

Company No: 9999V

AFFIN Investment Bank Berhad

(Incorporated in Malaysia)

Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosure

1) Scope of Application (Qualitative Disclosure)

Affin Investment Bank Berhad ("the Bank") is primarily involved in investment banking, stockbroking activities and related financial services. The Bank implemented the Basel II - Risk Weighted Asset Computation under the Bank Negara Malaysia ("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 the Basic Indicator Approach for operational risk computation.

The principal activities of the Bank's subsidiaries is the provision of nominee services, investment holdings, asset management and management of unit trust:-

Subsidiaries	Principal activities	Basis of Consolidation
Affin Fund Management Bhd	Asset management and management of unit trust	Fully Consolidated
Affin Nominees (Tempatan) Sdn Bhd	Nominees Services	Given a deduction treatment
Affin Nominees (Asing) Sdn Bhd	Nominees Services	Given a deduction treatment
Classic Precision Sdn Bhd	Investment Holdings	Given a deduction treatment
Merchant Nominees (Tempatan) Sdn Bhd	Dormant and undergoing member's voluntary liquidation	Given a deduction treatment
Merchant Nominees (Asing) Sdn Bhd	Dormant and undergoing member's voluntary liquidation	Given a deduction treatment

There are no restrictions or other major impediments on transfer of funds or regulatory capital within the group.

2a) Capital Adequacy (Qualitative Disclosure)

The Bank's objective in managing its capital resources is to maintain sufficient and adequate capital resources given current and future requirements. This is achieved by making sure that resources remain in excess of the minimum 8% regulatory requirements imposed by BNM and internal target (which provides a buffer above minimum requirements). Robust governance and operational processes have been put in place to support this.

2b) Capital Adequacy (Quantitative Disclosure)

	The Group (Consolidated) RM'000	The Bank (Global) RM'000
Capital Base	508,406	490,053
Risk weighted capital ratio	30.54%	29.96%
Risk weighted capital ratio (net of proposed dividends)	29.54%	28.94%
Tier 1	508,406	490,053
Core capital ratio	30.54%	29.96%
Core capital ratio (net of proposed dividends)	29.54%	28.94%

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2c) Capital Adequacy (Quantitative Disclosure) (continued)

The Group

2010

1	Exposure Class	Gross Exposures		Assets	Capital Requirements
		RM'000	RM'000	RM'000	RM'000
1	CREDIT RISK				
	<u>On Balance Sheet Exposures</u>				
	Sovereigns/Central Banks		1,663,753	-	-
	Banks, Development Financial Institutions & MDBs		444,216	138,697	11,096
	Corporate		1,491,320	881,846	70,548
	Regulatory Retail		4,153	1,252	100
	Equity Exposure		67,573	85,946	6,876
	Other Assets		319,647	187,376	14,990
	Defaulted Exposures		73,854	102,337	8,187
	TOTAL On-Balance Sheet Exposures		4,064,516	1,397,454	111,797
	<u>Off Balance Sheet Exposures</u>				
	Off Balance sheet Exposures other than OTC derivatives or credit derivatives		12,108	3,100	248
	Defaulted Exposures		-	-	-
	TOTAL Off-Balance Sheet Exposures		12,108	3,100	248
TOTAL On and Off-Balance Sheet Exposures		4,076,624	1,400,554	112,045	
2	MARKET RISK (Standardised Approach)	Long Position	Short Position		
	Interest Rate Risk	32,517	(32,517)	7,864	629
	Foreign Currency Risk	-	(20,658)	20,658	1,653
3	OPERATIONAL RISK (Basic Indicator Approach)	32,517	(53,175)	28,522	2,282
	Operational Risk			235,386	18,831
TOTAL RWA and Capital Requirements				1,664,462	133,158

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2c) Capital Adequacy (Quantitative Disclosure) (continued)

The Bank

2010

1	Exposure Class	Gross Exposures		Assets	Capital Requirements
		RM'000	RM'000	RM'000	RM'000
1	CREDIT RISK				
	<u>On Balance Sheet Exposures</u>				
	Sovereigns/Central Banks		1,663,753	-	-
	Banks, Development Financial Institutions & MDBs		433,062	136,466	10,917
	Corporate		1,491,320	881,846	70,548
	Regulatory Retail		4,153	1,252	100
	Equity Exposure		67,573	85,946	6,876
	Other Assets		314,751	182,480	14,598
	Defaulted Exposures		73,854	102,337	8,187
	TOTAL On-Balance Sheet Exposures		4,048,466	1,390,327	111,226
	<u>Off Balance Sheet Exposures</u>				
	Off Balance sheet Exposures other than OTC derivatives or credit derivatives		12,108	3,100	248
	Defaulted Exposures		-	-	-
	TOTAL Off-Balance Sheet Exposures		12,108	3,100	248
TOTAL On and Off-Balance Sheet Exposures		4,060,574	1,393,427	111,474	
2	MARKET RISK (Standardised Approach)	Long Position	Short Position		
	Interest Rate Risk	32,517	(32,517)	7,864	629
	Foreign Currency Risk	-	(20,658)	20,658	1,653
3	OPERATIONAL RISK (Basic Indicator Approach)	32,517	(53,175)	28,522	2,282
	Operational Risk			213,925	17,114
TOTAL RWA and Capital Requirements				1,635,874	130,870

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2c) Capital Adequacy (Quantitative Disclosure) (continued)

