

AFFIN HOLDINGS BERHAD
(Company no. 23218 - W)
Condensed Interim Financial Statements
Unaudited Balance Sheets As At 31 December 2006

	<-----GROUP----->		<-----COMPANY----->	
	Current Financial Quarter 31/12/2006 RM'000	Previous Financial Year Ended 31/12/2005 RM'000	Current Financial Quarter 31/12/2006 RM'000	Previous Financial Year Ended 31/12/2005 RM'000
ASSETS				
Cash and short term funds	7,734,134	3,344,911	95,016	120,525
Deposits and placements with financial institutions	326,524	323,922	3,484	389
Securities held for trading	533,805	1,300,447	-	-
Securities available-for-sale	5,245,310	4,890,256	-	-
Securities held-to-maturity	1,065,972	1,577,699	-	-
Loans, advances and financing	17,356,971	16,973,209	-	-
Trade debtors	401,651	137,063	-	-
Other assets	205,088	206,967	846	7,035
Tax Recoverable	104,196	128,091	38,002	36,986
Statutory deposits with Bank Negara Malaysia	820,755	665,715	-	-
Investment in subsidiaries	-	-	3,523,400	3,484,096
Amount due from subsidiaries	-	-	45,731	18,319
Investment in jointly-controlled entity	107,913	-	111,180	-
Investment in associates	98,342	84,905	10,597	10,597
Deferred tax assets	118,657	190,070	161	-
Property, plant and equipment	246,939	252,685	1,257	532
Land held for sale	100,814	89,280	-	-
Intangible assets	1,048,148	1,047,120	-	-
TOTAL ASSETS	35,515,219	31,212,340	3,829,674	3,678,479
LIABILITIES AND EQUITY				
Deposits from customers	25,574,706	21,464,544	-	-
Deposits and placements of banks and other financial institutions	1,464,914	1,174,270	-	-
Obligation on securities sold under repurchase agreements	1,760,313	1,476,889	-	-
Bills and acceptances payable	281,177	480,574	-	-
Trade creditors	369,678	116,857	-	-
Recourse obligation on loans sold to Cagamas Berhad	637,758	1,241,160	-	-
Other liabilities	733,366	794,050	14,235	8,882
Provision for taxation	-	55	-	-
Amount due to subsidiaries	-	-	714,078	563,870
Deferred tax liabilities	54,036	34,048	-	-
Borrowings	1,162,644	1,223,461	653,530	693,530
TOTAL LIABILITIES	32,038,592	28,005,908	1,381,843	1,266,282

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Unaudited Balance Sheets As At 31 December 2006

	<-----GROUP----->		<-----COMPANY----->	
	Current Financial Quarter 31/12/2006 RM'000	Previous Financial Year Ended 31/12/2005 RM'000	Current Financial Quarter 31/12/2006 RM'000	Previous Financial Year Ended 31/12/2005 RM'000
EQUITY				
Share capital	1,252,913	1,211,388	1,252,913	1,211,388
Reserves:-				
Share premium	1,077,208	1,063,541	1,077,208	1,063,541
Statutory reserve	410,230	364,669	-	-
Retained profits	723,233	577,380	117,710	137,268
Investment fluctuation reserve	13,043	(11,490)	-	-
Other reserves	-	944	-	-
TOTAL EQUITY	3,476,627	3,206,432	2,447,831	2,412,197
TOTAL LIABILITIES AND EQUITY	35,515,219	31,212,340	3,829,674	3,678,479
COMMITMENTS AND CONTINGENCIES	17,846,701	25,198,256	-	-
CAPITAL ADEQUACY				
<u>Before deducting proposed dividends:</u>				
Core capital ratio	11.07%	10.58%		
Risk-weighted capital ratio	14.15%	14.32%		
<u>After deducting proposed dividends:</u>				
Core capital ratio	11.07%	10.43%		
Risk-weighted capital ratio	14.15%	14.18%		
NET ASSETS PER SHARE (RM)	2.77	2.65		

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2005.

AFFIN HOLDINGS BERHAD
(Company no. 23218 - W)
Condensed Interim Financial Statements
Unaudited Income Statements For The Financial Year Ended 31 December 2006

<u>Group</u>	<-----Individual Quarter----->		<-----Cumulative Quarter----->	
	Current Year Quarter ended 31/12/2006 RM'000	Preceding Year Corresponding Quarter ended 31/12/2005 RM'000	Current year- to-date ended 31/12/2006 RM'000	Preceding Year- to-date ended 31/12/2005 RM'000
Revenue	508,573	461,957	1,951,038	1,864,649
Interest income	387,149	333,979	1,492,185	1,383,569
Interest expense	(230,345)	(145,154)	(850,651)	(664,395)
Net interest income	156,804	188,825	641,534	719,174
Income from Islamic operations	33,177	8,785	104,646	97,922
Other operating income	111,513	90,247	340,368	293,531
Operating income	301,494	287,857	1,086,548	1,110,627
Other operating expenses	(125,701)	(120,450)	(511,967)	(526,582)
Operating profit before loan and financing loss and provision	175,793	167,407	574,581	584,045
Allowance for losses on loans and financing	(35,549)	(182,240)	(149,355)	(222,611)
Impairment losses	(18,169)	(4,151)	(91,586)	(6,783)
Transfer from/(to) profit equalisation reserve	-	12,684	5,206	2,340
Operating profit/(loss)	122,075	(6,300)	338,846	356,991
Finance cost	(8,783)	(8,672)	(38,429)	(50,709)
Share of results of jointly controlled entity	(3,437)	-	(3,267)	-
Share of results of associate	9,349	5,579	17,261	20,256
Profit/(loss) before taxation and zakat	119,204	(9,393)	314,411	326,538
Taxation	(21,441)	71,790	(83,661)	(71,901)
Zakat	(1,499)	(1,115)	(3,832)	(3,099)
Net profit for the financial period	96,264	61,282	226,918	251,538
Attributable to:				
Equity holders of the parent	96,264	61,195	226,918	235,646
Minority interests	-	87	-	15,892
	96,264	61,282	226,918	251,538
Earnings per share (sen)	7.75	5.06	18.48	19.66
Fully diluted earnings per share (sen)	7.67	4.99	18.29	19.39

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2005.

AFFIN HOLDINGS BERHAD

(Company no. 23218 - W)

Condensed Interim Financial Statements

Unaudited Income Statements For The Financial Year Ended 31 December 2006

<u>Company</u>	<-----Individual Quarter----->		<-----Cumulative Quarter----->	
	Current Year Quarter ended 31/12/2006 RM'000	Preceding Year Corresponding Quarter ended 31/12/2005 RM'000	Current year ended 31/12/2006 RM'000	Preceding Year ended 31/12/2005 RM'000
Interest income	1,047	1,471	4,498	6,775
Interest expense	-	-	-	-
Net interest income	1,047	1,471	4,498	6,775
Income from Islamic operations	-	-	-	-
Other operating income	10,561	32,657	64,776	267,420
Operating income	11,608	34,128	69,274	274,195
Other operating expenses	(1,575)	(2,302)	(7,569)	(6,058)
Impairment losses	-	-	-	-
Operating profit before loan and financing loss and provision	10,033	31,826	61,705	268,137
Allowance for losses on loans and financing	-	-	-	-
Transfer from/(to) profit equalisation reserve	-	-	-	-
Operating profit	10,033	31,826	61,705	268,137
Finance cost	(8,943)	(9,569)	(38,984)	(49,893)
Share of results of associate	-	-	-	-
Profit before taxation and zakat	1,090	22,257	22,721	218,244
Taxation	(368)	29,806	(6,775)	(62,489)
Zakat	-	-	-	-
Net profit for the financial period	722	52,063	15,946	155,755

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2005.

AFFIN HOLDINGS BERHAD
(Company no. 23218 - W)
Unaudited Condensed Consolidated Statement Of Changes In Equity
For The Financial Year Ended 31 December 2006

GROUP	-----Attributable to Equity Holders of the Parent----->									Minority Interests RM'000	Total Equity RM'000
	← Issued and fully paid ordinary shares of RM1 each →		← Non-distributable →				← Distributable →	Total Shareholders' Equity RM'000			
	Number of shares '000	Nominal value RM'000	Share premium RM'000	Statutory reserves RM'000	Investment fluctuation reserve RM'000	Other reserve RM'000	Retained profits RM'000				
At 1 January 2006	1,211,388	1,211,388	1,063,541	364,669	(11,490)	944	577,380	3,206,432	-	3,206,432	
Issue of share capital:											
- pursuant to the exercise of Employees Shares Options Scheme	41,525	41,525	13,667	-	-	-	-	55,192	-	55,192	
Net change in fair value of securities available-for-sale	-	-	-	-	24,533	-	-	24,533	-	24,533	
Net profit for the financial year	-	-	-	-	-	-	226,918	226,918	-	226,918	
Transfer to statutory reserves	-	-	-	125,869	-	-	(125,869)	-	-	-	
Transfer of statutory reserve to retained profits upon cessation of the discount house operations of a subsidiary	-	-	-	(80,308)	-	-	80,308	-	-	-	
Dividend paid	-	-	-	-	-	-	(35,504)	(35,504)	-	(35,504)	
Reversal/realisation of asset revaluation reserve	-	-	-	-	-	(944)	-	(944)	-	(944)	
At 31 December 2006	1,252,913	1,252,913	1,077,208	410,230	13,043	-	723,233	3,476,627	-	3,476,627	

AFFIN HOLDINGS BERHAD
(Company no. 23218 - W)
Unaudited Condensed Consolidated Statement Of Changes In Equity
For The Financial Year Ended 31 December 2006

GROUP	-----Attributable to Equity Holders of the Parent-----							Total Shareholders' Equity RM'000	Minority Interests RM'000	Total Equity RM'000
	← Issued and fully paid ordinary shares of RM1 each →		← Non-distributable →				← Distributable →			
	Number of shares '000	Nominal value RM'000	Share premium RM'000	Statutory reserves RM'000	Investment fluctuation reserve RM'000	Other reserve RM'000	Retained profits RM'000			
At 1 January 2005	1,035,721	1,035,721	903,318	396,732	14,496	944	335,751	2,686,962	379,960	3,066,922
Issue of share capital arising from:										
- pursuant to the exercise of Employees Shares Options Scheme	15,444	15,444	-	-	-	-	-	15,444	-	15,444
- in consideration for the acquisition of 128,178,454 ordinary shares in AFFIN-ACF Holdings Berhad ('ACFH') pursuant to the Scheme of Arrangement	160,223	160,223	160,223	-	-	-	-	320,446	-	320,446
Net change in fair value of securities available-for-sale	-	-	-	-	(25,986)	-	-	(25,986)	(7,838)	(33,824)
Net profit for the financial year	-	-	-	-	-	-	235,646	235,646	15,892	251,538
Transfer to statutory reserves	-	-	-	95,773	-	-	(95,773)	-	-	-
Transfer of statutory reserves to retained profits upon cessation of the finance company operations of a subsidiary	-	-	-	(127,836)	-	-	127,836	-	-	-
Acquisition of net assets attributable to minority interests by the Company during the year in respect of the following subsidiaries:										
- ACFH	-	-	-	-	-	-	-	-	(238,389)	(238,389)
- AFFIN Investment Bank Berhad (f.k.a. AFFIN Merchant Bank Berhad)	-	-	-	-	-	-	-	-	(143,956)	(143,956)
Dividends paid	-	-	-	-	-	-	(26,080)	(26,080)	(5,669)	(31,749)
At 31 December 2005	1,211,388	1,211,388	1,063,541	364,669	(11,490)	944	577,380	3,206,432	-	3,206,432

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2005.

