIN Investment Bank Berhad**

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### **Directors' report for the financial year ended 31 December 2009 (continued)**

#### **Directors**

The Directors of the Bank who have held office during the period since the date of the last report are as follows:

Gen Tan Sri Yaacob bin Mohd Zain (R)  
*(Chairman, Non-Independent Non-Executive Director)*

Tan Sri Dato' Lodin bin Wok Kamaruddin  
*(Non-Independent Non-Executive Director)*

Tunku Dato' Jaafar Laksmana bin Tunku Nong Jiwa  
*(Non-Independent Non-Executive Director)*

Raja Dato' Seri Aman bin Raja Haji Ahmad  
*(Independent Non-Executive Director)*

Dato' Sri Abdul Hamidy bin Abdul Hafiz (Resigned on 16 March 2009)  
*(Non-Independent Non-Executive Director)*

Ariffin bin Alias  
*(Independent Non-Executive Director)*

Larry Seow Thiam Fatt  
*(Independent Non-Executive Director)*

Maimoonah bt Mohamed Hussain  
*(Managing Director)*

Stephen Charles Li Kwok Sze  
*(Non-Independent Non-Executive Director)*

Eric Koh Thong Hau  
*(Alternate Director to Stephen Charles Li Kwok Sze)*

In accordance with Article 75 of the Bank's Articles of Association, Ariffin bin Alias and Larry Seow Thiam Fatt retire from the Board at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

In accordance with Section 129(6) of the Companies Act 1965, Gen Tan Sri Yaacob bin Mohd Zain (R) retires from the Board at the forthcoming Annual General Meeting and, being eligible, offers himself for re-appointment.

## AFFIN Investment Bank Berhad

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### Directors' report for the financial year ended 31 December 2009 (continued)

#### Directors' interest

According to the Register of Directors' Shareholdings, the interests of Directors in office at the end of the financial year in shares, warrants, and options over shares in the related companies are as follows:

	<b>Number of ordinary shares of RM1.00 each</b>			
	<b>As at 1.1.2009</b>	<b>Bought</b>	<b>Sold</b>	<b>As at 31.12.2009</b>
<b>Holding company</b>				
<u>AFFIN Holdings Berhad</u>				
Tan Sri Dato' Lodin bin Wok Kamaruddin	808,714*	-	-	808,714*
Raja Dato' Seri Aman bin Raja Haji Ahmad	205,500	-	160,500	45,000
Larry Seow Thiam Fatt	8,000	-	-	8,000
Dato' Sri Abdul Hamidy bin Abdul Hafiz	200,000	-	199,000	1,000

\* shares held in trust by nominee company

	<b>Number of ordinary shares of 50 sen each</b>			
	<b>As at 1.1.2009</b>	<b>Bought</b>	<b>Sold</b>	<b>As at 31.12.2009</b>
<b>Related company</b>				
<u>Boustead Holdings Berhad</u>				
Tan Sri Dato' Lodin bin Wok Kamaruddin	19,816,000	14,218,199	7,911,600	26,122,599
Larry Seow Thiam Fatt	4,000	-	-	4,000

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**Directors' report****for the financial year ended 31 December 2009 (continued)****Directors' interest (continued)**

	<b>Number of ordinary shares of RM1.00 each</b>			
	<b>As at 1.1.2009</b>	<b>Bought</b>	<b>Sold</b>	<b>As at 31.12.2009</b>
<b>Related company</b>				
<u>Boustead Heavy Industries Corporation Berhad</u>				
Tan Sri Dato' Lodin bin Wok Kamaruddin	2,000,000	-	-	2,000,000
<b>Related company</b>				
<u>Al-Hadharah Boustead REIT</u>				
Tan Sri Dato' Lodin bin Wok Kamaruddin	200,000	-	-	200,000
<b>Related company</b>				
<u>Boustead Petroleum Sdn Bhd</u>				
Tan Sri Dato' Lodin bin Wok Kamaruddin	5,466,465	300,000	-	5,766,465
<b>Related company</b>				
<u>UAC Berhad</u>				
Raja Dato' Seri Aman bin Raja Haji Ahmad	2,500	-	2,500	-
<b>Number of Redeemable Preference Share of RM1.00 each</b>				
	<b>As at 1.1.2009</b>	<b>Bought</b>	<b>Sold</b>	<b>As at 31.12.2009</b>
<b>Related company</b>				
<u>Boustead Petroleum Sdn Bhd</u>				
Tan Sri Dato' Lodin bin Wok Kamaruddin	-	50	-	50
<b>Number of Warrants 2000/2010</b>				
	<b>As at 1.1.2009</b>	<b>Bought</b>	<b>Sold</b>	<b>As at 31.12.2009</b>
<b>Holding company</b>				
<u>AFFIN Holdings Berhad</u>				
Tan Sri Dato' Lodin bin Wok Kamaruddin	1,500	-	-	1,500
Raja Dato' Seri Aman bin Raja Haji Ahmad	9,250	-	9,250	-

Each warrant of the holding company ("AFFIN Warrants 2000/2005") entitles the registered holder to subscribe for one new ordinary share of RM1.00 each in the holding company at any time from the date of issue of 8 July 2000 at the exercise price of RM3.10 per share. The original exercise period of the AFFIN Warrants 2000/2005 was expired on 7 July 2005. The warrant was extended for another 5 years and will expire on 7 July 2010 ("AFFIN Warrants 2000/2010").

Other than the above, the Directors in office at the end of the financial year did not have any interest in the shares, warrants and option over shares of the Bank and its related companies during the financial year.

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### **Directors' report for the financial year ended 31 December 2009 (continued)**

#### **Directors' benefits**

During and at the end of the financial year, no arrangements subsisted to which the Bank or its subsidiaries is a party, with the object or objects of enabling Directors of the Bank to acquire benefits by means of the acquisition of shares in, or debenture of the Bank or any other body corporate except for the share options granted to the Directors of the Bank by the holding company and the ultimate holding corporate body.

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit (other than directors' remuneration as disclosed in Note 30 to the financial statements) by reason of a contract made by the Bank or by a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

#### **Corporate Governance**

##### **(i) Board of Directors Responsibility and Oversight**

The Board of Directors comprises a Managing Director and seven (7) Non-Executive Directors, there are three (3) Independent Non-Executive Directors, four (4) Non-Independent Non-Executive Directors and one (1) Non-Independent Executive Director. The Board, with a wide range of experience and knowledge, has been instrumental in the formulation and crafting of the Bank's vision and its strategic business direction.

The Board meets on a monthly basis, to review the Bank's financial and business performance, to oversee the conduct of the Bank's business as well as to ensure that adequate internal control systems are in place. The Board met eleven (11) times during the financial year.

The composition of the Board and the number of meetings attended by each director are as follows:

<u>Name of Directors:</u>	<u>Total meetings attended</u>
1 Gen Tan Sri Yaacob bin Mohd Zain (R) (Chairman, Non-Independent Non-Executive Director)	10 out of 11
2 Tan Sri Dato' Lodin bin Wok Kamaruddin (Non-Independent Non-Executive Director)	10 out of 11
3 Tunku Dato' Jaafar Laksmama bin Tunku Nong Jiwa (Non-Independent Non-Executive Director)	11 out of 11
4 Raja Dato' Seri Aman bin Raja Haji Ahmad (Independent Non-Executive Director)	8 out of 11
5 Dato' Sri Abdul Hamidy bin Abdul Hafiz (resigned on 16 March 2009) (Non-Independent Non-Executive Director)	2 out of 2
6 Ariffin bin Alias (Independent Non-Executive Director)	11 out of 11
7 Larry Seow Thiam Fatt (Independent Non-Executive Director)	11 out of 11
8 Maimoonah bt Mohamed Hussain (Managing Director/ Non-Independent Executive Director)	11 out of 11
9 Stephen Charles Li Kwok Sze (Non-Independent Non-Executive Director)	9 out of 11
10 Eric Koh Thong Hau (Alternate Director to Stephen Charles Li Kwok Sze)	2 out of 11

## **AFFIN Investment Bank Berhad**

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### **Directors' report for the financial year ended 31 December 2009 (continued)**

#### **Corporate Governance (continued)**

##### **(ii) Risk management framework**

AFFIN Investment Bank Berhad has an established comprehensive and robust risk management framework and internal control system in tandem with the complexity and diversity of the investment banking activities undertaken by the Bank. On-going initiatives and periodic reviews are undertaken by the Risk Management Division (“RMD”) at the group level to enhance the risk management policies, infrastructure and framework to ensure that credit, market and operational risks associated with the investment banking activities are adequately identified and mitigated.

RMD is functionally independent of the business divisions and is primarily responsible in identifying, monitoring, evaluating and controlling credit, market and operational risks, whilst risks in respect of compliance, stockbroking, anti-money laundering and financing of terrorism are under the purview of Compliance and Supervision Division.

The Bank’s comprehensive risk management framework and internal control system are pivotal and instrumental towards achieving the corporate objective of maximising profitability and returns to shareholders whilst ensuring prudential management of the associated risks.

##### **(iii) Internal audit and control activities**

In accordance with Bank Negara Malaysia’s (“BNM”) GP10 guidelines, Group Internal Audit (“GIA”) conducts continuous reviews on auditable areas within the Bank. The continuous reviews by GIA are focused on areas of significant risks and the effectiveness of internal control in accordance to the audit plan approved by the Audit and Examination Committee (“AEC”). The risks highlighted on the respective auditable areas as well as recommendations made by GIA are addressed at the AEC and Management meetings on a monthly basis.

The AEC shall also conduct annual reviews on the adequacy of internal audit function, scope of work, resources and budget of GIA. Other duties and responsibilities of the AEC include :

- Review AFFIN Investment Bank's financial statements and to ensure compliance with disclosure requirements and any adjustments as suggested by the External Auditors prior to submission to the Board.
- Review the reports of the Internal Auditors, the External Auditors, Bank Negara Malaysia examiners and any other relevant parties and decide on actions to be taken on relevant issues raised in the reports.
- Make recommendation to the Board on the appointment of External Auditors.

## **AFFIN Investment Bank Berhad**

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### **Directors' report for the financial year ended 31 December 2009 (continued)**

#### **Corporate Governance (continued)**

##### **(iii) Internal audit and control activities (continued)**

At present, GIA consists of Operational Audit, Information Systems Audit, Post Approval Credit Review, Investigation, High Risk Process Audit and Corrective Action Tracking. Audit activities include these key components:-

- Conduct audit on all auditable entities (Head Office, Branches and subsidiaries), processes, services, products, systems, etc and provide an independent assessment to the Board of Directors, AEC and Management that the appropriate control environment is maintained with clear authority and responsibility, and with sufficient staff and resources to carry out control responsibilities.
- Perform risk assessments to identify risks and evaluate actions taken to provide reasonable assurance that procedures and controls exist to contain those risks.
- Maintain strong control activities including documented processes and systems, incorporating adequate controls to produce accurate financial data and provide for the safeguarding of assets, and a documented review of reported results.
- Ensure effective information flows and communication, including:
  - (i) Training and the dissemination of standards and requirements;
  - (ii) An information system to produce and convey complete, accurate and timely data including financial data;
  - (iii) The upward communication of trends, developments and emerging issues.
- Monitor controls, including procedures to verify that controls are in place and functioning, follow up on corrective actions on control findings until its full resolution.

Based on audit, identification and assessment of risks, testing and evaluation of controls, GIA will provide an opinion on the effectiveness of internal controls maintained by each entity.

##### **(iv) Management reports submitted to the Board**

<u>Title of Report</u>	<u>Frequency</u>
1. Performance Overview	Monthly
2. Minutes of Assets and Liabilities Committee ("ALCO") Monitor	Monthly
3. Compliance Status Report Pursuant to Rule 309.8 of the Rules of Bursa Malaysia Securities Berhad	Monthly
4. Stress Test Report for Six (6) Months Period	Semi-annually

## **AFFIN Investment Bank Berhad**

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### **Directors' report for the financial year ended 31 December 2009 (continued)**

#### **Disclosure of committees**

##### **Nominating and Remuneration Committee**

The Nominating and Remuneration Committee (“NRC”), which is chaired by an independent non-executive director, was established in March 2003 with the following objectives:

- To provide a formal and transparent procedure for the appointment of directors and Chief Executive Officer (“CEO”) as well as assessment of effectiveness of individual directors, board as a whole and performance of CEO and key senior management officers; and
- To provide a formal and transparent procedure for developing remuneration policy for directors, CEO and key senior management officers and ensuring that compensation is competitive and consistent with the Bank’s culture, objectives and strategy.

The NRC, which comprises five (5) Board members and scheduled to meet at least on a quarterly basis, met five (5) times during the financial year. The composition of the NRC and the number of meetings attended by each member are as follows:

<u>Composition of the NRC:</u>	<u>Total meetings attended</u>
1 Raja Dato' Seri Aman bin Raja Haji Ahmad (Chairman, Independent Non-Executive Director)	4 out of 5
2 Tan Sri Dato' Lodin bin Wok Kamaruddin (Non-Independent Non-Executive Director)	5 out of 5
3 Tunku Dato' Jaafar Laksmana bin Tunku Nong Jiwa (Non-Independent Non-Executive Director)	5 out of 5
4 Ariffin bin Alias (Independent Non-Executive Director)	5 out of 5
5 Larry Seow Thiam Fatt (Independent Non-Executive Director)	5 out of 5

The NRC is responsible for:

- Establishing minimum requirements and criteria for the Board i.e. required mix of skills, experience, qualification and other core competencies required of a director. The NRC is also responsible for establishing the minimum requirements for the CEO. The requirements and criteria should be approved by the Board of Directors.
- Recommending and assessing the nominees for directorship (including assessing directors for re-appointment, before an application for approval is submitted to BNM), Board committee members as well as nominees for the CEO. The actual decision as to who shall be nominated should be the responsibility of the Board of Directors.

## **AFFIN Investment Bank Berhad**

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### **Directors' report for the financial year ended 31 December 2009 (continued)**

#### **Disclosure of committees (continued)**

##### **Nominating and Remuneration Committee (continued)**

- Overseeing the overall composition of the Board, in terms of the appropriate size and skills, and the balance between Executive Directors, Non-Executive Directors and Independent Non-Executive Directors through annual review and make recommendations to the Board with regard to any changes.
- Be responsible for identifying and nominating, for the approval of the Board, nominees to fill Board vacancies as and when they arise.
- Recommending to the Board the removal of a director or CEO from the Board/Management if the director/CEO is ineffective, errant and negligent in discharging his responsibilities.
- Establishing a mechanism for the formal assessment on the effectiveness of the Board as a whole and the contribution of the Board's various committees and the performance of the CEO and other key senior management officers. Annual assessment should be based on an objective performance criteria. Such performance criteria should be approved by the Board of Directors.
- Be responsible in ensuring that all directors receive an appropriate continuous training programme in order for the directors to keep abreast with the latest developments in the industry.
- Oversee the appointment, management succession planning and performance evaluation of key senior management officers.
- Recommend to the Board the removal of key senior management officers if they are ineffective, errant and negligent in discharging their responsibilities.
- Assess on an annual basis, that the directors and key senior management officers are not disqualified under Section 56 of the Banking and Financial Institutions Act 1989 ("BAFIA").
- Make recommendations to the Board concerning the re-election by shareholders of any directors under the retirement by rotation provisions in the Bank's Articles of Association of the Bank.
- Recommending a framework of remuneration for directors, CEO and key senior management officers for the full Board's approval. The remuneration framework should support the Bank's culture, objectives and strategy and should reflect the responsibility and commitment, which goes with Board membership and responsibilities of the CEO and senior management officers. There should be a balance in determining the remuneration package, which should be sufficient to attract and retain Directors of calibre, and yet not excessive to the extent the Bank's funds are used to subsidise the excessive remuneration packages. The framework should cover all aspects of remuneration including directors' fees, salaries, allowances, bonuses, options and benefits-in-kind.

## **AFFIN Investment Bank Berhad**

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### **Directors' report for the financial year ended 31 December 2009 (continued)**

#### **Disclosure of committees (continued)**

##### **Nominating and Remuneration Committee (continued)**

- Recommending specific remuneration packages for executive directors and the CEO. The remuneration package should be structured such that it is competitive and consistent with the Bank's culture, objectives and strategy. Salary scales drawn up should be within the scope of the general business policy and not be dependant on short-term performance to avoid incentives for excessive risk-taking. As for Non-Executive Directors and Independent Non-Executive Directors, the level of remuneration should be linked to their level of responsibilities undertaken and contribution to the effective functioning of the Board.
- Determine and make recommendations to the Board the policy for and the scope of service agreement of key senior management officers, termination payments and compensation commitments, and ensure the legality of the foregoing. The NRC shall also ensure that the compensation is competitive and consistent with the Bank's culture, objectives and strategies.
- Reviewing on an annual basis, the remuneration packages of the Directors, CEO and key senior management officers.
- Disclosure in the Directors' Report of the Bank's Annual Report about its activities; the membership of the committee, number of committee meetings and attendance over the course of the year and statement on the committee's assessment on the mix of skills, experience and other qualities of directors.

The NRC is not delegated with decision-making powers but reports its recommendation to the full Board for decision.

##### **Board Risk Management Committee**

The Board Risk Management Committee ("BRMC"), which is chaired by an independent non-executive director, was established in March 2003 to ensure that the risk management policies and framework adequately protect the Bank against all relevant risks comprising credit risk, market risk, liquidity risk and operational risk which includes legal risk, regulatory risk and human resource risk.

The BRMC, which comprises three (3) Board members and scheduled to meet at least on a quarterly basis, met four (4) times during the financial year. The composition of the BRMC and the meetings attended by each member are as follows:

<u>Composition of the BRMC:</u>	<u>Total meetings attended</u>
1 Ariffin bin Alias (Chairman, Independent Non-Executive Director)	4 out of 4
2 Raja Dato' Seri Aman bin Raja Haji Ahmad (Independent Non-Executive Director)	3 out of 4
3 Larry Seow Thiam Fatt (Independent Non-Executive Director)	4 out of 4

## **AFFIN Investment Bank Berhad**

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### **Directors' report for the financial year ended 31 December 2009 (continued)**

#### **Disclosure of committees (continued)**

##### **Board Risk Management Committee (continued)**

The BRMC is responsible for:

1. Reviewing and recommending risk management strategies, policies and risk tolerance for the Board's approval;
2. Reviewing and assessing adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risk and the extent to which these are operating effectively;
3. Ensuring infrastructure, resources and systems are in place for risk management i.e. ensuring that the staff responsible for implementing risk management systems perform those duties independently of the Bank's risk taking activities; and
4. Reviewing Management's periodic reports on risk exposure, risk portfolio composition and risk management activities.

##### **Audit & Examination Committee**

The Audit & Examination Committee ("AEC"), established in March 1986 and scheduled to meet at least on a monthly basis, currently comprises three (3) members, of whom two (2) are Independent Non-Executive Directors. The Chairman of the AEC is an Independent Non-Executive Director.

The AEC met seven (7) times in the financial year. The composition of the AEC and the meetings attended by each member are as follows:

<u>Composition of the AEC:</u>	<u>Total meetings attended</u>
1 Larry Seow Thiam Fatt (Chairman, Independent Non-Executive Director)	7 out of 7
2 Tunku Dato' Jaafar Laksmana bin Tunku Nong Jiwa (Non-Independent Non-Executive Director)	7 out of 7
3 Ariffin bin Alias (Independent Non-Executive Director)	7 out of 7

In fulfilling its primary objectives, the AEC will need to undertake the following duties and responsibilities:

- Ensure that the accounts are prepared in a timely and accurate manner with frequent reviews of the adequacy of provisions against contingencies, and bad and doubtful debts. Review the balance sheet and profit and loss account for submission for the Board of Directors and ensure the prompt publication of annual accounts;

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**Directors' report**  
**for the financial year ended 31 December 2009 (continued)**

**Disclosure of committees (continued)**

**Audit & Examination Committee (continued)**

- Ensure that prior to publication of the annual report, a complete review is done to comply with the regulatory listing requirements;
- Review the effectiveness of internal controls, including the scope of the internal audit programme, functions and resources of the internal audit functions and that it has the necessary authority to carry out its work, the internal audit findings, and recommend action to be taken by management. The reports of internal auditors and the AEC should not be subject to the clearance of the Board of Directors;
- The AEC should also evaluate the performance and provide appraisal and feedback for the annual performance appraisal of the Group Chief Internal Auditor.
- Review with the external auditors, the scope of their plan, the system of internal accounting controls, the audit reports, the assistance given by management and its staff to the auditors and any findings and action to be taken. The AEC should also select and recommend external auditors for appointment by the Board each year.
- To review the year end financial statements before submission to the Board, focusing on;
  - (i) going concern assumption
  - (ii) compliance with accounting standards and other legal requirements
  - (iii) any changes in accounting policies and practices
  - (iv) significant adjustments, issues and unusual events arising from the audit
  - (v) major judgemental areas
- To discuss problems and reservation arising from the interim and final external audits and any matters the external auditors may wish to discuss (in the absence of management, where necessary);
- To review the external auditors' management letter and management's response;
- To monitor related party transactions and conflict of interest situation that may arise within the Bank including any transactions, procedure or course of conduct that raises questions on management's integrity;
- To review any letter of resignation from external auditors of the Bank; and
- To select external auditors for appointment by the Board unless otherwise advised is not suitable for reappointment (supported by justification/grounds).

## **AFFIN Investment Bank Berhad**

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### **Directors' report for the financial year ended 31 December 2009 (continued)**

#### **Disclosure of committees (continued)**

##### **Board Credit Review Committee**

The Board Credit Review Committee ("BCRC") was established to assist the functions of the Board in respect of its inherent authority over the debt and underwriting proposals which are considered by the Credit Committee ("CC").

The BCRC which, scheduled to meet on a monthly basis, currently comprises four (4) members of the Board, one of whom must be an Independent Non-Executive Director, met eleven (11) times during the financial year. The composition of the BCRC and the number of meetings attended by each member are as follows:

<u>Composition of the BCRC:</u>	<u>Total meetings attended</u>
1 Gen Tan Sri Yaacob bin Mohd Zain (R) <i>(Chairman, Non-Independent Non-Executive Director)</i>	10 out of 11
2 Raja Dato' Seri Aman bin Raja Haji Ahmad <i>(Independent Non-Executive Director)</i>	8 out of 11
3 Ariffin bin Alias <i>(Independent Non-Executive Director)</i>	11 out of 11
4 Larry Seow Thiam Fatt <i>(Independent Non-Executive Director)</i>	11 out of 11

The BCRC shall operate in accordance with the powers and authority delegated to it by the Board as follows:

- To consider whether to reject a debt or underwriting proposal or modify the terms of the debt or underwriting proposal which are defined as Veto Proposals under the CC Scope & Administration;
- To consider and if deemed fit, to approve any request to grant waivers and exemptions from complying with the Bank's Risk Management Policies and Discretionary Authorities, related policies and operations manuals; and
- Generally to ensure that the CC has discharged its responsibilities in a proper manner.