The Group

2009

1	Exposure Class	Gross Exposures		Assets	Capital Requirements
		RM'000	RM'000	RM'000	RM'000
1	CREDIT RISK				
	<u>On Balance Sheet Exposures</u>				
	Sovereigns/Central Banks		1,106,373	-	-
	Banks, Development Financial Institutions & MDBs		311,618	106,162	11,096
	Corporate		1,755,039	722,180	57,774
	Regulatory Retail		3,785	1,011	81
	Equity Exposure		60,363	87,275	6,982
	Other Assets		203,570	183,544	14,684
	Defaulted Exposures		72,992	113,102	9,048
	TOTAL On-Balance Sheet Exposures		3,513,740	1,213,274	99,665
	<u>Off Balance Sheet Exposures</u>				
	Off Balance sheet Exposures other than OTC derivatives or credit derivatives		20,371	7,170	574
	Defaulted Exposures		-	-	-
	TOTAL Off-Balance Sheet Exposures		20,371	7,170	574
TOTAL On and Off-Balance Sheet Exposures		3,534,111	1,220,444	100,239	
2	MARKET RISK (Standardised Approach)	Long Position	Short Position		
	Interest Rate Risk	84,791	(84,791)	20,588	1,647
	Foreign Currency Risk	-	(14,028)	14,022	1,122
3	OPERATIONAL RISK (Basic Indicator Approach)	84,791	(98,819)	34,610	2,769
	Operational Risk			219,876	17,590
TOTAL RWA and Capital Requirements				1,474,930	120,598

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2c) Capital Adequacy (Quantitative Disclosure) (continued)

The Bank

2009

1	Exposure Class	Gross Exposures		Assets	Capital Requirements
		RM'000	RM'000	RM'000	RM'000
1	CREDIT RISK				
	<u>On Balance Sheet Exposures</u>				
	Sovereigns/Central Banks		1,106,373	-	-
	Banks, Development Financial Institutions & MDBs		299,218	103,683	8,295
	Corporate		1,755,039	722,181	57,774
	Regulatory Retail		3,785	1,011	81
	Equity Exposure		60,363	87,275	6,982
	Other Assets		191,735	171,709	13,737
	Defaulted Exposures		72,992	113,102	9,048
	TOTAL On-Balance Sheet Exposures		3,489,505	1,198,961	95,917
	<u>Off Balance Sheet Exposures</u>				
	Off Balance sheet Exposures other than OTC derivatives or credit derivatives		20,371	7,170	574
	Defaulted Exposures		-	-	-
	TOTAL Off-Balance Sheet Exposures		20,371	7,170	574
TOTAL On and Off-Balance Sheet Exposures		3,509,876	1,206,131	96,491	
2	MARKET RISK (Standardised Approach)	Long Position	Short Position		
	Interest Rate Risk	84,791	(84,791)	20,588	1,647
	Foreign Currency Risk	-	(14,028)	14,022	1,122
3	OPERATIONAL RISK (Basic Indicator Approach)	84,791	(98,819)	34,610	2,769
	Operational Risk			214,423	17,154
TOTAL RWA and Capital Requirements				1,455,164	116,414

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3a) Capital Structure (Qualitative Disclosure)

Tier I Capital includes ordinary paid-up share capital, share premium, statutory reserves, audited retained profit and excludes deferred tax asset and goodwill. Tier 2 Capital consists of the collective impairment provision as at the reporting date. However, collective impairment provision and regulatory reserve attributable to the loans classified as impaired but not individually assessed for impairment shall be excluded from Tier 2 capital. The Bank's investment in other banking institutions and investment in subsidiaries will also be deducted in deriving the Total Capital Base.

3b) Capital Structure (Quantitative Disclosure)

The capital adequacy ratios of the Group (Consolidated) are as follows:

	2010 RM'000	2009 RM'000
Tier 1 capital		
Paid-up share capital	222,246	222,246
Share premium	142,270	142,270
Statutory reserve	152,782	136,288
Retained profit	51,205	32,953
Less : goodwill	(53,061)	(53,061)
Total tier 1 capital	515,442	480,696
Tier 2 capital		
Collective impairment	9,332	8,209
Total capital	524,774	488,905
Less : Investments in capital instruments of other banking institutions	(16,358)	(88,302)
Less : Investments in subsidiaries	(10)	-
Total Capital Base	508,406	400,603

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3b) Capital Structure (Quantitative Disclosure) (continued)

The capital adequacy ratios of the Bank (Global) are as follows:

	2010 RM'000	2009 RM'000
Tier 1 capital		
Paid-up share capital	222,246	222,246
Share premium	142,270	142,270
Statutory reserve	152,782	136,288
Retained profit	46,593	36,028
Less : goodwill	(53,061)	(53,061)
Total tier 1 capital	510,830	483,771
Tier 2 capital		
Collective impairment	9,332	8,209
Total capital	520,162	491,980
Less : Investments in capital instruments of other banking institutions	(16,358)	(88,302)
Less : Investments in subsidiaries	(13,751)	(13,751)
Total Capital Base	490,053	389,927

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Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosure

4a) Credit Risk (Qualitative Disclosure)

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.

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.

Organization and structure of the risk management function

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 ("BCRC").

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 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.

The scope and nature of risk reporting and measurement systems

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.

Retail credits are actively monitored and managed on a portfolio basis by product type. A new collection management system has been implemented with a dedicated team in place to promptly identify, monitor and manage delinquent accounts at early stages of delinquency.

Corporate credits and large individual accounts are reviewed by the Business Units at least once a year against updated information. This is to ensure that the credit grades remain appropriate and detect any signs of weaknesses or deterioration in the credit quality. Remedial action is taken where evidence of deterioration exists.

Early Alert Process is in place as part of a means to pro-actively identify, report and manage deteriorating credit quality. Watchlist accounts are closely reviewed and monitored with corrective measures initiated to prevent them from turning non-performing. As a rule, watchlist accounts are either worked up or worked out within a period of twelve (12) month.

