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Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the THIRTIETH ANNUAL GENERAL MEETING of AFFIN HOLDINGS BERHAD will be held at 13th Floor, Bangunan LTAT, Jalan Bukit Bintang, 55100 Kuala Lumpur on Friday, 14 April 2006 at 10:00 a.m. to transact the following business:-

1. To receive and if thought fit, adopt the Audited Financial Statements for the financial year ended 31 December 2005 and the Reports of the Directors and Auditors thereon. Resolution 1
2. To declare a Final Dividend of 2 sen per share less 28% income tax. Resolution 2
3. To re-elect Y. Bhg. Gen (R) Tan Sri Dato' Seri Mohd Zahidi Bin Haji Zainuddin who retires pursuant to Article 111 of the Company's Articles of Association and, being eligible, offers himself for re-election. Resolution 3
4. To re-elect Y. Bhg. Datuk Azzat Bin Kamaludin who retires by rotation and being eligible, offers himself for re-election. Resolution 4
5. To re-elect Y. Bhg. Dato' Mustafa Bin Mohamad Ali who retires by rotation and being eligible, offers himself for re-election. Resolution 5
6. To consider and if thought fit, to pass the following resolution in accordance with Section 129(6) of the Companies Act, 1965:-
"That pursuant to Section 129(6) of the Companies Act, 1965, Y. Bhg. Maj Gen (R) Dato' Mohamed Isa Bin Che Kak be and is hereby re-appointed as Director of the Company to hold office until the next Annual General Meeting."
Resolution 6
7. To approve Directors' Fees. Resolution 7
8. To re-appoint Auditors and to authorise the Directors to fix their remuneration. Resolution 8
9. **SPECIAL BUSINESS**
To consider and if thought fit, to pass the following ordinary resolution:-
 - 9.1 **Authority to Allot and Issue Shares in General Pursuant to Section 132D of the Companies Act, 1965** Resolution 9
"THAT pursuant to Section 132D of the Companies Act, 1965, and subject to the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue shares in the capital of the Company from time to time and upon such terms and conditions and for such purposes as the Directors, may in their absolute discretion deem fit including but not limited to such shares as may be issued pursuant to the Employees' Share Option Scheme of the Company provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are hereby also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing and quotation of the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."
 - 9.2 **Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")** Resolution 10
THAT authority be and is hereby given in line with Chapter 10.09 of the Listing Requirements of the Bursa Malaysia Securities Berhad, for the Company, its subsidiaries or any of them to enter into any of the transactions falling within the types of the Recurrent Related Party Transactions, particulars of which are set out in the Circular to Shareholders dated 23 March 2006 with the Related Parties as described in the said Circular, provided that such transactions are of revenue or trading nature, which are necessary for the day-to-day operations of the Company and/or its subsidiaries within the ordinary course of business of the Company and/or its subsidiaries, made on an arm's length basis and on normal commercial terms which are those generally available to the public and are not detrimental to the minority shareholders of the Company;

Notice of Annual General Meeting (Cont'd)

9. SPECIAL BUSINESS (Cont'd)

To consider and if thought fit, to pass the following ordinary resolution:- (Cont'd)

9.2 Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate") (Cont'd)

AND THAT such authority shall commence immediately upon the passing of this Ordinary Resolution until:-

- i. the conclusion of the next annual general meeting of the Company at which time the authority shall lapse unless by a resolution passed at a general meeting, the authority is renewed; or
- ii. the expiration of the period within which the next annual general meeting after the date that is required by law to be held pursuant to section 143(1) of the Companies Act, 1965 (but shall not extend to such extensions as may be allowed pursuant to section 143(2) of the Companies Act, 1965); or
- iii. revoked or varied by a resolution passed by the shareholders of the Company at a general meeting

whichever is earlier.

AND FURTHER THAT the Directors of the Company be authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or give effect to the Proposed Shareholders' Mandate.

10. To transact any other ordinary business of the Company.

By Order of the Board

TAN LEH KIAH
SUZANA BINTI AHMAD
TAY CHEE WAH
Secretaries

Kuala Lumpur
23 March 2006

Note:

- a. A member entitled to attend and vote at the above meeting may appoint one or more proxies on his behalf. A proxy need not be a member of the Company. The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company, 1st Floor, Bangunan LTAT, Jalan Bukit Bintang, 55100 Kuala Lumpur not less than 48 hours before the time appointed to hold the meeting.
- b. The proposed ordinary resolution 9, if passed, will give powers to the Directors to issue up to a maximum of 10% of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the interests of the Company. The authority will, unless revoked or varied by the Company in a General Meeting, expire at the conclusion of the next Annual General Meeting or the expiration of the period within which the next Annual General Meeting is required by law to be held, whichever is earlier.
- c. The proposed ordinary resolution 10, if passed, will enable the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature which are necessary for the day-to-day operations of the Company and/or its subsidiaries, subject to the transactions being carried out in the ordinary course of business of the Company and/or its subsidiaries and on normal commercial terms which are generally available to the public and not detrimental to the minority shareholders of the Company.

Statement Accompanying Notice of Annual General Meeting

NAME OF DIRECTORS STANDING FOR RE-ELECTION OR RE-APPOINTMENT

The following directors who are retiring pursuant to the Articles of Association and seeking for re-election in the forthcoming Annual General Meeting:-

- i) Y. Bhg. Gen (R) Tan Sri Dato' Seri Mohd Zahidi Bin Haji Zainuddin
- ii) Y. Bhg. Datuk Azzat Bin Kamaludin
- iii) Y. Bhg. Dato' Mustafa Bin Mohamad Ali

The director who is over the age of seventy years and seeking re-appointment in the forthcoming AGM:

- i) Y.Bhg. Maj Gen (R) Dato' Mohamed Isa bin Che Kak

The profiles of the directors are set out on pages 7 to 9 of this Annual Report.

DETAILS OF BOARD MEETINGS

Four (4) Board Meetings were held during financial year ended 31 December 2005. Details of the meetings are as follows:

Date of Meeting	Time	Venue
7 February 2005	12.50 p.m.	12th Floor, Bangunan LTAT
3 May 2005	3.30 p.m.	12th Floor, Bangunan LTAT
4 August 2005	11.10 a.m.	12th Floor, Bangunan LTAT
15 November 2005	4.35 p.m.	12th Floor, Bangunan LTAT

DETAILS OF ATTENDANCE OF DIRECTORS

Details of attendance of Directors at the Board Meetings held in the financial year ended 31 December 2005 are as follows:

Name of Directors	Date of Appointment	No. of Meetings Attended
Gen (R) Tan Sri Dato' Seri Ismail Bin Haji Omar (Resigned on 17 October 2005)	25 March 1999	3/3
Gen (R) Tan Sri Dato' Seri Mohd Zahidi Bin Haji Zainuddin	17 October 2005	1/1
Tan Sri Dato' Lodin Bin Wok Kamaruddin	19 July 1986	4/4
Maj Gen (R) Dato' Mohamed Isa Bin Che Kak	25 April 1991	4/4
Raja Dato' Seri Aman Bin Raja Haji Ahmad	25 April 1991	3/4
Datuk Azzat Bin Kamaludin	25 April 1991	4/4
Dato' Mustafa Bin Mohamad Ali	28 November 2002	4/4

Notice of Dividend Payment and Book Closure

NOTICE IS HEREBY GIVEN THAT subject to the approval of shareholders at the Annual General Meeting to be held on Friday, 14 April 2006, a final dividend of 2 sen per share less 28% income tax for the financial year ended 31 December, 2005, will be paid on 8 June 2006 to shareholders registered in the Register of Members at the close of business on 10 May 2006.

NOTICE IS ALSO HEREBY GIVEN THAT the Share Transfer Books and the Register of Members will be closed from 11 May to 12 May 2006 for the determination of shareholders' entitlement to the said dividend.

A Depositor shall qualify for entitlement to the Dividend only in respect of:-

- a) Shares transferred to the Depositor's Securities Account before 4.00 p.m. on 10 May 2006 in respect of ordinary transfers.
- b) Shares deposited into the Depositor's Securities Account before 12.30 p.m. on 8 May 2006 (in respect of shares which are exempted from mandatory deposits).
- c) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

By Order of the Board

TAN LEH KIAH
SUZANA BINTI AHMAD
TAY CHEE WAH
Secretaries

Kuala Lumpur
23 March 2006

Board of Directors

Standing, left to right

Raja Dato' Seri Aman Bin Raja Haji Ahmad

Datuk Azzat Bin Kamaludin

Dato' Mustafa Bin Mohamad Ali

Seated, left to right

Tan Sri Dato' Lodin Bin Wok Kamaruddin (*Managing Director*)

Gen. (R) Tan Sri Dato' Seri Mohd Zahidi Bin Haji Zainuddin (*Chairman*)

Maj. Gen. (R) Dato' Mohamed Isa Bin Che Kak



Directors' Profile



Gen (R) Tan Sri Dato' Seri Mohd Zahidi Bin Haji Zainuddin

Gen (R) Tan Sri Dato' Seri Mohd Zahidi Bin Haji Zainuddin, a Malaysian aged 57, was appointed as a Non-Independent Non-Executive Director and Chairman of the Board on 17 October 2005. He is also a member of the Remuneration and Nomination Committees. Gen (R) Tan Sri Dato' Seri Mohd Zahidi served the Malaysian Armed Forces for 39 years, holding many key appointments at field and ministerial level. He was the Chief of Defence Forces with the rank of General from 1st January 1999 till his retirement on 30th April 2005. Gen (R) Tan Sri Dato' Seri Mohd Zahidi is a graduate of Senior Executive Program in National and International Security Harvard University, USA, Command and General Staff College Philippines, Joint Warfare Centre Australia, Joint Services Staff College Australia and National Defence College Pakistan. He also holds a Master of Science Degree (Defence and Strategic Studies) of Quad-I-Azam University Islamabad, Pakistan. His current directorships in other public companies include Cahya Mata Sarawak Berhad, Resort World Berhad, Asiatic Development Berhad and Wah Seong Corporation Berhad. He does not have any family relationship with any Director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company. He has had no convictions for any offences within the past 10 years.



Tan Sri Dato' Lodin Bin Wok Kamaruddin

Tan Sri Dato' Lodin Bin Wok Kamaruddin, a Malaysian aged 57, was appointed as a Director of Affin Holdings Berhad on 19 July 1986. He was subsequently appointed as the Managing Director of the Company in February 1991. He is also a member of the Employee Share Option Scheme and Nomination Committees. Tan Sri Dato' Lodin has vast business and management experience pursuant to his various positions held in Lembaga Tabung Angkatan Tentera ("LTAT") Group of Companies. He is the Chief Executive of LTAT and the Group Managing Director of Boustead Holdings Berhad. Prior to joining LTAT, he was the General Manager of Perbadanan Kemajuan Bukit Fraser for 9 years. He sits on the Board of Ramatex Berhad, Boustead Plantations Berhad, Boustead Properties Berhad, UAC Berhad, Johan Ceramics Berhad, The University of Nottingham in Malaysia Sdn Bhd and Badan Pengawas Pemegang Saham Minoriti Berhad. Tan Sri Dato' Lodin also sits on the Board of subsidiaries of Affin Holdings Berhad namely Affin Bank Berhad, Affin Merchant Bank Berhad, Affin Discount Berhad and Affin Capital Holdings Sdn Bhd. He graduated from the University of Toledo, Ohio, USA with a Bachelor of Business Administration Degree. He also holds a Master of Business Administration Degree from the same university. He does not have any family relationship with any Director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company. He has had no convictions for any offences within the past 10 years.

Directors' Profile (Cont'd)



Maj Gen (R) Dato' Mohamed Isa Bin Che Kak

Maj Gen (R) Dato' Mohamed Isa Bin Che Kak, a Malaysian aged 70, was appointed as an Independent Non-Executive Director of Affin Holdings Berhad on 25 April 1991. He is the Chairman of the Audit Committee and a member of the Nomination and Employee Share Option Scheme Committees. Maj Gen (R) Dato' Mohamed Isa also sits on the Board of Tahan Insurance Malaysia Berhad, LBS Bina Group Berhad and C.I. Holdings Berhad. He served the Armed Forces for 32 years since 1958 and has more than 14 years of experience in private sector service. During his service with the armed forces, he held many important posts. His last held rank was Major General. He does not have any family relationship with any Director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company. He has had no convictions for any offences within the past 10 years.



Raja Dato' Seri Aman Bin Raja Haji Ahmad

Raja Dato' Seri Aman Bin Raja Haji Ahmad, a Malaysian aged 60, was appointed as a Non-Independent Non-Executive Director of Affin Holdings Berhad on 25 April 1991. He is also a member of the Audit and Nomination Committees. Raja Dato' Seri Aman was the Chief Executive Officer of Affin Bank Berhad, a wholly owned subsidiary of Affin Holdings Berhad until May 2003. Presently, Raja Dato' Seri Aman sits on the board of Affin Merchant Bank Berhad, a subsidiary of Affin Holdings Berhad. He is also presently a Director of Ahmad Zaki Resources Berhad. Raja Dato' Seri Aman graduated with a Bachelor of Arts Degree from University of Malaya. He is a member of the Malaysian Institute of Accountants, a Certified Public Accountant and a Fellow of the Institute of Chartered Accountant of England and Wales. He held various positions in Maybank Group from 1974 to 1985 prior to joining Affin Bank in 1985 as an Executive Director. He left Affin Bank in 1992 to join Perbadanan Usahawan Nasional Berhad as the Chief Executive Officer for one year before he was appointed as Chief Executive Officer of Affin Bank Berhad in 1995. He does not have any family relationship with any Director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company. He has had no convictions for any offences within the past 10 years.

Directors' Profile (Cont'd)



Datuk Azzat Bin Kamaludin

Datuk Azzat Bin Kamaludin, a Malaysian aged 60, was appointed as a Non-Independent Non-Executive Director of Affin Holdings Berhad on 25 April 1991. He is the Chairman of the Employee Share Option Scheme Committee and a member of the Remuneration Committee. He graduated from the University of Cambridge with degrees in Law and in International Law in 1968 and 1969 respectively and was admitted as a Barrister-at-Law of the Middle Temple, London in 1970. He served as an Administrative and Diplomatic Officer with the Minister of Foreign Affairs Malaysia from 1970 to 1979. Since then he has been a partner of the legal firm of Azzat & Izzat. He is also presently a Director of Boustead Holdings Berhad, Pulau Springs Berhad, KPJ Healthcare Berhad, Celcom (Malaysia) Berhad, PSC Industries Berhad and VisDynamics Holdings Berhad. He does not have any family relationship with any Director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company other than the rendering of professional services to the Group which is carried out in the ordinary course of business of Azzat & Izzat, of which he is a partner. He has had no convictions for any offences within the past 10 years.



Dato' Mustafa Bin Mohamad Ali

Dato' Mustafa Bin Mohamad Ali, a Malaysian aged 69, was appointed as an Independent Non-Executive Director of Affin Holdings Berhad on 28 November 2002. He is also the Chairman of Nomination and Remuneration Committees and a member of the Audit Committee. Dato' Mustafa also sits on the Board of Sime UEP Properties Berhad, Pacific Mutual Berhad and Batu Kawan Berhad. He graduated with a Bachelor of Arts (Honours) Degree majoring in Economics from Cambridge University, UK. He also holds a Diploma in Advertising from the Advertising Association, UK. He has attended the Advanced Management Programme at the Harvard Business School, USA. Dato' Mustafa held various positions, including as Marketing Director for Malaysian Tobacco Company from 1974 to 1979, Corporate Planning Executive for British-American Tobacco, Co. London from 1980 to 1982, Managing Director (Tobacco Division) for Malaysian Tobacco Company from 1982 to 1988, Director of Sime Darby (International Operation) from 1988 to 1992 and Regional Director of Sime Darby (Malaysian Region Operations) from 1992 to 1994. He was an Adviser for Kumpulan Guthrie from 1994 to 2002. He does not have any family relationship with any Director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company. He has had no convictions for any offences within the past 10 years.

Corporate Information

BOARD OF DIRECTORS

Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin (*Chairman*)
Tan Sri Dato' Lodin bin Wok Kamaruddin (*Managing Director*)
Raja Dato' Seri Aman bin Raja Haji Ahmad
Maj. Gen. (R) Dato' Mohamed Isa bin Che Kak
Datuk Azzat bin Kamaludin
Dato' Mustafa bin Mohamad Ali

SECRETARIES

Tan Leh Kiah
Suzana binti Ahmad
Tay Chee Wah

REGISTERED OFFICE

1st Floor, Bangunan LTAT
Jalan Bukit Bintang
55100 Kuala Lumpur
Malaysia
Telephone: (03) 2142 9569
Fax: (03) 2143 1057

AUDITORS

PricewaterhouseCoopers

REGISTRAR

Boustead Management Services Sdn Bhd
13th Floor, Menara Boustead
69, Jalan Raja Chulan
50200 Kuala Lumpur
Telephone: (03) 2141 9044
Fax: (03) 2144 3016

PRINCIPAL BANKERS

AFFIN Bank Berhad
AFFIN Merchant Bank Berhad
Malayan Banking Berhad
Bumiputra-Commerce Bank Berhad
United Overseas Bank (M) Berhad

STOCK EXCHANGE

Bursa Malaysia Securities Berhad
Stock Code: 5185
Stock Name: AFFIN

WEBSITE

<http://www.affin.com.my>

Audit Committee Report

The Board of Affin Holdings Berhad is pleased to present the Report on the Audit Committee (AC) for the financial year ended 31 December 2005.

COMPOSITION OF MEMBERS AND MEETINGS

The Audit Committee (AC) during the financial year comprised of the members listed below:

No.	Name	Status of Directorship	Independent
1.	Maj. Gen. (R) Dato' Mohamed Isa bin Che Kak <i>Chairman of the Audit Committee</i>	Non-Executive Director	Yes
2.	Dato' Mustafa bin Mohamad Ali	Non-Executive Director	Yes
3.	Raja Dato' Seri Aman bin Raja Haji Ahmad	Non-Executive Director	No

The AC had met the criteria set by the Bursa Malaysia Securities Berhad (BMSB) Listing Requirements Paragraph 15.10 (c).

Four (4) AC meetings were held on 7 February 2005, 3 May 2005, 4 August 2005 and 15 November 2005 and the details of the attendance of the AC members are as follows:

No.	Name	No. of Meetings Attended During the Year	Percentage
1.	Maj. Gen. (R) Dato' Mohamed Isa bin Che Kak <i>Chairman of the Audit Committee</i>	4 out of 4 meetings	100%
2.	Dato' Mustafa bin Mohamad Ali	4 out of 4 meetings	100%
3.	Raja Dato' Seri Aman bin Raja Haji Ahmad	3 out of 4 meetings	75%

The internal auditors and certain members of top management also attended all the meetings during the financial year.

The Company's external auditors attended two AC meetings during the period. There were discussions between the AC and the external auditors with regard to significant audit and business issues highlighted by them for financial year ended 31 December 2004. The AC had also reviewed the external auditors' audit plan for the financial year ending 31 December 2005.

The Chairman met with the internal and external auditors in one separate private session during the financial year. The Chairman of the Committee briefed the Board on issues discussed in the AC meetings.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

The AC carried out the following activities in discharging their duties and responsibilities:

External Audit

- 1) Reviewed the external auditors' audit plan for the financial year ended 31 December 2005 to ensure their scope of work adequately covered the activities of the Company and the Group;
- 2) Reviewed the results and issues arising from their audit of the financial year and resolution of such issues highlighted in their report to the Committee;
- 3) Reviewed the external audit performance and independence before recommending to the Board for their re-appointment and remuneration.

Audit Committee Report (Cont'd)

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE (Cont'd)

Internal Audit

- 1) Reviewed the status report of Internal Audit activities for the financial year ended 31 December 2005 to ensure all the planned activities were properly carried out;
- 2) Reviewed the Internal Audit Plan and Training Budget for the financial year ended 31 December 2006 in ensuring the principal risk areas are adequately identified and covered in the plan;
- 3) Reviewed the recommendations by the Internal Auditors and corrective actions taken by management in addressing and resolving issues as well as ensuring that all issues are adequately addressed on a timely basis;
- 4) Reviewed the adequacy of resources and the competencies of staff within the Internal Audit Department to execute the plan as well as the audit programmes used in the execution of internal auditors' job;
- 5) Reviewed the Summary of Audit Findings by the respective Subsidiaries' Internal Auditors to ensure that significant findings were addressed and resolved on a timely basis;
- 6) The Committee had reviewed and approved the Internal Audit Manual.

Financial Results

- 1) Reviewed with the senior management the quarterly financial results and with the external auditors the annual audited financial statements of the Company and the Group before recommending to the Board for their approval and release of the Group's results to Bursa Malaysia focusing on the matters set out in the Terms of Reference, "Functions and Duties" of the AC.

AUDIT COMMITTEE TERMS OF REFERENCE

OBJECTIVE

The Audit Committee (AC) plays an important role in ensuring that good Corporate Governance is maintained by the Affin Group. It serves to implement and support the function of the Board by reinforcing the independence and objectivity of the Internal Audit Department (IA).

COMPOSITION AND APPOINTMENT

The AC shall have at least three (3) members of whom the majority shall be independent, non-executive directors. The Chairman of the Committee shall be an independent, non-executive Director. No alternate Director shall be appointed to the AC.

At least one (1) member of the Committee, preferably an independent Director, must meet the criteria set by the Bursa Malaysia Securities Bhd's Listing Requirements.

AC members and the Chairman shall be appointed by the Board of Directors based on the recommendations of the Nomination Committee.

The Board shall review the terms of reference and performance of the AC and each of its members every three years to determine whether the AC has carried out its duties in accordance with its terms of reference.

Audit Committee Report (Cont'd)

COMPOSITION AND APPOINTMENT (Cont'd)

If a member of the Committee resigns or for any reason ceases to be member in the AC resulting in non-compliance with the requirements, then the Board shall, within three (3) months of the events, appoint such number of new members as may be required.

The AC shall have no executive powers.

AUTHORITY

The AC, whenever necessary and reasonable for the performance of its duties, shall in accordance with the procedure determined by the Board and at the cost of the Group:

- 1) Have authority to investigate any matters within its terms of reference;
- 2) Be able to obtain external legal or other independent professional advice or other necessary resources to perform its duties;
- 3) Have full and unrestricted access to any information pertaining to the Group;
- 4) Have direct communication channels with the external auditors, internal auditors and all employees of the Group;
- 5) Be able to convene meetings with the external and internal auditors, excluding the attendance of the Executive Members of the Committee, at least once a year; and
- 6) Report to the Regulatory Bodies on matters duly reported by it to the Board which have not been satisfactorily resolved resulting in a breach of any regulatory requirements.

MEETINGS

The quorum for a meeting of the Committee shall be two thirds of the Committee with the majority present being independent, non-executive directors. If the Chairman is unable to attend any meeting, any other independent, non-executive member present shall act as Chairman. All resolutions of the Committee shall be adopted by a simple majority vote, each member having one vote. In case of equality of votes, the Chairman shall have a second or casting vote.

The AC shall meet at least four (4) times in a financial year with the objective of reviewing the Affin Group's financial reporting. The AC complements this through regular meetings with the Senior Management and both the internal and external auditors to review the Affin Group's overall state of governance and internal controls. To ensure that critical issues are highlighted to all Board members in a timely manner, where possible, the AC meetings are convened before the Board meetings. The AC, through its Chairman, shall report to the Board after each meeting where issues can be further deliberated, if necessary.

FUNCTIONS AND DUTIES

The functions and duties of AC shall include, but not limited to the following:

- 1) To review the adequacy of the scope, function and resources of the Internal Audit Department. The review may cover the planned audit work, internal audit programmes, the results of completed work and management implementation of agreed actions as recommended by the Head of Internal Audit (HIA). Where appropriate, the Committee may direct the management to rectify and improve the system of internal controls and procedures based on the internal auditor's recommendations and suggestions for improvements.
- 2) To consider the major findings of internal investigations and management response.
- 3) To assess and determine the performance of HIA. The remuneration, annual increment and performance related incentives of the HIA and IA should be decided by the AC.

Audit Committee Report (Cont'd)

FUNCTIONS AND DUTIES (Cont'd)

- 4) To approve the appointment or termination of HIA and to be informed of the appointment or resignations of internal auditors.
- 5) To recommend to the Board the appointment of external auditors and their audit fee.
- 6) To review with the external auditors the scope of the audit plan, system of internal accounting controls, the audit reports (including management letter and management response), the assistance given by the Management and any findings or action to be taken.
- 7) Acting upon any request from the Board to investigate and report on any issues of concern as regard to the management of the Group.
- 8) To review the Group's business risk management process including adequacy of the Group's control environment.
- 9) To review the findings of any examinations by regulatory authorities and the management response.
- 10) Review existing policies and practices within the Group in order to regulate and streamline the same to ensure uniformity.
- 11) To ensure that the accounts are prepared in a timely and accurate manner with frequent reviews of the adequacy of provisions against contingencies, bad and doubtful debts.
- 12) To review the quarterly results and year end financial statements prior to the approval by the Board of Directors focusing on the following:
 - Changes in or implementation of major accounting policy
 - Significant and unusual events
 - Significant adjustments arising from the audit
 - Compliance with accounting standards and other legal requirements.
- 13) To review any related party transactions that may arise within the Affin Group.
- 14) To obtain external professional advice and to invite outsiders with relevant experience to attend meetings, subject to the approval of the relevant regulatory body, where necessary.

Corporate Governance Statement

The Board of Affin Holdings Berhad fully subscribes and supports the Malaysian Code on Corporate Governance ("the Code") and the relevant provisions in the Bursa Malaysia Securities Berhad (BMSB) Listing Requirements. The Board is committed to ensuring that the highest standards of corporate governance are practised throughout the Group.

CORPORATE GOVERNANCE WITHIN AFFIN HOLDINGS BERHAD

The Board recognises that corporate governance is a continuous process that requires periodic reassessment and refinement.

THE BOARD OF DIRECTORS

The Board has the responsibility for leading and controlling the Group including those pertaining to corporate governance, strategic direction and overseeing the investments and operations of the Group.

COMPOSITION OF THE BOARD

The Board currently has six (6) members comprising a Non-Independent Non-Executive Chairman, two (2) Independent Non-Executive Directors, two (2) Non-Independent Non-Executive Directors and one (1) Non-Independent Executive Director, who is the Managing Director.

(a) Board Members

Name of Directors	Executive / Non-Executive Director	Independent / Non-Independent Director
Gen (R) Tan Sri Dato' Seri Ismail bin Hj Omar (Chairman - resigned w.e.f 17 October 2005)	Non-Executive	Non-Independent
Gen (R) Tan Sri Dato' Seri Mohd Zahidi bin Hj Zainuddin (Chairman - appointed w.e.f 17 October 2005)	Non-Executive	Non-Independent
Tan Sri Dato' Lodin bin Wok Kamaruddin (Managing Director)	Executive	Non-Independent
Raja Dato' Seri Aman bin Raja Haji Ahmad	Non-Executive	Non-Independent
Maj Gen (R) Dato' Mohamed Isa bin Che Kak	Non-Executive	Independent
Datuk Azzat bin Kamaludin	Non-Executive	Non-Independent
Dato' Mustafa bin Mohamad Ali	Non-Executive	Independent

A brief description of the background of each Director is presented in this Annual Report.

Corporate Governance Statement *(Cont'd)*

COMPOSITION OF THE BOARD (Cont'd)

(b) Board Balance

The membership of the Board complies with the provision of the Code in that at least one-third of the Board must be independent. The Directors have a wide range of business, financial and technical skills and experience. Together the members of the Board bring a mix of skills and experience required for the success of the Group.

There is a clear division of responsibility between the Chairman and the Managing Director to ensure that there is a balance of power and authority. The roles of the Chairman and Managing Director are clearly defined in the Board Policy Manual.

There is also a balance in the Board with the presence of the Independent Non-Executive Directors of the necessary calibre and experience to carry sufficient weight in Board decisions. Although all the Directors have equal responsibility for the Group's operations, the role of the Independent Non-Executive Directors is particularly important in providing an independent view, advice and judgement to take into account the interest of the Group, shareholders, employees and communities in which the Group conducts business.

Maj Gen (R) Dato' Mohamed Isa bin Che Kak is the Senior Independent Non-Executive Director, to whom concerns from the other Directors, public or investors shall be conveyed.

Raja Dato' Seri Aman bin Raja Haji Ahmad, a member of the Audit Committee, is a member of the Malaysian Institute of Accountants ("MIA") and meets the requirements of Paragraph 15.10(1) of the BMSB Listing Requirements.

BOARD MEETINGS

The Chairman is responsible for ensuring that the Board meets on a regular basis throughout the year. The Board meets at least four (4) times a year, with additional meetings convened as necessary. It has a formal time schedule that is determined in advance. The notice of the meetings is circulated to Board members at least fourteen (14) days before the meeting and the agenda and Board reports are circulated at least five (5) days before each meeting.

The Board has a formal schedule of matters (including strategic and policy issues, financial decisions and the annual business plan) reserved to it. The Board and its committees are supplied with all necessary information to enable them to effectively discharge their responsibilities.

The quorum for the Board meetings is two (2) members as set out in the Articles of Association, unless determined by the Board from time to time. All conclusions of the Board are duly recorded in the Board minutes.

During the financial year ended 31 December 2005, four (4) meetings were held. The details of attendance of each Director at the Board meetings held during his tenure of service are as follows:

Name of Directors	Attendance at Board Meetings
Gen (R) Tan Sri Dato' Seri Ismail bin Hj Omar (<i>Resigned w.e.f 17 October 2005</i>)	3/3
Gen (R) Tan Sri Dato' Seri Mohd Zahidi bin Hj Zainuddin (<i>Appointed w.e.f 17 October 2005</i>)	1/1
Tan Sri Dato' Lodin bin Wok Kamaruddin	4/4
Raja Dato' Seri Aman bin Raja Haji Ahmad	3/4
Maj Gen (R) Dato' Mohamed Isa bin Che Kak	4/4
Datuk Azzat bin Kamaludin	4/4
Dato' Mustafa bin Mohamad Ali	4/4

Corporate Governance Statement (Cont'd)

SUPPLY OF INFORMATION

All Directors are entitled to information pertaining to the Group to enable them to effectively discharge their duties as Directors. There are established procedures in place for any Director to obtain independent professional advice at the cost of the Group. All Directors have access to the advice and services of the Company Secretary or Secretaries.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

(a) Appointment

The Board Nomination Committee is in compliance with the best practices set out in the Code on the appointment of members to the Board, and is subject to the approval of Bank Negara Malaysia.