## **AFFIN Investment Bank Berhad**

(Incorporated in Malaysia)

### **Directors' report for the financial year ended 31 December 2009 (continued)**

#### **Disclosure of committees (continued)**

##### **Board Stockbroking Committee**

The Board Stockbroking Committee ("BSC") was established in November 2006 to assist the functions of the Board in providing oversight on the general conduct of the Bank's Stockbroking Division.

The BSC which, scheduled to meet on a monthly basis, currently comprises four (4) members of the Board, met eleven (11) times during the financial year. The composition of the BSC and the number of meetings attended by each member are as follows:

<u>Composition of the BSC:</u>	<u>Total meetings attended</u>
1 Tan Sri Dato' Lodin bin Wok Kamaruddin (Chairman, Non-Independent Non-Executive Director)	11 out of 11
2 Larry Seow Thiam Fatt (Independent Non-Executive Director)	11 out of 11
3 Dato' Sri Abdul Hamidy bin Abdul Hafiz (resigned on 16 March 2009) (Non-Independent Non-Executive Director)	2 out of 2
4 Maimoonah bt Mohamed Hussain (Managing Director)	10 out of 11

The roles and responsibilities of the BSC are as follows:

- The BSC will assist the functions of the Board in providing oversight on the operations and general conduct of the Stockbroking Division.
- The BSC will operate in accordance with the powers and authority delegated to it by the Board as follows:-
  - (i) Review, deliberate and approve matters relating to the operations and general conduct, affairs and performance of the Stockbroking Division excluding matters concerning risk management, credit review, audit and nominating and remuneration;
  - (ii) Ensure that the management of the Stockbroking Division has discharged its responsibilities in a proper manner in accordance with the Bank's internal policies and procedures and relevant rules, regulations and Acts; and
  - (iii) Review the performance of the Stockbroking Division in the light of the Bank's strategy, objectives, business plans and budgets and ensuring that any necessary corrective action be taken.
- The scope of the BSC will exclude supervision in respect of risk management, audit, credit review and nomination and remuneration, which will continue to be supervised by the respective Board Committees presently established.

## **AFFIN Investment Bank Berhad**

(Incorporated in Malaysia)

### **Directors' report for the financial year ended 31 December 2009 (continued)**

#### **Disclosure of committees (continued)**

##### **Investment Committee**

The Investment Committee ("IC") is entrusted to and oversee the Bank's Investment in shares.

The IC which, scheduled to meet on a monthly basis, currently comprises two (2) members of the Board and Executive Vice President ("EVP"), Head of Stockbroking & Dealing, met eight (8) times during the financial year. The composition of the IC and the number of meetings attended by each member are as follows:

<u>Composition of the IC:</u>	<u>Total meetings attended</u>
1 Tan Sri Dato' Lodin bin Wok Kamaruddin ( <i>Chairman, Non-Independent Non-Executive Director</i> )	8 out of 8
2 Maimoonah bt Mohamed Hussain ( <i>Managing Director</i> )	7 out of 8
3 Dato' Saiful Bahri bin Zainuddin ( <i>Executive Vice President ("EVP"), Head of Stockbroking &amp; Dealing</i> )	8 out of 8

The roles and responsibilities of the IC are as follows:

- (i) to monitor all investments of the Bank and make decisions in accordance with the authority limits;
- (ii) to record all investment decisions made and inform the Board accordingly;
- (iii) to evaluate and recommend any proposed investment in a single share counter above RM1.0 million for consideration of approval by the Board;
- (iv) to formulate and review share investment and proprietary trading strategies, policies and procedures;
- (v) to appoint one or more dealer(s) to execute trades in accordance with the strategies, policies and decisions of the Committee.

## **AFFIN Investment Bank Berhad**

**(Incorporated in Malaysia)**

### **Directors' report for the financial year ended 31 December 2009 (continued)**

#### **Business strategy for the financial year ended 31 December 2009**

The subprime crisis that began in the United States of America in 2007 had snowballed into a global financial crisis by 2008. The effects had reached the real economy by early 2009 where major economies around the world saw sharp contractions in growth and the world plunged into a recession. Malaysia contracted by as much as 6.2% in the first quarter of 2009.

Driven by aggressive and coordinated pump-priming efforts by governments around the world, with the implementation of expansionary monetary and fiscal policies, by the third quarter of 2009, almost all the major economies had turned-around to register growth. Markets had rallied. Although there were still pockets of concerns, markets in general were more optimistic of the future.

Despite these challenging and uncertain times, the AFFIN Investment Bank Group registered a Profit Before Tax of RM64.5 million on the back of an Operating Profit Before Loan and Financing Loss Provision of RM74.6 million for the financial year ended 31 December 2009. Net Interest Income and Other Operating Income had increased by 48% and 77% respectively totaling RM159.4 million for the year under review. For Net Interest Income, these were mainly due to growth in assets coupled with improved spreads, while for Other Operating Income these were mainly driven by gains in investment income and improved net brokerage income for the year. Consequently, Earnings Per Share had improved to 20.79 sen whilst registering a healthy Return On Equity of 11.77%, while Net Non Performing Loan ratio had been reduced significantly from 2.38% in 2008 to 0.63% in 2009 and the Loan Loss Coverage improving further to 105.77%.

#### **Outlook 2010**

The pace of contraction in economic growth for the third quarter of 2009 had narrowed, and positive signs of recovery are already underway and gaining momentum with positive economic growth expected for fourth quarter 2009 and going into 2010. The positive beat of various sectors in the economy, including in the banking sector, is expected to advance into 2010.

In the near term, expansionary monetary and fiscal policies continue to underpin the recovery process. However, beyond this near term, especially going into second half of 2010, we are cautiously optimistic due to the uncertainties in the global markets, in particular on the sustainability of growth in private sector investments and consumption.

For the banking sector in general, and investment banking and the equity and capital markets in particular, 2010 is expected to remain positive in light of the improvements in economic prospect going forward. In line with this view, we expect moderate improvements in our business and financial performance for 2010.

## **AFFIN Investment Bank Berhad**

**(Incorporated in Malaysia)**

### **Directors' report for the financial year ended 31 December 2009 (continued)**

#### **Holding company and ultimate holding corporate body**

The Directors regard AFFIN Holdings Berhad, a company incorporated in Malaysia, as the holding company and Lembaga Tabung Angkatan Tentera, a corporate body established under the Tabung Angkatan Tentera Act 1973, as the ultimate holding corporate body of the Bank.

#### **Auditors**

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

In accordance with a resolution of the Board of Directors dated 25 February 2010.

**Larry Seow Thiam Fatt**  
Director  
Kuala Lumpur

**Maimoonah Mohamed Hussain**  
Managing Director

# AFFIN Investment Bank Berhad

(Incorporated in Malaysia)

## Balance sheets as at 31 December 2009

	Note	The Group		The Bank	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>Assets</b>					
Cash and short-term funds	2	94,468	178,587	92,529	175,157
Deposits and placements with financial institutions	3	10,462	9,420	-	-
Held-for-trading securities	4	-	264,536	-	264,536
Available-for-sale securities	5	2,689,241	1,858,543	2,689,241	1,858,543
Held-to-maturity securities	6	36,742	39,652	36,742	39,652
Loans, advances and financing	7	507,632	411,422	507,632	411,422
Trade receivables	8	78,324	39,226	77,262	37,937
Other assets	9	40,073	31,726	33,567	26,782
Deferred tax assets	10	2,641	1,521	2,473	1,507
Tax recoverable		37,355	26,245	35,172	25,895
Statutory deposits with Bank Negara Malaysia	11	25,382	71,028	25,382	71,028
Investment in subsidiaries	12	-	-	13,751	13,751
Amount due from subsidiaries	13	-	-	47,888	52,035
Property and equipment	14	7,807	10,956	6,762	9,890
Land held for sale	15	62,354	72,412	-	-
Intangible assets	16	53,980	54,356	53,826	54,147
<b>Total assets</b>		<b>3,646,461</b>	<b>3,069,630</b>	<b>3,622,227</b>	<b>3,042,282</b>
<b>Liabilities and shareholders' equity</b>					
Deposits from customers	17	2,418,154	2,214,960	2,419,663	2,216,334
Deposits and placements of banks and other financial institutions	18	436,822	183,802	436,822	183,802
Trade payables	19	74,330	36,941	74,330	36,941
Other liabilities	20	113,918	78,325	110,362	75,869
Provision for taxation and zakat		30,353	9,972	29,594	9,965
Liabilities directly associated with non-current assets classified as held-for-sale	21	24,335	26,696	-	-
<b>Total liabilities</b>		<b>3,097,912</b>	<b>2,550,696</b>	<b>3,070,771</b>	<b>2,522,911</b>
Share capital	22	222,246	222,246	222,246	222,246
Reserves	23	326,303	296,688	329,210	297,125
<b>Shareholders' equity</b>		<b>548,549</b>	<b>518,934</b>	<b>551,456</b>	<b>519,371</b>
<b>Total liabilities and equity</b>		<b>3,646,461</b>	<b>3,069,630</b>	<b>3,622,227</b>	<b>3,042,282</b>
<b>Commitments and contingencies</b>	35	<b>150,093</b>	<b>175,102</b>	<b>150,093</b>	<b>175,102</b>

The accounting policies on pages 27 to 44 and the notes to the financial statements on pages 45 to 112 form an integral part of these financial statements.

Independent Auditors' Report – pages 114 and 116.

**AFFIN Investment Bank Berhad**

(Incorporated in Malaysia)

**Income statements****for the financial year ended 31 December 2009**

	Note	The Group		The Bank	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Interest income	24	<b>140,990</b>	133,903	<b>140,633</b>	133,412
Interest expense	25	<b>(71,477)</b>	(86,981)	<b>(71,502)</b>	(87,054)
<b>Net interest income</b>		<b>69,513</b>	46,922	<b>69,131</b>	46,358
Other operating income	26	<b>89,878</b>	50,848	<b>81,468</b>	42,719
<b>Net income</b>		<b>159,391</b>	97,770	<b>150,599</b>	89,077
Other operating expenses	27	<b>(84,783)</b>	(78,296)	<b>(76,775)</b>	(66,475)
<b>Operating profit before loan and financing loss and provision</b>		<b>74,608</b>	19,474	<b>73,824</b>	22,602
Write-back/(allowances) for losses on loans, advances, and financing	28	<b>2,469</b>	(47,997)	<b>2,469</b>	(47,997)
Allowances for impairment loss	29	<b>(12,514)</b>	(11,897)	<b>(8,706)</b>	(11,452)
<b>Profit/(Loss) before taxation and zakat</b>		<b>64,563</b>	(40,420)	<b>67,587</b>	(36,847)
Taxation	32	<b>(18,266)</b>	8,394	<b>(18,920)</b>	8,686
Zakat		<b>(100)</b>	(30)	<b>-</b>	-
<b>Net profit/(loss) for the financial year</b>		<b>46,197</b>	(32,056)	<b>48,667</b>	(28,161)
Attributable to:					
Equity holders of the Bank		<b>46,197</b>	(32,056)	<b>48,667</b>	(28,161)
		<b>46,197</b>	(32,056)	<b>48,667</b>	(28,161)
<b>Earnings/(Loss) per share (sen) :</b>					
<b>Basic / fully diluted</b>	33	<b>20.79</b>	(14.42)	<b>21.90</b>	(12.67)

The accounting policies on pages 27 to 44 and the notes to the financial statements on pages 45 to 112 form an integral part of these financial statements.

Independent Auditors' Report – pages 114 and 116.

**AFFIN Investment Bank Berhad**  
(Incorporated in Malaysia)

**Statement of changes in equity  
for the financial year ended 31 December 2009**

The Group	Note	Attributable to Equity Holders of the Bank					Total
		Non-Distributable			Distributable		
		Share capital	Share premium	Statutory reserve	Available-for-sale revaluation reserves	Retained profits	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2009</b>		<b>222,246</b>	<b>142,270</b>	<b>124,121</b>	<b>9,848</b>	<b>20,449</b>	<b>518,934</b>
Net change in fair value of available-for-sale securities		-	-	-	2,606	-	2,606
Deferred tax on revaluation of available-for-sale securities	10	-	-	-	(303)	-	(303)
Income and expenses recognised directly in equity		-	-	-	2,303	-	2,303
Net profit for the financial year		-	-	-	-	46,197	46,197
<b>Total recognised income and expenses for the financial year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>2,303</b>	<b>46,197</b>	<b>48,500</b>
Transfer to statutory reserve		-	-	12,167	-	(12,167)	-
Dividend paid	34	-	-	-	-	(18,885)	(18,885)
<b>At 31 December 2009</b>		<b>222,246</b>	<b>142,270</b>	<b>136,288</b>	<b>12,151</b>	<b>35,594</b>	<b>548,549</b>
<b>At 1 January 2008</b>		<b>222,246</b>	<b>142,270</b>	<b>124,121</b>	<b>1,999</b>	<b>60,728</b>	<b>551,364</b>
Net change in fair value of available-for-sale securities		-	-	-	10,981	-	10,981
Deferred tax on revaluation of available-for-sale securities	10	-	-	-	(3,132)	-	(3,132)
Income and expenses recognised directly in equity		-	-	-	7,849	-	7,849
Net loss for the financial year		-	-	-	-	(32,056)	(32,056)
<b>Total recognised income and expenses for the financial year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>7,849</b>	<b>(32,056)</b>	<b>(24,207)</b>
Dividend paid	34	-	-	-	-	(8,223)	(8,223)
<b>At 31 December 2008</b>		<b>222,246</b>	<b>142,270</b>	<b>124,121</b>	<b>9,848</b>	<b>20,449</b>	<b>518,934</b>

The accounting policies on pages 27 to 44 and the notes to the financial statements on pages 42 to 112 form an integral part of these financial statements.

Independent Auditors' Report – pages 114 and 116.

**AFFIN Investment Bank Berhad**  
(Incorporated in Malaysia)

**Statement of changes in equity**  
**for the financial year ended 31 December 2009 (continued)**

Note	← Attributable to Equity Holders of the Bank →					
	← Non-Distributable →			← Distributable →		
	Share Capital RM'000	Share premium RM'000	Statutory reserve RM'000	Available- for-sale revaluation reserves RM'000	Retained profits RM'000	Total RM'000
<b>The Bank</b>						
<b>At 1 January 2009</b>	<b>222,246</b>	<b>142,270</b>	<b>124,121</b>	<b>9,848</b>	<b>20,886</b>	<b>519,371</b>
Net change in fair value of available-for-sale securities	-	-	-	2,606	-	2,606
Deferred tax on revaluation of available-for-sale securities	-	-	-	(303)	-	(303)
Income and expenses recognised directly in equity	-	-	-	2,303	-	2,303
Net profit for the financial year	-	-	-	-	48,667	48,667
Total recognised income and expenses for the financial year	-	-	-	2,303	48,667	50,970
Transfer to statutory reserve	-	-	12,167	-	(12,167)	-
Dividend paid	-	-	-	-	(18,885)	(18,885)
<b>At 31 December 2009</b>	<b>222,246</b>	<b>142,270</b>	<b>136,288</b>	<b>12,151</b>	<b>38,501</b>	<b>551,456</b>
At 1 January 2008	222,246	142,270	124,121	1,999	57,270	547,906
Net change in fair value of available-for-sale securities	-	-	-	10,981	-	10,981
Deferred tax on revaluation of available-for-sale securities	-	-	-	(3,132)	-	(3,132)
Income and expenses recognised directly in equity	-	-	-	7,849	-	7,849
Net loss for the financial year	-	-	-	-	(28,161)	(28,161)
Total recognised income and expenses for the financial year	-	-	-	7,849	(28,161)	(20,312)
Dividend paid	-	-	-	-	(8,223)	(8,223)
<b>At 31 December 2008</b>	<b>222,246</b>	<b>142,270</b>	<b>124,121</b>	<b>9,848</b>	<b>20,886</b>	<b>519,371</b>

The accounting policies on pages 27 to 44 and the notes to the financial statements on pages 45 to 112 form an integral part of these financial statements.

Independent Auditors' Report – pages 114 and 116.

**AFFIN Investment Bank Berhad**  
(Incorporated in Malaysia)

**Cash flow statements for the financial year ended 31 December 2009**

	Note	The Group		The Bank	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
Profit/(Loss) before taxation and zakat for the financial year		<b>64,563</b>	(40,420)	<b>67,587</b>	(36,847)
Adjustments for items not involving the movement of cash and cash equivalents:					
Interest income					
- Held-for-trading securities	24	<b>(3,006)</b>	(15,101)	<b>(3,006)</b>	(15,101)
- Available-for-sale securities	24	<b>(91,467)</b>	(69,088)	<b>(91,467)</b>	(69,088)
- Held-to-maturity securities	24	<b>(1,048)</b>	(2,299)	<b>(1,048)</b>	(2,299)
Interest expense	25	<b>71,477</b>	86,981	<b>71,502</b>	87,054
Dividend income	26	-	-	<b>(3,000)</b>	(3,000)
Gain on disposal of property and equipment	26	<b>(114)</b>	(129)	<b>(36)</b>	(118)
Loss on disposal of land held for sale	27	-	4,457	-	-
Property and equipment written-off	27	<b>72</b>	-	<b>72</b>	-
Depreciation of property and equipment	27	<b>4,209</b>	4,189	<b>3,910</b>	3,987
Amortisation of intangible assets	27	<b>503</b>	653	<b>436</b>	588
Accretion of discounts less amortisation of premiums	24	<b>(12,229)</b>	(15,686)	<b>(12,229)</b>	(15,686)
Unrealised (gain)/loss on held-for-trading securities	26	<b>(6,075)</b>	8,295	<b>(6,075)</b>	8,295
Unrealised (gain)/loss on derivative instruments	26	<b>(2,221)</b>	7,634	<b>(2,221)</b>	7,634
Impairment loss on land held for sale	29	<b>3,808</b>	445	-	-
Write-back on allowance for impairment in value					
- held-to-maturity securities	29	<b>(387)</b>	(3,680)	<b>(387)</b>	(3,680)
- available-for-sale securities	29	-	(4,816)	-	(4,816)
Impairment loss on					
- available-for-sale securities	29	<b>9,093</b>	19,948	<b>9,093</b>	19,948
Loss arising from redemption of securities	26	<b>(874)</b>	(64)	<b>(874)</b>	(64)
General allowance for loans, advances and financing	28	<b>108</b>	139	<b>108</b>	139
(Write-back)/allowance for bad and doubtful debts and financing	28	<b>(1,558)</b>	52,320	<b>(1,558)</b>	52,320
(Write-back)/allowance for bad and doubtful debts					
- other debtors	28	<b>202</b>	318	<b>202</b>	318
- trade receivables	28	<b>(385)</b>	(553)	<b>(385)</b>	(553)
Bad debts written off	28	-	7	-	7
Interest suspended	24	-	198	-	198
Unrealised exchange (gain)/loss	26	<b>(419)</b>	15	<b>(419)</b>	15
<b>Operating profit before changes in operating assets and liabilities</b>		<b>34,252</b>	33,763	<b>30,205</b>	29,251
<i>(Increase)/decrease in operating assets</i>					
Loan, advances and financing		<b>(94,759)</b>	(35,136)	<b>(94,759)</b>	(35,136)
Statutory deposits with Bank Negara Malaysia		<b>45,646</b>	28,819	<b>45,646</b>	28,819
Trade receivables		<b>(38,714)</b>	135,029	<b>(38,941)</b>	134,679
Other assets		<b>(7,874)</b>	(2,670)	<b>(3,363)</b>	412
Intercompany balances		-	-	<b>4,148</b>	10,586
Held-for-trading securities		<b>270,611</b>	(49,081)	<b>270,611</b>	(49,081)
Land held for sale		-	6,491	-	-
		<b>174,910</b>	83,452	<b>183,342</b>	90,279

**AFFIN Investment Bank Berhad**  
(Incorporated in Malaysia)

**Cash flow statements for the financial year ended 31 December 2009**  
**(continued)**

	Note	The Group		The Bank	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>Increase/(decrease) in operating liabilities</b>					
Deposit from customers		<b>203,194</b>	(347,356)	<b>203,329</b>	(347,713)
Deposits and placements of banks and other financial institutions		<b>253,020</b>	183,802	<b>253,020</b>	183,802
Trade payables		<b>37,389</b>	(126,715)	<b>37,389</b>	(126,715)
Liabilities directly associated with non-current assets classified as held-for-sale		<b>(2,361)</b>	(3,744)	-	-
Other liabilities		<b>27,959</b>	(16,349)	<b>26,854</b>	(16,442)
		<b>519,201</b>	(310,362)	<b>520,592</b>	(307,068)
Cash generated from/(used in) operating activities		<b>728,363</b>	(193,147)	<b>734,139</b>	(187,538)
Interest received		<b>95,599</b>	82,482	<b>92,651</b>	82,544
Interest paid		<b>(71,039)</b>	(96,070)	<b>(71,062)</b>	(96,143)
Net taxation paid		<b>(11,011)</b>	(39,780)	<b>(9,676)</b>	(38,982)
Zakat paid		<b>(262)</b>	-	<b>(162)</b>	-
Tax refund		<b>3</b>	476	-	-
<b>NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES</b>		<b>741,653</b>	(246,039)	<b>745,890</b>	(240,119)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>					
Proceeds from disposal of property and equipment		<b>116</b>	634	<b>38</b>	618
Proceeds from disposal/redemption of land held for sale		<b>6,250</b>	9,030	-	-
Purchase of property and equipment	14	<b>(1,134)</b>	(4,319)	<b>(856)</b>	(3,419)
Purchase of intangible assets	16	<b>(127)</b>	(548)	<b>(115)</b>	(468)
Net proceeds on (purchase)/disposal of available-for-sale securities		<b>(826,175)</b>	248,825	<b>(826,175)</b>	248,825
Net proceeds on redemption of held-to-maturity securities		<b>5,208</b>	15,496	<b>5,208</b>	15,496
Dividend income received from:					
- subsidiary		-	-	<b>2,250</b>	2,220
- available-for-sale securities	26	<b>29</b>	-	<b>29</b>	-
- held-to-maturity securities	26	<b>154</b>	162	<b>154</b>	162
<b>NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES</b>		<b>(815,679)</b>	269,280	<b>(819,467)</b>	263,434

**AFFIN Investment Bank Berhad**

(Incorporated in Malaysia)

**Cash flow statements for the financial year ended 31 December 2009  
(continued)**

	Note	The Group		The Bank	
		2009	2008	2009	2008
		RM'000	RM'000	RM'000	RM'000
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
Dividends paid	34	(18,885)	(8,223)	(18,885)	(8,223)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<u>(18,885)</u>	<u>(8,223)</u>	<u>(18,885)</u>	<u>(8,223)</u>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENT</b>		(92,911)	15,018	(92,462)	15,092
<b>CASH AND CASH EQUIVALENT AT BEGINNING OF THE YEAR</b>		<u>148,948</u>	133,930	<u>136,098</u>	121,006
<b>CASH AND CASH EQUIVALENT AT 31 DECEMBER 2009</b>		<u>56,037</u>	148,948	<u>43,636</u>	136,098
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>					
Cash and short term funds	2	44,375	137,481	42,436	134,051
Stockbroking trust monies	2	50,093	41,106	50,093	41,106
Deposits and placements with financial institutions	3	10,462	9,420	-	-
Amount held on behalf of clients and commissioned dealers representatives	20	(48,893)	(39,059)	(48,893)	(39,059)
<b>Cash and cash equivalents</b>		<u>56,037</u>	148,948	<u>43,636</u>	136,098

The accounting policies on pages 27 to 44 and the notes to the financial statements on pages 45 to 112 form an integral part of these financial statements.

