



**CONDENSED INTERIM
FINANCIAL STATEMENTS
30 SEPTEMBER 2006**

AFFIN HOLDINGS BERHAD
(Company no. 23218 - W)
Condensed Interim Financial Statements
Unaudited Balance Sheets As At 30 September 2006

	<-----GROUP----->		<-----COMPANY----->	
	Current Financial Quarter 30/09/2006 RM'000	Previous Financial Year Ended 31/12/2005 RM'000	Current Financial Quarter 30/09/2006 RM'000	Previous Financial Year Ended 31/12/2005 RM'000
ASSETS				
Cash and short term funds	7,146,171	3,344,911	82,605	120,525
Deposits and placements with financial institutions	746,789	323,922	-	389
Securities held for trading	513,425	1,300,447	-	-
Securities available-for-sale	4,931,058	4,890,256	-	-
Securities held-to-maturity	1,092,398	1,577,699	-	-
Loans, advances and financing	17,121,498	16,973,209	-	-
Trade debtors	384,363	137,063	-	-
Other assets	302,136	211,913	2,768	7,035
Tax Recoverable	103,286	128,091	35,575	36,986
Statutory deposits with Bank Negara Malaysia	792,656	665,715	-	-
Investment in subsidiaries	-	-	3,634,580	3,484,096
Amount due from subsidiaries	-	-	10,120	18,319
Investment in associates	89,967	84,935	10,597	10,597
Deferred tax assets	102,348	156,173	-	-
Land held for sale	100,814	89,280	-	-
Property, plant and equipment	300,730	310,545	971	532
Goodwill	1,088,861	989,260	-	-
Life business assets	212,459	-	-	-
TOTAL ASSETS	35,028,959	31,183,419	3,777,216	3,678,479
LIABILITIES, INSURANCE RESERVES AND EQUITY				
Deposits from customers	24,893,313	21,464,544	-	-
Deposits and placements of bank and other financial institutions	969,675	1,174,270	-	-
Obligation on securities sold under repurchase agreements	1,842,557	1,476,889	-	-
Bills and acceptance payable	653,289	480,574	-	-
Trade creditors	356,566	116,857	-	-
Amount due to Cagamas	802,925	1,241,160	-	-
Borrowings	1,154,642	1,223,461	653,530	693,530
Other liabilities	686,324	799,026	6,833	8,882
Provision for taxation	1,140	55	-	-
Amount due to subsidiaries	-	-	677,734	563,870
Deferred tax liabilities	14,112	151	-	-
Life business liabilities	41,506	-	-	-
TOTAL LIABILITIES	31,416,049	27,976,987	1,338,097	1,266,282

AFFIN HOLDINGS BERHAD
(Company no. 23218 - W)
Condensed Interim Financial Statements
Unaudited Balance Sheets As At 30 September 2006

	<-----GROUP----->		<-----COMPANY----->	
	Current Financial Quarter 30/09/2006 RM'000	Previous Financial Year Ended 31/12/2005 RM'000	Current Financial Quarter 30/09/2006 RM'000	Previous Financial Year Ended 31/12/2005 RM'000
INSURANCE RESERVES				
Life policyholders' funds	170,953	-	-	-
TOTAL INSURANCE RESERVES	170,953	-	-	-
EQUITY				
Share capital	1,233,772	1,211,388	1,233,772	1,211,388
Reserves:-				
Share premium	1,070,412	1,063,541	1,070,412	1,063,541
Statutory reserve	368,293	364,669	-	-
Retained profits	686,853	577,380	134,935	137,268
Investment fluctuation reserve	(25,299)	(11,490)	-	-
Other reserves	944	944	-	-
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	3,334,975	3,206,432	2,439,119	2,412,197
Minority interests	106,982	-	-	-
TOTAL EQUITY	3,441,957	3,206,432	2,439,119	2,412,197
TOTAL LIABILITIES, INSURANCE RESERVES AND EQUITY	35,028,959	31,183,419	3,777,216	3,678,479
COMMITMENTS AND CONTINGENCIES	20,047,782	25,198,256	-	-
CAPITAL ADEQUACY				
<u>Before deducting proposed dividends:</u>				
Core capital ratio	10.90%	10.58%		
Risk-weighted capital ratio	14.12%	14.32%		
<u>After deducting proposed dividends:</u>				
Core capital ratio	10.87%	10.43%		
Risk-weighted capital ratio	14.09%	14.18%		
NET ASSETS PER SHARE (RM)	2.70	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 Quarter Ended 30 September 2006

<u>Group</u>	<-----Individual Quarter----->		<-----Cumulative Quarter----->	
	Current Year Quarter ended 30/09/2006 RM'000	Preceding Year Corresponding Quarter ended 30/09/2005 RM'000	Current year- to-date ended 30/09/2006 RM'000	Preceding Year- to-date ended 30/09/2005 RM'000
Revenue	543,517	447,847	1,415,047	1,342,011
Interest income	392,178	351,526	1,105,369	1,049,590
Interest expense	(237,845)	(171,107)	(620,306)	(519,241)
Net interest income	154,333	180,419	485,063	530,349
Income from Islamic operations	32,641	21,734	71,469	89,137
Other operating income	109,344	74,587	228,855	203,284
Operating income	296,318	276,740	785,387	822,770
Other operating expenses	(126,678)	(142,080)	(386,266)	(406,690)
Operating profit before loan and financing loss and provision	169,640	134,660	399,121	416,080
Allowance for losses on loans and financing	(52,032)	(31,347)	(113,806)	(40,371)
Impairment losses	(56,613)	3,404	(73,417)	(2,632)
Transfer from/(to) profit equalisation reserve	499	8,419	5,206	(10,344)
Operating profit/(loss)	61,494	115,136	217,104	362,733
Finance cost	(7,999)	(13,261)	(29,646)	(42,037)
Share in profit of associates	871	5,969	12,010	20,458
Profit/(loss) before taxation and zakat	54,366	107,844	199,468	341,154
Taxation	(24,156)	(60,390)	(66,318)	(149,472)
Zakat	(2,333)	(1,275)	(2,333)	(1,984)
Net profit for the financial period	27,877	46,179	130,817	189,698
Attributable to:				
Equity holders of the parent	27,714	43,437	130,654	173,894
Minority interests	163	2,742	163	15,804
	27,877	46,179	130,817	189,698
Earnings per share (sen)	2.25	3.60	10.68	14.61
Fully diluted earnings per share (sen)	2.22	3.57	10.55	14.49

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 Quarter Ended 30 September 2006

<u>Company</u>	<-----Individual Quarter----->		<-----Cumulative Quarter----->	
	Current Year Quarter ended 30/09/2006 RM'000	Preceding Year Corresponding Quarter ended 30/09/2005 RM'000	Current year- to-date ended 30/09/2006 RM'000	Preceding Year- to-date ended 30/09/2005 RM'000
Revenue	2,808	3,007	57,666	240,067
Interest income	1,067	2,988	3,451	5,304
Interest expense	-	-	-	-
Net interest income	1,067	2,988	3,451	5,304
Income from Islamic operations	-	-	-	-
Other operating income	1,741	19	54,215	234,763
Operating income	2,808	3,007	57,666	240,067
Other operating expenses	(1,325)	(856)	(5,994)	(4,314)
Impairment losses	-	-	-	-
Operating profit before loan and financing loss and provision	1,483	2,151	51,672	235,753
Allowance for losses on loans and financing	-	-	-	-
Transfer from/(to) profit equalisation reserve	-	-	-	-
Operating profit	1,483	2,151	51,672	235,753
Finance cost	(8,885)	(12,785)	(30,041)	(40,324)
Share in profit of associates	-	-	-	-
Profit before taxation and zakat	(7,402)	(10,634)	21,631	195,429
Taxation	2,223	(1,326)	(6,407)	(92,295)
Zakat	-	-	-	-
Net profit for the financial period	(5,179)	(11,960)	15,224	103,134