AFFIN HOLDINGS BERHAD
(Company no. 23218 - W)
Unaudited Condensed Statement Of Changes In Equity
For The Financial Year Ended 31 December 2006

<u>Company</u>	Issued and fully paid ordinary shares of RM1 each		Non-distributable	Distributable	Total RM'000
	Number of shares '000	Nominal value RM'000	Share premium RM'000	Retained profits RM'000	
At 1 January 2006	1,211,388	1,211,388	1,063,541	137,268	2,412,197
Issue of share capital pursuant to the exercise of Employees Share Options Scheme	41,525	41,525	13,667	-	55,192
Net profit for the financial period	-	-	-	15,946	15,946
Dividend paid	-	-	-	(35,504)	(35,504)
At 31 December 2006	1,252,913	1,252,913	1,077,208	117,710	2,447,831
At 1 January 2005	1,035,721	1,035,721	903,318	7,593	1,946,632
Issue of share capital:					
- pursuant to the exercise of Employees Share Option Scheme	15,444	15,444	-	-	15,444
- in consideration for the acquisition of 128,178,454 ordinary shares in AFFIN-ACF Holdings Berhad	160,223	160,223	160,223	-	320,446
Net profit for the financial period	-	-	-	155,755	155,755
Dividend paid	-	-	-	(26,080)	(26,080)
At 31 December 2005	1,211,388	1,211,388	1,063,541	137,268	2,412,197

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2005.

AFFIN HOLDINGS BERHAD
(Company no. 23218 - W)
Unaudited Condensed Consolidated Cash Flow Statement
For The Financial Year Ended 31 December 2006

	Group	
	As at 31/12/2006 RM'000	As at 31/12/2005 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation and zakat	314,411	326,538
Adjustment for non-operating and non-cash items	61,649	100,364
Operating profit before changes in working capital	376,060	426,902
Net changes in operating assets	(285,469)	299,664
Net changes in operating liabilities	4,082,179	(1,613,420)
Payment of tax and zakat	(19,598)	(51,887)
Taxation refund	54,644	-
Net cash generated from operating activities	4,207,816	(938,741)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received from securities	170,025	104,704
Net decrease in securities	182,553	603,349
Net purchase of property, plant and equipment	(21,469)	(73,900)
Net purchase of intangible assets	(15,418)	(6,152)
Dividend received from associated company	2,880	1,440
Dividend received from securities	2,574	4,055
Cash consideration and expenses relating to acquisition of additional interests in a subsidiary	(510)	(186,627)
Capital injection to a jointly-controlled entity established during the year	(111,180)	-
Net cash generated from investing activities	209,455	446,869
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease)/Increase in borrowings	(60,817)	74,388
Proceeds from issuance of shares	55,192	15,444
Dividends paid to shareholders	(35,504)	(26,080)
Dividends paid to minority interests	-	(5,669)
Redemption of bonds	-	(240,000)
Net cash used in financing activities	(41,129)	(181,917)
Net increase in cash and cash equivalents	4,376,142	(673,789)
Cash and cash equivalents at beginning of the period	3,326,204	3,999,993
Cash and cash equivalents at end of the period	7,702,346	3,326,204
 <u>Analysis of cash & cash equivalent</u>		
Cash and short term funds	7,734,134	3,344,911
Adjustment for money held in trust on behalf of clients and remisers	(31,788)	(18,707)
	7,702,346	3,326,204

The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2005.

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

A1. BASIS OF PREPARATION

The unaudited condensed interim financial statements for the year ended 31 December 2006 have been prepared under the historical cost convention except for the following assets and liabilities which are stated at fair values:

- (i) securities held-for-trading,
- (ii) securities available-for-sale, and
- (iii) derivative financial instruments.

The unaudited condensed financial statements has been prepared in accordance with FRS134 Interim Financial Reporting issued by the Malaysian Accounting Standards Board ('MASB') and Chapter 9, part K of the Listing Requirements of the Bursa Malaysia Securities Berhad.

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Company for the year ended 31 December 2005. The explanatory notes to this interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the Group since the year ended 31 December 2005.

A2. ACCOUNTING POLICIES AND METHODS OF COMPUTATIONS

The significant accounting policies and methods of computations applied for the condensed interim financial statements are consistent with those applied in the annual financial statements for the year ended 31 December 2005, except for the adoption of the following new and revised Financial Reporting Standards ('FRS') issued by the Malaysian Accounting Standards Board ('MASB') effective for the financial period beginning 1 January 2006:

FRS 2	Share-based payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 124	Related Party Disclosures
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The adoption of the above FRSs does not have significant financial impact on the Group.

A2. ACCOUNTING POLICIES AND METHODS OF COMPUTATIONS (cont.)

The principal effects of the changes in accounting policies resulting from the adoption of the new and revised FRSs that are applicable with effect from 1 January 2006 are summarised below:-

(i) FRS 2 : Share-based payment

The adoption of FRS 2 has resulted in a change in accounting policy for staff costs of the Group arising from share options granted by the Company to its employees (including directors) of the Group.

Prior to 1 January 2006, no compensation expense was recognised in the income statement for share options granted to employees of the Group. Upon the adoption of FRS 2, where the Group pays for services of its employees using share options, the fair value of the transaction is recognised as an expense in the income statement over the vesting periods of the grants, with a corresponding increase in equity. The total amount to be recognised as compensation expense is determined by reference to the fair value of the share option at the date of the grant and the number of share options to be vested by vesting date. At balance sheet date, the Group revises its estimate of the number of share options that are expected to vest by the vesting date. Any revision of this estimate is included in the income statement and a corresponding adjustment to equity over the remaining vesting period.

Under the transitional provisions of FRS 2, this FRS will apply to share options which were granted after 31 December 2004 and which had not yet vested as at 1 January 2006.

The adoption of this FRS has not resulted in any financial impact to the Group as there were no new share options granted by the Group after 31 December 2004 which remain unvested as at 1 January 2006.

(ii) FRS 101 : Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of minority interests and other disclosures. Minority interests is now presented within total equity in the consolidated balance sheet and as an allocation from net profit for the period in the consolidated income statement. The movement of minority interests is now presented in the consolidated statement of changes in equity.

In addition, prior to 1 January, 2006, the Group's share of taxation of associated companies accounted for using equity method of accounting was included as part of the Group's income tax expense in the consolidated financial statements. Upon the adoption of the FRS 101, the share of taxation of associated companies is now included in the share of results of associates reported in the Income Statements. The comparative figures for the previous financial year and corresponding quarter have been restated to conform with current year's presentation.

(iii) FRS 138: Intangible Assets

The adoption of FRS 138 has resulted in the change in accounting policy for intangible assets relating to computer software retrospectively from 1 January 2005.

In accordance with FRS 138, the Group has segregated and reclassified those computer software that does not form an integral part of the related hardware as intangible assets. The segregation was made on the cost and accumulated depreciation of the said computer software for current and previous financial year.

The change in accounting policies have been applied retrospectively and the comparative figures for the previous financial years have been restated in Note A30.

A2. ACCOUNTING POLICIES AND METHODS OF COMPUTATIONS (cont.)

The Group's present policy on interest recognition on non-performing loans (NPLs) and provisioning for bad and doubtful debts and financing is in conformity with the requirements of Bank Negara Malaysia's guidelines on the classification of non-performing loans and provision for sub-standard, bad and doubtful debts, BNM/GP3 which is consistent with those applied in the previous annual financial statements except for the following:-

- (i) Previously, the Group classified the customers' accounts as non-performing when repayments are in arrears for three months or more from first day of defaults of loan, financing and overdrafts, and after 3 months or more from maturity date for trade bills, trade receipts, bank acceptances and other instruments of similar nature. With effect from the current financial quarter, the Group has changed its basis of classification for non-performing loan (NPL) from 6 months to 3 months-in-arrears for loan, financing and overdrafts. This change in accounting estimates has been accounted for prospectively in accordance with FRS108 Accounting Policies, Changes in Accounting Estimates and Errors and has an effect of decreasing the current year's interest income by RM12.2 million.
- (ii) Following the above change in NPL classification, the Group has also adopted a more stringent basis for specific allowances for bad and doubtful debts and financing on sub-standard NPLs by making a 20% specific allowances on NPLs which are 3 to less than 6 months-in-arrears. Previously, specific allowance was only made when the sub-standard NPLs was in arrears for 6 months and above. The financial impact of this change in estimates was an additional specific allowance charge of RM20.8 million for the current financial year ended 31 December 2006.

During the current financial quarter, the Group has also adopted the following accounting policies for jointly-controlled entities in accordance with FRS 131 "Interests in Joint Ventures" to account for its interest and share of results in AXA AFFIN Life Insurance Berhad ("AXA AFFIN Life"), a 51% owned joint venture company established during the year, to undertake the life insurance business in Malaysia:-

Jointly-controlled entities

Jointly-controlled entities are corporations, partnerships or other entities over which there is contractually agreed sharing of control by the Group with one or more parties where the strategic financial and operations relating to the entities require unanimous consent of the parties sharing control.

Investments in jointly-controlled entities are shown at cost less any impairment loss. At each balance sheet date, the Group assesses whether there is any indication of impairment. If such indication exists, an analysis is performed to assess whether the carrying amount of the investment is recoverable. A writedown is made if the carrying amount exceeds the recoverable amount. Any subsequent increase in recoverable amount is recognised in the income statement.

The Group's interest in jointly-controlled entities is accounted for in the consolidated financial statements using the equity method of accounting. Equity accounting involves recognising the Group's share of the post-acquisition results of jointly-controlled entity in the income statement and its share of post-acquisition movements in the reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment and includes goodwill on acquisition, net of the accumulated impairment loss.

Even though AXA AFFIN Life is 51% owned by the Group, it has been treated as a jointly controlled entity and equity-accounted for in the consolidated financial statements. By virtue of the terms of the joint venture agreement with National Mutual International Pty Ltd as disclosed in Note A21 (b), the Group does not have total control over the operational and financial policies of AXA AFFIN Life and any major strategic financial decisions will require unanimous decision by both parties. In the previous quarters, the financial statements of AXA AFFIN Life had been consolidated with that of AFFIN Holdings Berhad using purchase method of accounting. The adoption of this new accounting policy does not have any significant financial impact on the Group other than the restatement of comparative figures for the previous financial quarters.