Independent Auditors' Report – pages 114 and 116.

## **Summary of significant accounting policies for the financial year ended 31 December 2009**

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

### **A Basis of preparation**

The financial statements of the Group and the Bank have been prepared in accordance with the provisions of the Companies Act, 1965 and Financial Reporting Standards, the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities.

The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with Financial Reporting Standards requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgment in the process of applying the Group's and the Bank's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 43 of the notes to the financial statement.

#### **(a) Standards, amendments to published standards and interpretations to existing standards that are not yet effective and have been early adopted**

There is no new accounting standards, amendments to published standards and interpretations to existing standards that are effective and applicable for the Group's and the Bank's financial period ended 31 December 2009.

#### **(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group but not yet effective**

- The revised FRS 3 "Business combinations" (effective prospectively from 1 July 2010). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.
- FRS 8 Operating Segments (effective for accounting periods beginning on or after 1 July 2009). FRS 8 replaces FRS 1142004 Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes.

## **Summary of significant accounting policies for the financial year ended 31 December 2009 (continued)**

### **A Basis of preparation (continued)**

#### **(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group but not yet effective (continued)**

- The revised FRS 101 “Presentation of financial statements” (effective from 1 January 2010) prohibits the presentation of items of income and expenses (that is, ‘non-owner changes in equity’) in the statement of changes in equity. ‘Non-owner changes in equity’ are to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period.
- The revised FRS 127 “Consolidated and separate financial statements” (effective prospectively from 1 July 2010) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss.
- FRS 139 “Financial Instruments: Recognition and Measurement” (effective from 1 January 2010) establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted under strict circumstances. The amendments to FRS 139 provide further guidance on eligible hedged items. The amendment provides guidance for two situations. On the designation of a one-sided risk in a hedged item, the amendment concludes that a purchased option designated in its entirety as the hedging instrument of a one-sided risk will not be perfectly effective. The designation of inflation as a hedged risk or portion is not permitted unless in particular situations. The improvement to FRS 139 clarifies that the scope exemption in FRS 139 only applies to forward contracts but not options for business combinations that are firmly committed to being completed within a reasonable timeframe.
- IC Interpretation 9 “Reassessment of Embedded Derivatives” (effective from 1 January 2010) requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required.

## **Summary of significant accounting policies for the financial year ended 31 December 2009 (continued)**

### **A Basis of preparation (continued)**

#### **(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group but not yet effective (continued)**

- FRS 7 “Financial instruments: Disclosures” (effective from 1 January 2010) provides information to users of financial statements about an entity’s exposure to risks and how the entity manages those risks. The improvement FRS 7 clarifies that entities must not present total interest income and expense as a net amount within finance costs on the face of the income statement.

The Group has applied the transitional provision in the respective standards which exempts entities from disclosing the possible impact arising from the initial application of the following standards and interpretations on the financial statements of the Group and Company.

- FRS 139, Amendments to FRS 139 on eligible hedged items, Improvement to FRS 139 and IC Interpretation 9
- FRS 7 and Improvement to FRS 7

Nevertheless, the accounting policies of the Group incorporate revised BNM/GP8 which include selected principles of FRS 139.

- The amendment 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" (effective from 1 January 2010) allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from FRS 127 and requires investors to present dividends as income in the separate financial statements.

## **Summary of significant accounting policies for the financial year ended 31 December 2009 (continued)**

### **A Basis of preparation (continued)**

#### **(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group but not yet effective (continued)**

- The amendments to FRS 132 “Financial instruments: Presentation” and FRS 101(revised) “Presentation of financial statements” - “Puttable financial instruments and obligations arising on liquidation” (effective from 1 January 2010) require entities to classify puttable financial instruments and instruments that impose on the entity an obligation to deliver to another party a prorata share of the net assets of the entity only on liquidation as equity, if they have particular features and meet specific conditions.
- IC Interpretation 10 "Interim Financial Reporting and Impairment" (effective from 1 January 2010) prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date.
- IC Interpretation 14 "FRS 119 The limit on a defined benefit asset, minimum funding requirements and their interaction" (effective from 1 January 2010) provides guidance on assessing the limit in FRS 119 on the amount of the surplus that can be recognised as an asset.

The following amendments are part of the Malaysian Accounting Standards Board’s (“MASB”) improvements project issued in September 2009. They are effective for annual period beginning on or after 1 January 2010:

- FRS 5 “Non-current assets held for sale and discontinued operations” clarifies that FRS 5 disclosures apply to non-current assets or disposal groups that are classified as held for sale and discontinued operations.
- FRS 107 “Statement of cash flows” clarifies that only expenditure resulting in a recognised asset can be categorised as a cash flow from investing activities.
- FRS 110 “Events after the balance sheet date” reinforces existing guidance that a dividend declared after the reporting date is not a liability of an entity at that date given that there is no obligation at that time.
- FRS 116 “Property, plant and equipments” (consequential amendment to FRS 107 “Statement of cash flows”) requires entities whose ordinary activities comprise of renting and subsequently selling assets to present proceeds from the sale of those assets as revenue and should transfer the carrying amount of the asset to inventories when the asset becomes held for sale. A consequential amendment to FRS 107 states that cash flows arising from purchase, rental and sale of those assets are classified as cash flows from operating activities.

## **AFFIN Investment Bank Berhad**

(Incorporated in Malaysia)

### **Summary of significant accounting policies for the financial year ended 31 December 2009 (continued)**

#### **A Basis of preparation (continued)**

##### **(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group but not yet effective (continued)**

- FRS 117 “Leases” clarifies that the default classification of the land element in a land and building lease is no longer an operating lease. As a result, leases of land should be classified as either finance or operating, using the general principles of FRS 117.
- FRS 118 “Revenue” provides more guidance when determining whether an entity is acting as a ‘principal’ or as an ‘agent’.
- FRS 127 “Consolidated & separate financial statements” clarifies that where an investment in a subsidiary that is accounted for under FRS 139 is classified as held for sale under FRS 5, FRS 139 would continue to be applied.
- FRS 134 “Interim financial reporting” clarifies that basic and diluted earnings per share (“EPS”) must be presented in an interim report only in the case when the entity is required to disclose EPS in its annual report.
- FRS 136 “Impairment of assets” clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment before the aggregation of segments with similar economic characteristics. The improvement also clarifies that where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value in use should be made.

The Group will apply these standards from financial periods beginning when effective. The adoption of these standards and amendments will not have significant impact on the results of the Group and the Bank except for FRS 139.

## **Summary of significant accounting policies for the financial year ended 31 December 2009 (continued)**

### **B Subsidiaries**

Subsidiaries are those corporations, partnership or other entities in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated using the purchase method of accounting. Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceases.

The cost of an acquisition is measured at fair value of the assets given, equity instruments issues and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

The excess of the cost of acquisition over the fair value of the Group's share of identifiable net assets acquired at the date of acquisition is reflected as goodwill (refer to accounting policy Note S on goodwill). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered as an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary, to ensure consistency with the policies adopted by the Group.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences that relate to the subsidiary, is recognised in the consolidated income statement.

## **Summary of significant accounting policies for the financial year ended 31 December 2009 (continued)**

### **B Subsidiaries (continued)**

Minority interests represent that portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since that date.

In the Bank's financial statements, investments in subsidiaries are stated at cost less any impairment losses. At each balance sheet date, the Bank assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the investment is recoverable. A write down is made if the carrying amount exceeds the recoverable amount. Any subsequent increase in recoverable amount is recognised in the income statement.

### **C Recognition of interest income**

Interest income from loans, advances and financing is recognised in the income statement on an accrual basis. Interest accrued and recognised as income prior to the date of the loans are classified as non-performing shall be reversed out of income by debiting the interest income in the income statement and crediting the accrued interest receivable account in the balance sheet. Subsequently, interest earned on non-performing loans shall be recognised as income on a cash basis.

Customers' accounts are generally classified as non-performing where repayments are in arrears for three months or more from the first day of default for loans, advances and financing, and after three months from maturity date for bankers' acceptances and other instruments of similar nature.

Interest income from margin financing, client's overdue outstanding purchases and contra losses is recognised on an accrual basis and where an account is classified as non-performing, recognition of interest income is suspended until it is realised on a cash basis. The stockbroking's policy of classifying an account as non-performing conforms with the requirements of Chapter 11, Schedule 7, Rule 1104.1 laid down in the Rules of the Bursa Malaysia Securities Berhad.

Interest income from securities portfolio is recognised on an accrued basis using the effective interest method. The interest income includes coupons earned and accrued discount and amortisation of premium on these securities.

## **Summary of significant accounting policies for the financial year ended 31 December 2009 (continued)**

### **D Recognition of fees and other income**

Loan arrangement fees, agency fees and commissions are recognised as income when all conditions precedent are fulfilled.

Corporate advisory, project feasibility study, management and participation fees, acceptance and underwriting commissions are recognised as income on full completion of assignments or, where progress payments are agreed, by reference to the stage of completion.

Portfolio management fees, commitment fees, guarantee fees, agency fees and commissions are recognised as income based on time apportionment.

Dividend from securities portfolio are recognised when received.

Dividends from subsidiaries are included in the income statement when the shareholder's right to receive payment is established.

Brokerage income is recognised on execution of contract. Interest income and other fee income are recognised on an accrued basis. Where debtors are classified as doubtful or bad, interest income is suspended until it is realised on cash basis as laid down in the Rules of the Bursa Malaysia Securities Berhad.

Initial service charge and management fee are recognised as income on an accrual basis at the rates stated in the prospectus of the respective unit trust funds. Distribution income from the unit trust funds is recognised on the ex-distribution date.

### **E Interest and related expense recognition**

Interest expense and attributable profit on deposits and borrowings are expensed as incurred.

### **F Loans, advances and financing**

Loans, advances and financing to banks and customers are recognised when cash is advanced to borrowers.

Specific allowance are made for doubtful debts and financing which based on management's evaluation of the collectability and the status of the loans, advances and financing, and their related underlying securities.

A general allowance based on a percentage of the loan, advances and financing portfolio is also made to cover possible losses which are not specifically identified. These percentages are reviewed annually in the light of past experience and prevailing circumstances and an adjustment is made on the overall general allowance, if necessary.

## **Summary of significant accounting policies for the financial year ended 31 December 2009 (continued)**

### **F Loans, advances and financing (continued)**

An uncollectible loan and financing or portion of a loan, advances and financing classified as bad is written off after taking into consideration the realisable value of the collateral, if any, and when in the judgement of the management, there is no prospect of recovery.

The Bank's policy on allowances for non-performing debts and financing is more stringent than those laid down in revised Guidelines on the Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts ("revised BNM/GP3").

In addition, BNM has granted indulgence to the Bank from complying with requirement on the measurement of impaired credit facilities at their estimated recoverable amount using present value of estimated future cash flows discounted at original effective interest rate under the revised BNM/GP3.

### **G Securities**

The Group and the Bank classified its securities portfolio into held-for-trading securities, available-for-sale securities and held-to-maturity securities. Classification of the securities is determined at initial recognition.

Securities are initially recognised at fair value. Securities are derecognised when the rights to receive cash flows from the securities have expired or where the Group or the Bank has transferred substantially all risks and rewards of ownership.

Subsequent measurement for each type of securities is as follows:

#### **(a) *Held-for-trading securities***

Securities are classified as held-for-trading if they are acquired or incurred principally for the purpose of selling or repurchasing it in the near term or they are part of a portfolio of identified securities that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Held-for-trading securities are stated at fair value. Any unrealised gain or loss arising from the change in fair value or arising from sale of such securities are recognised in the income statement.

Pursuant to the amendments to the revised BNM/GP8, the Group is now permitted by BNM for the period from 1 July 2008 to 31 December 2009 to reclassify securities into or out of the held-for-trading category. Reclassification are made at the fair value at the date of the reclassification. The fair values of the securities becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before the reclassification date are subsequently made. The effective interest rates for securities reclassified to held-to-maturity category is determined at reclassification date. Further changes in estimates of future cash flows are recognised as an adjustment to the effective interest rates.

## **Summary of significant accounting policies for the financial year ended 31 December 2009 (continued)**

### **G Securities (continued)**

#### *(b) Available-for-sale securities*

Available-for-sale securities are non-derivative financial assets that are either designated in this category or not classified as held-for-trading or held-to-maturity securities.

Investments in equity instruments where there is no quoted market price in an active market and whose fair value cannot be reliably measured, will be stated at cost.

Any gains or losses arising from the change in fair value adjustments are recognised directly in equity through the statement of changes in equity except for impairment losses and foreign exchange gains or losses. When the financial asset is derecognised, the cumulative gains or loss previously in equity shall be transferred to the income statement.

Impairment of available-for-sale securities is assessed when there is an objective evidence of impairment. Cumulative unrealised losses that had been recognised directly in equity shall be removed and recognised in income statement even though the securities has not been derecognised. Impairment loss in addition to the above unrealised losses is also recognised in the income statement. Subsequent reversal of impairment on debt instrument in the income statement is allowed when the decrease in impairment can be related objectively to an event occurring after the impairment was recognised.

Impairment losses recognised in income statement for an investment in an equity instrument shall not be reversed.

#### *(c) Held-to-maturity securities*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group and the Bank has the positive intention and ability to hold to maturity, as well as those instruments allowed by BNM. In accordance with revised BNM/GP8 issued by BNM on 5 October 2004, the following instruments may be classified as held-to-maturity investments and measured at cost:

- (i) equity securities held as investment in organisations which are set up for socio-economic reasons; and
- (ii) equity instruments received as a result of loan restructuring or loan conversion, where there is no quoted market price in an active market and whose fair value cannot be reliably measured.

## **Summary of significant accounting policies for the financial year ended 31 December 2009 (continued)**

### **G Securities (continued)**

#### *(c) Held-to-maturity securities(continued)*

Held-to-maturity securities are measured at amortised cost using the effective interest method. Gains or losses are recognised in income statement when the securities are derecognised or impaired and through the amortisation process.

Any sale or reclassification of a significant amount of held-to-maturity securities before maturity during the current financial year or last two preceding financial years will “taint” the entire category and resulting in the remaining held-to-maturity securities being reclassified to available-for-sale. However, the “tainting” rules will not apply under the conditions stated in revised BNM/GP8 and provided that prior approval from the Board of Directors is obtained.

Impairment of held-to-maturity securities is assessed when there is an objective evidence of impairment, at the following basis:

#### *(i) Securities carried at amortised cost*

The impairment loss is measured as the difference between the securities' carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. Subsequent reversal of impairment is allowed in the event of an objective decrease in impairment. Recognition of impairment losses and its reversal is made through the income statement.

#### *(ii) Securities carried at cost*

The impairment loss is measured as the difference between the securities' carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for similar securities. Such impairment losses shall not be reversed.

## **Summary of significant accounting policies for the financial year ended 31 December 2009 (continued)**

### **H Derivative financial instruments and hedge accounting**

Derivative are initially recognised at fair values on the date on which derivative contracts are entered into and are subsequently remeasured at their fair values. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair values are positive and as liabilities when fair values are negative.

The best evidence of fair value of a derivative at initial recognition is the transaction price (i.e the fair value of the consideration given or received) unless fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group and the Bank recognise fair value gain or loss immediately.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group and the Bank designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge); or (2) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge). Hedge accounting is used for derivatives designated in this way provided certain criterias are met.

The Group and the Bank documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group and the Bank also documents its assessment, both at hedge inception and an on-going basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

#### (a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to income statement over the period to maturity. The adjustment to the carrying amount of a hedged equity security remains in retained earnings until the disposal of the equity security.

## **Summary of significant accounting policies for the financial year ended 31 December 2009 (continued)**

### **H Derivative financial instruments and hedge accounting (continued)**

#### **(b) Cash flow hedge**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain and loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item will affect income statement (for example, when the forecast sale that is hedged take place).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

#### **(c) Derivatives that do not qualify for hedge accounting**

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

Gains and losses on interest rate swaps, futures, forward and option contracts that qualify as hedges are deferred and amortised over the life of hedged assets or liabilities as adjustments to interest income or interest expense. Gains and losses on interest rate swaps, futures, forward and option contracts that do not qualify as hedges are recognised in the current financial year using the mark-to-market method and are included in the income statement.

### **I Trade receivables**

Trade receivables arising from shares and stock-broking business are carried at cost net of allowance for bad and doubtful debt. An estimate is made for doubtful debts based on the review of all outstanding amounts at the end of the financial year. Bad debts are written off during the financial year in which they are identified.

## **Summary of significant accounting policies for the financial year ended 31 December 2009 (continued)**

### **J Property and equipment and depreciation**

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Property and equipment are depreciated on a straight line basis to write off the cost of the assets or their revalued amounts, to their residual values over their estimated useful lives, summarised as follows:

Renovations	5 - 10 years
Office equipment and furniture	5 - 10 years
Motor vehicles	5 years
Computers	3 - 10 years

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each balance sheet date.

At each balance sheet date, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. Any subsequent increase in the recoverable amount is recognised in the income statement.

Gain and loss on disposal are determined by comparing proceeds with carrying amount and are included in profit/(loss) from operations.

### **K Land held for sale**

Land held for sale is stated at cost less accumulated impairment losses. Where an indication of impairment exists, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. Any subsequent increase in the recoverable amount is recognised in the income statement.

## **Summary of significant accounting policies for the financial year ended 31 December 2009 (continued)**

### **L Financial liabilities**

All non-trading financial liabilities are initially recognised at fair value, being the consideration received at transaction date.

### **M Income taxes**

#### Current tax

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon the taxable profits for the financial year.

#### Deferred tax

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised.

Deferred tax is recognised on temporary differences principally arising from depreciation of property, plant and equipment, general allowance for loans, advances and financing, unrealised gains or losses on revaluation of securities, foreign currency exchange and derivatives, provision for other liabilities and unutilised tax losses carried forward.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax assets is realised or the deferred tax liability is settled.

Deferred tax related to fair value re-measurement of available-for-sale securities, which are charged or credited directly to equity and its subsequently recognised in the income statements together with the deferred gain or loss.

### **N Currency translations**

#### Functional and presentation currency

Items included in the financial statements of each of the Group and the Bank's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Ringgit Malaysia, which is the Group's functional and presentation currency.

## **Summary of significant accounting policies for the financial year ended 31 December 2009 (continued)**

### **N Currency translations (continued)**

#### Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in income, and other changes in the carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets are recognised in income as part of fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the fair value reserve in equity.

### **O Other provisions**

Provisions are recognised by the Group and the Bank when all of the following conditions have been met:

- (i) the Group and the Bank have a present legal or constructive obligation as a result of past events;
- (ii) it is probable that an outflow of resources to settle the obligation will be required; and
- (iii) a reliable estimate of the amount can be made.

### **P Employee benefits**

#### Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

#### Defined contribution plan

The defined contribution plan is a pension plan under which the Group pays fixed contributions to the National Pension Scheme, the Employees' Provident Fund ("EPF") and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The Group's contribution to the defined contribution plan are charged to the income statement in the period to which they relate. Once contributions have been paid, the Group has no further payment obligations.

## **Summary of significant accounting policies for the financial year ended 31 December 2009 (continued)**

### **Q Zakat**

This represents business zakat payable by the Group to comply with the principles of Syariah and as approved by the Syariah Supervisory Council. The Group only pays zakat on its business and does not pay zakat on behalf of depositors or shareholders. Zakat provision is calculated based on 2.5% of net assets method.

### **R Cash and cash equivalents**

Cash and cash equivalents consist of cash in hand, bank balances and deposits and placements maturing within one month which are held for the purpose of meeting short-term commitments and are readily convertible into cash without significant risk of changes in value.

### **S Intangible assets**

#### Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (five years). Computer software classified as intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development employee costs and appropriate portion of relevant overhead.

Computer software development costs recognised as assets are amortised using the straight line method over their estimated useful lives.

#### Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries over the fair value of the Group's share of the identifiable net assets at the date of acquisition. Goodwill on acquisition of subsidiaries are included in the balance sheet as intangible assets. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicated that the goodwill may be impaired. The amount retained in the consolidated financial statements is stated at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those CGUs that are expected to benefit from the synergies of the business combination in which goodwill arose. The Group allocates goodwill between its business segments. See accounting policy Note T on impairment of assets.

## **Summary of significant accounting policies for the financial year ended 31 December 2009 (continued)**

### **T Impairment of non-financial assets**

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there is separately identifiable cash flows ("Cash Generating Units"). Non financial assets other than goodwill that suffered on impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Any subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

### **U Contingent liabilities and contingent assets**

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is possible obligation that arises from past events where existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

### **V Operating lease**

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on the straight line basis over the lease period.

## AFFIN Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the financial statements for the financial year ended 31 December 2009 (continued)

#### 1 General information

The principal activities of the Bank during the financial year are investment banking, stockbroking activities and related financial services.

The principal activities of the Bank's subsidiaries are the provision of nominee services, investment holding, asset management and management of unit trust.

The number of employees in the Group and the Bank at the end of the financial year amounted to 391 (2008: 393) and 346 (2008: 352) employees respectively.

The holding company is AFFIN Holdings Berhad, a company incorporated in Malaysia. The ultimate holding corporate body is Lembaga Tabung Angkatan Tentera, a corporate body established under the Tabung Angkatan Tentera Act, 1973.

The Bank is a limited liability company, incorporated and domiciled in Malaysia.

The address of the registered office of the Bank is 27th Floor, Menara Boustead, 69, Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia.