(b) Re-election

The Company's Articles of Association provides for all Directors to be subjected to re-election by rotation at each Annual General Meeting. The Articles of Association further provides for all Directors, including the Managing Director to submit themselves for re-election at least once in three (3) years in compliance with the BMSB Listing Requirements. The re-appointment of directors retiring by rotation are also subject to the approval of Bank Negara Malaysia.

DIRECTORS' TRAINING

An integral element in the process of appointing new Directors requires new Directors to undergo an orientation program in respect of the businesses of the Group together with meeting the management teams within the Group, including reiterating the expectations of the Board with regard to individual members' contributions to the Board and the Group.

The Nomination Committee further ensures that all Board members undergo the necessary training from time to time and are kept abreast with current regulatory issues and changing commercial risks.

DIRECTORS' REMUNERATION

The objective of the Company's policy on Directors' remuneration is to attract and retain Directors of the calibre needed to lead the Group successfully.

The Remuneration Committee is responsible for recommending to the Board the framework of executive remuneration and its cost, and the remuneration packages of the Executive Directors. In the case of the Managing Director, the component parts of the remuneration are linked to individual performance and measured against targets set. The Executive Directors play no part in decisions on their own remuneration.

The determination of the remuneration for Non-Executive Directors is a matter for the Board as a whole. The level of remuneration paid to Non-Executive Directors reflects the experience and level of responsibilities undertaken by the particular Non-Executive Director concerned. The Non-Executive Directors do not participate in decision on their own remuneration packages.

Fees payable to Directors are recommended by the Remuneration Committee to the Board for approval by the shareholders at the Annual General Meeting. The Company reimburses reasonable expenses incurred by the Directors in the course of performing their duties as Directors.

Corporate Governance Statement (Cont'd)

DIRECTORS' REMUNERATION (Cont'd)

The details of the remuneration for the financial year ending 31 December 2005 of the Directors are as follows:

Directors	Fees (RM)	Allowances (RM)	Other Emoluments (RM)	EPF Contribution (RM)	Benefit in kind (RM)	Total (RM)
EXECUTIVE DIRECTOR	166,667	111,850	-	10,500	-	289,017
NON-EXECUTIVE DIRECTORS	242,000	210,871	37,914	-	29,716	520,501
TOTAL	408,667	322,721	37,914	10,500	29,716	809,518

Included in the other emoluments is professional fees of RM35,064 paid to a firm of which a director is a partner.

The number of Directors whose total remuneration during the year fall within the following bands are as follows:

	No. of Directors
Executive Director: RM 250,001 to RM 300,000	1
Non-Executive Directors: RM 1 to RM 50,000	3
RM50,001 to RM100,000	1
RM 100,001 to RM 150,000	1
RM 250,001 to RM 300,000	1

THE BOARD COMMITTEES

The current Board Committees to assist the Board in the execution of its responsibilities are as follows:

- Audit Committee
- Nomination Committee
- Remuneration Committee
- Employee Share Option Scheme (*ESOS*) Committee

(a) Audit Committee

The present terms of reference of the Board Audit Committee is in compliance with the requirements of the BMSB Listing Requirements and the best practices contained in the Code.

The report of the Audit Committee for the period is set out separately in the Annual Report.

Corporate Governance Statement *(Cont'd)*

THE BOARD COMMITTEES (Cont'd)

(b) Nomination Committee

The members of the Nomination Committee are as follows:

Gen (R) Tan Sri Dato' Seri Ismail bin Hj Omar (<i>Chairman</i>) (<i>Resigned w.e.f 17 October 2005</i>)	Non-Independent Non-Executive Director
Gen (R) Tan Sri Dato' Seri Mohd Zahidi bin Hj Zainuddin (<i>Appointed as the Chairman w.e.f 15 November 2005. Resigned as the Chairman but remained as a member w.e.f 27 February 2006</i>)	Non-Independent Non-Executive Director
Dato' Mustafa bin Mohamad Ali (<i>Appointed as the Chairman w.e.f 27 February 2006</i>)	Independent Non-Executive Director
Tan Sri Dato' Lodin bin Wok Kamaruddin (<i>Appointed as a member w.e.f 27 February 2006</i>)	Non-Independent Executive Director
Maj Gen (R) Dato' Mohamed Isa bin Che Kak	Independent Non-Executive Director
Raja Dato' Seri Aman bin Raja Haji Ahmad (<i>Appointed as a member w.e.f 27 February 2006</i>)	Non-Independent Non-Executive Director

The Nomination Committee has the following terms of reference:

- To recommend candidates for all directorships to be filled by shareholders or the Board;
- To recommend Directors to fill the seats on Board Committees;
- To assess the effectiveness of the Board as a whole and the Committees of the Board;
- To assess the contribution of each individual Director;
- Reviewing annually the Board structure, size and composition to ensure that the Board comprises a majority of Non-Executive Directors with the appropriate mix of skills and experience, including core competencies which Non-Executive Directors should bring to the Board;
- Reviewing regularly the status of independent Directors;
- Ensuring the existence of an appropriate framework and succession plan for the Managing Director, Executive Directors and senior management of the Company;
- Recommending Directors who are retiring (by rotation) for re-election and termination of Board membership for appropriate reasons;
- Ensuring that all Board appointees undergo the necessary training programs prescribed by the applicable statutory and regulatory bodies; and
- Providing for adequate training and orientation of new Directors with respect to the business, structure and management of the Group as well as the expectations of the Board with regard to their contribution to the Board and Group.

The Committee had reviewed the size and composition of the Board and its committees and is of the opinion that the current Board and its committees possess the appropriate mix of skills and competencies required to effectively lead the Group. The Nomination Committee held three (3) meetings during the financial year. During the meetings, the Committee considered the appointment of a new chairman, appointment of new directors on board and board committees of Affin Holdings Berhad and its subsidiaries, re-appointment of directors and determining the directors who retire by rotation. The Committee also evaluated the performance of directors, considered rotation of members of audit committee, discussed on directors' training and orientation program and recruitment of key executives.

Corporate Governance Statement *(Cont'd)*

THE BOARD COMMITTEES (Cont'd)

c) Remuneration Committee

The members of the Remuneration Committee are as follows:

Gen (R) Tan Sri Dato' Seri Ismail bin Hj Omar (<i>Chairman</i>) (<i>Resigned w.e.f 17 October 2005</i>)	Non-Independent Non-Executive Director
Gen (R) Tan Sri Dato' Seri Mohd Zahidi bin Hj Zainuddin (<i>Appointed as the Chairman w.e.f 15 November 2005. Resigned as the Chairman but remained as a member w.e.f 27 February 2006</i>)	Non-Independent Non-Executive Director
Dato' Mustafa bin Mohamad Ali (<i>Appointed as the Chairman w.e.f 27 February 2006</i>)	Independent Non-Executive Director
Datuk Azzat bin Kamaludin	Non-Independent Non-Executive Director

The Remuneration Committee is responsible for setting the framework for the remuneration policy and for recommending to the Board the remuneration and benefits extended to Executive Directors and employees, the Director concerned abstaining from deliberations and voting on decisions in respect of his own remuneration.

In addition, the Remuneration Committee also reviews and approves the Managing Director's recommendation on the salary increment, bonus and other benefits extended to the Company's senior management.

The Remuneration Committee held one (1) meeting during the financial year. During the meeting, the Committee reviewed the remuneration package of the Directors, Managing Director and senior management of the company.

(d) ESOS Committee

The members of the ESOS Committee are as follows:

Datuk Azzat bin Kamaludin (<i>Chairman</i>)	Non-Independent Non-Executive Director
Tan Sri Dato' Lodin bin Wok Kamaruddin	Non-Independent Executive Director
Maj Gen (R) Dato' Mohamed Isa bin Che Kak	Independent Non-Executive Director

The terms of reference of the ESOS Committee is to assist the Board in the administration of the ESOS in accordance to approved By-Laws, guidelines and rulings of the relevant authorities that are applicable during the period of the scheme. The ESOS Committee had two (2) meetings during the financial year. During the meetings, the Committee considered allocation of ESOS to non-executive directors of Affin Holdings Berhad, discussed and approved the proposed basis of allocation of ESOS options to eligible employees in the Group, basis of determining the option price and number of options to be granted to the Managing Director.

Corporate Governance Statement *(Cont'd)*

SHAREHOLDERS

(a) Dialogue between the Company and Investors

The Group values dialogue with investors. The aims of the investor relations program are primarily to provide consistent and accurate information to shareholders and fund managers on the Group and to provide prompt feedback to senior management on investors' concerns and market perceptions thus, ensuring effectiveness of the information dissemination.

Various announcements and quarterly financial results were made during the year to provide shareholders with information on the Group's performance and operations. The Group also holds meetings, briefings and road shows with investors and fund managers from time to time to update them on the latest developments and corporate exercises undertaken by the Group. The Board delegates the authority to the Chairman and Managing Director to speak for the Group.

In addition, the Group has established a website at www.affin.com.my which shareholders can access for information pertaining to the Group.

(b) Annual General Meeting

The Annual General Meeting is the principal forum for dialogue with the shareholders. At each Annual General Meeting, the Board presents the progress and performance of the business and encourages shareholders to participate in the question and answer session. All the Directors are available to respond to shareholders' questions during the meeting.

For re-election of Directors, full information is provided with the notice of the meeting regarding Directors who are retiring and whether they are willing to serve if re-elected.

Each item of special business included in the notice of the meeting is accompanied by a full explanation of the effects of a proposed resolution to facilitate understanding and evaluation of the issues involved. Separate resolutions are proposed for substantially separate issues at the meeting and the Chairman declares the number of proxy votes received both for and against each separate resolution.

ACCOUNTABILITY AND AUDIT

(a) Financial Reporting

In presenting the annual financial statements and quarterly announcements to shareholders, the Directors aim to present a balanced and understandable assessment of the Group's position and prospects. This also applies to other price-sensitive public reports and reports to regulators. In preparing the financial statements, the Directors consider that the Group had used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates.

(b) Internal Control

The Directors acknowledge their responsibility for the Group's system of internal controls covering not only financial controls but also operational and compliance controls as well as risk management, to safeguard shareholders' investments and the Group's assets. The Board believes that the internal control systems and procedures provide reasonable but not absolute assurance that assets are safeguarded, transactions are authorised and recorded properly and that material errors and irregularities are either detected or minimised to prevent recurrence. The Board has appointed the Board Audit Committee to review the effectiveness of control procedures and report to the Board on all findings for deliberations.

Corporate Governance Statement *(Cont'd)*

ACCOUNTABILITY AND AUDIT (Cont'd)

(b) Internal Control (Cont'd)

Some of the key elements of the Group's internal control systems are described below:

- Clearly defined delegation of responsibilities to the Board Committees and the management of the Group, including authorisation levels for all business units. Each business unit has clear accountabilities for ensuring that appropriate risk management and control procedures are in place. These delegated responsibilities are subject to review throughout the year;
- Audits are undertaken at regular intervals to monitor compliance with policies and procedures; and
- Monitoring of results against the annual business plan, with major variances examined and management action taken.

Details of the Group's internal control systems and the state of internal controls are further elaborated under the Statement on Internal Control provided separately in the Annual Report.

(c) Relationship with the Auditors

Through the Audit Committee, the Group has established transparent and appropriate relationships with the Group's auditors, both external and internal. A report of the Audit Committee is provided in pages 11 to 14 in this Annual Report.

(d) Directors' Responsibilities in Respect of the Audited Financial Statements

The Directors are required by the Companies Act, 1965, to prepare financial statements for each year which give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and of their results and cash flows for the financial year then ended.

In preparing these financial statements, the Directors have:

- adopted suitable accounting policies and applying them consistently;
- made judgements and estimates that are prudent and reasonable;
- ensured applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on the going concern basis, unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for ensuring that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Company and which enable them to ensure that the financial statements comply with the Companies Act, 1965. The Directors have overall responsibility for taking such steps that are reasonably open to them to safeguard the assets of the Group and the Company to prevent and detect fraud and other irregularities.

Signed on behalf of the Board of Directors in accordance with their resolution dated 10 March 2006.

Gen (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin
Chairman

Tan Sri Dato' Lodin bin Wok Kamaruddin
Managing Director

Statement on Internal Control

The Board, in recognising its responsibilities in promoting good corporate governance and ensuring sound internal controls and risk management practices, exercises overall responsibility for the Group's internal controls and its effectiveness. The controls instituted by the Group's operating units and built into the risk management framework are not intended to eliminate completely all risks of failure to achieve business objectives but are designed to provide reasonable but not absolute assurance that relevant and significant risks have been identified and managed as part of the management and decision-making process throughout the Group. The Board is of the view that the system of internal controls instituted throughout the Group is sound and sufficient to safeguard shareholders' investment, customers' interests and the Group's assets. Notwithstanding this, there are on-going reviews to ensure the effectiveness of the system. The Board is of the view that the internal controls of the subsidiaries are in place for the year under review and up to the date of annual report.

The key processes that the Directors of Affin Holdings Berhad and subsidiaries have established in reviewing the adequacy and integrity of the system of internal controls are as follows:

1. The main operating subsidiaries' risk management principles, policies, procedures and practices are systematically documented and made available to all employees, setting out the Board's position on risks and the process in realising business objectives.
2. The Board receives and reviews regular reports from the Group management on the key operating statistics, legal and regulatory matters of the Group.
3. The subsidiaries annual business plan and budget approved at their respective Board have been submitted to the Group management. The variances between the actual and targeted results are presented to the Board of the subsidiaries on monthly basis. This allows for timely responses and corrective actions to be taken to mitigate risks.
4. The subsidiaries' internal audit teams, reporting to the Audit Committees of the respective Boards, carry out regular reviews of the business processes to assess the effectiveness of internal control and highlight significant risks impacting the Group. The Audit Committees of the Board of the subsidiaries conduct annual reviews on the adequacy of the internal audit department's scope of work and resources. The Audit Committee of the Board of Affin Holdings Berhad likewise performs such tasks.
5. The Audit Committees of the Board of the subsidiaries regularly review and hold discussions with management on the action taken on internal control issues identified by the internal auditors, the external auditors and regulatory authorities. The Audit Committee of the Board of Affin Holdings Berhad likewise carries out such tasks.
6. The Audit Committees of the Board of the subsidiaries are empowered to follow up and monitor the status of actions on recommendations made by the internal auditors, the external auditors and regulatory authorities. In addition, it can direct investigations in respect of any specific instances or events, which are deemed to have violated internal policies pertaining to confidentiality or financial impropriety, which has material impact on the subsidiaries. The Audit Committee of the Board of Affin Holdings Berhad likewise carries out such function.
7. There is a clearly defined framework and empowerment approved by the main operating subsidiaries' respective Board for acquisitions and disposals of property, plant and equipment, awarding tenders, applications for capital expenditure, writing off operational and credit items, approving general expenses including donations, etc.
8. The professionalism and competence of the Group's human resources is maintained through a recruitment process, training and re-skilling programmes and a performance appraisal system.

Chairman's Statement



Gen (R) Tan Sri Dato' Seri Mohd Zahidi
Bin Haji Zainuddin

To our valued shareholders/stakeholders,

It is with great pleasure that I present to you what should properly be construed as our excellent year end report card on the achievement of the Affin Group over the past 12 months ending 31 December 2005.

Unlike the year before, there were no disastrous events of "tsunami" proportions. Of course, there were expected challenges, and adjustments that had to be endured following a number of deliberate changes and the "fine-tuning" that had to be carried out across the whole spectrum of Affin's widely integrated operations as the Group prepares itself to take full advantage of the Malaysian Government budgetary measures and other initiatives implemented to enhance the country's competitiveness in the global financial marketplace. For instance, following the recent unveiling of the Investment Bank Guidelines by Bank Negara Malaysia in July 2005, your Bank undertook the appropriate changes to the Group's long-term strategies and operational structures to better position itself going forward into the second half of this challenging but nonetheless exciting decade.



Meeting the press after Affin Holdings Berhad's 29th Annual General Meeting on 15 April 2005.



Our Deputy Prime Minister receiving Hari Raya Aidilfitri contribution from Affin Bank to the Malaysian Armed Forces at Wisma Pertahanan on 18 October 2005.

Another significant Government-induced initiative impacting on Affin's operations was the lifting of the Malaysian Ringgit peg on 21 July 2005 which was naturally eventful for a number of our operational units involved in foreign exchange and stock market activities.

Other changes of major significance specific to Affin Group's operation was the recent merger between Affin-ACF Finance Berhad and Affin Bank Berhad when the activities of Affin's former finance arm were absorbed into those of the latter, making the combined operations a major financial powerhouse in this country. This event, coupled with an aggressive debt recovering program and restructuring efforts, also saw the very encouraging reduction in the Bank's non-performing loans (NPL) portfolio, falling from 23.6% at the beginning of the year under review to 13.7%.

Consequently, Affin Bank recorded another major milestone when Rating Agency Malaysia (RAM) upgraded the Bank's overall rating from BBB2 to A3, up two notches on RAM's rating scale.

I am also glad to mention that our year 2005 major aim of achieving growth without sacrificing asset quality was substantially achieved when, coupled with the abovementioned improvement in rating, Affin Bank, our flagship company, notwithstanding more stringent lending guidelines, registered a record profit before tax of RM229.4 million, up a good 27.7% over the previous year's figure of RM179.6 million. Your Board and the Board, the management and staff of each of Affin's strategic business units (SBUs) more specifically, are mindful of the fact that strict vigilance to asset quality and sustainable profitability must always take centre stage if we are to ensure the long-term success of Affin Group.

A more detailed analysis of the current year performance of the Group and future prospects of each of Affin's SBUs is given in the rest of this statement.

YEAR 2005 GROUP RESULTS

The Group achieved a consolidated profit before tax of RM331.4 million in year 2005, similar to year 2004. However, the Group's best profit generators, viz Affin Bank Berhad showed improved performance by recording a profit before tax of RM229.4 million as compared to RM179.6 million previously and Affin Merchant Bank Berhad which recorded a profit before tax of RM58.3 million as compared to RM32.4 million previously. This result was achieved on the back of a turnover of RM1,775.2 million for the year under review as compared to RM1,850.0 million previously.

The other positive contributors to Affin's profitability for the year under review were Affin Discount Berhad, Affin Money Brokers Sdn Bhd and Affin Insurance Brokers Sdn Bhd which registered profit before tax of RM19.11 million, RM2.13 million and RM0.12 million respectively.

The overall results achieved were the more pleasing given the fact that the Group's major strategic emphasis was primarily one which focuses on market growth and improvement in asset quality. We believe this strategy has put us on a strong footing to achieve sustainable future profitability and an increasing market presence.

AFFIN BANK BERHAD ("AFFIN BANK")

We are very pleased to report that following the merger of Affin-ACF Finance Berhad with Affin Bank, and coupled with improved asset quality as the company divested its non-core and less profitable assets, year 2005 was a milestone for Affin Bank. It announced a record profit before tax of RM229.4 million (up 27.7% from the RM179.6 million achieved the year before).

The Bank also maintained its solid capital position with Risk Weighted Capital Ratio (RWCR) of 14.8% and Core Capital Ratio (CCR) of 10.4% before the proposed dividend. It took pains to improve asset quality through the disposal of non-core and low-yielding assets.



Participation by Affin Bank in the Islamic Banking and Takaful Roadshow at Danga Bay, Johor Bahru on 16 & 17 July 2005.



Donation by Affin Bank to Yayasan Sultanah Bahiyah during Affin Bank's participation in the Islamic Banking Roadshow at Alor Setar, Kedah on 20 May 2005.

Thanks to its aggressive debt recovery and restructuring efforts coupled with the said merger exercise, the Bank was able to bring its NPL level down further. Its net NPL ratio fell to 13.7% in 2005 from 23.6% in 2004.

Evident from the success of the bold steps initiated and implemented over the past few years, Affin Bank achieved another milestone in 2005 when it received a rerating by Rating Agency Malaysia. The rating was upgraded by two notches from BBB2 to A3.

In its effort to beef up its key management team, the Bank injected new blood into the management team with experienced professionals hailing from the industry's best institutions. In line with its new Banking Without Barriers™ tagline upon which its concept for banking services is based, Affin Bank has so far transformed three of its branches with never before seen new interior design and layout creating what is commonly known as Customer Relationship Centres. All branches are targeted to sport this uniform look by year 2008. In the meantime, the Bank will continue to rationalize its branches and dispose off its non-core assets.

Year 2005 also saw Affin Bank embarking on one of the most challenging projects when it successfully started running on a new Core Banking System in August. Two months later, the new system was also made available to its newly-created Hire Purchase Division which arose from the merger with the former Affin-ACF Finance Berhad.

Strongly motivated by its vision of a medium-sized bank of prominence offering privileged banking to not just a few but all its customers, the Bank in October kicked off its corporate rebranding exercise with a nationwide logo contest to come up with a new and refreshed corporate image.

Looking ahead, the Bank will continue to maximize shareholder value. Asset quality will remain a main thrust in 2006. As its Islamic Banking unit is set to open its doors in 2006, the Bank

will build up the infrastructure and marketing strength of the unit to enable it to effectively compete on its own starting with four Islamic Banking Centres.

AFFIN MERCHANT BANK BERHAD (AMB)

As was the case last year, AMB delivered significant growth in income and profitability, recording a higher profit before tax and zakat of RM58.31 million and a profit after tax and zakat of RM38.64 million compared to RM32.38 million and RM25.08 million registered for the financial year ended 31 December 2004. This translated to earnings per share of 20.6 sen (FY 2004: RM13.4 sen). The higher profits were mainly brought about by higher contribution of income from investments, lower provisions and write-back in provisions for diminution in value of securities no longer required.

Arising from the good financial performance, AMB declared dividends amounting to RM22.50 million (gross). Notwithstanding the dividend payout, the Bank's capital position remains strong with shareholders' funds increasing to RM390.76 million (FY2004: RM389.22 million).

During the year, efforts were channelled towards enhancing the Bank's delivery system. The equity and debt capital market advisory services were streamlined and expanded to form Investment Banking (IB) teams. New business support units, viz. Research and Client Relationship Management teams were formed to provide additional support to IB teams to enhance their client origination initiatives. Also, the Business Review Committee and Risk Assessment Committee were formed to improve the risk management and business decision making process. Public relation initiatives such as exhibitions, advertising campaigns, media releases, business seminars and corporate functions were held to further enhance the Bank's image and visibility in the market place. Efforts were also made to further develop and nurture staff potential through training and teambuilding events.



Affin Bank's participation at Malaysian International Halal Showcase 2005 on 28 July 2005.



'Majlis Berbuka Puasa' for Affin Bank's staff with orphans and new converts held at Menara Affin on 11 October 2005.

Efforts were also stepped up to formalise and fine-tune the formation of our investment bank following the unveiling of the Investment Bank Guidelines by Bank Negara Malaysia in July 2005. With the extension of the investment bank framework to universal brokers, 17 investment banks may emerge from the rationalisation exercise, thus intensifying competition in the already competitive investment banking industry. We believe the investment banking landscape will continue to evolve owing to competition, consolidation and as a consequence of the on-going liberalisation process.

Nevertheless, given the positive economic prospects and Budget 2006 measures, which is expected to stimulate fund raising and M&A activities, we are optimistic about the Bank's investment banking prospects. Moving forward, the Bank will undertake further initiatives to enhance its franchise value. With the formation of the investment bank coupled with on-going efforts to further strengthen capacity and capabilities, AMB is well positioned to compete successfully amongst the key players in the market place.

AFFIN MONEYBROKERS SDN BHD

The Company recorded a pretax profit of RM2,133,744 with a record turnover of RM8,476,017 for the period under review. In comparison against year 2004 performance, pretax profit was significantly higher by 24.8%, while income turnover registered an impressive 18.1% increase. This increase was mainly because Bank Negara Malaysia had on 21 July 2005 lifted its fixed exchange rate policy that was imposed during the Asian financial crisis of 1998. The ringgit has since appreciated approximately 1.4% to the U.S. Dollar and is expected to gradually strengthen even further.

Based on products, an excellent overall performance was recorded by the Foreign Exchange and Swap/ACU/Derivatives desk. Contribution from the Foreign Exchange desk increased to RM1,585,100 representing 16.4% of total brokerage income.

The Swap/ACU/Derivatives Desk contributed the highest brokerage income of RM3,724,703 representing 38.6% of total turnover. This fine performance was mainly due to active trading on Interest Rate Swaps and Ringgit Swaps which saw ample arbitrage opportunities. The unpegging of the Ringgit was also a welcome impetus to further enhance domestic inter-bank market activities and volumes.

The money market and NCD desk also performed well contributing RM1,283,323 or 13.3% of total brokerage income. This good performance was due to our achieving greater market share. The Bond desk contributed RM1,722,053 or 17.9% of total brokerage income. The bond market was relatively active in some months, influenced by external factors and concerns that the spiralling price of crude oil may thwart domestic economic growth momentum, and also by expectation of interest rate hike. The Private Debt desk contributed RM151,790 or 1.6% of total turnover, while the Bankers Acceptance/Islamic Instruments desk contributed RM1,172,759 or 12.2% of total turnover.

The landscape of the money broking industry is expected to evolve and change significantly with the liberalization of brokerage fees as outlined in the Financial Sector Masterplan. As a service industry, competitive negotiations to capture a larger market share will invariably result in a battle of discounts offered and the resultant impact will see a drastic erosion in revenue. Underlying business trends have been encouraging with a GDP forecast between 5.5% to 6.0%, and as a major participant in the domestic moneybroking industry, with the capacity and ability to expand, the outlook remains positive. The prospect for 2006 is viewed with cautious optimism as uncertainties prevail on medium to long term interest rates. This uncertainty could result in lower trading volumes of financial instruments. The ongoing merger of financial institutions, consolidation of group treasury operations and competition from electronic broking are some of the challenges faced by the Company. Nevertheless, the management is confident of



Over 200 Affin Bank's staff gathered to donate blood at Menara Affin on 7 April 2005.



Signing ceremony of Penang Port Sdn Bhd's RM100 million Islamic CP/MTN Programme arranged by Affin Merchant Bank on 16 December 2005.

achieving higher turnover for 2006 through continuing efforts to introduce new products, innovate and improve broking skills and services, with the aim of gaining greater market share.

AFFIN DISCOUNT BERHAD

For financial year 2005, the Company recorded a net profit before tax (NPBT) and zakat of RM19.11 million. This represented a decrease of 44% when compared with Year 2004 NPBT of RM34.37 million. The Company's performance was affected during the year under review owing to the gradual reduction in portfolio holdings, higher interim dividend payment and provisions made for PDS assets. Trading revenue for the year declined substantially by 80% to RM7,068,299 but net investment income increased by 236% to RM30,424,348 mainly due to higher interest income. The fee base income of RM4,064,782 for the year was also lower by 20% owing to the relatively quiet capital market primary activities. Overall the Company's operations in the money and debt capital market at both the primary and secondary levels remained modest in view of its limited shareholders' funds which fell 1% to RM193.01 million.

In the money market, interest rates remained low and stable amidst ample liquidity in the banking system as the monetary policy continued to remain supportive and accommodative towards business activities and consumption. The Overnight Policy Rate (OPR) which was implemented in April 2004 remained unchanged at 2.70% until November 2005. However, in the light of gradual tightening of interest rates in several major and regional countries and the inflationary pressures arising from higher oil prices, the OPR was revised upward by 30 b.p. to 3.00% on 30 November 2005. The revision in OPR caused both the interbank rates and the commercial banks' BLR to appreciate across the board by 30 - 50 b.p.

In the capital market, total funds raised in year 2005 amounted to RM40.3 billion of which about 54% was raised by the private sector. The funds raised by the public sector moderated significantly due to continuing fiscal consolidation by the government. Total MGS issued during the year amounted to

only RM16.5 billion, against RM29.7 billion in 2004. Gross funds raised by the private sector during the period under review amounted to RM23.8 billion vis-à-vis RM24.2 billion in year 2004 as the corporate sectors also explored other avenues of financing. The year also saw further expansion in asset backed securities (ABS) totalling RM9.8 billion compared with RM8.0 billion in the previous year.

AFFIN SECURITIES SDN BHD

Affin Securities Sdn Bhd recorded a loss before tax of RM0.75 million for the year ended 31 December 2005 (2004: profit of RM8.38 million). This was achieved on total revenue of RM31.43 million which was 26.9% lower than year 2004 total revenue of RM42.99 million. The reduced revenue for 2005 was attributable to a lacklustre stock market which persisted for most of the year.

The stock market started year 2005 on a weak note, with the KLCI declining from a high of 938 in January, to a low of 860 in May, a decline of about 8%. The major external factors causing the market to weaken were rising oil prices and interest rate hikes in the United States which dampened investors' sentiment. On Malaysia's economic front, investors remained concerned with the slower pace of economic growth, uncertainties over the Ringgit peg and the lack of visibility with regard to Government policy direction.

Adding to the poor sentiment in the first half of the year were issues such as weak corporate results and the withdrawal of margin financing facilities by financial institutions and stock broking companies. This caused a major sell-down in second and third liner stocks in the second quarter of the year, leading to diminishing interest in the stock market.

The lifting of Malaysia's Ringgit peg in reaction to China's revaluation of the Yuan, which was announced on 21 July rekindled interest in the local bourse and caused the KLCI to jump 2% in the corresponding day. This rejuvenated the stock market in the second half of year 2005 and increased market activities leading to the KLCI rising to a peak of 952 in August.



Signing ceremony of YPJ Oil Palm Estate Sdn Bhd's RM180 million guaranteed Commercial Papers arranged by Affin Merchant Bank on 27 June 2005.



Staff at work in Affin Moneybrokers Sdn Bhd.

However, the run-up was not sustainable and it subsequently fizzled out and the KLCI began drifting downwards. This was worsened by the withdrawals of speculative funds from the local markets. Volumes thinned in the subsequent months in the absence of clear catalysts for the stock market. Moreover, corporate earnings continued to disappoint, while interest in the restructuring of listed Government-linked companies waned when Proton Holdings and Malaysian Airline System announced massive losses.

The raising of the OPR by 30 basis points by Bank Negara on 30 November gave rise to concerns of a start to monetary tightening in Malaysia, and further weakened the already poor sentiment in the stock market and this persisted until the end of the year. From 907.43 on 31 December 2004, the KLCI eventually settled relatively flat at 899.79 on 30 December 2005. It hit a low of 860.73 in May and a high of 952.59 in August. Market capitalisation of Bursa Malaysia declined from RM722 billion in December 2004 to RM659 billion in December 2005.

AFFIN FUND MANAGEMENT SDN BHD (AFM) AFFIN TRUST MANAGEMENT BERHAD (ATMB)

For financial year ended 31 December 2005, AFM's group recorded a profit before tax of RM216,000 against a pretax loss of RM383,000.00 recorded in FY2004. This was due to higher income received from management fees as a result of an injection of RM56 million from LTAT into Dana Islamiah Affin unit trust. The slightly higher operational expenses incurred were due to the increase in human capital in areas like compliance, research and marketing.