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 Period Ended 30 September 2006

<u>GROUP</u>	-----Attributable to Equity Holders of the Parent----->									
	Issued and fully paid ordinary shares of RM1 each		Non-distributable				Distributable	Total Shareholders' Equity RM'000	Minority Interests RM'000	Total Equity RM'000
	Number of shares '000	Nominal value RM'000	Share premium RM'000	Statutory reserves RM'000	Investment fluctuation reserve RM'000	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	22,384	22,384	6,871	-	-	-	-	29,255	-	29,255
Net change in fair value of securities available-for-sale	-	-	-	-	(13,809)	-	-	(13,809)	-	(13,809)
Minority interest's share of capital in a newly established subsidiary	-	-	-	-	-	-	-	-	106,819	106,819
Net profit for the financial period	-	-	-	-	-	-	130,654	130,654	163	130,817
Transfer of retained profit to statutory reserve	-	-	-	83,932	-	-	(83,932)	-	-	-
Transfer of statutory reserve to retained profit upon the transfer of discount house business to AFFIN Investment Bank	-	-	-	(80,308)	-	-	80,308	-	-	-
Dividend paid	-	-	-	-	-	-	(17,557)	(17,557)	-	(17,557)
At 30 September 2006	1,233,772	1,233,772	1,070,412	368,293	(25,299)	944	686,853	3,334,975	106,982	3,441,957

AFFIN HOLDINGS BERHAD
(Company no. 23218 - W)
Unaudited Condensed Consolidated Statement Of Changes In Equity
For The Financial Period Ended 30 September 2006

<u>GROUP</u>	-----Attributable to Equity Holders of the Parent-----									
	Issued and fully paid ordinary shares of RM1 each		Non-distributable				Distributable	Total Shareholders' Equity RM'000	Minority Interests RM'000	Total Equity RM'000
Number of shares '000	Nominal value RM'000	Share premium RM'000	Statutory reserves RM'000	Investment fluctuation reserve RM'000	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	12,986	12,986	-	-	-	-	-	12,986	-	12,986
- 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
Acquisition of net assets attributable to minority interests in ACFH by the Company during the period	-	-	-	-	-	-	-	-	(238,389)	(238,389)
Net change in fair value of securities available-for-sale	-	-	-	-	(33,829)	-	-	(33,829)	(4,923)	(38,752)
Net profit for the financial period	-	-	-	-	-	-	173,894	173,894	15,804	189,698
Transfer to statutory reserves	-	-	-	87,537	-	-	(87,537)	-	-	-
Transfer of statutory reserves to retained profits upon cessation of the finance company operations of a subsidiary	-	-	-	(127,836)	-	-	127,836	-	-	-
Dividends paid	-	-	-	-	-	-	(26,080)	(26,080)	(696)	(26,776)
At 30 September 2005	1,208,930	1,208,930	1,063,541	356,433	(19,333)	944	523,864	3,134,379	151,756	3,286,135

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 Period Ended 30 September 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	22,384	22,384	6,871	-	29,255
Net loss for the financial period	-	-	-	15,224	15,224
Dividend paid	-	-	-	(17,557)	(17,557)
At 30 September 2006	1,233,772	1,233,772	1,070,412	134,935	2,439,119
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	12,986	12,986	-	-	12,986
- 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	-	-	-	103,134	103,134
Dividend paid	-	-	-	(26,080)	(26,080)
At 30 September 2005	1,208,930	1,208,930	1,063,541	84,647	2,357,118

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 Period Ended 30 September 2006

	Group	
	As at 30/09/2006 RM'000	As at 30/09/2005 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation and zakat	199,468	341,154
Adjustment for non-operating and non-cash items	164,851	190,861
Operating profit before changes in working capital	364,319	532,015
Net changes in operating assets	(283,428)	(351,609)
Net changes in operating liabilities	3,359,215	(321,454)
Payment of tax and zakat	(20,368)	(33,716)
Taxation refund	52,453	-
Net cash generated from operating activities	3,472,191	(174,764)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net decrease in securities	414,964	1,682,247
Net purchase of property, plant and equipment	(21,029)	(62,623)
Dividend received from associated company	2,880	1,440
Cash consideration and expenses relating to acquisition of additional interests in subsidiary	(510)	(16,663)
Cash payment on acquisition of life insurance business by a newly established subsidiary	(121,000)	-
Net cash generated from investing activities	275,305	1,604,401
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in borrowings	(68,819)	(74,776)
Proceeds from issuance of shares	29,255	12,986
Capital injection to a newly established subsidiary by minority interests	106,820	-
Dividends paid to shareholders	(17,557)	(26,080)
Dividends paid to minority interests	-	(696)
Redemption of bonds	-	(240,000)
Net cash used in financing activities	49,699	(328,566)
Net increase in cash and cash equivalents	3,797,195	1,101,071
Cash and cash equivalents at beginning of the period	3,326,204	3,999,993
Cash and cash equivalents at end of the period	7,123,399	5,101,064
<u>Analysis of cash & cash equivalent</u>		
Cash and short term funds	7,146,171	5,124,565
Adjustment for money held in trust on behalf of clients and remisers	(22,772)	(23,501)
	7,123,399	5,101,064

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 quarter ended 30 September 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,
- (iii) derivative financial instruments, and
- (iv) investment properties.

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

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Company for the year ended 31 December 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. CHANGES IN ACCOUNTING POLICIES

The financial 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 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

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

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:-

A2. CHANGES IN ACCOUNTING POLICIES (cont.)

(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.

The presentation of the comparative financial statements of the Group have been restated to conform with the current period's presentation.

The Group's present 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.

Following the completion of the Proposed Acquisition of the life insurance business of Tahan Insurance Malaysia Berhad on 30 June 2006, the Group has also adopted all the relevant accounting policies for life insurance business in accordance with FRS 203 Life Insurance Business and FRS 140 Investment Properties during the year.

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 financial quarter ended 30 September 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.

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 RM1,233,772,115 by the issuance of 22,384,000 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>
5,102,000	RM 1.00
17,282,000	RM 1.41

A8. DIVIDEND

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.