A3. AUDITOR'S REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the audited financial statements for the financial year ended 31 December 2005 was not subjected to any qualification.

A4. SEASONAL OR CYCLICAL FACTORS

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

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

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and the Company during the current financial quarter and year ended 31 December 2006.

A6. CHANGES IN ESTIMATES

There were no material changes in estimates of amounts reported in prior financial years that have a material effect in the current financial quarter and year ended 31 December 2006.

A7. DEBT AND EQUITY SECURITIES

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

Issuance of shares

During the year, the Company's issued and paid-up capital was increased from RM1,211,388,115 to RM1,252,912,615 by the issuance of 41,524,500 new ordinary shares of RM1.00 pursuant to the exercise of options granted under the company's Employees' Share Options Scheme at the following option prices:

<u>Number of new ordinary shares issued</u>	<u>Option price per share</u>
7,664,400	RM 1.00
33,860,100	RM 1.41

A8. DIVIDEND

During the financial year, the following dividends were paid by the Company:-

- (i) A final dividend of 2 sen per share less 28% tax in respect of the financial year ended 31 December 2005 amounting to RM17,557,000 was paid on 8 June 2006.
- (ii) An interim dividend of 2 sen per share less 28% tax in respect of the financial year ended 31 December 2006 amounting to RM17,947,000 was paid on 29 December 2006.

A9. SEGMENTAL REPORTING

(i) SEGMENTAL REPORTING ON REVENUE AND PROFIT

The segment analysis by activity for the 3 months financial period ended 31 December 2006 is as follows:-

	3 months ended 31/12/2006		3 months ended 31/12/2005	
	Total Revenue RM'000	Profit/(Loss) Before Tax RM'000	Total Revenue RM'000	Profit/(Loss) Before Tax RM'000
Corporate commercial banking	136,393	25,208	124,888	(14,713)
Retail banking	185,981	37,105	217,448	(2,650)
Treasury and money market	156,014	15,164	118,718	33,442
Investment banking	13,529	9,183	4,866	(8,944)
Stock-broking and asset management	14,756	1,885	7,060	(1,681)
Insurance	1,008	72	672	(587)
Others	3,116	33,458	3,313	(11,167)
	<u>510,797</u>	<u>122,075</u>	<u>476,965</u>	<u>(6,300)</u>
Intersegment elimination	(2,224)	-	(15,008)	-
Segment revenue/ segment results	<u>508,573</u>	<u>122,075</u>	<u>461,957</u>	<u>(6,300)</u>
Finance cost		(8,783)		(8,672)
Share of results of jointly controlled entity		(3,437)		-
Share of results of associate		9,349		5,579
Profit before taxation		119,204		(9,393)
Taxation and zakat		(22,940)		70,675
Net profit for the financial period		<u>96,264</u>		<u>61,282</u>

The segment analysis by activity for the 12 months ended 31 December 2006 is as follows:-

	12 months ended 31/12/2006		12 months ended 31/12/2005	
	Total Revenue RM'000	Profit/(Loss) Before Tax RM'000	Total Revenue RM'000	Profit/(Loss) Before Tax RM'000
Corporate commercial banking	541,200	97,423	535,468	91,504
Retail banking	736,934	136,462	767,765	129,645
Treasury and money market	547,627	16,861	511,005	139,585
Investment banking	70,059	48,698	15,815	(6,496)
Stock-broking and asset management	50,079	9,192	40,909	1,440
Insurance	3,112	(60)	3,135	(319)
Others	13,384	30,270	15,362	1,632
	<u>1,962,395</u>	<u>338,846</u>	<u>1,889,459</u>	<u>356,991</u>
Intersegment elimination	(11,357)	-	(24,810)	-
Segment revenue/ segment results	<u>1,951,038</u>	<u>338,846</u>	<u>1,864,649</u>	<u>356,991</u>
Finance cost		(38,429)		(50,709)
Share of results of jointly controlled entity		(3,267)		-
Share of results of associate		17,261		20,256
Profit before taxation		314,411		326,538
Taxation and zakat		(87,493)		(75,000)
Net profit for the financial period		<u>226,918</u>		<u>251,538</u>

(ii) **SEGMENTAL REPORTING ON LOANS, ADVANCES AND FINANCING**

	Group	
	As at 31/12/2006 RM'000	As at 31/12/2005 RM'000
(a) <u>BY TYPE</u>		
Overdrafts	1,900,549	1,887,804
Term loans/financing		
Housing loans/financing	3,818,732	3,805,920
Syndicated term loan/financing	535,728	635,033
Hire purchase receivables	6,686,710	6,629,743
Other term loans/financing	4,273,817	4,201,770
Bills receivable	97,752	111,565
Trust receipts	473,237	395,496
Claims on customers under acceptance credits	719,865	713,275
Staff loans/financing (of which RM NIL to Directors)	170,229	172,606
Credit/charge cards	95,084	90,545
Revolving credit	1,665,137	1,280,199
Other loans/financing	17,444	29,605
	20,454,284	19,953,561
Less: Unearned interest and income	(1,863,854)	(1,824,467)
Gross loans, advances and financing	18,590,430	18,129,094
Less: Allowance for bad and doubtful debts and financing		
- General	(267,970)	(327,039)
- Specific	(965,489)	(828,846)
Total net loans, advances and financing	17,356,971	16,973,209
(b) <u>BY TYPE OF CUSTOMER</u>		
Domestic non-banking institutions		
- Stockbroking companies	25,415	359
- Others	478,823	131,507
Domestic business enterprises		
- Small medium enterprises	4,666,017	5,004,934
- Others	3,922,470	3,695,846
Government and statutory bodies	124,886	32,672
Individuals	8,863,393	8,893,586
Other domestic entities	201,185	28,506
Foreign entities	308,241	341,684
	18,590,430	18,129,094
(c) <u>BY INTEREST / PROFIT RATE SENSITIVITY</u>		
Fixed rate		
Housing loans/financing	533,902	647,714
Hire purchase receivables	5,650,066	5,620,841
Other fixed rate loan/financing	4,301,776	3,733,661
Variable rate		
BLR plus	4,091,603	4,492,640
Cost-plus	4,013,083	3,634,238
	18,590,430	18,129,094

(ii) **SEGMENTAL REPORTING ON LOANS, ADVANCES AND FINANCING (cont.)**

	Group	
	As at	As at
	31/12/2006	31/12/2005
	RM'000	RM'000
(d) <u>BY ECONOMIC PURPOSE</u>		
Construction	151,345	198,633
Purchase of landed property		
(of which: - Residential	3,106,837	3,093,320
- Non-residential)	554,966	591,878
Purchase of securities	479,833	752,412
Purchase of transport vehicles	5,366,188	5,132,997
Fixed assets other than land and building	63,411	46,540
Personal uses	565,748	508,402
Credit card	95,084	90,545
Consumer durable	6,317	10,383
Working capital	1,440,613	220,215
Others	6,760,088	7,483,769
	18,590,430	18,129,094

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

	Group	
	As at	As at
	31/12/2006	31/12/2005
	RM'000	RM'000
(a) <u>Movements in non-performing loans, advances and financing</u>		
Balance at the beginning of financial year	3,290,501	3,761,073
Classified as non-performing during the year	947,097	907,111
Reclassified as performing during the year	(463,928)	(472,889)
Loans/financing converted to securities	-	(85,000)
Amount recovered	(506,821)	(632,831)
Amount written-off	(177,143)	(186,963)
Balance at the end of financial year	3,089,706	3,290,501
less: Specific allowance	(965,489)	(828,846)
Net non-performing loans, advances and financing	2,124,217	2,461,655
Net NPL as a % of gross loans, advances and financing less specific allowance	12.05%	14.23%

(b) Non-performing loans/financing by economic purpose

Construction	73,793	136,667
Purchase of landed property:		
- Residential	625,936	623,721
- Non-residential	155,761	161,155
Purchase of securities	131,557	255,704
Purchase of transport vehicles	259,165	150,444
Personal uses	53,569	94,196
Credit card	3,144	2,677
Consumer durable	1,233	835
Working capital	235,122	59,296
Others	1,550,426	1,805,806
	3,089,706	3,290,501

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

	Group	
	As at	As at
	31/12/2006	31/12/2005
<u>Aging of non-performing loans/financing</u>	RM'000	RM'000
Less than 5 years	1,437,112	1,532,260
5 years to 7 years	687,105	929,395
	2,124,217	2,461,655

(c) **Movement in allowance for bad and doubtful debts**

Movements in the allowance for bad and doubtful debts and financing accounts are as follows:-

General allowance

	Group	
	As at	As at
	31/12/2006	31/12/2005
	RM'000	RM'000
Balance at the beginning of financial year	327,039	328,285
Allowance made during the financial year	-	2,563
Amount written back during the financial year	(59,069)	(3,809)
Balance at the end of financial year	267,970	327,039
As % of gross loans, advances and financing less specific allowance	1.52%	1.89%

Specific allowance

Balance at the beginning of financial year	828,846	696,512
Allowance made during the financial year	388,729	449,885
Amount transferred to allowance for impairment of securities held-to-maturity	-	(4,760)
Amount written-off	(176,055)	(222,425)
Amount written back during the financial year	(76,031)	(90,366)
Balance at the end of financial year	965,489	828,846

A10. SECURITIES HELD

(a) **Securities held-for-trading**

At fair value

	Group	
	As at	As at
	31/12/2006	31/12/2005
	RM'000	RM'000
Malaysian Government Investment Issuance ('GII')	-	364,315
Khazanah Bonds	-	8,620
Bankers' Acceptance and Islamic Acceptance Bills	-	219,705
Bank Negara Malaysia Notes	-	69,796
Bank Negara Malaysia Bills	-	30,758
Negotiable Instruments of Deposit	-	99,750
	-	792,944
Quoted Securities		
- Shares	-	7,848
- Warrants	341	383
Unquoted Securities		
- Private Debt Securities	533,464	499,272
Total securities held for trading	533,805	1,300,447

A10. SECURITIES HELD (cont.)

