

**AFFIN HOLDINGS BERHAD**  
(Company no. 23218 - W)  
**Condensed Interim Financial Statements**  
**Unaudited Balance Sheets As At 31 March 2007**

	<-----GROUP----->		<-----COMPANY----->	
	Current Financial Quarter 31/03/2007 RM'000	Previous Financial Year Ended 31/12/2006 RM'000	Current Financial Quarter 31/03/2007 RM'000	Previous Financial Year Ended 31/12/2006 RM'000
<b>ASSETS</b>				
Cash and short term funds	8,586,515	7,734,134	125,222	95,016
Deposits and placements with financial institutions	1,142,180	326,524	-	3,484
Securities held for trading	488,248	533,805	-	-
Securities available-for-sale	5,401,385	5,245,310	-	-
Securities held-to-maturity	1,193,131	1,065,972	-	-
Loans, advances and financing	16,470,803	17,356,971	-	-
Statutory deposits with Bank Negara Malaysia	776,986	820,755	-	-
Investment in subsidiaries	-	-	3,523,400	3,523,400
Amount due from subsidiaries	-	-	1,410	45,731
Investment in jointly-controlled entity	107,250	107,913	111,180	111,180
Investment in associate	99,806	98,342	10,597	10,597
Trade debtors	729,453	401,651	-	-
Other assets	262,896	211,851	4,161	846
Tax recoverable	101,432	104,196	38,861	38,003
Deferred tax assets	67,975	87,430	116	161
Property, plant and equipment	249,365	246,939	1,211	1,257
Land held for sale	100,814	100,814	-	-
Intangible assets	1,044,900	1,048,148	-	-
<b>TOTAL ASSETS</b>	<b>36,823,139</b>	<b>35,490,755</b>	<b>3,816,158</b>	<b>3,829,675</b>
<b>LIABILITIES AND EQUITY</b>				
Deposits from customers	26,842,776	25,688,093	-	-
Deposits and placements of banks and other financial institutions	1,179,753	1,351,527	-	-
Obligation on securities sold under repurchase agreements	2,096,505	1,760,313	-	-
Bills and acceptances payable	112,170	281,177	-	-
Trade creditors	655,586	369,678	-	-
Recourse obligation on loans sold to Cagamas Berhad	567,340	637,758	-	-
Other liabilities	730,640	739,913	6,565	14,023
Amount due to subsidiaries	-	-	820,908	714,078
Deferred tax liabilities	30,986	22,809	-	-
Borrowings	1,020,000	1,162,644	520,000	653,530
<b>TOTAL LIABILITIES</b>	<b>33,235,756</b>	<b>32,013,912</b>	<b>1,347,473</b>	<b>1,381,631</b>

**AFFIN HOLDINGS BERHAD**  
(Company no. 23218 - W)  
**Condensed Interim Financial Statements**  
**Unaudited Balance Sheets As At 31 March 2007**

	<-----GROUP----->		<-----COMPANY----->	
	Current Financial Quarter 31/03/2007 RM'000	Previous Financial Year Ended 31/12/2006 RM'000	Current Financial Quarter 31/03/2007 RM'000	Previous Financial Year Ended 31/12/2006 RM'000
<b>EQUITY</b>				
Share capital	1,271,194	1,252,913	1,271,194	1,252,913
Reserves:-				
Share premium	1,084,313	1,077,424	1,084,313	1,077,424
Statutory reserve	412,914	410,230	-	-
Retained profits	783,061	723,233	113,178	117,707
Investment fluctuation reserve	35,901	13,043	-	-
<b>TOTAL EQUITY</b>	<b>3,587,383</b>	3,476,843	<b>2,468,685</b>	2,448,044
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>36,823,139</b>	<b>35,490,755</b>	<b>3,816,158</b>	<b>3,829,675</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	<b>17,659,711</b>	17,846,701	-	-
<b>CAPITAL ADEQUACY</b>				
<u>Before deducting proposed dividends:</u>				
Core capital ratio	10.51%	11.07%		
Risk-weighted capital ratio	13.50%	14.15%		
<u>After deducting proposed dividends:</u>				
Core capital ratio	10.51%	11.07%		
Risk-weighted capital ratio	13.50%	14.15%		
<b>NET ASSETS PER SHARE (RM)</b>	<b>2.82</b>	2.78		

*The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2006.*

**AFFIN HOLDINGS BERHAD**  
(Company no. 23218 - W)  
**Condensed Interim Financial Statements**  
**Unaudited Income Statements For The Financial Period Ended 31 March 2007**

<u>Group</u>	<-----Individual Quarter----->		<-----Cumulative Quarter----->	
	Current Year Quarter ended 31/03/2007 RM'000	Preceding Year Corresponding Quarter ended 31/03/2006 RM'000	Current year- to-date ended 31/03/2007 RM'000	Preceding Year- to-date ended 31/03/2006 RM'000
<b>Revenue</b>	<b>504,411</b>	427,388	<b>504,411</b>	427,388
Interest income	<b>382,580</b>	333,343	<b>382,580</b>	333,343
Interest expense	<b>(230,827)</b>	(168,660)	<b>(230,827)</b>	(168,660)
<b>Net interest income</b>	<b>151,753</b>	164,683	<b>151,753</b>	164,683
Income from Islamic operations	<b>33,061</b>	13,740	<b>33,061</b>	13,740
Other operating income	<b>72,835</b>	56,475	<b>72,835</b>	56,475
<b>Operating income</b>	<b>257,649</b>	234,898	<b>257,649</b>	234,898
Other operating expenses	<b>(131,498)</b>	(125,264)	<b>(131,498)</b>	(125,264)
<b>Operating profit before loan and financing loss and provision</b>	<b>126,151</b>	109,634	<b>126,151</b>	109,634
Allowance for losses on loans and financing	<b>(31,494)</b>	(32,590)	<b>(31,494)</b>	(32,590)
Impairment losses	<b>(607)</b>	(4,419)	<b>(607)</b>	(4,419)
Transfer (to)/from profit equalisation reserve	<b>(797)</b>	5,707	<b>(797)</b>	5,707
<b>Operating profit</b>	<b>93,253</b>	78,332	<b>93,253</b>	78,332
Finance cost	<b>(8,127)</b>	(10,649)	<b>(8,127)</b>	(10,649)
Share of results of jointly controlled entity	<b>(663)</b>	-	<b>(663)</b>	-
Share of results of associate	<b>4,384</b>	1,584	<b>4,384</b>	1,584
<b>Profit before taxation and zakat</b>	<b>88,847</b>	69,267	<b>88,847</b>	69,267
Taxation	<b>(26,335)</b>	(18,184)	<b>(26,335)</b>	(18,184)
<b>Net profit for the financial period</b>	<b>62,512</b>	<b>51,083</b>	<b>62,512</b>	<b>51,083</b>
Earnings per share (sen)	<b>4.96</b>	4.21	<b>4.96</b>	4.21
Fully diluted earnings per share (sen)	<b>4.85</b>	4.16	<b>4.85</b>	4.16

*The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2006.*

**AFFIN HOLDINGS BERHAD**  
(Company no. 23218 - W)  
**Condensed Interim Financial Statements**  
**Unaudited Income Statements For The Financial Period Ended 31 March 2007**

<u>Company</u>	<-----Individual Quarter----->		<-----Cumulative Quarter----->	
	Current Year Quarter ended 31/03/2007 RM'000	Preceding Year Corresponding Quarter ended 31/03/2006 RM'000	Current year ended 31/03/2007 RM'000	Preceding Year ended 31/03/2006 RM'000
<b>Revenue</b>	<b>5,325</b>	7,076	<b>5,325</b>	7,076
Interest income	1,325	1,076	1,325	1,076
Interest expense	-	-	-	-
<b>Net interest income</b>	<b>1,325</b>	1,076	<b>1,325</b>	1,076
Income from Islamic operations	-	-	-	-
Other operating income	4,000	6,003	4,000	6,003
<b>Operating income</b>	<b>5,325</b>	7,079	<b>5,325</b>	7,079
Other operating expenses	(1,461)	(817)	(1,461)	(817)
Impairment losses	-	-	-	-
<b>Operating profit before loan and financing loss and provision</b>	<b>3,864</b>	6,262	<b>3,864</b>	6,262
Allowance for losses on loans and financing	-	-	-	-
Transfer from/(to) profit equalisation reserve	-	-	-	-
<b>Operating profit</b>	<b>3,864</b>	6,262	<b>3,864</b>	6,262
Finance cost	(8,127)	(10,507)	(8,127)	(10,507)
Share of results of associate	-	-	-	-
<b>Loss before taxation and zakat</b>	<b>(4,263)</b>	(4,245)	<b>(4,263)</b>	(4,245)
Taxation	(266)	(192)	(266)	(192)
Zakat	-	-	-	-
<b>Net loss for the financial period</b>	<b>(4,529)</b>	(4,437)	<b>(4,529)</b>	(4,437)