Despite the relatively poor performance of Bursa Malaysia in FY2005, AFM was able to obtain additional and new funds for management from existing and new clients and LTAT's investment in Dana Islamiah Affin unit trust for a combined sum of RM86.0 million. Current funds under management as at December 2005 stood at RM267.0 million.

The collaborative efforts undertaken with other units of the Affin Group of companies and the various marketing activities carried out by AFM group have produced results. Potential investors have been identified, approached and presentations were made. Proposals have been forwarded to most potential clients and it is hoped that new mandates would be secured.

Looking ahead, AFM is positive for 1Q2006 due to stronger GDP growth figures registered in 3Q2005. This is expected to provide enough momentum to carry forward into 1Q2006 when economic activity is expected to gain further growth momentum. The KLCI is expected to be range-bound during the 1Q2006 due to an expected slowdown in portfolio funds following the current domestic interest rate scenario. The dividend yield and price/NTA themes will continue to be a safer ground for any investment decisions in FY2006. The Malaysian economy is expected to remain positive for FY2006 with GDP forecast ranging from 5.5% to 6.0%.

To meet new challenges ahead, AFM group has streamlined its activities by focusing on asset management whilst ATMB would focus on product development and its distribution. AFM and ATMB will continue to intensify its marketing activities and services to both existing and potential clients. Our goal is to increase the clientele base as well as the size of fund management. The theme of our products and services will emphasize capital preservation and reasonable and consistent returns.

AXA AFFIN ASSURANCE BERHAD

The Company's results for 2005 showed a level of profit better than any previous year, with net underwriting profits of RM45.0 million (2004: RM28.7 million). This outcome reflected success on a number of fronts.



Signing ceremony of M-Trex Corporation Sdn Bhd's RM60.0 million Commercial Papers Programme arranged by Affin Discount Berhad on 7 February 2005.



A dialogue session with the Minister of Energy, Water & Communications organised by Affin Securities Sdn Bhd on 29 March 2005.

Firstly, we continue to grow in key market sectors, especially in the areas of motor, health and SME insurance, which we believe offer a sustainable platform for the future and where the AXA group can add discernable value for customers.

Secondly, a high standard of technical portfolio management in terms of risk selection and pricing methodology has ensured a continuing high level of underwriting profitability.

Finally, we have been able to continue to keep expenses at acceptable levels. Our ability to efficiently control non-discretionary spending gives us greater leeway to invest in areas that help to improve service efficiency.

In addition to our underwriting results, an active but prudent investment strategy has produced a satisfactory level of income given the generally lacklustre investment climate in 2005. Overall, we consider the company's profit before tax of RM62.8 million (2004: 41.6 million) reflects a strong performance for the year. Good financial results have enabled the Company to continue to invest in technology and staff so as to improve service to customers.

Investment in IT, especially as part of AXA's Asian regional network, has assisted in the area of cost savings and we will continue to see this going forward in 2006. In particular, we saw further developments in the area of Electronic Document Management and workflow systems during the year. We are confident this will lead to faster response times and increased consistency in service levels, as well as productivity gains.

Product innovation and the broadening of our customer offering have also played an important part in our progress in 2006: Specialist areas such as Trade Credit and Art insurance back up our core product range and allow us to provide solutions to an even broader range of customers. At the same time, we are regularly reviewing customer needs and benchmarking our core products against the market to ensure that they continue to represent both quality and value for money.

In addition, we continue to review and augment our branch network. Recently, we opened a new branch in Cheras, and this is already producing pleasing results.

We do not operate in isolation, and the market in 2005 has been an even more competitive one as players jostle for greater market share. Pricing for larger risks has seen further downward pressure. In this context our commercial portfolio has somewhat diminished during the year. However, we are not prepared to accept risks that are not adequately priced.

Despite the level of competition in the market, our platform for the future is strong and we are very much committed to using this to grow our company further in 2006, through increased distribution, improved service levels and better product offerings to our client-base.

AFFIN INSURANCE BROKERS SDN BHD

For the financial year ended 31 December 2005, Affin Insurance Brokers Sdn Bhd recorded a modest profit before tax of RM520,400. However, after prudently making provision for doubtful debts of RM400,476 the profit before tax was RM119,924. The lower profit as compared to the previous years was due to over dependence on one anchor account which has since started their own insurance department. The soft market situation also saw the erosion of insurance rates resulting in a reduction in brokerage.

We are mindful of the potential challenges ahead, the soft market situation and the continued intense competition. Our strategic initiatives will be primarily to expand our sales force and client portfolio. At the same time, we will look for strategic alliances with reputable business partners to compete more effectively in the market place. Efforts are also being directed to tap business through group synergy.



Opening ceremony of the Cheras branch by the Chairman of AXA Affin Assurance Berhad on 25 November 2005.



Analysts' briefing of Affin Holdings Berhad held on 13 September 2005.

An expanded client base and an improved overall efficiency and cost effectiveness would be central in sustaining our business through the challenges ahead.

At Affin Holdings level, on-going Group rationalisation exercises are also being undertaken to further strengthen the Group's presence. The acquisition of the remaining 36.84% in AMB from MISC was completed on 29 December 2005. The Group is currently embarking on the formation of Affin Investment Bank in accordance to the Guidelines on Investment Banks jointly issued by Bank Negara Malaysia (BNM) and the Securities Commission on 1 July 2005.

AHB together with National Mutual International Pty Ltd (NMI), a wholly owned subsidiary of AXA Pacific Holdings Limited have entered into a conditional business transfer agreement with Tahan Insurance Malaysia Berhad (Tahan) for the proposed acquisition of the life insurance business of Tahan. A joint venture company namely AXA Affin Life Insurance Berhad has been established with AHB and AXA holding 51% and 49% interest respectively to undertake the said life insurance business. The proposed transfer of the life insurance business of Tahan to the joint venture company was approved by the Minister of Finance on 20 January 2006 and subject to obtaining the approvals from other relevant authorities, the proposed acquisition is expected to be completed by mid 2006. The inclusion of life insurance business into the Group will complete AHB's objective of establishing a full financial supermarket and complement the financial services offered by other subsidiaries within the Group.

The Group has also been issued an Islamic Banking license through Affin Islamic Bank Berhad (AIB), a wholly owned subsidiary of Affin Bank, to undertake Islamic Banking Business. The Business Transfer Agreement for the transfer of Islamic banking operations of Affin Bank to AIB has been signed on 16 January 2006. AIB is expected to commence its business operations in early April 2006 upon the completion of the proposed transfer.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to put on record the invaluable contribution that so many of you have made towards Affin's success over the many years that we have been "business partners" in one way, shape or form.

To all staff of Affin Group, I would like to express my sincere and heartfelt thanks for your dedication and commitment towards Affin's cause.

Again, to our valued clients, we owe you our thanks and gratitude for your continued support, in good times and bad.

To our most supportive and encouraging business partners, government and quasi-government authorities viz. Bank Negara Malaysia, the Securities Commission, Bursa Malaysia Securities Berhad, Ministry of Finance, Ministry of International Trade & Industry, Foreign Investment Committee, Economic Planning Unit as well as other regulatory authorities who have guided and supported us in our daily endeavours, we want you to know that you have all been indispensable to our operational well-being.

Thank you once again to all of you who have supported us so many times in the past and particularly in the course of the year reviewed in this Annual Report.

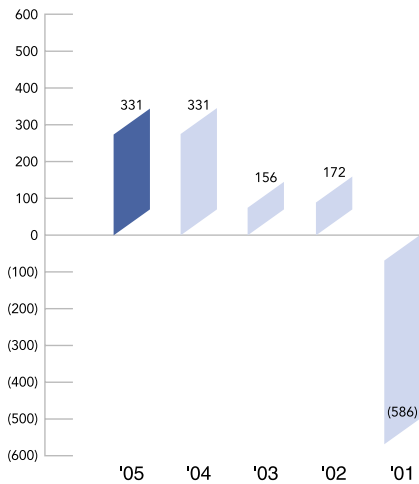
Gen (R) Tan Sri Dato' Seri Mohd Zahidi Bin Haji Zainuddin
Chairman

Five Year Group Financial Record

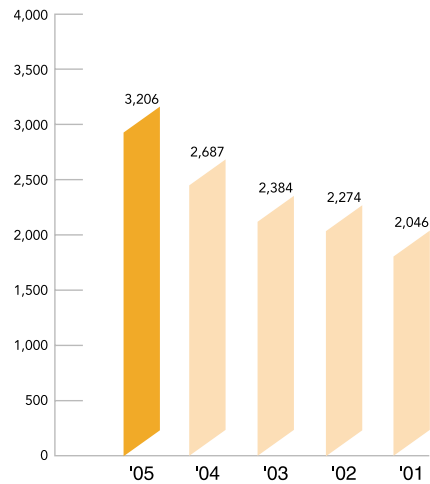
	2005	2004	2003	2002	2001
For the year ended 31 December (RM Million)					
Operating Result					
Operating revenue	1,775	1,850	1,916	1,960	1,969
Profit/(Loss) before taxation	331	331	156	172	(586)
Net profit/(loss) for the financial year	236	232	132	143	(563)
As at 31 December (RM Million)					
Key Balance Sheet Data					
Loans, advances and financing	16,973	16,858	16,606	18,053	19,215
Total assets	31,188	32,856	35,211	33,307	31,454
Deposits from customers	21,465	21,519	23,194	21,616	20,018
Total liabilities	27,982	29,789	32,428	30,651	29,053
Commitments and Contingencies	25,198	28,247	35,223	38,107	20,210
Paid-up capital	1,211	1,036	993	990	923
Shareholders funds	3,206	2,687	2,384	2,274	2,046
Share Information					
Per share (sen)					
Earnings/(Loss) - Basic	20	23	13	15	(61)
Gross dividends	4.0	1.0	0.5	1.0	1.0
Net tangible assets	183	176	154	144	134
Share price - high	201	185	133	107	154
Share price - low	144	104	79.5	102	100
Segment Information					
Profit/(Loss) before tax by activity (%)					
Investment holding	(16.40)	(19.07)	(37.88)	(22.86)	(6.09)
Commercial banking and finance	84.68	89.90	98.52	86.51	(108.99)
Merchant banking	17.55	9.71	17.83	19.48	4.62
Discount house and money-broking	6.46	11.00	8.17	12.40	9.78
Securities and asset management	0.17	3.13	(0.99)	(2.81)	(1.26)
General insurance	7.54	5.33	14.35	7.28	1.94
Paid-up Capital by Subsidiaries (RM Million)					
AFFIN Bank Berhad	1,290.3	1,017.3	1,017.3	1,017.3	909.6
AFFIN Merchant Bank Berhad	187.5	187.5	187.5	187.5	187.5
AFFIN-ACF Holdings Sdn Bhd	338.4	338.4	338.4	338.4	338.4
AFFIN Discount Berhad	70.0	70.0	70.0	70.0	70.0
AFFIN Capital Holdings Sdn Bhd	100.0	100.0	100.0	100.0	100.0
AFFIN Fund Management Sdn Bhd	12.0	12.0	12.0	12.0	12.0
AFFIN Moneybrokers Sdn Bhd	0.2	0.2	0.2	0.2	0.2

Charts of the Group's Five Year Financial Record

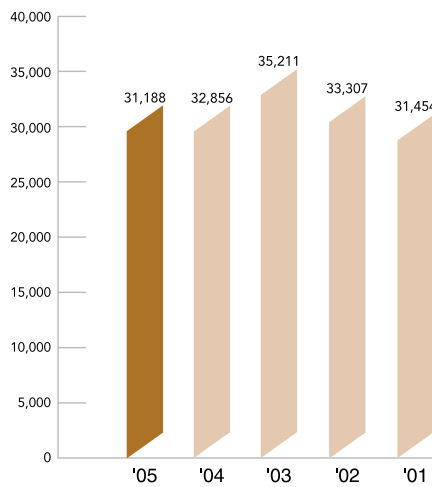
PROFIT/(LOSS) BEFORE TAXATION
(RM Million)



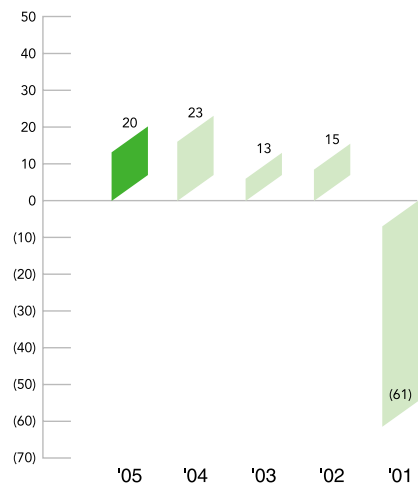
SHAREHOLDERS' FUNDS
(RM Million)



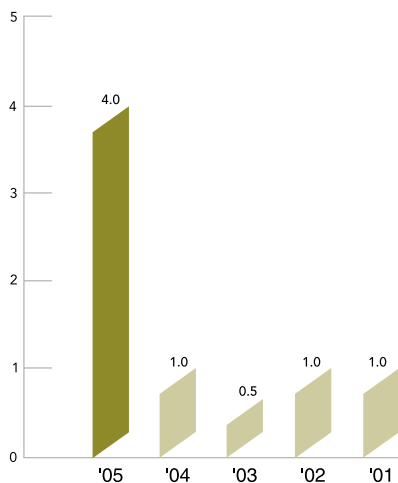
TOTAL ASSETS
(RM Million)



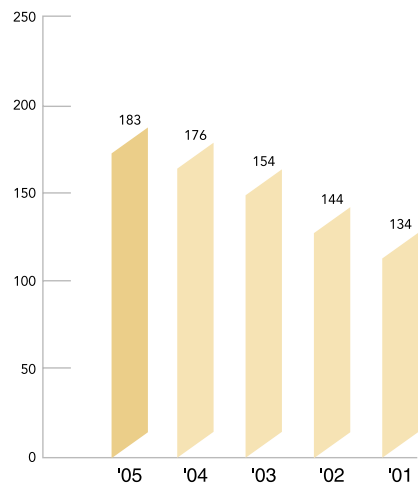
EARNINGS/(LOSS) PER SHARE
(Sen)



GROSS DIVIDENDS PER SHARE
(Sen)



NET TANGIBLE ASSETS PER SHARE
(Sen)



Directors' Report

The directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are commercial banking and hire purchase business, merchant banking, stock-broking, discount house services, money broking and asset management business. The principal activity of the associate is general insurance business. There have been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	GROUP	COMPANY
	RM'000	RM'000
Net profit after taxation and zakat	251,538	155,755
Minority interests	(15,892)	-
Net profit for the financial year	235,646	155,755

DIVIDENDS

The dividends paid or declared by the Company since 31 December 2004 were as follows:

	RM'000
In respect of the financial year ended 31 December 2004 as shown in the directors' report for that financial year:	
First and final dividend of 1.0 sen gross per share, less 28% income tax, paid on 14 May 2005	8,676
In respect of the financial year ended 31 December 2005:	
Interim dividend of 2.0 sen per share, less 28% income tax, paid on 28 September 2005	17,404

The directors now recommend the payment of a final dividend of 2.0 sen gross per share, less 28% income tax, amounting to RM17,444,000 which is subject to the approval of members at the forthcoming Annual General Meeting of the Company.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements and notes to the financial statements.

Directors' Report (Cont'd)

ISSUE OF SHARES

During the financial year, the following ordinary shares of RM1 each were issued by the Company:

Date	Terms of issue	Class of shares	Purpose	Number of shares '000
2 January 2005 to 30 December 2005	At RM1.00 per share	Ordinary	Shares issued pursuant to the exercise of the Company's Employee Share Option Scheme ('ESOS') by eligible employees in the Group	15,444
31 January 2005	At RM2.00 per share	Ordinary	In consideration for the acquisition of 128,178,454 ordinary shares in AFFIN-ACF Holdings Berhad pursuant to the Scheme of Arrangement	160,223

The new ordinary shares issued during the year ranked *pari passu* in all respects with the existing ordinary shares of the Company.

EMPLOYEE SHARE OPTION SCHEME

The Company's Employee Share Option Scheme ('ESOS') is governed by the by-laws which were approved by the shareholders on 30 April 2003. Details of the ESOS are set out in Note 26 to the financial statements.

The Company has been granted an exemption by the Companies Commission of Malaysia ('CCM') from having to disclose in the report the name of persons to whom options have been granted during the period and details of their holdings. The information has been separately filed with CCM.

WARRANT 1995/2005

On 22 February 1995, RM255,000,000 nominal amount of 4% 5-year redeemable bank guaranteed bonds with 102,056,445 detachable warrants ('AFFIN Warrants 1995/2000') were issued to the primary subscriber on a bought deal basis.

The rights to allotment of 102,056,445 AFFIN Warrants 1995/2000 were offered for sale by the primary subscriber at an offer price of 47.3 sen per warrant on the basis of one warrant for every 5 ordinary shares held in the Company. Each warrant entitles its holder the option to subscribe for one ordinary share of RM1.00 each in the Company at any time during the exercise period of five years commencing on the date of the issue of warrants subject to adjustment in accordance with the provisions of the Deed Poll. The initial exercise price of AFFIN Warrants 1995/2000 was RM3.75.

On 18 June 1999, the shareholders of the Company and the AFFIN Warrant 1995/2000 holders approved the extension of the exercise period of the warrants for a further 5 years and a Supplemental Deed Poll dated 8 July 1999 was executed to reflect the extension of the exercise period of the AFFIN Warrants 1995/2000 until 15 May 2005 ('AFFIN Warrants 1995/2005').

On 13 June 2000, the Company issued new ordinary shares by way of rights issue. Accordingly, the exercise price and the number of the AFFIN Warrants 1995/2005 were revised to RM3.38 and 114,121,376 respectively as required by the Deed Poll.

The Warrants 1995/2005 expired on 13 May 2005 and there was no exercise of AFFIN Warrants 1995/2005 to take up unissued ordinary shares of RM1.00 each in the Company during the financial year.

Directors' Report (Cont'd)

WARRANT 1995/2005 (Cont'd)

	Number of AFFIN Warrants 1995/2005
As at 1 January 2005	114,121,376
Expired during the year	(114,121,376)
As at 31 December 2005	-

WARRANT 1997/2007

On 19 September 1997, RM240,000,000 nominal amount of 2% 5-year redeemable bank guaranteed bonds with 54,403,401 detachable warrants ('AFFIN Warrants 1997/2002') were issued to the primary subscriber on a bought deal basis.

The rights to allotment of 54,403,401 AFFIN Warrants 1997/2002 were offered for sale by the primary subscriber at an offer price of 1.13 sen per warrant on the basis of one warrant for every 10 ordinary shares held in the Company. The initial exercise price of AFFIN Warrants 1997/2002 was RM4.15.

On 18 June 1999, the shareholders of the Company and the AFFIN Warrant 1997/2002 holders approved the extension of the exercise period of the warrants for a further 5 years and a Supplemental Deed Poll dated 8 July 1999 was executed to reflect the extension of the exercise period of the AFFIN Warrants 1997/2002 to expire on 18 September 2007 ('AFFIN Warrants 1997/2007').

On 13 June 2000, the Company issued new ordinary shares by way of rights issue. Accordingly, the exercise price and the number of the AFFIN Warrants 1997/2007 were revised to RM3.74 and 61,258,223 respectively as required by the Deed Poll.

During the financial year, there was no exercise of AFFIN Warrants 1997/2007 to take up unissued ordinary shares of RM1.00 each in the Company.

	Number of AFFIN Warrants 1997/2007
At 1 January 2005/At 31 December 2005	61,258,223

WARRANT 2000/2010

On 8 July 2000, the Company issued 153,775,702 new warrants ('AFFIN Warrants 2000/2005') at no cost together with the rights issue exercise on the basis of 1 new AFFIN Warrant 2000/2005 for every four ordinary shares held. The exercise price of the AFFIN Warrants 2000/2005 was RM3.10 and will expire on 7 July 2005. On 26 November 2004, the shareholders of the Company and the holders of AFFIN Warrant 2000/2005 approved the extension of the exercise period for a further 5 years and a Supplement Deed Poll dated 26 November 2004 was executed to reflect the extension of the exercise period of the AFFIN Warrants 2000/2005 to expire on 7 July 2010 ('AFFIN Warrants 2000/2010'). The exercise price of the AFFIN Warrants 2000/2010 remains at RM3.10.

During the financial year, there was no exercise of AFFIN Warrants 2000/2010 to take up unissued ordinary shares of RM1.00 each in the Company.

	Number of AFFIN Warrants 2000/2010
At 1 January 2005/At 31 December 2005	153,775,702

Directors' Report (Cont'd)

DIRECTORS

The directors who have held office during the period since the date of the last report are:

Gen. (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin (appointed 17 October 2005)
Gen. (R) Tan Sri Dato' Seri Ismail bin Haji Omar (resigned 17 October 2005)
Tan Sri Dato' Lodin bin Wok Kamaruddin
Raja Dato' Seri Aman bin Raja Haji Ahmad
Maj. Gen. (R) Dato' Mohamed Isa bin Che Kak
Datuk Azzat bin Kamaludin
Dato' Mustafa bin Mohamad Ali

In accordance with Article 105 of the Company's Articles of Association, Datuk Azzat bin Kamaludin and Dato' Mustafa bin Mohamad Ali retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

In accordance with Article 111 of the Company's Articles of Association, Gen (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin retires at the forthcoming Annual General Meeting and being eligible, offers himself for re-election.

Pursuant to Section 129(6) of the Companies Act, 1965, Maj. Gen. (R) Dato' Mohamed Isa bin Che Kak offers himself for re-appointment at the forthcoming Annual General Meeting.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company or its subsidiary companies is a party, with the object or objects of enabling directors of the Company to acquire benefits by means of the acquisition of shares in our debentures of the Company or any other body corporate except for the share options granted to directors of the Company by the Company, Boustead Holdings Berhad and Lembaga Tabung Angkatan Tentera.

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than directors' remuneration as disclosed in Note 33 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interest of directors in office at the end of the financial year in shares, warrants and options over shares in the Company and its related corporations are as follows:

The Company	NUMBER OF ORDINARY SHARES OF RM1 EACH			
	At 1.1.2005	Bought	Sold	At 31.12.2005
Tan Sri Dato' Lodin bin Wok Kamaruddin	8,714*	-	-	8,714*
Raja Dato' Seri Aman bin Raja Haji Ahmad	55,500	-	-	55,500
Datuk Azzat bin Kamaludin	110,000	-	-	110,000

* Shares held in trust by nominee company

Directors' Report (Cont'd)

DIRECTORS' INTERESTS (Cont'd)

Related Companies	NUMBER OF ORDINARY SHARES OF RM1 EACH			
	At 1.1.2005	Bought	Sold	At 31.12.2005
<u>Boustead Holdings Berhad</u>				
Tan Sri Dato' Lodin bin Wok Kamaruddin	3,600,000	6,500,000	7,200	10,092,800
<u>Boustead Properties Berhad</u>				
Datuk Azzat bin Kamaludin	5,000	-	-	5,000
<u>UAC Berhad</u>				
Raja Dato' Seri Aman bin Raja Haji Ahmad	2,500	-	-	2,500

The Company	NUMBER OF WARRANTS 1995/2005				
	At 1.1.2005	Bought	Sold	Expired	At 31.12.2005
Raja Dato' Seri Aman bin Raja Haji Ahmad	3,378	-	-	3,378	-
Maj. Gen. (R) Dato' Mohamed Isa bin Che Kak	3,378	-	-	3,378	-

Each of the above warrant of the Company ('AFFIN Warrants 1995/2005') entitles the registered holder to subscribe for one new ordinary share of RM1.00 each in the Company at any time from the date of issue of 16 May 1995 at the exercise price of RM3.38 per share. The exercise period of the AFFIN Warrants 1995/2005 expired on 13 May 2005.

The Company	NUMBER OF WARRANTS 2000/2010			
	At 1.1.2005	Bought	Sold	At 31.12.2005
Tan Sri Dato' Lodin bin Wok Kamaruddin	1,500	-	-	1,500
Raja Dato' Seri Aman bin Raja Haji Ahmad	9,250	-	-	9,250
Datuk Azzat bin Kamaludin	22,500	-	-	22,500

Each warrant of the Company ('AFFIN Warrants 2000/2005') entitles the registered holder to subscribe for one new ordinary share of RM1.00 each in the Company at any time from the date of issue of 8 July 2000 at the exercise price of RM3.10 per share. The original exercise period of the AFFIN Warrants 2000/2010 was to expire on 7 July 2005. During the financial year 2005, AFFIN Warrants 2000/2005 was extended for another five years and will expire on 7 July 2010 ('AFFIN Warrants 2000/2010').

The Company	OPTIONS OVER ORDINARY SHARES OF RM1 EACH				
	At 1.1.2005	Granted	Exercised	Expired	At 31.12.2005
Tan Sri Dato' Lodin bin Wok Kamaruddin	-	800,000	-	-	800,000**
Raja Dato' Seri Aman bin Raja Haji Ahmad	150,000	-	-	-	150,000***

** This option was granted by the Company under its Employee Share Option Scheme at the option price of RM1.41 per share and will expire on 13 February 2008.

*** This option was granted by the Company under its Employee Share Option Scheme at the option price of RM1.00 per share and will expire on 13 February 2008.

Directors' Report (Cont'd)

DIRECTORS' INTERESTS (Cont'd)

Related Company	OPTIONS OVER ORDINARY SHARES OF 50 SEN EACH				At 31.12.2005
	At 1.1.2005	Granted	Exercised	Expired	
<u>Boustead Holdings Berhad</u>					
Tan Sri Dato' Lodin bin Wok Kamaruddin	400,000	-	-	-	400,000 [#]
	6,500,000	-	(6,500,000)	-	- ^{##}

This option was granted by Boustead Holdings Berhad under its Employee Share Option Scheme at RM0.94 per share. The option will expire on 22 July 2006.

This is a five-year option granted by LTAT to acquire 9,500,000 Boustead Holdings Berhad shares from LTAT at RM1.61 per share, out of which 3,000,000 options had been exercised in year 2004. The remaining 6,500,000 options was exercised during the financial year.

Other than the above, the directors in office at the end of the financial year did not have any other interest in the shares, warrants and options over shares in the Company or its related companies during the financial year.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements of the Group and the Company were made out, the directors took reasonable steps:

- to ascertain that action had been taken in relation to the writing off of bad debts and financing and the making of allowance for doubtful debts and financing and satisfied themselves that all known bad debts had been written off and that adequate allowances had been made for doubtful debts and financing; and
- to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business, their value as shown in the accounting records of the Group and the Company, have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances:

- which would render the amounts written off for bad debts and financing or the amount of allowance for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent; or
- which would render the values attributed to current assets in the financial statements of the Group and the Company misleading; or
- which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

At the date of this report, there does not exist:

- any charge on the assets of the Group and the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- any contingent liability of the Group and the Company which has arisen since the end of the financial year.

Directors' Report (Cont'd)

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (Cont'd)

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group or the Company to meet their obligations when they fall due.

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

In the opinion of the directors,

- (a) the results of the Group's and the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature except as disclosed in Notes 44 and 51 to the financial statements; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to substantially affect the results of the operations of the Group or the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 44 to the financial statements.

ULTIMATE HOLDING CORPORATE BODY

The directors regard Lembaga Tabung Angkatan Tentera, a corporate body established under the Tabung Angkatan Tentera Act, 1973, as the ultimate holding corporate body of the Company.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

In accordance with a resolution of the Board of Directors dated 10 March 2006.

Tan Sri Dato' Lodin bin Wok Kamaruddin
Director

Maj. Gen. (R) Dato' Mohamed Isa bin Che Kak
Director

Kuala Lumpur

Balance Sheets

31 December 2005

	Note	GROUP		COMPANY	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
ASSETS					
Cash and short term funds	2	3,344,911	4,023,387	120,525	43,026
Deposits and placements with financial institutions	3	323,922	198,969	389	25,285
Securities held-for-trading	4	1,300,447	2,225,084	-	-
Securities available-for-sale	5	4,890,256	3,613,513	-	-
Securities held-to-maturity	6	1,577,699	3,330,694	-	-
Loans, advances and financing	7	16,973,209	16,857,641	-	-
Statutory deposits with Bank Negara Malaysia	8	665,715	750,386	-	-
Investment in subsidiaries	9	-	-	3,484,096	2,695,981
Amount due from subsidiaries	10	-	-	18,319	35,578
Associates	11	84,935	64,679	10,597	10,597
Amount due from associate	11	-	1,440	-	1,440
Trade debtors	12	137,063	115,937	-	-
Other assets	13	345,054	244,728	44,021	2,554
Deferred taxation assets	23	156,173	229,715	-	-
Property, plant and equipment	14	310,545	276,292	532	323
Land held for sale	15	89,280	59,435	-	-
Goodwill on consolidation	16	989,260	863,882	-	-
TOTAL ASSETS		31,188,469	32,855,782	3,678,479	2,814,784
LIABILITIES, SHAREHOLDERS' EQUITY AND MINORITY INTERESTS					
Deposits from customers	17	21,464,544	21,519,489	-	-
Deposits and placements of banks and other financial institutions	18	1,174,270	2,628,236	-	-
Obligation on securities sold under repurchase agreements		1,476,889	875,942	-	-
Bills and acceptances payable		480,574	613,208	-	-
Trade creditors	19	116,857	75,892	-	-
Recourse obligation on loans sold to Cagamas Berhad	20	1,241,160	1,726,079	-	-
Other liabilities	21	804,131	960,535	8,882	9,622
Amount due to subsidiaries	22	-	-	563,870	-
Deferred taxation liabilities	23	151	406	-	-
Redeemable bonds	24	-	240,000	-	240,000
Borrowings	25	1,223,461	1,149,073	693,530	618,530
TOTAL LIABILITIES		27,982,037	29,788,860	1,266,282	868,152

Balance Sheets (Cont'd)
31 December 2005

	Note	GROUP		COMPANY	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Share capital	26	1,211,388	1,035,721	1,211,388	1,035,721
Share premium		1,063,541	903,318	1,063,541	903,318
Reserves	27	931,503	747,923	137,268	7,593
SHAREHOLDERS' EQUITY		3,206,432	2,686,962	2,412,197	1,946,632
MINORITY INTERESTS		-	379,960	-	-
TOTAL LIABILITIES, SHAREHOLDERS' EQUITY AND MINORITY INTERESTS		31,188,469	32,855,782	3,678,479	2,814,784
COMMITMENTS AND CONTINGENCIES	40 (c)	25,198,256	28,246,791	-	-

The accounting policies on pages 51 to 60 and the notes on pages 61 to 162 form an integral part of these financial statements.