	Group	
	As at 31/12/2006 RM'000	As at 31/12/2005 RM'000
(b) <u>Securities available-for-sale</u>		
At fair value		
Malaysian Government Securities	839,030	827,178
Malaysian Government Treasury Bills	102,957	232,311
Malaysian Government Investment Issuance ('GII')	260,196	84,446
Cagamas Bonds	516,326	366,207
Khazanah Bonds	698,036	784,304
Bankers' Acceptance and Islamic Accepted Bills	540,334	589,293
Bank Negara Malaysia Notes	123,713	46,253
Bank Negara Malaysia Bills	-	310,327
Negotiable Instruments of Deposit	664,985	454,863
Negotiable Islamic Debt Certificate	148,000	225,885
	3,893,577	3,921,067
Quoted Securities		
- Shares	239,093	136,604
- Private Debt Securities	29,820	25,420
Unquoted Securities		
- Private Debt Securities	1,210,186	915,191
	5,372,676	4,998,282
Allowance for impairment of securities	(127,366)	(108,026)
Total securities available-for-sale	5,245,310	4,890,256
(c) <u>Securities held-to-maturity</u>		
At amortised cost		
Malaysian Government Securities	331,968	344,925
Cagamas Bonds	60,089	60,255
Khazanah Bonds	8,274	8,018
Negotiable Instruments of Deposit	-	60,000
	400,331	473,198
Quoted Securities		
- Private Debt Securities	54,675	58,557
- Irredeemable Convertible Unsecured Loan Stock ('ICULS')	15,000	40,000
Unquoted Securities		
- Shares	-	200
- Private Debt Securities	668,540	1,058,447
	1,138,546	1,630,402
At cost		
Unquoted Securities		
- Shares	64,615	65,415
- Private Debt Securities	16	16
	1,203,177	1,695,833
Allowance for impairment of securities	(137,205)	(118,134)
Total securities held-to-maturity	1,065,972	1,577,699
Total securities held	6,845,087	7,768,402

A11. OTHER ASSETS

	Group	
	As at 31/12/2006 RM'000	As at 31/12/2005 RM'000
Money order and postal order purchased	3,212	1,758
Accrued income / interest receivable	34,250	32,057
Premium Receivable	2,024	928
Foreclosed properties	85,068	78,037
Derivative assets	22,314	5,972
Other debtors, deposits and prepayments	58,221	88,215
	<u>205,089</u>	<u>206,967</u>

A12. OTHER LIABILITIES

	Group	
	As at 31/12/2006 RM'000	As at 31/12/2005 RM'000
Bank Negara Malaysia and Credit Guarantee Corporation Funding Programmes of a subsidiary	167,342	260,789
Liabilities directly associated with land held for sale	33,081	29,263
Interest payable	170,171	137,705
Margin and collateral deposits	24,314	16,079
Trust accounts for clients and remisiers	31,788	18,707
Clearing account	57,473	90,206
Defined contribution plan	7,429	6,179
Accrued employee benefits	1,772	5,385
Derivative liabilities	27,119	2,057
Other creditors and accruals	210,683	218,632
Profit equalisation reserve	501	5,707
Provision for zakat	1,693	3,341
	<u>733,366</u>	<u>794,050</u>

A13. INTEREST INCOME

	<-----Group----->			
	Current	Preceding		
	Financial	Year		
	Quarter	Financial	Current	Preceding
	ended	Quarter	Year-to-date	Year-to-date
	31/12/2006	ended	31/12/2006	31/12/2005
	RM'000	31/12/2005	RM'000	RM'000
		RM'000		
Loans and advances				
- Interest income other than recoveries from NPL	238,336	232,360	960,691	929,663
- Recoveries from NPL	35,795	27,107	99,622	101,995
Money at call and deposit placement with financial institutions	51,252	14,765	177,093	115,529
Securities				
- Held-for-trading	6,473	9,319	30,687	53,295
- Available-for-sale	32,715	20,288	125,017	80,030
- Held-for-maturity	10,268	20,228	44,422	69,633
Others	-	7	12	31
	<u>374,839</u>	<u>324,074</u>	<u>1,437,544</u>	<u>1,350,176</u>
Accretion of discount less amortisation of premium	12,310	9,905	54,641	33,393
	<u>387,149</u>	<u>333,979</u>	<u>1,492,185</u>	<u>1,383,569</u>

A14. INTEREST EXPENSE

Deposits and placements of banks and other financial institutions	8,035	9,845	42,532	35,081
Deposits from customers	189,131	119,461	682,923	514,920
Subordinated term loan	8,570	9,916	34,000	35,548
Loans sold to Cagamas	7,599	11,099	39,976	60,929
Others	17,010	(5,167)	51,220	17,917
	<u>230,345</u>	<u>145,154</u>	<u>850,651</u>	<u>664,395</u>

A15. OTHER OPERATING INCOME

	-----Group-----			
	Current	Preceding		
	Financial	Year		
	Quarter	Financial	Current	Preceding
	ended	Quarter	Year-to-date	Year-to-date
	31/12/2006	ended	31/12/2006	31/12/2005
	RM'000	RM'000	RM'000	RM'000
<u>Fees income:</u>				
Fees on loans, advances and financing	263	1,032	1,609	2,368
Brokerage (net)	14,889	5,857	49,526	38,020
Portfolio management fees	1,047	791	2,066	2,660
Corporate advisory fees	6,433	3,435	11,132	7,807
Commission	5,871	5,254	19,769	22,434
Service charges and fees	15,789	19,327	56,459	64,275
Guarantee fees	2,883	15,162	20,769	36,273
Other fee income	5,109	4,955	6,953	10,772
	52,284	55,813	168,283	184,609
<u>Investment income:</u>				
Gains/(losses) arising from sales of securities:				
- Held-for-trading	(4,848)	832	(3,065)	(5,689)
- Available-for-sale	1,080	2,096	9,090	27,634
- Held-to-maturity	87	(637)	9,427	8,083
Net trading income from money market instruments	7,483	6,116	7,483	6,116
Unrealised gains/(losses) on revaluation of securities held-for-trading	5,392	(2,522)	48,449	(323)
Gains/(losses) on revaluation of derivatives:				
- realised	1,467	6,953	2,682	3,809
- unrealised	(5,594)	2,499	(6,155)	3,510
	5,067	15,337	67,911	43,140
<u>Dividend income:</u>				
- Held-for-trading securities	11	172	12	603
- Available-for-sale securities	64	(5)	377	855
- Held-to-maturity securities	646	1,105	2,197	3,200
	721	1,272	2,586	4,658
<u>Other income:</u>				
Foreign exchange gains/(losses):				
- realised	22,603	(1,271)	23,192	(2,690)
- unrealised	(7,960)	17,541	22,571	41,998
Gain on disposal of property, plant and equipment	606	317	3,646	4,447
Proceeds on surrendering the discount house licence	35,000	-	35,000	-
Other non-operating income	3,192	1,238	17,179	17,369
	53,441	17,825	101,588	61,124
Total Other Operating Income	111,513	90,247	340,368	293,531

A16. OTHER OPERATING EXPENSES

	<-----Group----->			
	Current Financial Quarter ended	Preceding Year Financial Quarter ended	Current Year-to-date	Preceding Year-to-date
	31/12/2006	31/12/2005	31/12/2006	31/12/2005
	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs</u>				
Wages, salaries and bonus	60,184	54,581	221,683	203,226
Defined contribution plan	8,746	9,635	32,950	31,445
Termination benefits	(1,400)	3,750	7,600	25,255
Other personnel costs	5,720	7,340	28,738	27,089
	<u>73,250</u>	<u>75,306</u>	<u>290,971</u>	<u>287,015</u>
<u>Promotion and marketing-related expenses</u>				
Business promotion and advertisement	1,131	541	2,782	2,752
Entertainment	446	611	2,213	2,686
Travelling and accomodation	707	811	3,352	3,471
Dealers' handling fees	6,526	6,920	26,495	32,427
Others	1,424	2,499	5,127	7,239
	<u>10,234</u>	<u>11,382</u>	<u>39,969</u>	<u>48,575</u>
<u>Establishment-related expenses</u>				
Rental of premises	6,014	6,387	24,530	25,308
Equipment rental	1,458	1,168	4,028	5,336
Repair and maintenance	1,040	3,381	20,722	24,889
Depreciation	10,642	(865)	42,699	41,239
Others	6,575	10,620	30,499	34,102
	<u>25,729</u>	<u>20,691</u>	<u>122,478</u>	<u>130,874</u>
<u>General administrative expenses</u>				
Telecommunication expenses	870	1,906	7,686	7,855
Director's Remuneration	5,910	453	8,157	1,441
Auditors' remuneration:				
(i) Statutory audit				
- current year	402	256	1,120	912
- underprovision in previous years	3	-	88	-
(ii) Others	107	77	273	137
Professional fees	2,392	2,586	8,239	9,307
Property, plant & equipment written off	641	1,764	2,385	2,413
Others	6,163	6,030	30,601	38,054
	<u>16,488</u>	<u>13,072</u>	<u>58,549</u>	<u>60,119</u>
Total other operating expenses	<u>125,701</u>	<u>120,451</u>	<u>511,967</u>	<u>526,583</u>

A17. ALLOWANCE FOR LOSSES ON LOANS AND FINANCING

	-----Group----->			
	Current Financial Quarter ended 31/12/2006 RM'000	Preceding Year Financial Quarter ended 31/12/2005 RM'000	Current Year-to-date 31/12/2006 RM'000	Preceding Year-to-date 31/12/2005 RM'000
<u>Allowance for bad and doubtful debts</u>				
<u>on loans and financing:-</u>				
Specific allowance				
- Made during the financial year	125,726	244,056	388,729	449,885
- Written back	(26,695)	(8,257)	(76,031)	(90,366)
General allowance (net)	(14,240)	(2,694)	(59,069)	(1,246)
<u>Bad debts:-</u>				
- recovered	(48,306)	(52,493)	(110,855)	(141,323)
- written off	817	1,168	4,557	3,677
<u>Losses arising from NPLs</u>				
<u>sold to Danaharta:-</u>				
- written back on final settlement	(758)	-	(1,398)	-
<u>(Writeback)/allowance for bad</u>				
<u>and doubtful debts:</u>				
- trade debtors	(133)	40	(424)	1,291
- other debtors	(862)	420	3,846	693
	35,549	182,240	149,355	222,611

A18. IMPAIRMENT LOSSES

Property, plant and equipment	38	161	38	161
Allowance made for impairment loss				
- Securities available-for-sale	12,888	4,138	26,805	10,174
- Securities held-to-maturity	5,246	6,039	64,746	7,274
Write-back of allowance for impairment loss				
- Securities held-to-maturity	(3)	(6,187)	(3)	(10,826)
	18,169	4,151	91,586	6,783

A19. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

The Group's and the Company's property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

There were no changes in the valuation of property, plant and equipment that were brought forward from the previous audited financial statements for the year ended 31 December 2005.

A20. SUBSEQUENT MATERIAL EVENT

There were no subsequent material events after the Balance Sheet date, other than those disclosed in Note A21(c).

A21. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group for the financial quarter under review, other than the following:-

(a) **Establishment of an Islamic Banking subsidiary, namely AFFIN Islamic Bank Berhad ('AIBB') by AFFIN Bank Berhad ('ABB')**

On 9 March 2005, the Company announced that the Minister of Finance ('MOF') had granted its approval-in-principle for its subsidiary company, ABB to undertake Islamic Banking business through a subsidiary to be established by ABB. In this regard, MOF had also agreed to issue an Islamic Banking licence to ABB pursuant to Section 3(4) of the Islamic Banking Act, 1983. Accordingly, approval was also given pursuant to Section 29 of the Banking and Financial Institutions Act, 1989 for ABB to establish a subsidiary to undertake the Islamic banking business.