*The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2006.*

**AFFIN HOLDINGS BERHAD**  
(Company no. 23218 - W)  
**Unaudited Condensed Consolidated Statement Of Changes In Equity**  
**For The Financial Period Ended 31 March 2007**

<u>GROUP</u>	← Issued and fully paid ordinary shares of RM1 each →		← Non-distributable →				← Distributable →	<b>TOTAL EQUITY RM'000</b>
	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	
<b>At 1 January 2006</b>	1,252,913	1,252,913	1,077,424	410,230	13,043	-	723,233	<b>3,476,843</b>
Issue of share capital:								
- pursuant to the exercise of Employees Shares Options Scheme	18,281	18,281	6,889	-	-	-	-	<b>25,170</b>
Transfer to statutory reserve	-	-	-	2,684	-	-	(2,684)	-
Net change in fair value of securities available-for-sale	-	-	-	-	22,858	-	-	<b>22,858</b>
Net profit for the financial year	-	-	-	-	-	-	62,512	<b>62,512</b>
<b>At 31 March 2007</b>	<b>1,271,194</b>	<b>1,271,194</b>	<b>1,084,313</b>	<b>412,914</b>	<b>35,901</b>	<b>-</b>	<b>783,061</b>	<b>3,587,383</b>
<b>At 1 January 2006</b>	1,211,388	1,211,388	1,063,541	364,669	(11,490)	944	577,380	<b>3,206,432</b>
Issue of share capital arising from:								
- pursuant to the exercise of Employees Shares Options Scheme	2,837	2,837	667	-	-	-	-	<b>3,504</b>
Net change in fair value of securities available-for-sale	-	-	-	-	(6,711)	-	-	<b>(6,711)</b>
Net profit for the financial year	-	-	-	-	-	-	51,083	<b>51,083</b>
<b>At 31 March 2006</b>	<b>1,214,225</b>	<b>1,214,225</b>	<b>1,064,208</b>	<b>364,669</b>	<b>(18,201)</b>	<b>944</b>	<b>628,463</b>	<b>3,254,308</b>

*The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2006.*

**AFFIN HOLDINGS BERHAD**  
(Company no. 23218 - W)  
**Unaudited Condensed Statement Of Changes In Equity**  
**For The Financial Period Ended 31 March 2007**

<u>Company</u>	<b>Issued and fully paid ordinary shares of RM1 each</b>		<b>Non-distributable</b>	<b>Distributable</b>	Total RM'000
	Number of shares '000	Nominal value RM'000	Share premium RM'000	Retained profits RM'000	
<b>At 1 January 2006</b>	1,252,913	1,252,913	1,077,424	117,707	2,448,044
Issue of share capital pursuant to the exercise of Employees Share Options Scheme	18,281	18,281	6,889	-	25,170
Net profit for the financial period	-	-	-	(4,529)	(4,529)
<b>At 31 March 2007</b>	<b>1,271,194</b>	<b>1,271,194</b>	<b>1,084,313</b>	<b>113,178</b>	<b>2,468,685</b>
<b>At 1 January 2006</b>	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	2,837	2,837	667	-	3,504
Net loss for the financial period	-	-	-	(4,437)	(4,437)
<b>At 31 March 2006</b>	<b>1,214,225</b>	<b>1,214,225</b>	<b>1,064,208</b>	<b>132,831</b>	<b>2,411,264</b>

*The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2006.*

**AFFIN HOLDINGS BERHAD**  
(Company no. 23218 - W)  
**Unaudited Condensed Consolidated Cash Flow Statement**  
**For The Financial Period Ended 31 March 2007**

	<b>Group</b>	
	<b>As at 31/03/2007 RM'000</b>	<b>As at 31/03/2006 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation and zakat	88,847	69,267
Adjustment for non-operating and non-cash items	39,706	(5,936)
Operating profit before changes in working capital	128,553	63,331
Net changes in operating assets	(292,196)	64,467
Net changes in operating liabilities	1,335,021	1,797,807
Payment of tax and zakat	(6,769)	(5,612)
Taxation refund	1,010	40,463
Net cash generated from operating activities	1,165,619	1,960,456
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received from securities	42,312	40,384
Net purchase of:		
- securities	(259,497)	(185,340)
- property, plant and equipment	(9,216)	(5,257)
- intangible assets	(459)	-
Dividend received from:		
- associate	2,920	-
- securities	124	368
Net cash used in investing activities	(223,816)	(149,845)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in borrowings	(142,644)	(17,973)
Proceeds from issuance of shares	25,170	3,504
Net cash used in financing activities	(117,474)	(14,469)
Net increase in cash and cash equivalents	824,329	1,796,142
Cash and cash equivalents at beginning of the period	7,702,346	3,326,204
Cash and cash equivalents at end of the period	8,526,675	5,122,346
 <u>Analysis of cash &amp; cash equivalent</u>		
Cash and short term funds	8,586,515	5,145,000
Adjustment for money held in trust on behalf of clients and remisiers	(59,840)	(22,654)
	8,526,675	5,122,346

*The Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2006.*

**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 31 March 2007 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 2006. 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 2006.

**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 2006.

**A3. AUDITOR'S REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS**

The auditors' report on the audited financial statements for the financial year ended 31 December 2006 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 ended 31 March 2007.

**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 ended 31 March 2007.

**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 financial period, the Company's issued and paid-up capital was increased from RM1,252,912,615 to RM1,271,193,915 by the issuance of 18,281,300 new ordinary shares at nominal value 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>
1,479,000	RM 1.00
16,802,300	RM 1.41

**A8. DIVIDEND**

A final dividend of 3 sen per share less 27% tax for the financial year ended 31 December 2006 which was approved by the shareholders in the Annual General Meeting held on 13 April 2007, will be paid on 8 June 2007.

**A9. SECURITIES HELD**

	<b>Group</b>	
	<b>As at 31/03/2007 RM'000</b>	<b>As at 31/12/2006 RM'000</b>
<b>(a) <u>Securities held-for-trading</u></b>		
<b>At fair value</b>		
Quoted Securities		
- Warrants	199	341
Unquoted Securities		
- Private Debt Securities	488,049	533,464
Total securities held for trading	488,248	533,805

**A9. SECURITIES HELD (cont.)**

	<b>Group</b>	
	<b>As at 31/03/2007 RM'000</b>	<b>As at 31/12/2006 RM'000</b>
<b>(b) <u>Securities available-for-sale</u></b>		
<b>At fair value</b>		
Malaysian Government Securities	589,911	839,030
Malaysian Government Treasury Bills	98,311	102,957
Malaysian Government Investment Issuance ('GII')	288,081	260,196
Cagamas Bonds	552,867	516,326
Khazanah Bonds	691,465	698,036
Bankers' Acceptance and Islamic Accepted Bills	642,592	540,334
Bank Negara Malaysia Notes	227,732	123,713
Negotiable Instruments of Deposit	698,071	664,985
Negotiable Islamic Debt Certificate	149,334	148,000
	3,938,364	3,893,577
Quoted Securities		
- Shares	257,529	239,093
- Private Debt Securities	27,800	29,820
Unquoted Securities		
- Private Debt Securities	1,305,842	1,210,186
	5,529,535	5,372,676
Allowance for impairment of securities	(128,150)	(127,366)
Total securities available-for-sale	5,401,385	5,245,310
<b>(c) <u>Securities held-to-maturity</u></b>		
<b>At amortised cost</b>		
Malaysian Government Securities	327,225	331,968
Cagamas Bonds	60,047	60,089
Khazanah Bonds	-	8,274
Negotiable Instruments of Deposit	159,914	-
	547,186	400,331
Quoted Securities		
- Private Debt Securities	54,675	54,675
- Irredeemable Convertible Unsecured Loan Stock ('ICULS')	-	15,000
Unquoted Securities		
- Private Debt Securities	663,630	668,540
	1,265,491	1,138,546
<b>At cost</b>		
Unquoted Securities		
- Shares	64,600	64,615
- Private Debt Securities	16	16
	64,616	64,631
Allowance for impairment of securities	(136,976)	(137,205)
Total securities held-to-maturity	1,193,131	1,065,972
<b>Total securities held</b>	<b>7,082,764</b>	<b>6,845,087</b>