A9. SEGMENTAL REPORTING

(i) SEGMENTAL REPORTING ON REVENUE AND PROFIT

The segment analysis by activity for the 3 months financial period ended 30 September 2006 is as follows:-

	3 months ended 30/09/2006		3 months ended 30/09/2005	
	Total Revenue RM'000	Profit/(Loss) Before Tax RM'000	Total Revenue RM'000	Profit/(Loss) Before Tax RM'000
Corporate commercial banking	154,567	24,493	111,787	37,605
Retail banking	183,608	26,736	187,857	41,316
Treasury and money market	136,830	(24,677)	128,072	32,051
Investment banking	48,148	36,556	6,102	848
Stock-broking and asset management	9,512	1,096	11,869	3,422
Insurance	10,174	(9)	1,043	233
Others	3,678	(2,701)	5,255	(339)
	<u>546,517</u>	<u>61,494</u>	<u>451,985</u>	<u>115,136</u>
Intersegment elimination	(3,000)	-	(4,138)	-
Segment revenue/ segment results	<u>543,517</u>	<u>61,494</u>	<u>447,847</u>	<u>115,136</u>
Finance cost		(7,999)		(13,261)
Share in profit of associates		871		5,969
Profit before taxation		<u>54,366</u>		<u>107,844</u>
Taxation and zakat		(25,510)		(59,974)
Share in tax of associates		(979)		(1,691)
Net profit for the financial period		<u>27,877</u>		<u>46,179</u>

The segment analysis by activity for the 9 months ended 30 September 2006 is as follows:-

	9 months ended 30/09/2006		9 months ended 30/09/2005	
	Total Revenue RM'000	Profit/(Loss) Before Tax RM'000	Total Revenue RM'000	Profit/(Loss) Before Tax RM'000
Corporate commercial banking	390,186	72,196	410,526	131,220
Retail banking	540,095	99,106	504,078	102,271
Treasury and money market	383,030	1,968	377,134	123,658
Investment banking	56,530	39,515	11,000	2,078
Stock-broking and asset management	35,258	7,307	33,849	5,550
Insurance	8,600	(132)	2,464	232
Others	10,481	(2,856)	12,269	(2,276)
	<u>1,424,180</u>	<u>217,104</u>	<u>1,351,320</u>	<u>362,733</u>
Intersegment elimination	(9,133)	-	(9,308)	-
Segment revenue/ segment results	<u>1,415,047</u>	<u>217,104</u>	<u>1,342,012</u>	<u>362,733</u>
Finance cost		(29,646)		(42,037)
Share in profit of associates		12,010		20,458
Profit before taxation		<u>199,468</u>		<u>341,154</u>
Taxation and zakat		(64,553)		(145,675)
Share in tax of associates		(4,098)		(5,781)
Net profit for the financial period		<u>130,817</u>		<u>189,698</u>

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

	Group	
	As at 30/09/2006 RM'000	As at 31/12/2005 RM'000
(a) <u>BY TYPE</u>		
Overdrafts	1,920,248	1,887,804
Term loans/financing		
Housing loans/financing	3,800,223	3,805,920
Syndicated term loan/financing	665,486	635,033
Hire purchase receivables	6,669,095	6,629,743
Other term loans/financing	3,974,880	4,201,770
Bills receivable	113,827	111,565
Trust receipts	501,008	395,496
Claims on customers under acceptance credits	743,601	713,275
Staff loans/financing (of which RM NIL to Directors)	165,629	172,606
Credit/charge cards	91,915	90,545
Revolving credit	1,491,579	1,280,199
Other loans/financing	33,867	29,605
	20,171,358	19,953,561
Less: Unearned interest and income	(1,854,533)	(1,824,467)
Gross loans, advances and financing	18,316,825	18,129,094
Less: Allowance for bad and doubtful debts and financing		
- General	(282,210)	(327,039)
- Specific	(913,117)	(828,846)
Total net loans, advances and financing	17,121,498	16,973,209
(b) <u>BY TYPE OF CUSTOMER</u>		
Domestic non-banking institutions		
- Others	86,881	41,794
Domestic business enterprises		
- Small medium enterprises	4,878,926	5,080,721
- Others	3,833,375	3,660,656
Government and statutory bodies	129,490	112,146
Individuals	8,821,715	8,860,946
Other domestic entities	228,918	45,640
Foreign entities	337,520	327,191
	18,316,825	18,129,094
(c) <u>BY INTEREST / PROFIT RATE SENSITIVITY</u>		
Fixed rate		
Housing loans/financing	542,598	647,714
Hire purchase receivables	5,634,398	5,620,841
Other fixed rate loan/financing	4,017,179	3,733,661
Variable rate		
BLR plus	4,244,111	4,492,640
Cost-plus	3,878,539	3,634,238
	18,316,825	18,129,094

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

	Group	
	As at	As at
	30/09/2006	31/12/2005
	RM'000	RM'000
(d) <u>BY ECONOMIC PURPOSE</u>		
Construction	168,817	190,338
Purchase of landed property		
(of which: - Residential	3,114,350	3,093,320
- Non-residential)	567,776	591,878
Purchase of securities	587,345	814,821
Purchase of transport vehicles	5,313,052	5,132,997
Fixed assets other than land and building	53,560	35,805
Personal uses	526,029	504,869
Credit card	91,914	90,545
Consumer durable	6,817	21,777
Working capital	661,516	176,835
Others	7,225,649	7,475,909
	18,316,825	18,129,094

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

	Group	
	As at	As at
	30/09/2006	31/12/2005
	RM'000	RM'000
(a) <u>Movements in non-performing loans, advances and financing</u>		
Balance at the beginning of financial period/year	3,290,501	3,761,073
Classified as non-performing during the period/year	464,708	907,111
Reclassified as performing during the period/year	(255,326)	(472,889)
Loans/financing converted to securities	-	(85,000)
Amount recovered	(246,748)	(632,831)
Amount written-off	(130,341)	(186,963)
Balance at the end of financial period/year	3,122,794	3,290,501
less: Specific allowance	(913,117)	(828,846)
Net non-performing loans, advances and financing	2,209,677	2,461,655
Net NPL as a % of gross loans, advances and financing less specific allowance	12.70%	14.23%

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

Construction	135,891	136,667
Purchase of landed property:		
- Residential	585,031	623,721
- Non-residential	167,521	161,155
Purchase of securities	137,843	255,704
Purchase of transport vehicles	157,729	150,444
Personal uses	100,798	90,663
Credit card	3,242	2,677
Consumer durable	1,380	835
Working capital	54,756	59,296
Others	1,778,603	1,809,339
	3,122,794	3,290,501

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

(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 30/09/2006	As at 31/12/2005
	RM'000	RM'000
Balance at the beginning of financial period/year	327,039	328,285
Allowance made during the financial period/year	-	2,563
Amount written back during the financial period/year	(44,829)	(3,809)
Balance at the end of financial period/year	282,210	327,039
As % of gross loans, advances and financing less specific allowance	1.62%	1.89%

Specific allowance

Balance at the beginning of financial period/year	828,846	696,512
Allowance made during the financial period/year	263,003	449,885
Amount transferred to allowance for impairment of securities held-to-maturity	-	(4,760)
Amount written-off	(129,396)	(222,425)
Amount written back during the financial period/year	(49,336)	(90,366)
Balance at the end of financial period/year	913,117	828,846

A10. SECURITIES HELD

(a) Securities held-for-trading

At fair value

	Group	
	As at 30/09/2006	As at 31/12/2005
	RM'000	RM'000
Malaysian Government Investment Issuance ('GII')	25,223	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
	25,223	792,944
Quoted Securities		
- Shares	702	7,848
- Warrants	270	383
Unquoted Securities		
- Private Debt Securities	487,230	499,272
Total securities held for trading	513,425	1,300,447

A10. SECURITIES HELD (cont.)