#### 2 Cash and short-term funds

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Cash and balances with banks and other financial institutions	36,475	8,331	34,536	4,901
Money at call and deposit placements maturing within one month	57,993	170,256	57,993	170,256
	<u>94,468</u>	<u>178,587</u>	<u>92,529</u>	<u>175,157</u>

Included in money at call and deposit placements maturing within one month is placement of stockbroking trust monies of RM50,093,193 (2008: RM41,106,447).

**AFFIN Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the financial statements  
for the financial year ended 31 December 2009 (continued)****3 Deposits and placements with financial institutions**

	<b>The Group</b>		<b>The Bank</b>	
	<b>2009</b>	2008	<b>2009</b>	2008
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Licensed banks	<b>10,462</b>	9,420	-	-

**4 Held-for-trading securities**

	<b>The Group and the Bank</b>	
	<b>2009</b>	2008
	<b>RM'000</b>	RM'000
<b><u>At fair value</u></b>		
<u>Unquoted securities</u>		
Private debt securities in Malaysia	-	264,479
<u>Quoted securities</u>		
Warrants in Malaysia	-	57
Total held-for-trading securities	<b>-</b>	<b>264,536</b>

During the financial year, the Bank has reclassified a portion of its private debt securities from held-for-trading ("HFT") category to available-for-sale ("AFS") category based on current market prices. The reclassification has been accounted for in accordance with the BNM circular on "Reclassification of Securities under Specific Circumstances" dated 17 October 2008, which is effective from 1 July 2008 to 31 December 2009.

The fair value of securities reclassified from HFT to AFS category as at date of reclassification amounted to RM246,972,500, at an effective interest rate 6.61% per annum with expected recoverable cashflows approximately the fair values of RM255,000,000 together with all corresponding coupons receivable.

At date of reclassification, the Bank has recognised a total unrealised gains of RM12,913,900 arising from the change in fair value.

Out of the reclassified securities, securities amounting to RM15,270,000 have been redeemed whilst securities amounting to RM65,531,000 have been refinanced as a term loan with the Bank.

As at 31 December 2009, the fair value of the remaining securities reclassified from HFT to AFS category was RM168,649,500.

**AFFIN Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the financial statements  
for the financial year ended 31 December 2009 (continued)**

<b>5 Available-for-sale securities</b>	<b>The Group and the Bank</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>At fair value</u></b>		
Malaysian Government Securities	<b>713,023</b>	219,973
Cagamas bonds	<b>432,643</b>	461,298
Negotiable Instruments of Deposit	<b>150,003</b>	150,012
Malaysian Government Investment Issuance	<b>323,252</b>	131,477
<b><u>Unquoted securities</u></b>		
Private debt securities in Malaysia	<b>980,613</b>	844,021
Private debt securities outside Malaysia	<b>126,822</b>	86,660
	<b>2,726,356</b>	1,893,441
<b><u>Quoted securities</u></b>		
Shares in Malaysia	<b>6,986</b>	110
Irredeemable Convertible Unsecured Loan Stocks in Malaysia	<b>4,031</b>	4,031
	<b>2,737,373</b>	1,897,582
Allowance for impairment of securities	<b>(48,132)</b>	(39,039)
Total available-for-sale securities	<b>2,689,241</b>	1,858,543
<b>6 Held-to-maturity securities</b>	<b>The Group and the Bank</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>At amortised cost</u></b>		
<b><u>Unquoted securities</u></b>		
Private debt securities in Malaysia	<b>38,978</b>	44,388
<b><u>At cost</u></b>		
<b><u>Unquoted securities</u></b>		
Shares in Malaysia	<b>2,842</b>	2,842
	<b>41,820</b>	47,230
Allowance for impairment of securities	<b>(5,078)</b>	(7,578)
Total held-to-maturity securities	<b>36,742</b>	39,652

**AFFIN Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the financial statements****for the financial year ended 31 December 2009 (continued)****7 Loans, advances and financing****(i) By type**

	<b>The Group and the Bank</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Term loans/financing		
- Syndicated term loan/financing	<b>67,495</b>	59,040
- Other term loans/financing	<b>341,191</b>	256,376
Revolving credit	<b>148,203</b>	179,613
Staff loans	<b>9,889</b>	9,416
Margin financing	<b>31,572</b>	19,763
	<b>598,350</b>	524,208
Less: Allowance for bad and doubtful debts and financing		
- Specific	<b>(82,509)</b>	(104,685)
- General	<b>(8,209)</b>	(8,101)
	<b>(90,718)</b>	(112,786)
Total net loans, advances and financing	<b>507,632</b>	411,422

**(ii) By type of customer**

	<b>The Group and the Bank</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Domestic business enterprise		
- Small medium enterprise	<b>45,245</b>	47,092
- Others	<b>486,706</b>	447,937
Individuals	<b>66,399</b>	29,179
	<b>598,350</b>	524,208

**(iii) By interest/ profit rate sensitivity**

	<b>The Group and the Bank</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Fixed rate		
- Housing loans/financing	<b>7,817</b>	6,629
- Other fixed rate loans/financing	<b>65,794</b>	28,748
- Margin financing	<b>31,572</b>	19,763
Variable rate		
- Cost plus	<b>493,167</b>	469,068
	<b>598,350</b>	524,208

**AFFIN Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the financial statements****for the financial year ended 31 December 2009 (continued)****7 Loans, advances and financing (continued)****(iv) By economic purpose**

	<b>The Group and the Bank</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Purchase of securities	<b>166,224</b>	150,162
Purchase of landed properties (residential)	<b>44,509</b>	28,560
Fixed assets other than land and building	-	1,358
Personal use	<b>9,889</b>	9,416
Construction	<b>54,682</b>	29,534
Working capital	<b>188,371</b>	236,251
Other purpose	<b>134,675</b>	68,927
	<b><u>598,350</u></b>	<u>524,208</u>

**(v) By sector**

	<b>The Group and the Bank</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Agriculture	<b>69,286</b>	130,399
Manufacturing	<b>25,126</b>	17,894
Construction	<b>120,993</b>	145,055
Wholesale retail trade and restaurant and hotels	<b>43,626</b>	26,038
Transport, storage and communication	<b>93,230</b>	30,257
Finance, insurance and business services	<b>26,923</b>	29,918
Real estate	<b>130,811</b>	92,495
Household	<b>66,399</b>	28,639
Others	<b>21,956</b>	23,513
	<b><u>598,350</u></b>	<u>524,208</u>

**AFFIN Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the financial statements****for the financial year ended 31 December 2009 (continued)****7 Loans, advances and financing (continued)****(vi) Movements in non-performing loans, advances and financing**

	<b>The Group and the Bank</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January	<b>114,650</b>	120,377
Classified as non-performing during the financial year	-	9,077
Amount recovered	<b>(8,258)</b>	(14,804)
Amount written off	<b>(20,618)</b>	-
At 31 December	<b>85,774</b>	114,650
Less: Specific allowance	<b>(82,509)</b>	(104,685)
Net non-performing loans, advances and financing	<b>3,265</b>	9,965
(As % of total loans, advances and financing less specific allowance on non-performing loans)	<b>0.63%</b>	2.38%

**(vii) Movements in allowance for bad and doubtful debts and financing**

	<b>The Group and the Bank</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>General allowance</b>		
At 1 January	<b>8,101</b>	7,962
Allowance made during the financial year	<b>108</b>	139
At 31 December	<b>8,209</b>	8,101
(As % of gross loans, advances and financing less specific allowance)	<b>1.59%</b>	1.93%

**AFFIN Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the financial statements  
for the financial year ended 31 December 2009 (continued)****7 Loans, advances and financing (continued)****(vii) Movements in allowance for bad and doubtful debts and financing (continued)**

	<b>The Group and the Bank</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Specific allowance</b>		
At 1 January	<b>104,685</b>	52,365
Allowance made during the financial year	-	53,497
Amount recovered	<b>(1,558)</b>	(1,177)
Amount written off	<b>(20,618)</b>	-
At 31 December	<b>82,509</b>	104,685

**(viii) Non-performing loan, advances and financing analysed by their economic purpose**

	<b>The Group and the Bank</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Construction	-	14,424
Working capital	<b>54,900</b>	63,158
Purchase of securities	<b>122</b>	122
Others	<b>30,752</b>	36,946
	<b>85,774</b>	114,650

**(ix) Non-performing loan, advances and financing analysed by their economic sector**

	<b>The Group and the Bank</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Manufacturing	<b>5,000</b>	17,894
Construction	-	14,424
Wholesale retail trade and restaurant and hotels	<b>12,364</b>	12,364
Real estate	<b>46,333</b>	46,333
Household	<b>122</b>	122
Others	<b>21,955</b>	23,513
	<b>85,774</b>	114,650

**AFFIN Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the financial statements****for the financial year ended 31 December 2009 (continued)****8 Trade receivables**

	<b>The Group</b>		<b>The Bank</b>	
	<b>2009</b>	2008	<b>2009</b>	2008
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Amount in respect of management fees receivable and cancellation of funds' units	<b>1,062</b>	1,289	-	-
Amount due from clients (a)	<b>76,434</b>	45,620	<b>76,434</b>	45,620
Amount due from Bursa Securities Clearing Sdn. Bhd.	<b>8,553</b>	-	<b>8,553</b>	-
	<b>86,049</b>	46,909	<b>84,987</b>	45,620
Less: Allowance for bad and doubtful accounts (b)				
- specific allowance	<b>(4,341)</b>	(4,741)	<b>(4,341)</b>	(4,741)
- general allowance	<b>(91)</b>	(76)	<b>(91)</b>	(76)
Less: Interest-in-suspense	<b>(3,293)</b>	(2,866)	<b>(3,293)</b>	(2,866)
	<b>78,324</b>	39,226	<b>77,262</b>	37,937

(a) Total outstanding balances classified as non-performing are as follows:

	<b>The Group and the Bank</b>	
	<b>2009</b>	2008
	<b>RM'000</b>	RM'000
Doubtful accounts	<b>12</b>	3
Bad accounts	<b>4,329</b>	4,738
	<b>4,341</b>	4,741

**AFFIN Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the financial statements  
for the financial year ended 31 December 2009 (continued)****8 Trade receivables (continued)**

- (b) Movements in the allowance for bad and doubtful debts and interest-in-suspense accounts are as follows:

	<b>The Group and the Bank</b>	
	<b>2009</b>	2008
	<b>RM'000</b>	RM'000
<b>Specific allowance</b>		
At 1 January	4,741	4,947
Allowance made during the financial year	143	793
Amounts recovered	(543)	(999)
At 31 December	<u>4,341</u>	<u>4,741</u>
<b>General allowance</b>		
At 1 January	76	423
Allowance made during the financial year	71	75
Amounts written back	(56)	(422)
At 31 December	<u>91</u>	<u>76</u>
<b>Interest-in-suspense</b>		
At 1 January	2,866	1,999
Interest suspended during the financial year	524	1,018
Amounts recovered	(97)	(151)
At 31 December	<u>3,293</u>	<u>2,866</u>

**9 Other assets**

	<b>The Group</b>		<b>The Bank</b>	
	<b>2009</b>	2008	<b>2009</b>	2008
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Interest receivable	24,819	21,996	24,797	21,927
Other debtors, deposits and prepayments	24,212	18,755	17,728	13,880
Allowance for bad and doubtful debts	(8,958)	(9,025)	(8,958)	(9,025)
	<u>40,073</u>	<u>31,726</u>	<u>33,567</u>	<u>26,782</u>

Credit terms of other receivables range from 30 to 90 days (2008: 30 to 90 days).

**AFFIN Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the financial statements  
for the financial year ended 31 December 2009 (continued)****10 Deferred tax assets**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets and current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting are shown in the balance sheet:

	<b>The Group</b>		<b>The Bank</b>	
	<b>2009</b>	2008	<b>2009</b>	2008
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Deferred tax assets	<b>2,641</b>	1,521	<b>2,473</b>	1,507
	<b>2,641</b>	1,521	<b>2,473</b>	1,507

The movement in deferred tax assets and liabilities during the financial year are as follows:

	<b>The Group</b>		<b>The Bank</b>	
	<b>2009</b>	2008	<b>2009</b>	2008
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
At 1 January	<b>1,521</b>	(3,854)	<b>1,507</b>	(3,971)
Credited/(charged) to income statements (Note 32)	<b>1,423</b>	8,507	<b>1,269</b>	8,610
- property and equipment	<b>148</b>	(620)	<b>142</b>	(511)
- intangible assets	-	19	-	19
- general allowance on loans, advances and financing	<b>(249)</b>	254	<b>(249)</b>	254
- provision for other liabilities and charges	<b>409</b>	(3,286)	<b>259</b>	(3,292)
- allowance for impairment of securities	<b>2,296</b>	886	<b>2,296</b>	886
- revaluation gain/(losses)	<b>842</b>	2,991	<b>842</b>	2,991
- accretion of discount less amortisation of premium	<b>5,316</b>	3,567	<b>5,316</b>	3,567
- other assets	<b>(1,254)</b>	(477)	<b>(1,254)</b>	(477)
- unabsorbed tax losses	<b>(5,262)</b>	5,262	<b>(5,262)</b>	5,262
- others	<b>(823)</b>	(89)	<b>(821)</b>	(89)
Charged to equity	<b>(303)</b>	(3,132)	<b>(303)</b>	(3,132)
At 31 December	<b>2,641</b>	1,521	<b>2,473</b>	1,507

**AFFIN Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the financial statements****for the financial year ended 31 December 2009 (continued)****10 Deferred tax assets (continued)**

The movement in deferred tax assets and liabilities during the financial year are as follows (continued):

	<b>The Group</b>		<b>The Bank</b>	
	<b>2009</b>	2008	<b>2009</b>	2008
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>Subject to income tax</b>				
<b>Deferred tax assets (before offsetting)</b>				
Provision for other liabilities and charges	<b>2,881</b>	2,472	<b>2,539</b>	2,280
General allowance on loans, advances and financing	<b>2,075</b>	2,324	<b>2,075</b>	2,324
Allowance for impairment of securities	<b>11,549</b>	9,253	<b>11,549</b>	9,253
Unabsorbed tax losses	-	5,262	-	5,262
Others	-	823	-	821
	<b>16,505</b>	20,134	<b>16,163</b>	19,940
Offsetting	<b>(13,864)</b>	(18,613)	<b>(13,690)</b>	(18,433)
<b>Deferred tax assets (after offsetting)</b>	<b>2,641</b>	1,521	<b>2,473</b>	1,507
<b>Deferred tax liabilities (before offsetting)</b>				
Property and equipment	<b>(717)</b>	(865)	<b>(543)</b>	(685)
Intangible assets	<b>(191)</b>	(191)	<b>(191)</b>	(191)
Accretion of discount less amortisation of premium	<b>(2,185)</b>	(7,501)	<b>(2,185)</b>	(7,501)
Unrealised revaluation loss on securities	<b>(4,138)</b>	(4,677)	<b>(4,138)</b>	(4,677)
Other assets	<b>(6,633)</b>	(5,379)	<b>(6,633)</b>	(5,379)
	<b>(13,864)</b>	(18,613)	<b>(13,690)</b>	(18,433)
Offsetting	<b>13,864</b>	18,613	<b>13,690</b>	18,433
<b>Deferred tax liabilities (after offsetting)</b>	<b>-</b>	-	<b>-</b>	-

The amount of unused tax losses (all of which have no expiry date) for which no deferred tax assets is recognised in the balance sheet are as follows:

	<b>The Group</b>		<b>The Bank</b>	
	<b>2009</b>	2008	<b>2009</b>	2008
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Tax losses	<b>4,476</b>	357	<b>-</b>	-

**AFFIN Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the financial statements  
for the financial year ended 31 December 2009 (continued)****11 Statutory deposits with Bank Negara Malaysia**

The non-interest bearing statutory deposits is maintained with Bank Negara Malaysia in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act, 1958 (revised 1994), the amounts of which are determined as set percentages of total eligible liabilities.

**12 Investment in subsidiaries**

	<b>The Bank</b>	
	<b>2009</b>	2008
	<b>RM'000</b>	RM'000
Unquoted shares in Malaysia, at cost	<b>13,759</b>	13,759
Allowance for impairment loss	<b>(8)</b>	(8)
	<b><u>13,751</u></b>	<u>13,751</u>

The subsidiaries of the Bank all of which are incorporated in Malaysia, are as follow:

<b>Name</b>	<b>Principal activities</b>	<b>Effective</b>	
		<b>Percentage of equity held</b>	
		<b>2009</b>	2008
		%	%
AFFIN Fund Management Bhd	Asset management and management of unit trust	<b>100</b>	100
AFFIN Nominees (Tempatan) Sdn Bhd	Nominee services	<b>100</b>	100
AFFIN Nominees (Asing) Sdn Bhd	Nominee services	<b>100</b>	100
Classic Precision Sdn Bhd	Investment holding	<b>66.89</b>	66.89
Merchant Nominees (Tempatan) Sdn Bhd	Dormant	<b>100</b>	100
Merchant Nominees (Asing) Sdn Bhd	Dormant	<b>100</b>	100
AFFIN Trust Management Berhad	Dormant and undergoing member's voluntary liquidation	<b>100</b>	100

**13 Amount due from subsidiaries**

	<b>The Bank</b>	
	<b>2009</b>	2008
	<b>RM'000</b>	RM'000
Amount due from subsidiaries	<b><u>47,888</u></b>	<u>52,035</u>

The amounts due from subsidiaries are unsecured, interest free and have no fixed repayment terms.

**AFFIN Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the financial statements  
for the financial year ended 31 December 2009 (continued)****14 Property and equipment**

<b>The Group</b>	<b>Renovations RM'000</b>	<b>Office equipment and furniture RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Computers RM'000</b>	<b>Total RM'000</b>
<b>2009</b>					
<b>Cost</b>					
At 1 January	12,269	6,505	2,250	19,866	40,890
Additions	163	181	318	472	1,134
Disposals	-	(583)	(309)	(69)	(961)
Write-off	(437)	(50)	-	(580)	(1,067)
At 31 December	<u>11,995</u>	<u>6,053</u>	<u>2,259</u>	<u>19,689</u>	<u>39,996</u>
<b>Accumulated depreciation</b>					
At 1 January	7,920	4,731	1,317	15,966	29,934
Charge for the financial year	1,800	741	336	1,332	4,209
Disposals	-	(583)	(309)	(67)	(959)
Write-off	(365)	(50)	-	(580)	(995)
At 31 December	<u>9,355</u>	<u>4,839</u>	<u>1,344</u>	<u>16,651</u>	<u>32,189</u>
<b>At 31 December 2009</b>					
Cost	11,995	6,053	2,259	19,689	39,996
Accumulated depreciation	(9,355)	(4,839)	(1,344)	(16,651)	(32,189)
<b>Net book value</b>	<u><u>2,640</u></u>	<u><u>1,214</u></u>	<u><u>915</u></u>	<u><u>3,038</u></u>	<u><u>7,807</u></u>

**AFFIN Investment Bank Berhad**

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**Notes to the financial statements  
for the financial year ended 31 December 2009 (continued)****14 Property and equipment**

<b>The Bank</b>	<b>Renovations RM'000</b>	<b>Office equipment and furniture RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Computers RM'000</b>	<b>Total RM'000</b>
<b>2009</b>					
<b>Cost</b>					
At 1 January	11,554	6,051	2,076	18,992	38,673
Additions	164	168	144	380	856
Disposals	-	(583)	(140)	(69)	(792)
Write-off	(367)	(23)	-	(158)	(548)
At 31 December	<u>11,351</u>	<u>5,613</u>	<u>2,080</u>	<u>19,145</u>	<u>38,189</u>
<b>Accumulated depreciation</b>					
At 1 January	7,769	4,591	1,145	15,278	28,783
Charge for the financial year	1,682	665	314	1,249	3,910
Disposals	-	(583)	(140)	(67)	(790)
Write-off	(295)	(23)	-	(158)	(476)
At 31 December	<u>9,156</u>	<u>4,650</u>	<u>1,319</u>	<u>16,302</u>	<u>31,427</u>
<b>At 31 December 2009</b>					
Cost	11,351	5,613	2,080	19,145	38,189
Accumulated depreciation	<u>(9,156)</u>	<u>(4,650)</u>	<u>(1,319)</u>	<u>(16,302)</u>	<u>(31,427)</u>
<b>Net book value</b>	<u><u>2,195</u></u>	<u><u>963</u></u>	<u><u>761</u></u>	<u><u>2,843</u></u>	<u><u>6,762</u></u>

**AFFIN Investment Bank Berhad**

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**Notes to the financial statements  
for the financial year ended 31 December 2009 (continued)****14 Property and equipment (continued)**

<b>The Group</b>	<b>Renovations RM'000</b>	<b>Office equipment and furniture RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Computers RM'000</b>	<b>Total RM'000</b>
<b>2008</b>					
<b>Cost</b>					
At 1 January	12,328	6,334	2,517	20,759	41,938
Additions	819	337	385	2,778	4,319
Disposals	(878)	(166)	(652)	(3,671)	(5,367)
At 31 December	<u>12,269</u>	<u>6,505</u>	<u>2,250</u>	<u>19,866</u>	<u>40,890</u>
<b>Accumulated depreciation</b>					
At 1 January	6,640	4,069	1,613	18,283	30,605
Charge for the financial year	1,726	757	356	1,350	4,189
Disposals	(446)	(95)	(652)	(3,667)	(4,860)
At 31 December	<u>7,920</u>	<u>4,731</u>	<u>1,317</u>	<u>15,966</u>	<u>29,934</u>
<b>At 31 December 2008</b>					
Cost	12,269	6,505	2,250	19,866	40,890
Accumulated depreciation	(7,920)	(4,731)	(1,317)	(15,966)	(29,934)
<b>Net book value</b>	<u>4,349</u>	<u>1,774</u>	<u>933</u>	<u>3,900</u>	<u>10,956</u>

**AFFIN Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the financial statements  
for the financial year ended 31 December 2009 (continued)****14 Property and equipment (continued)**

<b>The Bank</b>	<b>Renovations RM'000</b>	<b>Office equipment and furniture RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Computers RM'000</b>	<b>Total RM'000</b>
<b>2008</b>					
<b>Cost</b>					
At 1 January	11,729	6,129	2,281	19,885	40,024
Additions	277	39	385	2,718	3,419
Disposals	(452)	(117)	(590)	(3,611)	(4,770)
At 31 December	<u>11,554</u>	<u>6,051</u>	<u>2,076</u>	<u>18,992</u>	<u>38,673</u>
<b>Accumulated depreciation</b>					
At 1 January	6,126	3,911	1,413	17,616	29,066
Charge for the financial year	1,668	727	322	1,270	3,987
Disposals	(25)	(47)	(590)	(3,608)	(4,270)
At 31 December	<u>7,769</u>	<u>4,591</u>	<u>1,145</u>	<u>15,278</u>	<u>28,783</u>
<b>At 31 December 2008</b>					
Cost	11,554	6,051	2,076	18,992	38,673
Accumulated depreciation	(7,769)	(4,591)	(1,145)	(15,278)	(28,783)
<b>Net book value</b>	<u><u>3,785</u></u>	<u><u>1,460</u></u>	<u><u>931</u></u>	<u><u>3,714</u></u>	<u><u>9,890</u></u>

**AFFIN Investment Bank Berhad**

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**Notes to the financial statements  
for the financial year ended 31 December 2009 (continued)****15 Land held for sale**

	<b>The Group</b>		<b>The Bank</b>	
	<b>2009</b>	2008	<b>2009</b>	2008
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
As at 1 January				
Freehold land	<b>62,354</b>	72,412	-	-

Freehold land comprises of 2 lots of land in Mukim of Tebrau, Johor Bahru.