#### A10. LOANS, ADVANCES AND FINANCING

(a) <b><u>BY TYPE</u></b>	<b>Group</b>	
	<b>As at 31/03/2007 RM'000</b>	<b>As at 31/12/2006 RM'000</b>
Overdrafts	1,776,674	1,900,549
Term loans/financing		
Housing loans/financing	3,742,506	3,818,732
Syndicated term loan/financing	878,995	535,728
Hire purchase receivables	6,689,762	6,686,710
Other term loans/financing	3,937,378	4,273,817
Bills receivable	92,691	97,752
Trust receipts	411,687	473,237
Claims on customers under acceptance credits	705,854	719,865
Staff loans/financing (of which RM NIL to Directors)	168,009	170,229
Credit/charge cards	92,200	95,084
Revolving credit	1,172,567	1,665,137
Other loans/financing	12,974	17,444
	<hr/>	<hr/>
	19,681,297	20,454,284
Less: Unearned interest and income	(1,907,443)	(1,863,854)
	<hr/>	<hr/>
<b>Gross loans, advances and financing</b>	<b>17,773,854</b>	<b>18,590,430</b>
Less: Allowance for bad and doubtful debts and financing		
- General	(268,006)	(267,970)
- Specific	(1,035,045)	(965,489)
	<hr/>	<hr/>
<b>Total net loans, advances and financing</b>	<b>16,470,803</b>	<b>17,356,971</b>
	<hr/>	<hr/>
<b>(b) <u>BY TYPE OF CUSTOMER</u></b>		
Domestic non-banking institutions		
- Stockbroking companies	794	25,415
- Others	425,544	478,823
Domestic business enterprises		
- Small medium enterprises	4,768,185	4,666,017
- Others	3,336,665	3,922,470
Government and statutory bodies	61,146	124,886
Individuals	8,814,599	8,863,393
Other domestic entities	186,892	201,185
Foreign entities	180,029	308,241
	<hr/>	<hr/>
	<b>17,773,854</b>	<b>18,590,430</b>

**A10. LOANS, ADVANCES AND FINANCING (cont.)**

	Group	
	As at 31/03/2007 RM'000	As at 31/12/2006 RM'000
<b>(c) <u>BY INTEREST / PROFIT RATE SENSITIVITY</u></b>		
Fixed rate		
Housing loans/financing	536,223	533,902
Hire purchase receivables	5,644,103	5,650,066
Other fixed rate loan/financing	4,213,475	4,301,776
Variable rate		
BLR plus	3,542,072	4,091,603
Cost-plus	3,837,981	4,013,083
	<b>17,773,854</b>	<b>18,590,430</b>
<b>(d) <u>BY ECONOMIC PURPOSE</u></b>		
Construction	367,210	151,345
Purchase of landed property		
(of which: - Residential	3,219,207	3,106,837
- Non-residential)	919,562	554,966
Purchase of securities	980,230	479,833
Purchase of transport vehicles	5,657,165	5,366,188
Fixed assets other than land and building	143,305	63,411
Personal uses	550,500	565,748
Credit card	92,200	95,084
Consumer durable	5,870	6,317
Working capital	1,633,831	1,440,613
Others	4,204,774	6,760,088
	<b>17,773,854</b>	<b>18,590,430</b>
<b>(e) <u>NON-PERFORMING LOANS/FINANCING</u></b>		
<b>(i) <u>Movements in non-performing loans, advances and financing</u></b>		
	As at	As at
	31/03/2007	31/12/2006
	RM'000	RM'000
Balance at the beginning of financial period/year	3,089,706	3,290,501
Classified as non-performing during the financial period/year	244,872	947,097
Reclassified as performing during the financial period/year	(191,432)	(463,928)
Amount recovered	(92,207)	(506,821)
Amount written-off	(2,661)	(177,143)
<b>Balance at the end of financial period/year</b>	<b>3,048,278</b>	<b>3,089,706</b>
less: Specific allowance	(1,035,045)	(965,489)
<b>Net non-performing loans, advances and financing</b>	<b>2,013,233</b>	<b>2,124,217</b>
Net NPL as a % of gross loans, advances and financing less specific allowance	12.03%	12.05%

**A10. LOANS, ADVANCES AND FINANCING (cont.)**

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

	Group	
	As at 31/03/2007 RM'000	As at 31/12/2006 RM'000
<b>(ii) <u>Non-performing loans, advances and financing by economic purpose</u></b>		
Construction	71,430	73,793
Purchase of landed property:		
- Residential	611,022	625,936
- Non-residential	146,513	155,761
Purchase of securities	131,990	131,557
Purchase of transport vehicles	262,554	259,165
Fixed assets other than land and building	24,969	-
Personal uses	48,831	53,569
Credit card	3,165	3,144
Consumer durable	820	1,233
Working capital	224,180	235,122
Others	1,522,804	1,550,426
	<b>3,048,278</b>	<b>3,089,706</b>
<b>(iii) <u>Aging of net non-performing loans, advances and financing</u></b>		
Less than 5 years	1,494,585	1,609,495
5 years to 7 years	518,648	514,722
	<b>2,013,233</b>	<b>2,124,217</b>

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

	Group	
	As at 31/03/2007 RM'000	As at 31/12/2006 RM'000
<b>General allowance</b>		
Balance at the beginning of financial period/year	267,970	327,039
Allowance made during the financial period/year	36	-
Amount written back during the financial period/year	-	(59,069)
Balance at the end of financial period/year	268,006	267,970
As % of gross loans, advances and financing less specific allowance	1.60%	1.52%
<b>Specific allowance</b>		
Balance at the beginning of financial period/year	965,489	828,846
Allowance made during the financial period/year	90,400	388,729
Amount written-off	(2,540)	(176,055)
Amount written back during the financial period/year	(18,304)	(76,031)
Balance at the end of financial period/year	1,035,045	965,489

**A11. OTHER ASSETS**

	<b>Group</b>	
	<b>As at 31/03/2007 RM'000</b>	<b>As at 31/12/2006 RM'000</b>
Clearing accounts	6,118	6,763
Money order and postal order purchased	2,081	3,212
Accrued income / interest receivable	78,074	34,250
Premium receivable	-	2,024
Foreclosed properties	85,068	85,068
Derivative assets	24,280	22,314
Other debtors, deposits and prepayments	67,275	58,220
	<b>262,896</b>	<b>211,851</b>

**A12. OTHER LIABILITIES**

	<b>Group</b>	
	<b>As at 31/03/2007 RM'000</b>	<b>As at 31/12/2006 RM'000</b>
Bank Negara Malaysia and Credit Guarantee Corporation Funding Programmes of a subsidiary	174,249	167,342
Liabilities directly associated with land held for sale	33,081	33,081
Interest payable	161,055	170,171
Margin and collateral deposits	27,784	24,314
Trust accounts for clients and remisiers	59,840	31,788
Clearing accounts	71,086	64,236
Defined contribution plan	5,811	7,429
Accrued employee benefits	1,548	1,772
Derivative liabilities	28,268	27,119
Other creditors and accruals	164,945	210,467
Profit equalisation reserve	1,298	501
Provision for zakat	1,675	1,693
	<b>730,640</b>	<b>739,913</b>

