

AFFIN HOLDINGS BERHAD
(Company no. 23218 - W)
Condensed Interim Financial Statements
Unaudited Balance Sheets As At 30 September 2007

	<-----GROUP----->		<-----COMPANY----->	
	Financial Quarter Ended 30/09/2007 RM'000	Previous Financial Year Ended 31/12/2006 RM'000	Financial Quarter Ended 30/09/2007 RM'000	Previous Financial Year Ended 31/12/2006 RM'000
ASSETS				
Cash and short term funds	8,764,417	7,734,134	99,822	95,016
Deposits and placements with financial institutions	576,943	326,524	-	3,484
Securities held for trading	639,404	533,805	-	-
Securities available-for-sale	4,616,376	5,245,310	-	-
Securities held-to-maturity	814,729	1,065,972	-	-
Loans, advances and financing	16,884,713	17,356,971	-	-
Statutory deposits with Bank Negara Malaysia	813,877	820,755	-	-
Investment in subsidiaries	-	-	3,517,616	3,523,400
Amount due from subsidiaries	-	-	-	45,731
Investment in jointly-controlled entity	107,491	107,913	111,180	111,180
Investment in associate	109,498	98,342	10,597	10,597
Trade debtors	826,622	401,651	-	-
Other assets	324,473	205,088	2,740	846
Tax recoverable	73,280	104,196	25,285	38,003
Deferred tax assets	42,148	87,430	161	161
Prepaid land lease payments	17,322	17,767	-	-
Property, plant and equipment	224,403	229,172	1,131	1,257
Land held for sale	99,324	100,814	-	-
Intangible assets	1,040,933	1,048,148	-	-
TOTAL ASSETS	35,975,953	35,483,992	3,768,532	3,829,675
LIABILITIES AND EQUITY				
Deposits from customers	25,815,567	25,688,093	-	-
Deposits and placements of banks and other financial institutions	3,384,784	1,351,527	-	-
Obligation on securities sold under repurchase agreements	-	1,760,313	-	-
Bills and acceptances payable	91,728	281,177	-	-
Trade creditors	771,212	369,678	-	-
Recourse obligation on loans sold to Cagamas Berhad	430,878	637,758	-	-
Other liabilities	707,716	733,150	5,061	14,023
Provision for taxation	32,924	-	-	-
Amount due to subsidiaries	-	-	797,662	714,078
Deferred tax liabilities	17,268	22,809	-	-
Borrowings	1,020,000	1,162,644	520,000	653,530
TOTAL LIABILITIES	32,272,077	32,007,149	1,322,723	1,381,631

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	Financial Quarter Ended 30/09/2007 RM'000	Previous Financial Year Ended 31/12/2006 RM'000	Financial Quarter Ended 30/09/2007 RM'000	Previous Financial Year Ended 31/12/2006 RM'000
EQUITY				
Share capital	1,287,817	1,252,913	1,287,817	1,252,913
Reserves:-				
Share premium	1,090,709	1,077,424	1,090,709	1,077,424
Statutory reserve	494,468	410,230	-	-
Retained profits	806,047	723,233	67,283	117,707
Investment fluctuation reserve	24,835	13,043	-	-
TOTAL EQUITY	3,703,876	3,476,843	2,445,809	2,448,044
TOTAL LIABILITIES AND EQUITY	35,975,953	35,483,992	3,768,532	3,829,675
COMMITMENTS AND CONTINGENCIES	21,590,332	17,846,701	-	-
CAPITAL ADEQUACY				
<u>Before deducting proposed dividends:</u>				
Core capital ratio	11.11%	11.07%		
Risk-weighted capital ratio	14.02%	14.15%		
<u>After deducting proposed dividends:</u>				
Core capital ratio	11.11%	11.07%		
Risk-weighted capital ratio	14.02%	14.15%		
NET ASSETS PER SHARE (RM)	2.88	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 30 September 2007

<u>Group</u>	<-----Individual Quarter----->		<-----Cumulative Quarter----->	
	Current Year Quarter ended 30/09/2007 RM'000	Preceding Year Corresponding Quarter ended 30/09/2006 RM'000	Current year- to-date ended 30/09/2007 RM'000	Preceding Year- to-date ended 30/09/2006 RM'000
Revenue	576,811	546,169	1,647,332	1,471,531
Interest income	430,351	400,905	1,229,132	1,135,711
Interest expense	(248,488)	(243,827)	(736,495)	(649,921)
Net interest income	181,863	157,078	492,637	485,790
Income from Islamic operations	32,229	30,539	94,974	71,469
Other operating income	85,478	108,861	250,695	228,888
Operating income	299,570	296,478	838,306	786,147
Other operating expenses	(169,009)	(126,081)	(431,403)	(386,269)
Operating profit before loan and financing loss and provision	130,561	170,397	406,903	399,878
Allowance for losses on loans and financing	(26,897)	(52,032)	(85,790)	(113,806)
Impairment losses	(13,380)	(56,613)	(29,726)	(73,417)
Transfer from profit equalisation reserve	290	499	501	5,206
Operating profit	90,574	62,251	291,888	217,861
Finance cost	(7,557)	(9,089)	(23,166)	(30,736)
Share of results of jointly controlled entity	88	170	(422)	170
Share of results of associate	1,546	(108)	14,076	7,912
Profit before taxation and zakat	84,651	53,224	282,376	195,207
Taxation	(24,612)	(23,177)	(85,133)	(62,220)
Zakat	-	(2,333)	(2,265)	(2,333)
Net profit for the financial period	60,039	27,714	194,978	130,654
Earnings per share (sen)	4.67	2.25	15.31	10.68
Fully diluted earnings per share (sen)	4.63	2.22	15.18	10.56

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 30 September 2007

<u>Company</u>	<-----Individual Quarter----->		<-----Cumulative Quarter----->	
	Current Year Quarter ended 30/09/2007 RM'000	Preceding Year Corresponding Quarter ended 30/09/2006 RM'000	Current year ended 30/09/2007 RM'000	Preceding Year ended 30/09/2006 RM'000
Revenue	978	2,808	11,702	57,662
Interest income	978	1,067	3,398	3,451
Interest expense	-	-	-	-
Net interest income	978	1,067	3,398	3,451
Income from Islamic operations	-	-	-	-
Other operating income	11	1,741	8,316	54,215
Operating income	989	2,808	11,714	57,666
Other operating expenses	(2,324)	(1,325)	(5,262)	(5,994)
Impairment loss on investment in subsidiary	-	-	(5,784)	-
Operating profit/(loss) before loan and financing loss and provision	(1,335)	1,483	668	51,672
Allowance for losses on loans and financing	-	-	-	-
Transfer from profit equalisation reserve	-	-	-	-
Operating profit / (loss)	(1,335)	1,483	668	51,672
Finance cost	(7,557)	(8,885)	(23,166)	(30,041)
Profit / (Loss) before taxation and zakat	(8,892)	(7,402)	(22,498)	21,631
Taxation	101	2,223	-	(6,407)
Zakat	-	-	-	-
Net profit / (loss) for the financial period	(8,791)	(5,179)	(22,498)	15,224