	Group	
	As at 30/09/2006 RM'000	As at 31/12/2005 RM'000
(b) <u>Securities available-for-sale</u>		
At fair value		
Malaysian Government Securities	803,691	827,178
Malaysian Government Treasury Bills	221,986	232,311
Malaysian Government Investment Issuance ('GII')	187,632	84,446
Cagamas Bonds	586,061	366,207
Khazanah Bonds	692,958	784,304
Bankers' Acceptance and Islamic Accepted Bills	353,245	589,293
Bank Negara Malaysia Notes	19,914	46,253
Bank Negara Malaysia Bills	178,868	310,327
Negotiable Instruments of Deposit	534,884	454,863
Negotiable Islamic Debt Certificate	74,306	225,885
	3,653,545	3,921,067
Quoted Securities		
- Shares	131,121	136,604
- Private Debt Securities	26,170	25,420
Unquoted Securities		
- Private Debt Securities	1,234,902	915,191
	5,045,738	4,998,282
Allowance for impairment of securities	(114,680)	(108,026)
Total securities available-for-sale	4,931,058	4,890,256
(c) <u>Securities held-to-maturity</u>		
At amortised cost		
Malaysian Government Securities	335,198	344,925
Cagamas Bonds	60,131	60,255
Khazanah Bonds	8,209	8,018
Negotiable Instruments of Deposit	-	60,000
	403,538	473,198
Quoted Securities		
- Private Debt Securities	54,674	58,557
- Irredeemable Convertible Unsecured Loan Stock ('ICULS')	25,000	40,000
Unquoted Securities		
- Shares	-	200
- Private Debt Securities	603,115	1,012,582
	1,086,327	1,584,537
At cost		
Unquoted Securities		
- Shares	64,615	65,415
- Private Debt Securities	74,496	45,881
	1,225,438	1,695,833
Allowance for impairment of securities	(133,040)	(118,134)
Total securities held-to-maturity	1,092,398	1,577,699
Total securities held	6,536,881	7,768,402

A11. OTHER ASSETS

	Group	
	As at 30/09/2006 RM'000	As at 31/12/2005 RM'000
Money order and postal order purchased	1,619	1,758
Accrued income / interest receivable	44,811	28,142
Premium Receivable	27,627	928
Foreclosed properties	80,541	78,037
Derivative assets	9,246	5,972
Other debtors, deposits and prepayments	75,630	97,076
Amount due from life insurance fund	62,662	-
	302,136	211,913

A12. OTHER LIABILITIES

	Group	
	As at 30/09/2006 RM'000	As at 31/12/2005 RM'000
Bank Negara Malaysia and Credit Guarantee Corporation Funding Programmes of a subsidiary	185,513	260,789
Liabilities directly associated with land held for sale	33,081	29,263
Interest payable	155,306	137,705
Margin and collateral deposits	24,329	16,079
Trust accounts for clients and remisiers	22,772	18,707
Clearing account	51,432	95,182
Defined contribution plan	5,123	6,179
Accrued employee benefits	1,505	5,385
Derivative liabilities	3,978	2,057
Other creditors and accruals	202,681	218,632
Profit equalisation reserve	501	5,707
Provision for zakat	103	3,341
	686,324	799,026

A13. INTEREST INCOME

	<-----Group----->			
	Current	Preceding		
	Financial	Year		
	Quarter	Financial	Current	Preceding
	ended	Quarter	Year-to-date	Year-to-date
	30/09/2006	ended	30/09/2006	30/09/2005
	RM'000	30/09/2005	RM'000	RM'000
		RM'000		
Loans and advances				
- Interest income other than recoveries from NPL	248,724	233,752	722,355	697,303
- Recoveries from NPL	21,680	24,089	63,827	74,888
Money at call and deposit placement with financial institutions	59,242	40,017	126,174	100,717
Securities				
- Held-for-trading	10,332	9,119	24,214	43,976
- Available-for-sale	28,732	23,560	92,794	55,678
- Held-for-maturity	11,949	11,128	33,662	53,469
Others	1	7	12	71
	<u>380,660</u>	<u>341,672</u>	<u>1,063,038</u>	<u>1,026,102</u>
Accretion of discount less amortisation of premium	11,518	9,854	42,331	23,488
	<u>392,178</u>	<u>351,526</u>	<u>1,105,369</u>	<u>1,049,590</u>

A14. INTEREST EXPENSE

Deposits and placements of banks and other financial institutions	11,331	2,368	34,497	25,161
Deposits from customers	188,413	136,579	493,792	395,534
Subordinated term loan	8,570	7,532	25,430	25,632
Loans sold to Cagamas	8,812	15,948	32,377	49,830
Others	20,719	8,681	34,210	23,084
	<u>237,845</u>	<u>171,108</u>	<u>620,306</u>	<u>519,241</u>

A15. OTHER OPERATING INCOME

	-----Group-----			
	Current	Preceding		
	Financial	Year		
	Quarter	Financial	Current	Preceding
	ended	Quarter	Year-to-date	Year-to-date
	30/09/2006	ended	30/09/2006	30/09/2005
	RM'000	RM'000	RM'000	RM'000
<u>Fees income:</u>				
Fees on loans, advances and financing	394	571	1,346	3,484
Brokerage (net)	9,561	9,859	32,574	29,829
Portfolio management fees	813	1,191	1,019	1,869
Corporate advisory fees	205	1,622	4,699	4,558
Commission	5,526	6,600	13,898	15,785
Service charges and fees	14,537	16,244	40,670	44,948
Guarantee fees	9,278	6,726	17,886	21,111
Other fee income	1,213	2,432	3,841	7,193
	<u>41,527</u>	<u>45,245</u>	<u>115,933</u>	<u>128,777</u>
<u>Investment income:</u>				
Gains/(losses) arising from sales of securities:				
- Held-for-trading	6,193	2,062	1,783	(19,885)
- Available-for-sale	184	3,806	8,010	25,538
- Held-to-maturity	9,020	4,868	9,340	8,720
Net trading income from money market instruments	-	4,055	-	4,055
Unrealised gains/(losses) on revaluation of securities held-for-trading	43,403	(6,054)	43,057	5,989
Gains/(losses) on revaluation of derivatives:				
- realised	960	(668)	1,215	2,375
- unrealised	(5,797)	2,506	(561)	1,011
	<u>53,963</u>	<u>10,575</u>	<u>62,844</u>	<u>27,803</u>
<u>Dividend income:</u>				
- Held-for-trading securities	-	234	1	632
- Available-for-sale securities	304	(47)	313	860
- Held-to-maturity securities	125	997	1,551	1,793
	<u>429</u>	<u>1,184</u>	<u>1,865</u>	<u>3,285</u>
<u>Other income:</u>				
Foreign exchange gains/(losses):				
- realised	(1,706)	(1,795)	589	(1,419)
- unrealised	12,523	11,097	30,531	24,457
Gain on disposal of property, plant and equipment	1,077	1,209	3,040	4,138
Other non-operating income	1,531	7,072	14,053	16,243
	<u>13,425</u>	<u>17,583</u>	<u>48,213</u>	<u>43,419</u>
Total Other Operating Income	<u>109,344</u>	<u>74,587</u>	<u>228,855</u>	<u>203,284</u>