**A13. INTEREST INCOME**

	<-----Group----->			
	<b>Current</b>	<b>Preceding</b>		
	<b>Financial</b>	<b>Year</b>		
	<b>Quarter</b>	<b>Financial</b>	<b>Current</b>	<b>Preceding</b>
	<b>ended</b>	<b>Quarter</b>	<b>Year-to-date</b>	<b>Year-to-date</b>
	<b>31/03/2007</b>	<b>ended</b>	<b>31/03/2007</b>	<b>31/03/2006</b>
	<b>RM'000</b>	<b>31/03/2006</b>	<b>RM'000</b>	<b>RM'000</b>
		<b>RM'000</b>		
Loans and advances				
- Interest income other than recoveries from NPL	238,526	228,684	238,526	228,684
- Recoveries from NPL	24,082	18,660	24,082	18,660
Money at call and deposit placement with financial institutions	59,931	22,961	59,931	22,961
Securities				
- Held-for-trading	6,840	7,194	6,840	7,194
- Available-for-sale	32,255	29,673	32,255	29,673
- Held-for-maturity	9,744	10,989	9,744	10,989
Others	478	5	478	5
	<u>371,856</u>	<u>318,166</u>	<u>371,856</u>	<u>318,166</u>
Accretion of discount less amortisation of premium	10,724	15,177	10,724	15,177
	<u><u>382,580</u></u>	<u><u>333,343</u></u>	<u><u>382,580</u></u>	<u><u>333,343</u></u>

**A14. INTEREST EXPENSE**

Deposits and placements of banks and other financial institutions	13,866	12,735	13,866	12,735
Deposits from customers	188,751	136,830	188,751	136,830
Subordinated term loan	7,736	8,384	7,736	8,384
Loans sold to Cagamas	6,061	12,469	6,061	12,469
Others	14,413	(1,758)	14,413	(1,758)
	<u>230,827</u>	<u>168,660</u>	<u>230,827</u>	<u>168,660</u>

**A15. OTHER OPERATING INCOME**

	<-----Group----->			
	Preceding			
	Year			
	Financial	Financial	Current	Preceding
	Quarter	Quarter	Year-to-date	Year-to-date
	ended	ended	31/03/2007	31/03/2006
	31/03/2007	31/03/2006	31/03/2007	31/03/2006
	RM'000	RM'000	RM'000	RM'000
<u>Fees income:</u>				
Fees on loans, advances and financing	145	394	145	394
Brokerage (net)	23,795	10,440	23,795	10,440
Portfolio management fees	1,091	782	1,091	782
Corporate advisory fees	2,361	3,403	2,361	3,403
Commission	5,375	4,471	5,375	4,471
Service charges and fees	15,361	13,044	15,361	13,044
Guarantee fees	3,425	3,812	3,425	3,812
Other fee income	430	1,473	430	1,473
	51,983	37,819	51,983	37,819
<u>Investment income:</u>				
Gains/(losses) arising from sales of securities:				
- Held-for-trading	3,050	(286)	3,050	(286)
- Available-for-sale	815	4,049	815	4,049
- Held-to-maturity	1,898	83	1,898	83
Unrealised gains on revaluation of securities held-for-trading	2,103	248	2,103	248
Gains/(losses) on revaluation of derivatives:				
- realised	1,558	(41)	1,558	(41)
- unrealised	(1,711)	1,718	(1,711)	1,718
	7,713	5,771	7,713	5,771
<u>Dividend income:</u>				
- Held-for-trading securities	19	1	19	1
- Available-for-sale securities	6	1	6	1
- Held-to-maturity securities	124	367	124	367
	149	369	149	369
<u>Other income:</u>				
Foreign exchange gains:				
- realised	7,707	5,733	7,707	5,733
- unrealised	1,942	3,226	1,942	3,226
Gain on disposal of property, plant and equipment	755	520	755	520
Other non-operating income	2,586	3,037	2,586	3,037
	12,990	12,516	12,990	12,516
<b>Total Other Operating Income</b>	<b>72,835</b>	<b>56,475</b>	<b>72,835</b>	<b>56,475</b>



**A16. OTHER OPERATING EXPENSES**

	<-----Group----->			
	<b>Current Financial Quarter ended 31/03/2007 RM'000</b>	<b>Preceding Year Financial Quarter ended 31/03/2006 RM'000</b>	<b>Current Year-to-date 31/03/2007 RM'000</b>	<b>Preceding Year-to-date 31/03/2006 RM'000</b>
<u>Personnel costs</u>				
Wages, salaries and bonus	46,713	53,974	46,713	53,974
Defined contribution plan	7,866	8,089	7,866	8,089
Termination benefits	3,000	3,000	3,000	3,000
Other personnel costs	6,366	5,072	6,366	5,072
	<b>63,945</b>	<b>70,135</b>	<b>63,945</b>	<b>70,135</b>
<u>Promotion and marketing-related expenses</u>				
Business promotion and advertisement	669	579	669	579
Entertainment	451	433	451	433
Travelling and accomodation	801	695	801	695
Dealers' handling fees	6,207	6,928	6,207	6,928
Others	1,369	1,403	1,369	1,403
	<b>9,497</b>	<b>10,038</b>	<b>9,497</b>	<b>10,038</b>
<u>Establishment-related expenses</u>				
Rental of premises	6,018	6,227	6,018	6,227
Equipment rental	1,272	968	1,272	968
Repair and maintenance	5,597	6,170	5,597	6,170
Depreciation	6,859	7,201	6,859	7,201
Amortisation	3,964	3,275	3,964	3,275
Others	11,363	8,308	11,363	8,308
	<b>35,073</b>	<b>32,149</b>	<b>35,073</b>	<b>32,149</b>
<u>General administrative expenses</u>				
Telecommunication expenses	1,893	2,303	1,893	2,303
Director's Remuneration	741	614	741	614
Auditors' remuneration:				
(i) Statutory audit				
- current year	277	269	277	269
- (over)/underprovision in previous years	(10)	60	(10)	60
(ii) Others	36	98	36	98
Professional fees	3,417	1,808	3,417	1,808
Property, plant & equipment written off	418	76	418	76
Others	16,211	7,714	16,211	7,714
	<b>22,983</b>	<b>12,942</b>	<b>22,983</b>	<b>12,942</b>
<b>Total other operating expenses</b>	<b>131,498</b>	<b>125,264</b>	<b>131,498</b>	<b>125,264</b>

**A17. ALLOWANCE FOR LOSSES ON LOANS AND FINANCING**

	<-----Group----->			
	<b>Current Financial Quarter ended 31/03/2007 RM'000</b>	<b>Preceding Year Financial Quarter ended 31/03/2006 RM'000</b>	<b>Current Year-to-date 31/03/2007 RM'000</b>	<b>Preceding Year-to-date 31/03/2006 RM'000</b>
<u>Allowance for bad and doubtful debts</u>				
<u>on loans and financing:-</u>				
Specific allowance				
- Made during the financial year	90,400	64,563	90,400	64,563
- Written back	(18,304)	(15,915)	(18,304)	(15,915)
General allowance (net)	36	(1,277)	36	(1,277)
<u>Bad debts:-</u>				
- recovered	(41,813)	(15,876)	(41,813)	(15,876)
- written off	1,518	570	1,518	570
<u>Additional / (Writeback) of allowance for bad</u>				
<u>and doubtful debts:</u>				
- trade debtors	(24)	(61)	(24)	(61)
- other debtors	(319)	586	(319)	586
	31,494	32,590	31,494	32,590

**A18. IMPAIRMENT LOSSES**

<u>Additional/(Writeback) of allowance</u>				
<u>for impairment loss:</u>				
- Securities available-for-sale	784	-	784	-
- Securities held-to-maturity	(177)	4,419	(177)	4,419
	607	4,419	607	4,419

**A19. SEGMENTAL INFORMATION ON REVENUE AND PROFIT**

The segment analysis by activity for the financial quarter ended 31 March 2007 and 31 March 2006 are as follows:-