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 30 September 2007

<u>GROUP</u>	← Issued and fully paid ordinary shares of RM1 each →		← Non-distributable →				← Distributable →	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 2007	1,252,913	1,252,913	1,077,424	410,230	13,043	-	723,233	3,476,843
Issue of share capital:								
- pursuant to the exercise of Employees Shares Options Scheme Warrants	34,903 1	34,903 1	13,282 3	- -	- -	- -	- -	48,185 4
Transfer to statutory reserve	-	-	-	84,238	-	-	(84,238)	-
Net change in fair value of securities available-for-sale	-	-	-	-	11,792	-	-	11,792
Net profit for the financial year	-	-	-	-	-	-	194,978	194,978
Dividend paid	-	-	-	-	-	-	(27,926)	(27,926)
At 30 September 2007	1,287,817	1,287,817	1,090,709	494,468	24,835	-	806,047	3,703,876
At 1 January 2006	1,211,388	1,211,388	1,063,541	364,669	(11,490)	944	577,380	3,206,432
Issue of share capital arising from:								
- pursuant to the exercise of Employees Shares Options Scheme	22,384	22,384	6,871	-	-	-	-	29,255
Transfer to statutory reserve	-	-	-	83,932	-	-	(83,932)	-
Net change in fair value of securities available-for-sale	-	-	-	-	(13,809)	-	-	(13,809)
Net profit for the financial year	-	-	-	-	-	-	130,654	130,654
Dividend paid	-	-	-	-	-	-	(17,557)	(17,557)
Transfer of statutory reserve to retained profits upon cessation of discount house operations of a subsidiary	-	-	-	(80,308)	-	-	80,308	-
At 30 September 2006	1,233,772	1,233,772	1,070,412	368,293	(25,299)	944	686,853	3,334,975

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 30 September 2007

<u>Company</u>	Issued and fully paid ordinary shares of RM1 each		Non-distributable	Distributable	Total Equity RM'000
	Number of shares '000	Nominal value RM'000	Share premium RM'000	Retained profits RM'000	
At 1 January 2007	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	34,903	34,903	13,282	-	48,185
Warrants	1	1	3	-	4
Net loss for the financial period	-	-	-	(22,498)	(22,498)
Dividend paid	-	-	-	(27,926)	(27,926)
At 30 September 2007	1,287,817	1,287,817	1,090,709	67,283	2,445,809
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 profit 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

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 30 September 2007

	Group	
	As at 30/09/2007 RM'000	As at 30/09/2006 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation and zakat	282,376	195,207
Adjustment for non-operating and non-cash items	159,646	168,779
Operating profit before changes in working capital	442,022	363,986
Net changes in operating assets	(575,459)	(257,020)
Net changes in operating liabilities	231,061	3,430,046
Payment of tax and zakat	(29,708)	(20,368)
Taxation refund	17,696	52,453
Net cash generated from operating activities	85,612	3,569,097
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received from securities	125,342	126,456
Net disposal/(purchase) of:		
- securities	927,099	286,644
- property, plant and equipment	(17,270)	(21,029)
- intangible assets	(2,069)	-
Dividend received from:		
- associate	2,920	2,880
- securities	3,628	1,864
Cash consideration and expenses relating to acquisition of additional interests in subsidiary	-	(510)
Cash payment on acquisition of life insurance business by a newly established subsidiary	-	(111,180)
Net cash used in investing activities	1,039,650	285,125
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in borrowings	(142,644)	(68,819)
Proceeds from issuance of shares	48,189	29,254
Capital injection to a newly established subsidiary by minority interests	-	-
Dividends paid to shareholders	(27,926)	(17,557)
Net cash used in financing activities	(122,381)	(57,122)
Net increase in cash and cash equivalents	1,002,881	3,797,100
Cash and cash equivalents at beginning of the period	7,702,346	3,326,204
Cash and cash equivalents at end of the period	8,705,227	7,123,304
<u>Analysis of cash & cash equivalent</u>		
Cash and short term funds	8,764,417	7,146,076
Adjustment for money held in trust on behalf of clients and remisers	(59,190)	(22,772)
	8,705,227	7,123,304

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 30 September 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, except for the adoption of the revised FRS 117 Leases issued by the MASB that is effective for the Group's annual reporting date, 31 December 2007. The principal effects of the change in accounting policy resulting from the adoption of the revised FRS 117 are disclosed in Note A26.

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 30 September 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 30 September 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 RM1,287,817,241 by way of issuance of 34,904,626 new ordinary shares of RM1.00 each pursuant to the exercise of options granted under the company's Employees' Share Options Scheme ("ESOS") and warrants as follows:

	<u>Number of new ordinary shares issued</u>	<u>Option/Exercise price per share</u>
Exercise of ESOS	2,508,964	RM 1.00
Exercise of ESOS	32,394,500	RM 1.41
Exercise of Warrant 1997/2007	1,162	RM 3.74

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, amounting to RM27,925,307 was paid on 8 June 2007.

A9. SECURITIES HELD

	Group	
	As at 30/09/2007 RM'000	As at 31/12/2006 RM'000
(a) <u>Securities held-for-trading</u>		
At fair value		
Malaysian Government Securities	5,030	-
Malaysian Government Investment Issuance ('GII')	134,478	-
Cagamas Bonds	5,278	-
Quoted Securities		
- Warrants	625	341
Unquoted Securities		
- Private Debt Securities	493,993	533,464
Total securities held for trading	639,404	533,805

A9. SECURITIES HELD (cont.)

	Group	
	As at 30/09/2007 RM'000	As at 31/12/2006 RM'000
(b) <u>Securities available-for-sale</u>		
At fair value		
Malaysian Government Securities	446,683	839,030
Malaysian Government Treasury Bills	113,298	102,957
Malaysian Government Investment Issuance ('GII')	159,855	260,196
Cagamas Bonds	500,962	516,326
Khazanah Bonds	229,004	698,036
Bankers' Acceptance and Islamic Accepted Bills	925,188	540,334
Bank Negara Malaysia Notes	547,446	123,713
Negotiable Instruments of Deposit	194,999	664,985
Negotiable Islamic Debt Certificate	9,996	148,000
	3,127,431	3,893,577
Quoted Securities		
- Shares	239,246	239,093
- Private Debt Securities	3,406	29,820
Unquoted Securities		
- Private Debt Securities	1,378,552	1,210,186
- Irredeemable Convertible Unsecured Loan Stock	2,293	-
	4,750,928	5,372,676
Allowance for impairment of securities	(134,552)	(127,366)
Total securities available-for-sale	4,616,376	5,245,310
(c) <u>Securities held-to-maturity</u>		
At amortised cost		
Malaysian Government Securities	320,546	331,968
Cagamas Bonds	-	60,089
Khazanah Bonds	-	8,274
	320,546	400,331
Quoted Securities		
- Private Debt Securities	50,537	54,675
- Irredeemable Convertible Unsecured Loan Stock ('ICULS')	-	15,000
Unquoted Securities		
- Private Debt Securities	518,462	668,540
	889,545	1,138,546
At cost		
Unquoted Securities		
- Shares	56,384	64,615
- Private Debt Securities	16	16
	56,400	64,631
Allowance for impairment of securities	(131,216)	(137,205)
Total securities held-to-maturity	814,729	1,065,972
Total securities held	6,070,509	6,845,087

A10. LOANS, ADVANCES AND FINANCING

(a) <u>BY TYPE</u>	Group	
	As at 30/09/2007 RM'000	As at 31/12/2006 RM'000
Overdrafts	1,832,035	1,900,549
Term loans/financing		
Housing loans/financing	3,925,341	3,818,732
Syndicated term loan/financing	470,474	535,728
Hire purchase receivables	6,906,544	6,686,710
Other term loans/financing	4,760,058	4,273,817
Bills receivable	102,415	97,752
Trust receipts	524,321	473,237
Claims on customers under acceptance credits	698,131	719,865
Staff loans/financing (of which RM NIL to Directors)	162,133	170,229
Credit/charge cards	106,082	95,084
Revolving credit	1,345,158	1,665,137
Other loans/financing	9,794	17,444
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	20,842,486	20,454,284
Less: Unearned interest and income	(2,434,086)	(1,863,854)
Gross loans, advances and financing	18,408,400	18,590,430
Less: Allowance for bad and doubtful debts and financing		
- General	(271,426)	(267,970)
- Specific	(1,252,261)	(965,489)
Total net loans, advances and financing	16,884,713	17,356,971
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(b) <u>BY TYPE OF CUSTOMER</u>		
Domestic non-banking institutions		
- Stockbroking companies	413	25,415
- Others	98,012	478,823
Domestic business enterprises		
- Small medium enterprises	5,210,856	4,666,017
- Others	3,776,800	3,922,470
Government and statutory bodies	55,244	124,886
Individuals	9,013,128	8,863,393
Other domestic entities	37,215	201,185
Foreign entities	216,732	308,241
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	18,408,400	18,590,430
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A10. LOANS, ADVANCES AND FINANCING (cont.)