A16. OTHER OPERATING EXPENSES

	<-----Group----->			
	Current Financial Quarter ended 30/09/2006 RM'000	Preceding Year Financial Quarter ended 30/09/2005 RM'000	Current Year-to-date 30/09/2006 RM'000	Preceding Year-to-date 30/09/2005 RM'000
<u>Personnel costs</u>				
Wages, salaries and bonus	56,028	51,337	161,499	148,645
Defined contribution plan	8,398	7,996	24,204	21,810
Termination benefits	3,000	3,750	9,000	17,259
Other personnel costs	7,522	12,016	23,018	23,995
	74,948	75,099	217,721	211,709
<u>Promotion and marketing-related expenses</u>				
Business promotion and advertisement	482	431	1,651	2,211
Entertainment	772	746	1,767	2,075
Travelling and accomodation	925	1,545	2,645	2,660
Dealers' handling fees	6,234	10,463	19,969	25,507
Commission	1	-	6	14
Brokerage fees	(321)	60	(305)	163
Others	1,260	1,022	4,002	4,887
	9,353	14,267	29,735	37,517
<u>Establishment-related expenses</u>				
Rental of premises	6,036	6,196	18,516	18,921
Equipment rental	323	1,625	2,570	4,168
Repair and maintenance	5,631	7,578	19,682	21,508
Depreciation	10,728	14,346	32,057	42,104
Others	5,283	7,824	23,924	23,482
	28,001	37,569	96,749	110,183
<u>General administrative expenses</u>				
Telecommunication expenses	2,154	1,567	6,816	5,949
Director's Remuneration	724	601	2,247	1,441
Auditors' remuneration:				
(i) Statutory audit				
- current year	222	291	718	656
- underprovision in previous years	25	-	85	-
(ii) Others	(34)	(6)	166	60
Professional fees	2,034	(1,854)	5,847	7,279
Property, plant & equipment written off	1,297	14	1,744	649
Others	7,954	14,532	24,438	31,247
	14,376	15,145	42,061	47,281
Total other operating expenses	126,678	142,080	386,266	406,690

A17. ALLOWANCE FOR LOSSES ON LOANS AND FINANCING

	<-----Group----->			
	Current Financial Quarter ended 30/09/2006 RM'000	Preceding Year Financial Quarter ended 30/09/2005 RM'000	Current Year-to-date 30/09/2006 RM'000	Preceding Year-to-date 30/09/2005 RM'000
<u>Allowance for bad and doubtful debts</u>				
<u>on loans and financing:-</u>				
Specific allowance				
- Made during the financial year	90,998	70,517	263,003	196,039
- Written back	(15,829)	(29,406)	(49,336)	(131,148)
General allowance (net)	(3,191)	4,422	(44,829)	1,449
<u>Bad debts:-</u>				
- recovered	(24,813)	(15,151)	(62,549)	(88,831)
- written off	1,761	846	3,740	85,439
Losses arising from NPLs sold to Danaharta:-				
- written back on final settlement	(640)	-	(640)	(24,100)
(Writeback)/allowance for bad and doubtful debts:				
- trade debtors	(131)	(174)	(291)	1,251
- other debtors	3,878	293	4,709	272
	52,033	31,347	113,807	40,371

A18. IMPAIRMENT LOSSES

Allowance made for impairment loss				
- Securities available-for-sale	7,972	-	13,917	6,036
- Securities held-to-maturity	48,641	1,235	59,500	1,235
Write-back of allowance for impairment loss				
- Securities held-to-maturity	-	(4,639)	-	(4,639)
	56,613	(3,404)	73,417	2,632

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 from 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 B8.

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 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 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) **Transfer of certain assets and liabilities of AFFIN Discount Berhad ('ADB') to AFFIN Investment Bank Berhad ('AIB')**

As disclosed in Note B8(c), AIB had on 14 June 2006 entered into a Business Transfer Agreement ('BTA') 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 assets and liabilities of the discount house business ("Discount Business") of ADB to AIB. Pursuant to the Order, the Discount Business was transferred to AIB on 1 July 2006.

(d) **Acquisition of 100% equity interest in AFFIN Fund Management Sdn Bhd ('AFM') and its wholly-owned subsidiary, AFFIN Trust Management ('ATM') by AFFIN Investment Bank Berhad ('AIB') from AFFIN Holdings Berhad ('AHB')**

As disclosed in Note B8(c), AIB had on 30 June 2006 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 net tangible assets of AFM as at 31 December 2005.

All the requisite approvals for the acquisition of AFM had been obtained. Upon the completion of the SPA, both AFM and ATM became the wholly-owned subsidiaries of AIB effective 1 July 2006.

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 quarter ended 30/09/2006			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	424,293	424,293	424,293	348,481	348,481	342,932
Transaction-related contingent items	2,114,312	1,057,156	1,057,156	2,354,770	1,177,385	1,177,385
Short-term self-liquidating trade-related contingencies	4,464,302	892,860	284,890	4,397,559	879,512	161,080
Obligations under underwriting agreements	330,373	165,187	165,187	467,362	233,681	233,681
Foreign exchange related contracts						
- Less than one year	1,206,653	15,688	4,788	2,114,201	27,989	8,271
Interest rate related contracts						
- Less than one year	2,571,000	5,010	2,505	3,577,000	2,543	1,272
- One year to less than five years	450,920	6,389	3,195	2,099,556	9,465	4,732
- Five years and above	85,000	4,400	2,200	-	-	-
Irrevocable commitments to extend credit:						
- Maturity exceeding 1 year	2,410,310	1,205,155	1,166,327	5,058,142	2,529,072	733,118
- Maturity not exceeding 1 year	5,990,619	-	-	4,781,185	-	-
	20,047,782	3,776,138	3,110,541	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	1-3	> 3-12	> 1-5	Over 5	Non-interest			
	month	months	months	years	years	bearing			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
30/09/2006									
ASSETS									
Cash & short-term funds	7,026,577	-	-	-	-	119,594	-	7,146,171	3.64
Deposits & placements with banks and other financial institutions	21,959	665,200	3,137	-	-	56,493	-	746,789	3.55
Securities held for trading	-	-	-	-	-	-	513,425	513,425	4.66
Securities available-for-sale	724,089	808,292	426,452	2,545,227	386,951	40,047	-	4,931,058	4.11
Securities held-to-maturity	-	-	191,174	541,052	96,118	264,054	-	1,092,398	3.99
Loans, advances & financing:									
- Performing	7,270,515	1,127,389	1,477,668	3,856,459	1,462,000	(282,210)	-	14,911,821	8.11
- Non-performing	-	-	-	-	-	2,209,677	-	2,209,677	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	792,656	-	792,656	
Land held for sale	-	-	-	-	-	100,814	-	100,814	
Other assets	3,172	14,079	4	9,301	-	2,315,244	-	2,341,800	
Tax recoverable	-	-	-	-	-	29,891	-	29,891	
Life business assets	-	-	-	-	-	212,459	-	212,459	
TOTAL ASSETS	15,046,312	2,614,960	2,098,435	6,952,039	1,945,069	5,858,719	513,425	35,028,959	
LIABILITIES, INSURANCE RESERVES AND EQUITY									
Deposits from customers	13,445,585	5,615,227	5,691,564	140,937	-	-	-	24,893,313	2.93
Deposits & placements of banks and other financial institutions	674,675	221,250	73,750	-	-	-	-	969,675	4.03
Obligations on securities sold repurchase agreements	1,838,633	3,924	-	-	-	-	-	1,842,557	3.46
Bills and acceptance payable	332,990	231,284	89,015	-	-	-	-	653,289	3.85
Amount due to Cagamas	-	123,244	133,880	545,801	-	-	-	802,925	4.11
Borrowings	1,112	-	653,530	500,000	-	-	-	1,154,642	5.75
Other liabilities	22,772	-	-	-	-	1,034,230	-	1,057,002	
Provision for taxation	-	-	-	-	-	1,140	-	1,140	
Life business liabilities	-	-	-	-	-	41,506	-	41,506	
TOTAL LIABILITIES	16,315,767	6,194,929	6,641,739	1,186,738	-	1,076,876	-	31,416,049	