<-----Individual and cumulative quarter ended 31 March 2007----->							
RM '000	Commercial Banking and Hire Purchase	Investment Banking	Stockbroking	Insurance	Others	Eliminations	Group
Segment revenue	424,251	53,806	23,600	-	2,754	-	504,411
Intersegment revenue	160	409	45	-	5,678	(6,292)	-
Revenue	<u>424,411</u>	<u>54,215</u>	<u>23,645</u>	<u>-</u>	<u>8,432</u>	<u>(6,292)</u>	<u>504,411</u>
Segment results	71,220	10,686	10,951	-	4,411	(4,015)	93,253
Finance costs	-	-	-	-	(8,127)	-	(8,127)
Share of results of:							
- jointly controlled entity	-	-	-	(663)	-	-	(663)
- associate	-	-	-	4,384	-	-	4,384
Profit before taxation and zakat	71,220	10,686	10,951	3,721	(3,716)	(4,015)	88,847
Taxation and zakat	(20,291)	(3,513)	(3,153)	-	(458)	1,080	(26,335)
Net profit for the financial period	<u>50,929</u>	<u>7,173</u>	<u>7,798</u>	<u>3,721</u>	<u>(4,174)</u>	<u>(2,935)</u>	<u>62,512</u>

**A19. SEGMENTAL INFORMATION ON REVENUE AND PROFIT**

<-----Individual and cumulative quarter ended 31 March 2006----->

RM '000	Commercial Banking and Hire Purchase	Investment Banking	Stockbroking	Insurance	Others	Eliminations	Group
Segment revenue	359,401	56,582	8,585	-	2,820	-	427,388
Intersegment revenue	16	360	130	-	6,178	(6,684)	-
Revenue	<u>359,417</u>	<u>56,942</u>	<u>8,715</u>	<u>-</u>	<u>8,998</u>	<u>(6,684)</u>	<u>427,388</u>
Segment results	64,022	13,067	474	-	5,860	(5,091)	78,332
Finance costs	-	-	(333)	-	(10,507)	191	(10,649)
Share of results of:							
- jointly controlled entity	-	-	-	-	-	-	-
- associate	-	-	-	1,584	-	-	1,584
Profit before taxation and zakat	<u>64,022</u>	<u>13,067</u>	<u>141</u>	<u>1,584</u>	<u>(4,647)</u>	<u>(4,900)</u>	<u>69,267</u>
Taxation and zakat	(13,306)	(5,720)	(69)	-	(461)	1,372	(18,184)
Net profit for the financial period	<u>50,716</u>	<u>7,347</u>	<u>72</u>	<u>1,584</u>	<u>(5,108)</u>	<u>(3,528)</u>	<u>51,083</u>

#### **A20. 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 2006.

#### **A21. SUBSEQUENT MATERIAL EVENT**

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

#### **A22. 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:-

##### **Establishment of AFFIN Investment Banking Group**

On 14 December 2006, AFFIN Investment Bank Berhad ("AIBB") entered into a Business Transfer Agreement with AFFIN Securities Sdn Bhd ("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.

The transfer of Stockbroking Business is made pursuant to the Guidelines on Investment Banks jointly issued by Bank Negara Malaysia and the Securities Commission on 1 July 2005, that provide for, amongst others, the creation of investment banks. All the requisite approvals required for the transfer of Stockbroking Business had been obtained.

### A23. COMMITMENTS AND CONTINGENCIES

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

GROUP	Current financial period ended 31/03/2007			Previous financial year ended 31/12/2006		
	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	627,711	627,711	627,711	478,338	478,338	478,338
Transaction-related contingent items	2,440,430	1,220,215	1,220,215	2,324,962	1,162,481	1,162,481
Short-term self-liquidating trade-related contingencies	3,896,684	779,337	191,470	3,868,200	773,640	217,947
Obligations under underwriting agreements	380,000	190,000	190,000	444,024	225,024	225,024
Foreign exchange related contracts						
- Less than one year	1,842,175	26,291	7,741	1,329,025	27,848	8,505
- One year to less than five years	379,956	43,256	21,628	401,401	41,574	20,787
Interest rate related contracts						
- Less than one year	913,270	563	282	2,027,000	864	432
- One year to less than five years	220,133	3,844	1,922	249,962	4,155	1,725
- Five years and above	89,700	4,630	2,315	90,150	4,657	2,328
Irrevocable commitments to extend credit:						
- Maturity exceeding 1 year	3,069,416	1,534,709	1,495,426	2,486,068	1,243,034	1,208,967
- Maturity not exceeding 1 year	3,800,236	-	-	4,147,571	-	-
	<b>17,659,711</b>	<b>4,430,556</b>	<b>3,758,710</b>	<b>17,846,701</b>	<b>3,961,615</b>	<b>3,326,534</b>

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

**A24. INTEREST / PROFIT RATE RISK**

<b>GROUP</b>	<b>&lt;-----Non-trading Book-----&gt;</b>						<b>Trading Book</b>	<b>Total</b>	<b>Weighted average interest rate (%)</b>
	<b>Up to 1 month</b>	<b>1-3 months</b>	<b>&gt; 3-12 months</b>	<b>&gt; 1-5 years</b>	<b>Over 5 years</b>	<b>Non-interest bearing</b>			
<b>31 March 2007</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>		
<b>ASSETS</b>									
Cash & short-term funds	8,487,010	-	-	-	-	99,505	-	<b>8,586,515</b>	3.55
Deposits & placements with banks and other financial institutions	8,730	1,062,563	69,887	1,000	-	-	-	<b>1,142,180</b>	3.83
Securities held for trading	-	-	-	-	-	-	488,248	<b>488,248</b>	7.87
Securities available-for-sale	685,942	1,053,457	1,102,889	2,042,249	361,240	155,608	-	<b>5,401,385</b>	3.80
Securities held-to-maturity	159,914	102,255	455,877	167,111	51,109	256,865	-	<b>1,193,131</b>	4.12
Loans, advances & financing:									
- Performing	7,047,236	925,777	1,165,544	4,389,927	1,197,092	(268,006)	-	<b>14,457,570</b>	7.98
- Non-performing	-	-	-	-	-	2,013,233	-	<b>2,013,233</b>	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	776,986	-	<b>776,986</b>	
Other assets	728,072	-	8	62	-	1,832,340	1,163	<b>2,561,645</b>	
Tax recoverable	-	-	-	-	-	101,432	-	<b>101,432</b>	
Land held for sale	-	-	-	-	-	100,814	-	<b>100,814</b>	
<b>TOTAL ASSETS</b>	<b>17,116,904</b>	<b>3,144,052</b>	<b>2,794,205</b>	<b>6,600,349</b>	<b>1,609,441</b>	<b>5,068,777</b>	<b>489,411</b>	<b>36,823,139</b>	
<b>LIABILITIES, INSURANCE RESERVES AND EQUITY</b>									
Deposits from customers	11,794,690	8,055,656	5,106,837	249,704	-	1,635,889	-	<b>26,842,776</b>	3.09
Deposits & placements of banks and other financial institutions	818,519	292,109	69,125	-	-	-	-	<b>1,179,753</b>	4.27
Obligations on securities sold repurchase agreements	2,043,787	52,718	-	-	-	-	-	<b>2,096,505</b>	3.36
Bills and acceptance payable	12,378	23,034	-	-	-	76,758	-	<b>112,170</b>	3.65
Recourse obligation on loans sold to Cagamas Berhad	-	15,860	314,987	236,493	-	-	-	<b>567,340</b>	4.03
Other liabilities	719,253	-	-	-	-	692,479	5,480	<b>1,417,212</b>	
Borrowings	-	-	320,000	700,000	-	-	-	<b>1,020,000</b>	5.44
<b>TOTAL LIABILITIES</b>	<b>15,388,627</b>	<b>8,439,377</b>	<b>5,810,949</b>	<b>1,186,197</b>	<b>-</b>	<b>2,405,126</b>	<b>5,480</b>	<b>33,235,756</b>	