For on-balance sheet assets, the exposure to credit risk equals their carrying amount. For contingent liabilities, the maximum exposures to credit risk is the maximum amount that the Group and the Bank would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customer.

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4a) Credit Risk (Qualitative Disclosure) (continued)

Credit Risk (continued)

The Bank employs various policies and practices to control and mitigate credit risk:

(1) Lending limits

The Bank establishes internal limits and related lending guidelines to manage large exposures and avoid undue concentration of credit risk in its credit portfolio. The limits include single customer groupings, connected parties, and geographical and industry segments. These risks are monitored regularly and the limits reviewed annually or sooner depending on changing market and economic conditions when considered appropriate. The credit risk exposure for derivative and loan books is managed as part of the overall lending limits with customers together with potential exposure from market movements

(2) Collateral

Credits are established against borrower's capacity to repay rather than rely solely on security. However, collateral may be taken to mitigate credit risk. The main collateral types accepted and given value by the Bank are:-

- Mortgages over residential properties,
- Charges over commercial real estate or vehicles financed,
- Charges over business assets such as business premises, inventory and accounts receivable, and
- Charges over financial instruments such as marketable equities

(3) Master Netting Arrangements

The Bank presently does not have any master netting arrangement with its business counterparties.

(4) Financing covenants (for credit related commitments and loan books)

The primary purpose of these instruments is to ensure that funds are available to a customer when required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letter of credit are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitment to extend credit represents unutilized portion of approved credit in the form of loans, guarantees or letters of credit. In terms of credit risk, the Bank is potentially exposed to loss in an amount equal to the total unutilized commitments. However, the potential amount of loss is less than the total unutilized commitments, as most commitments to extend credit are contingent upon customers maintaining specific minimum credit standards.

The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than short-term commitments.

Quality classification definition:

Satisfactory - For corporate loans means exposures demonstrate a certain and adequate repayment capabilities.

Satisfactory - For share margin financing means accounts that are not impaired/due.

Special mentioned - Exposures require varying degrees of special attention and default risk is of greater concern.

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4a) Credit Risk (Qualitative Disclosure) (continued)

Loans past due but not impaired

Certain financing, advances and other loans are past due but not impaired as the collateral values of these loans are in excess of the principal and profit outstanding. Allowances for these loans may have been set aside on a portfolio basis.

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

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

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

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

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

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

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

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

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4b) Credit Risk (Quantitative Disclosure)

i) Geographical Distribution of credit exposures, broken down in significant areas by major types of gross credit exposures.

	2010 RM'000	2009 RM'000
Selangor		
Term loan	80,605	101,315
Revolving credit	70,391	35,427
	<u>150,996</u>	<u>136,742</u>
Pulau Pinang		
Term loan	-	9,566
Revolving credit	-	17,450
	<u>-</u>	<u>27,016</u>
Sarawak		
Term loan	73,282	73,199
Wilayah Persekutuan		
Term loan	323,962	224,605
Revolving credit	19,854	95,326
Margin Financing	40,955	31,573
Staff loan	9,412	9,889
	<u>394,183</u>	<u>361,393</u>
Total	<u>618,461</u>	<u>598,350</u>

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4b) Credit Risk (Quantitative Disclosure) (continued)

ii) Distribution of exposures by sector, broken down by major types of gross credit exposures.

	2010	2009
	RM'000	RM'000
Primary agriculture	50,238	69,286
Manufacturing	43,678	25,126
Electricity, gas and water	21,570	-
Construction	127,531	120,993
Wholesale, retail trade, hotels & restaurant	30,906	43,626
Transport, storage and communication	162,496	93,230
Finance, insurance and business services	24,588	26,923
Real Estate	81,846	130,811
Household	75,608	66,399
Other sector	-	21,956
Total	<u>618,461</u>	<u>598,350</u>

iii) Residual contractual maturity breakdown by major types of gross credit exposures

	2010	2009
	RM'000	RM'000
Maturing within one year		
Term loan	266,284	174,758
Revolving credit	90,245	148,203
Margin Financing	40,955	31,572
Staff loan	2,360	2,118
	<u>399,844</u>	<u>356,651</u>
One year to three years		
Term loan	58,464	76,059
Staff loan	1,189	912
	<u>59,653</u>	<u>76,971</u>
Three years to five years		
Term loan	62,591	40,161
Staff loan	993	912
	<u>63,584</u>	<u>41,073</u>
Over five years		
Term loan	90,511	117,708
Staff loan	4,869	5,947
	<u>95,380</u>	<u>123,655</u>
Total	<u>618,461</u>	<u>598,350</u>

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4b) Credit Risk (Quantitative Disclosure) (continued)

iv) **For each sector:**

a) **Amount of Impaired / Non Performing Loans :**

	2010	2009
	RM'000	RM'000
Manufacturing	-	5,000
Wholesale, retail trade, hotels & restaurant	17,200	12,364
Construction	1,167	-
Real Estate	-	46,333
Household	279	122
Others	-	21,955
Total	18,646	63,819

b) **Individual allowances**

	2010	2009
	RM'000	RM'000
Individual impairment		
Household	122	-
Wholesale, retail trade, hotels & restaurant	9,736	-
Total	9,858	-

c) **Collective allowance**

	2010	2009
	RM'000	RM'000
Primary agriculture	771	-
Manufacturing	671	-
Electricity, gas and water	331	-
Construction	1,960	-
Wholesale, retail trade, hotels & restaurant	359	-
Transport, storage and communication	2,497	-
Finance, insurance and business services	378	-
Real Estate	1,257	-
Household	1,160	-
Total	9,384	-

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4b) Credit Risk (Quantitative Disclosure) (continued)

v) Charges for Individual allowance and write-offs during the period

Individual allowances

At 1 January

Effects of adopting FRS 139

Allowance made during the financial year

Wholesale, retail trade, hotels & restaurant

Amount recovered

Manufacturing

Amount converted to financial investments held-to-maturity

Wholesale, retail trade, hotels & restaurant

Amount written off

Real Estate

Construction

At 31 December

2010
RM'000

2009
RM'000

-	-
85,524	-
85,524	-
2,074	-
(3,130)	-
(11,364)	-
(42,457)	-
(20,789)	-
9,858	-

vi) Impaired loans, advances, and financing broken down by significant geographical areas.