A wholly-owned subsidiary, namely AFFIN Islamic Bank Berhad ('AIBB') had been incorporated by ABB on 19 September 2005 and MOF had on 18 January 2006 issued the Islamic Banking licence to AIBB pursuant to Section 3(4) of the Islamic Banking Act 1983. The licence was effective from 1 April 2006.

On 16 January 2006, ABB entered into a Business Transfer Agreement ('BTA') with AIBB for the sale and transfer of assets and liabilities of the Islamic Banking business (save for the non-performing loans and accounts comprising part of the Islamic Banking business of ABB as at the transfer date) ('Proposed Transfer') from ABB to AIBB for cash. The consideration for the Proposed Transfer would be based on the net book value of the Islamic Banking business as at the date of transfer, to be satisfied entirely by cash.

Pursuant to the Vesting Order obtained from the High Court of Malaya on 20 March 2006, the assets and liabilities of the Islamic banking business of ABB as defined in the BTA, had been transferred to and vested in AIBB on 1 April 2006.

AFFIN Islamic Bank commenced its business operations on 3 April 2006, being the first business day after the transfer and vesting exercise on 1 April 2006.

(b) **Establishment of a joint venture (51% owned) company, namely AXA AFFIN Life Insurance Berhad to undertake the life insurance business in Malaysia ('Proposed JV') and proposed acquisition of life insurance business of Tahan Insurance Malaysia Berhad ('Proposed Acquisition')**

On 18 November 2005, AFFIN Holdings Berhad ("AHB"), National Mutual International Pty Ltd ("NMI"), a wholly owned subsidiary of AXA Asia Pacific Holdings Limited ("AXA") and Tahan Insurance Malaysia Berhad ("Tahan") had entered into a conditional business transfer agreement ("BTA") for the Proposed Acquisition. AHB and NMI (together as the "Purchaser") were contracting as promoters of a company to be incorporated ("NewCo") which when incorporated would assume their rights and obligations under the BTA.

The Proposed Acquisition would involve the acquisition by the Purchaser of the life insurance business of Tahan ("Life Business") for a cash consideration of RM121 million ("Total Consideration"), comprising the following:-

- i) RM89.8 million; and
- ii) RM31.2 million; being the amount owing by the life fund of the Life Business to Idaman Unggul the shareholder of Tahan.

AHB had on 7 February 2006 entered into a conditional joint venture agreement with NMI in relation to the proposed joint venture ('Proposed JV') to undertake the life insurance business in Malaysia pursuant to the Proposed Acquisition and the joint venture company namely AXA AFFIN Life Insurance Berhad ("AXA AFFIN Life") had been incorporated on 15 February 2006.

A21. CHANGES IN THE COMPOSITION OF THE GROUP (cont.)

(b) **Establishment of a joint venture (51% owned) company, namely AXA AFFIN Life Insurance Berhad to undertake the life insurance business in Malaysia ('Proposed JV') and proposed acquisition of life insurance business of Tahan Insurance Malaysia Berhad ('Proposed Acquisition') (cont.)**

On 10 May 2006, the Company acquired and subscribed for fifty-one (51) ordinary shares of RM1.00 each, representing 51% of the issued and paid-up capital of AXA AFFIN Life for a cash consideration of RM51. The balance forty-nine (49) ordinary shares of RM1.00 each in AXA AFFIN Life representing 49% equity interest is held by AXA. The issued and paid-up share capital of AXA AFFIN Life was subsequently increased from RM100 to RM133,100,100 on 15 June 2006 and thereafter to RM218,000,100 on 9 August 2006 by way of the following allotments of shares to AHB and NMI according to their percentage shareholdings in AXA AFFIN Life of 51% and 49% respectively:-

- (i) Allotment of 133,100,000 new ordinary shares of RM1.00 each at par, among which 67,881,000 new ordinary shares to AHB and the balance of 65,219,000 new ordinary shares to NMI on 15 June 2006;
- (ii) Allotment of 84,900,000 new ordinary shares of RM1.00 each at par, among which 43,299,000 new ordinary shares to AHB and 41,601,000 new ordinary shares to NMI on 9 August 2006.

On 12 June 2006, the Kuala Lumpur High Court of Malaya had given an Order under Sections 128(1), 133(1) and 135 of the Insurance Act 1996 confirming the scheme of transfer involving, inter alia, the sale and transfer of the life insurance business of Tahan to AXA AFFIN Life. Pursuant to the Order, the Life Business was transferred to AXA AFFIN Life on 30 June 2006.

With the issuance of the licence by the Ministry of Finance on 30 June 2006 for AXA AFFIN Life to carry on life insurance business and all the requisite approvals obtained for the Proposed Acquisition and Proposed JV, all the conditions precedent in the conditional business transfer agreement dated 18 November 2005 had been fulfilled and the Proposed Acquisition was thus deemed completed on 30 June 2006. Consequently, the life insurance business of Tahan was transferred to AXA AFFIN Life and AXA AFFIN Life would be able to offer its life insurance products and services effective 30 June 2006.

(c) **Establishment of AFFIN Investment Banking Group**

On 25 April 2006, the Company announced that the Minister of Finance, vide the letter dated 20 April 2006 issued by Bank Negara Malaysia ("BNM") and the Securities Commission ("SC"), had approved the establishment of the AFFIN investment banking group ("Proposal") pursuant to the Banking and Financial Institutions Act, 1989 and the Securities Commission Act, 1993, subject to certain conditions therein.

The establishment of the AFFIN investment banking group would involve the three wholly-owned subsidiaries of AFFIN Holdings Berhad ("AHB"), namely AFFIN Investment Bank Berhad (formerly known as AFFIN Merchant Bank Berhad) ("AIBB"), AFFIN Securities Sdn Bhd ("ASSB") and AFFIN Discount Berhad ("ADB").

The approval from BNM was also obtained for inter alia, the proposed acquisition by AIBB from AHB of 100% equity interest in AFFIN Fund Management Sdn Bhd ("AFM") and its subsidiary AFFIN Trust Management Berhad ("ATM"). The approval of the SC on behalf of the Foreign Investment Committee ("FIC") was also obtained for the Proposal, under the FIC's Guidelines on Acquisition of Interests, Mergers and Take-overs by Local and Foreign Interests.

A21. CHANGES IN THE COMPOSITION OF THE GROUP (cont.)

c) **Establishment of AFFIN Investment Banking Group (cont.)**

On 14 June 2006, AIBB entered into the Business Transfer Agreement with ADB to acquire certain assets and liabilities of ADB for a purchase consideration to be determined based on the adjusted net tangible assets of ADB as at the day immediately preceding the Transfer Date. On 28 June 2006, the Kuala Lumpur High Court of Malaya had given the Order under Section 50 of the Banking and Financial Institutions Act, 1989 confirming the scheme of transfer involving the sale and transfer of the discount house business ("Discount Business") of ADB to AIBB. Pursuant to the Order, the Discount Business was transferred to AIBB on 1 July 2006.

On 30 June 2006, AIBB had also entered into a Sale and Purchase Agreement ("SPA") with AHB to acquire the entire issued and paid-up share capital of AFM for a cash consideration of RM13,740,826 based on the audited consolidated net tangible assets of AFM as at 31 December 2005. Upon completion of the SPA, both AFM and ATM became the wholly-owned subsidiaries of AIBB effective 1 July 2006.

On 14 December 2006, AIBB entered into a Business Transfer Agreement with ASSB to acquire certain assets and liabilities of ASSB for a cash purchase consideration of RM103.53 million. On 22 December 2006, the Kuala Lumpur High Court of Malaya had given the Order under Section 124(B) of the Securities Commission Act, 1993 confirming the scheme of transfer involving the sale and transfer of the stockbroking business ("Stockbroking Business") of ASSB to AIBB. Pursuant to the Order, the Stockbroking Business was transferred to AIBB on 1 January 2007.

A22. COMMITMENTS AND CONTINGENCIES

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

GROUP	Current financial year ended 31/12/2006			Previous financial year ended 31/12/2005		
	Principal Amount RM'000	Credit Equivalent Amount* RM'000	Risk- weighted amount* RM'000	Principal Amount RM'000	Credit Equivalent Amount* RM'000	Risk-weighted amount* RM'000
Direct credit substitutes	478,338	478,338	478,338	348,481	348,481	342,932
Transaction-related contingent items	2,324,962	1,162,481	1,162,481	2,354,770	1,177,385	1,177,385
Short-term self-liquidating trade-related contingencies	3,868,200	773,640	217,947	4,397,559	879,512	161,080
Obligations under underwriting agreements	444,024	225,024	225,024	467,362	233,681	233,681
Foreign exchange related contracts						
- Less than one year	1,329,025	27,848	8,505	2,114,201	27,989	8,271
- One year to less than five years	401,401	41,574	20,787	-	-	-
Interest rate related contracts						
- Less than one year	2,027,000	864	432	3,577,000	2,543	1,272
- One year to less than five years	249,962	4,155	1,725	2,099,556	9,465	4,732
- Five years and above	90,150	4,657	2,328	-	-	-
Irrevocable commitments to extend credit:						
- Maturity exceeding 1 year	2,486,068	1,243,034	1,208,967	5,058,142	2,529,072	733,118
- Maturity not exceeding 1 year	4,147,571	-	-	4,781,185	-	-
	17,846,701	3,961,615	3,326,534	25,198,256	5,208,128	2,662,471

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

A23. INTEREST / PROFIT RATE RISK

GROUP	Non-trading Book						Trading Book	Total	Weighted average interest rate (%)
	Up to 1 month	1-3 months	> 3-12 months	> 1-5 years	Over 5 years	Non-interest bearing			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000			
31/12/2006									
ASSETS									
Cash & short-term funds	7,548,677	-	-	-	-	185,457	-	7,734,134	3.58
Deposits & placements with banks and other financial institutions	15,528	307,532	3,464	-	-	-	-	326,524	3.56
Securities held for trading	-	-	-	-	-	-	533,805	533,805	7.53
Securities available-for-sale	437,175	967,460	1,002,319	2,309,410	384,443	144,503	-	5,245,310	3.80
Securities held-to-maturity	-	14,809	561,726	146,286	86,285	256,866	-	1,065,972	4.23
Loans, advances & financing:									
- Performing	7,951,512	1,064,858	1,379,231	3,651,104	1,454,019	(275,201)	-	15,225,523	7.96
- Non-performing	-	-	-	-	-	2,131,448	-	2,131,448	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	820,755	-	820,755	
Other assets	13,569	20,859	4	55	-	2,190,053	2,198	2,226,738	
Tax recoverable	-	-	-	-	-	104,196	-	104,196	
Land held for sale	-	-	-	-	-	100,814	-	100,814	
TOTAL ASSETS	15,966,461	2,375,518	2,946,744	6,106,855	1,924,747	5,658,891	536,003	35,515,219	
LIABILITIES, INSURANCE RESERVES AND EQUITY									
Deposits from customers	10,891,102	7,563,472	5,304,221	53,962	-	1,761,949	-	25,574,706	3.00
Deposits & placements of banks and other financial institutions	1,001,160	238,351	225,403	-	-	-	-	1,464,914	4.18
Obligations on securities sold repurchase agreements	1,757,341	2,972	-	-	-	-	-	1,760,313	3.40
Bills and acceptance payable	110,338	75,771	2,662	-	-	92,406	-	281,177	3.80
Amount due to Cagamas	37,697	-	143,340	456,721	-	-	-	637,758	4.00
Other liabilities	41,401	-	-	-	-	1,110,865	4,814	1,157,080	
Provision for taxation	-	-	-	-	-	-	-	-	
Borrowings	794,114	48,530	120,000	200,000	-	-	-	1,162,644	5.54
TOTAL LIABILITIES	14,633,153	7,929,096	5,795,626	710,683	-	2,965,220	4,814	32,038,592	

A23. INTEREST / PROFIT RATE RISK (cont.)