	Group	
	As at 30/09/2007 RM'000	As at 31/12/2006 RM'000
(c) <u>BY INTEREST / PROFIT RATE SENSITIVITY</u>		
Fixed rate		
Housing loans/financing	638,205	533,902
Hire purchase receivables	5,840,878	5,650,066
Other fixed rate loan/financing	3,811,422	4,301,780
Variable rate		
BLR plus	6,419,521	6,469,537
Cost-plus	1,698,374	1,635,145
	18,408,400	18,590,430
(d) <u>BY ECONOMIC PURPOSE</u>		
Construction	587,717	151,345
Purchase of landed property (of which: - Residential - Non-residential)	3,250,561	3,106,837
Purchase of securities	974,759	554,966
Purchase of transport vehicles	539,805	479,833
Fixed assets other than land and building	5,882,931	5,366,188
Personal uses	192,387	63,411
Credit card	628,049	565,748
Consumer durable	106,082	95,084
Working capital	5,109	6,317
Others	3,024,621	1,440,613
	3,216,379	6,760,088
	18,408,400	18,590,430
(e) <u>NON-PERFORMING LOANS/FINANCING</u>		
(i) <u>Movements in non-performing loans, advances and financing</u>		
	As at 30/09/2007 RM'000	As at 31/12/2006 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	636,164	947,097
Reclassified as performing during the financial period/year	(513,370)	(463,928)
Loans/financing converted to securities	(25,723)	-
Amount recovered	(401,686)	(506,821)
Amount written-off	(36,281)	(177,143)
Balance at the end of financial period/year	2,748,810	3,089,706
less: Specific allowance	(1,252,261)	(965,489)
Net non-performing loans, advances and financing	1,496,549	2,124,217
Net NPL as a % of gross loans, advances and financing less specific allowance	8.72%	12.05%

A10. LOANS, ADVANCES AND FINANCING (cont.)

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

	Group	
	As at 30/09/2007 RM'000	As at 31/12/2006 RM'000
(ii) <u>Non-performing loans, advances and financing by economic purpose</u>		
Construction	43,880	73,793
Purchase of landed property:		
- Residential	553,080	625,936
- Non-residential	138,695	155,761
Purchase of securities	131,427	131,557
Purchase of transport vehicles	264,398	259,165
Fixed assets other than land and building	21,491	-
Personal uses	41,045	53,569
Credit card	3,338	3,144
Consumer durable	778	1,233
Working capital	372,840	235,122
Others	1,177,838	1,550,426
	2,748,810	3,089,706
(iii) <u>Aging of net non-performing loans, advances and financing</u>		
Less than 5 years	1,175,833	1,609,495
5 years to 7 years	320,716	514,722
	1,496,549	2,124,217
(iv) <u>Movement in allowance for bad and doubtful debts</u>		
	Group	
	As at 30/09/2007 RM'000	As at 31/12/2006 RM'000
General allowance		
Balance at the beginning of financial period/year	267,970	327,039
Allowance made during the financial period/year	3,456	-
Amount written back during the financial period/year	-	(59,069)
Balance at the end of financial period/year	271,426	267,970
As % of gross loans, advances and financing less specific allowance	1.58%	1.52%
Specific allowance		
Balance at the beginning of financial period/year	965,489	828,846
Allowance made during the financial period/year	413,222	388,729
Amount transferred to allowance for impairment of securities held-to-maturity/available-for-sales	(10,012)	-
Amount written-off	(35,368)	(176,055)
Amount written back during the financial period/year	(81,070)	(76,031)
Balance at the end of financial period/year	1,252,261	965,489

A11. OTHER ASSETS

	Group	
	As at 30/09/2007 RM'000	As at 31/12/2006 RM'000
Clearing accounts	55,328	-
Money order and postal order purchased	1,812	3,212
Accrued income / interest receivable	84,515	34,250
Premium receivable	1,071	2,024
Foreclosed properties	85,545	85,068
Derivative assets	40,123	22,314
Other debtors, deposits and prepayments	56,079	58,220
	324,473	205,088
	324,473	205,088

A12. OTHER LIABILITIES

	Group	
	As at 30/09/2007 RM'000	As at 31/12/2006 RM'000
Bank Negara Malaysia and Credit Guarantee Corporation Funding Programmes of a subsidiary	156,124	167,342
Liabilities directly associated with land held for sale	32,588	33,081
Interest payable	171,927	170,171
Margin and collateral deposits	34,027	24,314
Trust accounts for clients and remisiers	59,190	31,788
Clearing accounts	-	57,473
Defined contribution plan	8,336	7,429
Accrued employee benefits	1,849	1,772
Derivative liabilities	20,672	27,119
Other creditors and accruals	216,745	207,777
Profit equalisation reserve	-	501
Provision for zakat	6,258	4,383
	707,716	733,150
	707,716	733,150

A13. INTEREST INCOME

	<-----Group----->			
	Current	Preceding		
	Financial	Year		
	Quarter	Financial	Current	Preceding
	ended	Quarter	Year-to-date	Year-to-date
	30/09/2007	ended	30/09/2007	30/09/2006
	RM'000	30/09/2006	RM'000	RM'000
		RM'000		
Loans and advances				
- Interest income other than recoveries from NPL	247,253	248,724	724,619	722,355
- Recoveries from NPL	37,071	21,680	88,940	63,827
Money at call and deposit placement with financial institutions	67,357	59,051	196,459	125,983
Securities				
- Held-for-trading	6,104	10,332	19,282	24,214
- Available-for-sale	28,620	28,732	92,850	92,794
- Held-to-maturity	12,589	11,949	31,720	33,662
Interest rate derivatives	21,156	8,919	41,840	30,541
Others	742	1	1,930	12
	<u>420,892</u>	<u>389,388</u>	<u>1,197,640</u>	<u>1,093,388</u>
Accretion of discount less amortisation of premium	9,459	11,517	31,492	42,323
	<u>430,351</u>	<u>400,905</u>	<u>1,229,132</u>	<u>1,135,711</u>

A14. INTEREST EXPENSE

Deposits and placements of banks and other financial institutions	28,736	11,473	53,769	34,639
Deposits from customers	179,489	188,413	556,947	493,792
Subordinated term loan	7,876	8,570	23,403	25,430
Loans sold to Cagamas	4,720	8,812	16,357	32,377
Interest rate derivatives	25,244	7,942	53,279	29,473
Others	2,423	18,617	32,740	34,210
	<u>248,488</u>	<u>243,827</u>	<u>736,495</u>	<u>649,921</u>

A15. OTHER OPERATING INCOME

	<-----Group----->			
	Current	Preceding		
	Financial	Year		
	Quarter	Financial	Current	Preceding
	ended	Quarter	Year-to-date	Year-to-date
	30/09/2007	ended	30/09/2007	30/09/2006
	RM'000	30/09/2006	RM'000	RM'000
		RM'000		
<u>Fees income:</u>				
Fees on loans, advances and financing	367	394	562	1,346
Brokerage (net)	20,834	9,561	65,821	32,574
Portfolio management fees	1,555	1,019	3,837	1,019
Corporate advisory fees	2,315	205	5,316	4,699
Commission	5,798	5,526	15,713	13,898
Service charges and fees	12,368	11,775	40,166	38,508
Guarantee fees	8,036	9,278	15,688	17,886
Other fee income	5,599	1,213	6,872	3,841
	56,872	38,971	153,975	113,771
<u>Investment income:</u>				
Gains/(losses) arising from sales of securities:				
- Held-for-trading	1,077	6,180	10,332	1,770
- Available-for-sale	3,322	184	27,862	8,010
- Held-to-maturity	3,221	9,020	3,883	9,340
Unrealised gains on revaluation of securities held-for-trading	1,466	43,416	245	43,070
Gains/(losses) on revaluation of derivatives:				
- realised	330	(16)	1,628	155
- unrealised	1,803	(5,797)	859	(561)
	11,219	52,987	44,809	61,784
<u>Dividend income:</u>				
- Securities held-for-trading	-	-	19	1
- Securities available-for-sale	311	305	602	314
- Securities held-to-maturity	2,329	57	3,025	1,550
	2,640	362	3,646	1,865
<u>Other income:</u>				
Foreign exchange gains/(losses):				
- realised	(3,066)	(1,703)	15,860	589
- unrealised	14,873	12,520	21,434	30,531
Gain on disposal of property, plant and equipment	1,538	1,078	2,493	2,993
Other non-operating income	1,402	4,646	8,478	17,355
	14,747	16,541	48,265	51,468
Total Other Operating Income	85,478	108,861	250,695	228,888