Pulau Pinang

Selangor

Wilayah Persekutuan

Total

2010
RM'000

2009
RM'000

-	27,945
18,367	26,955
279	30,874
18,646	85,774

vii) The amount of individual and collective allowance by geographical area

Wilayah Persekutuan

Selangor

Total

Collective impairment

2010
RM'000

2009
RM'000

122	-
9,736	-
9,858	-
9,384	-

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4b) Credit Risk (Quantitative Disclosure) (continued)

viii) Reconciliation of changes to impaired loans

	2010	2009
	RM'000	RM'000
At 1 January	85,774	114,650
Effects of adopting FRS 139	17,570	-
	<u>103,344</u>	<u>114,650</u>
New loans classified as impaired during the current period	157	-
Amount recovered	(12,588)	(8,258)
Amount written-off	(59,903)	(20,618)
Amount converted to HTM	(12,364)	-
At 31 December	<u>18,646</u>	<u>85,774</u>

ix) Reconciliation of changes to individual allowance

	2010	2009
	RM'000	RM'000
General allowance		
At 1 January	8,209	8,101
Effects of adopting FRS 139	(8,209)	-
	<u>-</u>	<u>8,101</u>
Allowance made during the financial year	-	108
At 31 December	<u>-</u>	<u>8,209</u>
Specific allowance		
At 1 January	82,509	104,685
Effects of adopting FRS 139	(82,509)	-
	<u>-</u>	<u>104,685</u>
Allowance made during the financial year	-	-
Amount recovered	-	(1,558)
Amount written off	-	(20,618)
At 31 December	<u>-</u>	<u>82,509</u>

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4b) Credit Risk (Quantitative Disclosure) (continued)

x) Movements in individual allowance for impaired loans

	2010	2009
	RM'000	RM'000
Individual impairment		
At 1 January	-	-
Effects of adopting FRS 139	85,524	-
	85,524	-
Allowance made during the financial year	2,074	-
Amount recovered	(3,130)	-
Amount converted to financial investments held-to-maturity	(11,364)	-
Amount written off	(63,246)	-
At 31 December	9,858	-

xi) Movements in collective allowance for impaired loans

	2010	2009
	RM'000	RM'000
Collective impairment		
At 1 January	-	-
Effects of adopting FRS 139	8,352	-
	8,352	-
Allowance made during the financial year	1,390	-
Amount recovered	(358)	-
Amount written off	-	-
At 31 December	9,384	-

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Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosure

5a) Credit Risk Disclosure for Portfolios under the Standardised Approach (Qualitative Disclosure)

The following BNM approved external credit assessment institutions ("ECAI") rating is used by the Bank to determine the relevant credit risk weights exposed to Corporates, Banking Institutions, Sovereigns and Central Banks in the computation of risk weighted assets.

- 1- Standard & Poor Rating Services (S&P)
- 2- Moody's Investors Service (Moody's)
- 3- Rating Agency Malaysia Berhad (RAM)
- 4- Malaysian Rating Corporation Berhad (MARC)

Process used to map ECAI issuer ratings or comparable issue ratings to banking book exposures

The mapping of the rating categories of different ECAs to the risk weights is in accordance with the guidelines provided by BNM. In cases where there is no issuer or issue rating, the exposures are treated as unrated and accorded a risk weight appropriate for unrated exposure in the respective category. The external ratings are updated in the core banking system, and extracted and matched by the risk system according to the above rules to determine the appropriate risk weights.

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Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosure

5b) Credit Risk Disclosure for Portfolios under the Standardised Approach (Quantitative Disclosure)

i) Disclosure on Credit Risk: Disclosures on Risk Weights

2010 - The Group

Risk Weights	Exposures after Netting and Credit Risk Mitigation							Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks	Banks, MDBs and FDIs	Corporate	Regulatory Retail	Equity Exposures	Other Assets			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
0%	1,663,753	101,529	-	-	-	10	1,765,292	-	
20%	-	108,823	550,173	-	-	165,326	824,322	164,864	
50%	-	233,864	283,773	-	-	-	517,637	258,819	
75%	-	-	-	1,670	-	-	1,670	1,253	
100%	-	-	635,815	-	30,826	154,311	820,952	820,952	
150%	-	-	66,364	-	36,747	-	103,111	154,666	
Total	1,663,753	444,216	1,536,125	1,670	67,573	319,647	4,032,984	1,400,554	

2010 - The Bank

Risk Weights	Exposures after Netting and Credit Risk Mitigation							Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks	Banks, MDBs and FDIs	Corporate	Regulatory Retail	Equity Exposures	Other Assets			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
0%	1,663,753	101,529	-	-	-	10	1,765,292	-	
20%	-	97,669	550,174	-	-	165,326	813,169	162,634	
50%	-	233,864	283,773	-	-	-	517,637	258,819	
75%	-	-	-	1,670	-	-	1,670	1,253	
100%	-	-	635,814	-	30,826	149,415	816,055	816,055	
150%	-	-	66,364	-	36,747	-	103,111	154,666	
Total	1,663,753	433,062	1,536,125	1,670	67,573	314,751	4,016,934	1,393,427	