GROUP	Non-trading Book						Trading Book	Total	Weighted average interest rate (%)
	Up to 1 month	1-3 months	> 3-12 months	> 1-5 years	Over 5 years	Non-interest bearing			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000			
31/12/2006									
EQUITY									
Shareholders' Funds	-	-	-	-	-	3,476,627	-	3,476,627	
Total liabilities and shareholders' funds	14,633,153	7,929,096	5,795,626	710,683	-	6,441,847	4,814	35,515,219	
On balance sheet- interest sensitivity gap	1,333,308	(5,553,578)	(2,848,882)	5,396,172	1,924,747	(782,956)	531,189	-	
Off balance sheet- interest sensitivity gap	267,359	71,078	(48,860)	(199,427)	(90,150)	-	-	-	
Total interest sensitivity gap	1,600,667	(5,482,500)	(2,897,742)	5,196,745	1,834,597	(782,956)	531,189	-	

A23. INTEREST / PROFIT RATE RISK (cont.)

GROUP 31/12/2005	Non-trading Book						Trading Book	Total	Weighted average interest rate (%)
	Up to 1 month	1-3 months	> 3-12 months	> 1-5 years	Over 5 years	Non-interest bearing			
ASSETS	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Cash and short-term funds	3,196,287	-	-	-	-	148,624	-	3,344,911	3.05
Deposits & placements with banks and other financial institutions	65,237	252,966	5,719	-	-	-	-	323,922	3.04
Securities held for trading	-	-	-	-	-	-	1,300,447	1,300,447	3.67
Securities available-for-sale	225,351	672,195	1,450,938	2,399,033	94,711	48,028	-	4,890,256	3.43
Securities held-to-maturity	171,473	-	35,814	788,323	288,303	293,786	-	1,577,699	2.92
Loans, advances & financing:									
- performing	6,256,577	858,993	1,547,691	4,066,236	2,109,096	(327,039)	-	14,511,554	7.40
- non-performing	-	-	-	-	-	2,461,655	-	2,461,655	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	665,715	-	665,715	
Land held for sale	-	-	-	-	-	89,280	-	89,280	
Other assets	6,938	15,239	32	2,830	678	1,888,063	5,030	1,918,810	
Tax recoverable	-	-	-	-	-	128,091	-	128,091	
Total assets	9,921,863	1,799,393	3,040,194	7,256,422	2,492,788	5,396,203	1,305,477	31,212,340	
LIABILITIES									
Deposits from customers	11,235,252	4,948,705	4,711,121	569,466	-	-	-	21,464,544	2.99
Deposits & placements of banks and other financial institutions	862,585	255,000	56,685	-	-	-	-	1,174,270	3.04
Obligations on securities sold repurchase agreements	1,455,006	21,883	-	-	-	-	-	1,476,889	2.26
Bills and acceptance payable	137,271	212,356	35,193	-	-	95,754	-	480,574	3.03
Amount due to Cagamas	-	36,143	402,269	802,748	-	-	-	1,241,160	4.11
Other liabilities	18,958	165	1,371	84	-	924,377	-	944,955	
Provision for taxation	-	-	-	-	-	55	-	55	
Borrowings	314,931	-	160,000	748,530	-	-	-	1,223,461	6.07
Total liabilities	14,024,003	5,474,252	5,366,639	2,120,828	-	1,020,186	-	28,005,908	

A23. INTEREST / PROFIT RATE RISK (cont.)

GROUP	Non-trading Book						Trading Book	Total	Weighted average interest rate (%)
	Up to 1 month	1-3 months	> 3-12 months	> 1-5 years	Over 5 years	Non-interest bearing			
<u>31/12/2005</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
EQUITY									
Shareholders' Funds	-	-	-	-	-	3,206,432	-	3,206,432	
Total liabilities and shareholders' funds	14,024,003	5,474,252	5,366,639	2,120,828	-	4,226,618	-	31,212,340	
On balance sheet- interest sensitivity gap	(4,102,140)	(3,674,859)	(2,326,445)	5,135,594	2,492,788	1,169,585	1,305,477	-	
Off balance sheet- interest sensitivity gap	242,556	441,000	(379,000)	(304,556)	-	-	-	-	
Total interest sensitivity gap	(3,859,584)	(3,233,859)	(2,705,445)	4,831,038	2,492,788	1,169,585	1,305,477	-	

A24. CAPITAL ADEQUACY

The capital adequacy ratios in respect of the banking subsidiaries are as follows:-

	As at 31/12/2006 RM'000	As at 31/12/2005 RM'000
<u>Tier I Capital</u>		
Paid-up share capital	1,501,938	1,477,783
Share premium	420,252	394,407
Retained profits	374,211	284,045
Statutory reserve	464,363	336,310
	<u>2,760,764</u>	<u>2,492,545</u>
less: Goodwill	(137,323)	(137,323)
Deferred tax assets/(liabilities)	(61,207)	(130,039)
Total Tier 1 capital (a)	<u>2,562,234</u>	<u>2,225,183</u>
<u>Tier II Capital</u>		
Subordinated loans/financing	500,000	500,000
General allowance for bad and doubtful debts and financing	267,656	326,622
Total Tier 2 capital (b)	<u>767,656</u>	<u>826,622</u>
Total capital (a) + (b)	3,329,890	3,051,805
less: Investment in subsidiaries	(53,229)	(39,497)
Capital base	<u>3,276,661</u>	<u>3,012,308</u>
<u>Before deducting proposed dividends:</u>		
Core capital ratio	11.07%	10.58%
Risk-weighted capital ratio	<u>14.15%</u>	<u>14.32%</u>
<u>After deducting proposed dividends:</u>		
Core capital ratio	11.07%	10.43%
Risk-weighted capital ratio	<u>14.15%</u>	<u>14.18%</u>

The capital adequacy ratios of the Group as at 31 December 2005 have incorporated the market risk pursuant to the Bank Negara Malaysia's Market Risk Capital Adequacy Framework which became effective on 1 April 2005.

In view of the adjustment made on the risk-weighted assets by AFFIN Bank Berhad, the Group's risk-weighted capital ratios ('RWCR') as at 31 December 2005 had been restated as follows:-

	As at 31 December 2005	
	As previously reported	As restated
<u>Before deducting proposed dividends:</u>		
Core capital ratio	11.51%	10.58%
Risk-weighted capital ratio	<u>15.58%</u>	<u>14.32%</u>
<u>After deducting proposed dividends:</u>		
Core capital ratio	11.35%	10.43%
Risk-weighted capital ratio	<u>15.43%</u>	<u>14.18%</u>

A26. OPERATIONS OF ISLAMIC BANKING

(i) **Unaudited Islamic Balance Sheet**

	GROUP	
	Current Financial Quarter Ended 31/12/2006 RM'000	Previous Financial Year Ended 31/12/2005 RM'000
ASSETS		
Cash and short term funds	2,207,863	1,307,396
Deposits and placements with financial institutions	-	140,000
Securities held for trading	-	61,126
Securities available-for-sale	381,288	534,857
Securities held-to-maturity	90,600	92,593
Loans, advances and financing	1,233,014	1,503,899
Statutory deposit with Bank Negara Malaysia	42,000	75,000
Other assets	36,416	16,847
Intangible assets	2,092	-
Property, plant and equipment	188	14
TOTAL ASSETS	3,993,461	3,731,732
LIABILITIES, ISLAMIC BANKING FUNDS		
Deposits from customers	2,710,033	2,038,344
Deposits and placements of banks and other financial institutions	413,837	100,600
Bills and acceptances payable	23,690	2,014
Other liabilities	558,285	1,188,149
Provision for tax and zakat	5,457	3,341
Deferred tax liabilities	1,247	-
Total Liabilities	3,712,549	3,332,448
Total Islamic Banking Capital Funds	280,912	399,284
TOTAL LIABILITIES & ISLAMIC BANKING FUNDS	3,993,461	3,731,732
	-	-
COMMITMENTS AND CONTINGENCIES	4,228,741	4,966,285

A26. OPERATIONS OF ISLAMIC BANKING (cont.)

(ii) Unaudited Islamic Income Statement

	<-----Group----->			
	Current Year	Preceding Year	Current year-to-	Preceding Year-
	Quarter ended	Quarter ended	date ended	to-date ended
	31/12/2006	31/12/2005	31/12/2006	31/12/2005
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	44,194	31,685	148,257	169,312
Allowance for losses on financing	(1,834)	(42,724)	(6,129)	(35,980)
Transfer from/(to) profit equalisation reserve	-	12,683	5,206	2,340
	<u>42,360</u>	<u>1,644</u>	<u>147,334</u>	<u>135,672</u>
Income attributable to depositors	(19,119)	(29,097)	(69,342)	(98,357)
Income attributable to shareholders	23,241	(27,453)	77,992	37,315
Income derived from investment of Islamic banking capital funds	3,835	6,197	15,950	26,967
	<u>27,076</u>	<u>(21,256)</u>	<u>93,942</u>	<u>64,282</u>
Other operating expenses	(9,585)	(1)	(27,062)	(2,984)
Profit before tax and zakat	17,491	(21,257)	66,880	61,298
Taxation	(3,990)	-	(13,324)	(2,207)
Zakat	(1,592)	(1,115)	(1,592)	(3,099)
Net profit for the financial period	<u><u>11,909</u></u>	<u><u>(22,372)</u></u>	<u><u>51,964</u></u>	<u><u>55,992</u></u>

(iii) Financing

	Group	
<u>BY TYPE</u>	As at	As at
	31/12/2006	31/12/2005
	RM'000	RM'000
Cash line	94,263	58,229
Term financing		
Housing financing	1,041,001	1,394,578
Syndicated term financing	7,669	23,549
Hire purchase receivables	342,194	268,161
Other term financing	353,623	514,175
Bills financing	7,070	5,003
Trust receipts	69,578	71,824
Interest-free accepted bills	49,282	52,432
Staff financing	12,637	12,081
Revolving credit	3,024	95,143
	<u>1,980,341</u>	<u>2,495,175</u>
less: Unearned income	(720,664)	(860,412)
	<u>1,259,677</u>	<u>1,634,763</u>
less: Allowance for bad and doubtful debts and financing		
- General	(21,893)	(28,717)
- Specific	(4,770)	(102,147)
Total net financing	<u><u>1,233,014</u></u>	<u><u>1,503,899</u></u>

A26. OPERATIONS OF ISLAMIC BANKING (cont.)