A16. OTHER OPERATING EXPENSES

	<-----Group----->			
	Current Financial Quarter ended 30/09/2007 RM'000	Preceding Year Financial Quarter ended 30/09/2006 RM'000	Current Year-to-date 30/09/2007 RM'000	Preceding Year-to-date 30/09/2006 RM'000
<u>Personnel costs</u>				
Wages, salaries and bonus	76,343	57,099	173,041	161,499
Defined contribution plan	8,748	8,521	24,556	24,204
Termination benefits	3,000	3,000	9,000	9,000
Other personnel costs	8,954	7,347	22,198	23,018
	97,045	75,967	228,795	217,721
<u>Promotion and marketing-related expenses</u>				
Business promotion and advertisement	770	492	2,295	1,651
Entertainment	1,314	777	2,363	1,767
Travelling and accomodation	931	939	2,723	2,645
Dealers' handling fees	8,048	6,234	20,873	19,969
Others	637	956	1,374	3,703
	11,700	9,398	29,628	29,735
<u>Establishment-related expenses</u>				
Rental of premises	6,109	6,205	18,076	18,516
Equipment rental	1,082	323	1,681	2,570
Repair and maintenance	5,411	5,697	15,912	19,682
Depreciation	7,012	7,208	20,641	21,391
Amortisation	4,165	3,609	12,187	10,443
Lease rental - leasehold properties	71	71	217	223
Others	16,285	5,558	40,930	23,924
	40,135	28,671	109,644	96,749
<u>General administrative expenses</u>				
Telecommunication expenses	1,426	2,179	5,415	6,816
Director's Remuneration	637	781	2,084	2,247
Auditors' remuneration:				
(i) Statutory audit				
- current year	270	239	932	718
- (over)/underprovision in previous years	(22)	25	(11)	85
(ii) Others	75	1	172	166
Professional fees	2,714	2,045	9,197	5,847
Property, plant & equipment written off	291	1,297	782	1,744
Others	14,739	5,478	44,765	24,441
	20,130	12,045	63,336	42,064
Total other operating expenses	169,010	126,081	431,403	386,269

A17. ALLOWANCE FOR LOSSES ON LOANS AND FINANCING

	<-----Group----->			
	Current Financial Quarter ended 30/09/2007 RM'000	Preceding Year Financial Quarter ended 30/09/2006 RM'000	Current Year-to-date 30/09/2007 RM'000	Preceding Year-to-date 30/09/2006 RM'000
<u>Allowance for bad and doubtful debts on loans and financing:-</u>				
Specific allowance				
- Made during the financial year	231,166	90,998	413,222	263,003
- Written back	(34,117)	(15,829)	(81,070)	(49,336)
General allowance (net)	3,006	(3,191)	3,456	(44,829)
<u>Bad debts:-</u>				
- recovered	(173,228)	(24,814)	(251,793)	(62,550)
- written off	735	1,761	2,897	3,740
<u>Losses arising from non-performing loans sold to Danaharta:-</u>				
- written back on final settlement	-	(640)	(39)	(640)
<u>Addition / (Writeback) of allowance for bad and doubtful debts:</u>				
- trade debtors	(205)	(131)	(277)	(291)
- other debtors	(460)	3,878	(606)	4,709
	26,897	52,032	85,790	113,806

A18. IMPAIRMENT LOSSES

Addition / (Writeback) of allowance
for impairment loss:

- Property, plant and equipment	-	-	(38)	-
- Securities available-for-sale	16,775	17,176	33,336	23,121
- Securities held-to-maturity	(3,395)	39,437	(3,572)	50,296
	13,380	56,613	29,726	73,417

A19. SEGMENTAL INFORMATION ON REVENUE AND PROFIT

The segment analysis by activity for the current financial quarter and cumulative quarter ended 30 September 2007 and 30 September 2006 are as follows:-

<-----Current year's quarter ended 30 September 2007----->							
RM '000	Commercial Banking and Hire Purchase	Investment Banking	Stockbroking	Insurance	Others	Eliminations	Group
Segment revenue	498,956	55,937	18,735	-	3,183	-	576,811
Intersegment revenue	(31)	1,137	144	-	1,373	(2,623)	-
Revenue	<u>498,925</u>	<u>57,074</u>	<u>18,879</u>	<u>-</u>	<u>4,556</u>	<u>(2,623)</u>	<u>576,811</u>
Segment results	82,292	4,190	4,580	-	(497)	9	90,574
Finance costs	-	-	-	-	(7,557)	-	(7,557)
Share of results of:							
- jointly controlled entity	-	-	-	88	-	-	88
- associate	-	-	-	1,546	-	-	1,546
Profit before taxation and zakat	82,292	4,190	4,580	1,634	(8,054)	9	84,651
Taxation and zakat	(22,365)	4,785	(7,007)	-	(25)	-	(24,612)
Net profit for the quarter	<u>59,927</u>	<u>8,975</u>	<u>(2,427)</u>	<u>1,634</u>	<u>(8,079)</u>	<u>9</u>	<u>60,039</u>

A19. SEGMENTAL INFORMATION ON REVENUE AND PROFIT

	<-----Preceding year's corresponding quarter ended 30 September 2006----->						
RM '000	Commercial Banking and Hire Purchase	Investment Banking	Stockbroking	Insurance	Others	Eliminations	Group
Segment revenue	432,432	103,351	7,911	-	2,475	-	546,169
Intersegment revenue	1,004	194	(108)	-	3,272	(4,362)	-
Revenue	<u>433,436</u>	<u>103,545</u>	<u>7,803</u>	<u>-</u>	<u>5,747</u>	<u>(4,362)</u>	<u>546,169</u>
Segment results	61,023	1,151	641	-	1,978	(2,542)	62,251
Finance costs	-	-	(385)	-	(8,885)	181	(9,089)
Share of results of:							
- jointly controlled entity	-	-	-	170	-	-	170
- associate	-	-	-	(108)	-	-	(108)
Profit before taxation and zakat	61,023	1,151	256	62	(6,907)	(2,361)	53,224
Taxation and zakat	(20,982)	(3,871)	(206)	-	(451)	-	(25,510)
Net profit for the quarter	<u>40,041</u>	<u>(2,720)</u>	<u>50</u>	<u>62</u>	<u>(7,358)</u>	<u>(2,361)</u>	<u>27,714</u>

A19. SEGMENTAL INFORMATION ON REVENUE AND PROFIT

	<-----Current year's cumulative quarter ended 30 September 2007----->						
RM '000	Commercial Banking and Hire Purchase	Investment Banking	Stockbroking	Insurance	Others	Eliminations	Group
Segment revenue	1,416,272	160,222	61,434	-	9,404	-	1,647,332
Intersegment revenue	281	1,623	600	-	8,389	(10,893)	-
Revenue	<u>1,416,553</u>	<u>161,845</u>	<u>62,034</u>	<u>-</u>	<u>17,793</u>	<u>(10,893)</u>	<u>1,647,332</u>
Segment results	259,333	28,274	23,806	-	3,460	(22,985)	291,888
Finance costs	-	-	-	-	(23,166)	-	(23,166)
Share of results of:							
- jointly controlled entity	-	-	-	(422)	-	-	(422)
- associate	-	-	-	14,076	-	-	14,076
Profit before taxation and zakat	259,333	28,274	23,806	13,654	(19,706)	(22,985)	282,376
Taxation and zakat	(73,359)	(7,515)	(7,007)	-	(597)	1,080	(87,398)
Net profit for the cumulative quarter	<u>185,974</u>	<u>20,759</u>	<u>16,799</u>	<u>13,654</u>	<u>(20,303)</u>	<u>(21,905)</u>	<u>194,978</u>