Income Statements

For the Financial Year Ended 31 December 2005

	Note	GROUP		COMPANY	
		2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Interest income	28	1,384,200	1,448,121	6,775	3,210
Interest expenses	29	(664,395)	(758,338)	-	-
Net interest income		719,805	689,783	6,775	3,210
Islamic Banking income	30	97,922	100,649	-	-
		817,727	790,432	6,775	3,210
Other operating income	31	293,068	301,199	267,420	75,349
		1,110,795	1,091,631	274,195	78,559
Other operating expenses	32	(526,751)	(536,824)	(6,058)	(4,636)
Operating profit before loan and financing loss and provision		584,044	554,807	268,137	73,923
Allowances for losses on loans and financing	34	(222,611)	(111,566)	-	-
Impairment loss	35	(6,783)	(62,152)	-	-
Transfer from/(to) profit equalisation reserve		2,340	(6,930)	-	-
Operating profit		356,990	374,159	268,137	73,923
Finance cost	36	(50,709)	(59,326)	(49,893)	(58,419)
Share in profit of associates		25,091	16,561	-	-
Profit before taxation and zakat		331,372	331,394	218,244	15,504
Zakat		(3,099)	(2,403)	-	-
Taxation	37	(76,735)	(78,048)	(62,489)	(11,152)
Net profit after taxation and zakat		251,538	250,943	155,755	4,352
Minority interests		(15,892)	(18,777)	-	-
Net profit for the financial year		235,646	232,166	155,755	4,352
Earnings per share (sen)	38				
- Basic		19.66	22.90		
- Fully diluted		19.37	22.65		
Dividends per ordinary share					
3.0 sen (2004: 0.5 sen) gross per share, less tax of 28%	39	2.16	0.36		

The accounting policies on pages 51 to 60 and the notes on pages 61 to 162 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the Financial Year Ended 31 December 2005

Issued and fully paid share capital
ordinary shares of RM/1 each

GROUP	Note	Number of shares '000	Nominal value RM'000	Share premium RM'000	Statutory reserves RM'000	Investment fluctuation reserves RM'000	Other reserves RM'000	Retained profits RM'000	Total RM'000
At 1 January 2005									
As previously reported		1,035,721	1,035,721	903,318	391,642	-	944	331,513	2,663,138
Prior year adjustments	51	-	-	-	5,090	14,496	-	4,238	23,824
As restated		1,035,721	1,035,721	903,318	396,732	14,496	944	335,751	2,686,962
Issue of share capital:									
- pursuant to the exercise of Employees Share Option Scheme		15,444	15,444	-	-	-	-	-	15,444
- in consideration for the acquisition of 128,178,454 ordinary shares in AFFIN-ACF Holdings Berhad pursuant to the Scheme of Arrangement		160,223	160,223	160,223	-	-	-	-	320,446
Net change in fair value of securities available-for-sale		-	-	-	-	(25,986)	-	-	(25,986)
Net profit for the financial year		-	-	-	-	-	-	235,646	235,646
Transfer to statutory reserves		-	-	-	95,773	-	-	(95,773)	-
Transfer of statutory reserve to retained profits upon cessation of the finance company operations of a subsidiary		-	-	-	(127,836)	-	-	127,836	-
Dividends paid	39	-	-	-	-	-	-	(26,080)	(26,080)
At 31 December 2005		1,211,388	1,211,388	1,063,541	364,669	(11,490)	944	577,380	3,206,432

Consolidated Statement of Changes in Equity (Cont'd)

For the Financial Year Ended 31 December 2005

GROUP	Note	Number of shares '000	Nominal value RM'000	Share premium RM'000	Statutory reserves RM'000	Investment fluctuation reserves RM'000	Other reserves RM'000	Retained profits RM'000	Total RM'000
At 1 January 2004									
As previously reported		993,488	993,488	903,318	270,091	-	2,820	224,625	2,394,342
Prior year adjustments	51	-	-	-	3,170	(18,040)	-	4,193	(10,677)
As restated		993,488	993,488	903,318	273,261	(18,040)	2,820	228,818	2,383,665
Issue of share capital:									
- pursuant to the exercise of Employees Share Option Scheme		42,233	42,233	-	-	-	-	-	42,233
Net change in fair value of securities available-for-sale		-	-	-	-	32,536	-	-	32,536
Currency translation realised upon disposal of foreign subsidiary by associate		-	-	-	-	-	(1,876)	1,876	-
Net profit for the financial year		-	-	-	-	-	-	232,166	232,166
Transfer to statutory reserves		-	-	-	123,471	-	-	(123,471)	-
Dividends paid	39	-	-	-	-	-	-	(3,638)	(3,638)
At 31 December 2004		1,035,721	1,035,721	903,318	396,732	14,496	944	335,751	2,686,962

The accounting policies on pages 51 to 60 and the notes on pages 61 to 162 form an integral part of these financial statements.

Company Statement of Changes in Equity

For the Financial Year Ended 31 December 2005

Issued and fully paid share capital ordinary shares of RM1 each						
COMPANY	Note	Number of shares '000	Nominal value RM'000	Share premium RM'000	Retained profits RM'000	Total RM'000
At 1 January 2005		1,035,721	1,035,721	903,318	7,593	1,946,632
Issue of share capital:						
- pursuant to the exercise of Employees Share Option Scheme		15,444	15,444	-	-	15,444
- in consideration for the acquisition of 128,178,454 ordinary shares in AFFIN-ACF Holdings Berhad pursuant to the Scheme of Arrangement		160,223	160,223	160,223	-	320,446
Net profit for the financial year		-	-	-	155,755	155,755
Dividends paid	39	-	-	-	(26,080)	(26,080)
At 31 December 2005		1,211,388	1,211,388	1,063,541	137,268	2,412,197
At 1 January 2004		993,488	993,488	903,318	6,879	1,903,685
Issue of share capital:						
- pursuant to the exercise of Employees Share Option Scheme		42,233	42,233	-	-	42,233
Net profit for the financial year		-	-	-	4,352	4,352
Dividends paid	39	-	-	-	(3,638)	(3,638)
At 31 December 2004		1,035,721	1,035,721	903,318	7,593	1,946,632

The accounting policies on pages 51 to 60 and the notes on pages 61 to 162 form an integral part of these financial statements.

Consolidated Cash Flow Statement

For the Financial Year Ended 31 December 2005

	2005 RM'000	2004 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation and zakat	331,372	331,394
Adjustments for items not involving the movement of cash and cash equivalents:		
Gain on disposal/redemption of securities:		
- held-for-trading	(331)	(20,623)
- available-for-sale	(27,634)	(37,536)
- held-to-maturity	(8,083)	(35,899)
Amortisation of premium net of accretion of discount	(64,813)	(36,887)
(Write back)/allowance of impairment loss:		
- securities available-for-sale	10,174	15,360
- securities held-to-maturity	(3,552)	2,515
- property, plant & equipment	161	44,277
Unrealised loss on revaluation of securities held-for-trading	226	15,183
Unrealised (gain)/loss on revaluation of derivatives	(7,319)	2,775
Gain on disposal of property, plant and equipment	(4,447)	(2,800)
Property, plant and equipment written-off	2,581	1,338
Depreciation of property, plant and equipment	41,353	55,109
Share of associated company's profit	(25,091)	(16,561)
Allowance for bad and doubtful debts and financing	358,273	229,356
Allowance for bad and doubtful debts		
- trade debtors	1,291	482
- other debtors	693	1,035
Provision for retirement benefits	-	904
Provision on amounts recoverable from Danaharta	-	1,510
Bad debts written off	3,677	4,235
Transfer (from)/to profit equalisation reserve	(2,340)	6,930
OPERATING PROFIT BEFORE CHANGES IN WORKING CAPITAL	606,191	562,097
INCREASE/DECREASE IN OPERATING ACTIVITIES		
<i>(Increase)/decrease in operating assets:</i>		
Deposits and placements with financial institutions	(124,953)	568,778
Securities held-for-trading	924,742	(577,448)
Loans, advances and financing	(477,518)	(480,598)
Statutory deposits with Bank Negara Malaysia	84,671	(28,178)
Trade debtors	(22,417)	20,183
Other assets	36,011	309,977
Land held for sale	(29,845)	(59,435)
<i>Increase/(decrease) in operating liabilities:</i>		
Deposits from customers	(54,945)	(1,674,684)
Deposits and placements of banks and other financial institutions	(1,453,966)	(1,150,899)
Bills and acceptances payable	(132,634)	(82,260)
Trade creditors	40,965	3,315

Consolidated Cash Flow Statement (Cont'd)
For the Financial Year Ended 31 December 2005

	2005 RM'000	2004 RM'000
INCREASE/DECREASE IN OPERATING ACTIVITIES (Cont'd)		
<i>Increase/(decrease) in operating liabilities: (Cont'd)</i>		
Recourse obligation on loans sold to Cagamas Berhad	(484,919)	(215,215)
Obligation on securities sold under repurchase agreements	600,947	382,988
Other creditors	(228,924)	136,026
Cash used in operations	(716,594)	(2,285,353)
Taxation and zakat paid	(51,887)	(54,166)
Tax refund	-	9,410
NET CASH USED IN OPERATING ACTIVITIES	(768,481)	(2,330,109)
CASH FLOW FROM INVESTING ACTIVITIES		
Net purchase of securities available-for-sale	(1,293,747)	(705,762)
Net disposal of securities held-to-maturity	1,829,443	1,887,379
Proceeds from disposal of property, plant and equipment	10,655	5,461
Purchase of property, plant and equipment	(84,555)	(28,573)
Dividends received from associated company	1,440	9,216
Cash consideration for acquisition of additional interest in subsidiaries	(186,627)	(48,530)
NET CASH GENERATED FROM INVESTING ACTIVITIES	276,609	1,119,191
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in borrowings	74,388	31,823
Dividends paid to minority interests	(5,669)	(11,610)
Dividends paid	(26,080)	(3,638)
Proceeds from issue of shares	15,444	42,233
Redemption of bonds	(240,000)	(100,000)
NET CASH USED IN FINANCING ACTIVITIES	(181,917)	(41,192)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(673,789)	(1,252,110)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,999,993	5,252,103
CASH AND CASH EQUIVALENTS AT END OF YEAR	3,326,204	3,999,993
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and short term funds (Note 2)	3,344,911	4,023,387
Adjustment for money held in trust on behalf of clients and remisiers	(18,707)	(23,394)
	3,326,204	3,999,993

The accounting policies on pages 51 to 60 and the notes on pages 61 to 162 form an integral part of these financial statements.

Company Cash Flow Statement

For the Financial Year Ended 31 December 2005

	2005 RM'000	2004 RM'000
<hr/>		
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation and zakat	218,244	15,504
Adjustments for items not involving the movement of cash and cash equivalents:		
Gross dividends from subsidiaries	(267,390)	(60,473)
Gross dividends from associate	-	(14,800)
Depreciation of property, plant and equipment	71	56
<hr/>		
OPERATING LOSS BEFORE CHANGES IN WORKING CAPITAL	(49,075)	(59,713)
INCREASE/DECREASE IN OPERATING ACTIVITIES		
<i>(Increase)/decrease in operating assets:</i>		
Deposits and placements with financial institutions	24,896	(17,875)
Other assets	(4,479)	2,595
<i>Increase/(decrease) in operating liabilities:</i>		
Other creditors	(740)	2,376
<hr/>		
Cash used in operations	(29,398)	(72,617)
Tax refund	-	9,410
<hr/>		
NET CASH USED IN OPERATING ACTIVITIES	(29,398)	(63,207)
<hr/>		
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(280)	(64)
Dividends received from subsidiaries	280,120	26,215
Dividends received from associated company	1,440	9,216
Net cash movement in amount due from subsidiaries	187,880	29,770
Cash consideration for acquisition of additional interest in subsidiaries	(186,627)	(48,530)
<hr/>		
NET CASH GENERATED FROM INVESTING ACTIVITIES	282,533	16,607
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Company Cash Flow Statement (Cont'd)
For the Financial Year Ended 31 December 2005

	2005 RM'000	2004 RM'000
<hr/>		
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in borrowings	75,000	18,530
Dividends paid	(26,080)	(3,638)
Proceeds from issue of shares	15,444	42,233
Redemption of bonds	(240,000)	-
<hr/>		
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	(175,636)	57,125
<hr/>		
NET INCREASE IN CASH AND CASH EQUIVALENTS	77,499	10,525
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	43,026	32,501
<hr/>		
CASH AND CASH EQUIVALENTS AT END OF YEAR	120,525	43,026
<hr/>		
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and short term funds (Note 2)	120,525	43,026
<hr/>		

The accounting policies on pages 51 to 60 and the notes on pages 61 to 162 form an integral part of these financial statements.

Summary of Significant Group Accounting Policies

For the Financial Year Ended 31 December 2005

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies in accordance with the Malaysian Accounting Standard Board ('MASB') approved accounting standards in Malaysia, Bank Negara Malaysia Guidelines, Syariah requirements and the provisions of the Companies Act, 1965.

The financial statements incorporate those activities relating to Islamic Banking which have been undertaken by the Group. Islamic Banking refers generally to the acceptance of deposits and granting of financing under the Syariah principles.

There are no significant changes in the accounting policies during the year, except for the adoption of the revised guidelines on Financial Reporting for Licensed Institution ('BNM/GP8') issued by Bank Negara Malaysia ('BNM'). The guideline has been applied retrospectively and the effect and details of the prior year adjustments are disclosed in the Consolidated Statement of Changes in Equities and Note 51 to the financial statements. BNM has granted deferment to the AFFIN Holdings Berhad Group from complying with the requirement on the impairment of loans under the revised BNM/GP8 as AFFIN Holdings Berhad Group is deemed complied with the revised BNM/GP8 if the specific allowance and general allowance for bad and doubtful debts and financing are in conformity with the 'Guidelines on the Classification of Non-Performing Loans and Provision for Sub-Standard, Bad and Doubtful Debts' ('BNM/GP3') requirements.

The preparation of financial statements in conformity with the provisions of the Companies Act, 1965 and the MASB approved accounting standards in Malaysia requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results may differ from these estimates.

2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the financial year. All material intercompany and intragroup transactions and balances have been eliminated on consolidation and the consolidated financial statements reflect external transactions only. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. Subsidiaries are consolidated using the acquisition method of accounting or the merger method of accounting.

The Group has taken advantage of exemption provided by FRS 122 to apply this Standard prospectively. Accordingly, business combinations entered into prior to 1 January 2002 have not been restated to comply with this Standard.

Under the acquisition method of accounting, the results of the subsidiaries acquired or disposed of during the year are included from the date of acquisition up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements. The difference between the acquisition cost and the fair values of the subsidiaries' net assets is reflected as goodwill or capital reserve on consolidation.

Under the merger method of accounting, the results of the subsidiaries are presented as if the merger had been effected throughout the current and previous financial years. On consolidation, the difference between the carrying value of the investment over the nominal value of shares acquired is taken to merger reserve.

Minority interest is measured at the minorities' share of post acquisition fair values of the identifiable assets and liabilities of the acquiree. Separate disclosure is made for minority interest.

Summary of Significant Group Accounting Policies (Cont'd)

For the Financial Year Ended 31 December 2005

3 GOODWILL/CAPITAL RESERVE ARISING ON CONSOLIDATION

Goodwill arising on consolidation represents the excess of the purchase price over the fair value of the net assets of subsidiaries at the date of acquisition. The amount retained in the consolidated balance sheet is stated at cost less any impairment losses.

At each balance sheet date, the Group assesses whether there is any indication of impairment in goodwill. If such indications exist, an analysis is performed to assess whether the carrying amount of goodwill is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

Capital reserve on consolidation represents the excess of the fair value of the net assets of subsidiaries over the purchase price. The amount is retained in the consolidated balance sheet and is not distributable until the disposal of the subsidiaries.

4 SUBSIDIARIES

Subsidiaries are companies over which the Group either directly or indirectly, has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Investment in subsidiaries are stated at cost or directors' valuation, less any impairment losses. At each balance sheet date, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the investment is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. Any subsequent increase in recoverable amount is recognised in the income statement.

5 ASSOCIATES

Associates are those companies in which a long term equity interest between 20% and 50% is held and where the Group is in a position to exercise significant influence through management participation. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not control over those policies.

The Group equity accounts for its share of the post-acquisition results in the income statement and its share of post acquisition movements within reserves in reserves.

Investment in associates are stated at cost or directors' valuation, less any impairment losses. At each balance sheet date, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the investment is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. Any subsequent increase in recoverable amount is recognised in the income statement.

6 INCOME RECOGNITION

(i) Interest / financing income

Interest income and financing income are recognised on an accrual basis. Income on hire-purchase, block discounting and leasing business are recognised on the "sum-of-digits" method, so as to produce a constant periodic rate of interest.

Customers' accounts are generally classified as non-performing where repayments are in arrears for six months or more from the first day of default for loans and financing and overdrafts, immediately after maturity date or until after three months from the first day of default for trade bills, bankers' acceptances and trust receipts and other instruments of similar nature.

Summary of Significant Group Accounting Policies (Cont'd)

For the Financial Year Ended 31 December 2005

6 INCOME RECOGNITION (Cont'd)

(i) Interest / financing income (Cont'd)

Interest accrued and recognised as income prior to the date the loans are classified as non-performing shall be reversed out of income by debiting the interest income in the income statement and crediting the accrued interest receivable account in the balance sheet. Subsequently, interest earned on non-performing loans shall be recognised as income on a cash basis, instead of being accrued and suspended at the same time as prescribed previously.

Islamic financing income is recognised on an accrual basis in accordance with the Syariah principles. Al-Ijarah Thumma Al-Bai ('AITAB') financing income recognised using the "sum-of-digit" method over the lease terms, whilst Al-Bai Bithaman Ajil ('BBA'), Al-Murabahah, Al-Istisna and Bai Al-Inah financing income is recognised on a monthly basis over the period of the financing contracts, based on an agreed profit at the inception of such contracts.

Interest income from securities portfolio is recognised on an accrual basis using the effective interest method. The interest income includes coupons earned and accrued discount and amortisation of premium on these securities.

(ii) Fees and other income

Fees and other profit from Islamic Banking business is recognised on an accrual basis in accordance with the principles of Syariah.

Loan arrangement fees and commissions are recognised as income when all conditions precedent are fulfilled.

Portfolio management fees, commitment fees, guarantee fees, agency fees and commissions are recognised as income on a time apportionment basis.

Corporate advisory fees, project feasibility study, management and participation fees, acceptance and underwriting commissions are recognised as income where progress payments are agreed, by reference to the stage of completion.

Brokerage income is recognised on execution of contract. Interest income and other fee income are recognised on an accrual basis. Where debtors are classified as doubtful or bad, interest income is suspended until it is realised on a cash basis as laid down in the Rules of the Bursa Malaysia Securities Berhad ('Bursa Securities').

Dividends from securities portfolio are recognised when received.

Dividends from subsidiaries and associates are included in the income statement when the shareholders' right to receive payment is established.

7 INTEREST, FINANCING AND RELATED EXPENSE RECOGNITION

Interest expense and attributable profit on deposits and borrowings are expensed as incurred.

Dealers' handling fees on hire purchase are charged to income statement in the period when they are incurred in accordance with Bank Negara Malaysia's circular dated 8 August 2003.

Summary of Significant Group Accounting Policies (Cont'd)

For the Financial Year Ended 31 December 2005

8 ALLOWANCE FOR BAD AND DOUBTFUL DEBTS AND FINANCING

Specific allowances are made for doubtful debts and financing which have been individually reviewed and specifically identified as bad, doubtful or sub-standard. A general allowance based on a percentage of the loan and financing portfolio is also made to cover possible losses which are not specifically identified.

An uncollectible loan and financing or portion of a loan and financing classified as bad is written off after taking into consideration the realisable value of collateral, if any, when in the judgement of the management, there is no prospect of recovery.

The Group's allowance for bad and doubtful debts and financing is in conformity with the minimum requirements of Bank Negara Malaysia's guidelines on the classification of non-performing loans and provision for sub-standard, bad and doubtful debts as well as the requirements for allowance for bad and doubtful debts as laid down in the Rules of the Bursa Malaysia Securities Berhad.

9 REPURCHASE AGREEMENTS

Securities purchased under resale agreements are securities which were purchased with a commitment to resell at future dates. The commitment to resell the securities is reflected as an asset on the balance sheet.

Conversely, obligation on securities sold under repurchase agreements are securities which have been sold from its portfolio, with a commitment to repurchase at future dates. Such financing transactions and the obligation to re-purchase the securities are reflected as a liability on the balance sheet.

The difference between the sale and repurchase price as well as the purchase and resale price is treated as interest and accrued over the life of the repurchase agreement using the effective yield method.

10 SECURITIES

The Group classifies its securities portfolio into the following categories: securities held-for-trading, securities available-for-sale and securities held-to-maturity. Classification of the securities is determined at initial stage.

a) Securities held-for-trading

Securities are classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or it is part of a portfolio of identified securities that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Securities held-for-trading are stated at fair value. Any unrealised gain or loss arising from the change in fair value or arising from sale of such securities are recognised in the income statement.

b) Securities available-for-sale

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

These securities are initially recognised at fair value. Investments in equity instruments where there is no quoted market price in an active market and whose fair value cannot be reliably measured, will be stated at cost.

Any gains or losses arising from the change in fair value adjustments are recognised directly in equity through the statement of changes in equity except for impairment losses and foreign exchange gains or losses. When the financial asset is derecognised, the cumulative gains or losses previously recognised in equity shall be transferred to the income statement.

Summary Of Significant Group Accounting Policies (Cont'd)

For The Financial Year Ended 31 December 2005

10 SECURITIES (Cont'd)

b) Securities available-for-sale (Cont'd)

Impairment of securities available-for-sale is assessed when there is an objective evidence of impairment. Cumulative unrealised losses that had been recognised directly in equity shall be removed and recognised in income statement even though the securities have not been derecognised. Impairment loss in addition to the above unrealised losses is also recognised in the income statement. Subsequent reversal of impairment on debt instrument in the income statement is allowed when the decrease in impairment can be related objectively to an event occurring after the impairment was recognised.

Impairment losses recognised in income statement for investments in equity instruments shall not be reversed.

c) Securities held-to-maturity

Securities held-to-maturity are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity, as well as those instruments allowed by BNM. In accordance with BNM/GP8 issued by the Bank Negara Malaysia on 5 October 2004, the following instruments may be classified as securities held-to-maturity and measured at cost:

- i) equity securities held as investment in organisations which are set up for socio-economic reasons; and
- ii) equity instruments received as a result of loan restructuring or loan conversion, where there is no quoted market price in an active market and whose fair value cannot be reliably measured.

Securities held-to-maturity are measured at amortised cost using the effective interest method. Gains or losses are recognised in income statement when the securities are derecognised or impaired and through the amortisation process.

Any sale or reclassification of more than an insignificant amount of securities held-to-maturity before maturity will result in the remaining securities being reclassified as available-for-sale.

Impairment of securities held-to-maturity is assessed when there is an objective evidence of impairment.

i) Securities carried at amortised cost

The impairment loss is measured as the difference between the securities' carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. Subsequent reversal of impairment is allowed in the event of an objective decrease in impairment. Recognition of impairment losses and its reversal is made through the income statement.

ii) Securities carried at cost

The impairment loss is measured as the difference between the securities' carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for similar securities. Such impairment losses shall not be reversed.

Previously, securities held by the Group were classified as either 'Dealing' or 'Investment' securities. Under dealing securities classification, the securities were stated at the lower of cost and market value. Under investment securities classification, the securities were either stated at cost, amortised cost or market value, based on type of investments. Allowance is made for any permanent diminution in value. The impact of prior year adjustments are disclosed in Note 51 to the financial statements.

Summary of Significant Group Accounting Policies (Cont'd)

For the Financial Year Ended 31 December 2005

11 PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Freehold land and capital work-in-progress are not amortised. Leasehold land is amortised over the respective periods of the leases. All other property, plant and equipment are depreciated on a straight line basis calculated to write off each asset over the term of its estimated useful life at the following annual rates:

Buildings on freehold land	2%
Leasehold land and buildings	Amortised over 40 years to 908 years or the period of the lease whichever is greater
Renovations	10% - 20%
Furniture and equipment	10% - 33.33%
Computer equipment and software	10% - 25%
Motor vehicles	20%

At each balance sheet date, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. Any subsequent increase in the recoverable amount is recognised in the income statement.

12 ASSETS PURCHASED UNDER LEASE

Assets under lease which in substance transfer the risks and benefits of ownership of the assets to the Group are capitalised under property, plant and equipment. The assets and the corresponding lease obligations are recorded at the lower of present value of the minimum lease payments or the fair value of the leased assets at the beginning of the lease terms. Such leased assets are subject to depreciation consistent with that for depreciable assets which are owned.

Leases which do not meet such criteria are classified as operating leases and the related rentals are charged to the income statement as incurred.

13 INCOME TAXES

(i) Current taxation

The taxation charged in the income statement which comprise income tax is calculated at the current tax rate based on the estimated chargeable income for the financial year.

(ii) Deferred taxation

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from property, plant and equipment, general provision for bad and doubtful debts and tax losses carried forward. Tax rates enacted or substantively enacted at the balance sheet date are used to determine deferred tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences or unused tax losses can be utilised.

Summary of Significant Group Accounting Policies (Cont'd)

For the Financial Year Ended 31 December 2005

14 FORECLOSED PROPERTIES

Foreclosed properties are stated at cost, where an indication of impairment exists, the carrying amount of the asset is assessed. A write down is made if the carrying amount exceeds the recoverable amount. Any subsequent increase in recoverable amount is recognised in the income statement.

15 LAND HELD FOR SALE

Land held for sale is stated at cost less accumulated impairment losses. Where an indication of impairment exists, an analysis is performed to assess whether the carrying amount of the land is fully recoverable. A writedown is made if the carrying amount exceeds the recoverable amount. Any subsequent increase in recoverable amount is recognised in the income statement.

16 BILLS AND ACCEPTANCES PAYABLE

Bills and acceptances payable represent bills and acceptances rediscounted and outstanding in the market.

17 EMPLOYEE BENEFITS

Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

Defined contribution plan

The defined contribution plan is a pension plan under which the Group pays fixed contributions to the National Pension Scheme, the Employees' Provident Fund ('EPF') and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The Group's contribution to the defined contribution plan are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without any possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Equity compensation benefits

Details of the Group's Employee Share Option Scheme are set out in Note 26 to the financial statements. The Group does not make a charge to the income statement in connection with the share options granted. When the share options are exercised, the proceeds received, net of any transaction costs, are credited to share capital and share premium.

Summary of Significant Group Accounting Policies (Cont'd)

For the Financial Year Ended 31 December 2005

18 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are initially recognised at fair values on the date on which derivative contracts are entered into and are subsequently remeasured at their fair values. Fair values are obtained from quoted market prices 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 flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge). Hedge accounting is used for designated derivatives 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 on an on-going basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to income statement over the period to maturity. The adjustment to the carrying amount of a hedged equity security remains in retained earnings until the disposal of the equity security.

(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 is 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.

Previously, interest income or interest expense associated with interest rate swaps that qualify as hedges is recognised over the life of the swap agreement as a component of interest income or interest expense. Gains and losses on interest rate swaps, futures, forward and option contracts that qualify as hedges are deferred and amortised over the life of hedged assets or liabilities as adjustments to interest income or interest expense. Gains and losses on interest rate swaps, futures, forward and option contracts that do not qualify as hedges are recognised in the current financial year using the mark-to-market method and are included in the income statement. The impact of the prior year adjustment is disclosed in Note 51.

Summary of Significant Group Accounting Policies (Cont'd)

For the Financial Year Ended 31 December 2005

19 OTHER PROVISIONS

Provisions are recognised by the Group when all of the following conditions have been met:

- (i) the Group has a present legal or constructive obligation as a result of past events;
- (ii) it is probable that an outflow of resources to settle the obligation will be required; and
- (iii) a reliable estimate of the amount of obligation can be made.

20 DIVIDENDS

Dividends on ordinary shares are recognised as liabilities when shareholders' right to receive the dividends is established.

21 ZAKAT

This represents business zakat payable by the Group to comply with the principles of Syariah and as approved by the Syariah Supervisory Council. The Group only pays zakat on its business and does not pay zakat on behalf of depositors or shareholders. Zakat provision is calculated based on 2.5% of the net assets method.

22 PROFIT EQUALISATION RESERVE

Profit Equalisation Reserve ('PER') is a mechanism to reduce the fluctuations in the profit rates payable to depositors. It is provided based on the Framework of the Rate of Return issued by Bank Negara Malaysia. The amount of PER is appropriated from and written back to the total gross income. PER is reflected under 'Other Liabilities' of the Group.

23 COMPOUND FINANCIAL INSTRUMENTS

Compound financial instruments contain both a liability and equity element. The Company's compound financial instruments comprise of Warrants 1995/2005, Warrants 1997/2007 and Warrants 2000/2010. Pursuant to the transitional provision of FRS 132, the classification of compound instruments into equity and liability components need to be applied only to financial instruments that are issued during reporting period beginning on or after 1 January 2003. Accordingly, the warrants have not been classified into component parts as permitted by FRS 132.

24 CURRENCY TRANSLATION

Reporting currency

The financial statements are presented in Ringgit Malaysia.

Foreign currency transactions and balances

Foreign currency assets and liabilities are translated in the balance sheet at spot rates of exchange which closely approximate to those ruling at the balance sheet date. Income statement items are translated at rates prevailing on transaction dates. Exchange gains and losses are recognised in the income statement in the financial year they arise.

Summary of Significant Group Accounting Policies (Cont'd)

For the Financial Year Ended 31 December 2005

24 CURRENCY TRANSLATION (Cont'd)

Closing rates

The principal average closing rates used in translation of foreign currency amounts were as follows:

	2005 RM	2004 RM
<u>Foreign currency</u>		
USD 1	3.78	3.80
GBP 1	6.53	7.32
AUD 1	2.77	2.96
EUR 1	4.47	5.18
SGD 1	2.27	2.33

25 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and bank balances and short term deposits that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

Notes to the Financial Statements

31 December 2005

1 GENERAL INFORMATION

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are commercial banking and hire purchase business, merchant banking, stock-broking, discount house services, money broking and asset management business. The principal activity of the associate is general insurance business. There have been no significant changes in the nature of these activities during the financial year.

The number of employees in the Group and the Company as at 31 December 2005 was 3,906 (2004: 4,391) and 20 (2004: 11) employees respectively.

The directors regard Lembaga Tabung Angkatan Tentera, a corporate body established under the Tabung Angkatan Tentera Act, 1973, as the holding and ultimate holding corporate body of the Company.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Board of the Bursa Malaysia Securities Berhad.