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>30/09/2006</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
INSURANCE RESERVES									
Life policyholders' funds	-	-	-	-	-	170,953	-	170,953	
Total Insurance Reserves	-	-	-	-	-	170,953	-	170,953	
EQUITY									
Shareholders' Funds	-	-	-	-	-	3,334,975	-	3,334,975	
Minority's Interests	-	-	-	-	-	106,982	-	106,982	
Total liabilities and shareholders' funds	16,315,767	6,194,929	6,641,739	1,186,738	-	4,689,786	-	35,028,959	
On balance sheet- interest sensitivity gap	(1,269,455)	(3,579,969)	(4,543,304)	5,765,301	1,945,069	1,168,933	513,425	-	
Off balance sheet- interest sensitivity gap	165,991	205,824	(158,838)	(127,977)	(85,000)	-	-	-	
Total interest sensitivity gap	(1,103,464)	(3,374,145)	(4,702,142)	5,637,324	1,860,069	1,168,933	513,425	-	

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	1,859,142	5,030	1,889,889	
Tax recoverable	-	-	-	-	-	128,091	-	128,091	
Life fund assets	-	-	-	-	-	-	-	-	
Total assets	9,921,863	1,799,393	3,040,194	7,256,422	2,492,788	5,367,282	1,305,477	31,183,419	
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
Borrowings	314,931	-	160,000	748,530	-	-	-	1,223,461	6.07
Other liabilities	18,958	165	1,371	84	-	895,456	-	916,034	
Provision for taxation	-	-	-	-	-	55	-	55	
Life fund liabilities	-	-	-	-	-	-	-	-	
Total liabilities	14,024,003	5,474,252	5,366,639	2,120,828	-	991,265	-	27,976,987	

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	
INSURANCE RESERVES									
Life policyholders' funds	-	-	-	-	-	-	-	-	
Total Insurance Reserves	-	-	-	-	-	-	-	-	
EQUITY									
Shareholders' Funds	-	-	-	-	-	3,206,432	-	3,206,432	
Minority's Interests	-	-	-	-	-	-	-	-	
Total liabilities and shareholders' funds	14,024,003	5,474,252	5,366,639	2,120,828	-	4,197,697	-	31,183,419	
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:-

	Group	
	As at 30/09/2006 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	336,907	284,045
Statutory reserve	419,742	336,310
	2,678,839	2,492,545
less: Goodwill	(137,323)	(137,323)
Deferred tax assets/(liabilities)	(79,307)	(130,039)
Total Tier 1 capital (a)	2,462,209	2,225,183
<u>Tier II Capital</u>		
Subordinated loans/financing	500,000	500,000
General allowance for bad and doubtful debts and financing	281,457	326,622
Total Tier 2 capital (b)	781,457	826,622
Total capital (a) + (b)	3,243,666	3,051,805
less: Investment in subsidiaries	(53,170)	(39,497)
Capital base	3,190,496	3,012,308
<u>Before deducting proposed dividends:</u>		
Core capital ratio	10.90%	10.58%
Risk-weighted capital ratio	14.12%	14.32%
<u>After deducting proposed dividends:</u>		
Core capital ratio	10.87%	10.43%
Risk-weighted capital ratio	14.09%	14.18%

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	15.58%	14.32%
<u>After deducting proposed dividends:</u>		
Core capital ratio	11.35%	10.43%
Risk-weighted capital ratio	15.43%	14.18%

A26. OPERATIONS OF ISLAMIC BANKING

(i) **Unaudited Islamic Balance Sheet**

	GROUP	
	Current Financial Quarter Ended 30/09/2006 RM'000	Previous Financial Year Ended 31/12/2005 RM'000
ASSETS		
Cash and short term funds	1,716,375	1,307,396
Deposits and placements with financial institutions	-	140,000
Securities held for trading	-	61,126
Securities available-for-sale	372,573	534,857
Securities held-to-maturity	90,951	92,593
Loans, advances and financing	1,170,202	1,503,899
Statutory deposit with Bank Negara Malaysia	41,400	75,000
Other assets	30,082	16,847
Tax recoverable	1,667	-
Property, plant and equipment	-	14
TOTAL ASSETS	3,423,250	3,731,732
LIABILITIES, ISLAMIC BANKING FUNDS		
Deposits from customers	2,895,840	2,038,344
Deposits and placements of banks and other financial institutions	6,347	100,600
Bills and acceptances payable	20,633	2,014
Other liabilities	231,305	1,188,149
Provision for tax and zakat	103	3,341
Deferred tax liabilities	260	-
Total Liabilities	3,154,488	3,332,448
Total Islamic Banking Capital Funds	268,762	399,284
TOTAL LIABILITIES & ISLAMIC BANKING FUNDS	3,423,250	3,731,732
COMMITMENTS AND CONTINGENCIES	5,340,694	4,966,285

A26. OPERATIONS OF ISLAMIC BANKING (cont.)

(ii) Unaudited Islamic Income Statement

	<-----Group----->			
	Current Year Quarter	Preceding Year Corresponding Quarter	Current year-to- date	Preceding Year- to-date
	30/09/2006 RM'000	30/09/2005 RM'000	30/09/2006 RM'000	30/09/2005 RM'000
Income derived from investment of depositors' funds and others	35,656	38,289	104,063	137,627
Allowance for losses on financing	(877)	(1,302)	(4,295)	6,744
Transfer from/(to) profit equalisation reserve	499	8,420	5,206	(10,343)
	35,278	45,407	104,974	134,028
Income attributable to depositors	(12,336)	(24,806)	(50,223)	(69,260)
Income attributable to shareholders	22,942	20,601	54,751	64,768
Income derived from investment of Islamic banking capital funds	3,807	8,252	12,115	20,770
	26,749	28,853	66,866	85,538
Other operating expenses	(8,093)	(1,000)	(17,477)	(2,983)
Profit before tax and zakat	18,656	27,853	49,389	82,555
Taxation	(5,032)	(1,184)	(9,334)	(2,207)
Zakat	-	(1,275)	-	(1,984)
Net profit for the financial period	13,624	25,394	40,055	78,364

(iii) Financing

	Group	
<u>BY TYPE</u>	As at 30/09/2006 RM'000	As at 31/12/2005 RM'000
Cash line	79,542	58,229
Term financing		
Housing financing	1,027,400	1,394,578
Syndicated term financing	11,835	23,549
Hire purchase receivables	306,808	268,161
Other term financing	359,555	514,175
Bills financing	1,397	5,003
Trust receipts	53,196	71,824
Interest-free accepted bills	41,284	52,432
Staff financing	12,510	12,081
Revolving credit	3,023	95,143
	1,896,550	2,495,175
less: Unearned income	(701,519)	(860,412)
	1,195,031	1,634,763
less: Allowance for bad and doubtful debts and financing		
- General	(21,893)	(28,717)
- Specific	(2,936)	(102,147)
Total net financing	1,170,202	1,503,899

A26. OPERATIONS OF ISLAMIC BANKING (cont.)