The freehold land was previously received by the Bank and other lenders, namely Kewangan Bersatu Bhd and BI Credit & Leasing Bhd as part settlement of the financial obligations of a borrower, which had defaulted earlier. The land was subsequently transferred to Classic Precision Sdn Bhd ("Classic Precision"), a 66.89% owned subsidiary of the Bank, which will hold the land for sale.

Classic Precision had appointed a property developer to develop the freehold land and a portion of the proceeds from the sale of developed properties would be paid to Classic Precision. The Shareholders Agreement between the shareholders (the Bank and other lenders) states that Classic Precision is obliged to pay the proceeds received from the property developer, net of operating expenses, to its shareholders, based on their shareholdings in Classic Precision.

The consideration for the transfer of land has been reflected as 'Amount due from subsidiaries' as disclosed in Note 13 of the notes to the financial statements and 'Amount due to other shareholders of a subsidiary' as disclosed in Note 21 of the notes to the financial statements.

Movement in land held for sale during the year:

	<b>The Group</b>	
	<b>2009</b>	2008
	<b>RM'000</b>	RM'000
As at 1 January	<b>72,412</b>	90,088
Proceeds from disposal/redemption of land held for sale	<b>(6,250)</b>	(12,774)
Allowance for impairment loss	<b>(3,808)</b>	(445)
Loss on disposal of land held for sale	-	(4,457)
As at 31 December	<b>62,354</b>	72,412

**AFFIN Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the financial statements****for the financial year ended 31 December 2009 (continued)****16 Intangible assets**

<b>The Group</b>	<b>Goodwill RM'000</b>	<b>Computer software RM'000</b>	<b>Total RM'000</b>
<b>2009</b>			
<b>Cost</b>			
At 1 January	53,061	10,236	63,297
Additions	-	127	127
At 31 December	<u>53,061</u>	<u>10,363</u>	<u>63,424</u>
<b>Accumulated amortisation</b>			
At 1 January	-	8,780	8,780
Amortised during the financial year	-	503	503
At 31 December	<u>-</u>	<u>9,283</u>	<u>9,283</u>
<b>Impairment loss</b>			
At 1 January/ 31 December	<u>-</u>	<u>161</u>	<u>161</u>
<b>At 31 December 2009</b>			
Cost	53,061	10,363	63,424
Accumulated amortisation	-	(9,283)	(9,283)
Impairment loss	-	(161)	(161)
<b>Net book value</b>	<u><u>53,061</u></u>	<u><u>919</u></u>	<u><u>53,980</u></u>
<b>The Bank</b>			
<b>2009</b>			
<b>Cost</b>			
At 1 January	53,061	9,188	62,249
Additions	-	115	115
At 31 December	<u>53,061</u>	<u>9,303</u>	<u>62,364</u>
<b>Accumulated amortisation</b>			
At 1 January	-	8,102	8,102
Amortised during the financial year	-	436	436
At 31 December	<u>-</u>	<u>8,538</u>	<u>8,538</u>
<b>At 31 December 2009</b>			
Cost	53,061	9,303	62,364
Accumulated amortisation	-	(8,538)	(8,538)
<b>Net book value</b>	<u><u>53,061</u></u>	<u><u>765</u></u>	<u><u>53,826</u></u>

**AFFIN Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the financial statements****for the financial year ended 31 December 2009 (continued)****16 Intangible assets (continued)**

<b>The Group</b>	<b>Goodwill RM'000</b>	<b>Computer software RM'000</b>	<b>Total RM'000</b>
<b>2008</b>			
<b>Cost</b>			
At 1 January	53,061	9,966	63,027
Additions	-	548	548
Write-off	-	(278)	(278)
At 31 December	<u>53,061</u>	<u>10,236</u>	<u>63,297</u>
<b>Accumulated amortisation</b>			
At 1 January	-	8,405	8,405
Amortised during the financial year	-	653	653
Write-off	-	(278)	(278)
At 31 December	<u>-</u>	<u>8,780</u>	<u>8,780</u>
<b>Impairment loss</b>			
At 1 January/ 31 December	<u>-</u>	<u>161</u>	<u>161</u>
<b>At 31 December 2008</b>			
Cost	53,061	10,236	63,297
Accumulated amortisation	-	(8,780)	(8,780)
Impairment loss	-	(161)	(161)
<b>Net book value</b>	<u><u>53,061</u></u>	<u><u>1,295</u></u>	<u><u>54,356</u></u>
<b>The Bank</b>			
<b>2008</b>			
<b>Cost</b>			
At 1 January	53,061	8,720	61,781
Additions	-	468	468
At 31 December	<u>53,061</u>	<u>9,188</u>	<u>62,249</u>
<b>Accumulated amortisation</b>			
At 1 January	-	7,514	7,514
Amortised during the financial year	-	588	588
At 31 December	<u>-</u>	<u>8,102</u>	<u>8,102</u>
<b>At 31 December 2008</b>			
Cost	53,061	9,188	62,249
Accumulated amortisation	-	(8,102)	(8,102)
<b>Net book value</b>	<u><u>53,061</u></u>	<u><u>1,086</u></u>	<u><u>54,147</u></u>

**AFFIN Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the financial statements****for the financial year ended 31 December 2009 (continued)****16 Intangible assets (continued)**Goodwill

The carrying amount of goodwill allocated to the Bank's goodwill has been allocated to the following cash generating unit ("CGU"):

	<b>The Group and the Bank</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Stockbroking business	53,061	53,061

For annual impairment testing purposes, the recoverable amount of the CGU are based on their value-in-use calculations using the cash flow projections based on five (5) years financial budgets of the stock broking business approved by the Directors. The cash flow beyond the fifth year are assumed to grow at 3.0% (2008: 3.5%) to infinity.

The cash flow projections are derived based on a number of key factors including past performance and management's expectations of the market development. The discount rates used are based on the pre-tax weighted average cost of capital plus an appropriate risk premium where applicable ("WACC"), at the date of assessment of the CGU. The WACC is derived via benchmarking to the WACC of major competitors in the stock broking industry and based on industry information to reflect the risks of the CGU. The discount rate used in determining the recoverable amount of the CGU within the business segment is 10.54% (2008: 11.63%).

No impairment charge was required for goodwill arising from the stockbroking business. The Directors are of the view that any reasonable possible changes to the assumptions applied are not likely to cause the recoverable amount of the stockbroking business to be lower than its carrying amount.

**17 Deposits from customers**

(i) By type of deposit	<b>The Group</b>		<b>The Bank</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Fixed deposits	<b>2,368,154</b>	2,150,760	<b>2,369,663</b>	2,152,134
Negotiable instrument of deposits	<b>50,000</b>	64,200	<b>50,000</b>	64,200
	<b>2,418,154</b>	2,214,960	<b>2,419,663</b>	2,216,334

**AFFIN Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the financial statements****for the financial year ended 31 December 2009 (continued)****17 Deposits from customers (continued)**

Maturity structure of fixed deposits and negotiable instrument of deposits are as follows:

	<b>The Group</b>		<b>The Bank</b>	
	<b>2009</b>	2008	<b>2009</b>	2008
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Due within six months	<b>2,058,150</b>	1,214,878	<b>2,059,659</b>	1,216,252
Six months to one year	<b>360,004</b>	935,882	<b>360,004</b>	935,882
More than one year	-	64,200	-	64,200
	<b><u>2,418,154</u></b>	<u>2,214,960</u>	<b><u>2,419,663</u></b>	<u>2,216,334</u>

**(ii) By type of customer**

	<b>The Group</b>		<b>The Bank</b>	
	<b>2009</b>	2008	<b>2009</b>	2008
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Government and statutory bodies	<b>1,023,984</b>	673,235	<b>1,023,984</b>	673,235
Business enterprises	<b>908,294</b>	745,570	<b>908,294</b>	745,570
Others	<b>485,876</b>	796,155	<b>487,385</b>	797,529
	<b><u>2,418,154</u></b>	<u>2,214,960</u>	<b><u>2,419,663</u></b>	<u>2,216,334</u>

**18 Deposits and placements of banks and other financial institutions**

	<b>The Group and the Bank</b>	
	<b>2009</b>	2008
	<b>RM'000</b>	RM'000
Licensed banks	<b><u>436,822</u></b>	<u>183,802</u>

**19 Trade payables**

	<b>The Group and the Bank</b>	
	<b>2009</b>	2008
	<b>RM'000</b>	RM'000
Amount due to clients	<b>74,330</b>	30,717
Amount due to Bursa Securities Clearing Sdn Bhd	-	6,224
	<b><u>74,330</u></b>	<u>36,941</u>

Trade payables arose from the stock and share broking activities and represent amount payable under outstanding contracts.

**AFFIN Investment Bank Berhad**

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**Notes to the financial statements****for the financial year ended 31 December 2009 (continued)****20 Other liabilities**

	<b>The Group</b>		<b>The Bank</b>	
	<b>2009</b>	2008	<b>2009</b>	2008
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Clients' trust balances	<b>38,611</b>	29,372	<b>38,611</b>	29,372
Commissioned dealer's representative trust balances	<b>10,282</b>	9,687	<b>10,282</b>	9,687
Total trust balances	<b>48,893</b>	39,059	<b>48,893</b>	39,059
Interest payable	<b>11,945</b>	11,507	<b>11,950</b>	11,509
Derivative financial instrument (a)	<b>5,412</b>	7,634	<b>5,412</b>	7,634
Other liabilities (b)	<b>47,668</b>	19,830	<b>44,107</b>	17,372
Defined contribution plan (c)	-	295	-	295
	<b>113,918</b>	78,325	<b>110,362</b>	75,869

	<b>The Group</b>		<b>The Bank</b>	
	<b>2009</b>	2008	<b>2009</b>	2008
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
(a) <u>Derivative liabilities</u>				
At fair value:				
Foreign exchange derivatives				
- Currency swaps	<b>905</b>	1,825	<b>905</b>	1,825
Interest rate derivatives				
- Interest rate swap	<b>4,507</b>	5,809	<b>4,507</b>	5,809
	<b>5,412</b>	7,634	<b>5,412</b>	7,634

- (b) Included in other liabilities are accruals of RM320,667 (2008: RM431,323) for the Group and RM266,136 (2008: RM370,827) for the Bank made for short term employee benefits. Short term employee benefit refers to accrued short term employee benefits for leave entitlement. Under employment contract, an employee earns their leave entitlement which they are entitled to carry forward and will lapse if not utilised in the following accounting period. An accrual is made for the estimated liability for unutilised annual leave.

Other components in other liabilities are provision made for bonus, service tax payable on fees billed to clients, accruals and other payables.

- (c) The Group contributes to the Employee Provident Fund ("EPF"), the national defined contribution plan. Once the contributions have been paid, the Group has no further payment obligations.

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**Notes to the financial statements  
for the financial year ended 31 December 2009 (continued)****21 Liabilities directly associated with non-current assets classified as held-for-sale**

	<b>The Group</b>	
	<b>2009</b>	2008
	<b>RM'000</b>	RM'000
Amount due to other shareholders of a subsidiary (Note 15)	<u>24,335</u>	26,696
	<u><b>24,335</b></u>	<u>26,696</u>

**22 Share capital**

	<b>Number of ordinary shares of RM1 each</b>		<b>The Group and the Bank</b>	
	<b>2009</b>	2008	<b>2009</b>	2008
	<b>'000</b>	'000	<b>RM'000</b>	RM'000
<b>Authorised</b>				
At 1 January/ 31 December	<u>1,000,000</u>	1,000,000	<u>1,000,000</u>	<u>1,000,000</u>
<b>Issued and fully paid</b>				
At 1 January/ 31 December	<u>222,246</u>	222,246	<u>222,246</u>	<u>222,246</u>

**23 Reserves**

	<b>The Group</b>		<b>The Bank</b>	
	<b>2009</b>	2008	<b>2009</b>	2008
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>Non-distributable</b>				
Share premium	<u>142,270</u>	142,270	<u>142,270</u>	142,270
Statutory reserve	<u>136,288</u>	124,121	<u>136,288</u>	124,121
Available-for-sale revaluation reserve	<u>12,151</u>	9,848	<u>12,151</u>	9,848
	<u>290,709</u>	276,239	<u>290,709</u>	276,239
<b>Distributable</b>				
Retained profits	<u>35,594</u>	20,449	<u>38,501</u>	20,886
	<u><b>326,303</b></u>	<u>296,688</u>	<u><b>329,210</b></u>	<u>297,125</u>

- (a) The statutory reserve is maintained in compliance with Section 36 of the Banking and Financial Institutions Act 1989 and is not distributable as cash dividends.
- (b) The available-for-sale revaluation reserve recognises unrealised gains or losses arising from a change in the fair value of investments classified as available-for-sale securities. The gains or losses are transferred to the income statement upon disposal or when the instrument becomes impaired.
- (c) Subject to the agreement of the Inland Revenue Board, the Bank has sufficient tax credits under Section 108 of the Income Tax Act, 1967 and tax exempt income under Section 12 of the Income tax (Amendment) Act, 2001 to frank the payment of dividends out of its entire retained profits as at 31 December 2009.

**AFFIN Investment Bank Berhad**

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**Notes to the financial statements  
for the financial year ended 31 December 2009 (continued)****24 Interest income**

	<b>The Group</b>		<b>The Bank</b>	
	<b>2009</b>	2008	<b>2009</b>	2008
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Loans, advances and financing				
- Interest income other than recoveries from NPLs	<b>25,934</b>	20,287	<b>25,934</b>	20,287
- Recoveries from NPLs	<b>500</b>	623	<b>500</b>	623
- Margin financing	<b>1,794</b>	2,586	<b>1,794</b>	2,586
Money at call and deposit placements with financial institutions	<b>2,143</b>	6,129	<b>1,786</b>	5,638
Held-for-trading securities	<b>3,006</b>	15,101	<b>3,006</b>	15,101
Derivative instruments	<b>2,760</b>	2,064	<b>2,760</b>	2,064
Available-for-sale securities	<b>91,467</b>	69,088	<b>91,467</b>	69,088
Held-to-maturity securities	<b>1,048</b>	2,299	<b>1,048</b>	2,299
Stockbroking activities	<b>109</b>	238	<b>109</b>	238
	<b>128,761</b>	118,415	<b>128,404</b>	117,924
Net accretion of discounts less amortisation of premiums	<b>12,229</b>	15,686	<b>12,229</b>	15,686
Interest suspended	<b>-</b>	(198)	<b>-</b>	(198)
	<b>140,990</b>	133,903	<b>140,633</b>	133,412

**25 Interest expense**

	<b>The Group</b>		<b>The Bank</b>	
	<b>2009</b>	2008	<b>2009</b>	2008
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Deposits from customers	<b>61,688</b>	80,044	<b>61,713</b>	80,117
Deposits and placements of banks and other financial institutions	<b>781</b>	1,718	<b>781</b>	1,718
Derivative instruments	<b>4,779</b>	2,510	<b>4,779</b>	2,510
Others	<b>4,229</b>	2,709	<b>4,229</b>	2,709
	<b>71,477</b>	86,981	<b>71,502</b>	87,054

**AFFIN Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the financial statements  
for the financial year ended 31 December 2009 (continued)****26 Other operating income**

	<b>The Group</b>		<b>The Bank</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Fees income</b>				
Fees on loans and advances	<b>1,405</b>	298	<b>1,405</b>	298
Corporate advisory fees	<b>3,408</b>	4,107	<b>3,408</b>	4,107
Portfolio management fees	<b>6,675</b>	6,353	-	-
Underwriting commissions	<b>3,344</b>	2,628	<b>3,344</b>	2,628
Gross brokerage income	<b>43,397</b>	36,857	<b>43,397</b>	36,857
Agency fees	<b>1,234</b>	1,741	<b>1,234</b>	1,741
Arrangement fees	<b>10,136</b>	7,021	<b>10,136</b>	7,021
Others	<b>4,633</b>	5,015	<b>25</b>	250
	<b>74,232</b>	64,020	<b>62,949</b>	52,902
<b>Securities income</b>				
Gain/(loss) arising from sale/redemption of securities				
- Held-for-trading	<b>255</b>	1,728	<b>255</b>	1,728
- Available-for-sale	<b>4,210</b>	(55)	<b>4,210</b>	(55)
- Held-to-maturity	<b>874</b>	64	<b>874</b>	64
	<b>5,339</b>	1,737	<b>5,339</b>	1,737
Unrealised gain/(loss) on held-for-trading securities	<b>6,075</b>	(8,295)	<b>6,075</b>	(8,295)
Unrealised gain/(loss) on derivative instruments	<b>2,221</b>	(7,634)	<b>2,221</b>	(7,634)
Gross dividends				
- Available-for-sale securities	<b>29</b>	-	<b>29</b>	-
- Held-to-maturity securities	<b>154</b>	162	<b>154</b>	162
- Subsidiaries	-	-	<b>3,000</b>	3,000
	<b>183</b>	162	<b>3,183</b>	3,162
	<b>13,818</b>	(14,030)	<b>16,818</b>	(11,030)
<b>Other income</b>				
Foreign exchange gain/(loss)				
- realised	<b>3</b>	(24)	<b>3</b>	(24)
- unrealised	<b>419</b>	(15)	<b>419</b>	(15)
Gain on disposal of property and equipment	<b>114</b>	129	<b>36</b>	118
Others	<b>1,292</b>	768	<b>1,243</b>	768
	<b>1,828</b>	858	<b>1,701</b>	847
	<b>89,878</b>	50,848	<b>81,468</b>	42,719

**AFFIN Investment Bank Berhad**

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**Notes to the financial statements****for the financial year ended 31 December 2009 (continued)****27 Other operating expenses**

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
<b>Personnel costs</b>				
Salaries, allowances and bonuses	39,739	30,972	36,834	28,222
Contributions to defined contribution plan	6,230	4,568	5,728	4,157
Other personnel costs	5,393	4,545	4,887	4,135
	<b>51,362</b>	<b>40,085</b>	<b>47,449</b>	<b>36,514</b>
<b>Promotion and marketing related expenses</b>				
Business promotion and advertisement	378	319	371	254
Entertainment	214	235	175	201
Travelling and accommodation	269	432	242	390
Dealers' handling fees	964	3,897	964	3,897
Commission	104	339	43	61
Others	80	17	-	-
	<b>2,009</b>	<b>5,239</b>	<b>1,795</b>	<b>4,803</b>
<b>Establishment related expenses</b>				
Rental of premises	6,079	6,013	5,604	5,556
Equipment rental	199	168	199	168
Repair and maintenance	2,859	2,109	2,687	1,928
Amortisation of intangible assets	503	653	436	588
Depreciation of property and equipment	4,209	4,189	3,910	3,987
	<b>13,849</b>	<b>13,132</b>	<b>12,836</b>	<b>12,227</b>
<b>General administrative expenses</b>				
Directors' remuneration (Note 30)	1,792	1,244	859	879
Telecommunication expenses	1,533	1,282	1,437	1,196
Auditors' remuneration				
- statutory audit	233	234	166	166
- others	94	8	94	8
Professional fees	910	257	783	65
Dealers' representative performance incentive	4,635	3,027	4,635	3,027
Loss on disposal of land held for sale	-	4,457	-	-
Property and equipment written off	72	-	72	-
Transaction levy	1,258	1,249	1,258	1,249
Subscription	1,683	1,989	1,683	1,989
Subsidies	674	932	674	932
Others	4,679	5,161	3,034	3,420
	<b>17,563</b>	<b>19,840</b>	<b>14,695</b>	<b>12,931</b>
	<b>84,783</b>	<b>78,296</b>	<b>76,775</b>	<b>66,475</b>

**AFFIN Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the financial statements****for the financial year ended 31 December 2009 (continued)****28 (Write-back)/Allowances for losses on loan, advances and financing)**

	<b>The Group and The Bank</b>	
	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Allowance for bad and doubtful debts and financing:		
Specific allowance		
- Made during the financial year	-	52,320
- Written back during the financial year	<b>(1,558)</b>	-
General allowance		
- Made during the financial year	<b>108</b>	139
Bad debts recovered	<b>(836)</b>	(4,234)
Bad debts written off	-	7
(Write-back)/allowance for other bad and doubtful debts		
- other debtors	<b>202</b>	318
- trade debtors	<b>(385)</b>	(553)
	<b>(2,469)</b>	47,997

**29 Allowances for impairment loss**

	<b>The Group</b>		<b>The Bank</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Allowances made for impairment loss				
- Available-for-sale securities	<b>9,093</b>	19,948	<b>9,093</b>	19,948
- Land held for sale	<b>3,808</b>	445	-	-
Write-back on allowances for impairment loss				
- Available-for-sale securities	-	(4,816)	-	(4,816)
- Held-to-maturity securities	<b>(387)</b>	(3,680)	<b>(387)</b>	(3,680)
	<b>12,514</b>	11,897	<b>8,706</b>	11,452

**30 Directors' and Chief Executive Officer's remuneration**

The Directors of the Bank in office during the financial year are as follows:

Executive Director

Maimoonah bt Mohamed Hussain

Non-Executive Directors

Gen Tan Sri Yaacob bin Mohd Zain (R)

Tan Sri Dato' Lodin bin Wok Kamaruddin

Tunku Dato' Jaafar Laksmana bin Tunku Nong Jiwa

Raja Dato' Seri Aman bin Raja Haji Ahmad

Dato' Sri Abdul Hamidy bin Abdul Hafiz (Resigned on 16 March 2009)

Ariffin bin Alias

Larry Seow Thiam Fatt

Stephen Charles Li Kwok Sze

Eric Koh Thong Hau

**AFFIN Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the financial statements  
for the financial year ended 31 December 2009 (continued)****30 Directors' and Chief Executive Officer's remuneration (continued)**

Forms of remuneration in aggregate, for all Executive Directors and Non-Executive Directors during the year are:

	<b>The Group</b>		<b>The Bank</b>	
	<b>2009</b>	2008	<b>2009</b>	2008
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Executive Director:				
- Salary and other remuneration	<b>1,608</b>	2,530	<b>1,608</b>	2,530
- Benefits-in-kind	<b>69</b>	32	<b>69</b>	32
	<b>1,677</b>	2,562	<b>1,677</b>	2,562
Non-Executive Directors:				
- Salary and other remuneration	<b>1,004</b>	674	<b>327</b>	362
- Fees	<b>716</b>	538	<b>500</b>	485
- Benefits-in-kind	<b>72</b>	32	<b>32</b>	32
	<b>1,792</b>	1,244	<b>859</b>	879
Total	<b>3,469</b>	3,806	<b>2,536</b>	3,441

The number of Directors of the Bank whose total remuneration (including benefits-in-kind) received from the Group falls into the following remuneration bands:-

	<b>The Group and the Bank</b>			
	<b>2009</b>		2008	
	<b>Number of Non-Executive Directors</b>	<b>Number of Executive Directors</b>	Number of Non-Executive Directors	Number of Executive Directors
<u>Remuneration band: -</u>				
Less than RM50,000	<b>1</b>	-	2	-
Between RM50,001 and RM100,000	<b>5</b>	-	4	-
Between RM100,001 and RM200,000	<b>2</b>	-	2	-
More than RM200,000	<b>1</b>	<b>1</b>	1	1
Total	<b>9</b>	<b>1</b>	9	1

## **AFFIN Investment Bank Berhad**

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### **Notes to the financial statements for the financial year ended 31 December 2009 (continued)**

#### **31 Significant related party transactions and balances**

The related parties that have transaction and their relationship with the Group and the Bank are as follows:

<u>Name of company</u>	<u>Relationship</u>
Lembaga Tabung Angkatan Tentera ("LTAT")	Ultimate holding corporate body
AFFIN Holdings Berhad ("AHB")	Holding company
Subsidiaries and associate of LTAT	Subsidiaries and associated companies of the ultimate holding corporate body
Subsidiaries and associate of AHB as disclosed in its financial statements	Subsidiaries and associated companies of the holding company
Subsidiaries of the Bank as disclosed in Note 12	Subsidiaries
Key management personnel	The key management personnel of the Group and the Bank consists of Managing Directors, Chief Operating Officer and certain Head of Departments (including their close family members)
Related parties of key management personnel (deemed as related to the Bank)	<ul style="list-style-type: none"><li>- Close family members and dependents of key management personnel</li><li>- Entities that are controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly by key management personnel or its close family members</li></ul>

The related party transactions described below were carried out on terms and conditions obtainable in transactions with unrelated parties unless otherwise stated. Interest rates on fixed deposits were at normal commercial rates.