2 CASH AND SHORT TERM FUNDS

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Cash and bank balances with banks and other financial institutions	125,357	133,819	231	282
Money at call and deposits placements maturing within one month	3,219,554	3,889,568	120,294	42,744
	3,344,911	4,023,387	120,525	43,026

Included in cash and short term funds of the Group are trust accounts maintained by the stock-broking subsidiary for clients and remisiers totalling RM18,707,000 (2004: RM23,394,000).

3 DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Licensed banks	215,645	128,941	-	25,285
Licensed finance companies	51,000	41,000	-	-
Licensed merchant banks	-	-	389	-
Other financial institutions	57,277	29,028	-	-
	323,922	198,969	389	25,285

Deposits placed with financial institutions amounting to RM11,574,000 (2004 : RM11,305,000) are pledged to a licensed bank as security for an overdraft facility granted to the stock-broking subsidiary company.

Notes to the Financial Statements (Cont'd)

31 December 2005

4 SECURITIES HELD-FOR-TRADING

	GROUP	
	2005 RM'000	2004 RM'000
At fair value		
Malaysian Government Securities	-	534,937
Malaysian Government Investment Issuance ('GII')	364,315	375,587
Cagamas Bonds	-	180,555
Danaharta Bonds	-	24,204
Khazanah Bonds	8,620	113,901
Bankers' Acceptance and Islamic Acceptance Bills	219,705	615,641
Bank Negara Malaysia Notes	69,796	-
Bank Negara Malaysia Bills	30,758	-
Negotiable Instruments of Deposit	99,750	50,000
Quoted Securities:		
- Private Debt Securities	-	24,999
- Shares	7,848	16,057
- Warrants	383	-
Unquoted Securities:		
- Private Debt Securities	499,272	282,726
- Shares	-	6,477
Total securities held for trading	1,300,447	2,225,084

5 SECURITIES AVAILABLE-FOR-SALE

	GROUP	
	2005 RM'000	2004 RM'000
At fair value		
Malaysian Government Securities	827,178	1,111,117
Malaysian Government Investment Issuance ('GII')	84,446	193,269
Cagamas Bonds	366,207	640,133
Khazanah Bonds	784,304	676,474
Malaysian Government Treasury Bills	232,311	-
Bank Negara Malaysia Notes	46,253	-
Bank Negara Malaysia Bills	310,327	-
Bankers' Acceptance and Islamic Acceptance Bills	589,293	170,960
Negotiable Instruments of Deposit	454,863	74,967
Negotiable Islamic Debt Certificate	225,885	-
Quoted securities:		
- Shares	136,604	152,690
- Private Debt Securities	25,420	58,585
Unquoted securities:		
- Shares	-	35
- Private Debt Securities	915,191	655,602
Allowance for impairment of securities	4,998,282 (108,026)	3,733,832 (120,319)
Total securities available-for-sale	4,890,256	3,613,513

Notes to the Financial Statements (Cont'd)

31 December 2005

5 SECURITIES AVAILABLE-FOR-SALE (Cont'd)

- (i) Included in securities available-for-sale is an amount of RM1,481,830,000 (2004: RM875,942,000) being pledged to third parties in relation to securities sold under repurchase agreements.
- (ii) The Group has also pledged securities available-for-sale amounting to RM493,374,000 (2004: RM369,000,000) in accordance with the Trust Deed of the subordinated term loans as disclosed in Note 25.

6 SECURITIES HELD-TO-MATURITY

	GROUP	
	2005 RM'000	2004 RM'000
At amortised cost		
Malaysian Government Securities	344,925	647,133
Malaysian Government Investment Issuance ('GII')	-	65,139
Cagamas Bonds	60,255	324,821
Danaharta Bonds	-	2,666
Khazanah Bonds	8,018	89,957
Bankers' Acceptance	-	245,811
Floating Rate Notes	-	76,000
Negotiable Instruments of Deposit	60,000	10,481
Quoted securities:		
- Shares	200	-
- Private Debt Securities	98,557	45,978
Unquoted securities:		
- Private Debt Securities	1,012,582	1,820,560
	1,584,537	3,328,546
At cost		
Unquoted securities:		
- Shares	65,415	65,784
- Private Debt Securities	45,881	77,392
	1,695,833	3,471,722
Allowance for impairment of securities	(118,134)	(141,028)
Total securities held-to-maturity	1,577,699	3,330,694

Notes to the Financial Statements (Cont'd)
31 December 2005

7 LOANS, ADVANCES AND FINANCING

BY TYPE	GROUP	
	2005 RM'000	2004 RM'000
Overdrafts	1,887,804	2,321,075
Term loans/financing:		
- Housing loans/financing	3,805,920	3,138,260
- Syndicated term loan/financing	167,430	180,847
- Hire purchase receivables	6,629,743	5,554,980
- Lease receivables	-	6,034
- Other term loans/financing	4,669,373	4,966,542
Bills receivable	111,565	38,729
Trust receipts	395,496	378,178
Claims on customers under acceptance credits	713,275	698,767
Staff loans/financing (of which RM NIL to Directors)	172,606	176,610
Credit/charge cards	90,545	103,779
Revolving credit	1,280,199	1,324,045
Factoring	29,605	39,547
	19,953,561	18,927,393
Less: Unearned interest and income	(1,824,467)	(1,044,955)
Gross loans, advances and financing	18,129,094	17,882,438
Less: Allowance for bad and doubtful debts and financing		
- General	(327,039)	(328,285)
- Specific	(828,846)	(696,512)
Total net loans, advances and financing	16,973,209	16,857,641

Included in term loans/financing are housing loans sold to Cagamas with recourse amounting to RM338,679,000 (2004: RM477,775,000) and hire purchase portfolio sold to Cagamas amounting to RM902,481,000 (2004: RM1,248,304,000).

BY TYPE OF CUSTOMER	GROUP	
	2005 RM'000	2004 RM'000
Domestic non-banking institutions:		
- Stockbroking companies	359	58,235
- Others	131,507	266,028
Domestic business enterprises:		
- Small medium enterprises	4,913,460	4,332,226
- Others	3,787,320	4,226,305
Government and statutory bodies	32,672	592,621
Individuals	8,893,586	8,125,951
Other domestic entities	28,506	202,291
Foreign entities	341,684	78,781
	18,129,094	17,882,438

Notes to the Financial Statements (Cont'd)
31 December 2005

7 LOANS, ADVANCES AND FINANCING (Cont'd)

	GROUP	
	2005 RM'000	2004 RM'000
BY INTEREST/ PROFIT RATE SENSITIVITY		
Fixed rate:		
- Housing loans/financing	647,714	723,590
- Hire purchase receivables	5,620,841	4,898,309
- Other fixed rate loan/financing	3,733,661	1,638,299
Variable rate:		
- BLR plus	4,492,640	9,199,279
- Cost-plus	3,634,238	1,422,961
	18,129,094	17,882,438
BY SECTOR		
Agriculture, hunting forestry and fishing	187,812	129,220
Mining and quarrying	59,441	20,108
Manufacturing	1,530,319	1,777,745
Electricity, gas and water	25,983	49,911
Construction	1,792,262	1,753,992
Real estate	782,984	1,008,924
Purchase of landed property of which:		
- Residential	3,194,731	3,311,639
- Non-residential	681,632	761,158
Wholesale & retail trade and restaurants & hotels	1,128,583	1,185,759
Transport, storage and communication	474,868	510,757
Finance, insurance and business service	619,769	921,713
Purchase of securities	703,125	554,038
Purchase of transport vehicles	4,724,828	4,093,202
Consumption credit	657,813	401,868
Others	1,564,944	1,402,404
Total	18,129,094	17,882,438

Notes to the Financial Statements (Cont'd)

31 December 2005

7 LOANS, ADVANCES AND FINANCING (Cont'd)

	GROUP	
	2005 RM'000	2004 RM'000
NON-PERFORMING LOANS/ FINANCING		
Movements in non-performing loans, advances and financing		
Balance at the beginning of financial year	3,761,073	4,508,321
Classified as non-performing during the year	907,111	951,063
Reclassified as performing during the year	(472,889)	(235,091)
Loans/financing converted to securities	(85,000)	(138,134)
Amount recovered	(632,831)	(502,755)
Amount written-off	(186,963)	(822,331)
Balance at the end of financial year	3,290,501	3,761,073
Less: Specific allowance	(828,846)	(696,512)
Net non-performing loans ('NPL'), advances and financing	2,461,655	3,064,561
Ratio of net NPL, advances and financing to net loans, advances and financing	14.23%	17.83%
Non-performing by sector		
Agriculture, hunting, forestry & fishing	1,085	8,786
Mining and quarrying	4,454	3,220
Manufacturing	435,672	502,324
Electricity, gas and water	328	28,688
Construction	682,557	777,078
Real estate	177,658	272,566
Purchase of landed property of which:		
(i) Residential	633,991	632,045
(ii) Non-residential	167,394	205,728
Wholesale & retail trade and restaurants & hotels	160,099	346,364
Transport, storage and communication	93,180	119,736
Finance, insurance and business services	53,579	17,376
Purchase of securities	262,220	337,321
Purchase of transport vehicles	138,986	134,955
Consumption credit	98,828	78,794
Others	380,470	296,092
	3,290,501	3,761,073

Notes to the Financial Statements (Cont'd)

31 December 2005

7 LOANS, ADVANCES AND FINANCING (Cont'd)

	GROUP	
	2005	2004
NON-PERFORMING LOANS/ FINANCING (Cont'd)	RM'000	RM'000
Movement in allowance for bad and doubtful debts		
Movements in the allowance for bad and doubtful debts and financing accounts are as follows:		
General allowance		
Balance at the beginning of financial year	328,285	331,273
Allowance made during the financial year	2,563	9,741
Amount written back during the year	(3,809)	(12,729)
Balance at the end of financial year	327,039	328,285
As % of gross loans, advances and financing less specific allowance	1.89%	1.91%
Specific allowance		
Balance at the beginning of financial year	696,512	1,248,530
Allowance made during the financial year	449,885	355,869
Transferred to allowance for impairment value of securities held-to-maturity	(4,760)	(20,309)
Amount written off	(222,425)	(764,053)
Amount written back in respect of recoveries	(90,366)	(123,525)
Balance at the end of financial year	828,846	696,512

8 STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

The non-interest bearing statutory deposits are maintained with Bank Negara Malaysia in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act, 1958 (Revised - 1994), the amounts of which are determined as a set percentages of total eligible liabilities.

9 INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2005	2004
At cost	RM'000	RM'000
Unquoted shares in Malaysia	3,484,096	2,443,583
Quoted shares in Malaysia	-	252,398
	3,484,096	2,695,981
Market value of quoted shares	-	454,040

Notes to the Financial Statements *(Cont'd)*

31 December 2005

9 INVESTMENT IN SUBSIDIARIES (Cont'd)

The subsidiaries, all of which are incorporated in Malaysia, are as follows:-

Name	Principal activities	Issued and paid up share capital RM '000	Percentage of equity held	
			2005 %	2004 %
AFFIN Bank Berhad	Provision of commercial banking services	1,290,283	100	100
PAB Properties Sdn Bhd	Property management services	8,000	100	100
ABB Nominee (Tempatan) Sdn Bhd	Share nominee services	40	100	100
PAB Property Development Sdn Bhd	Dormant	250	100	100
PAB Property Management Services Sdn Bhd	Dormant	30	100	100
ABB Trustee Berhad #	Trustee management services	500	100	100
ABB Venture Capital Sdn Bhd	Dormant	100	100	100
AFFIN Futures Sdn Bhd	Dormant	13,000	100	100
PAB Property Trust Management Berhad**	Dormant	-	-	100
ABB Nominee (Asing) Sdn Bhd	Dormant	-	100	100
ABB IT & Services Sdn Bhd	Dormant	2,000	100	100
AFFIN Factors Sdn Bhd	Factoring credit facilities	10,000	100	100
BSNCB Nominees (Tempatan) Sdn Bhd	Dormant	500	100	100
BSNC Nominees (Tempatan) Sdn Bhd	Dormant	10	100	100
BSN Merchant Bank Bhd	Dormant	125,000	100	100
BSN Merchant Nominees (Tempatan) Sdn Bhd	Dormant	10	100	100
BSN Merchant Nominees (Asing) Sdn Bhd	Dormant	10	100	100
ABB Asset Management (M) Bhd (formerly known as BSNC Asset Management (M) Berhad)	Dormant	-	100	100
BSNC Venture Capital (M) Sdn Bhd**	Dormant	-	-	100
Barakah Corporation Sdn Bhd**	Dormant	-	-	100
AFFIN Discount Berhad*	Discount house	70,000	100	100
AFFIN Moneybrokers Sdn Bhd*	Money-broking	200	100	100
AFFIN Corporate Services Sdn Bhd	In members' voluntary winding-up	-	-	100
Indolight Sdn Bhd	In members' voluntary winding-up	-	-	100

Notes to the Financial Statements (Cont'd)

31 December 2005

9 INVESTMENT IN SUBSIDIARIES (Cont'd)

The subsidiaries, all of which are incorporated in Malaysia, are as follows:- (Cont'd)

Name	Principal activities	Issued and paid up share capital RM '000	Percentage of equity held	
			2005 %	2004 %
AFFIN Fund Management Sdn Bhd	Asset management	12,000	100	100
AFFIN Trust Management Berhad	Management of unit trust	5,000	100	100
AFFIN Capital Holdings Sdn Bhd	Investment holding	100,000	100	100
AFFIN Securities Sdn Bhd	Stock-broking	100,000	100	100
AFFIN Nominees (Tempatan) Sdn Bhd	Nominees services for local investors	-	100	100
AFFIN Nominees (Asing) Sdn Bhd	Nominees services for foreign investors	-	100	100
Amsteel Equity Nominees (Tempatan) Sdn Bhd	Dormant	-	100	100
Amsteel Equity Nominees (Asing) Sdn Bhd	Dormant	-	100	100
AFFIN Merchant Bank Berhad	Provision of merchant banking services	187,500	100	63
Merchant Nominees (Asing) Sdn Bhd	Dormant	-	100	63
Merchant Nominees (Tempatan) Sdn Bhd	Nominee services	10	100	63
Classic Precision Sdn Bhd	Investment holding	-	67	42
AFFIN-ACF Holdings Sdn Bhd* (formerly known as AFFIN-ACF Holdings Berhad)	Investment holding	338,382	100	62
AFFIN-ACF Capital Sdn Bhd* (formerly known as AFFIN-ACF Finance Berhad)	Dormant	498,589	100	75
AFFIN-ACF Nominees (Tempatan) Sdn Bhd*	Nominee services	25	100	62
AFFIN Insurance Brokers Sdn Bhd*	Insurance broking	1,000	100	62
AFFIN Leasing Sdn Bhd*	In members' voluntary winding-up	-	-	62
AFFIN.Com Sdn Bhd*	In members' voluntary winding-up	-	-	62
AFFIN-ACF Management Services Sdn Bhd*	In members' voluntary winding-up	-	-	62

80% held by Directors of AFFIN Bank Berhad, in trust for AFFIN Bank Berhad

* Subsidiaries audited by firms other than PricewaterhouseCoopers

** These dormant subsidiaries were deregistered during the financial year

Notes to the Financial Statements *(Cont'd)*

31 December 2005

10 AMOUNT DUE FROM SUBSIDIARIES

	COMPANY	
	2005 RM'000	2004 RM'000
Amount due from subsidiaries:		
- Dividends receivable	-	17,325
- Advances to a subsidiary	17,750	17,750
- Other receivables	569	503
	18,319	35,578

The advances of RM17,750,000 (2004: RM17,750,000) to subsidiary is unsecured and bear interest at 7.75% per annum (2004: 7.75%). The repayment term as at the end of the financial year is as follows:-

	COMPANY	
	2005 RM'000	2004 RM'000
1 year to 5 years	17,750	17,750

11 ASSOCIATES

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Unquoted shares at cost	10,627	10,627	10,597	10,597
Group's share of post acquisition retained earnings	74,308	54,052	-	-
	84,935	64,679	10,597	10,597

Amount due from associate				
- Dividend receivable	-	1,440	-	1,440

	GROUP	
	2005 RM'000	2004 RM'000
Group's share of net tangible assets	85,461	65,205
Discount on acquisition	(526)	(526)
	84,935	64,679
Share of capital commitment for property, plant and equipment	2,128	288

Notes to the Financial Statements (Cont'd)

31 December 2005

11 ASSOCIATES (Cont'd)

The associates, all of which are incorporated in Malaysia, are as follows:

Name	Principal activities	Issued and paid up share capital RM '000	Percentage of equity held	
			2005 %	2004 %
AXA AFFIN Assurance Berhad*	General insurance	100,000	40	40
BSNC Trustee Berhad	Dormant	150,020	20	20

* Shareholding held directly by the Company.

12 TRADE DEBTORS

Trade debtors mainly arose from the stockbroking subsidiary and represents amount outstanding in purchase contracts net of provisions for doubtful debts of RM6,309,000 (2004: RM5,019,000).

13 OTHER ASSETS

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Clearing accounts	5,050	6,329	-	-
Money order and postal order purchased	1,758	1,509	-	-
Accrued income / interest receivable	28,142	47,989	127	128
Premium receivable	928	31,050	-	-
Foreclosed properties (a)	78,037	27,564	-	-
Derivative assets (b)	5,972	11,138	-	-
Other debtors, deposits and prepayments (c)	97,076	58,128	6,908	2,426
Tax recoverable	128,091	61,021	36,986	-
	345,054	244,728	44,021	2,554

Notes to the Financial Statements (Cont'd)
31 December 2005

13 OTHER ASSETS (Cont'd)

	GROUP			
	2005 RM'000	2004 RM'000		
(a) <u>Foreclosed properties</u>				
As at beginning of the financial year	27,564	19,385		
Amount arising during the financial year	51,920	8,179		
	79,484	27,564		
Allowance for impairment losses	(1,447)	-		
As at end of the financial year	78,037	27,564		
(b) <u>Derivative assets</u>				
<u>At fair value</u>				
Foreign exchange derivatives:				
Currency forwards	766	137		
Interest rate derivatives:				
- Interest rate swap	2,741	8,466		
- Exchange-traded interest rate futures	2,465	2,535		
	5,972	11,138		
(c) <u>Other debtors, deposits and prepayments</u>				
	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Other debtors, deposits and prepayments	104,102	65,004	6,908	2,426
Less: Allowance for bad and doubtful debts	(7,026)	(6,876)	-	-
	97,076	58,128	6,908	2,426

Notes to the Financial Statements (Cont'd)

31 December 2005

14 PROPERTY, PLANT AND EQUIPMENT

GROUP	Freehold Land RM'000	Buildings on Freehold Land		Leasehold Land & Buildings		Renovations RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Capital work-in- progress RM'000	Computers RM'000	Total RM'000
		Freehold Land RM'000	Less than 50 years RM'000	More than 50 years RM'000							
2005											
Cost											
At 1 January 2005	23,225	75,086	7,000	110,069	101,957	87,593	18,331	19,287	300,208	742,756	
- Addition	2,308	5,913	-	6,143	4,960	7,214	1,641	29,709	48,109	105,997	
- Disposals	(2,578)	(9,003)	(2,041)	(8,392)	(12,093)	(15,983)	(10,300)	(4)	(23,870)	(84,264)	
- Write-off	-	-	-	-	(5,298)	(4,527)	(71)	(592)	(81,413)	(91,901)	
- Reclassification	-	-	-	-	265	287	-	(35,756)	35,204	-	
At 31 December 2005	22,955	71,996	4,959	107,820	89,791	74,584	9,601	12,644	278,238	672,588	
Accumulated Depreciation											
At 1 January 2005	-	12,377	2,394	12,232	88,884	60,948	13,782	-	231,570	422,187	
- Charge for the year	65	1,394	49	2,155	8,634	6,537	1,640	-	37,227	57,701	
- Writeback of over depreciation	(65)	-	-	(42)	(381)	(248)	(8)	-	(15,604)	(16,348)	
- Disposals	-	(1,433)	(479)	(1,944)	(9,738)	(12,118)	(9,585)	-	(21,318)	(56,615)	
- Write-off	-	-	-	-	(4,349)	(3,581)	(70)	-	(46,546)	(54,546)	
- Reclassification	-	-	-	-	-	(13)	-	-	13	-	
At 31 December 2005	-	12,338	1,964	12,401	83,050	51,525	5,759	-	185,342	352,379	

Notes to the Financial Statements (Cont'd)

31 December 2005

14 PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	Freehold Land RM'000	Buildings on Freehold Land		Leasehold Land & Buildings		Renovations RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Capital work-in- progress RM'000	Computers RM'000	Total RM'000
		Less than 50 years RM'000	More than 50 years RM'000	Less than 50 years RM'000	More than 50 years RM'000						
GROUP											
2005											
Impairment Losses											
At 1 January 2005	-	-	-	-	-	-	70	-	10,849	33,358	44,277
- Charge for the year	-	-	-	-	-	-	-	-	-	161	161
- Write-off	-	-	-	-	-	-	-	-	(1,416)	(33,358)	(34,774)
At 31 December 2005	-	-	-	-	-	-	70	-	9,433	161	9,664
Net book value											
At 31 December 2005	22,955	59,658	2,995	95,419	6,741	22,989	3,842	3,211	92,735	310,545	

Included in the net book values of the leasehold land and buildings less than 50 years and leasehold land and buildings of 50 years or more are leasehold land amounting to RM601,000 (2004: RM947,000) and RM6,620,000 (2004: RM6,443,000) respectively.

The impairment of property, plant and equipment arose from the replacement of computer equipment and software (including capital work-in-progress) and the write-down of renovations on rented premises.

Notes to the Financial Statements (Cont'd)

31 December 2005

14 PROPERTY, PLANT AND EQUIPMENT (Cont'd)

GROUP	2004	Buildings on		Leasehold Land & Buildings		Renovations	Furniture and equipment	Motor vehicles	Capital work-in-progress	Computers	Total
		Freehold Land	Freehold Land	Less than 50 years	More than 50 years						
Cost	23,225	75,086	7,000	110,069	101,957	87,593	18,331	19,287	300,208	742,756	
Accumulated Depreciation	-	(12,377)	(2,394)	(12,232)	(88,884)	(60,948)	(13,782)	-	(231,570)	(422,187)	
Impairment Loss	-	-	-	-	-	(70)	-	(10,849)	(33,358)	(44,277)	
Net book value at 31 December 2004	23,225	62,709	4,606	97,837	13,073	26,575	4,549	8,438	35,280	276,292	

Notes to the Financial Statements (Cont'd)
31 December 2005

14 PROPERTY, PLANT AND EQUIPMENT (Cont'd)

COMPANY	Renovations RM'000	Furniture and equipment RM'000	Computer equipment and software RM'000	Motor vehicles RM'000	Total RM'000
<u>2005</u>					
<u>Cost</u>					
At 1 January	128	151	54	102	435
- Additions	-	1	29	250	280
- Write-off	-	-	(4)	-	(4)
At 31 December	128	152	79	352	711
<u>Accumulated Depreciation</u>					
At 1 January	25	30	24	33	112
- Charge for the financial year	13	17	13	28	71
- Write-off	-	-	(4)	-	(4)
At 31 December	38	47	33	61	179
<u>Net book value</u>					
At 31 December 2005	90	105	46	291	532
<u>2004</u>					
Cost	128	151	54	102	435
Accumulated Depreciation	25	30	24	33	112
Net book value at 31 December 2004	103	121	30	69	323

15 LAND HELD FOR SALE

	GROUP	
	2005 RM'000	2004 RM'000
Freehold land	89,280	59,435

Notes to the Financial Statements (Cont'd)

31 December 2005

15 LAND HELD FOR SALE (Cont'd)

The freehold land was received by a subsidiary, namely AFFIN Merchant Bank Berhad and other lenders as part settlement of the financial obligation of a borrower under a syndicated loan which had defaulted, in accordance with the terms of the settlement agreement. The land was subsequently transferred to Classic Precision Sdn Bhd ('Classic Precision'), a 66.89% owned subsidiary of the Merchant Bank, which will hold the land for sale. The consideration for the land is reflected as 'Amount due to other shareholders of a subsidiary' of RM29.3 million (2004 : RM19.4 million) in Note 21 to the financial statements.

16 GOODWILL ON CONSOLIDATION

	GROUP	
	2005 RM'000	2004 RM'000
At 1 January	863,882	852,085
Arising from acquisition of remaining equity shares in subsidiaries	125,378	11,797
At 31 December	989,260	863,882

17 DEPOSITS FROM CUSTOMERS

	GROUP	
	2005 RM'000	2004 RM'000
Demand deposits	3,206,455	3,531,553
Savings deposits	1,086,355	1,655,337
Fixed deposits	14,632,992	14,745,467
Negotiable instrument of deposits ('NIDs')	2,538,742	1,587,132
	21,464,544	21,519,489
Maturity structure of fixed deposits and NIDs are as follows:		
Due within six months	14,887,109	14,932,859
Six months to one year	1,726,243	971,688
One year to three years	100,799	424,257
Three years to five years	457,583	3,795
	17,171,734	16,332,599
The deposits are sourced from the following type of customers:		
Government and statutory bodies	3,614,972	3,048,595
Business enterprises	7,527,096	7,566,919
Individuals	4,310,609	5,357,039
Others	6,011,867	5,546,936
	21,464,544	21,519,489

Notes to the Financial Statements (Cont'd)

31 December 2005

18 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	GROUP	
	2005 RM'000	2004 RM'000
Licensed banks	742,298	568,075
Licensed finance companies	55,975	-
Licensed merchant banks	46,880	30,000
Bank Negara Malaysia	107,814	731,800
Other financial institutions	221,303	1,298,361
	1,174,270	2,628,236
Maturity structure of deposits are as follows:		
Due within six months	1,174,270	2,077,849
Six months to one year	-	384,463
One year to three years	-	165,924
	1,174,270	2,628,236

19 TRADE CREDITORS

Trade creditors mainly arose from the stockbroking subsidiary and represents amount payable under outstanding sales contract.

20 RECOURSE OBLIGATION ON LOANS SOLD TO CAGAMAS BERHAD

In the normal course of banking operations, the banking subsidiaries sell loans and advances to Cagamas Berhad with recourse to the banking subsidiaries at values equivalent to the unpaid principal balances of loans and advances due from mortgages.

The banking subsidiaries are liable in respect of housing loans and hire purchase portfolio sold directly and indirectly to Cagamas Berhad, under the condition that the banking subsidiaries undertake to administer the loans on behalf of Cagamas Berhad and to buy back any loans which are regarded as defective based on agreed prudential criteria. Such financing transactions and the obligations to buy back the loans are reflected as a liability on the balance sheet.

Notes to the Financial Statements (Cont'd)

31 December 2005

21 OTHER LIABILITIES

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Bank Negara Malaysia and Credit Guarantee Corporation Funding Programmes of subsidiary	260,789	240,878	-	-
Amount due to insurance underwriters	-	29,406	-	-
Amount due to other shareholders of a subsidiary (Note 15)	29,263	19,381	-	-
Interest payable	137,705	110,998	2,103	3,132
Margin and collateral deposits	16,079	12,884	-	-
Trust accounts for clients and remisiers	18,707	23,393	-	-
Clearing account	100,232	265,116	-	-
Defined contribution plan (a)	6,179	4,203	-	-
Accrued employee benefits (b)	5,385	9,503	68	37
Derivative liabilities (c)	2,057	9,765	-	-
Other creditors and accruals	218,632	222,145	6,711	6,453
Profit equalisation reserve	5,707	8,047	-	-
Taxation and zakat	3,396	4,816	-	-
	804,131	960,535	8,882	9,622

(a) Defined contribution plan

The Group contributes to the Employees Provident Fund ('EPF') the national defined contribution plan. Once the contributions have been paid, the Group has no further payment obligations.

(b) Accrued employee benefits

This refers to the accruals for short-term employee benefits for leave entitlement. Under employment contract, employees earn their leave entitlement which they are entitled to carry forward and will lapse if not utilised in the following accounting period.

Notes to the Financial Statements *(Cont'd)*

31 December 2005

21 OTHER LIABILITIES (Cont'd)

- (c) Derivative liabilities
At fair value

	GROUP	
	2005 RM'000	2004 RM'000
Foreign exchange derivatives:		
Currency forwards	395	320
Interest rate derivatives:		
Interest rate swap	1,581	9,073
Exchange-traded interest rate futures	81	372
	2,057	9,765

22 AMOUNT DUE TO SUBSIDIARIES

The amount due to subsidiaries is unsecured, interest-free and have no fixed term of repayment.