(iv) Non-performing financing (NPF)

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

	GROUP	
	As at 30/09/2006 RM'000	As at 31/12/2005 RM'000
Balance at the beginning of financial period/year	481,426	535,782
Classified as non-performing during the period/year	38,676	150,332
Reclassified as performing during the period/year	(18,437)	(73,810)
Financing converted to securities	-	(59,999)
Amount written-off	(688)	(2,619)
Amount written back in respect of recoveries	(4,390)	(68,260)
Amount transferred to Conventional books	(476,021)	-
Balance at the end of financial period/year	20,566	481,426
less: Specific allowance	(2,936)	(102,147)
Net non-performing loans, advances and financing	17,630	379,279
As % of gross loans, advances and financing less specific allowance	1.48%	24.75%

Movements in allowance for bad and doubtful financing:

General allowance

Balance at the beginning of financial period/year	28,717	28,555
Allowance made during the period/year	-	283
Amount written back during the period/year	-	(121)
Amount transferred to Conventional books	(6,824)	-
Balance at the end of financial period/year	21,893	28,717
As % of gross loans, advances and financing less specific allowance	1.84%	1.87%

Specific allowance

Balance at the beginning of financial period/year	102,147	67,304
Allowance made during the period/year	4,997	52,011
Amount written off	(571)	(1,397)
Amount written back in respect of recoveries	(165)	(15,771)
Amount transferred to Conventional books	(103,472)	-
Balance at the end of financial period/year	2,936	102,147

A26. OPERATIONS OF ISLAMIC BANKING (cont.)

(v) Deposits from customers

<u>By type of deposits</u>	GROUP	
	As at 30/09/2006 RM'000	As at 31/12/2005 RM'000
Non-Mudharabah Funds		
Demand deposits	2,172,860	1,191,600
Savings deposits	142,033	153,543
Negotiable Instruments of Deposits	147,767	157,342
	2,462,660	1,502,485
Mudharabah Funds		
Savings deposits	5,810	6,194
General investment deposits	427,370	529,665
	433,180	535,859
	2,895,840	2,038,344

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 RM54.4 million for the third quarter ended 30 September 2006, a drop of RM53.4 million as compared to RM107.8 million for the corresponding quarter ended 30 September 2005. For the nine months ended 30 September 2006, the Group's pre-tax profit of RM199.5 million also indicated a decrease of RM141.6 million as compared to RM341.1 million for the corresponding period last year. This was mainly due to higher loan loss provision and impairment loss on securities, lower operating income and share in profit of associates net of the savings in both overhead expenses and finance cost for the period under review.

AFFIN Bank Berhad ('ABB') group recorded a lower pre-tax profit of RM61.0 million for the current financial quarter as compared to RM94.2 million for the preceding year's corresponding quarter. For the nine months ended 30 September 2006, the Group's pre-tax profit of RM204.4 million also indicated a drop of RM44.8 million as compared to RM249.2 million for the previous year's corresponding period, mainly due to higher loan loss provision of RM98.8 million, higher impairment loss of RM13.8 million and higher overhead expenses of RM22.3 million as a result of the merger with AFFIN-ACF Finance Berhad ('AAFB'). This was however cushioned by the increase in net interest income of RM59.9 million on the enlarged loan base mainly arising from the merger with AAFB, higher other operating income and income from Islamic Banking operations of RM4.5 million and RM4.3 million respectively, with a writeback from profit equalisation reserve of RM5.2 million during the period under review.

For the nine months ended 30 September 2006, AFFIN-ACF Holdings Sdn Bhd group reported a pre-tax profit of RM228,000 as opposed to the pre-tax loss of RM25.9 million for the corresponding period last year. The pretax loss in the previous year's corresponding period was mainly due to the goodwill written off of RM55.1 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 RM29.6 million registered for the said period.

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

AFFIN Investment Bank Berhad (formerly known as AFFIN Merchant Bank Berhad) group reported a higher pre-tax profit of RM48.4 million for the current financial quarter as compared to RM15.5 million for the preceding year's corresponding quarter. As at 30 September 2006, the group's pre-tax profit of RM62.8 million also indicated an increase of RM6.5 million or 11.5% as compared to RM56.3 million for the same period last year, mainly due to the unrealised gains of RM43.1 million on securities held-for-trading. This was partially offset by the drop in Islamic banking income of RM14.0 million, higher overhead expenses of RM11.7 million and impairment loss on securities of RM9.2 million for the period under review.

For the nine months ended 30 September 2006, AFFIN Discount Berhad ('ADB') registered a pre-tax loss of RM52.1 million as compared to the pre-tax profit of RM12.5 million for the same period last year. This was mainly due to the impairment loss of RM44.4 million on securities transferred to AFFIN Investment Bank on 1 July 2006, lower operating income net of lower overhead expenses incurred during the year. Pursuant to the Order obtained from Kuala Lumpur High Court of Malaya, ADB had on 1 July 2006 transferred its assets and liabilities to AFFIN Investment Bank and ceased its discount house operations thereafter.

AFFIN Moneybrokers Sdn Bhd posted a lower pre-tax profit of RM307,000 for the financial quarter ended 30 September 2006 as compared to RM859,000 for the same quarter last year. For the nine months ended 30 September 2006, the company's pre-tax profit of RM1.4 million also indicated a drop of RM0.4 million as compared to RM1.8 million for the preceding year's corresponding period, mainly due to higher overhead expenses net of higher brokerage income for the period under review.

AFFIN Capital Holdings Sdn Bhd group recorded a lower pre-tax profit of RM263,000 for the current financial quarter as compared to RM943,000 for the same quarter last year. However, the group's pre-tax profit of RM2.6 million for the nine months ended 30 September 2006 indicated an improvement of RM0.9 million as compared to the pre-tax profit of RM1.7 million for the corresponding period ended 30 September 2005, mainly attributable to write-back of loan loss provisions and lower finance cost for the period under review.

AFFIN Fund Management group posted a pre-tax loss of RM0.1 million for the financial quarter ended 30 September 2006 as opposed to a pre-tax profit of RM1.1 million for the same quarter last year. The group's pre-tax profit of RM3.4 million for the nine months ended 30 September 2006 however indicated an improvement of RM2.8 million as compared to the pre-tax profit of RM0.6 million for the same period last year. This was mainly attributable to higher management fees and upfront fees on higher sales of unit trust and lower overhead expenses for the period under review.

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

For the current quarter ended 30 September 2006, the Group recorded a lower pre-tax profit of RM54.4 million as compared to RM75.2 million for the preceding quarter ended 30 June 2006. This was mainly attributable to higher impairment loss on securities and loan loss provision of RM44.2 million and RM22.8 million respectively net of the increase in operating income by RM42.1 million for the period under review.

B3. PROSPECT FOR THE CURRENT FINANCIAL YEAR

Barring any unforeseen circumstances, the Group is expected to achieve satisfactory results for year 2006.

B4. VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

There were no profit forecast and profit guarantee issued by the Company for the financial quarter under review.

B5. TAXATION

	<-----Group----->			
	Current financial quarter ended 30/09/2006 RM'000	Preceding year corresponding quarter ended 30/09/2005 RM'000	Current year-to- date 30/09/2006 RM'000	Preceding year- to-date 30/09/2005 RM'000
Malaysian Taxation:				
- Income tax based on profit for the period	(2,583)	17,258	775	29,175
Deferred tax relating to net originating temporary differences	30,344	44,385	71,332	107,339
(Over)/Underprovision in previous year:				
- Current taxation	(1,569)	(1,253)	(5,770)	6,967
- Deferred taxation	(2,036)	-	(19)	5,991
	24,156	60,390	66,318	149,472

The high effective tax rate of the Group as compared with the prevailing statutory tax rate was mainly due to certain expenses being disallowed for tax purposes. In addition, only 50% of the current tax losses suffered by AFFIN Discount Berhad can be utilised 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, the Company announced that it proposes 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 will be determined by the Board, based on market based principles and at a level which is 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 has 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, AFFIN Investment Bank Berhad (f.k.a. AFFIN Merchant Bank Berhad) had on behalf of the Company 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 17 November 2006, AFFIN Investment Bank Berhad (f.k.a. AFFIN Merchant Bank Berhad) had on behalf of the Company announced that an application had been submitted to SC to seek its approval for further extension of time for an additional three (3) months, i.e. up to 24 February 2007, to enable the Company to complete the Private Placement.