**A24. INTEREST / PROFIT RATE RISK (cont.)**

<b>GROUP</b>	<b>&lt;-----Non-trading Book-----&gt;</b>						<b>Trading Book</b>	<b>Total</b>	<b>Weighted average interest rate (%)</b>
	Up to 1 month RM'000	1-3 months RM'000	> 3-12 months RM'000	> 1-5 years RM'000	Over 5 years RM'000	Non-interest bearing RM'000			
<b><u>31 March 2007</u></b>									
<b>EQUITY</b>									
Shareholders' Funds	-	-	-	-	-	3,587,383	-	<b>3,587,383</b>	
<b>Total liabilities and shareholders' funds</b>	<b>15,388,627</b>	<b>8,439,377</b>	<b>5,810,949</b>	<b>1,186,197</b>	<b>-</b>	<b>5,992,509</b>	<b>5,480</b>	<b>36,823,139</b>	
On balance sheet- interest sensitivity gap	1,728,277	(5,295,325)	(3,016,744)	5,414,152	1,609,441	(923,732)	483,931	-	
Off balance sheet- interest sensitivity gap	165,991	205,824	(158,838)	(127,977)	(85,000)	-	-	-	
<b>Total interest sensitivity gap</b>	<b>1,894,268</b>	<b>(5,089,501)</b>	<b>(3,175,582)</b>	<b>5,286,175</b>	<b>1,524,441</b>	<b>(923,732)</b>	<b>483,931</b>	<b>-</b>	



**A24. 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			
<b>31 December 2006</b>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>ASSETS</b>									
Cash and short-term funds	7,548,677	-	-	-	-	185,457	-	<b>7,734,134</b>	3.58
Deposits & placements with banks and other financial institutions	15,528	307,532	3,464	-	-	-	-	<b>326,524</b>	3.56
Securities held for trading	-	-	-	-	-	-	533,805	<b>533,805</b>	7.53
Securities available-for-sale	437,175	967,460	1,002,319	2,309,410	384,443	144,503	-	<b>5,245,310</b>	3.80
Securities held-to-maturity	-	14,809	561,726	146,286	86,285	256,866	-	<b>1,065,972</b>	4.23
Loans, advances & financing:									
- performing	8,040,792	972,718	1,024,562	4,274,512	1,188,140	(267,970)	-	<b>15,232,754</b>	7.96
- non-performing	-	-	-	-	-	2,124,217	-	<b>2,124,217</b>	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	820,755	-	<b>820,755</b>	
Other assets	379,303	20,859	4	55	-	1,799,855	2,198	<b>2,202,274</b>	
Tax recoverable	-	-	-	-	-	104,196	-	<b>104,196</b>	
Land held for sale	-	-	-	-	-	100,814	-	<b>100,814</b>	
<b>Total assets</b>	<b>16,421,475</b>	<b>2,283,378</b>	<b>2,592,075</b>	<b>6,730,263</b>	<b>1,658,868</b>	<b>5,268,693</b>	<b>536,003</b>	<b>35,490,755</b>	
<b>LIABILITIES</b>									
Deposits from customers	11,647,823	7,484,831	4,722,527	70,963	-	1,761,949	-	<b>25,688,093</b>	3.00
Deposits & placements of banks and other financial institutions	917,427	220,440	213,660	-	-	-	-	<b>1,351,527</b>	4.21
Obligations on securities sold repurchase agreements	1,757,341	2,972	-	-	-	-	-	<b>1,760,313</b>	3.40
Bills and acceptance payable	110,338	75,771	2,662	-	-	92,406	-	<b>281,177</b>	3.80
Recourse obligation on loans sold to Cagamas Berhad	37,697	-	143,340	456,721	-	-	-	<b>637,758</b>	4.00
Other liabilities	411,079	-	-	-	-	716,507	4,814	<b>1,132,400</b>	
Borrowings	794,114	48,530	120,000	200,000	-	-	-	<b>1,162,644</b>	5.54
<b>Total liabilities</b>	<b>15,675,819</b>	<b>7,832,544</b>	<b>5,202,189</b>	<b>727,684</b>	<b>-</b>	<b>2,570,862</b>	<b>4,814</b>	<b>32,013,912</b>	

**A24. 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 December 2006</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>EQUITY</b>									
Shareholders' Funds	-	-	-	-	-	3,476,843	-	<b>3,476,843</b>	
<b>Total liabilities and shareholders' funds</b>	<b>15,675,819</b>	<b>7,832,544</b>	<b>5,202,189</b>	<b>727,684</b>	<b>-</b>	<b>6,047,705</b>	<b>4,814</b>	<b>35,490,755</b>	
On balance sheet- interest sensitivity gap	745,656	(5,549,166)	(2,610,114)	6,002,579	1,658,868	(779,012)	531,189	-	
Off balance sheet- interest sensitivity gap	242,556	441,000	(379,000)	(304,556)	-	-	-	-	
<b>Total interest sensitivity gap</b>	<b>988,212</b>	<b>(5,108,166)</b>	<b>(2,989,114)</b>	<b>5,698,023</b>	<b>1,658,868</b>	<b>(779,012)</b>	<b>531,189</b>	<b>-</b>	

## A25. CAPITAL ADEQUACY

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

	As at 31/03/2007 RM'000	As at 31/12/2006 RM'000
<b><u>Tier I Capital</u></b>		
Paid-up share capital	1,501,938	1,501,938
Share premium	420,252	420,252
Retained profits	374,211	374,211
Statutory reserve	464,363	464,363
	<u>2,760,764</u>	<u>2,760,764</u>
less: Goodwill	(189,999)	(137,323)
Deferred tax assets/(liabilities)	(61,207)	(61,207)
<b>Total Tier 1 capital (a)</b>	<b><u>2,509,558</u></b>	<b><u>2,562,234</u></b>
<b><u>Tier II Capital</u></b>		
Subordinated loans/financing	500,000	500,000
General allowance for bad and doubtful debts and financing	267,656	267,656
<b>Total Tier 2 capital (b)</b>	<b><u>767,656</u></b>	<b><u>767,656</u></b>
Total capital (a) + (b)	3,277,214	3,329,890
less: Investment in subsidiaries	(53,229)	(53,229)
<b>Capital base</b>	<b><u>3,223,985</u></b>	<b><u>3,276,661</u></b>
<b><u>Before deducting proposed dividends:</u></b>		
Core capital ratio	10.51%	11.07%
Risk-weighted capital ratio	<u>13.50%</u>	<u>14.15%</u>
<b><u>After deducting proposed dividends:</u></b>		
Core capital ratio	10.51%	11.07%
Risk-weighted capital ratio	<u>13.50%</u>	<u>14.15%</u>

**A26. OPERATIONS OF ISLAMIC BANKING**

**(i) Unaudited Islamic Balance Sheet**

	<b>GROUP</b>	
	<b>Current Financial Quarter Ended 31/03/2007 RM'000</b>	<b>Previous Financial Year Ended 31/12/2006 RM'000</b>
<b>ASSETS</b>		
Cash and short term funds	2,248,134	2,207,863
Deposits and placements with financial institutions	180,000	-
Securities available-for-sale	385,624	381,288
Securities held-to-maturity	90,238	90,600
Loans, advances and financing	1,293,222	1,233,014
Statutory deposit with Bank Negara Malaysia	47,800	42,000
Other assets	36,588	36,416
Deferred tax assets	5,085	4,122
Property, plant and equipment	223	188
Intangible assets	1,972	2,092
<b>TOTAL ASSETS</b>	<b>4,288,886</b>	<b>3,997,583</b>
<b>LIABILITIES, ISLAMIC BANKING FUNDS</b>		
Deposits from customers	3,081,682	2,823,420
Deposits and placements of banks and other financial institutions	603,084	300,450
Bills and acceptances payable	33,610	23,690
Other liabilities	273,240	562,160
Provision for tax and zakat	4,868	7,150
<b>Total Liabilities</b>	<b>3,996,484</b>	<b>3,716,870</b>
Total Islamic Banking Capital Funds	292,402	280,713
<b>TOTAL LIABILITIES &amp; ISLAMIC BANKING FUNDS</b>	<b>4,288,886</b>	<b>3,997,583</b>
	-	-
<b>COMMITMENTS AND CONTINGENCIES</b>	<b>4,228,741</b>	<b>4,228,741</b>