A19. SEGMENTAL INFORMATION ON REVENUE AND PROFIT

	<-----Preceding year's cumulative quarter ended 30 September 2006----->						
RM '000	Commercial Banking and Hire Purchase	Investment Banking	Stockbroking	Insurance	Others	Eliminations	Group
Segment revenue	1,218,698	217,410	27,201	-	8,222	-	1,471,531
Intersegment revenue	2,614	1,007	43	-	57,304	(60,968)	-
Revenue	<u>1,221,312</u>	<u>218,417</u>	<u>27,244</u>	<u>-</u>	<u>65,526</u>	<u>(60,968)</u>	<u>1,471,531</u>
Segment results	204,388	11,737	3,961	-	52,100	(54,325)	217,861
Finance costs	-	-	(1,246)	-	(30,041)	551	(30,736)
Share of results of:							
- jointly controlled entity	-	-	-	170	-	-	170
- associate	-	-	-	7,912	-	-	7,912
Profit before taxation and zakat	204,388	11,737	2,715	8,082	22,059	(53,774)	195,207
Taxation and zakat	(56,765)	(11,758)	(949)	-	(9,461)	14,380	(64,553)
Net profit for the cumulative quarter	<u>147,623</u>	<u>(21)</u>	<u>1,766</u>	<u>8,082</u>	<u>12,598</u>	<u>(39,394)</u>	<u>130,654</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

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 30/09/2007			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	712,504	712,504	712,504	478,338	478,338	478,338
Transaction-related contingent items	2,468,802	1,234,401	1,234,401	2,324,962	1,162,481	1,162,481
Short-term self-liquidating trade-related contingencies	4,362,166	872,433	222,609	3,868,200	773,640	217,947
Obligations under underwriting agreements	314,000	157,000	157,000	444,024	225,024	225,024
Foreign exchange related contracts						
- Less than one year	4,884,846	85,531	19,984	1,329,025	27,848	8,505
- One year to less than five years	453,505	43,843	16,914	401,401	41,574	20,787
Interest rate related contracts						
- Less than one year	277,687	97	49	2,027,000	864	432
- One year to less than five years	358,664	9,682	4,841	249,962	4,155	1,725
- Five years and above	30,987	1,793	897	90,150	4,657	2,328
Irrevocable commitments to extend credit:						
- Maturity exceeding 1 year	3,279,881	1,639,941	1,583,813	2,486,068	1,243,034	1,208,967
- Maturity not exceeding 1 year	4,447,290	-	-	4,147,571	-	-
	<u>21,590,332</u>	<u>4,757,225</u>	<u>3,953,012</u>	<u>17,846,701</u>	<u>3,961,615</u>	<u>3,326,534</u>

* 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

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 September 2007</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
ASSETS									
Cash & short-term funds	8,570,729	-	-	-	-	193,688	-	8,764,417	3.67
Deposits & placements with banks and other financial institutions	12,158	348,764	216,021	-	-	-	-	576,943	5.11
Securities held for trading	-	-	-	-	-	-	639,404	639,404	6.92
Securities available-for-sale	988,938	557,308	1,099,499	1,563,798	265,220	141,613	-	4,616,376	4.00
Securities held-to-maturity	340,548	28,151	49,210	117,945	43,580	235,295	-	814,729	4.38
Loans, advances & financing:									
- Performing	7,397,899	856,256	1,269,661	4,878,344	1,257,430	(321,641)	-	15,337,949	7.82
- Non-performing	111,339	-	-	-	-	1,435,425	-	1,546,764	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	813,877	-	813,877	
Other assets	823,679	87	-	-	-	1,868,399	725	2,692,890	
Tax recoverable	-	-	-	-	-	73,280	-	73,280	
Land held for sale	-	-	-	-	-	99,324	-	99,324	
TOTAL ASSETS	18,245,290	1,790,566	2,634,391	6,560,087	1,566,230	4,539,260	640,129	35,975,953	
LIABILITIES, INSURANCE RESERVES AND EQUITY									
Deposits from customers	12,537,771	6,139,775	5,317,302	120,969	-	1,699,750	-	25,815,567	3.07
Deposits & placements of banks and other financial institutions	3,253,734	83,910	47,140	-	-	-	-	3,384,784	4.13
Obligations on securities sold repurchase agreements	-	-	-	-	-	-	-	-	-
Bills and acceptance payable	-	-	-	-	-	91,728	-	91,728	3.49
Recourse obligation on loans sold to Cagamas Berhad	22,207	25,450	350,289	32,932	-	-	-	430,878	3.39
Other liabilities	834,285	-	-	-	-	659,004	2,907	1,496,196	
Provision for taxation	-	-	-	-	-	32,924	-	32,924	
Borrowings	-	-	320,000	700,000	-	-	-	1,020,000	5.44
TOTAL LIABILITIES	16,647,997	6,249,135	6,034,731	853,901	-	2,483,406	2,907	32,272,077	

A24. INTEREST / PROFIT RATE RISK (cont.)

GROUP	<-----Non-trading Book----->						Trading Book	Total	Weighted average interest rate (%)
	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			
<u>30 September 2007</u>									
EQUITY									
Shareholders' Funds	-	-	-	-	-	3,703,876	-	3,703,876	
Total liabilities and shareholders' funds	16,647,997	6,249,135	6,034,731	853,901	-	6,187,282	2,907	35,975,953	
On balance sheet- interest sensitivity gap	1,597,293	(4,458,569)	(3,400,340)	5,706,186	1,566,230	(1,648,022)	637,222	-	
Off balance sheet- interest sensitivity gap	165,991	205,824	(158,838)	(127,977)	(85,000)	-	-	-	
Total interest sensitivity gap	1,763,284	(4,252,745)	(3,559,178)	5,578,209	1,481,230	(1,648,022)	637,222	-	

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

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	
EQUITY									
Shareholders' Funds	-	-	-	-	-	3,476,843	-	3,476,843	
Total liabilities and shareholders' funds	15,675,819	7,832,544	5,202,189	727,684	-	6,047,705	4,814	35,490,755	
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)	-	-	-	-	
Total interest sensitivity gap	988,212	(5,108,166)	(2,989,114)	5,698,023	1,658,868	(779,012)	531,189	-	

A25. CAPITAL ADEQUACY

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

	As at 30/09/2007 RM'000	As at 31/12/2006 RM'000
<u>Tier I Capital</u>		
Paid-up share capital	1,501,938	1,501,938
Share premium	420,252	420,252
Retained profits	475,107	374,211
Statutory reserve	548,301	464,363
	<hr/>	<hr/>
	2,945,598	2,760,764
less: Goodwill	(189,999)	(137,323)
Deferred tax assets/(liabilities)	(16,009)	(61,207)
	<hr/>	<hr/>
Total Tier 1 capital (a)	2,739,590	2,562,234
<u>Tier II Capital</u>		
Subordinated loans/financing	500,000	500,000
General allowance for bad and doubtful debts and financing	270,956	267,656
	<hr/>	<hr/>
Total Tier 2 capital (b)	770,956	767,656
Total capital (a) + (b)	3,510,546	3,329,890
less: Investment in subsidiaries	(53,229)	(53,229)
	<hr/>	<hr/>
Capital base	3,457,317	3,276,661
<u>Before deducting proposed dividends:</u>		
Core capital ratio	11.11%	11.07%
Risk-weighted capital ratio	14.02%	14.15%
<u>After deducting proposed dividends:</u>		
Core capital ratio	11.11%	11.07%
Risk-weighted capital ratio	14.02%	14.15%

A26. CHANGE IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS

(a) Change in Accounting Policies

During the financial period ended 30 June 2007, the Group have adopted the revised FRS 117 Leases issued by the MASB which is applicable for the financial year ending 31 December 2007 for the Group, which resulted in a change in accounting policy during the financial period under review.