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Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosure

5b) Credit Risk Disclosure for Portfolios under the Standardised Approach (Quantitative Disclosure) (continued)

i) Disclosure on Credit Risk: Disclosures on Risk Weights (continued)

2009 - The Group

Risk Weights	Exposures after Netting and Credit Risk Mitigation							Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks	Banks, MDBs and FDIs	Corporate	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	10,108	-	-	-	11	1,116,492	-	
20%	-	148,640	1,030,277	-	-	25,018	1,203,935	240,787	
50%	-	152,870	289,042	-	-	-	441,912	220,956	
75%	-	-	-	1,348	-	-	1,348	1,011	
100%	-	-	371,540	-	6,539	178,541	556,620	556,620	
150%	-	-	80,223	-	53,824	-	134,047	201,070	
Total	1,106,373	311,618	1,771,082	1,348	60,363	203,570	3,454,354	1,220,444	

2009 - The Bank

Risk Weights	Exposures after Netting and Credit Risk Mitigation							Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns & Central Banks	Banks, MDBs and FDIs	Corporate	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	-	-	25,017	1,191,535	238,307	
50%	-	152,870	289,042	-	-	-	441,912	220,956	
75%	-	-	-	1,348	-	-	1,348	1,011	
100%	-	-	371,540	-	6,539	166,707	544,786	544,787	
150%	-	-	80,223	-	53,824	-	134,047	201,070	
Total	1,106,373	299,218	1,771,082	1,348	60,363	191,735	3,430,119	1,206,131	

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Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosure

5b) Credit Risk Disclosure for Portfolios under the Standardised Approach (Quantitative Disclosure) (continued)

(ii) Disclosures on Rated Exposures according to Ratings by ECAIs

2010 - Corporate by Approved ECAIs - The Group and the Bank

Exposure Class	Ratings of Corporate by Approved ECAIs					
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>On and Off-Balance-Sheet Exposures</u>						
<u>Credit Exposures (using Corporate Risk Weights)</u>						
Corporate	-	540,329	229,988	-	-	752,740
Total	-	540,329	229,988	-	-	752,740

2010 - Banking Institutions and Corporate by Approved ECAIs - The Group and the Bank

Exposure Class	Short term Ratings of Banking Institutions and Corporate by Approved ECAIs					
	Moody's	P-1	P-2	P-3	Others	Unrated
	S&P	A-1	A-2	A-3	Others	Unrated
	Fitch	F1+, F1	F2	F3	B to D	Unrated
	RAM	P-1	P-2	P-3	NP	Unrated
	MARC	MARC-1	MARC-2	MARC-3-	MARC-4	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>On and Off-Balance-Sheet Exposures</u>						
Banks, MDBs and FDIs	-	54,602	-	-	-	-
<u>Rated Credit Exposures (using Corporate Risk Weights)</u>						
Corporate	-	9,845	44,380	-	-	-
Total	-	64,447	44,380	-	-	-

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Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosure

5b) Credit Risk Disclosure for Portfolios under the Standardised Approach (Quantitative Disclosure) (continued)

(ii) Disclosures on Rated Exposures according to Ratings by ECAIs (continued)

2010 - Sovereigns and Central Banks by Approved ECAIs - The Group and the Bank

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>On and Off-Balance-Sheet Exposures</u>							
Sovereigns and Central Banks	-	35,195	-	-	-	-	1,628,558
Total	-	35,195	-	-	-	-	1,628,558

2010 - Banking Institutions by Approved ECAIs - The Group

Exposure Class	Ratings of Banking Institutions by Approved ECAIs						
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3-	A1 to A3	BBB1+ to BBB3	BB1 to B3	C1+ to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>On and Off-Balance-Sheet Exposures</u>							
Banks, MDBs and FDIs	-	155,750	233,864	-	-	-	-
Total	-	155,750	233,864	-	-	-	-

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Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosure

5b) Credit Risk Disclosure for Portfolios under the Standardised Approach (Quantitative Disclosure) (continued)

(ii) Disclosures on Rated Exposures according to Ratings by ECAIs (continued)

2010 - Banking Institutions by Approved ECAIs - The Bank

Exposure Class	Ratings of Banking Institutions by Approved ECAIs						
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3-	A1 to A3	BBB1+ to BBB3	BB1 to B3	C1+ to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>On and Off-Balance-Sheet Exposures</u>							
Banks, MDBs and FDIs	-	144,596	233,864	-	-	-	-
Total	-	144,596	233,864	-	-	-	-

2009 - Corporate by Approved ECAIs - The Group and the Bank

Exposure Class	Ratings of Corporate by Approved ECAIs					
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>On and Off-Balance-Sheet Exposures</u>						
<u>Credit Exposures (using Corporate Risk Weights)</u>						
Corporate	-	1,010,263	229,187	-	-	529,083
Total	-	1,010,263	229,187	-	-	529,083

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Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosure

5b) Credit Risk Disclosure for Portfolios under the Standardised Approach (Quantitative Disclosure) (continued)

(ii) Disclosures on Rated Exposures according to Ratings by ECAIs (continued)

2009 - Banking Institutions and Corporate by Approved ECAIs - The Group and the Bank

Exposure Class	Short term Ratings of Banking Institutions and Corporate by Approved ECAIs					
	Moody's	P-1	P-2	P-3	Others	Unrated
	S&P	A-1	A-2	A-3	Others	Unrated
	Fitch	F1+, F1	F2	F3	B to D	Unrated
	RAM	P-1	P-2	P-3	NP	Unrated
	MARC	MARC-1	MARC-2	MARC-3-	MARC-4	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>On and Off-Balance-Sheet Exposures</u>						
Banks, MDBs and FDIs	-	57,993	-	-	-	-
<u>Rated Credit Exposures (using Corporate Risk Weights)</u>						
Corporate	-	20,013	59,856	-	-	-
Total	-	78,006	59,856	-	-	-