23 DEFERRED TAXATION ASSETS / (LIABILITIES)

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to set off current tax assets and current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	GROUP	
	2005 RM'000	2004 RM'000
Deferred taxation assets	156,173	229,715
Deferred taxation liabilities	(151)	(406)
	156,022	229,309
At 1 January	229,309	277,235
Transfer (to)/from income statement (Note 37)	(81,688)	(36,934)
Recognised in investment fluctuation reserve	8,401	(10,992)
At 31 December	156,022	229,309

Notes to the Financial Statements (Cont'd)

31 December 2005

23 DEFERRED TAXATION ASSETS / (LIABILITIES) (Cont'd)

The movements in deferred taxation assets and liabilities during the financial year are as follows:

GROUP	Excess of allowances depreciation RM'000	General capital provision on loans and advances RM'000	Unabsorbed tax losses RM'000	Other temporary differences RM'000	Amortisation of premium less accretion of discount RM'000	Provisions RM'000	Unabsorbed capital allowances RM'000	Total RM'000
2005								
<u>Deferred taxation assets</u>								
At 1 January	30	92,219	156,850	8,371	363	13,210	-	271,043
As previously stated								
Prior year adjustments in respect of change in accounting policy for securities available-for-sale	-	-	(56)	236	-	-	-	180
As restated	30	92,219	156,794	8,607	363	13,210	-	271,223
Credited/(charged) to income statement	(29)	(289)	(62,346)	(2,665)	1,758	(7,764)	-	(71,335)
Charged to investment fluctuation reserve	-	-	-	4,373	-	-	-	4,373
Offsetting	(19,650)	(359)	-	(21,114)	(6,882)	(83)	-	(48,088)
At 31 December	(19,649)	91,571	94,448	(10,799)	(4,761)	5,363	-	156,173
<u>Deferred taxation liabilities</u>								
At 1 January	(20,206)	-	-	(13,035)	(689)	(7)	-	(33,937)
As previously stated								
Prior year adjustments in respect of change in accounting policy for securities available-for-sale	-	-	-	(4,192)	(3,785)	-	-	(7,977)
As restated	(20,206)	-	-	(17,227)	(4,474)	(7)	-	(41,914)
Credited/(charged) to income statement	(1)	-	-	(7,868)	(2,408)	(76)	-	(10,353)
Charged to investment fluctuation reserve	-	-	-	4,028	-	-	-	4,028
Offsetting	19,650	359	-	21,114	6,882	83	-	48,088
At 31 December	(557)	359	-	47	-	-	-	(151)

Notes to the Financial Statements (Cont'd)

31 December 2005

23 DEFERRED TAXATION ASSETS / (LIABILITIES) (Cont'd)

GROUP	Excess of capital allowances over depreciation RM'000	General provision on loans and advances RM'000	Unabsorbed tax losses RM'000	Other temporary differences RM'000	Amortisation of premium less accretion of discount RM'000	Provisions RM'000	Unabsorbed capital allowances RM'000	Total RM'000
2004								
Deferred taxation assets								
At 1 January	36	92,845	181,444	10,153	4,119	15,109	10,684	314,390
As previously stated								
Prior year adjustments in respect of change in accounting policy for securities available-for-sale	-	-	(2,309)	7,301	-	(864)	-	4,128
As restated	36	92,845	179,135	17,454	4,119	14,245	10,684	318,518
Credited/(charged) to income statement	(6)	(626)	(22,341)	(1,883)	(3,756)	(1,035)	(10,684)	(40,331)
Charged to investment fluctuation reserve	-	-	-	(6,964)	-	-	-	(6,964)
Offsetting	(19,439)	(299)	-	(17,289)	(4,474)	(7)	-	(41,508)
At 31 December	(19,409)	91,920	156,794	(8,682)	(4,111)	13,203	-	229,715
Deferred taxation liabilities								
At 1 January	(24,357)	-	-	(15,188)	-	(131)	-	(39,676)
As previously stated								
Prior year adjustments in respect of change in accounting policy for securities available-for-sale	-	-	-	(72)	(1,535)	-	-	(1,607)
As restated	(24,357)	-	-	(15,260)	(1,535)	(131)	-	(41,283)
Credited/(charged) to income statement	4,151	-	-	2,061	(2,939)	124	-	3,397
Charged to investment fluctuation reserve	-	-	-	(4,028)	-	-	-	(4,028)
Offsetting	19,439	299	-	17,289	4,474	7	-	41,508
At 31 December	(767)	299	-	62	-	-	-	(406)

The amount of unutilised tax losses and unutilised capital allowances for which no deferred taxation asset is recognised in the balance sheet amounted to RM113,285,000 (2004: RM120,813,000) and RM Nil (2004: RM18,876,000) respectively.

Notes to the Financial Statements (Cont'd)

31 December 2005

24 REDEEMABLE BONDS

	GROUP AND COMPANY	
	2005 RM'000	2004 RM'000
5% redeemable bank guaranteed bonds	-	240,000

During the financial year ended 31 December 1997, RM240,000,000 nominal amount of 2% 5-year redeemable bank guaranteed bonds with 54,403,401 detachable warrants (Warrant 1997/2002) were issued to the primary subscriber on a bought deal basis. The details of the Warrants 1997/2002 is disclosed in note 26 to the financial statements.

The 2% 5-year redeemable bank guaranteed bonds were constituted under Trust Deed dated 17 October 1997 and should have been redeemed in full by the Company at their nominal value on 19 September 2002. The interest on the bonds of 2% per annum is payable annually in arrears.

On 11 September 2002, a Supplemental Trust Deed was executed, whereby the interest and redemption date of the bonds were revised to 5% per annum and extended to 19 September 2005 respectively, as stipulated in the Supplemental Trust Deed.

The Bonds were redeemed in full by the Company at their nominal value upon maturity on 19 September 2005.

25 BORROWINGS

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Unsecured short term borrowings:				
Term loan	160,000	330,000	160,000	330,000
Bank overdrafts	29,931	30,543	-	-
Bank guaranteed medium term notes	285,000	-	285,000	-
	474,931	360,543	445,000	330,000
Unsecured long term borrowings:				
Term loan	248,530	288,530	248,530	288,530
Subordinated term loan	500,000	500,000	-	-
	748,530	788,530	248,530	288,530
Total Borrowings	1,223,461	1,149,073	693,530	618,530

Notes to the Financial Statements (Cont'd)

31 December 2005

25 BORROWINGS (Cont'd)

Bank overdrafts

The bank overdrafts bear interest rates ranging from 7.25% to 7.75% per annum.

Term loans

The unsecured term loans of the Group and Company bear interest rates ranging from 4.5% to 7.5% (2004: 4.5% to 7.3%) per annum, with the following repayment terms as at the end of the financial year.

	GROUP AND COMPANY	
	2005 RM'000	2004 RM'000
Within 12 months	160,000	330,000
Not later than 2 years	248,530	40,000
2 years to 5 years	-	248,530
	408,530	618,530

Bank Guaranteed Medium Term Notes

During the current financial year, the Company arranged for a bank guaranteed Medium Term Notes ('MTN') issuance programme ('The Programme') of up to RM525 million. The Programme has a tenure of 5 years from the date of first issuance and had been accorded an indicative long term rating of AAA (bg) by Rating Agency Malaysia Berhad ('RAM'). The proceeds from the Programme was to refinance the Company's term loan facilities which expired in February 2005 and to redeem the Company's RM240 million bank guaranteed bonds maturing on 19 September 2005. The Programme has been approved by the Securities Commission on 2 December 2004. On 19 January 2005, the Company issued the first MTN issuance of RM285 million for a tenure of 1 year at a coupon rate of 4.3% per annum.

In September 2005, the Company did not proceed with the second MTN issuance of RM240 million given that the Company had sufficient funds to fully settle the outstanding bank guaranteed bonds of RM240 million on maturity.

Subsequent to the year-end, the first MTN issuance of RM285 million had been rolled over upon maturity for another 1 year expiring on 22 January 2007 at a coupon rate of 3.7% per annum and the remaining unutilised balance of RM240 million was cancelled due to non-requirement.

Subordinated term loan

The subordinated Bonds 2002/2006 ('The Bonds') were issued by AFFIN Bank Berhad ('ABB') at a nominal value of RM500 million in multiples of RM1,000,000, which is subordinated to all other liabilities. The Bonds were constituted by Trust Deeds dated 28 December 2001. The Bonds are unsecured and redeemable in full on 31 December 2006, five years from the issue date.

On 31 December 2003, ABB restructured the Bonds into a new 10 year subordinated term loan of the same value, with a revised coupon rate. The principal terms and conditions of the subordinated term loan remain similar to the Bonds. The new subordinated term loan will have a prepayment option after the end of Year 5, giving ABB the right, subject to Bank Negara Malaysia approval, to repay the subordinated term loan after the end of Year 5.

Notes to the Financial Statements (Cont'd)

31 December 2005

25 BORROWINGS (Cont'd)

Subordinated term loan (Cont'd)

The nominal value and coupon rate of the subordinated term loan, payable semi-annually, are as follows:

Value : RM500 million

Coupon rate : 7.3% per annum for a period of thirty two months from the issue date, 6.8% per annum for the next sixteen months, 6.25% per annum for the next twenty four months and thereafter the higher of 5 year Malaysian Government Securities interest rate plus 300 basis points or

Year 6	6.75%
Year 7	7.25%
Year 8	7.75%
Year 9	8.25%
Year 10	8.75%

In respect of the subordinated term loan, ABB has undertaken to pledge its securities of RM10,000,000 every month beginning from one month after the issue date (31 January 2004) till the end of the third year after the issue date. These securities may only be used to fund the payment of any monies under the Trust Deed and/or the subordinated term loan which is due and unpaid.

26 SHARE CAPITAL

GROUP AND COMPANY	Number of ordinary share of RM1.00 each		Amount	
	2005 '000	2004 '000	2005 RM'000	2004 RM'000
Authorised:				
Ordinary shares of RM1 each	5,000,000	5,000,000	5,000,000	5,000,000
Issued and fully paid:				
Ordinary shares of RM1 each				
At 1 January	1,035,721	993,488	1,035,721	993,488
Issued during the financial year arising from:				
- the exercise of Employee Share Option Scheme	15,444	42,233	15,444	42,233
- in consideration for the acquisition of 128,178,454 ordinary shares in AFFIN-ACF Holdings Berhad pursuant to the Scheme of Arrangement	160,223	-	160,223	-
At 31 December	1,211,388	1,035,721	1,211,388	1,035,721

Notes to the Financial Statements (Cont'd)

31 December 2005

26 SHARE CAPITAL (Cont'd)

Employee Share Option Scheme

The Company implemented an Employee Share Option Scheme ('ESOS') on 14 February 2003 for a period of five years, by offering 82,254,000 shares at a subscription price of RM1.00 per share to eligible employees in the Group. The ESOS is governed by the by-laws which were approved by the shareholders in financial year 2003.

On 26 November 2004, the shareholders of the Company approved amendments to the by-laws to allow the Company to issue additional options up to a maximum of 15% of the issued and paid-up share capital of the Company and extend the participation in the ESOS to eligible non-executive directors of the Group.

On 5 December 2005, the Company made a second offer of 81,510,000 shares to eligible employees in the Group at a subscription price of RM1.41 per share.

The main features of the ESOS are as follows:

- (i) The option is for a period of five years commencing from the date of offer of the option and expiring on 13 February 2008. The option may be exercised in full or such lesser number of ordinary shares provided the number shall be in multiples of 1,000 shares.
- (ii) The option price shall be set at the weighted average market price of the shares for the five market days immediately preceding the date of offer, with a discount of not more than 10% of the weighted average market price or the par value of the share, whichever is higher.
- (iii) The maximum number of shares offered and allotted under the scheme shall not exceed in aggregate fifteen per centum of the issued ordinary share capital of the Company at any point of time during the duration of the ESOS.
- (iv) Only staff, executive directors of the Group and non-executive directors of the Group who on the date of allocation have been so appointed are eligible to participate in the ESOS. Executive directors are those involved in the day-to-day management and on the payroll of the Group and the Company.

Non-executive directors who have been allocated the option must not sell, transfer or assign the shares obtained through the exercise of the options offered to them pursuant to the scheme within one year from the date of offer of such options.

- (v) Options granted under the ESOS carry no dividend or voting rights. Upon exercise of the options, shares issued rank pari passu in all respects with existing ordinary shares of the Company.
- (vi) The persons to whom the options have been granted have no right to participate by virtue of the options in any share issue of any other company.

Notes to the Financial Statements (Cont'd)

31 December 2005

26 SHARE CAPITAL (Cont'd)

Employee Share Option Scheme (Cont'd)

Set out below are details of the outstanding options over ordinary shares of the Company granted under the ESOS:

Grant date	Expiry Date	Option price per share	Number of options over ordinary shares of RM1.00 each			
			As at 1 January '000	Granted '000	Exercised '000	As at 31 December '000
2005						
14 February 2003	13 February 2008	RM1.00	36,911	-	15,444	21,467
5 December 2005	13 February 2008	RM1.41	-	81,510	-	81,510
			36,911	81,510	15,444	102,977
2004						
14 February 2003	13 February 2008	RM1.00	79,144	-	42,233	36,911
					2005 '000	2004 '000
Number of share options vested at balance sheet date					102,977	36,911
Details relating to options exercised during the financial year are as follows:						
Exercise date	Fair value per share as at share issue date	Option price per share	Number of ordinary shares issued			
			2005 '000	2004 '000		
2 January 2004 to 29 December 2004	RM1.05 - 1.76	RM1.00	-	42,233		
2 January 2005 to 30 December 2005	RM1.44 - 2.01	RM1.00	15,444	-		
			15,444	42,233		
			RM'000	RM'000		
Proceeds received on exercise of share options						
- Issue of ordinary shares of RM1.00 each at par			15,444	42,233		
Fair value at exercise date of shares issued pursuant to the ESOS exercised			25,167	60,816		

The fair value of shares issued on the exercise of options is the average of the last 5 market days' prices at which the Company's shares were traded on the Bursa Malaysia Securities Berhad prior to the exercise of the options.

Notes to the Financial Statements (Cont'd)

31 December 2005

26 SHARE CAPITAL (Cont'd)

WARRANTS 1995/2005

On 22 February 1995, RM255,000,000 nominal amount of 4% 5-year redeemable bank guaranteed bonds with 102,056,445 detachable warrants ('AFFIN Warrants 1995/2000') were issued to the primary subscriber on a bought deal basis.

The rights to allotment of 102,056,445 AFFIN Warrants 1995/2000 were offered for sale by the primary subscriber at an offer price of 47.3 sen per warrant on the basis of one warrants for every 5 ordinary shares held in the Company. Each warrant entitles its holder the option to subscribe for one ordinary share of RM1.00 each in the Company at any time during the exercise period of five years commencing on the date of the issue of warrants subject to adjustment in accordance with the provisions of the Deed Poll. The initial exercise price of AFFIN Warrants 1995/2000 was RM3.75.

On 18 June 1999, the shareholders of the Company and the AFFIN Warrants 1995/2000 holders approved the extension of the exercise period of the warrants for another 5 years and a Supplemental Deed Poll dated 8 July 1999 was executed to reflect the extension of the exercise period of the AFFIN Warrants 1995/2000 to expire on 15 May 2005 ('AFFIN Warrants 1995/2005').

On 13 June 2000, the Company issued new ordinary shares by way of rights issue. Accordingly, the exercise price and the number of the AFFIN Warrants 1995/2005 were revised to RM3.38 and 114,121,376 respectively as required by the Deed Poll.

The Warrants 1995/2005 expired on 13 May 2005 and the movement of Warrants 1995/2005 during the financial year is as follows:

	Number of AFFIN Warrants 1995/2005
At 1 January 2005	114,121,376
Expired during the year	(114,121,376)
At 31 December 2005	-

WARRANTS 1997/2007

On 19 September 1997, RM240,000,000 nominal amount of 2% 5-year redeemable bank guaranteed bonds with 54,403,401 detachable warrants ('AFFIN Warrants 1997/2002') were issued to the primary subscriber on a bought deal basis.

The rights to allotment of 54,403,401 AFFIN Warrants 1997/2002 were offered for sale by the primary subscriber at an offer price of 1.13 sen per warrant on the basis of one warrant for every 10 ordinary shares held in the Company. The initial exercise price of AFFIN Warrants 1997/2002 was RM4.15.

On 18 June 1999, the shareholders of the Company and the AFFIN Warrants 1997/2002 holders approved the extension of the exercise period of the warrants for a further 5 years and a Supplemental Deed Poll dated 8 July 1999 was executed to reflect the extension of the exercise period of the AFFIN Warrants 1997/2002 to expire on 18 September 2007 ('AFFIN Warrants 1997/2007').

On 13 June 2000, the Company issued new ordinary shares by way of rights issue. Accordingly, the exercise price and the number of the AFFIN Warrants 1997/2007 were revised to RM3.74 and 61,258,223 respectively as required by the Deed Poll.

Notes to the Financial Statements *(Cont'd)*

31 December 2005

26 SHARE CAPITAL (Cont'd)

The movement of Warrants 1997/2007 during the financial year is as follows:

	Number of AFFIN Warrants 1997/2007
At 1 January 2005/31 December 2005	61,258,223

WARRANTS 2000/2010

On 8 July 2000, the Company issued 153,775,702 new warrants ('AFFIN Warrants 2000/2005') at no cost together with the rights issue exercise on the basis of 1 new AFFIN Warrant 2000/2005 for every four ordinary shares held. The exercise price of the AFFIN Warrants 2000/2005 was RM3.10 and will expire on 7 July 2005. On 26 November 2004, the shareholders of the Company and the holders of AFFIN Warrant 2000/2005 approved the extension of the exercise period for a further 5 years and a Supplemental Deed Poll dated 26 November 2004 was executed to reflect the extension of the exercise period of the AFFIN Warrants 2000/2005 to expire on 7 July 2010 ('AFFIN Warrants 2000/2010'). The exercise price of the AFFIN Warrants 2000/2010 remains at RM3.10.

The movement of Warrants 2000/2010 during the financial year is as follows:

	Number of AFFIN Warrants 2000/2010
At 1 January 2005/31 December 2005	153,775,702

27 RESERVES

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Distributable:				
Retained profits	577,380	335,751	137,268	7,593
Non-distributable:				
Statutory reserves	364,669	396,732	-	-
Investment fluctuation reserves	(11,490)	14,496	-	-
Other reserves	944	944	-	-
	931,503	747,923	137,268	7,593

- (a) As at 31 December 2005, the Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and tax exempt income under Section 12 of the Income Tax (Amendment) Act, 2001 (subject to agreement with the tax authorities) to frank the payment of dividends out of its entire retained profits without incurring additional taxation.
- (b) The statutory reserves of the Group are maintained in compliance with the provisions of the Banking and Financial Institutions Act, 1989 and are not distributable as cash dividends.

Notes to the Financial Statements (Cont'd)

31 December 2005

27 RESERVES (Cont'd)

(c) Investment fluctuation reserves represent the unrealised gains or losses arising from the change in fair value of investments classified as securities available-for-sale. The gains or losses are transferred in the income statement upon disposal or when the securities become impaired.

(d) Other reserves represent the associate's revaluation reserves of investment property of RM0.9 million (2004: RM0.9 million).

28 INTEREST INCOME

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Loans, advances and financing				
- Interest income other than recoveries from NPLs	929,669	927,252	1,376	1,720
- Recoveries from NPLs	101,995	147,170	-	-
Money at call and deposits with financial institutions	116,160	129,637	5,399	1,490
Securities held-for-trading	53,295	44,955	-	-
Securities held-to-maturity	80,030	126,408	-	-
Securities available-for-sale	69,633	77,338	-	-
Others	25	28	-	-
	1,350,807	1,452,788	6,775	3,210
Amortisation of premium less accretion of discount	33,393	(4,667)	-	-
	1,384,200	1,448,121	6,775	3,210

29 INTEREST EXPENSE

	GROUP	
	2005 RM'000	2004 RM'000
Deposits and placements of banks and other financial institutions	36,530	92,944
Deposits from other customers	514,920	500,280
Subordinated term loan	35,548	39,162
Loans sold to Cagamas	60,929	77,354
Others	16,468	48,598
	664,395	758,338

Notes to the Financial Statements (Cont'd)

31 December 2005

30 ISLAMIC BANKING INCOME

	GROUP	
	2005 RM'000	2004 RM'000
Income derived from investment of depositors' funds and others	169,312	174,558
Less: Income attributable to depositors	(98,357)	(92,441)
	70,955	82,117
Income derived from investment of Islamic Banking Capital Funds	26,967	18,532
	97,922	100,649

31 OTHER OPERATING INCOME

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Fee income:				
- Fees on loans, advances and financing	1,778	725	-	-
- Net brokerage	38,020	40,337	-	-
- Underwriting fees	3,018	4,836	-	-
- Arranger and agency fees	780	230	-	-
- Trading income	2,060	2,348	-	-
- Portfolio management fees	2,660	2,775	-	-
- Corporate advisory fees	7,807	5,339	-	-
- Commission	22,434	22,696	-	-
- Service charges and fees	64,555	40,580	-	-
- Guarantee fees	36,273	19,667	-	-
- Other fee income	4,931	11,910	30	14
	184,316	151,443	30	14
Investment income:				
Gains arising from sale/redemption of securities:				
- Securities held-for-trading	331	20,623	-	-
- Securities available-for-sale	27,634	37,536	-	-
- Securities held-to-maturity	8,083	35,899	-	-
Net trading income from money market instruments	-	11	-	-
Loss on winding-up of subsidiaries	(768)	-	-	-
Surplus on realisation of assets of a subsidiary previously placed under members' voluntary liquidation	510	-	-	-
Unrealised losses on revaluation of securities held-for-trading	(226)	(15,183)	-	-
Unrealised/realised gains/(losses) on revaluation of derivatives	7,319	(2,775)	-	-

Notes to the Financial Statements (Cont'd)

31 December 2005

31 OTHER OPERATING INCOME (Cont'd)

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Gross dividends:				
- Securities held-for-trading	603	428	-	-
- Securities available-for-sale	3,544	525	-	-
- Securities held-to-maturity	511	2,956	-	-
- Subsidiaries	-	-	267,390	60,473
- Associates	-	-	-	14,800
	47,541	80,020	267,390	75,273
Other income:				
Foreign exchange (losses)/gains:				
- realised	(2,725)	(2,223)	-	-
- unrealised	41,998	33,254	-	-
Rental income	1,322	1,365	-	-
Gain on disposal of property, plant and equipment	4,447	2,800	-	-
Gain on allocation of Bursa Malaysia Berhad shares	-	6,477	-	-
Other non-operating income	16,169	28,063	-	62
	61,211	69,736	-	62
Total other operating income	293,068	301,199	267,420	75,349

32 OTHER OPERATING EXPENSES

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<u>Personnel costs</u>				
Wages, salaries and bonus	203,226	194,380	1,265	1,026
Defined contribution plan	31,445	32,354	264	166
Termination benefits	25,255	20,047	-	-
Other personnel costs	27,124	24,494	80	34
	287,050	271,275	1,609	1,226
<u>Promotion and marketing-related expenses</u>				
Business promotion and advertisement	2,841	3,792	-	-
Entertainment	2,686	2,235	-	-
Travelling and accomodation	3,470	2,922	-	-
Dealers' handling fees	34,333	25,068	-	-
Others	3,955	7,855	-	-
	47,285	41,872	-	-

Notes to the Financial Statements (Cont'd)

31 December 2005

32 OTHER OPERATING EXPENSES (Cont'd)

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
<u>Establishment-related expenses</u>				
Rental of premises	25,308	26,880	117	139
Equipment rental	5,337	5,280	4	4
Repair and maintenance	24,888	25,022	-	-
Depreciation	41,353	55,109	71	56
Others	34,104	37,679	-	-
	130,990	149,970	192	199
<u>General and administrative expenses</u>				
Telecommunication expenses	7,855	9,582	17	21
Auditors' remuneration	1,049	1,019	63	59
Professional fees	9,309	6,577	2,409	1,868
Property, plant & equipment written off	2,581	1,338	-	-
Others	40,632	55,191	1,768	1,263
	61,426	73,707	4,257	3,211
Total other operating expenses	526,751	536,824	6,058	4,636

Termination benefits mainly comprise of the payment to employees under the Voluntary Separation Scheme ('VSS') by the banking subsidiaries. The VSS is carried out to optimise the resources and to remain competitive in the industry.

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
The above expenditure includes the following statutory disclosures:				
Directors' remuneration (see note 33)	809	649	304	241
Rental of premises	25,308	26,880	117	139
Hire of equipment	5,337	5,280	4	4
Lease rental	-	71	-	-
Audit - Statutory	911	790	63	59
- Others	138	229	-	-
Depreciation of property, plant and equipment	41,353	55,109	71	56
Property, plant and equipment written off	2,581	1,338	-	-

Notes to the Financial Statements *(Cont'd)*

31 December 2005

33 DIRECTORS' REMUNERATION

The directors of the Company in office during the year were as follows:

Non-executive directors

Gen (R) Tan Sri Dato' Seri Mohd Zahidi bin Haji Zainuddin *(appointed on 17 October 2005)*
 Gen (R) Tan Sri Dato' Seri Ismail bin Haji Omar *(resigned on 17 October 2005)*
 Maj. Gen. (R) Dato' Mohamed Isa bin Che Kak
 Datuk Azzat bin Kamaludin
 Dato' Mustafa bin Mohamad Ali
 Raja Dato' Seri Aman bin Raja Haji Ahmad

Executive director

Tan Sri Dato' Lodin bin Wok Kamaruddin

Tan Sri Dato' Lodin bin Wok Kamaruddin is the Managing Director of the Company while Raja Dato' Seri Aman bin Raja Haji Ahmad was the Chief Executive Officer of the commercial bank subsidiary until his resignation on 1 June 2003. Accordingly, both of them had been granted options under the Company's Employee Share Option Scheme on the same terms and conditions as those offered to other employees of the Group (see Note 26).

The number of options granted to the Directors under the ESOS are as follows:

Grant date	Expiry Date	Option price per share	Number of options over ordinary shares of RM1.00 each			
			As at 1 January '000	Granted '000	Exercised '000	As at 31 December '000
2005						
<u>Tan Sri Dato' Lodin bin Wok Kamaruddin</u>						
5 December 2005	13 February 2008	RM1.41	-	800	-	800
<u>Raja Dato' Seri Aman bin Raja Haji Ahmad</u>						
14 February 2003	13 February 2008	RM1.00	150	-	-	150
			150	800	-	950
2004						
<u>Raja Dato' Seri Aman bin Raja Haji Ahmad</u>						
14 February 2003	13 February 2008	RM1.00	-	150	-	150
					2005 '000	2004 '000
Number of share options vested at balance sheet date					950	150

None of the options were exercised during the financial year.

Notes to the Financial Statements *(Cont'd)*

31 December 2005

33 DIRECTORS' REMUNERATION (Cont'd)

The aggregate amount of emoluments receivable by directors of the Company during the financial year were as follows:

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Non-executive Directors				
- fees	242	218	127	127
- other emoluments	248	190	72	26
- estimated money value of benefits-in-kind	30	-	6	-
Executive Directors				
- fees	167	123	25	25
- other emoluments	122	118	74	63
Total directors' remuneration	809	649	304	241
Total directors' remuneration excluding estimated money value of benefits-in-kind	779	649	298	241

Included in other emoluments of the Group and the Company are professional fees of RM35,064 (2004: NIL) and RM30,000 (2004: Nil) respectively paid to a firm of which a director is a partner.

The number of Directors of the Company whose total remuneration (including benefits-in-kind) received from the Group falls into the following remuneration bands:-

Remuneration band:	GROUP			
	<----- 2005 ----->		<----- 2004 ----->	
	Number of Non-executive Directors	Number of Executive Directors	Number of Non-executive Directors	Number of Executive Directors
RM1 - RM50,000	3	-	3	-
RM50,001 - RM100,000	1	-	1	-
RM100,001 - RM150,000	1	-	-	-
RM250,001 - RM300,000	1	1	1	1

Notes to the Financial Statements (Cont'd)
31 December 2005

34 ALLOWANCES FOR LOSSES ON LOANS, ADVANCES AND FINANCING

	GROUP	
	2005 RM'000	2004 RM'000
Allowances for bad and doubtful debts and financing:		
Specific allowance		
- made during the year	449,885	355,869
- written back during the year	(90,366)	(123,525)
General allowance		
- made during the year	2,563	(2,988)
- written back during the year	(3,809)	-
Bad debts		
- recovered	(141,323)	(125,052)
- written off	3,677	4,235
Allowances for amounts recoverable from Danaharta	-	1,510
Allowance for bad and doubtful debts		
- trade debtors	1,291	482
- other debtors	693	1,035
	222,611	111,566

35 IMPAIRMENT LOSS

	GROUP	
	2005 RM'000	2004 RM'000
Property, plant and equipment (Note 14)	161	44,277
Allowance made for impairment loss on:		
- Securities available-for-sale	10,174	15,360
- Securities held-to-maturity	7,274	2,515
Write-back of allowance for impairment loss on:		
- Securities held-to-maturity	(10,826)	-
	6,783	62,152

Notes to the Financial Statements (Cont'd)
31 December 2005

36 FINANCE COST

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Redeemable bonds	8,581	12,000	8,581	12,000
Term loan	21,840	43,873	21,836	43,873
Revolving credit	-	26	-	26
Bank overdrafts	495	714	-	-
Medium Term Notes	11,650	-	11,650	-
Guarantee fee	7,826	2,713	7,826	2,520
Commitment fees	317	-	-	-
	50,709	59,326	49,893	58,419

37 TAXATION

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
The taxation charge arising in Malaysia for the financial year:				
- Current taxation	14,040	51,582	87,339	21,076
- Deferred taxation (Note 23)	81,688	36,934	-	-
	95,728	88,516	87,339	21,076
Overprovision in prior years				
- current tax	(18,993)	(10,468)	(24,850)	(9,924)
	76,735	78,048	62,489	11,152

Included in taxation is the share of tax of associates
for the financial year:

- Current taxation	4,835	5,865	-	-
- Deferred taxation	-	(288)	-	-
	4,835	5,577	-	-

Notes to the Financial Statements (Cont'd)

31 December 2005

37 TAXATION (Cont'd)

The numeric reconciliation between the applicable statutory income tax rate to the effective income tax rate of the Group and of the Company is as follows:

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Taxation at a statutory tax rate of 28%	92,784	92,790	61,108	4,341
Tax effect in respect of:				
- non-allowable expenses	16,207	56,055	1,624	16,735
- non-taxable income	(7,028)	(7,174)	(1,960)	-
Tax effect in respect of dividend income set off against cost of investment in subsidiaries	-	-	26,567	-
Tax effect in respect of loss on winding-up of subsidiaries which is non-tax deductible	216	-	-	-
Utilisation of unabsorbed business tax losses:				
- current tax	21	-	-	-
- deferred tax	(3,850)	(52,909)	-	-
Expenses eligible for double deduction	-	(8)	-	-
Effect of different tax rate	(745)	(85)	-	-
Overprovision in prior years	(18,993)	(10,468)	(24,850)	(9,924)
Deferred tax assets not recognised in respect of current year's tax losses	(917)	109	-	-
Overprovision for deferred tax in prior years	(960)	(262)	-	-
Tax expense for the year	76,735	78,048	62,489	11,152

	GROUP	
	2005 RM'000	2004 RM'000
Tax losses are analysed as follows:		
Tax savings during the financial year arising from recognition of previously unrecognised tax losses	3,850	52,909
Tax losses for which related tax credits have not been utilised and available for offset against future taxable profits	243,371	556,077

38 EARNINGS PER SHARE

Basic earnings per share

The basic earnings per share of the Group has been calculated based on earnings for the financial year of RM235,646,000 (2004: RM232,166,000) divided by the weighted average number of ordinary shares of 1,198,742,000 (2004: 1,013,988,000) in issue during the financial year.

Notes to the Financial Statements (Cont'd)

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38 EARNINGS PER SHARE (Cont'd)

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 share options 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 share options. The difference is 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 purposes of computing the dilution. No adjustment is made to the net profit for the financial year 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.

	GROUP	
	2005	2004
	RM'000	RM'000
Net profit for the financial year	235,646	232,166
	'000	'000
Weighted average number of ordinary shares in issue	1,198,742	1,013,988
Adjustment for share options	17,698	10,989
Weighted average number of ordinary shares for diluted earnings per share	1,216,440	1,024,977
Basic earnings per share (sen)	19.66	22.90
Diluted earnings per share (sen)	19.37	22.65
	'000	'000
Shares issued after the balance sheet date (until 28 February 2006) (2004: until 3 March 2005) arising from exercise of share options	1,373	8,003

Notes to the Financial Statements (Cont'd)

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39 DIVIDENDS

	GROUP AND COMPANY	
	2005 RM'000	2004 RM'000
In respect of the previous financial year:		
Final dividend of 1.0 sen (2003: 0.5 sen) gross per share, less income tax at 28% (2003: 28%)	8,676	3,638
In respect of the current financial year:		
Interim dividend of 2.0 sen (2004: Nil) gross per share, less income tax at 28% (2004: Nil)	17,404	-
	26,080	3,638

At the forthcoming Annual General Meeting, a final gross dividend in respect of the financial year ended 31 December 2005 of 2.0 sen per share (2004: 1.0 sen) less 28% income tax amounting to RM17,444,000 (2004: RM8,676,000) will be proposed for shareholders' approval. These financial statements do not reflect this final dividend which will be accrued as a liability in the financial year ending 31 December 2006 when approved by shareholders.