FRS 117: Leases

Prior to 1 January 2007, lease of land and buildings held for own use was classified as property and equipment and was stated at cost less accumulated depreciation and impairment loss. The adoption of the revised FRS 117 Leases in 2007 resulted in a change of accounting policy relating to the classification of lease of land and buildings. Under FRS 117, lease of land and buildings are classified as operating or finance leases in the same way as leases of other assets. The land and building elements of a lease of land and buildings are considered separately for the purposes of lease classification. Leasehold land held for own use is now classified as operating lease. The up-front payment made are allocated between the land and buildings elements in proportion to the relative fair values for leasehold interests in the land element and building element of the lease at the inception of the lease. The up-front payment of the land element is treated as the prepaid land lease payment and is amortised on a straight-line basis over the remaining lease term.

The Group have applied the change in accounting policy in respect of leasehold land in accordance with the transitional provision of FRS 117. At 1 January 2007, the unamortised carrying amount of leasehold land is classified as prepaid land lease payments. The reclassification of leasehold land as prepaid land lease payments has been accounted for retrospectively.

(b) Comparative figures

The above change in accounting policy did not affect the recognitions and measurement of the Group's net assets but has resulted in reclassification of prior year's comparatives as follows:-

	<-----GROUP----->		
	As previously reported RM '000	Reclassified RM '000	As restated RM '000
<u>Balance sheet as at 31 December 2006</u>			
Property, plant and equipment - cost	564,395	(21,080)	543,315
Accumulated depreciation	(307,985)	3,313	(304,672)
Accumulated impairment loss	(9,471)	-	(9,471)
Net book value	<u>246,939</u>	<u>(17,767)</u>	<u>229,172</u>
Prepaid land lease payments	-	21,080	21,080
Accumulated amortisation - prepaid land lease payments	-	(3,313)	(3,313)
Net book value	<u>-</u>	<u>17,767</u>	<u>17,767</u>
<u>Income Statement for third quarter ended 30 September 2006</u>			
Depreciation	7,279	(71)	7,208
Lease rental - leasehold properties	-	71	71
<u>Income Statement for cumulative quarter ended 30 September 2006</u>			
Depreciation	21,608	(217)	21,391
Lease rental - leasehold properties	-	217	217

In addition, certain comparative figures have been reclassified to conform with current period presentation.

A27. OPERATIONS OF ISLAMIC BANKING

(i) Unaudited Islamic Balance Sheet

	GROUP	
	Current Financial Quarter Ended	Previous Financial Year Ended
	30/09/2007	31/12/2006
	RM'000	RM'000
ASSETS		
Cash and short term funds	3,257,786	2,207,863
Securities available-for-sale	414,632	381,288
Securities held-to-maturity	-	90,600
Loans, advances and financing	1,517,596	1,233,014
Statutory deposit with Bank Negara Malaysia	62,400	42,000
Other assets	84,067	36,416
Deferred tax assets	5,337	4,122
Property, plant and equipment	258	188
Intangible assets	1,730	2,092
TOTAL ASSETS	5,343,806	3,997,583
LIABILITIES, ISLAMIC BANKING FUNDS		
Deposits from customers	3,819,148	2,823,420
Deposits and placements of banks and other financial institutions	1,156,145	300,450
Bills and acceptances payable	-	23,690
Other liabilities	138,307	562,160
Provision for tax and zakat	2,240	7,150
Total Liabilities	5,115,840	3,716,870
Total Islamic Banking Capital Funds	227,966	280,713
TOTAL LIABILITIES & ISLAMIC BANKING FUNDS	5,343,806	3,997,583
COMMITMENTS AND CONTINGENCIES	4,133,774	4,228,741

A27. OPERATIONS OF ISLAMIC BANKING (cont.)

(ii) **Unaudited Islamic Income Statement**

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

	Current Year Quarter ended 30/09/2007 RM'000	Preceding Year Corresponding Quarter ended 30/09/2006 RM'000	Current year-to- date ended 30/09/2007 RM'000	Preceding Year- to-date ended 30/09/2006 RM'000
Income derived from investment of depositors' funds and others	60,785	35,818	164,405	105,005
Allowance for losses on financing	(3,355)	(877)	(2,600)	(4,295)
Transfer from/(to) profit equalisation reserve	290	500	501	5,206
	<u>57,720</u>	<u>35,441</u>	<u>162,306</u>	<u>105,916</u>
Income attributable to depositors	(34,442)	(12,336)	(89,651)	(50,223)
Income attributable to shareholders	23,278	23,105	72,655	55,693
Income derived from investment of Islamic banking capital funds	2,977	3,645	9,794	11,173
	<u>26,255</u>	<u>26,750</u>	<u>82,449</u>	<u>66,866</u>
Other operating expenses	(12,336)	(8,094)	(33,467)	(17,477)
Profit before tax and zakat	13,919	18,656	48,982	49,389
Taxation	(3,587)	(5,032)	(11,729)	(9,334)
Zakat	-	-	(2,240)	-
Net profit for the financial period	<u>10,332</u>	<u>13,624</u>	<u>35,013</u>	<u>40,055</u>

(iii) **Financing**

<u>BY TYPE</u>	Group	
	As at 30/09/2007 RM'000	As at 31/12/2006 RM'000
Cash line	124,201	94,263
Term financing		
Housing financing	1,339,200	1,041,001
Syndicated term financing	-	7,669
Hire purchase receivables	504,001	342,194
Other term financing	765,443	353,623
Bills financing	8,651	7,070
Trust receipts	79,528	69,578
Interest-free accepted bills	39,482	49,282
Staff financing	11,921	12,637
Revolving credit	3,023	3,024
	<u>2,875,450</u>	<u>1,980,341</u>
less: Unearned income	(1,328,591)	(720,664)
	<u>1,546,859</u>	<u>1,259,677</u>
less: Allowance for bad and doubtful debts and financing		
- General	(23,185)	(21,893)
- Specific	(6,078)	(4,770)
Total net financing	<u>1,517,596</u>	<u>1,233,014</u>

A27. OPERATIONS OF ISLAMIC BANKING (cont.)

(iv) Non-performing financing (NPF)

<u>Movements in non-performing financing</u> (including income receivables):	GROUP	
	As at 30/09/2007 RM'000	As at 31/12/2006 RM'000
Balance at the beginning of financial period/year	39,150	481,426
Classified as non-performing during the financial period/year	42,428	71,439
Reclassified as performing during the financial period/year	-	(31,981)
Amount written-off	(2,948)	(688)
Amount written back in respect of recoveries	(43,596)	(5,025)
Amount transferred to Conventional books	-	(476,021)
Balance at the end of financial period/year	35,034	39,150
less: Specific allowance	(6,078)	(4,770)
Net non-performing loans, advances and financing	28,956	34,380
As % of gross loans, advances and financing less specific allowance	1.88%	2.74%

Movements in allowance for bad and doubtful financing:

General allowance

Balance at the beginning of financial period/year	21,893	28,717
Allowance made during the year	3,300	-
Amount transferred to Conventional books	(2,008)	(6,824)
Balance at the end of financial year	23,185	21,893
As % of gross loans, advances and financing less specific allowance	1.50%	1.74%

Specific allowance

Balance at the beginning of financial period/year	4,770	102,147
Allowance made during the financial period/year	2,018	6,912
Amount written off	-	(165)
Amount written back in respect of recoveries	(710)	(652)
Amount transferred to Conventional books	-	(103,472)
Balance at the end of financial period/year	6,078	4,770

A27. OPERATIONS OF ISLAMIC BANKING (cont.)