(iv) Non-performing financing (NPF)

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

	GROUP	
	As at	As at
	31/12/2006	31/12/2005
	RM'000	RM'000
Balance at the beginning of financial year	481,426	535,782
Classified as non-performing during the year	71,439	150,332
Reclassified as performing during the year	(31,981)	(73,810)
Financing converted to securities	-	(59,999)
Amount written-off	(688)	(2,619)
Amount written back in respect of recoveries	(5,025)	(68,260)
Amount transferred to Conventional books	(476,021)	-
Balance at the end of financial year	39,150	481,426
less: Specific allowance	(4,770)	(102,147)
Net non-performing loans, advances and financing	34,380	379,279
As % of gross loans, advances and financing less specific allowance	2.74%	24.75%

Movements in allowance for bad and doubtful financing:

General allowance

Balance at the beginning of financial year	28,717	28,555
Allowance made during the year	-	283
Amount written back during the year	-	(121)
Amount transferred to Conventional books	(6,824)	-
Balance at the end of financial year	21,893	28,717
As % of gross loans, advances and financing less specific allowance	1.74%	1.87%

Specific allowance

Balance at the beginning of financial year	102,147	67,304
Allowance made during the year	6,912	52,011
Amount written off	(165)	(1,397)
Amount written back in respect of recoveries	(652)	(15,771)
Amount transferred to Conventional books	(103,472)	-
Balance at the end of financial year	4,770	102,147

A26. OPERATIONS OF ISLAMIC BANKING (cont.)

(v) **Deposits from customers**

	GROUP	
	As at 31/12/2006 RM'000	As at 31/12/2005 RM'000
<u>By type of deposits</u>		
Non-Mudharabah Funds		
Demand deposits	1,371,377	1,191,600
Savings deposits	149,542	153,543
Negotiable Instruments of Deposits	770,899	157,342
	2,291,818	1,502,485
Mudharabah Funds		
Savings deposits	5,700	6,194
General investment deposits	412,515	529,665
	418,215	535,859
	2,710,033	2,038,344

A27. COMPARATIVE FIGURES

The following comparative figures have been restated to reflect the effect of the changes in accounting policies as disclosed in Note A2:-

	<-----GROUP----->		
	As previously reported RM'000	Adjustments RM'000	As restated RM'000
<u>Balance sheet as at 31 December 2005</u>			
Property, plant and equipment	310,545	(57,860)	252,685
Goodwill	989,260	(989,260)	-
Intangible assets	-	1,047,120	1,047,120

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

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

The Group posted a pre-tax profit of RM119.2 million for the fourth quarter ended 31 December 2006, an improvement of RM128.6 million as compared to the pre-tax loss of RM9.4 million for the corresponding quarter ended 31 December 2005. For the year ended 31 December 2006, the Group's pre-tax profit of RM314.4 million indicated a decrease of RM12.1 million or 3.7% as compared to RM326.5 million reported in the previous year. This was mainly due to higher impairment loss on securities and reduction in net interest income of RM83.5 million and RM78.2 million respectively, cushioned by the drop in loan loss provision of RM73.3 million, higher other operating income of RM51.7 million and savings in both overhead expenses and finance cost totalling RM25.9 million for the year under review.

AFFIN Bank Berhad ('ABB') group recorded a pre-tax profit of RM67.9 million for the current financial quarter as compared to the pre-tax loss of RM19.9 million for the preceding year's corresponding quarter. For the year ended 31 December 2006, the Group's pre-tax profit of RM272.3 million marked an improvement of RM42.9 million as compared to RM229.4 million achieved last year. The improved performance was mainly due to higher net interest income and Islamic Banking income totalling RM60.8 million on the enlarged loan base resulting from the merger with AFFIN-ACF Finance Berhad, lower loan loss provision of RM45.3 million and writeback from profit equalisation reserve of RM5.2 million during the year. This was partially offset by the drop in other operating income of RM41.6 million and higher impairment loss on securities of RM29.6 million for the year under review.

For the year ended 31 December 2006, AFFIN-ACF Holdings Sdn Bhd group reported a pre-tax profit of RM382,000 as opposed to the pre-tax loss of RM19.5 million in the previous year. The pretax loss in the previous year was mainly due to the goodwill written off of RM55.5 million upon the transfer of finance company business of AFFIN-ACF Finance Berhad to AFFIN Bank Berhad on 1 June 2005, net of the operating profit of RM36.0 million registered for the said year.

AFFIN Investment Bank Berhad (formerly known as AFFIN Merchant Bank Berhad) group reported a higher pre-tax profit of RM18.2 million for the current financial quarter as compared to RM2.0 million for the preceding year's corresponding quarter. The group's pretax profit of RM81.0 million for the financial year ended 31 December 2006 also indicated a significant increase of RM22.7 million or 39.1% as compared to RM58.3 million registered in the previous year. The improved performance was mainly due to the increase in other operating income of RM49.1 million attributed largely to the unrealised gain on securities held-for-trading and fee income, higher net interest income of RM11.7 million and writeback of loan loss provision of RM6.5 million during the year. This was partially offset by the drop in Islamic Banking income of RM13.6 million, higher overhead expenses of RM16.8 million and the impairment loss on securities of RM10.5 million for the year under review.

For the year ended 31 December 2006, AFFIN Discount Berhad ('ADB') registered a pre-tax loss of RM18.1 million as compared to the pre-tax profit of RM19.1 million achieved the previous year. The loss for the current financial year was mainly due to the impairment loss on securities transferred to AFFIN Investment Bank and the loss on sales of trading securities of RM45.4 million and RM7.7 million respectively, net of the cash proceeds of RM35.0 million on surrendering the discount house licence to BNM. The current year's performance of ADB was in line with the transfer of its assets and liabilities to AFFIN Investment Bank on 1 July 2006, pursuant to the Order obtained from Kuala Lumpur High Court of Malaya.

B1. REVIEW OF PERFORMANCE OF THE COMPANY AND ITS PRINCIPAL SUBSIDIARIES (cont.)

AFFIN Moneybrokers Sdn Bhd posted a lower pre-tax profit of RM243,000 for the financial quarter ended 31 December 2006 as compared to RM374,000 for the same quarter last year. For the year ended 31 December 2006, the company's pre-tax profit of RM1.6 million also indicated a drop of RM0.5 million as compared to RM2.1 million achieved in 2005, mainly due to the increase in overhead expenses outpaced the increase in brokerage income for the year under review.

AFFIN Capital Holdings Sdn Bhd group recorded a higher pre-tax profit of RM1.7 million for the current financial quarter as compared to RM1.3 million for the same quarter last year. The group's pre-tax profit of RM4.4 million for the year ended 31 December 2006 indicated an improvement of RM5.3 million as compared to the pre-tax loss of RM0.9 million reported last year. This was mainly attributable to higher net brokerage income of RM10.0 million net of higher overhead expenses of RM2.8 million and there were no gains on sale of securities of RM3.9 million like the previous year.

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

For the current quarter ended 31 December 2006, the Group recorded a higher pre-tax profit of RM119.2 million as compared to RM54.2 million for the preceding quarter ended 30 September 2006. This was mainly attributable to lower impairment loss on securities and lower loan loss provision of RM39.8 million and RM16.5 million respectively, coupled with an increase in both operating income and share in profit of associates of RM9.4 million and RM8.8 million for the quarter under review.

B3. PROSPECT FOR THE CURRENT FINANCIAL YEAR

Barring any unforeseen circumstances, the Group is expected to achieve satisfactory results for the financial year ended 31 December 2007.

B4. VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

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

B5. TAXATION

	<-----Group----->			
	Current financial quarter ended	Preceding year corresponding quarter ended	Current year-to- date	Preceding year- to-date
	31/12/2006 RM'000	31/12/2005 RM'000	31/12/2006 RM'000	31/12/2005 RM'000
Malaysian Taxation:				
- Income tax based on profit for the period	5,157	(14,188)	1,834	9,206
Deferred tax relating to net originating temporary differences	12,851	(31,642)	84,183	81,688
(Over)/Underprovision in previous year:				
- Current taxation	3,433	(25,960)	(2,356)	(18,993)
	21,441	(71,790)	83,661	71,901

Included in the tax expense of the Group is a deferred tax expense of RM4.1 million which was attributed to the change in the Malaysian corporate tax rate from 28% to 27% for the year of assessment 2007.

After excluding the above additional deferred tax expense, the effective tax rate of the Group was lower as compared to the prevailing statutory tax rate, mainly due to the deferred tax benefits in respect of the unabsorbed tax losses previously not recognised and overprovision of taxation in previous years. On the other hand, there were certain expenses being disallowed for tax purposes and the Group can only utilise 50% of the current tax losses suffered by AFFIN Discount Berhad to set off against the taxable income of other companies within the Group.

B6. SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

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

B7. PURCHASE OR DISPOSAL OF QUOTED SECURITIES

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

B8. STATUS OF CORPORATE PROPOSALS

a) Proposed private placement of up to 10% of the issued and paid-up share capital of the Company

On 5 October 2004, AFFIN Investment Bank Berhad (f.k.a. AFFIN Merchant Bank Berhad)("AIBB") had on behalf of the Board of Directors announced that the Company proposed to undertake a proposed private placement of new ordinary shares of RM1.00 each ('Placement Shares') representing up to 10% of issued and paid-up share capital of AHB to selected investors to be identified later. The issue price of the placement shares would be determined by the Board, based on market based principles and at a level which would be in the best interests of the company and would take into account the interests of its shareholders. In any event, the issue price of the placement shares shall not be less than the par value of RM1.00. On 26 November 2004, the Company announced that the SC had vide its letter dated 25 November 2004 approved the proposed private placement, subject to the following conditions:-

- i) The Company is required to inform SC when the proposed private placement is implemented.
- ii) The Company is required to fully comply with other requirements as stipulated in the SC Issues Guidelines in relation to the Proposed Private Placement.

On 9 May 2006, AIBB had on behalf of the Board of Directors announced that SC had vide its letter dated 30 May 2006 granted a final extension of time to 24 November 2006 for the Company to implement the private placement.

On 14 December 2006, AIBB had on behalf of the Board of Directors announced that SC had vide its letter dated 12 December 2006 approved a further extension of time for an additional three (3) months, i.e. to 24 February 2007, to enable the Company to complete the Private Placement. The approval from the SC for the proposed extension is however subject to the compliance with all the conditions precedent in the SC's approval letter dated 30 May 2006.