In normal course of business, the Group and the Bank undertakes various transactions with its ultimate holding corporate body, holding company, subsidiaries and other related companies, which comprises subsidiaries and associated companies of Lembaga Tabung Angkatan Tentera ("LTAT Group").

## AFFIN Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the financial statements for the financial year ended 31 December 2009 (continued)

#### 31 Significant related party transactions and balances (continued)

(a) The significant transactions of the Group with its related parties are as follows:

	Ultimate holding corporate body		Holding Company		Other related companies		Key management personnel		Companies which certain Directors have substantial interest	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>The Group and the Bank</b>										
<u>Sales</u>										
Medium Term Notes	-	-	-	-	-	200,000	-	-	-	-
Private debt securities in Malaysia	-	-	-	-	-	45,000	-	-	-	-
Negotiable Instruments of Deposit	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	245,000	-	-	-	-
<u>Purchases</u>										
Medium Term Notes	-	-	-	-	-	200,000	-	-	-	-
Private debt securities in Malaysia	-	-	-	-	-	45,000	-	-	-	-
Negotiable Instruments of Deposit	-	-	-	-	800,000	600,000	-	-	-	-
	-	-	-	-	800,000	845,000	-	-	-	-

**AFFIN Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the financial statements for the financial year ended 31 December 2009 (continued)****31 Significant related party transactions and balances (continued)**

## (b) Related parties balances

The Group	Ultimate holding corporate body		Holding Company		Other related companies		Companies which certain Directors have substantial interest	
	2009	2008	2009	2008	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Income</b>								
Interest on fixed deposits	-	-	-	-	289	850	-	-
Interest on available-for-sale securities	-	-	-	-	6,019	7,990	-	-
Corporate advisory fees	-	80	-	220	580	1,421	-	-
Brokerage income	1,973	2,145	-	-	820	267	-	-
Other income	87	92	-	-	32	147	-	-
	<b>2,060</b>	<b>2,317</b>	<b>-</b>	<b>220</b>	<b>7,740</b>	<b>10,675</b>	<b>-</b>	<b>-</b>
<b>Expenses</b>								
Office rental	-	-	-	-	5,199	5,333	-	-
Interest on deposits	988	531	-	-	7,795	5,817	-	-
Travel services	-	-	-	-	104	493	-	-
Insurance premium	-	-	-	-	1	-	-	-
Other expenses	-	-	-	-	102	52	-	-
	<b>988</b>	<b>531</b>	<b>-</b>	<b>-</b>	<b>13,201</b>	<b>11,695</b>	<b>-</b>	<b>-</b>

**AFFIN Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the financial statements for the financial year ended 31 December 2009 (continued)****31 Significant related party transactions and balances (continued)**

(b) Related parties balances (continued)

The Group	Ultimate holding corporate body		Holding Company		Other related companies		Companies which certain Directors have substantial interest	
	2009	2008	2009	2008	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Amount due to</b>								
Deposit from customers	3,969	44,613	-	-	65,965	42,197	-	-
Interbank borrowings	-	-	-	-	141,822	108,802	-	-
Other liabilities	-	-	-	-	1,701	2,171	-	-
	<b>3,969</b>	<b>44,613</b>	<b>-</b>	<b>-</b>	<b>209,488</b>	<b>153,170</b>	<b>-</b>	<b>-</b>
<b>Amount due from</b>								
Cash and short term funds	-	-	-	-	14,298	15,230	-	-
Corporate advisory fees receivable	-	-	-	17	112	127	-	-
Management fees receivable	87	92	-	-	12	147	-	-
Other assets	-	-	-	-	7,344	6,056	-	-
Rental deposits	-	-	-	-	1,079	625	-	-
Revolving credit	-	-	-	-	69,233	70,252	-	-
Term loans	-	-	-	-	-	60,074	-	-
Available-for-sale securities	-	-	-	-	150,320	150,361	-	-
	<b>87</b>	<b>92</b>	<b>-</b>	<b>17</b>	<b>242,398</b>	<b>302,872</b>	<b>-</b>	<b>-</b>

Company No: 9999V

## AFFIN Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the financial statements for the financial year ended 31 December 2009 (continued)

#### 31 Significant related party transactions and balances (continued)

(b) Related parties balances (continued)

The Bank	Ultimate holding corporate body		Holding Company		Subsidiaries		Other related companies		Companies which certain Directors have substantial interest	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Income</b>										
Interest on fixed deposits	-	-	-	-	-	-	20	302	-	-
Interest on available-for-sale securities	-	-	-	-	-	-	6,019	7,990	-	-
Corporate advisory fees	-	80	-	220	-	-	580	1,421	-	-
Brokerage income	1,973	2,145	-	-	-	325	820	267	-	-
Other income	87	-	-	-	-	-	-	-	-	-
	<b>2,060</b>	<b>2,225</b>	<b>-</b>	<b>220</b>	<b>-</b>	<b>325</b>	<b>7,439</b>	<b>9,980</b>	<b>-</b>	<b>-</b>
<b>Expenditure</b>										
Office rental	-	-	-	-	-	-	4,750	4,906	-	-
Interest on deposits	988	531	-	-	-	73	7,795	5,817	-	-
Travel services	-	-	-	-	-	-	104	493	-	-
Insurance premium	-	-	-	-	-	-	1	-	-	-
Other expenses	-	-	-	-	-	-	97	52	-	-
	<b>988</b>	<b>531</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>73</b>	<b>12,747</b>	<b>11,268</b>	<b>-</b>	<b>-</b>

Company No: 9999V

## AFFIN Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the financial statements for the financial year ended 31 December 2009 (continued)

#### 31 Significant related party transactions and balances (continued)

(b) Related parties balances (continued)

The Bank	Ultimate holding corporate body		Holding Company		Subsidiaries		Other related companies		Companies which certain Directors have substantial interest	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Amount due to</b>										
Deposits from customers	3,969	44,613	-	-	1,514	1,376	64,451	42,197	-	-
Interbank borrowings	-	-	-	-	-	-	141,822	108,802	-	-
Other liabilities	-	-	-	-	-	-	1,701	2,171	-	-
	<b>3,969</b>	<b>44,613</b>	<b>-</b>	<b>-</b>	<b>1,514</b>	<b>1,376</b>	<b>207,974</b>	<b>153,170</b>	<b>-</b>	<b>-</b>
<b>Amount due from</b>										
Cash and short term funds	-	-	-	-	-	-	2,694	2,387	-	-
Corporate advisory fees receivable	-	-	-	17	-	-	112	127	-	-
Other assets	-	-	-	-	-	-	7,312	6,028	-	-
Rental deposits	-	-	-	-	-	-	996	556	-	-
Consideration for land held for sale	-	-	-	-	47,080	51,595	-	-	-	-
Expenses paid on behalf	-	-	-	-	808	440	-	-	-	-
Revolving credit	-	-	-	-	-	-	69,233	70,252	-	-
Term loans	-	-	-	-	-	-	-	60,074	-	-
Available-for-sale securities	-	-	-	-	-	-	150,320	150,361	-	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>17</b>	<b>47,888</b>	<b>52,035</b>	<b>230,667</b>	<b>289,785</b>	<b>-</b>	<b>-</b>

## AFFIN Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the financial statements for the financial year ended 31 December 2009 (continued)

#### 31 Significant related party transactions and balances (continued)

(c) Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Bank either directly or indirectly.

The remuneration of key management personnel of the Group and the Bank during the years are as follows:

	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Short-term employee benefits	9,898	10,744	8,422	9,305
Post employment benefits	-	75	-	75
Other long-term benefits	-	38	-	38
	<u>9,898</u>	<u>10,857</u>	<u>8,422</u>	<u>9,418</u>

Included in the table above are Directors' remuneration as disclosed in Note 30.

Loans to directors and key management personnel:

	The Group and the Bank	
	2009 RM'000	2008 RM'000
As at 31 December	<u>2,002</u>	<u>1,029</u>

**AFFIN Investment Bank Berhad**  
(Incorporated in Malaysia)

**Notes to the financial statements**  
**for the financial year ended 31 December 2009 (continued)**

**31 Significant related party transactions and balances (continued)**

(c) Key management personnel compensation (continued)

An employee share option scheme (“ESOS”) implemented by the parent company, AFFIN Holdings Berhad (“AHB”) on 14 February 2003 for a period of five years, has expired on 13 February 2008. The ESOS was offered to eligible employees in AFFIN Group on 14 February 2003 and 5 December 2005 at the subscription rate per share of RM1.00 and RM1.41 respectively.

The main features of the ESOS were as follows:

- Only staff, executive directors and non-executive directors of AFFIN Group who on the date of allocation have been so appointed are eligible to participate in the ESOS.
- Options granted under the ESOS carry no dividend or voting rights. Upon exercise of the options, shares issued rank pari passu in all respects with existing ordinary shares of AHB.
- The persons to whom the options have been granted have no right to participate by virtue of the options in any share issue of any other company.

A total of 1,600,000 ESOS options, comprising 550,000 share options at RM1.00 per share and 1,050,000 share options at RM1.41 per share were granted to the key management personnel of the Bank. As at 13 February 2008, 845,000 share options at RM1.41 per share (31 December 2007: 110,000 share options at RM1.41 per share) remained unexercised.

Executive Director of the Group and the Bank and other members of key management have been granted the following number of options under the Employee Share Options Scheme (“ESOS”):

	<b>The Group and the Bank</b>	
	<b>2009</b>	<b>2008</b>
Entitlement	-	865,000
Exercised	-	(20,000)
Balance	-	845,000

**AFFIN Investment Bank Berhad**

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**Notes to the financial statements  
for the financial year ended 31 December 2009 (continued)****32 Taxation**

	<b>The Group</b>		<b>The Bank</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Malaysian income tax:				
- Current financial year	<b>20,001</b>	120	<b>20,000</b>	-
- Deferred tax (Note 10)	<b>(1,423)</b>	(8,507)	<b>(1,269)</b>	(8,610)
	<b>18,578</b>	(8,387)	<b>18,731</b>	(8,610)
(Over)/under provision in prior years	<b>(312)</b>	(7)	<b>189</b>	(76)
	<b>18,266</b>	(8,394)	<b>18,920</b>	(8,686)

The numeric reconciliation between the applicable statutory income tax rate to the effective income tax rate of the Group and the Bank are as follows:

	<b>The Group</b>		<b>The Bank</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Statutory tax rate in Malaysia	<b>25.00</b>	(26.00)	<b>25.00</b>	(26.00)
Tax effect in respect of:				
- Non allowable expenses	<b>2.67</b>	5.27	<b>0.86</b>	1.71
- Non-taxable income	<b>(0.83)</b>	(0.87)	-	-
- Recognition of deferred tax previously not recognised	<b>1.94</b>	-	<b>1.85</b>	-
- Change in tax rate/law	-	0.85	-	0.93
(Over)/under provision in prior years	<b>(0.48)</b>	(0.02)	<b>0.28</b>	(0.21)
Average effective tax rate	<b>28.30</b>	(20.77)	<b>27.99</b>	(23.57)

**33 Earnings per share**

The basic and fully diluted earnings per share for the Group and the Bank have been calculated by dividing the net loss/profit attributable to equity holders of the Group and the Bank by the weighted average number of ordinary shares in issued during the financial year.

	<b>The Group</b>		<b>The Bank</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Net profit/(losses) for the financial year (RM'000)	<b>46,197</b>	(32,056)	<b>48,667</b>	(28,161)
Weighted average number of ordinary shares in issue ('000)	<b>222,246</b>	222,246	<b>222,246</b>	222,246
Basic and fully diluted earnings/(loss) per share (sen)	<b>20.79</b>	(14.42)	<b>21.90</b>	(12.67)

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**Notes to the financial statements  
for the financial year ended 31 December 2009 (continued)****34 Dividends**

Dividends declared or proposed for the financial year are as follows:

	<b>The Group and the Bank</b>			
	<b>2009</b>		<b>2008</b>	
	<b>Gross dividend per share sen</b>	<b>Amount of dividend net of tax RM'000</b>	<b>Gross dividend per share sen</b>	<b>Amount of dividend net of tax RM'000</b>
<b><u>Ordinary share:</u></b>				
- Interim dividend	11.33	18,885	-	-
- Final dividend	5.00	8,334	-	-
	<b>16.33</b>	<b>27,219</b>	<b>-</b>	<b>-</b>

At the forthcoming Annual General Meeting, a final gross dividend in respect of the financial year 31 December 2009 of 5.00 sen per share (2008: nil), less income tax of 25%, amounting RM8,334,219 will be proposed for shareholders approval. These financial statements do not reflect this final dividend, which will be accrued as a liability in the financial year ending 31 December 2010, when approved by the shareholders.

Dividends recognised as distribution to ordinary equity holders of the Bank:

	<b>The Group and the Bank</b>			
	<b>2009</b>		<b>2008</b>	
	<b>Gross dividend per share sen</b>	<b>Amount of dividend net of tax RM'000</b>	<b>Gross dividend per share sen</b>	<b>Amount of dividend net of tax RM'000</b>
<b><u>Ordinary share:</u></b>				
- Interim dividend	11.33	18,885	-	-
- Final dividend	-	-	5.00	8,223
	<b>11.33</b>	<b>18,885</b>	<b>5.00</b>	<b>8,223</b>

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**Notes to the financial statements  
for the financial year ended 31 December 2009 (continued)****35 Commitments and contingencies**

In the normal course of business, the Group and the Bank 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. The commitments and contingencies constitute the following:

	The Group and The Bank					
	← 2009			← 2008		
	Principal amount RM'000	Credit equivalent amount * RM'000	Risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount * RM'000	Risk weighted amount RM'000
Obligations under underwriting agreement	33,020	16,510	5,240	60,214	30,107	20,622
Irrevocable commitments to extend credit:						
- maturity exceeding one year	1,006	-	-	1,864	931	931
- maturity not exceeding one year	25,865	-	-	22,012	4,402	3,019
Interest rate related contracts:						
- one year to less than five years	70,202	1,661	830	53,692	1,525	763
- more than five years	-	-	-	17,320	866	433
Foreign exchange related contracts:						
- one year to less than five years	20,000	2,200	1,100	20,000	2,600	1,300
	<b>150,093</b>	<b>20,371</b>	<b>7,170</b>	<b>175,102</b>	<b>40,431</b>	<b>27,068</b>

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

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**Notes to the financial statements  
for the financial year ended 31 December 2009 (continued)****36 Capital commitments**

Capital expenditure for property and equipment which has been approved by the Directors but neither contracted nor provided for in the financial statements amounted to approximately RM4,527,000 (2008: RM4,736,000).

**37 Lease commitments**

The Group has lease commitments in respect of rented premises and hired equipment, all of which are classified as operating lease. A summary of the non-cancellable long-term commitments, net of sub-leases are as follows:

Year	The Group		The Bank	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Within one year	5,205	5,541	5,072	5,108
Between one to five years	14,974	10,054	14,509	8,666

**38 Capital adequacy**

The capital adequacy ratios of the Bank are as follows:

	2009 RM'000	2008 RM'000
<b>Tier 1 capital</b>		
Paid-up share capital	222,246	222,246
Share premium	142,270	142,270
Statutory reserve	136,288	124,121
Retained profit	38,501	20,886
Deferred tax assets	(2,473)	(1,507)
Goodwill	(53,061)	(53,061)
Total tier 1 capital	483,771	454,955
<b>Tier 2 capital</b>		
General allowance for bad and doubtful debts and financing	8,209	8,101
<b>Total capital</b>	491,980	463,056
Less : Investments in subsidiaries	(13,751)	(13,751)
Less : Investments in capital instruments of other banking institutions	(88,302)	-
<b>Total capital base</b>	389,927	449,305
Proposed dividends	8,334	-

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**Notes to the financial statements  
for the financial year ended 31 December 2009 (continued)****38 Capital adequacy (continued)**

	<b>2009</b>	2008
	<b>RM'000</b>	RM'000
<b>Capital ratios</b>		
Inclusive of market risk:		
Core capital ratio	<b>26.80%</b>	24.33%
Risk-weighted capital ratio	<b>26.80%</b>	24.33%
Core capital ratio (net of proposed dividends)	<b>26.22%</b>	24.33%
Risk-weighted capital ratio (net of proposed dividends)	<b><u>26.22%</u></b>	<u>24.33%</u>

Breakdown of risk-weighted assets in the various categories of risk-weights:

	<b>The Bank</b>	
	<b>2009</b>	2008
	<b>RM'000</b>	RM'000
Credit risk	<b>1,206,131</b>	1,365,318
Market risk	<b>34,610</b>	282,419
Operational risk	<b>214,423</b>	198,800
	<b><u>1,455,164</u></b>	<u>1,846,537</u>

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

Pursuant to BNM's circular, 'Recognition of Deferred Tax Asset ("DTA") and Treatment of DTA for Risk Weighted Capital Ratio ("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.