2009 - Sovereigns and Central Banks by Approved ECAIs - The Group and the Bank

Exposure Class	Ratings of Sovereigns and Central Banks by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>On and Off-Balance-Sheet Exposures</u>							
Sovereigns and Central Banks	-	30,182	-	-	-	-	1,076,191
Total	-	30,182	-	-	-	-	1,076,191

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Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosure

5b) Credit Risk Disclosure for Portfolios under the Standardised Approach (Quantitative Disclosure) (continued)

(ii) Disclosures on Rated Exposures according to Ratings by ECAIs (continued)

2009 - Banking Institutions by Approved ECAIs - The Group

Exposure Class	Ratings of Banking Institutions by Approved ECAIs						
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3-	A1 to A3	BBB1+ to BBB3	BB1 to B3	C1+ to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>On and Off-Balance-Sheet Exposures</u>							
Banks, MDBs and FDIs	-	90,647	152,870	-	-	-	-
Total	-	90,647	152,870	-	-	-	-

2009 - Banking Institutions by Approved ECAIs - The Bank

Exposure Class	Ratings of Banking Institutions by Approved ECAIs						
	Moodys	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3-	A1 to A3	BBB1+ to BBB3	BB1 to B3	C1+ to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>On and Off-Balance-Sheet Exposures</u>							
Banks, MDBs and FDIs	-	78,248	152,870	-	-	-	-
Total	-	78,248	152,870	-	-	-	-

Company No: 9999V

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Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosure

6a) Credit Risk Mitigation Disclosures under the Standardised Approach (Qualitative Disclosure)

Credits are established against borrower's capacity to repay rather than rely solely on security. However, collateral may be taken to mitigate credit risk.

In order to be recognised as security, all items pledged must have value and the Bank must have physical control and/or legal title thereto, together with the necessary documentation to enable the Bank to realise the asset without the co-operation of the asset owner. Other items, such as personal or corporate guarantees, may be taken for comfort but will not be treated as security for approval purposes. Valuations are updated on a regular basis.

Prior to acceptance of any item as security, verification must be done to ensure that the security exists and an accurate and up-to-date valuation can be placed upon it. A pre-facility disbursement site visit must be undertaken in respect of landed security of significant value. Where third parties are used to undertake a valuation they must be taken from a list of approved valuers.

All assets which provide security to the Bank must be adequately insured with an insurer from the list of approved insurers.

The security documentation process is centralized in an independent Security Documentation Section at Head Office. The Bank adopts standardized Letter of Offer and Legal Documents. Variations/ amendments require the approval from the relevant approving authority in the Bank.

The main type of collateral obtained by the Bank are as follow:

- For corporate loans, charges over the business assets, debentures, personal guarantee and corporate guarantee, sinking fund account and shares
- For share margin financing, listed securities of Malaysia, Japan, Indonesia, Thailand, Australia, Singapore, United Kingdom, United States, Hong Kong and Korea.
- For other loans, charges over business assets such as premises, inventories, trade receivables or deposits.

Collateral is not generally obtained directly from the issuers of debt securities. Certain debt securities may be collateralised by specifically identified assets that would be obtainable in the event of default.

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Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosure

6b) Credit Risk Mitigation Disclosures under the Standardised Approach (Quantitative Disclosure)

2010 - The Group

Exposure Class	Exposures before CRM	Exposures Covered by Guarantees /Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
<u>CREDIT RISK</u>				
<i>On Balance Sheet Exposures</i>				
Sovereigns/Central Banks	1,663,753	-	-	-
Banks, Development Financial Institutions & MDBs	444,216	-	-	-
Core capital ratio (net of proposed dividends)	1,491,320	-	1,462,026	-
Regulatory Retail	4,153	-	1,619	-
Equity Exposure	67,573	-	-	-
Other Assets	319,647	-	-	-
Defaulted Exposures	73,854	-	-	-
TOTAL for On-Balance Sheet Exposures	4,064,516	-	1,463,645	-
Off Balance sheet Exposures other than OTC derivatives or credit derivatives or credit derivatives	12,108	-	-	-
Defaulted Exposures				
TOTAL for Off-Balance Sheet Exposures	12,108	-	-	-
TOTAL for On and Off-Balance Sheet Exposures	4,076,624	-	1,463,645	-

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Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosure

6b) Credit Risk Mitigation Disclosures under the Standardised Approach (Quantitative Disclosure) (continued)

2010 - The Bank

Exposure Class	Exposures before CRM	Exposures Covered by Guarantees /Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
<u>CREDIT RISK</u>				
<i>On Balance Sheet Exposures</i>				
Sovereigns/Central Banks	1,663,753	-	-	-
Banks, Development Financial Institutions & MDBs	433,062	-	-	-
Corporate	1,491,320	-	1,462,026	-
Regulatory Retail	4,153	-	1,619	-
Equity Exposure	67,573	-	-	-
Other Assets	314,751	-	-	-
Defaulted Exposures	73,854	-	-	-
TOTAL for On-Balance Sheet Exposures	4,048,466	-	1,463,645	-
Off Balance sheet Exposures other than OTC derivatives or credit derivatives or credit derivatives	12,108	-	-	-
Defaulted Exposures				
TOTAL for Off-Balance Sheet Exposures	12,108	-	-	-
TOTAL for On and Off-Balance Sheet Exposures	4,060,574	-	1,463,645	-

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Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosure

6b) Credit Risk Mitigation Disclosures under the Standardised Approach (Quantitative Disclosure) (continued)

2009 - The Group

Exposure Class	Exposures before CRM	Exposures Covered by Guarantees /Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
<u>CREDIT RISK</u>				
<i>On Balance Sheet Exposures</i>				
Sovereigns/Central Banks	1,106,373	-	-	-
Banks, Development Financial Institutions & MDBs	311,618	-	-	-
Corporate	1,755,039	-	1,696,428	-
Regulatory Retail	3,785	-	1,238	-
Equity Exposure	60,363	-	-	-
Other Assets	203,570	-	-	-
Defaulted Exposures	72,992	-	-	-
TOTAL for On-Balance Sheet Exposures	3,513,740	-	1,697,666	-
Off Balance sheet Exposures other than OTC derivatives or credit derivatives or credit derivatives	20,371	-	-	-
Defaulted Exposures				
TOTAL for Off-Balance Sheet Exposures	20,371	-	-	-
TOTAL for On and Off-Balance Sheet Exposures	3,534,111	-	1,697,666	-

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Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosure

6b) Credit Risk Mitigation Disclosures under the Standardised Approach (Quantitative Disclosure) (continued)

2009 - The Bank

Exposure Class	Exposures before CRM	Exposures Covered by Guarantees /Credit Derivatives	Exposures Covered by Eligible Financial Collateral	Exposures Covered by Other Eligible Collateral
<u>CREDIT RISK</u>				
<i>On Balance Sheet Exposures</i>				
Sovereigns/Central Banks	1,106,373	-	-	-
Banks, Development Financial Institutions & MDBs	299,218	-	-	-
Corporate	1,755,039	-	1,696,428	-
Regulatory Retail	3,785	-	1,238	-
Equity Exposure	60,363	-	-	-
Other Assets	191,735	-	-	-
Defaulted Exposures	72,992	-	-	-
TOTAL for On-Balance Sheet Exposures	3,489,505	-	1,697,666	-
Off Balance sheet Exposures other than OTC derivatives or credit derivatives or credit derivatives	20,371	-	-	-
Defaulted Exposures				
TOTAL for Off-Balance Sheet Exposures	20,371	-	-	-
TOTAL for On and Off-Balance Sheet Exposures	3,509,876	-	1,697,666	-

Company No: 9999V

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Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosure

7a) General Disclosure for Off Balance Sheet Exposures and Counterparty Credit Risk (CCR) (Qualitative Disclosure)

Credit evaluation is the process of analyzing the creditworthiness of the prospective customer against the Bank's underwriting criteria and the ability of the Bank to make a return commensurate to the level of risk undertaken. A critical element in the evaluation process is the assignment of a credit risk grade to the counterparty. This assists in the risk assessment and decision making process. The Bank has developed internal rating models to support the assessment and quantification of credit risk.

Over-the-Counter (OTC) Derivatives

The OTC Derivatives credit exposure is computed using the Current Exposure Method. Under the Current Exposure Method, computation of credit equivalent exposure for interest rate and exchange rate related contracts is derived from the summation of the two elements; the replacement costs (obtained by marking-to-market) of all contracts and the potential future exposure of outstanding contracts (Add On charges depending on the specific remaining tenor to maturity).

7b) General Disclosure for Off Balance Sheet Exposures and Counterparty Credit Risk (CCR) (Quantitative Disclosure)

2010 The Group and the Bank

Nature of item:	Total Principle Amount	Total Credit Equivalent Amount	Positive Fair Value of Derivative Contracts	Total Risk Weighted Amount
	RM'000	RM'000	RM'000	RM'000
Obligations under an on-going underwriting agreement	19,691	9,845	-	1,969
Foreign exchange related contracts (Over one year to five years)	20,000	1,800	-	900
Interest / Profit rate related contracts (Over one year to five years)	15,418	463	-	231
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	73,960	-	-	-
Total	129,069	12,108	-	3,100

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Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosure

7b) General Disclosure for Off Balance Sheet Exposures and Counterparty Credit Risk (CCR) (Quantitative Disclosure) (continued)

2009 - The Group and the Bank

Nature of item:	Total Principle Amount	Total Credit Equivalent Amount	Positive Fair Value of Derivative Contracts	Total Risk Weighted Amount
	RM'000	RM'000	RM'000	RM'000
Obligations under an on-going underwriting agreement	33,020	16,510	-	5,240
Foreign exchange related contracts				
Over one year to five years	20,000	2,200	-	1,100
Interest / Profit rate related contracts				
Over one year to five years	70,202	1,661	-	830
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	26,871	-	-	-
Total	150,093	20,371	-	7,170

8a) Securitisation Disclosures under the Standardised Approach

The Bank currently does not have any securitisation activities

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9a) Market Risk Disclosure for Portfolio under the Standardised Approach (Qualitative Disclosure)

Market risk is defined as the risk of losses to the Bank's portfolio positions arising from movements in market prices. The Bank's market risk management objective is to ensure that market risk is appropriately identified, measured, controlled, managed and reported. The Bank's market risk systems primarily from interest rate risk and foreign exchange rate risk. Interest rate risk arises mainly from differences in timing between the maturities or repricing of assets, liabilities and derivatives. The Bank is also exposed to basis risk, that is, when the change in price of a hedge does not match with the change in price of the assets it hedges. Foreign exchange rate risk arises from unhedged positions of customers' requirements and proprietary positions. Market risk is primarily controlled through the imposition of Cut-loss, Value-at-Risk (VaR) and Net Open Position Limits which are approved by both the ALCO and BRMC in accordance with the Bank's risk appetite. These limits are set and reviewed regularly according to a number of factors, including liquidity and the Bank's business strategy.