(v) Deposits from customers

	GROUP	
	As at 30/09/2007 RM'000	As at 31/12/2006 RM'000
<u>By type of deposits</u>		
Non-Mudharabah Funds		
Demand deposits	1,693,020	1,371,377
Savings deposits	173,447	149,542
Negotiable Instruments of Deposits	259,246	770,899
	2,125,713	2,291,818
Mudharabah Funds		
Savings deposits	5,890	5,700
General investment deposits	799,224	412,515
Special investment deposits	888,321	113,387
	1,693,435	531,602
	3,819,148	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 pretax profit of RM84.7 million for the third quarter ended 30 September 2007, an improvement of RM31.5 million as compared to the pretax profit of RM53.2 million for the preceding year's corresponding quarter. For the nine months ended 30 September 2007, the Group also recorded a higher pretax profit of RM282.4 million as compared to RM195.2 million for the preceding year's corresponding period. This was mainly due to the increase in net interest income, other operating income and Islamic banking income and share of result in associate totalling RM58.3 million and the reduction in impairment loss on securities, loan loss provision and finance cost of RM43.7 million, RM28.0 million and RM7.6 million respectively. The overhead expenses however increased by RM45.1 million while the write-back of profit equalisation reserve was lower by RM 4.7 million for the period under review.

AFFIN Bank Berhad ("ABB") group recorded a pretax profit of RM82.3 million for the current financial quarter, an improvement of RM21.3 million as compared to RM61.0 million for the preceding year's corresponding quarter. In spite of having to meet BNM's request on additional specific allowance for non-performing loans (NPLs) aged 5 to 7 years, based on a discount of 50% on the underlying collateral values of the said NPLs, the ABB group continued to perform well and reported a higher pretax profit of RM259.3 million for the 9 months ended 30 September 2007, an increase of RM54.9 million as compared to RM204.4 million for the preceding year's corresponding period. This was mainly due to the increase in Islamic banking income, other operating income and net interest income totalling RM47.0 million as well as the reduction in both loan loss provision and impairment loss on securities of RM34.1 million and RM19.0 million respectively. This was partially offset by the increase in overhead expenses of RM40.4 million and lower write-back of profit equalisation reserve of RM4.7 million for the period under review.

AFFIN Investment Bank Berhad ("AIBB") group reported a lower pretax profit of RM8.8 million for the current financial quarter ended 30 September 2007 as compared to RM48.4 million for the preceding year's corresponding quarter. As at 30 September 2007, the group's pretax profit of RM52.1 million also indicated a drop of RM10.7 million as compared to the pretax profit of RM62.8 million reported last year. This was mainly due to the increase in overhead expenses of RM36.9 million outpacing the increase in total operating income of RM34.3 million, higher impairment loss on securities of RM3.9 million and lower write-back of loan loss provision of RM1.8 million. The stockbroking operations acquired by AIBB on 1 January 2007, contributed a pretax profit of approximately RM23.8 million for the period under review.

AFFIN Moneybrokers Sdn Bhd posted a higher pretax profit of RM0.5 million for the financial quarter ended 30 September 2007 as compared to RM0.3 million for the same quarter last year. For the nine months ended 30 September 2007, the company's pretax profit of RM1.5 million also indicated a slight improvement of RM0.1 million as compared to the pretax profit of RM1.4 million for the same period last year. This was mainly due to higher net brokerage income net of higher overheads for the period under review.

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

For the current financial quarter, the Group recorded a lower pretax profit of RM84.7 million as compared to RM108.9 million for the preceding quarter ended 30 June 2007. This was mainly due to the increase in overhead expenses of RM38.1 million outpacing the increase in total operating income of RM18.5 million, with a drop in the share of results in associate of RM6.6 million.

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.

Based on the current performance, the Board of Directors is of the view that the Group is on track to achieve following announced headline Key Performance Indicators (KPIs) for the financial year 2007:-

	As announced for financial Year 2007	Achieved for 9 months ended 30-09-07
Headline KPIs		
(i) After Tax Returns on Equity (ROE)	7.1%	7.2% *
(ii) After Tax Returns on Assets (ROA)	0.7%	0.7% *
(iii) Net NPL Ratio	8.2%	8.7% *
(iv) Earnings Per Share (EPS)	19.0 sen	15.3 sen

* Annualised

B4. VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

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

B5. TAXATION

	<-----Group----->			
	Current financial quarter ended 30/09/2007 RM'000	Preceding year corresponding quarter ended 30/09/2006 RM'000	Current year-to- date 30/09/2007 RM'000	Preceding year- to-date 30/09/2006 RM'000
Malaysian Taxation:				
- Income tax based on profit for the period	25,000	(3,562)	48,141	(3,323)
Deferred tax relating to net originating temporary differences	(407)	28,327	36,584	71,332
Under/(Over)provision in previous year:				
- Current taxation	19	(1,588)	408	(5,789)
- Deferred taxation	-	-	-	-
	24,612	23,177	85,133	62,220

The effective tax rate was higher than the prevailing statutory tax rate, mainly due to certain expenses being 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 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 & SunAlliance 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.

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.

b) **Proposed acquisition of a minority stake in AHB by The Bank of East Asia, Limited ("Proposed Acquisition") and the proposed placement of new ordinary shares of RM1.00 each representing up to 15% of the issued and paid-up share capital in AHB ("Proposed Placement")**

On 24 April 2007, the Company 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) would 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. 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.

On 31 July 2007, AFFIN Investment Bank Berhad had on behalf of the Board of Directors of AHB, announced that the Company proposed to undertake a proposed placement of new ordinary shares of RM1.00 each ("Placement Shares") representing up to 15% of the issued and paid-up share capital in AHB ("Proposed Placement"). The Proposed Placement would entail the issuance of the Placement Shares to BEA and/or its affiliates.

On 29 August 2007, the Board of Directors of AHB announced that the Securities Commission ("SC") had vide its letter dated 27 August 2007 approved the Proposed Placement, subject to the following conditions:

- (i) Payment for the Placement Shares be made within five (5) market days from the date The Bank of East Asia, Limited ("BEA") received notification that all relevant approvals have been obtained;
- (ii) BEA's effective interest in AHB should not be more than 25%;
- (iii) AFFIN Investment / AHB to fully comply with the relevant provisions in Guidance Note 8C and other relevant requirements stipulated in the SC's Policies and Guidelines on Issue / Offer of Securities, in implementing the Proposed Placement;
- (iv) AFFIN Investment / AHB to inform SC upon completion of the proposal.

The SC had vide the same letter approved the Proposed Placement pursuant to the Foreign Investment Committee's Guideline on the Acquisition of Interests, Mergers and Take-overs by Local and Foreign Interests.

B8. STATUS OF CORPORATE PROPOSALS (cont.)

b) Proposed acquisition of a minority stake in AHB by The Bank of East Asia, Limited ("Proposed Acquisition") and the proposed placement of new ordinary shares of RM1.00 each representing up to 15% of the issued and paid-up share capital in AHB ("Proposed Placement") (Cont.)

On 11 September 2007, the Board of Directors of AHB announced that Bank Negara Malaysia ("BNM") had vide its letter dated 10 September 2007 informed that the Minister of Finance ("MOF") has approved for AHB and BEA to enter into an agreement or arrangement for the Proposed Placement. The approval by MOF is subject to compliance with BNM's shareholding policies from time to time.

On 18 September 2007, AHB entered into a conditional share subscription agreement ("SSA") with BEA pursuant to the Proposed Placement. The Proposed Placement had also been approved by the shareholders of AHB at the Extraordinary General Meeting held on 10 October 2007.

On 11 October 2007, Bursa Malaysia Securities Berhad had granted AHB the approval-in-principle for the listing of and quotation for the Placement Shares. On the same day, AHB had also obtained the approval from the Licensing Department of the SC for the change in indirect shareholding of AFFIN Fund Management Berhad pursuant to the fund manager's licence. Accordingly, all the conditions precedent in relation to the Placement as stipulated in the conditional SSA had been fulfilled.