**A26. OPERATIONS OF ISLAMIC BANKING (cont.)**

**(ii) Unaudited Islamic Income Statement**

<-----GROUP----->

	<b>Current Year Quarter ended 31/03/2007 RM'000</b>	<b>Preceding Year Corresponding Quarter ended 31/03/2006 RM'000</b>	<b>Current year-to- date ended 31/03/2007 RM'000</b>	<b>Preceding Year- to-date ended 31/03/2006 RM'000</b>
Income derived from investment of depositors' funds and others	46,627	33,690	46,627	33,690
Allowance for losses on financing	(713)	(2,297)	(713)	(2,297)
Transfer from/(to) profit equalisation reserve	(797)	5,707	(797)	5,707
	<u>45,117</u>	<u>37,100</u>	<u>45,117</u>	<u>37,100</u>
Income attributable to depositors	(23,056)	(25,549)	(23,056)	(25,549)
Income attributable to shareholders	22,061	11,551	22,061	11,551
Income derived from investment of Islamic banking capital funds	3,889	5,599	3,889	5,599
	<u>25,950</u>	<u>17,150</u>	<u>25,950</u>	<u>17,150</u>
Other operating expenses	(9,968)	(1,398)	(9,968)	(1,398)
Profit before tax and zakat	15,982	15,752	15,982	15,752
Taxation	(4,278)	-	(4,278)	-
Net profit for the financial period	<u><u>11,704</u></u>	<u><u>15,752</u></u>	<u><u>11,704</u></u>	<u><u>15,752</u></u>

**(iii) Financing**

	<b>Group</b>	
<b><u>BY TYPE</u></b>	<b>As at 31/03/2007 RM'000</b>	<b>As at 31/12/2006 RM'000</b>
Cash line	92,491	94,263
Term financing		
Housing financing	1,093,770	1,041,001
Syndicated term financing	7,668	7,669
Hire purchase receivables	374,920	342,194
Other term financing	377,134	353,623
Bills financing	8,482	7,070
Trust receipts	79,039	69,578
Interest-free accepted bills	58,236	49,282
Staff financing	13,771	12,637
Revolving credit	3,024	3,024
	<u>2,108,535</u>	<u>1,980,341</u>
less: Unearned income	(787,937)	(720,664)
	<u>1,320,598</u>	<u>1,259,677</u>
less: Allowance for bad and doubtful debts and financing		
- General	(21,893)	(21,893)
- Specific	(5,483)	(4,770)
<b>Total net financing</b>	<u><u>1,293,222</u></u>	<u><u>1,233,014</u></u>

**A26. OPERATIONS OF ISLAMIC BANKING (cont.)**

**(iv) Non-performing financing (NPF)**

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

	<b>GROUP</b>	
	<b>As at 31/03/2007 RM'000</b>	<b>As at 31/12/2006 RM'000</b>
Balance at the beginning of financial period/year	39,150	481,426
Classified as non-performing during the financial period/year	14,185	71,439
Reclassified as performing during the financial period/year	(15,574)	(31,981)
Amount written-off	-	(688)
Amount written back in respect of recoveries	(1,147)	(5,025)
Amount transferred to Conventional books	-	(476,021)
<b>Balance at the end of financial period/year</b>	<b>36,614</b>	<b>39,150</b>
less: Specific allowance	(5,483)	(4,770)
<b>Net non-performing loans, advances and financing</b>	<b>31,131</b>	<b>34,380</b>
As % of gross loans, advances and financing less specific allowance	2.37%	2.74%

Movements in allowance for bad and doubtful financing:

**General allowance**

Balance at the beginning of financial period/year	21,893	28,717
Amount transferred to Conventional books	-	(6,824)
Balance at the end of financial year	21,893	21,893
As % of gross loans, advances and financing less specific allowance	1.66%	1.74%

**Specific allowance**

Balance at the beginning of financial period/year	4,770	102,147
Allowance made during the financial period/year	822	6,912
Amount written off	-	(165)
Amount written back in respect of recoveries	(109)	(652)
Amount transferred to Conventional books	-	(103,472)
Balance at the end of financial period/year	5,483	4,770

**(v) Deposits from customers**

By type of deposits

**Non-Mudharabah Funds**

	<b>GROUP</b>	
	<b>As at 31/03/2007 RM'000</b>	<b>As at 31/12/2006 RM'000</b>
Demand deposits	1,355,827	1,371,377
Savings deposits	154,709	149,542
Negotiable Instruments of Deposits	527,821	770,899
	2,038,357	2,291,818

**Mudharabah Funds**

Savings deposits	5,548	5,700
General investment deposits	502,211	412,515
Special investment deposits	535,566	113,387
	1,043,325	531,602
	3,081,682	2,823,420

## **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 RM88.8 million for the first quarter ended 31 March 2007, an improvement of RM19.5 million as compared to the pre-tax profit of RM69.3 million for the preceding year's corresponding quarter ended 31 March 2006. This was mainly due to the increase in both Islamic banking income and other operating income of RM19.3 million and RM16.4 million, reduction in finance cost of RM2.5 million, lower impairment loss on securities and loan loss provision of RM3.8 million and RM1.1 million respectively. The net interest income however reduced by RM12.9 million while overheads increased by RM6.2 million for the period under review. In addition, there was a transfer of RM0.8 million to profit equalisation reserve as compared to a writeback of RM5.7 million for the same period last year.

AFFIN Bank Berhad group recorded a pre-tax profit of RM71.2 million for the current financial quarter, an improvement of RM7.2 million as compared to RM64.0 million for the preceding year's corresponding quarter. This was mainly due to the increase in Islamic banking income of RM19.1 million, lower loan loss provision and impairment loss on securities of RM4.0 million and RM3.4 million respectively. The net interest income however reduced by RM11.3 million while overhead expenses increased by RM3.2 million for the period under review, with a transfer of RM0.8 million to profit equalisation reserve as compared to a writeback of RM5.7 million for the same period last year.

AFFIN Investment Bank Berhad group reported a higher pre-tax profit of RM23.2 million for the current financial quarter ended 31 March 2007, which is double the pretax profit of RM11.6 million reported in the preceding year's corresponding quarter. The stockbroking operations acquired by the Bank on 1 January 2007, contributed a pretax profit of approximately RM11.0 million for the period under review.

AFFIN Moneybrokers Sdn Bhd posted a lower pre-tax profit of RM529,000 for the financial quarter ended 31 March 2007 as compared to RM809,000 for the same quarter last year, mainly due to the increase in overhead expenses outpaced the increase in brokerage income.

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

For the current quarter ended 31 March 2007, the Group recorded a lower pre-tax profit of RM88.8 million as compared to RM119.2 million for the preceding quarter ended 31 December 2006. This was mainly due to lower operating income of RM43.8 million attributable largely to the proceeds of RM35.0 million upon surrendering the discount house licence to BNM in the preceding quarter and lower gain on foreign exchange, lower share of profit of associate of RM5.0 million and higher overhead expenses of RM5.8 million. Both the impairment loss on securities and loan loss provision however reduced by RM17.6 million and RM4.1 million respectively 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 ending 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----->

	<b>Current financial quarter ended 31/03/2007 RM'000</b>	<b>Preceding year corresponding quarter ended 31/03/2006 RM'000</b>	<b>Current year-to- date 31/03/2007 RM'000</b>	<b>Preceding year- to-date 31/03/2006 RM'000</b>
Malaysian Taxation:				
- Income tax based on profit for the period	8,009	1,422	8,009	1,422
Deferred tax relating to net originating temporary differences	17,937	21,365	17,937	21,365
Under/(Over)provision in previous year:				
- Current taxation	389	(4,603)	389	(4,603)
	<b>26,335</b>	<b>18,184</b>	<b>26,335</b>	<b>18,184</b>

The effective tax rate was slightly higher than the prevailing statutory tax rate, mainly due to certain expenses disallowed for tax purposes.

**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.

On 23 March 2007, AIBB had on behalf of the Board of Directors announced that SC had vide its letter dated 26 March 2007 granted a fifth and final extension of time to 24 May 2007 for the Company to implement the private placement. The approval from the SC for the proposed extension is subject to the compliance with all the conditions precedent in the SC's approval letter dated 30 May 2006.

### **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 ("Proposed Acquisition")**

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.

On 25 April 2007, the Board of Directors of AHB announced that the Company had on 24 April 2007 entered into a preliminary agreement with BEA to fix the pricing mechanism with respect to the Proposed Acquisition ("Agreement").

Pursuant to the Agreement, BEA (or one or more of its affiliates) shall enter into definitive agreements with (i) AHB pursuant to which it will subscribe for new ordinary shares of RM1.00 each in AHB ("AHB shares") and (ii) certain shareholders of AHB pursuant to which it will purchase existing AHB shares from these shareholders.