In addition, the Bank also conducts periodic stress test of its respective portfolios to ascertain the market risk under abnormal market conditions. For the asset liability mismatch position in the Balance Sheet, the risk is measured using Net Interest Income simulations involving various interest rate scenarios managed through limits over time buckets and an Overall Risk Tolerance Limit. The Bank's Management, ALCO and BRMC are regularly kept informed of its risk profile and positions.

Value-at Risk ('VaR')

Value-at-Risk ('VaR') is used to compute the maximum potential loss amount over a specified holding period of a Trading portfolio. It measures the risk of losses arising from potential adverse movements in interest rates that could affect values of financial instruments. The Variance-Covariance Parametric methodology is adopted to compute the potential loss amount. This is a statistically defined, probability-based approach that uses volatilities and correlations to quantify price risks. Under this methodology, a matrix of historical volatilities and correlations is computed from the past 100 business days' market data. VaR is then computed by applying these volatilities and correlations to the outstanding Trading portfolio valued at current price levels.

Other Risk Measures

i) Mark-to-Market

Mark-to-Market valuation tracks the current market value of the outstanding financial instruments.

ii) Stress Testing

Stress tests are conducted in an attempt to quantify market risk arising from low probability, abnormal market movements. The stress test measures the change in values arising from the range of extreme movements in the interest rates and foreign exchange rates based on past experience and simulated stress scenarios.

(iii) Sensitivity/Dollar Duration

Sensitivity/Dollar Duration measures the change in value of a portfolio resulting from a 0.01% increase in interest rates. This measure identifies the Bank's interest rate exposures that are most vulnerable to interest rate changes and facilitates the implementation of hedging strategies.

10a) Market Risk Disclosures under the Internal Models Approach (IMA) for Trading Book Portfolio

The Bank currently computes its market risk under the standardised approach instead of internal model approach for trading book portfolio.

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11) Operational Risk (Qualitative Disclosure)

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Such risks may result in omissions, errors and breakdowns that can potentially lead to financial loss or other indirect losses to the Bank.

The Bank manages such risk through a control based environment in which policies and procedures are formulated after taking into account individual unit's business activities, the environment and market in which it is operating and any regulatory requirement in force. Risk is identified through the use of assessment tools and measured using threshold/limits mapped against risk matrix. Monitoring and control procedures include the use of key control standards, independent tracking of risk, back-up procedures and contingency plans, including disaster recovery and business continuity plans. This is supported by periodic reviews undertaken by Group Internal Audit to ensure adequacy and effectiveness of the Operational Risk Management process.

The Bank gathers and reports operational risk loss and "near misses" events to the Group Operational Risk Management Committee and BRMC. Appropriate remedial actions are reviewed and implemented to minimize the recurrence of such events.

Group Risk Management commenced an internal operational risk (including anti-money laundering/counter financing of terrorism and business continuity management) Certification Program in November this year. Workshops which were followed by assessments, were conducted to measure the risk coordinators' skills and knowledge to enable the prescription of appropriate training and development activities.

An integral part of the Group Operational Risk Management Framework is to create awareness among staff and install 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.

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12a) Equities Disclosure for Banking Book Positions (Qualitative Disclosure)

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

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 financial investments available-for-sale 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.

Financial investments held-to-maturity 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 financial investments held-to-maturity 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.

12b) Equities Disclosure for Banking Book Positions (Quantitative Disclosure)

	2010 RM'000	RW %	RWA RM'000
Publicly traded			
Share at cost	7,338	100	7,338
Add: unrealised gain/loss	<u>(154)</u>	100	<u>(154)</u>
	7,184		7,184
Less: Investment in capital instruments of other banking institutions (note)	<u>(919)</u>	100	<u>(919)</u>
Total	<u>6,265</u>		<u>6,265</u>
Privately held			
Shares at cost	650	100	650
add: unrealised gain/loss	<u>11,991</u>	100	<u>11,991</u>
Total	<u>12,641</u>		<u>12,641</u>

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12b) Equities (Disclosure for Banking Book Positions) Quantitative Disclosure (continued)

	2009	RW	RWA
	RM'000	%	RM'000
Publicly traded			
Share at cost	6,768	100	6,768
Add: unrealised gain/loss	109	100	109
	<u>6,877</u>		<u>6,877</u>
Less: Investment in capital instruments of other banking institutions (note)	<u>(1,078)</u>	100	<u>(1,078)</u>
Total	<u><u>5,799</u></u>		<u><u>5,799</u></u>
	2010		2009
	RM'000		RM'000
Cumulative realised gain/losses arising from sale and liquidation equity instruments			
Publicly traded	<u>1,516</u>		<u>302</u>

Note

Investment in capital instruments of other financial institutions is deducted from Capital Base.

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Risk Weighted Capital Adequacy Framework (Basel II) Pillar 3 Disclosure

13a) Interest rate risk/ Rate of return risk in the Banking Book (IRR/RORBB) Qualitative Disclosure

Sensitivity to interest rates arises from mismatches in the interest rate characteristics of the assets and their corresponding liability funding. One of the major causes of these mismatches is timing differences in the repricing of the assets and liabilities. These mismatches are actively managed as part of the overall interest rate risk management process which is conducted in accordance with Group policy guidelines.

13b) Interest rate risk/ Rate of return risk in the Banking Book (IRR/RORBB) Quantitative Disclosure

Type of Currency	Impact on positions as at 31 December 2010 (100 basis points) Parallel Shift	
	Increase/(decline) in Earnings (RM Mil)	Increase/(decline) in Economic Value (RM Mil)
MYR	18.53	93.99
USD	(0.51)	3.24
JPY	0.30	0.65
Total	18.32	97.88