B8. STATUS OF CORPORATE PROPOSALS (cont.)

a) Proposed private placement of up to 10% of the issued and paid-up share capital of the Company (cont.)

On 9 February 2007, an application had been submitted to SC to seek its approval for further extension of time of an additional three (3) months, i.e. up to 24 May 2007, to enable the Company to complete the Private Placement.

b) Proposed acquisition by Boustead Holdings Berhad (Boustead) of the London Assurance Shareholdings in Royal & Sun Alliance Insurance (M) Bhd and Proposed transfer of Boustead's entire shareholdings in Royal & Sun Alliance Insurance (M) Bhd to AXA AFFIN Assurance Berhad

On 25 July 2005, the Board of Directors of AHB announced that Bank Negara Malaysia had vide its letter dated 21 July 2005 stated that it had no objection in principle for Boustead (a company related to AHB by virtue of LTAT being a common major shareholder in AHB and Boustead) to commence negotiations to acquire the entire 45.0% equity interest held by the London Assurance ('London Assurance') in Royal & Sun Alliance Insurance (M) Bhd ('RoyalSun').

Boustead intends to rationalise its shareholdings in RoyalSun and consolidate its interests in RoyalSun into AXA AFFIN Assurance Berhad, a 40.0% associated company of AFFIN Holdings Berhad thereafter.

Further announcement on the development will be made to Bursa Malaysia Securities Berhad at the appropriate time.

c) Proposed acquisition of a minority stake in AHB by the Bank of East Asia, Limited

On 24 November 2006, the Board of Directors of AHB announced that AHB had obtained approval from Bank Negara Malaysia to commence negotiations with the Bank of East Asia, Limited relating to a possible acquisition of a minority stake in AHB.

The negotiations are on-going where there can be no certainty about the outcome, or that any agreement will be reached. No terms have yet been agreed for the proposed transaction.

Any further development in the above matter will be announced to Bursa Malaysia Securities Berhad at the appropriate time.

B9. GROUP BORROWINGS AND DEBT SECURITIES

(i) Deposits from Customers

	Group	
	As at 31/12/2006 RM'000	As at 31/12/2005 RM'000
<u>By Type of Deposits:-</u>		
Demand Deposits	3,310,680	3,206,455
Savings Deposits	869,449	1,086,355
Fixed / Investment Deposits	17,290,828	14,632,992
Negotiable Instruments of Deposits ('NIDs')	4,103,749	2,538,742
	<u>25,574,706</u>	<u>21,464,544</u>
 Maturity structure of fixed deposits and NIDs are as follows:		
Due within six months	19,606,037	14,887,109
Six months to one year	1,721,273	1,726,243
One year to three years	62,764	555,591
Three years to five years	4,503	2,791
	<u>21,394,577</u>	<u>17,171,734</u>
 <u>By Type of Customers:-</u>		
Government and statutory bodies	3,747,735	3,614,972
Business enterprises	6,014,195	7,527,096
Individuals	3,350,313	4,310,609
Others	12,462,463	6,011,867
	<u>25,574,706</u>	<u>21,464,544</u>

B9. GROUP BORROWINGS AND DEBT SECURITIES

	Group	
	As at 31/12/2006 RM'000	As at 31/12/2005 RM'000
(ii) <u>Deposits and Placements of Banks and Other Financial Institutions</u>		
<u>By Type of Institutions:-</u>		
Licenced banks	733,470	742,298
Licenced finance companies	-	55,975
Licenced merchant banks	37,013	46,880
Bank Negara Malaysia	-	107,814
Other financial institutions	694,431	221,303
	<u>1,464,914</u>	<u>1,174,270</u>
<u>By Maturity Structure:-</u>		
Due within six months	<u>1,464,914</u>	<u>1,174,270</u>
(iii) <u>Borrowings</u>		
Unsecured		
- One year or less (short-term)	471,894	474,931
- More than one year (medium/long-term)	690,750	748,530
	<u>1,162,644</u>	<u>1,223,461</u>

B10. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

Value of contract classified by remaining period to maturity/repricing date (whichever is earlier) as at reporting date are as follows:-

RM'000							
Items	Principal Amount	> 1 - 3 months	> 3 - 6 months	> 6 - 12 months	> 1 - 5 years	> 5 years	Margin requirement
Foreign Exchange related contract	1,730,426	1,045,847	146,357	136,821	401,401	-	-
- Forwards	820,662	329,326	60,290	29,645	401,401	-	-
- Swaps	909,764	716,521	86,067	107,176	-	-	-
Interest Rate related contract	2,367,112	1,239,000	355,000	433,000	249,962	90,150	-
- Futures purchase	826,000	460,000	173,000	148,000	45,000	-	-
- Futures sale	836,000	504,000	172,000	140,000	20,000	-	-
- Swaps	705,112	275,000	10,000	145,000	184,962	90,150	-
Total	4,097,538	2,284,847	501,357	569,821	651,363	90,150	-

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

Market risk

Market risk is the potential change in value caused by movement in market rates or prices. The contractual amounts stated above provide only a measure of involvement in these types of transactions and do not represent the amount subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions. As at end of the financial year, the notional amount of foreign exchange exposure which was not hedged and hence, exposed to market risk was RM4.2 million (FYE 31/12/2005: RM 3.3 million), while the notional amount of interest rate contract was RM505.1 million (FYE 31/12/2005: RM 831.0 million).

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

Credit risk

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the bank has a gain position. As at the reporting date, the amounts of foreign exchange and interest rate credit risk, measured in term of the cost to replace the profitable contracts, was RM69.4 million (FYE 31/12/2005: RM28.0 million) and RM9.7 million (FYE 31/12/2005: RM12.2 million) respectively. This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

Related accounting policies

i. Derivative financial instruments

Derivatives are initially recognised at fair values at inception and are subsequently remeasured at their fair values. Fair values are obtained from quoted market price in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair values are positive and as liabilities when fair values are negative.

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

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

a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method used is amortised to income statement over the period to maturity. The adjustments to the carrying amount of a hedged equity security remain in retained earnings until the disposal of the equity securities.

b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain and loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item will affect income statement (for example, when the projected hedged transaction crystallised). When a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement.

c) Derivatives that do not qualify for hedge accounting

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

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

Related accounting policies (cont.)

ii. Forward exchange related contracts

Unmatured forward exchange contracts are valued at forward rates as at balance sheet date applicable to their respective dates of maturity and unrealised losses and gains are recognised in the income statement for the period.

B11. MATERIAL LITIGATION

As at the reporting date, there is currently a lawsuit against the commercial bank subsidiary, namely AFFIN Bank Berhad ('ABB') in which a first summary judgement was made against the bank by the Deputy Registrar. Subsequently, a second judgement was made against ABB in the High Court. Total contingent liabilities arising from this lawsuit, inclusive of interests accruing at 8% p.a., is RM 41.4 million. ABB has had its First and Second appeals set aside and has made a Third appeal to the Court of Appeal to set aside summary judgement. The verdict for the Third appeal will be delivered on 23 March 2007. As the Directors are confident that they will be successful in winning this appeal, no provision has been made at this juncture.

There are various other legal suits against ABB in respect of claims and counter claims of approximately RM 85.9 million (2005: RM 151.9 million). Based on legal advice, the Directors are of the opinion that no provision for damages need to be made in the financial statements, as the probability of adverse adjudication against ABB is remote.

B12. PROPOSED DIVIDENDS

a) A final dividend has been proposed for the financial year ended 31 December 2006 as follows:

Amount per share	: 3 sen per share less 27% tax
Previous corresponding period	: 2 sen per share less 28% tax
Date payable	: To be announced later
Date of entitlement	: To be announced later

b) Total dividend for the current financial period: 5 sen per share, comprising 2 sen per share less 28% tax and 3 sen per share less 27% tax

B13. EARNINGS PER SHARE

	<-----Group----->			
	Current Financial Quarter ended 31/12/2006	Preceding Year Financial Quarter ended 31/12/2005	Current Year- to-date 31/12/2006	Preceding Year- to-date 31/12/2005
Net profit attributable to equity holders of the parent (RM'000)	96,264	61,195	226,918	235,646
Weighted average number of ordinary share in issue	1,241,691,714	1,209,958,072	1,227,690,931	1,198,742,030
Adjustment for share options	13,185,916	16,439,308	13,185,916	16,439,308
Adjusted weighted average number of ordinary shares for diluted earnings per share	1,254,877,630	1,226,397,380	1,240,876,847	1,215,181,338
Basic earning per share (sen)	7.75	5.06	18.48	19.66
Diluted earnings per share (sen)	7.67	4.99	18.29	19.39

B13. EARNINGS PER SHARE (cont.)

Basic earnings per share

The basic earnings per share of the Group for the three months ended 31 December 2006 has been calculated based on the net profit attributable to the equity holders of the parent of RM96,264,000 (31 December 2005: RM61,195,000) divided by the weighted average number of ordinary shares in issue during the financial quarter of 1,241,691,714 (31 December 2005: 1,209,958,072).

The basic earnings per share of the Group for the financial year ended 31 December 2006 has been calculated based on the net profit attributable to the equity holders of the parent of RM226,918,000 (31 December 2005: RM235,646,000) divided by the weighted average number of ordinary shares in issue during the financial year of 1,227,690,931 (31 December 2005: 1,198,742,030).

Diluted earnings per share

For the diluted earnings per share calculation, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has two categories of dilutive potential ordinary shares: share options granted to employees and warrants convertible into ordinary shares.

The shares option is assumed to be converted into ordinary shares. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options.

The number of shares calculated is compared with the number of shares that would have been issued assuming the exercise of the shares options. The difference added to the denominator as an issue of ordinary shares for no consideration. This calculation serves to determine the 'bonus' element in the ordinary shares outstanding for the purpose of computing the dilution. No adjustment is made to the net profit for the financial period for the share options

The conversion of warrants is considered dilutive when they would result in the issue of new ordinary shares for less than market value of the shares. As the current exercise price of the warrants is higher than the market value of the ordinary shares, there is no impact of dilution to the earnings per share. Hence, the warrants are not taken into the computation of diluted earnings per share.

B14. ECONOMIC PROFIT

	<-----Group----->			
	Current Financial Quarter ended 31/12/2006 RM'000	Preceding Year Financial Quarter ended 31/12/2005 RM'000	Current Year- to-date 31/12/2006 RM'000	Preceding Year- to-date 31/12/2005 RM'000
Net profit for the financial period/year	96,264	61,282	226,918	251,538
Less: Economic charge	(97,466)	(88,416)	(352,022)	(291,498)
Economic loss for the financial period/year	(1,202)	(27,134)	(125,104)	(39,960)

Formula for calculation of economic charge:

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

Beta = 5-year adjusted Bloomberg Beta

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

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