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**Notes to the financial statements  
for the financial year ended 31 December 2009 (continued)****38 Capital adequacy (continued)****The Group and The Bank  
2009****Disclosure on Capital Adequacy under the Standardised Approach**

Exposure Class	Gross Exposures	Net Exposures	Risk Weighted Assets	Capital Requirements
	RM'000	RM'000	RM'000	RM'000
<b>1 CREDIT RISK</b>				
<i>On Balance Sheet Exposures</i>				
Sovereigns/Central Banks	1,106,373	1,106,373	-	-
Banks, Development Financial Institutions & MDBs	299,217	299,217	103,683	8,295
Corporates	1,755,040	1,677,720	722,180	57,774
Regulatory Retail	3,785	1,348	1,011	81
Equity Exposure	60,363	60,363	87,275	6,982
Other Assets	191,736	191,736	171,710	13,737
Defaulted Exposures	72,992	72,992	113,102	9,048
<b>TOTAL for On-Balance Sheet Exposures</b>	<b>3,489,506</b>	<b>3,409,749</b>	<b>1,198,961</b>	<b>95,917</b>
Off Balance sheet Exposures other than OTC derivatives or credit derivatives or credit derivatives	20,371	20,371	7,170	574
<b>TOTAL for Off-Balance Sheet Exposures</b>	<b>20,371</b>	<b>20,371</b>	<b>7,170</b>	<b>574</b>
<b>TOTAL for On and Off-Balance Sheet Exposures</b>	<b>3,509,877</b>	<b>3,430,120</b>	<b>1,206,131</b>	<b>96,491</b>
<b>2 MARKET RISK</b>				
	<b>Long Position</b>	<b>Short Position</b>		
	<b>RM'000</b>	<b>RM'000</b>		
Interest Rate Exposure	84,791	(84,791)	20,588	1,647
Foreign Currency Exposure	-	(14,028)	14,022	1,122
Equity Exposure	-	-	-	-
<b>TOTAL for Market Exposure</b>	<b>84,791</b>	<b>(98,819)</b>	<b>34,610</b>	<b>2,769</b>
<b>3 OPERATIONAL RISK</b>				
Operational Risk			214,423	17,154
<b>TOTAL RWA AND CAPITAL REQUIREMENT</b>			<b>1,455,164</b>	<b>116,414</b>

**AFFIN Investment Bank Berhad**

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**Notes to the financial statements  
for the financial year ended 31 December 2009 (continued)****38 Capital adequacy (continued)****The Group and The Bank  
2008****Disclosure on Capital Adequacy under the Standardised Approach**

Exposure Class	Gross Exposures	Net Exposures	Risk Weighted Assets	Capital Requirements
	RM'000	RM'000	RM'000	RM'000
<b>1 CREDIT RISK</b>				
<i>On Balance Sheet Exposures</i>				
Sovereigns/Central Banks	424,439	424,439	-	-
Banks, Development Financial Institutions & MDBs	424,269	424,269	178,306	14,264
Corporates	1,559,048	1,541,077	597,195	47,776
Regulatory Retail	5,488	3,277	2,457	197
Equity Exposure	54,516	54,516	81,435	6,515
Other Assets	997,939	997,939	311,461	24,917
Defaulted Exposures	111,597	111,597	167,396	13,392
<b>TOTAL for On-Balance Sheet Exposures</b>	<b>3,577,296</b>	<b>3,557,114</b>	<b>1,338,250</b>	<b>107,061</b>
Off Balance sheet Exposures other than OTC derivatives or credit derivatives or credit derivatives	40,431	40,431	27,068	2,164
<b>TOTAL for Off-Balance Sheet Exposures</b>	<b>40,431</b>	<b>40,431</b>	<b>27,068</b>	<b>2,164</b>
<b>TOTAL for On and Off-Balance Sheet Exposures</b>	<b>3,617,727</b>	<b>3,597,545</b>	<b>1,365,318</b>	<b>109,225</b>
<b>2 MARKET RISK</b>				
	<b>Long Position</b>	<b>Short Position</b>		
	<b>RM'000</b>	<b>RM'000</b>		
Interest Rate Exposure	353,100	(83,378)	260,549	20,844
Foreign Currency Exposure	-	(21,756)	21,756	1,740
Equity Exposure	57	-	114	9
<b>TOTAL for Market Exposure</b>	<b>353,157</b>	<b>(105,134)</b>	<b>282,419</b>	<b>22,593</b>
<b>3 OPERATIONAL RISK</b>				
Operational Risk			198,800	15,904
<b>TOTAL RWA AND CAPITAL REQUIREMENT</b>			<b>1,846,537</b>	<b>147,722</b>

**AFFIN Investment Bank Berhad**

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**Notes to the financial statements  
for the financial year ended 31 December 2009 (continued)****38 Capital adequacy (continued)****The Group and The Bank  
2009****Disclosure on Off Balance Sheet and Counterparty Credit Risk**

<b>Nature of item:</b>	<b>Total Principal Amount RM'000</b>	<b>Total Credit Equivalent Amount RM'000</b>	<b>Total Risk Weighted Amount RM'000</b>
<b>Obligations under an on-going underwriting agreement</b>	33,020	16,510	5,240
<b>Foreign exchange related constructs</b>			
Over one year to five years	20,000	2,200	1,100
<b>Interest / Profit rate related contracts</b>			
Over one year to five years	70,202	1,661	830
<b>Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness</b>	26,871	-	-
<b>Total</b>	<b>150,093</b>	<b>20,371</b>	<b>7,170</b>

**AFFIN Investment Bank Berhad**

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**Notes to the financial statements  
for the financial year ended 31 December 2009 (continued)****38 Capital adequacy (continued)**The Group and The Bank  
2008**Disclosure on Off Balance Sheet and Counterparty Credit Risk**

<b>Nature of item:</b>	<b>Total Principal Amount RM'000</b>	<b>Total Credit Equivalent Amount RM'000</b>	<b>Total Risk Weighted Amount RM'000</b>
<b>Obligations under an on-going underwriting agreement</b>	60,214	30,107	20,622
<b>Foreign exchange related contracts</b>			
Over one year to five years	20,000	2,600	1,300
<b>Interest / Profit rate related contracts</b>			
Over one year to five years	53,692	1,525	763
Over five years	17,320	866	433
<b>Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year</b>	1,864	931	931
<b>Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year</b>	22,012	4,402	3,019
<b>Total</b>	<b>175,102</b>	<b>40,431</b>	<b>27,068</b>

## AFFIN Investment Bank Berhad

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### Notes to the financial statements for the financial year ended 31 December 2009 (continued)

#### 38 Capital adequacy (continued)

The Group and The Bank  
2009

#### Disclosure on Credit Risk: Disclosures on Risk Weights

Supervisory Risk Weights	Exposures after Netting and Credit Risk Mitigation						Total	Total Risk Weighted Assets
	Sovereigns & Central Banks	Banks, MDBs and FDIs	Corporates	Regulatory Retail	Equity Exposures	Other Assets		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	1,106,373	10,107	-	-	-	11	1,116,491	-
20%	-	136,241	1,030,277	-	-	25,018	1,191,536	238,307
50%	-	152,869	289,041	-	-	-	441,910	220,955
75%	-	-	-	1,348	-	-	1,348	1,011
100%	-	-	371,542	-	6,539	166,707	544,788	544,788
150%	-	-	80,223	-	53,824	-	134,047	201,070
<b>Total</b>	<b>1,106,373</b>	<b>299,217</b>	<b>1,771,083</b>	<b>1,348</b>	<b>60,363</b>	<b>191,736</b>	<b>3,430,120</b>	<b>1,206,131</b>

**AFFIN Investment Bank Berhad**

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**Notes to the financial statements  
for the financial year ended 31 December 2008 (continued)****38 Capital adequacy (continued)****The Group and The Bank  
2008****Disclosure on Credit Risk: Disclosures on Risk Weights**

Supervisory Risk Weights	Exposures after Netting and Credit Risk Mitigation						Total Weighted Assets	Total Risk Weighted Assets
	Sovereigns & Central Banks	Banks, MDBs and FDIs	Corporates	Regulatory Retail	Equity Exposures	Other Assets		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
0%	424,439	31,013	-	-	-	15	455,467	-
20%	-	174,063	995,971	-	-	858,079	2,028,113	405,624
50%	-	151,400	320,934	-	-	-	472,334	236,167
75%	-	-	-	3,277	-	-	3,277	2,458
100%	-	67,793	264,604	-	679	139,845	472,921	472,921
150%	-	-	111,596	-	53,837	-	165,433	248,149
<b>Total</b>	<b>424,439</b>	<b>424,269</b>	<b>1,693,105</b>	<b>3,277</b>	<b>54,516</b>	<b>997,939</b>	<b>3,597,545</b>	<b>1,365,319</b>

## **AFFIN Investment Bank Berhad**

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### **Notes to the financial statements for the financial year ended 31 December 2009 (continued)**

#### **39 Financial risk management objectives and policies**

As a full-fledged investment bank, the Bank has established robust and comprehensive risk management policies and framework, based on best practices, to ensure that the salient risk elements in the operations of the Bank are adequately managed and mitigated. The Bank's framework for the management of financial risks is congruent with the primary corporate objective of creating and enhancing shareholders' value, guided by a prudent and robust framework of risk management methodologies and policies.

The Bank's risk management policies and framework are reviewed periodically to ensure that they are comprehensive in addressing the multi-faceted risks associated with the investment banking sector.

The Risk Management Division ("RMD") at the group level is primarily responsible for the development and maintenance of the risk management policies and framework of the Bank and supports the functions of Assets and Liabilities Committee ("ALCO"), the Board Risk Management Committee ("BRMC") and the Board Credit Review Committee.

#### **Credit risk**

Credit risk refers to the risk of financial loss arising from defaults by counter parties in meeting their obligations. Exposure to credit risks arises primarily from lending activities, investment and trading activities and from participation in securities settlements and payment transactions.

The risk management policies are subject to review by the BRMC, a sub-committee of the Board that reviews the adequacy of the Bank's risk policies and framework. The Bank's credit risk framework is further strengthened with an established framework for the approval and review of proposals that comprises the Group Management Loan Committee ("GMLC") and the Board Credit Review Committee ("BCRC"). The GMLC represents the approving authority for credit and underwriting proposals, whilst the BCRC is the committee that reviews proposals that exceed specified limits and criteria, as well as to consider whether to reject the proposal or modify the terms of the proposal.

A number of relevant factors are taken into consideration in the identification and analysis of counter party credit risk. Each counterparty is assigned a credit rating under the Credit Risk Rating Framework, which considers factors such as competitive position, operating performance, cash flow strength and management strength. The credit grading system is being revised to make it more robust and risk sensitive. This Basel II compliance project is scheduled for completion by this year end.

## **AFFIN Investment Bank Berhad**

(Incorporated in Malaysia)

### **Notes to the financial statements for the financial year ended 31 December 2009 (continued)**

#### **39 Financial risk management objectives and policies (continued)**

##### **Market risk**

Market risk is defined as the risk to the Bank's financial condition resulting from adverse price or volatility moves in the Bank's portfolio. Under the current risk management framework of the Bank, market risk policies as approved by the Board are reviewed by the BRMC on a regular basis.

The ALCO which comprises senior management of the Bank Group Treasurer and Group Chief Risk Officer supports the BRMC and the Board in the overall market risk management of the Bank. The ALCO oversees the day-to-day management of interest rates exposures. ALCO is also responsible for maximising the Bank's performance within the parameters of the risk policies as well as addresses capital adequacy, assets and liabilities mix, and ensures adequate internal controls for the interest rate management process.

All market risk positions are reported to Management on a daily basis as well as discussed at ALCO and BRMC meetings on a monthly and quarterly basis respectively. For the trading portfolios, market risk is measured and managed daily by the Market Risk Management Department, which is part of the Group Risk Management Division and is primarily controlled through the imposition of cut-loss limits and potential loss limits (Value-at-Risk ('VaR')) which are approved by the Board in accordance with the Bank's risk appetite. These limits are set and reviewed regularly according to a number of factors, including the trading liquidity of the instruments and the Bank's business strategy. In addition, the Bank also conducts periodic stress testing analysis of its respective portfolios to ascertain the market risk under abnormal market conditions.

For the asset liability mismatch position in the Balance Sheet, the Bank employs a software to measure the risk. The risk is measured monthly using Net Interest Income simulations involving various interest rate scenarios.

The market risk management infrastructure is adequate for the Bank's present scale of operations, exposures and business range.

##### **Liquidity risk**

Liquidity risk refers to risk that the Bank is unable to finance or realise its assets in a given timeframe to fulfil its obligation at an acceptable cost. Liquidity obligations arise primarily from withdrawals of deposits, repayments of purchased funds at maturity, extensions of credit and working capital needs.

The Bank's liquidity risk management is guided by the New Liquidity Framework ("NLF") as prescribed by Bank Negara Malaysia and the relevant risk policies of the Bank. Whilst the Bank observes the NLF on a daily basis and meets the liquidity needs of its day-to-day operational requirements, the Bank also strives to optimise the funding costs and diversify the funding sources, customer base and maturity profile.

## **AFFIN Investment Bank Berhad**

(Incorporated in Malaysia)

### **Notes to the financial statements for the financial year ended 31 December 2009 (continued)**

#### **39 Financial risk management objectives and policies (continued)**

##### **Liquidity risk (continued)**

The Bank employs liquidity risk indicators as an early alert of any structural change for liquidity risk management. The risk is measured monthly using internal and external qualitative and quantitative liquidity risk indicators. In addition, the Bank has in place the Contingency Funding Plan to deal with extreme liquidity crisis and emergencies.

##### **Operational risks**

Operational Risk is defined as the risk of loss, resulting from inadequate or failed internal processes, people and systems, or from external events.

An integral part of the Group Operational Risk Management Framework is to create awareness among staff and instil an operational risk management culture, as a means of adding value to the Bank's strategic business objectives and to facilitate measuring, monitoring and controlling the operational risk of the Bank.

The Bank has implemented a group-wide Basel II compliant operational risk management system which adopt a common approach across AFFIN banking group in respect of the operational risk management tools and methodologies and the assessment and analysis of operational risk.

##### **Compliance risk**

Compliance risk refers to risk arising from breaches of applicable law and regulatory requirements governing the operations of the Bank and also internal policies and procedures approved by the management and the board of directors. Legal risks are risks arising from non-compliance with legal obligations and risks of legal rights assumed not being wholly enforceable, and includes the inherent risks from deficient drafting of contractual and public documents and/or inadequate management of litigation matters and financial covenants incumbent on the Bank.

As a full-fledged investment bank, the Bank is subject to various legal/ regulatory requirements and statutory obligations at the entity level and also for the various business segments and services offered by the Bank and these legal/regulatory requirements include the Capital Markets & Services Act 2007, the Rules of Bursa Malaysia Securities Berhad ("Bursa Rules"), and the Anti-Money Laundering and Anti-Terrorism Financing Act 2001 ("AMLA").

Compliance & Supervision Division, which reports directly to the Board Risk Management Committee ("BRMC"), comprises of the Compliance Department and the Legal Department. The compliance and legal risk management policies of the Bank are subject to the review of BRMC. Periodic reports on the state of compliance and legal risks managed in the Bank are also submitted to BRMC to assist monitoring on the same.

## **AFFIN Investment Bank Berhad**

(Incorporated in Malaysia)

### **Notes to the financial statements for the financial year ended 31 December 2009 (continued)**

#### **39 Financial risk management objectives and policies (continued)**

The general scope of work of Compliance Department is to monitor compliance risks emanating from Bursa Rules, compliance risks associated with stockbroking and corporate advisory activities undertaken by the Bank and compliance risks associated with the Bank's operations with regards to AMLA.

Legal Department's role is to advise the Bank on all legal matters including but not limited to reviewing and/or drafting legal documents for the Bank, monitoring and advising on litigation matters and perusal of legal documents prior to draw-down of loans and private debt securities .

#### **Basel II Capital Framework**

Basel II framework prescribes a risk-based approach to ascertain adequacy of capital. The Bank in conjunction with the AFFIN banking group has in Year 2007 implemented the Standardized and Basic Indicator approaches under Basel II in respect of Credit and Operational risks respectively.

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**Notes to the financial statements  
for the financial year ended 31 December 2009 (continued)****40 Interest rate risk**

The tables below summarise the Group's and the Bank's exposure to interest rate risks. Included in the table are the Group's and the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The off-balance sheet gap represents the interest rate sensitive commitments and contingencies.

<b>The Group 2009</b>	<b>Up to 1 month RM'000</b>	<b>1 – 3 months RM'000</b>	<b>3 – 12 months RM'000</b>	<b>1 – 5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Non-interest sensitive RM'000</b>	<b>Trading book RM'000</b>	<b>Total RM'000</b>	<b>Weighted average rate %</b>
<b>Assets</b>									
Cash and short-term funds	57,993	-	-	-	-	36,475	-	94,468	1.98
Deposits and placements with financial institutions	-	-	10,462	-	-	-	-	10,462	2.05
Securities									
- Available-for-sale securities	168,483	171,130	333,672	1,617,667	391,413	6,876 +	-	2,689,241	4.29
- Held-to-maturity securities	-	-	-	36,075	16	651 *	-	36,742	5.01
Loans, advances and financing									
- Performing	338,273	164,949	97	1,665	7,592	(8,209) ^	-	504,367	4.18
- Non-performing	-	-	-	-	-	3,265	-	3,265	
Other assets <sup>(1)</sup>	-	-	-	-	-	220,180	-	220,180	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	25,382	-	25,382	
Land held for sale	-	-	-	-	-	62,354	-	62,354	
<b>Total assets</b>	<b>564,749</b>	<b>336,079</b>	<b>344,231</b>	<b>1,655,407</b>	<b>399,021</b>	<b>346,974</b>	<b>-</b>	<b>3,646,461</b>	

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**Notes to the financial statements  
for the financial year ended 31 December 2009 (continued)****40 Interest rate risk (continued)**

<b>The Group 2009</b>	<b>Up to 1 month RM'000</b>	<b>1 – 3 months RM'000</b>	<b>3 – 12 months RM'000</b>	<b>1 – 5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Non-interest sensitive RM'000</b>	<b>Trading book RM'000</b>	<b>Total RM'000</b>	<b>Weighted average rate %</b>
<b>Liabilities</b>									
Deposits from customers	1,308,492	559,122	550,540	-	-	-	-	2,418,154	2.39
Deposits and placement of banks and other financial institution	303,561	71,323	61,938	-	-	-	-	436,822	1.59
Trade payables	-	-	-	-	-	74,330	-	74,330	
Other liabilities	-	-	-	-	-	168,606	-	168,606	
<b>Total liabilities</b>	<b>1,612,053</b>	<b>630,445</b>	<b>612,478</b>	<b>-</b>	<b>-</b>	<b>242,936</b>	<b>-</b>	<b>3,097,912</b>	
Share capital	-	-	-	-	-	222,246	-	222,246	
Reserves	-	-	-	-	-	326,303	-	326,303	
<b>Shareholders' equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>548,549</b>	<b>-</b>	<b>548,549</b>	
<b>Total liabilities and shareholders' equity</b>	<b>1,612,053</b>	<b>630,445</b>	<b>612,478</b>	<b>-</b>	<b>-</b>	<b>791,485</b>	<b>-</b>	<b>3,646,461</b>	
<b>On balance sheet interest sensitivity gap</b>	<b>(1,047,304)</b>	<b>(294,366)</b>	<b>(268,247)</b>	<b>1,655,407</b>	<b>399,021</b>	<b>(444,511)</b>	<b>-</b>	<b>-</b>	

<sup>+</sup> Included in available-for-sale securities is impairment on securities of RM48.13 million.

<sup>\*</sup>Included in held-to-maturity securities is allowance for impairment on securities of RM5.08 million.

<sup>^</sup>The negative balance represents general allowances for loans, advances and financing in accordance with the Bank's accounting policy on allowance for bad and doubtful debts and financing.

- (1) Other assets include property and equipment, intangible assets, tax recoverable, other assets, trade receivables and deferred tax assets.
- (2) Other liabilities include provision for taxation and zakat, other liabilities, amount due to holding company, liabilities directly associated with non-current assets classified as held for sale, and deferred tax liabilities.

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**Notes to the financial statements  
for the financial year ended 31 December 2009 (continued)****40 Interest rate risk (continued)**

<b>The Group 2008</b>	<b>Up to 1 month RM'000</b>	<b>1 – 3 months RM'000</b>	<b>3 – 12 months RM'000</b>	<b>1 – 5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Non-interest sensitive RM'000</b>	<b>Trading book RM'000</b>	<b>Total RM'000</b>	<b>Weighted average rate %</b>
<b>Assets</b>									
Cash and short-term funds	170,256	-	-	-	-	8,331	-	178,587	3.32
Deposits and placements with financial institutions	-	-	9,420	-	-	-	-	9,420	3.49
Securities									
- Held-for-trading securities	-	-	-	-	-	-	264,536	264,536	6.90
- Available-for-sale securities	88,881	262,715	382,155	990,225	134,567 +	-	-	1,858,543	4.67
- Held-to-maturity securities	-	-	885	41,372	16	(2,621) *	-	39,652	4.38
Loans, advances and financing									
- Performing	400,143	6	25	1,506	7,878	(8,101) ^	-	401,457	6.18
- Non-performing	-	-	-	-	-	9,965	-	9,965	
Other assets <sup>(1)</sup>	-	-	-	-	-	164,030	-	164,030	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	71,028	-	71,028	
Land held for sale	-	-	-	-	-	72,412	-	72,412	
<b>Total assets</b>	<b>659,280</b>	<b>262,721</b>	<b>392,485</b>	<b>1,033,103</b>	<b>142,461</b>	<b>315,044</b>	<b>264,536</b>	<b>3,069,630</b>	

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**Notes to the financial statements  
for the financial year ended 31 December 2009 (continued)****40 Interest rate risk (continued)**

<b>The Group 2008</b>	<b>Up to 1 month RM'000</b>	<b>1 – 3 months RM'000</b>	<b>3 – 12 months RM'000</b>	<b>1 – 5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Non-interest sensitive RM'000</b>	<b>Trading book RM'000</b>	<b>Total RM'000</b>	<b>Weighted average rate %</b>
<b>Liabilities</b>									
Deposits from customers	1,254,281	426,475	434,224	99,980	-	-	-	2,214,960	3.43
Deposits and placement of banks and other financial institution	83,685	37,320	62,797	-	-	-	-	183,802	3.19
Trade payables	-	-	-	-	-	36,941	-	36,941	
Other liabilities <sup>(2)</sup>	-	-	-	-	-	114,993	-	114,993	
<b>Total liabilities</b>	<b>1,337,966</b>	<b>463,795</b>	<b>497,021</b>	<b>99,980</b>	<b>-</b>	<b>151,934</b>	<b>-</b>	<b>2,550,696</b>	
Share capital	-	-	-	-	-	222,246	-	222,246	
Reserves	-	-	-	-	-	296,688	-	296,688	
<b>Shareholders' equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>518,934</b>	<b>-</b>	<b>518,934</b>	
<b>Total liabilities and shareholders' equity</b>	<b>1,337,966</b>	<b>463,795</b>	<b>497,021</b>	<b>99,980</b>	<b>-</b>	<b>670,868</b>	<b>-</b>	<b>3,069,630</b>	
<b>On balance sheet interest sensitivity gap</b>	<b>(678,686)</b>	<b>(201,074)</b>	<b>(104,536)</b>	<b>933,123</b>	<b>142,461</b>	<b>(355,824)</b>	<b>264,536</b>	<b>-</b>	

<sup>+</sup> Included in available-for-sale securities is impairment on securities of RM39.04 million.

<sup>\*</sup>Included in held-to-maturity securities is allowance for impairment on securities of RM7.58 million.

<sup>^</sup>The negative balance represents general allowances for loans, advances and financing in accordance with the Bank's accounting policy on allowance for bad and doubtful debts and financing.

(1) Other assets include property and equipment, intangible assets, tax recoverable, other assets, trade receivables and deferred tax assets.

(2) Other liabilities include provision for taxation and zakat, other liabilities, amount due to holding company, liabilities directly associated with non-current assets classified as held for sale, and deferred tax liabilities.

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(Incorporated in Malaysia)

**Notes to the financial statements  
for the financial year ended 31 December 2009 (continued)****40 Interest rate risk (continued)**

<b>The Bank 2009</b>	<b>Up to 1 month RM'000</b>	<b>1 – 3 months RM'000</b>	<b>3 – 12 months RM'000</b>	<b>1 – 5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Non-interest sensitive RM'000</b>	<b>Trading book RM'000</b>	<b>Total RM'000</b>	<b>Weighted average rate %</b>
<b>Assets</b>									
Cash and short-term funds	57,993	-	-	-	-	34,536	-	92,529	1.98
Securities									
- Available-for-sale securities	168,483	171,130	333,672	1,617,667	391,413	6,876 +	-	2,689,241	4.29
- Held-to-maturity securities	-	-	-	36,075	16	651 *	-	36,742	5.01
Loans, advances and financing									
- Performing	338,273	164,949	97	1,665	7,592	(8,209) ^	-	504,367	4.18
- Non-performing	-	-	-	-	-	3,265	-	3,265	
Other assets <sup>(1)</sup>	-	-	-	-	-	270,701	-	270,701	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	25,382	-	25,382	
<b>Total assets</b>	<b>564,749</b>	<b>336,079</b>	<b>333,769</b>	<b>1,655,407</b>	<b>399,021</b>	<b>333,202</b>	<b>-</b>	<b>3,622,227</b>	

**AFFIN Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the financial statements  
for the financial year ended 31 December 2009 (continued)****40 Interest rate risk (continued)**

<b>The Bank 2009</b>	<b>Up to 1 month RM'000</b>	<b>1 – 3 months RM'000</b>	<b>3 – 12 months RM'000</b>	<b>1 – 5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Non-interest sensitive RM'000</b>	<b>Trading book RM'000</b>	<b>Total RM'000</b>	<b>Weighted average rate %</b>
<b>Liabilities</b>									
Deposits from customers	1,308,995	559,122	551,546	-	-	-	-	2,419,663	2.39
Deposits and placement of banks and other financial institution	303,561	71,323	61,938	-	-	-	-	436,822	1.59
Trade payables	-	-	-	-	-	74,330	-	74,330	
Other liabilities <sup>(2)</sup>	-	-	-	-	-	139,956	-	139,956	
<b>Total liabilities</b>	<b>1,612,556</b>	<b>630,445</b>	<b>613,484</b>	<b>-</b>	<b>-</b>	<b>214,286</b>	<b>-</b>	<b>3,070,771</b>	
Share capital	-	-	-	-	-	222,246	-	222,246	
Reserves	-	-	-	-	-	329,210	-	329,210	
<b>Shareholders' equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>551,456</b>	<b>-</b>	<b>551,456</b>	
<b>Total liabilities and shareholders' equity</b>	<b>1,612,556</b>	<b>630,445</b>	<b>613,484</b>	<b>-</b>	<b>-</b>	<b>765,742</b>	<b>-</b>	<b>3,622,227</b>	
<b>On balance sheet interest sensitivity gap</b>	<b>(1,047,807)</b>	<b>(294,366)</b>	<b>(279,715)</b>	<b>1,655,407</b>	<b>399,021</b>	<b>(432,540)</b>	<b>-</b>	<b>-</b>	

+ Included in available-for-sale securities is impairment on securities of RM48.13 million.