B8. STATUS OF CORPORATE PROPOSALS (cont.)

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 has 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 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 Merchant Bank Berhad ("AMBB"), AFFIN Securities Sdn Bhd ("ASSB") and AFFIN Discount Berhad ("ADB").

The approval from BNM was also obtained for inter alia, the proposed acquisition by AMBB 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.

On 14 June 2006, AFFIN Merchant entered into the Business Transfer Agreement ("BTA") 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 AMBB. Pursuant to the Order, the Discount Business was transferred to AMBB on 1 July 2006 ("Transfer Date").

On 30 June 2006, AMBB 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 ("Acquisition"). The SPA was completed on 1 July 2006.

B8. STATUS OF CORPORATE PROPOSALS (cont.)

d) **Proposed Bank Guaranteed Commercial Papers and/or Medium Term Notes issuance programme of up to RM300.0 Million in nominal value by the Company**

On 27 April 2006, the Company announced that it proposed to undertake a Bank Guaranteed Commercial Papers and/or Medium Term Notes (CP/MTN) issuance programme of up to RM300.0 million in nominal value. The Programme would have a tenure of 7 years from the date of first issuance and had been accorded an indicative short term rating of P1 (bg) and long term rating of AAA(bg) by Rating Agency Malaysia Berhad in respect of the RM200 million portion of the programme guaranteed by DBS Bank Ltd, Labuan branch. The proceeds from the Programme would be utilized to refinance the Company's existing borrowings and to finance its general investments and working capital requirements. The Programme had been approved by the Securities Commission vide their letter dated 15 February 2006.

On 11 July 2006, the Company announced the first issuance of the MTNs of RM200 million nominal value under the Programme. Proceeds from the MTNs which were issued for a tenure of 2 years, were utilised to refinance AFFIN's existing term loan facilities maturing on 21 February 2007.

B9. GROUP BORROWINGS AND DEBT SECURITIES

(i) **Deposits from Customers**

	Group	
	As at 30/09/2006 RM'000	As at 31/12/2005 RM'000
<u>By Type of Deposits:-</u>		
Demand Deposits	3,878,721	3,206,455
Savings Deposits	890,392	1,086,355
Fixed / Investment Deposits	17,067,333	14,632,992
Negotiable Instruments of Deposits ('NIDs')	3,056,867	2,538,742
	24,893,313	21,464,544
 Maturity structure of fixed deposits and NIDs are as follows:		
Due within six months	18,045,645	14,887,109
Six months to one year	1,899,219	1,726,243
One year to three years	174,309	100,799
Three years to five years	5,027	457,583
	20,124,200	17,171,734
 <u>By Type of Customers:-</u>		
Government and statutory bodies	4,917,517	3,614,972
Business enterprises	7,987,886	7,527,096
Individuals	3,482,371	4,310,609
Others	8,505,539	6,011,867
	24,893,313	21,464,544

B9. GROUP BORROWINGS AND DEBT SECURITIES

	Group	
	As at 30/09/2006 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>		
Licensed banks	561,875	742,298
Licensed finance companies	-	55,975
Licensed merchant banks	188,062	46,880
Bank Negara Malaysia	-	107,814
Other financial institutions	219,738	221,303
	969,675	1,174,270
<u>By Maturity Structure:-</u>		
Due within six months	969,675	1,174,270
(iii) <u>Borrowings</u>		
Unsecured		
- One year or less (short-term)	405,000	474,931
- More than one year (medium/long-term)	749,641	748,530
	1,154,641	1,223,461

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	1,206,653	827,596	256,318	122,739	-	-	-
- Forwards	505,118	458,916	27,437	18,765	-	-	-
- Swaps	700,799	367,944	228,881	103,974	-	-	-
- Options	736	736	-	-	-	-	-
Interest Rate related contract	3,106,920	764,000	1,239,000	568,000	450,920	85,000	24
- Futures purchase	1,170,000	344,000	460,000	266,000	100,000	-	24
- Futures sale	1,186,000	350,000	504,000	242,000	90,000	-	-
- Swaps	750,920	70,000	275,000	60,000	260,920	85,000	-
Total	4,313,573	1,591,596	1,495,318	690,739	450,920	85,000	24

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 RM14.3 million (FYE 31/12/2005: RM 3.3 million), while the notional amount of interest rate contract was RM516.9 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 RM19.6 million (FYE 31/12/2005: RM28.0 million) and RM9.6 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

At the date of this report, there were no pending material litigations, which would have materially affected the Group's financial position.

B12. PROPOSED DIVIDENDS

An interim dividend has been proposed for the financial year ending 31 December 2006 as follows:

Amount per share	: 2 sen per share less 28% tax
Previous corresponding period	: 2 sen per share less 28% tax
Date payable	: To be announced later
Date of entitlement	: To be announced later
Total dividend for the current financial period:	2 sen per share

B13. EARNINGS PER SHARE

	<-----Group----->			
	Current Financial Quarter ended 30/09/2006	Preceding Year Financial Quarter ended 30/09/2005	Current Year- to-date 30/09/2006	Preceding Year- to-date 30/09/2005
Net profit attributable to equity holders of the parent (RM'000)	<u>27,714</u>	43,437	<u>130,654</u>	<u>173,894</u>
Weighted average number of ordinary share in issue	<u>1,232,198,551</u>	1,208,042,018	<u>1,222,933,016</u>	1,190,601,089
Adjustment for share options	<u>15,134,858</u>	9,638,762	<u>15,134,858</u>	9,638,762
Adjusted weighted average number of ordinary shares for diluted earnings per share	<u>1,247,333,409</u>	1,217,680,780	<u>1,238,067,874</u>	1,200,239,851
Basic earning per share (sen)	<u>2.25</u>	3.60	<u>10.68</u>	14.61
Diluted earnings per share (sen)	<u>2.22</u>	3.57	<u>10.55</u>	14.49

Basic earnings per share

The basic earnings per share of the Group for the three months ended 30 September 2006 has been calculated based on the net profit attributable to the equity holders of the parent of RM27,714,000 (30 September 2005: RM43,437,000) divided by the weighted average number of ordinary shares in issue during the financial quarter of 1,232,198,551 (30 September 2005: 1,208,042,018).

The basic earnings per share of the Group for the nine months ended 30 September 2006 has been calculated based on the net profit attributable to the equity holders of the parent of RM130,654,000 (30 September 2005: RM173,894,000) divided by the weighted average number of ordinary shares in issue during the financial quarter of 1,247,333,409 (30 September 2005: 1,217,680,780).

B13. EARNINGS PER SHARE (cont.)

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 calculation.

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 30/09/2006 RM'000	Preceding Year Financial Quarter ended 30/09/2005 RM'000	Current Year- to-date 30/09/2006 RM'000	Preceding Year- to-date 30/09/2005 RM'000
Net profit for the financial period	27,877	46,179	130,817	189,698
Less: Economic charge	(95,436)	(84,657)	(281,227)	(246,680)
Economic profit/(loss) for the financial period	<u>(67,559)</u>	<u>(38,478)</u>	<u>(150,410)</u>	<u>(56,982)</u>

Formula for calculation of economic charge:

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

Beta = 5-year adjusted Bloomberg Beta

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

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