40 COMMITMENTS AND CONTINGENCIES

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
(a) Capital commitments:				
Authorised capital expenditure contracted but not provided for	36,688	70,873	-	-
Capital expenditure approved by the Board but not contracted for	18,541	50,450	857	-
	55,229	121,323	857	-
Analysed as follows:				
Property, plant and equipment	55,229	121,323	857	-

(b) Lease commitments:

The Group has lease commitments in respect of rented premises and hired equipment, all of which are classified as operating leases. A summary of the non-cancellable long-term commitments, net of sub-leases are as follows:

Year	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
2005	-	22,460	-	128
2006	19,628	22,864	525	21
2007	17,154	18,429	605	-
2008	16,193	15,246	605	-
2009	15,689	14,372	101	-

Notes to the Financial Statements (Cont'd)

31 December 2005

40 COMMITMENTS AND CONTINGENCIES (Cont'd)

(c) Other commitments and contingencies:

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

	GROUP					
	<----- 2005 ----->			<----- 2004 ----->		
	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
Interest rate related contracts						
- less than one year	3,577,000	2,543	1,272	7,068,800	8,335	4,167
- one year to less than five years	2,099,556	9,465	4,732	5,244,400	19,360	9,680
Foreign exchange related contracts						
- less than one year	2,114,201	27,989	8,271	644,554	9,921	3,159
Underwriting commitments	467,362	233,681	233,681	359,318	177,818	177,818
Direct credit substitutes	348,481	348,481	342,932	1,281,963	1,281,963	1,281,963
Transaction-related contingent items	2,354,770	1,177,385	1,177,385	2,592,905	1,296,453	1,296,453
Short term self-liquidating trade related contingencies	4,397,559	879,512	161,080	6,023,476	1,204,695	172,714
Irrevocable commitments to extend credit:						
- maturity more than one year	1,650,302	825,152	717,545	3,643,846	1,821,923	840,297
- maturity less than one year	8,189,025	-	-	1,387,529	-	-
	25,198,256	3,504,208	2,646,898	28,246,791	5,820,468	3,786,251

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

Notes to the Financial Statements (Cont'd)

31 December 2005

40 COMMITMENTS AND CONTINGENCIES (Cont'd)

Financial Derivatives

Financial derivatives are financial instruments whose characteristics are derived from the underlying assets, or from interest and exchange rates or indices. These include forwards, swaps, futures and options. The following outlines the nature and terms of the most common types of derivatives used by the banking subsidiaries:

Exchange rate contracts

Forward foreign exchange contracts are agreements to buy or sell fixed amounts of currency at agreed rates of exchange on a specified future date.

Cross currency swaps are agreements to exchange, and on termination of the swap, re-exchange principal amounts denominated in different currencies. Cross currency swaps may involve the exchange of interest payments in one specified currency for interest payments in another specified currency for a specified period.

Currency futures are typically exchange-traded agreements to buy or sell standard amounts of a specified currency at an agreed exchange rate on a standard future date.

Currency options give the buyer on payment of a premium the right, but not the obligation, to buy or sell specified amounts of currency at agreed rates of exchange on or before a specified future date.

Interest rate contracts

Interest rate swaps involve the exchange of interest obligations with counterparties for a specified period without exchanging the underlying (or notional principal).

Interest rate caps and floors give the buyer the ability to fix the maximum or minimum rate of interest. There is no facility to deposit or draw down funds; instead the writer pays to the buyer the amount by which the market rate exceeds or is less than the cap rate or the floor rate respectively. A combination of an interest rate cap and floor is known as an interest rate collar.

Forward rate agreements give the buyer the ability to determine the underlying rate of interest for a specified period commencing on a specified future date (the settlement date). There is no exchange of principal and settlement is effected on the settlement date. The settlement amount is calculated by reference to the difference between the contracted rate and the market rate prevailing on the settlement date.

Swaptions give the buyer the right, but not the obligation, to enter an interest rate swap as either the payer or receiver of the fixed side of the swap.

Notes to the Financial Statements (Cont'd)

31 December 2005

40 COMMITMENTS AND CONTINGENCIES (Cont'd)

The foreign exchange and interest rate related contracts of the Group are made up as follows:

	2005			2004		
	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
Foreign exchange contracts						
- forward and futures contracts	2,114,201	27,989	8,271	644,554	9,921	3,159
Interest rate contracts						
- forward and futures contracts	4,483,000	-	-	10,470,000	-	-
- swaps	1,193,556	12,008	6,004	1,843,200	27,695	13,847

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 RM3.3 million (2004: RM6.1 million), while the notional amount of interest rate contract was RM831.0 million (2004: RM164.1 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 RM28.0 million (2004: RM9.9 million) and RM12.2 million (2004: RM25.9 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.

- (ii) Pursuant to clause 2.1.5 of the Acquisition of Business Agreement between the Company, AFFIN Bank Berhad ('ABB'), BSN Commercial Bank (Malaysia) Berhad ('BSNC') and Bank Simpanan Nasional ('BSN') in respect of the acquisition of certain assets and liabilities of BSNC by ABB, BSNC and BSN undertake to ABB that debts other than those reflected as bad or doubtful debts in the audited financial statements of BSNC will be recoverable in the ordinary course of business. For the debts not recoverable, BSNC undertakes to pay ABB within 30 days from the date of receipt of the Bank's letter of demand, the amounts claimed subject to a limit of 30% of the purchase price.

On 6 April 2001, ABB exercised the warranty and issued a letter of demand for RM101.6 million, equivalent to 30% of the original purchase price of RM338.9 million as a result of doubtful or bad debts arising during the year. Arising from the above, ABB is now required to reassign all the rights and benefits to the said bad or doubtful debts to BSNC or its nominee.

As at the date of the financial statements, ABB has yet to comply with this requirement. As the bad or doubtful debts would have been fully provided or written-off, the directors are of the opinion that there would not be any material financial impact on ABB and the Group.

Notes to the Financial Statements (Cont'd)

31 December 2005

40 COMMITMENTS AND CONTINGENCIES (Cont'd)

- (iii) On 18 November 2002, ABB had entered into a primary collateralised loan obligations ('Primary CLO') programme amounting to RM1 billion. The Primary CLO involved the sale, transfer and assignment of a loan portfolio facility to a special purpose vehicle, Aegis One Bhd ('Aegis'), an unrelated party, which is funded through the issuance of RM900 million AAA rated asset backed senior fixed rate bonds maturing in 2007 and RM100 million BB rated asset backed subordinated variable rate bonds maturing in 2007 (the 'Bonds').

The terms of the Bonds stipulate that in the event of a loss by Aegis, losses would be absorbed first by the subordinated bondholders and then by the senior bondholders. The principal amount will be settled in full upon maturity depending on the repayment of the loans by the borrowers. As at 31 December 2005, ABB holds RM1.5 million of the subordinated bonds issued by Aegis which is recorded under 'Securities Held-to-Maturity' in Note 6 to the financial statements.

ABB does not guarantee the payment of interest nor the repayment of principal due on the Bonds. ABB has no obligation to repurchase any of the loans except to the extent of any warranties given as provided in the sale and purchase agreement between ABB and Aegis.

At the date of these financial statements, there is no indication of any losses incurred by Aegis and the directors of ABB are of the opinion that there has not been any breach of the warranties provided for by ABB.

- (iv) On 22 December 1997, AFFIN Capital Holdings Sdn Bhd ('ACHB') executed a Deed of Indemnity in favour of Bursa Securities Clearing Sdn Bhd ('SCANS') for the provision of a standby bridging loan facility to its subsidiary company, AFFIN Securities Sdn Bhd ('AS'). The loan facility is available for short term bridging purposes and is subject to a maximum limit of RM10 million.

During the financial year ended 31 December 2003, ACHB provided a Corporate Guarantee to a licensed bank in relation to an overdraft facility of RM5 million granted to AS.

41 CAPITAL ADEQUACY

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

	GROUP	
	2005 RM'000	2004 RM'000
Tier 1 Capital		
Paid-up share capital	1,477,783	1,703,370
Share premium	394,407	345,274
Retained profits	333,497	306,275
Statutory reserves	286,858	363,943
Other reserves	-	7,143
	2,492,545	2,726,005
Less:		
Goodwill	(137,323)	(146,478)
Deferred tax assets/(liabilities)	(130,039)	(233,371)
Total Tier 1 capital (a)	2,225,183	2,346,156

Notes to the Financial Statements *(Cont'd)*

31 December 2005

41 CAPITAL ADEQUACY (Cont'd)

The capital adequacy ratios in respect of the banking subsidiaries are as follows:- (Cont'd)

	GROUP	
	2005 RM'000	2004 RM'000
Tier 2 Capital		
Subordinated term loan	500,000	500,000
General allowance for bad and doubtful debts and financing	326,622	327,934
Total Tier 2 capital (b)	826,622	827,934
Total capital (a) + (b)	3,051,805	3,174,090
Less:		
Investment in subsidiaries	(39,497)	(39,476)
Capital base	3,012,308	3,134,614

Breakdown of risk-weighted assets in the various categories of risk-weighted are as follows:

0%	-	-
10%	33,304	86,000
20%	609,930	588,137
50%	1,320,362	1,727,508
100%	16,412,182	17,549,520
	18,375,778	19,951,165
Market risk	948,022	-
	19,323,800	19,951,165

Before deducting proposed dividends:

Core capital ratio	11.51%	11.75%
Risk capital weighted ratio	15.58%	15.71%

After deducting proposed dividends:

Core capital ratio	11.35%	11.75%
Risk capital weighted ratio	15.43%	15.70%

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

Notes to the Financial Statements (Cont'd)

31 December 2005

42 LITIGATION AGAINST THE GROUP

There are legal suits against the commercial bank subsidiary in respect of claims and counter claims of approximately RM151.9 million (2004: RM172.5 million). Based on legal advice, the directors of the commercial bank subsidiary are of the opinion that no provisions for damages need to be made in the financial statements as the probability of adverse adjudication against the commercial bank subsidiary is remote.

43 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

The related parties of and their relationship with the Group and Company are as follows:

Related parties	Relationship
Lembaga Tabung Angkatan Tentera	Ultimate holding corporate body
Subsidiaries of the Company as disclosed in Note 9	Subsidiaries
Boustead Holdings Berhad	Subsidiary of ultimate holding corporate body
Associates of the Company as disclosed in Note 11	Associates

In the normal course of business, the Group and the Company undertakes various transactions with its ultimate holding company and related companies, being subsidiaries of Lembaga Tabung Angkatan Tentera ('LTAT Group').

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions and balances. The related party transactions described below were carried out on terms and conditions obtainable in transactions with unrelated parties unless otherwise stated. Interest rates on fixed and short term deposits were at normal commercial rates.

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
INCOME				
Brokerage fee income from LTAT Group	2,590	1,148	-	-
Brokerage fee income from associate	6	16	-	-
Brokerage fee income from Boustead Holdings Berhad Group	164	31	-	-
Commission income from associate	3,922	3,410	-	-
Management fee income from ultimate holding corporate body	60	56	-	-
Corporate advisory fee income and other income from Boustead Holdings Berhad Group	225	201	-	-
Corporate advisory fee income and other income from ultimate holding corporate body	10	-	-	-

Notes to the Financial Statements (Cont'd)

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43 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (Cont'd)

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
EXPENDITURE				
Interest expense paid to ultimate holding corporate body	15,876	16,687	-	-
Rental of premises paid to ultimate holding corporate body	3,541	2,701	117	139
Interest expense paid to Boustead Holdings Berhad Group	23	10	-	-
Rental of premises paid to Boustead Holdings Berhad Group	12,343	11,625	-	-
Islamic Banking income distributed to ultimate holding corporate body	1,074	2,332	-	-
Administrative and general expenses paid to LTAT Group	-	23	-	-
Administrative and general expenses paid to Boustead Holdings Berhad Group	521	436	-	-
Interest expense paid to associate	1,921	2,594	-	-
Insurance premium paid to associate	39,906	33,095	30	3
AMOUNT DUE FROM				
Rental deposits with ultimate holding corporate body	711	711	35	35
Rental deposits with Boustead Holdings Berhad Group	3,093	2,872	-	-
Corporate advisory fee receivable from Boustead Holdings Berhad	129	112	-	-
Purchase of securities by LTAT Group	2,482	459	-	-
Management fees receivable from LTAT Group	16	16	-	-
AMOUNT DUE TO				
Short term:				
<u>LTAT Group</u>				
- Short term deposits	286,351	395,041	-	-
- Current accounts	9,805	10,613	-	-
- Interest payable	475	789	-	-
- Fixed deposits	90,183	195,037	-	-
- Other payables	150	135	10	10
- Sale of securities	3,676	-	-	-
<u>Associates</u>				
- Bank balances	3,021	3,379	-	-
- Fixed deposits	40,953	62,515	-	-
- Interest payable	811	43	-	-
- Premium payable	3,377	2,935	-	-
Long term:				
<u>LTAT Group</u>				
- Fixed deposits	1,200	200	-	-

Notes to the Financial Statements (Cont'd)

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44 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) Scheme of Arrangement of AFFIN-ACF Holdings Berhad under Section 176 of the Companies Act, 1965

On 3 March 2004, the Company announced the acquisition of the remaining 37.88% equity interest in its subsidiary, AFFIN-ACF Holdings Berhad ('ACFH') by way of a Scheme of Arrangement ('SOA') between ACFH and its shareholders under section 176 of the Companies Act, 1965. The SOA involves the payment of special dividend and share exchange. The share exchange would involve the acquisition by the Company of the remaining 128,178,454 ordinary shares of RM1.00 each not already held by the Company representing 37.88% equity interest in ACFH for a consideration to be satisfied through RM16.7 million in cash and the issuance of 160,223,068 new ordinary shares of RM1.00 each in the Company at an issue price of RM2.00 per share. The proposed share exchange was on the basis of 1.25 of the Company's shares plus a cash payment of RM0.13 for every one ACFH share held.

The acquisition and the SOA has been approved by the relevant regulatory authorities, the shareholders of the Company and the shareholders of ACFH.

The SOA was completed on 26 January 2005 and ACFH became the wholly-owned subsidiary of AHB. The new AHB shares issued pursuant to the acquisition were listed on 31 January 2005 and the shares of ACFH pursuant to the SOA were delisted from the Main Board of Bursa Malaysia Securities Berhad on 17 February 2006.

(b) Merger of the Finance Company Business of AFFIN-ACF Finance Berhad ('AACF') with the Commercial Banking Business of AFFIN Bank Berhad ('ABB') ('Merger of Businesses')

On 6 May 2005, ABB had entered into a Business Transfer Agreement with AACF to acquire the assets and liabilities of the finance company business of AACF. The Merger of Businesses is made pursuant to the amendments to the Banking and Financial Institutions Act, 1989 ('BAFIA') which came into force on 15 January 2004, that provide for, amongst others, the creation of a new banking entity called 'banking and finance company'.

The Merger of Businesses involved the transfer to ABB of the assets and liabilities of the finance company business of AACF including AACF's shares in its wholly-owned subsidiary, AFFIN-ACF Nominees (Tempatan) Sdn Bhd and the subsequent merger of the finance company business of AACF with the commercial banking business of ABB.

Pursuant to the Vesting Order obtained on 26 May 2005 by ABB and AACF, the entire finance company business of AACF had been transferred and merged with the commercial banking business of ABB on 1 June 2005. On the same date, AACF ceased its operation as a licensed finance company and became dormant thereafter.

The Initial Consideration was satisfied by the issuance of 273,022,111 new ABB shares issued as fully paid-up at an issue price of RM1.377 per ABB share ('Consideration Shares') to AFFIN Holdings Berhad ('AHB') nominated by AACF in its favour, and the Balance Consideration of RM5,935,554 was settled in cash on 30 June 2005 between AHB, ABB and AACF as per the Business Transfer Agreement.

(c) Acquisition of the remaining 69,078,947 ordinary shares of RM1.00 each representing 36.84% of the issued and paid-up share capital in AFFIN Merchant Bank Berhad ('AFFIN Merchant') from MISC Enterprises Holdings Sdn Bhd ('MEH') for a cash consideration of RM169,964,000 ('Proposed Acquisition')

On 24 November 2005, AFFIN Holdings Berhad ('AHB') had entered into a conditional share sale agreement with MISC Enterprise Holdings Sdn Bhd ('MEH') for the proposed acquisition by AHB of the remaining 69,078,947 ordinary shares of RM1.00 each representing 36.84% of the issued and paid-up share capital of AMBB from MEH for a cash consideration of RM169,964,000. The proposed acquisition had been approved by the relevant regulatory authorities, the Board of AHB and the Board and shareholder of MEH.

The proposed acquisition had been completed on 29 December 2005 and AMBB became a wholly-owned subsidiary of AHB.

Notes to the Financial Statements (Cont'd)

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44 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (Cont'd)

(d) Proposed acquisition of life insurance business of Tahan Insurance Malaysia Berhad

On 18 November 2005, AHB, National Mutual International Pty Ltd ('NMI') and Tahan Insurance Malaysia Berhad ('Tahan') had entered into a conditional business transfer agreement ('BTA') pursuant to the proposed acquisition of the life insurance business of Tahan ('Proposed Acquisition'). AHB and NMI (together as the 'Purchaser') are contracting as promoters of a company to be incorporated which when incorporated will assume their rights and obligations under the BTA.

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

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

On 20 January 2006, the Company announced that Bank Negara Malaysia had notified vide its letter dated 19 January 2006 that the Minister of Finance had approved the transfer of the Life Business for a total consideration of RM121 million to AXA-AFFIN Life Insurance Berhad, a joint venture company to be incorporated by AHB (51%) and AXA (49%) which will thereafter operate the Life Business. The Proposed Acquisition is subject, inter alia, to the following approvals:

- i) the Bank Negara Malaysia;
- ii) the Foreign Investment Committee ('FIC');
- iii) the High Court of Malaya;
- iv) the Securities Commission ('SC'), by the Idaman Unggul Berhad;
- v) the shareholders of Idaman Unggul;
- vi) other relevant authorities, if any.

AHB had on 7 February 2006 entered into a conditional joint venture agreement with NMI in relation to the proposed joint venture to undertake the life insurance business in Malaysia pursuant to the Proposed Acquisition and the joint venture company namely AXA-AFFIN Life Insurance Berhad has been incorporated on 15 February 2006. The proposed joint venture is conditional upon the approval of the relevant authorities.

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

On 5 October 2004, the Company announced that it proposes to undertake a proposed private placement of new ordinary shares of RM1.00 each ('Placement Shares') representing up to 10% of issued and paid-up share capital of the Company to selected investors to be identified later. The issue price of the Placement Shares which will be determined by the Board, will be based on market principles that is in the best interests of the Company and its shareholders. In any event, the issue price of the placement shares shall not be less than the par value of RM1.00. On 26 November 2004, the Company announced that the SC has approved the proposed private placement, subject to the Company informing the SC when the proposed private placement is implemented and that the Company is to fully comply with other requirements as stipulated in the SC Issues Guidelines in relation to the proposed private placement of shares.

On 23 November 2005, the Company announced that the SC had, vide its letter dated 22 November 2005, granted further extension of time to 24 May 2006 for the Company to complete the private placement.

(f) Approval to establish an Islamic Banking subsidiary by AFFIN Bank Berhad ('ABB')

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

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

Notes to the Financial Statements (Cont'd)

31 December 2005

44 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (Cont'd)

(f) Approval to establish an Islamic Banking subsidiary by AFFIN Bank Berhad ('ABB') (Cont'd)

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

Pending the vesting order from the High Court of Malaya, the Proposed Transfer is expected to be completed on 1 April 2006 and AIBB will commence its business operations on 3 April 2006.

45 SEGMENT ANALYSIS

Segment analysis is presented in respect of the Group's business segment. The Group's activities are principally conducted in Malaysia and accordingly, no analysis on the Group's operations by geographical segments have been provided.

Unallocated expenses comprise back-office processes, cost centres which support the operating businesses and non-profit generating divisions in the Group. It includes corporate expenses that are not allocated to individual business segments.

The Group's business segment can be organised into the following main segments reflecting the Group's internal reporting structure:

Corporate/commercial banking

Corporate/commercial banking caters to funding or lending needs of corporate customers including public listed corporations and its related entities, multinational corporations, financial institutions, Government and state owned entities, small and medium enterprises.

Retail banking

Retail banking focuses on providing products and services to individual customers. The products and services offered to customers include credit facilities (mortgages, hire purchase financing and personal loans), credit cards, remittance services, deposit collection and investment products.

Treasury and money market

Treasury and money market operations is involved in proprietary trading in fixed income and foreign exchange, derivatives trading and structuring, managing customer-based foreign exchange and money market transactions, funding and investment in ringgit and foreign currencies.

Investment banking

Investment banking services cover corporate and debt restructuring, stock market listings, public offering of equity and debt instruments, private placement of securities and financial advisory services.

Stock-broking and asset management

This segment comprises institutional and retail broking business for securities listed on the Bursa Malaysia Securities Berhad, investment management services, unit trust funds management and research services.

Insurance

Insurance segment focuses on the underwriting of general insurance business.

Others

Other business segments in the Group include investment holding operations, dormant operations and other related financial services, whose results are not material to the Group and therefore do not render separate disclosure in the financial statements and have been reported in aggregate.

Notes to the Financial Statements (Cont'd)

31 December 2005

45 SEGMENT ANALYSIS (Cont'd)

The segment analysis of the Group by activity in 2005 and 2004 are as follows:

2005	Corporate/ Commercial banking RM'000	Retail banking RM'000	Treasury and money market RM'000	Investment banking RM'000	Stock-broking and asset management RM'000	Insurance RM'000	Others RM'000	Group RM'000
Revenue								
External revenue	540,159	678,324	491,805	15,125	37,532	2,697	9,548	1,775,190
Results								
Segment results	84,985	47,527	229,196	(9,281)	3,535	120	908	356,990
Finance cost								(50,709)
Share of results of associate								25,091
Profit before taxation								331,372
Taxation and zakat								(74,999)
Share of tax of associates								(4,835)
Profit after taxation								251,538
Minority interest								(15,892)
Net profit for the financial year								235,646

Notes to the Financial Statements (Cont'd)

31 December 2005

45 SEGMENT ANALYSIS (Cont'd)

	Corporate/ Commercial banking RM'000	Retail banking RM'000	Treasury and money market RM'000	Investment banking RM'000	Stock-broking and asset management RM'000	Insurance RM'000	Others RM'000	Group RM'000
2005								
<u>Other information</u>								
Segment assets	7,258,354	10,909,396	11,405,334	29,483	85,141	468	(337,046)	29,351,130
Investment in associate								84,935
Amount due from associate								-
Goodwill								989,260
Deferred tax assets								156,173
Tax recoverable								128,091
Unallocated assets								478,880
Total assets								31,188,469
Segment liabilities	7,342,117	12,310,403	7,344,428	21,466	165,098	559	708,611	27,892,682
Taxation								55
Deferred taxation liability								151
Unallocated liabilities								89,149
Total liabilities								27,982,037
Capital expenditure	31,423	49,930	18,138	658	2,547	234	3,067	105,997
Depreciation of property, plant and equipment	8,885	22,989	4,411	260	3,393	221	1,194	41,353
Allowances for losses on loans, advances and financing	205,259	153,014	-	-	-	-	-	358,273
Impairment of property, plant and equipment	-	-	-	-	161	-	-	161
Other non-cash items	(6,847)	5,823	(96,439)	223	(2,568)	-	(25,160)	(124,968)

Notes to the Financial Statements (Cont'd)
31 December 2005

45 SEGMENT ANALYSIS (Cont'd)

	Corporate/ Commercial banking		Retail banking		Treasury and money market		Investment banking		Stock-broking and asset management		Insurance		Others		Group		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
2004																	
Revenue																	
External revenue	615,412	636,945	531,388	2,748	52,831	3,389	7,256	1,849,969									
Results																	
Segment results	100,907	47,319	224,103	(9,595)	10,465	1,534	(574)	374,159									
Finance cost								(59,326)									
Share of results of associate								16,561									
Profit before taxation								331,394									
Taxation and zakat								(79,663)									
Share of tax of associates								(788)									
Profit after taxation								250,943									
Minority interest								(18,777)									
Net profit for the financial year								232,166									

Notes to the Financial Statements (Cont'd)

31 December 2005

45 SEGMENT ANALYSIS (Cont'd)

	Corporate/ Commercial banking RM'000	Retail banking RM'000	Treasury and money market RM'000	Investment banking RM'000	Stock-broking and asset management RM'000	Insurance RM'000	Others RM'000	Group RM'000
2004								
<u>Other information</u>								
Segment assets	9,645,029	9,306,631	12,362,058	11,363	179,234	32,328	17,213	31,553,856
Investment in associate								64,679
Amount due from associate								1,440
Goodwill								863,882
Deferred tax assets								229,715
Tax recoverable								61,020
Unallocated assets								81,190
Total assets								<u>32,855,782</u>
Segment liabilities	9,534,090	8,985,591	10,146,485	15,130	130,017	30,146	852,586	29,694,045
Taxation								2,780
Deferred taxation liability								406
Unallocated liabilities								91,629
Total liabilities								<u>29,788,860</u>
Capital expenditure	14,893	8,894	828	256	1,218	704	1,780	28,573
Depreciation of property, plant & equipment	29,925	19,568	370	314	3,963	145	824	55,109
Allowances for losses on loans, advances and financing	139,532	89,824	-	-	-	-	-	229,356
Impairment of property, plant and equipment	23,246	12,969	7,992	-	70	-	-	44,277
Other non-cash items	10,748	2,036	(107,076)	12,804	16	-	(16,567)	(98,039)

Notes to the Financial Statements (Cont'd)

31 December 2005

46 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has set up objectives and policies to manage the risks that arise in connection with financial instruments. The risk management framework and policies of the Group are guided by specific objectives to ensure that comprehensive and adequate risk management policies are established to mitigate the salient risk elements in the operations of the Group. The establishment of the overall financial risk management objectives is consistent and in tandem with the strategy to create and enhance shareholders' value, whilst guided by a prudent and robust framework of risk management policies. In achieving the objective of maximising returns to shareholders, the Board takes cognisance of the risk elements that the Group is confronted with in its operations. In view of the multi-faceted risks inherent especially in the Group's operations in the banking sector, the Group places great emphasis on the importance of risk management and has put in place clear and comprehensive risk management mechanisms and strategies to identify, monitor, manage and control the relevant risk factors.

Market Risk

Market risk refers to the impact on an institution's financial condition resulting from future adverse price or volatility movements of the assets contained in a firm's portfolio. The principal market risk of the Group's assets and liabilities management is primarily associated with the maturity and re-pricing mismatches of its assets and liabilities. The Board of each subsidiary is responsible for reviewing and recommending all market risk policies and ensuring that sound market risk and effective risk management systems are established and complied with.

The market risk management framework of the subsidiaries comprises a series of cut-loss and potential loss limits approved by the Asset Liability Committee ('ALCO') of respective subsidiaries to ensure that risk-takers do not exceed parameters set by management and periodic risk analysis which include among others Value-at-Risk ('VAR'), Present Value of a Basis Points ('PVBP') and stress tests.

Limits management is a control mechanism to ensure that all business activities are conducted in compliance with the limits in the risk management guidelines and policies. VAR and PVBP analysis are conducted in the Group's financial institution subsidiaries as part of the mechanism to quantify both the individual components and overall market risk exposures of the Company. VAR measures the risk losses arising from potential adverse movements in interest rates, equity prices and volatilities that could impact values of financial instruments. PVBP measures the change in value of interest rate sensitive exposures and identifies interest rate exposures that are most vulnerable to interest rate changes and facilitates the implementation of hedging strategies. These limits are set and reviewed regularly according to a number of factors, including market trading liquidity of the instruments and the subsidiaries' business strategy.

Periodic stress testing analysis is also conducted at the Group and subsidiaries level to ascertain impact of market risk on the Group's financial position under abnormal market conditions.

Credit Risk

Credit risk refers to the risk of financial loss arising from defaults by counter parties in meeting their obligations. Exposure to credit risks for the Group arises primarily from lending activities by the financial institutions.

The management of credit risk in subsidiaries is governed by credit management policies and procedures set and approved by each subsidiary's Board of Directors. The procedures spell out the relevant approval authorities, limits, risks, credit ratings and other matters involved in order to ensure sound credit granting standards.

The banking subsidiaries have in place credit grading systems implemented for the corporate, business and retail loans. The grading is based on credit worthiness of the borrowers, i.e. ability to repay debt obligations based on the borrowers' current condition, with regard to its management capacity and its market position.

Portfolio management is put in place to evaluate the credit risk exposures, the portfolio's risk profiles, and to identify any adverse trends or risk concentration patterns. The focus of portfolio management is to ensure that the risk concentration areas and unacceptable risk factors are managed and mitigated early.

Notes to the Financial Statements (Cont'd)

31 December 2005

46 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

Liquidity risk

Liquidity risk is the risk of loss due to failure to access funds at reasonable cost to fund the Group's operations and meet its liabilities when they fall due.

The Board of each subsidiary is responsible for the subsidiary's liquidity performance although the strategic management of liquidity has been delegated to the ALCO. The respective Board is however informed regularly of the liquidity situation in the subsidiaries. The respective ALCO of the subsidiaries execute the subsidiaries' liquidity strategy including ensuring that appropriate policies and procedures are established to control and limit liquidity risk. It is also responsible for ensuring that the subsidiaries have adequate information systems for measuring, monitoring, controlling and reporting liquidity risk.

The Group's subsidiaries which are regulated by Bank Negara Malaysia ('BNM') adopts BNM's Liquidity Framework ('NLF') which ascertains the liquidity condition based on the contractual and behavioural cash flow of assets, liabilities and off-balance sheet commitments, taking into consideration the realisable cash value of the eligible liquefiable assets.

The Group seeks to ensure that it has access to funds at reasonable cost even under adverse conditions, by managing its liquidity risk across all classes of assets and liabilities in accordance with regulatory guidelines and to take advantage of any lending and investment opportunities as they arise.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. As such, operational risk is inherent in each of the Group's business and operational activities. Such risks can potentially result in financial loss for the Group.