\*Included in held-to-maturity securities is allowance for impairment on securities of RM5.08 million.

^The negative balance represents general allowances for loans, advances and financing in accordance with the Bank's accounting policy on allowance for bad and doubtful debts and financing.

(1) Other assets include property and equipment, intangible assets, tax recoverable, other assets, trade receivables and deferred tax assets.

(2) Other liabilities include provision for taxation and zakat, other liabilities, amount due to holding company, liabilities directly associated with non-current assets classified as held for sale, and deferred tax liabilities.

**AFFIN Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the financial statements  
for the financial year ended 31 December 2009 (continued)****40 Interest rate risk (continued)**

<b>The Bank 2008</b>	<b>Up to 1 month RM'000</b>	<b>1 – 3 months RM'000</b>	<b>3 – 12 months RM'000</b>	<b>1 – 5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Non-interest sensitive RM'000</b>	<b>Trading book RM'000</b>	<b>Total RM'000</b>	<b>Weighted average rate %</b>
<b>Assets</b>									
Cash and short-term funds	170,256	-	-	-	-	4,901	-	175,157	3.19
Securities									
- Held-for-trading securities	-	-	-	-	-	-	264,536	264,536	6.90
- Available-for-sale securities	88,881	262,715	382,155	990,225	134,567 +	-	-	1,858,543	4.67
- Held-to-maturity securities	-	-	885	41,372	16	(2,621) *	-	39,652	4.38
Loans, advances and financing									
- Performing	400,143	6	25	1,506	7,878	(8,101) ^	-	401,457	6.18
- Non-performing	-	-	-	-	-	9,965	-	9,965	
Other assets <sup>(1)</sup>	-	-	-	-	-	221,944	-	221,944	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	71,028	-	71,028	
<b>Total assets</b>	<b>659,280</b>	<b>262,721</b>	<b>383,065</b>	<b>1,033,103</b>	<b>142,461</b>	<b>297,116</b>	<b>264,536</b>	<b>3,042,282</b>	

**AFFIN Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the financial statements  
for the financial year ended 31 December 2009 (continued)****40 Interest rate risk (continued)**

<b>The Bank 2008</b>	<b>Up to 1 month RM'000</b>	<b>1 – 3 months RM'000</b>	<b>3 – 12 months RM'000</b>	<b>1 – 5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Non-interest sensitive RM'000</b>	<b>Trading book RM'000</b>	<b>Total RM'000</b>	<b>Weighted average rate %</b>
<b>Liabilities</b>									
Deposits from customers	1,255,655	426,475	434,224	99,980	-	-	-	2,216,334	3.43
Deposits and placement of banks and other financial institution	83,685	37,320	62,797	-	-	-	-	183,802	3.19
Trade payables	-	-	-	-	-	36,941	-	36,941	
Other liabilities <sup>(2)</sup>	-	-	-	-	-	85,834	-	85,834	
<b>Total liabilities</b>	<b>1,339,340</b>	<b>463,795</b>	<b>497,021</b>	<b>99,980</b>	<b>-</b>	<b>122,775</b>	<b>-</b>	<b>2,522,911</b>	
Share capital	-	-	-	-	-	222,246	-	222,246	
Reserves	-	-	-	-	-	297,125	-	297,125	
<b>Shareholders' equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>519,371</b>	<b>-</b>	<b>519,371</b>	
<b>Total liabilities and shareholders' equity</b>	<b>1,339,340</b>	<b>463,795</b>	<b>497,021</b>	<b>99,980</b>	<b>-</b>	<b>642,146</b>	<b>-</b>	<b>3,042,282</b>	
<b>On balance sheet interest sensitivity gap</b>	<b>(680,060)</b>	<b>(201,074)</b>	<b>(113,956)</b>	<b>933,123</b>	<b>142,461</b>	<b>(345,030)</b>	<b>264,536</b>	<b>-</b>	

<sup>+</sup> Included in available-for-sale securities is impairment on securities of RM39.04 million.

<sup>\*</sup>Included in held-to-maturity securities is allowance for impairment on securities of RM7.58 million.

<sup>^</sup>The negative balance represents general allowances for loans, advances and financing in accordance with the Bank's accounting policy on allowance for bad and doubtful debts and financing.

(1) Other assets include property and equipment, intangible assets, tax recoverable, other assets, trade receivables and deferred tax assets.

(2) Other liabilities include provision for taxation and zakat, other liabilities, amount due to holding company, liabilities directly associated with non-current assets classified as held for sale, and deferred tax liabilities.

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**Notes to the financial statements  
for the financial year ended 31 December 2009 (continued)****41 Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The following tables analyses the Group and the Bank's financial assets and commitments and contingencies by industry concentration as at the balance sheet date:

The Group 2009	Deposit and placements		Available- for-sale securities RM'000	Held-to- maturity securities RM'000	Loans, advances and financing RM'000	Trade receivables RM'000	Other assets RM'000	Total on- balance sheet RM'000	Commitments and contingencies RM'000
	Cash and short-term funds RM'000	with financial institutions RM'000							
	Agricultural	-							
Manufacturing	-	-	68,458	2,411	20,126	-	2,633	93,628	7,537
Electricity, gas and water	-	-	143,132	-	-	-	1,941	145,073	-
Construction	-	-	585	-	120,723	-	2,863	124,171	-
Real estate	-	-	62,171	-	94,973	-	-	157,144	-
General commerce	-	-	-	-	-	131	167	298	-
Transport, storage and communication	-	-	156,871	-	124,492	-	673	282,036	5,100
Finance, insurance and business	94,389	10,462	911,837	-	-	931	11,437	1,029,056	3,861
Government and government agencies	79	-	1,045,583	-	-	-	9,673	1,055,335	-
Purchase of securities	-	-	-	-	31,450	77,262	-	108,712	-
Others	-	-	255,677	33,680	54,790	-	4,085	348,232	3,873
	94,468	10,462	2,689,241	36,091 #	515,840 ^	78,324	34,033 *	3,458,459	20,371

# Excludes investments in quoted and unquoted shares with carrying values amounting to RM0.65 million.

^ Excludes general allowance amounting to RM8.21 million.

\* Excludes prepayment and tax recoverable amounting to RM4.81 million.

Risk concentration for commitments and contingencies are based on the credit equivalent balances in Note 35.

**AFFIN Investment Bank Berhad**

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**Notes to the financial statements  
for the financial year ended 31 December 2009 (continued)****41 Credit risk (continued)**

The Group 2008	Deposit and placements		Held-for- trading securities RM'000	Available- for-sale securities RM'000	Held-to- maturity securities RM'000	Loans, advances and financing RM'000	Trade receivables RM'000	Other assets RM'000	Total on- balance sheet RM'000	Commitments and contingencies RM'000
	Cash and short-term funds RM'000	with financial institutions RM'000								
Agricultural	-	-	-	-	-	130,399	-	-	130,399	-
Manufacturing	-	-	-	180,157	3,965	6,700	-	1,512	192,334	6,000
Electricity, gas and water	-	-	92,921	38,384	-	-	-	1,828	133,133	-
Construction	-	-	5,000	64,411	-	130,091	-	-	199,502	-
Real estate	-	-	-	-	-	56,657	-	-	56,657	5,057
General commerce	-	-	-	-	-	-	135	1,799	1,934	-
Transport, storage and communication	-	-	88,527	166,701	-	43,930	-	3,877	303,035	3,900
Finance, insurance and business	178,523	9,420	9,948	837,838	-	-	1,154	11,109	1,047,992	4,990
Government and government agencies	64	-	-	360,743	-	-	-	3,017	363,824	-
Purchase of securities	-	-	-	-	-	418	37,937	-	38,355	4,402
Others	-	-	68,140	210,309	35,021	51,327	-	3,512	368,309	16,082
	178,587	9,420	264,536	1,858,543	38,986 #	419,522 ^	39,226	26,654 *	2,835,474	40,431

# Excludes investments in quoted and unquoted shares with carrying values amounting to RM0.67 million.

^ Excludes general allowance amounting to RM8.10 million.

\* Excludes prepayment &amp; tax recoverable amounting to RM3.73 million.

Risk concentration for commitments and contingencies are based on the credit equivalent balances in Note 35.

**AFFIN Investment Bank Berhad**

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**Notes to the financial statements  
for the financial year ended 31 December 2009 (continued)****41 Credit risk (continued)****The Bank  
2009**

	<b>Cash and short-term funds RM'000</b>	<b>Available- for-sale securities RM'000</b>	<b>Held-to- maturity securities RM'000</b>	<b>Loans, advances and financing RM'000</b>	<b>Trade receivables RM'000</b>	<b>Other assets RM'000</b>	<b>Total on- balance sheet RM'000</b>	<b>Commitments and contingencies RM'000</b>
Agricultural	-	44,927	-	69,286	-	561	114,774	-
Manufacturing	-	68,458	2,411	20,126	-	2,633	93,628	7,537
Electricity, gas and water	-	143,132	-	-	-	1,941	145,073	-
Construction	-	585	-	120,723	-	863	122,171	-
Real estate	-	62,171	-	94,973	-	-	157,144	-
General commerce	-	-	-	-	-	167	167	-
Transport, storage and communication	-	156,871	-	124,492	-	673	282,036	5,100
Finance, insurance and business	92,450	911,837	-	-	-	7,379	1,011,666	3,861
Government and government agencies	79	1,045,583	-	-	-	9,673	1,055,335	-
Purchase of securities	-	-	-	31,450	77,262	-	108,712	-
Others	-	255,677	33,680	54,790	-	4,085	348,232	3,873
	<u>92,529</u>	<u>2,689,241</u>	<u>36,091</u> #	<u>515,840</u> ^	<u>77,262</u>	<u>27,975</u> *	<u>3,438,938</u>	<u>20,371</u>

# Excludes investments in quoted and unquoted shares with carrying values amounting to RM0.65 million.

^ Excludes general allowance amounting to RM8.21 million.

\* Excludes prepayment and tax recoverable amounting to RM4.45 million.

Risk concentration for commitments and contingencies are based on the credit equivalent balances in Note 35.

**AFFIN Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the financial statements  
for the financial year ended 31 December 2009 (continued)****41 Credit risk (continued)****The Bank  
2008**

	<b>Cash and short-term funds RM'000</b>	<b>Held-for- trading securities RM'000</b>	<b>Available- for-sale securities RM'000</b>	<b>Held-to- maturity securities RM'000</b>	<b>Loans, advances and financing RM'000</b>	<b>Trade receivables RM'000</b>	<b>Other assets RM'000</b>	<b>Total on- balance sheet RM'000</b>	<b>Commitments and contingencies RM'000</b>
Agricultural	-	-	-	-	130,399	-	-	130,399	-
Manufacturing	-	-	180,157	3,965	6,700	-	1,512	192,334	6,000
Electricity, gas and water	-	92,921	38,384	-	-	-	1,828	133,133	-
Construction	-	5,000	64,411	-	130,091	-	-	199,502	-
Real estate	-	-	-	-	56,657	-	-	56,657	5,057
General commerce	-	-	-	-	-	-	456	456	-
Transport, storage and communication	-	88,527	166,701	-	43,930	-	3,877	303,035	3,900
Finance, insurance and business	175,093	9,948	837,838	-	-	-	8,190	1,031,069	4,990
Government and government agencies	64	-	360,743	-	-	-	3,017	363,760	-
Purchase of securities	-	-	-	-	418	37,937	-	38,355	4,402
Others	-	68,140	210,309	35,021	51,327	-	3,531	368,328	16,082
	<u>175,157</u>	<u>264,536</u>	<u>1,858,543</u>	<u>38,986</u> #	<u>419,522</u> ^	<u>37,937</u>	<u>22,411</u> *	<u>2,817,028</u>	<u>40,431</u>

# Excludes investments in quoted and unquoted shares with carrying values amounting to RM0.67 million.

^ Excludes general allowance amounting to RM8.10 million.

\* Excludes prepayment &amp; tax recoverable amounting to RM3.29 million.

Risk concentration for commitments and contingencies are based on the credit equivalent balances in Note 35.

**AFFIN Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the financial statements  
for the financial year ended 31 December 2009 (continued)****42 Fair value of financial instruments**

Financial instruments comprise of financial assets, financial liabilities and also off-balance sheet financial instruments. The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents estimates of fair values as at the balance sheet date.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the uncertainties and assumptions could materially affect these estimates and the resulting fair value estimates.

In addition, fair value information for non-financial assets and liabilities is excluded as they do not fall within the scope of FRS 132 "Financial Instruments - Disclosure and Presentation" which requires the fair value information to be disclosed. These include land held for development, property, plant and equipment, investment in subsidiaries, deferred taxation assets and provision for taxation and zakat.

The fair value of the financial assets and financial liabilities of the Group and the Bank approximated to their respective carrying value as at the balance sheet date, except for the following:

	2009		2008	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
<b>The Group</b>				
<u>Financial assets</u>				
Held-to-maturity securities	<u>36,742</u>	<u>52,393</u>	39,652	49,659
<u>Financial liabilities</u>				
Deposits from customers	<u>2,418,154</u>	<u>2,426,499</u>	2,214,960	2,301,235
<b>The Bank</b>				
<u>Financial assets</u>				
Held-to-maturity securities	<u>36,742</u>	<u>52,393</u>	39,652	49,659
<u>Financial liabilities</u>				
Deposits from customers	<u>2,419,663</u>	<u>2,428,008</u>	2,216,334	2,299,868

## AFFIN Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the financial statements for the financial year ended 31 December 2009 (continued)

#### 42 Fair value of financial instruments (continued)

The fair values of derivative financial instruments at the balance sheet date are as follows:

	The Group and the Bank					
	2009			2008		
	Underlying notional RM'000	Asset RM'000	Liability RM'000	Underlying notional RM'000	Asset RM'000	Liability RM'000
<b>Foreign exchange contracts</b>						
Swaps	20,000	-	905	20,000	-	1,825
<b>Interest rate contracts</b>						
Swaps	70,202	-	4,507	71,012	-	5,809

The derivative financial instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuation in market interest rates or foreign exchange rates relative to their terms. The extent to which instruments are favourable or unfavourable and the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The fair values estimates were determined by application of the following methodologies and assumptions:

#### Short term funds and placements with banks and other financial institutions

For short-term funds and placements with banks and other financial institutions with maturities of less than six months, the carrying amount is a reasonable estimate of the fair value.

For amounts with maturities of six months or more, fair values have been estimated by reference to current rates at which similar deposits and placements would be made with similar risks and maturity profile.

## **AFFIN Investment Bank Berhad**

(Incorporated in Malaysia)

### **Notes to the financial statements for the financial year ended 31 December 2009 (continued)**

#### **42 Fair value of financial instruments (continued)**

##### **Held-for-trading, available-for-sale and held-to-maturity securities**

The fair values of held-for-trading, available-for-sale and held-to-maturity securities are reasonable estimates based on quoted market prices. In the absence of such quoted prices, the fair values are based on the expected cash flows of the instruments discounted by indicative market yields.

##### **Loans, advances and financing**

Loans and advances issued by the Bank comprise floating rate loans and fixed rate loans.

For performing floating rate loans, the carrying amount is a reasonable estimate of their fair values.

The fair values of performing fixed rate loans are arrived at using the discounted cash flow methodology and prevailing market rates of similarly profiled loans.

The fair values of impaired loans and advances are represented by their carrying values, net of specific provisions, being the expected recoverable amount.

##### **Derivative financial instruments**

The fair value of exchange rate and interest rate contracts is the estimated amount the Group would receive or pay to terminate the contracts at the reporting date.

##### **Other assets and other liabilities**

The carrying value less any estimated allowances for financial assets and liabilities in "other assets and other liabilities" are assumed to approximate their value as these items are not materially sensitive to the shift in market interest rates.

## **AFFIN Investment Bank Berhad**

(Incorporated in Malaysia)

### **Notes to the financial statements for the financial year ended 31 December 2009 (continued)**

#### **42 Fair value of financial instruments (continued)**

##### **Deposits from customers**

The carrying values of deposits from customers with maturities of six months or less are assumed to be reasonable estimates of their fair values. Where the remaining maturities of deposits from customers are above six months, their estimated fair values are arrived at using the discounted cash flow methodology and prevailing market rates of similarly profiled deposits.

##### **Deposits and placements of banks and other financial institutions**

The carrying values of deposits and placements of banks and other financial institutions with maturities of six months or less are assumed to be reasonable estimates of their fair values. Where the remaining maturities of deposits placements of banks and other financial institutions are above six months, their estimated fair values are arrived at using the discounted cash flow methodology and prevailing market rates of similarly profiled deposits.

##### **Commitments and financial guarantees**

A fair value is not ascribed to credit commitment and guarantees as estimated fair values are not readily ascertainable. These financial instruments are generally not sold or traded. They generate on-going fees at the Group's current pricing levels which are in line with general market prices. The fair values may be represented by the present value of fees expected to be received, less associated costs. The overall level of fees involved is not material.

#### **43 Critical accounting estimate and judgment**

Estimates and judgments are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

##### Critical accounting estimates and assumptions

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

## **AFFIN Investment Bank Berhad**

(Incorporated in Malaysia)

### **Notes to the financial statements for the financial year ended 31 December 2009 (continued)**

#### **43 Critical accounting estimate and judgment (continued)**

The Group makes allowance for losses based on assessment of recoverability. Whilst management's judgment is guided by the relevant BNM Guidelines, judgement is made about the future and other key factors in respect of the recovery of loans, advances and securities. Among the factors considered are the Group's aggregate exposure to the borrower, the net realisable value of the underlying collateral value, the viability of the customer's business model and the capacity to generate sufficient cash flow to service debt or security obligations and the aggregate amount and ranking of all other creditor claims.

##### Estimated impairment of goodwill

The Group performs an impairment review on an annual basis to ensure that the carrying value of the goodwill does not exceed its recoverable amounts from cash-generating units to which the goodwill is allocated. The recoverable amount represents the present value of the estimated future cash flows expected to arise from continuing operations. Therefore, in arriving at the recoverable amount, management exercise judgement in estimating the future cash flows, growth rate and discount rate.

The recoverable amount of stockbroking business (the cash-generating unit which goodwill is allocated) was determined based on discounted cash flow valuation model. The calculations require the use of estimates as set out in Note 16 to the financial statements.

#### **44 Credit exposures arising from transactions with connected parties**

The following credit exposure are based on Bank Negara Malaysia's revised Guidelines on Credit Transaction and Exposures with Connected Parties, which was effective 1 January 2009:

i) The aggregate value of outstanding credit exposures with connected parties (RM'000)	198,423
ii) The percentage of outstanding credit exposures to connected parties as a proportion of credit exposures	7.91%
iii) The percentage of outstanding credit exposures with connected which is non-performing or in default	-

#### **45 Approval of financial statements**

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 25 February 2010.

Company No: 9999V

## **AFFIN Investment Bank Berhad**

(Incorporated in Malaysia)

### **Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965**

We, Larry Seow Thiam Fatt and Maimoonah Mohamed Hussain, being two of the Directors of AFFIN Investment Bank Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 20 to 112 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Bank as at 31 December 2009 and of the results and cash flows of the Group and the Bank for the for the financial year ended on that date in accordance with the MASB Approved Accounting Standards for Entities Other Than Private Entities, Bank Negara Malaysia Guidelines and the provisions of the Companies Act, 1965.

Signed on behalf of the Board of Directors in accordance with their resolution dated 25 February 2010.

**Larry Seow Thiam Fatt**

Director

**Maimoonah Mohamed Hussain**

Managing Director

### **Statutory declaration**

I, Samad Majid Zain, being the officer primarily responsible for the financial management of AFFIN Investment Bank Berhad, do solemnly and sincerely declare that in my opinion, the financial statements set out on pages 20 to 112 are correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

**Samad Majid Zain**

Subscribed and solemnly declared at Kuala Lumpur on 25 February 2010.

Before me:

Commissioner for Oaths

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF AFFIN INVESTMENT BANK BERHAD  
(Incorporated in Malaysia)  
(Company No. 9999 V)**

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of AFFIN Investment Bank Berhad, which comprise the balance sheets as at 31 December 2009 of the Group and of the Bank, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Bank for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 20 to 112.

Directors' Responsibility for the Financial Statements

The directors of the Bank are responsible for the preparation and fair presentation of these financial statements in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities, Bank Negara Malaysia Guidelines and the Companies Act, 1965. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF AFFIN INVESTMENT BANK BERHAD (continued)  
(Incorporated in Malaysia)  
(Company No. 9999 V)**

REPORT ON THE FINANCIAL STATEMENTS (continued)

Auditors' Responsibility (continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities, Bank Negara Malaysia Guidelines and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Bank as of 31 December 2009 and of their financial performance and cash flows for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Bank's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- c) Our audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF AFFIN INVESTMENT BANK BERHAD (continued)  
(Incorporated in Malaysia)  
(Company No. 9999 V)**

OTHER MATTERS

This report is made solely to the members of the Bank, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**PricewaterhouseCoopers**  
(AF: 1146)  
Chartered Accountants

**Mohammad Faiz Bin Mohammad Azmi**  
(No. 2025/03/10 (J))  
Chartered Accountants

Kuala Lumpur  
25 February 2010