With the listing of and quotation for 193,201,626 Placement Shares on the Main Board of Bursa Malaysia Securities Berhad, the SSA is deemed completed on 25 October 2007.

c) 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).

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 grow.

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 conditional upon satisfaction of the following condition precedent:

- (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.

B8. STATUS OF CORPORATE PROPOSALS (cont.)

d) Proposed acquisition of equity interest in Malaysian Assurance Alliance Berhad ("MAA Assurance") ("Proposed Acquisition")

On 21 September 2007, the Board of Directors of AHB announced that Bank Negara Malaysia ("BNM") had vide its letter dated 21 September 2007 stated that it has no objection in principle for AXA Asia Pacific Holdings Limited ("AXA APH") and AHB to commence preliminary negotiations with MAA Holdings Berhad ("MAA Holdings") for the proposed acquisition of equity interest in MAA Assurance, a wholly owned subsidiary of MAA Holdings.

The final approval pursuant to the Act will only be considered upon AXA APH and AHB complying with the following requirements:-

- (i) submitting a plan to rationalise the insurance business of MAA Holdings with AXA AFFIN General Insurance Berhad ("AXA AFFIN General") and AXA AFFIN Life Insurance Berhad ("AXA AFFIN Life") in accordance with Section 69 of the Act;
- (ii) submitting a detailed capital plan for AXA AFFIN General and AXA AFFIN Life as well as the rationalised entities to comply with the supervisory and internal target capital as prescribed under the Risk Based Capital Framework; and
- (iii) compliance with the foreign equity participation limit imposed on insurance companies.

The Board expects negotiation to commence soon and further announcement will be made to Bursa Malaysia Securities Berhad on the development at the appropriate time.

e) Proposed disposal of equity interest in AFFIN Insurance Brokers Sdn Bhd ("AIB") ("Proposed Disposal")

On 16 October 2007, the Board of Directors of AHB announced that BNM had vide its letter dated 5 October 2007 stated it had no objection for AHB to enter into discussions with CIMB Group ("CIMBG") for the proposed disposal of the equity interest in AFFIN Insurance Brokers Sdn Bhd ("AIB"), a wholly owned subsidiary of AHB.

The Board expects negotiations to commence soon and further announcement will be made to Bursa Malaysia Securities Berhad on any development at the appropriate time.

B9. GROUP BORROWINGS AND DEBT SECURITIES

(i) <u>Deposits from Customers</u>	Group	
	As at 30/09/2007 RM'000	As at 31/12/2006 RM'000
<u>By Type of Deposits:-</u>		
Demand Deposits	3,640,466	3,310,680
Savings Deposits	877,750	869,449
Fixed Deposits	16,145,385	17,290,828
Negotiable Instruments of Deposits ('NIDs')	2,247,296	4,103,749
Special Investment Deposits	888,322	113,387
Money Market Deposits	2,016,348	-
	<u>25,815,567</u>	<u>25,688,093</u>
Maturity structure of fixed deposits and NIDs are as follows:		
Due within six months	15,545,619	19,606,037
Six months to one year	2,726,093	1,721,273
One year to three years	116,905	62,764
Three years to five years	4,064	4,503
	<u>18,392,681</u>	<u>21,394,577</u>
<u>By Type of Customers:-</u>		
Government and statutory bodies	6,424,026	3,830,618
Business enterprises	7,783,784	6,017,788
Individuals	3,312,549	3,350,313
Others	8,295,208	12,489,374
	<u>25,815,567</u>	<u>25,688,093</u>
(ii) <u>Deposits and Placements of Banks and Other Financial Institutions</u>		
<u>By Type of Institutions:-</u>		
Licensed banks	635,380	733,470
Licensed investment banks	112,775	37,013
Bank Negara Malaysia	9,000	-
Other financial institutions	2,627,629	581,044
	<u>3,384,784</u>	<u>1,351,527</u>
<u>By Maturity Structure:-</u>		
Due within six months	3,384,784	1,351,527
(iii) <u>Borrowings</u>		
Unsecured		
- One year or less (short-term)	320,000	462,644
- More than one year (medium/long-term)	700,000	700,000
	<u>1,020,000</u>	<u>1,162,644</u>

B10. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

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

RM'000

Items	Principal Amount	> 1 - 3 months	> 3 - 6 months	> 6 - 12 months	> 1 - 5 years	> 5 years	Margin requirement
Foreign Exchange	5,338,351	4,001,938	753,888	129,020	453,505	-	-
- Forwards	898,047	444,541	129,217	10,994	313,295	-	-
- Swaps	4,342,270	3,557,397	603,897	40,766	140,210	-	-
- Options	98,034	-	20,774	77,260	-	-	-
Interest Rate related	667,338	145,000	115,603	17,084	358,664	30,987	10
- Forwards	-	-	-	-	-	-	-
- Futures	190,000	125,000	50,000	15,000	-	-	10
- Swaps	477,338	20,000	65,603	2,084	358,664	30,987	-
Total	6,005,689	4,146,938	869,491	146,104	812,169	30,987	10

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 RM37.9 million (FYE 31/12/2006: RM 4.2 million), while the notional amount of interest rate contract was RM487.3 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 RM91.0 million (FYE 31/12/2006: RM69.4 million) and RM46.7 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 criteria 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 41.4 million. ABB has had its First and Second appeals set aside and has made a Third appeal to the Court of Appeal to set aside summary judgement. The verdict of the Third Appeal was delivered on 6 April 2007 where the Court has ordered a full trial to be mentioned on 23 April 2007 which was further postponed to 30 October 2007. 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 RM75.5 million (31 December 2006: RM85.9 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

An interim dividend has been proposed for the financial year ending 31 December 2007 as follows:-

Amount per share	: 2 sen per share less 27% tax
Previous corresponding period	: 2 sen per share less 28% tax
Date payable	: 28 December 2007
Date of entitlement	: 10 December 2007
Total dividend for the current financial period	: 2 sen per share less 27% tax

B13. EARNINGS PER SHARE

	-----Group-----			
	Current Financial Quarter ended 30/09/2007	Preceding Year Financial Quarter ended 30/09/2006	Current Year- to-date 30/09/2007	Preceding Year- to-date 30/09/2006
Net profit attributable to equity holders of the parent (RM'000)	60,039	27,714	194,978	130,654
Weighted average number of ordinary share in issue	1,284,989,107	1,232,198,551	1,273,909,390	1,222,933,016
Adjustment for share options	10,767,869	13,895,527	10,767,869	13,895,527
Adjusted weighted average number of ordinary shares for diluted earnings per share	1,295,756,976	1,246,094,078	1,284,677,259	1,236,828,543
Basic earning per share (sen)	4.67	2.25	15.31	10.68
Diluted earnings per share (sen)	4.63	2.22	15.18	10.56

Basic earnings per share

The basic earnings per share of the Group for the current financial quarter ended 30 September 2007 has been calculated based on the net profit attributable to the equity holders of the parent of RM60,039,000 (30 September 2006: RM27,714,000) divided by the weighted average number of ordinary shares in issue during the current financial quarter of 1,284,989,107 (30 September 2006: 1,232,198,551).

The basic earnings per share of the Group for the cumulative quarter ended 30 September 2007 has been calculated based on the net profit attributable to the equity holders of the parent of RM194,978,000 (30 September 2006: RM130,654,000) divided by the weighted average number of ordinary shares in issue during the financial period under review of 1,273,909,390 (30 September 2006: 1,222,933,016).

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 30/09/2007 RM'000	Preceding Year Financial Quarter ended 30/09/2006 RM'000	Current Year- to-date 30/09/2007 RM'000	Preceding Year- to-date 30/09/2006 RM'000
Net profit for the financial period/year	60,039	27,714	194,978	130,654
Less: Economic charge	(97,043)	(93,025)	(284,637)	(276,751)
Economic loss for the financial period/year	(37,004)	(65,311)	(89,659)	(146,097)

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