**B8. STATUS OF CORPORATE PROPOSALS (cont.)**

c) **Proposed acquisition of a minority stake in AHB by the Bank of East Asia, Limited ("Proposed Acquisition")(cont.)**

Upon completion of the Proposed Acquisition, BEA (or one or more of its affiliates) intend to hold up to 25% of the enlarged share capital of AHB.

The subscription price and the purchase price per AHB share payable by BEA (or one or more of its affiliates) pursuant to the Proposed Acquisition shall each be an amount equal to the higher of:

- (a) 1.3 times of the consolidated net asset value based on the latest audited consolidated financial statements of AHB for the financial year ended 31 December 2006 minus goodwill over the total issued and paid-up capital of AHB as at 31 December 2006; or
- (b) the par value per AHB Share.

The definitive agreements (comprising the share subscription agreement and share sale & purchase agreement) in relation to the Proposed Acquisition would be finalised later and entered into upon receipt of approval from Minister of Finance ("MOF") and other relevant authorities.

The Proposed Acquisition is subject to the following approvals:

- (i) MOF through BNM;
- (ii) shareholders of AHB;
- (iii) Foreign Investment Committee (if applicable); and
- (iv) any other applicable regulatory authority in Malaysia, Hong Kong or elsewhere.

d) **Joint venture between AFFIN Fund Management Sdn Bhd ("AFM") with Asia Equity Partners Sdn Bhd ("AEP")("JV")**

On 7 March 2007, the Board of Directors of AHB announced the signing of a joint venture agreement ("JVA") on 6 March 2007 between AFM, a wholly-owned subsidiary of AFFIN Investment Bank Berhad (which in turn, is a wholly-owned subsidiary of the Company) and AEP, for the purpose of collaborating and sharing each other's expertise and network to establish and set up a RM150 million commercial property fund ("Proposed Fund") within the prime or central locations in Malaysia.

Pursuant to the JVA, AFM and AEP intend to jointly establish and set up the Proposed Fund. The Proposed Fund shall be incorporated as a closed-end investment company in Malaysia and will seek to acquire commercial properties with strong potential for growth in rental income and capital value. The Proposed Fund shall comprise equity investment of RM150 million with a duration not exceeding five (5) years.

Under the Proposed Fund, AFM will act as the Fund Manager whilst AEP will act as the Portfolio Advisor. The JV would not involve any capital investment by AFM as there would not be any joint venture company to be incorporated.

The JV is subject to the following approvals being obtained:

- (i) AFM's Board, shareholders, SC and/or any other authorities, if required; and,
- (ii) AEP's Board, shareholders and/or investment committee or other relevant authorities, if required.

**B9. GROUP BORROWINGS AND DEBT SECURITIES**

	Group	
	As at 31/03/2007 RM'000	As at 31/12/2006 RM'000
<b>(i) <u>Deposits from Customers</u></b>		
<u>By Type of Deposits:-</u>		
Demand Deposits	3,192,606	3,310,680
Savings Deposits	848,560	869,449
Fixed Deposits	18,160,327	17,290,828
Negotiable Instruments of Deposits ('NIDs')	4,105,716	4,103,749
Special Investment Deposits	535,567	113,387
	26,842,776	25,688,093
Maturity structure of fixed deposits and NIDs are as follows:		
Due within six months	19,817,792	19,606,037
Six months to one year	2,201,665	1,721,273
One year to three years	241,976	62,764
Three years to five years	4,610	4,503
	22,266,043	21,394,577
<u>By Type of Customers:-</u>		
Government and statutory bodies	4,501,822	3,830,618
Business enterprises	6,290,944	6,017,788
Individuals	3,269,917	3,350,313
Others	12,780,093	12,489,374
	26,842,776	25,688,093
<b>(ii) <u>Deposits and Placements of Banks and Other Financial Institutions</u></b>		
<u>By Type of Institutions:-</u>		
Licensed banks	424,768	733,470
Licensed investment banks	69,125	37,013
Bank Negara Malaysia	266,138	-
Other financial institutions	419,722	581,044
	1,179,753	1,351,527
<u>By Maturity Structure:-</u>		
Due within six months	1,179,753	1,351,527
<b>(iii) <u>Borrowings</u></b>		
Unsecured		
- One year or less (short-term)	320,000	462,644
- More than one year (medium/long-term)	700,000	700,000
	1,020,000	1,162,644

## 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
<b>Foreign Exchange related contract</b>	<b>2,222,131</b>	<b>1,429,224</b>	<b>281,189</b>	<b>131,762</b>	<b>379,956</b>	-	-
- Swaps	710,569	299,238	16,562	14,813	379,956		-
- Options	1,511,562	1,129,986	264,627	116,949	-		-
<b>Interest Rate related contract</b>	<b>1,213,113</b>	<b>345,010</b>	<b>213,000</b>	<b>330,270</b>	<b>235,133</b>	<b>89,700</b>	<b>27</b>
- Futures	698,000	345,000	163,000	175,000	15,000	-	27
- Swaps	515,113	10	50,000	155,270	220,133	89,700	-
<b>Total</b>	<b>3,435,244</b>	<b>1,774,234</b>	<b>494,189</b>	<b>462,032</b>	<b>615,089</b>	<b>89,700</b>	<b>27</b>

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 RM10.3 million (FYE 31/12/2006: RM 4.2 million), while the notional amount of interest rate contract was RM369.1 million (FYE 31/12/2006: RM 505.1 million).

### Credit risk

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the 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 RM69.5 million (FYE 31/12/2006: RM69.4 million) and RM9.0 million (FYE 31/12/2006: RM9.7 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.

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

### **Related accounting policies (cont.)**

#### 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.

### 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 ABB 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 41.1 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 date for the verdict of the Third Appeal was yet to be fixed. As the Directors are confident that they will be successful in winning this appeal, no provision has been made at this juncture.

In addition, there is a lawsuit against the investment bank subsidiary, namely AFFIN Investment Bank Berhad ('AIBB') in respect of counter claims of approximately RM200.1 million and interest thereon until full settlement. As the Directors are confident that they will be successful in winning the case, 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 81.3 million (2006: RM 85.9 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

No dividend has been proposed or declared for the first quarter ended 31 March 2007.

## B13. EARNINGS PER SHARE

	<-----Group----->			
	Current Financial Quarter ended 31/03/2007	Preceding Year Financial Quarter ended 31/03/2006	Current Year-to- date 31/03/2007	Preceding Year- to-date 31/03/2006
Net profit attributable to equity holders of the parent (RM'000)	<b>62,512</b>	51,083	<b>62,512</b>	51,083
Weighted average number of ordinary share in issue	<b>1,260,347,148</b>	1,212,486,637	<b>1,260,347,148</b>	1,212,486,637
Adjustment for share options	<b>28,810,732</b>	15,826,534	<b>28,810,732</b>	15,826,534
Adjusted weighted average number of ordinary shares for diluted earnings per share	<b>1,289,157,880</b>	1,228,313,171	<b>1,289,157,880</b>	1,228,313,171
Basic earning per share (sen)	<b>4.96</b>	4.21	<b>4.96</b>	4.21
Diluted earnings per share (sen)	<b>4.85</b>	4.16	<b>4.85</b>	4.16

### Basic earnings per share

The basic earnings per share of the Group for the three months ended 31 March 2007 has been calculated based on the net profit attributable to the equity holders of the parent of RM62,512,000 (31 March 2006: RM51,083,000) divided by the weighted average number of ordinary shares in issue during the financial quarter of 1,260,347,148 (31 March 2006: 1,212,486,637).

### 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----->			
	<b>Current Financial Quarter ended 31/03/2007 RM'000</b>	<b>Preceding Year Financial Quarter ended 31/03/2006 RM'000</b>	<b>Current Year-to- date 31/03/2007 RM'000</b>	<b>Preceding Year- to-date 31/03/2006 RM'000</b>
Net profit for the financial period/year	62,512	51,083	62,512	51,083
Less: Economic charge	(98,016)	(88,674)	(98,016)	(88,674)
Economic loss for the financial period/year	(35,504)	(37,591)	(35,504)	(37,591)

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