The monitoring and control of such risks are done through policies and procedures at the individual subsidiaries or operational activities level which serve as a reference guide for the operations of all key business units. These were designed taking into consideration the individual subsidiary's business activities, the market in which it is operating and any regulatory requirement in force. The risk management committees of key operating subsidiaries, namely AFFIN Bank Berhad and AFFIN Merchant Bank Berhad are responsible to formulate operational risk management framework to ensure that operational risks within the subsidiaries are properly identified, monitored, managed and reported.

The internal audit functions at the subsidiaries perform regular audits on various operations of the subsidiaries and monitor the key risk exposure areas to ensure that internal control procedures are in place and the procedures able to mitigate risks associated with operational activities.

Notes to the Financial Statements (Cont'd)

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47 INTEREST/PROFIT RATE RISK

The tables below summarise the Group's and the Company's exposure to interest/profit rate risks. Included in the tables are the Group's and the Company's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The off-balance sheet gap represents the interest/profit rate sensitive commitments and contingencies.

GROUP	Non-trading Book					Non-interest/profit bearing RM'000	Trading Book RM'000	Total RM'000	Weighted average 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				
2005									
Assets									
Cash & short-term funds	3,196,287	-	-	-	-	148,624	-	3,344,911	3.05
Deposits & placements with banks and other financial institutions	65,237	252,966	5,719	-	-	-	-	323,922	3.04
Securities held-for-trading	-	-	-	-	-	-	1,300,447	1,300,447	3.67
Securities available-for-sale	225,351	672,195	1,450,938	2,399,033	94,711	48,028	-	4,890,256	3.43
Securities held-to-maturity	171,473	-	35,814	788,323	288,303	293,786	-	1,577,699	2.92
Loans, advances & financing									
- Performing	6,256,577	858,993	1,547,691	4,066,236	2,109,096	(327,039)*	-	14,511,554	7.40
- Non-performing	-	-	-	-	-	2,461,655	-	2,461,655	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	665,715	-	665,715	-
Land held for sale	-	-	-	-	-	89,280	-	89,280	-
Other assets	6,938	15,239	32	2,830	678	1,992,283	5,030	2,023,030	-
Total Assets	9,921,863	1,799,393	3,040,194	7,256,422	2,492,788	5,372,332	1,305,477	31,188,469	

Notes to the Financial Statements (Cont'd)

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47 INTEREST/PROFIT RATE RISK (Cont'd)

GROUP	Non-trading Book					Non-interest bearing RM'000	Trading Book RM'000	Total RM'000	Weighted average 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				
2005									
Liabilities									
Deposits from customers	11,235,252	4,948,705	4,711,121	569,466	-	-	21,464,544	2.99	
Deposits & placements of banks and other financial institutions	862,585	255,000	56,685	-	-	-	1,174,270	3.04	
Obligations on securities sold on repurchase agreements	1,455,006	21,883	-	-	-	-	1,476,889	2.26	
Bills and acceptances payable	137,271	212,356	35,193	-	-	95,754	480,574	3.03	
Recourse obligation on loan sold to Cagamas	-	36,143	402,269	802,748	-	-	1,241,160	6.80	
Redeemable bonds	-	-	-	-	-	-	-	-	
Borrowings	314,931	-	160,000	748,530	-	-	1,223,461	4.94	
Other liabilities	18,958	165	1,371	84	-	900,561	921,139	-	
Total Liabilities	14,024,003	5,474,252	5,366,639	2,120,828	-	996,315	27,982,037		
Shareholders' Funds	-	-	-	-	-	3,206,432	3,206,432	-	
Minority Interest	-	-	-	-	-	-	-	-	
Total liabilities and shareholders' funds	14,024,003	5,474,252	5,366,639	2,120,828	-	4,202,747	31,188,469		

Notes to the Financial Statements (Cont'd)

31 December 2005

47 INTEREST/PROFIT RATE RISK (Cont'd)

GROUP	Non-trading Book				Non-interest bearing RM'000	Trading Book RM'000	Total RM'000
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000			
2005							
On balance sheet-interest sensitivity gap	(4,102,140)	(3,674,859)	(2,326,445)	5,135,594	2,492,788	1,305,477	-
Off balance sheet-interest sensitivity gap	242,556	441,000	(379,000)	(304,556)	-	-	-
Total interest sensitivity gap	(3,859,584)	(3,233,859)	(2,705,445)	4,831,038	2,492,788	1,305,477	-

* The negative balance represents general allowances for bad and doubtful debts and financing in accordance with the Group's accounting policy on allowance for bad and doubtful debts and financing.

(1) Other assets include investment in associates, trade debtors, goodwill, property, plant and equipment, tax recoverable, deferred taxation assets and other assets.

(2) Other liabilities include trade creditors, provision for taxation, deferred taxation liabilities and other liabilities.

Notes to the Financial Statements (Cont'd)

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47 INTEREST/PROFIT RATE RISK (Cont'd)

GROUP	Non-trading Book					Non-interest/profit bearing RM'000	Trading Book RM'000	Total RM'000	Weighted average 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				
2004									
<u>Assets</u>									
Cash & short-term funds	3,860,565	-	-	-	-	162,822	-	4,023,387	2.74
Deposits & placements with banks and other financial institutions	9,273	72,132	117,564	-	-	-	-	198,969	2.89
Securities held-for-trading	-	-	-	-	-	-	2,225,084	2,225,084	3.07
Securities available-for-sale	89,019	88,499	791,733	2,478,223	114,322	51,717	-	3,613,513	3.42
Securities held-to-maturity	406,442	126,162	322,512	1,837,411	343,716	294,451	-	3,330,694	4.27
Loans, advances & financing									
- Performing	7,889,544	777,978	1,482,077	3,528,274	903,895	(328,281)*	-	14,253,487	7.51
- Non-performing	-	-	-	-	-	2,604,154	-	2,604,154	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	750,386	-	750,386	
Land held for sale	-	-	-	-	-	59,435	-	59,435	
Other assets	6,694	19,444	2,227	17,573	2,228	1,748,387	120	1,796,673	
Total Assets	12,261,537	1,084,215	2,716,113	7,861,481	1,364,161	5,343,071	2,225,204	32,855,782	

Notes to the Financial Statements (Cont'd)

31 December 2005

47 INTEREST/PROFIT RATE RISK (Cont'd)

GROUP	Non-trading Book					Non-interest bearing RM'000	Trading Book RM'000	Total RM'000	Weighted average 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				
2004									
<u>Liabilities</u>									
Deposits from customers	11,835,413	3,503,064	4,182,786	479,649	96	1,518,481	-	21,519,489	2.75
Deposits & placements of banks and other financial institutions	1,479,227	260,178	337,921	384,985	165,925	-	-	2,628,236	2.93
Obligations on securities sold on repurchase agreements	825,942	50,000	-	-	-	-	-	875,942	2.65
Bills and acceptances payable	181,388	274,370	107,041	-	-	50,409	-	613,208	3.21
Recourse obligation on loans sold to Cagamas	27,193	47,266	284,802	401,040	965,778	-	-	1,726,079	4.20
Redeemable bonds	-	-	240,000	-	-	-	-	240,000	5.00
Borrowings	649,073	-	-	500,000	-	-	-	1,149,073	7.13
Other liabilities	18,188	567	2,087	6,787	-	1,009,204	-	1,036,833	
Total Liabilities	15,016,424	4,135,445	5,154,637	1,772,461	1,131,799	2,578,094	-	29,788,860	
Shareholders' Funds	-	-	-	-	-	2,686,962	-	2,686,962	
Minority Interest	-	-	-	-	-	379,960	-	379,960	
Total liabilities and shareholders' funds	15,016,424	4,135,445	5,154,637	1,772,461	1,131,799	5,645,016	-	32,855,782	

Notes to the Financial Statements (Cont'd)

31 December 2005

47 INTEREST/PROFIT RATE RISK (Cont'd)

GROUP	Non-trading Book				Non-interest-bearing RM'000	Trading Book RM'000	Total RM'000
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000			
2004							
On balance sheet-interest sensitivity gap	(2,754,887)	(3,051,230)	(2,438,524)	6,089,020	232,362	(301,945)	2,225,204
Off balance sheet-interest sensitivity gap	20,000	360,200	359,200	(739,400)	-	-	-
Total interest sensitivity gap	(2,734,887)	(2,691,030)	(2,079,324)	5,349,620	232,362	(301,945)	2,225,204

* The negative balance represents general allowances for bad and doubtful debts and financing in accordance with the Group's accounting policy on allowance for bad and doubtful debts and financing.

(1) Other assets include investment in associates, trade debtors, goodwill, property, plant and equipment, tax recoverable, deferred taxation assets and other assets.

(2) Other liabilities include trade creditors, provision for taxation, deferred taxation liabilities and other liabilities.

Notes to the Financial Statements (Cont'd)

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47 INTEREST/PROFIT RATE RISK (Cont'd)

COMPANY	Non-trading Book				Non-interest/ profit bearing RM'000	Trading Book RM'000	Total RM'000	Weighted average rate %
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000				
2005								
Assets								
Cash & short-term funds	120,294	-	-	-	231	-	120,525	2.94
Deposits & placements with banks and other financial institutions	-	389	-	-	-	-	389	3.00
Investment in subsidiaries	-	-	-	-	3,484,096	-	3,484,096	7.75
Amount due from subsidiaries	-	-	215	17,750	354	-	18,319	
Other assets	-	-	-	-	55,150	-	55,150	
Total Assets	120,294	389	215	17,750	3,539,831	-	3,678,479	
Liabilities								
Redeemable bonds	-	-	-	-	-	-	-	
Borrowings	285,000	-	160,000	248,530	-	-	693,530	5.54
Amount due to subsidiaries	-	-	-	-	563,870	-	563,870	
Other liabilities	-	-	-	-	8,882	-	8,882	
Total Liabilities	285,000	-	160,000	248,530	572,752	-	1,266,282	
Shareholders' Funds	-	-	-	-	2,412,197	-	2,412,197	
Total liabilities and shareholders' funds	285,000	-	160,000	248,530	2,984,949	-	3,678,479	
On balance sheet-interest sensitivity gap	(164,706)	389	(159,785)	(230,780)	554,882	-	-	

(1) Other assets include investment in associates, property, plant and equipment, tax recoverable and other assets.

(2) Other liabilities include provision for taxation and other liabilities.

Notes to the Financial Statements (Cont'd)

31 December 2005

47 INTEREST/PROFIT RATE RISK (Cont'd)

COMPANY	Non-trading Book					Non-interest bearing RM'000	Trading Book RM'000	Total RM'000	Weighted average 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				
2004									
Assets									
Cash & short-term funds	42,744	-	-	-	-	282	-	43,026	2.71
Deposits & placements with banks and other financial institutions	-	17,670	7,615	-	-	-	-	25,285	2.75
Investment in subsidiaries	-	-	-	-	-	2,695,981	-	2,695,981	7.75
Amount due from subsidiaries	-	-	-	17,750	-	17,828	-	35,578	
Other assets	-	-	-	-	-	14,914	-	14,914	
Total Assets	42,744	17,670	7,615	17,750	-	2,729,005	-	2,814,784	
Liabilities									
Redeemable bonds	-	-	240,000	-	-	-	-	240,000	5.00
Borrowings	618,530	-	-	-	-	-	-	618,530	6.99
Other liabilities	-	-	-	-	-	9,622	-	9,622	
Total Liabilities	618,530	-	240,000	-	-	9,622	-	868,152	
Shareholders' Funds	-	-	-	-	-	1,946,632	-	1,946,632	
Total liabilities and shareholders' funds	618,530	-	240,000	-	-	1,956,254	-	2,814,784	
On balance sheet-interest sensitivity gap	(575,786)	17,670	(232,385)	17,750	-	772,751	-	-	

(1) Other assets include investment in associates, property, plant and equipment, tax recoverable and other assets.

(2) Other liabilities include provision for taxation and other liabilities.

Notes to the Financial Statements (Cont'd)

31 December 2005

48 LIQUIDITY RISK

Liquidity risk is the risk that the Group and the Company will encounter difficulty in raising funds to meet its current or future payment obligations associated with financial instruments in full and at the due date. The tables below analyse the assets and liabilities of the Group and the Company into relevant maturity grouping based on their behavioural profile for those below 1 year and based on remaining period at balance sheet date to contractual maturity for those above 1 year.

GROUP	Up to 3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
2005						
Assets						
Cash & short-term funds	3,344,911	-	-	-	-	3,344,911
Deposits & placements with financial institutions	318,203	5,719	-	-	-	323,922
Securities held-for-trading	815,658	20,789	51,520	387,879	24,601	1,300,447
Securities available-for-sale	901,915	891,359	558,615	2,437,217	101,150	4,890,256
Securities held-to-maturity	444,743	-	34,404	784,417	314,135	1,577,699
Loans, advances & financing	2,660,418	475,292	865,258	6,791,940	6,180,301	16,973,209
Other assets	255,385	3,284	1,120	8,219	4,785	272,793
	8,741,233	1,396,443	1,510,917	10,409,672	6,624,972	28,683,237
Liabilities						
Deposits from customers	6,470,634	794,492	1,291,764	12,907,654	-	21,464,544
Deposits and placements of banks and other financial institutions	1,117,585	56,685	-	-	-	1,174,270
Obligations on securities sold under repurchase agreements	1,476,889	-	-	-	-	1,476,889
Bills and acceptances payable	445,380	35,194	-	-	-	480,574
Recourse obligation on loans sold to Cagamas	36,143	203,718	198,551	802,748	-	1,241,160
Borrowings	314,931	40,000	120,000	248,530	500,000	1,223,461
Other liabilities	873,038	4,265	8,125	30,432	-	915,860
	10,734,600	1,134,354	1,618,440	13,989,364	500,000	27,976,758
Net liquidity gap	(1,993,367)	262,089	(107,523)	(3,579,692)	6,124,972	706,479

Notes to the Financial Statements (Cont'd)

31 December 2005

48 LIQUIDITY RISK (Cont'd)

GROUP	Up to 3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
2004						
Assets						
Cash & short-term funds	4,023,387	-	-	-	-	4,023,387
Deposits & placements with financial institutions	159,185	32,169	7,615	-	-	198,969
Securities held-for-trading	1,568,091	180,448	1,199	460,926	14,420	2,225,084
Securities available-for-sale	217,588	15,238	767,788	2,497,800	115,099	3,613,513
Securities held-to-maturity	822,400	216,766	105,745	1,836,938	348,845	3,330,694
Loans, advances & financing	1,883,024	908,349	1,292,678	8,063,348	4,710,242	16,857,641
Other assets	206,036	25,083	5,704	25,367	4,609	266,799
	8,879,711	1,378,053	2,180,729	12,884,379	5,193,215	30,516,087
Liabilities						
Deposits from customers	6,942,723	644,411	2,688,517	10,880,737	363,101	21,519,489
Deposits and placements of banks and other financial institutions	1,285,329	45,068	(5,815)	1,303,654	-	2,628,236
Obligations on securities sold under repurchase agreements	875,942	-	-	-	-	875,942
Bills and acceptances payable	506,167	107,041	-	-	-	613,208
Recourse obligation on loans sold to Cagamas	74,459	284,802	227,580	1,139,238	-	1,726,079
Redeemable bonds	-	-	240,000	-	-	240,000
Borrowings	330,543	30,000	-	288,530	500,000	1,149,073
Other liabilities	649,645	26,801	63,327	243,351	28,108	1,011,232
	10,664,808	1,138,123	3,213,609	13,855,510	891,209	29,763,259
Net liquidity gap	(1,785,097)	239,930	(1,032,880)	(971,131)	4,302,006	752,828

Notes to the Financial Statements (Cont'd)
31 December 2005

48 LIQUIDITY RISK (Cont'd)

COMPANY	Up to 3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
2005						
Assets						
Cash & short-term funds	120,525	-	-	-	-	120,525
Deposits & placements with financial institutions	389	-	-	-	-	389
Amount due from subsidiaries	315	-	215	17,789	-	18,319
Amount due from associate	-	-	-	-	-	-
Other assets	127	-	-	-	49	176
	121,356	-	215	17,789	49	139,409
Liabilities						
Borrowings	285,000	40,000	120,000	248,530	-	693,530
Amount due to subsidiaries and related company	-	-	-	563,870	-	563,870
Other liabilities	8,882	-	-	-	-	8,882
	293,882	40,000	120,000	812,400	-	1,266,282
Net liquidity gap	(172,526)	(40,000)	(119,785)	(794,611)	49	(1,126,873)
2004						
Assets						
Cash & short-term funds	43,026	-	-	-	-	43,026
Deposits & placements with financial institutions	-	17,670	7,615	-	-	25,285
Amount due from subsidiaries	17,590	-	214	17,750	24	35,578
Amount due from associate	1,440	-	-	-	-	1,440
Other assets	128	-	-	-	45	173
	62,184	17,670	7,829	17,750	69	105,502
Liabilities						
Redeemable bonds	-	-	240,000	-	-	240,000
Borrowings	300,000	30,000	-	288,530	-	618,530
Other liabilities	5,977	3,645	-	-	-	9,622
	305,977	33,645	240,000	288,530	-	868,152
Net liquidity gap	(243,793)	(15,975)	(232,171)	(270,780)	69	(762,650)

Notes to the Financial Statements (Cont'd)

31 December 2005

49 CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The following tables analyse the Group's and the Company's financial assets and commitments and contingencies by industry concentration as at the balance sheet date:

GROUP	Short term funds and placements with financial institutions RM'000	Securities held-for-trading RM'000	Securities available-for-sale RM'000	Securities held-to-maturity RM'000	Loans, advances and financing RM'000	Trade debtors and other assets RM'000	Total on-balance sheet contingencies RM'000	Commitments and contingencies RM'000
2005								
Assets								
Agriculture, hunting, forestry & fishing	-	-	57,650	52,000	186,718	893	297,261	31,621
Mining and quarrying	-	-	-	-	55,139	-	55,139	168
Manufacturing	-	81,565	196,829	249,808	1,384,624	3,989	1,916,815	130,545
Electricity, gas and water	-	134,496	103,588	5,000	25,910	1,216	270,210	114,639
Construction	-	24,821	138,383	106,656	1,693,633	4,497	1,967,990	186,565
Real estate	-	69,779	42,179	114,306	743,779	234	970,277	38,662
Wholesale & retail trade and restaurants & hotels	-	-	140,859	206,365	1,700,736	2,573	2,050,533	46,177
Transport, storage and communication	-	142,571	96,085	4,100	445,189	1,285	689,230	39,064
Finance, insurance and business services	1,197,402	326,403	1,628,714	155,575	595,917	14,110	3,918,121	98,964
Government and government agencies	2,413,284	473,489	2,404,684	629,119	32,774	26,302	5,979,652	744,592
Purchase of landed property, securities and vehicles	-	39,092	-	-	9,053,287	136,830	9,229,209	105,536
Consumption credit	-	-	-	-	-	147	147	-
Others	2	-	37,060	20,193	1,382,542	78,859	1,518,656	1,967,675
	3,610,688	1,292,216#	4,846,031^	1,543,122+	17,300,248*	270,935	28,863,240	3,504,208

* Excludes general allowances amounting to RM327 million

Excludes equity instruments amounting to RM8 million

^ Excludes equity instruments amounting to RM44 million

+ Excludes equity instruments amounting to RM35 million

Risk concentration for commitments and contingencies are based on the credit equivalent balances in Note 40(c).

Notes to the Financial Statements (Cont'd)

31 December 2005

49 CREDIT RISK (Cont'd)

GROUP	Short term placements with financial institutions RM'000	Securities held-for- trading RM'000	Securities available- for-sale RM'000	Securities held-to- maturity RM'000	Loans, advances and financing RM'000	Trade debtors and other assets RM'000	Total on-balance sheet contingencies RM'000	Total Commitments and contingencies RM'000
2004								
Assets								
Agriculture, hunting, forestry & fishing	-	-	-	-	127,802	6	127,808	4,922
Mining and quarrying	-	-	-	-	17,778	-	17,778	1,071
Manufacturing	-	-	70,423	484,901	1,508,428	11,414	2,075,166	326,582
Electricity, gas and water	-	-	211,327	113,718	37,959	3,978	366,982	100,521
Construction	-	10,000	91,286	250,677	1,675,618	5,049	2,032,630	399,454
Real estate	-	-	77,590	249,110	961,205	1,453	1,289,358	19,748
Wholesale & retail trade and restaurants & hotels	-	-	16,921	252,835	1,476,049	4,767	1,750,572	418,478
Transport, storage and communication	-	14,999	51,579	104,378	478,865	959	650,780	107,296
Finance, insurance and business services	1,382,673	1,118,971	529,740	390,590	886,403	23,318	4,331,695	1,209,138
Government and government agencies	2,765,646	1,048,630	2,459,218	1,391,442	592,583	31,163	8,288,682	1,962,553
Purchase of landed property, securities and vehicles	-	1,637	160	50,000	8,639,236	114,493	8,805,526	357,768
Consumption credit	-	-	-	-	11,537	523	12,060	69
Others	2	9,950	42,910	21,013	772,462	69,508	915,845	912,868
	4,148,321	2,204,187#	3,551,154^	3,308,664+	17,185,925*	266,631	30,664,882	5,820,468

* Excludes general allowances amounting to RM328 million

Excludes equity instruments amounting to RM21 million

^ Excludes equity instruments amounting to RM62 million

+ Excludes equity instruments amounting to RM20 million

Risk concentration for commitments and contingencies are based on the credit equivalent balances in Note 40(c).

Notes to the Financial Statements (Cont'd)

31 December 2005

49 CREDIT RISK (Cont'd)

COMPANY	Short term funds and placements with financial institutions RM'000	Other assets RM'000	Total on-balance sheet RM'000
2005			
Electricity, gas and water	-	1	1
Transport, storage and communication	-	4	4
Finance, insurance and business services	120,914	17,884	138,798
Others	-	2	2
	120,914	17,891	138,805
2004			
Electricity, gas and water	-	1	1
Transport, storage and communication	-	4	4
Finance, insurance and business services	68,311	19,323	87,634
	68,311	19,328	87,639

50 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets, financial liabilities and also off-balance sheet financial instruments. The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents estimates of fair values as at the balance sheet date.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the uncertainties and assumptions could materially affect these estimates and the resulting fair value estimates.

In addition, fair value information for non-financial assets and liabilities is excluded as they do not fall within the scope of FRS 132 which requires the fair value information to be disclosed. These include property, plant and equipment, deferred taxation, investment in subsidiaries, associates and intangibles.

The table in the following page summarises the fair values of those financial assets and financial liabilities, which were presented at carrying value as at the date of balance sheet.

Notes to the Financial Statements (Cont'd)
31 December 2005

50 FAIR VALUE OF FINANCIAL INSTRUMENTS (Cont'd)

2005

	GROUP		COMPANY	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
<u>Financial assets</u>				
Cash and short term funds	3,344,911	3,344,911	120,525	120,525
Deposits and placements with financial institutions	323,922	323,922	389	389
Securities held-for-trading	1,300,447	1,300,447	-	-
Securities available-for-sale	4,890,256	4,890,256	-	-
Securities held-to-maturity	1,577,699	1,521,504	-	-
Loans, advances and financing	16,973,209	17,001,789	-	-
Amount due from subsidiaries	-	-	18,319	18,402
Amount due from associate	-	-	-	-
Trade debtors	137,063	137,063	-	-
Other assets	140,356	140,356	6,067	6,067
<u>Financial liabilities</u>				
Deposits from customers	21,464,544	21,448,657	-	-
Deposits and placements of banks and other financial institutions	1,174,270	1,173,870	-	-
Obligation on securities sold under repurchase agreements	1,476,889	1,476,889	-	-
Bills and acceptances payable	480,574	480,574	-	-
Redeemable bonds	-	-	-	-
Borrowings	1,223,461	1,096,115	693,530	693,530
Recourse obligation on loans sold to Cagamas Berhad	1,241,160	1,243,849	-	-
Amount due to subsidiaries	-	-	563,870	563,870
Trade creditors	116,857	116,857	-	-
Other liabilities	797,848	797,848	8,636	8,636

Notes to the Financial Statements (Cont'd)
31 December 2005

50 FAIR VALUE OF FINANCIAL INSTRUMENTS (Cont'd)

2004

	GROUP		COMPANY	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
<u>Financial assets</u>				
Cash and short term funds	4,023,387	4,023,387	43,026	43,026
Deposits and placements with financial institutions	198,969	198,969	25,285	25,285
Securities held-for-trading	2,225,084	2,225,084	-	-
Securities available-for-sale	3,613,513	3,613,513	-	-
Securities held-to-maturity	3,330,694	3,226,063	-	-
Loans, advances and financing	16,857,641	17,526,666	-	-
Amount due from subsidiaries	-	-	35,578	35,811
Amount due from associate	1,440	1,440	1,440	1,440
Trade debtors	115,937	115,937	-	-
Other assets	140,310	140,310	173	173
<u>Financial liabilities</u>				
Deposits from customers	21,519,489	21,548,952	-	-
Deposits and placements of banks and other financial institutions	2,628,236	2,636,141	-	-
Obligation on securities sold under repurchase agreements	875,942	875,942	-	-
Bills and acceptances payable	613,208	613,208	-	-
Redeemable bonds	240,000	244,660	240,000	244,660
Borrowings	1,149,073	1,001,749	618,530	618,530
Recourse obligation on loans sold to Cagamas Berhad	1,726,079	1,756,373	-	-
Trade creditors	75,892	75,892	-	-
Other liabilities	923,590	923,590	9,495	9,495

Notes to the Financial Statements (Cont'd)

31 December 2005

50 FAIR VALUE OF FINANCIAL INSTRUMENTS (Cont'd)

The fair values of derivative financial instruments at balance sheet date are as follows:

2005	Underlying notional RM'000	GROUP	
		Asset RM'000	Liability RM'000
Foreign exchange contracts:			
Forward contracts	2,114,201	766	395
Interest rate contracts:			
Future contracts	4,483,000	2,466	81
Swaps	1,193,556	2,741	1,581
<hr/>			
2004			
Foreign exchange contracts:			
Forward contracts	644,554	137	320
Interest rate contracts:			
Future contracts	10,470,000	2,535	372
Swaps	1,503,200	8,466	10,632

The derivative financial statements become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The extent to which instruments are favourable or unfavourable and the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The fair values are based on the following methodologies and assumptions:

Deposits and placements with financial institutions

For deposits and placements with financial institutions with maturities of less than six months, the carrying amount is a reasonable estimate of the fair value.

For amounts with maturities of six months or more, fair values have been estimated by reference to current rates at which similar deposits and placements would be made with similar risks and maturity profile.

Securities held-for-trading, securities available-for-sale and securities held-to-maturity

The fair values of securities held-for-trading, securities available-for-sale and securities held-to-maturity are reasonable estimates based on quoted market prices. In the absence of such quoted prices, the fair values are based on the expected cashflows of the instruments discounted by indicative market yields for the similar instruments as at balance sheet date or the audited net tangible asset of the invested company.

Notes to the Financial Statements (Cont'd)

31 December 2005

50 FAIR VALUE OF FINANCIAL INSTRUMENTS (Cont'd)

Loans, advances and financing

Loans and advances of the Group comprise of floating rate loans and fixed rate loans. For performing floating rate loans, the carrying amount is a reasonable estimate of their fair values.

The fair values of performing fixed rate loans are arrived at using the discounted cash flows based on the prevailing market rates of loans and advances with similar credit ratings and maturities.

The fair values of impaired loans and advances, whether fixed or floating are represented by their carrying values, net of specific allowances and net of approximately RM209 million carrying value of the general allowances for bad and doubtful debts and financing which cover unidentified losses inherent in the loan portfolio, being the reasonable estimate of recoverable amount.

Deposits from customers, banks and financial institutions

Obligation on securities sold under repurchase agreements

Bills and acceptances payable

The carrying values of deposits and liabilities with maturities of six months or less are assumed to be reasonable estimates of their fair values. Where the remaining maturities of deposits and liabilities are above six months, their estimated fair values are arrived at using the discounted cash flows based on prevailing market rates currently offered for similar remaining maturities.

The estimated fair value of deposits with no stated maturity, which include non-interest bearing deposits, approximates carrying amount which represents the amount repayable on demand.

Redeemable bonds/Subordinated term loan

The estimated fair value of bonds is based on discounted cash flow model using a current yield curve appropriate for the remaining term to maturity.

Recourse obligation on loans sold to Cagamas Berhad

For floating rate loans sold to Cagamas Berhad, the carrying value is generally a reasonable estimate of their fair values.

The fair values of fixed rate loans sold to Cagamas Berhad are arrived at using the discounted cash flow methodology at prevailing market rates of similarly profiled loans.

Borrowings

For fixed rate borrowings, the estimate of fair value is based on discounted cash flow model using prevailing lending rates for borrowings with similar risks and remaining term to maturity.

For floating rate borrowings, the carrying value is generally a reasonable estimate of their fair values.

Notes to the Financial Statements (Cont'd)

31 December 2005

50 FAIR VALUE OF FINANCIAL INSTRUMENTS (Cont'd)

Derivative financial instruments

The fair value of exchange rate and interest rate contracts is the estimated amount the Group would receive or pay to terminate the contracts at the reporting date.

51 CHANGE IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS

(a) Change in accounting policies

On 5 October 2004, Bank Negara Malaysia issued a revised BNM/GP8 which provides guidance on recognition, measurement and classification of securities portfolio, which became operative for the financial year ending 31 December 2005. The adoption of the revised BNM/GP8 has resulted the following changes in accounting policies:

(i) Recognition and measurement of securities portfolio

Previously, dealing securities are measured at lower of cost and market value. Bank guaranteed and government guaranteed private debt securities are measured at amortised cost, while non-bank guaranteed and non-government guaranteed private debts securities are measured at lower of cost and market value. Other investment securities are measured at cost and allowance is made in the event of any permanent diminution in value. Accretion of discount and amortisation of premium on non-bank guaranteed and non-government guaranteed private debt securities is not allowed.

With the revision, all securities held-for-trading are now measured at fair value. Investment securities are classified into securities available-for-sale and securities held-to-maturity. Securities available-for-sale are measured at fair value, with changes in fair value recognised directly in shareholder's fund. Equity securities, which have no quoted price in an active market and whose fair value cannot be reliably measured are classified as securities available-for-sale and stated at cost. Securities held-to-maturity are measured at amortised cost, except for investment in equity holdings in socio-economic entities, which is stated at cost. Impairment losses arising from securities available-for-sale and securities held-to-maturity are recognised in the current period's income statement. Accretion of discount and amortisation of premium on securities portfolio is allowed and recognised in the current period's income statement as interest income.

(ii) Recognition and measurement of derivative financial instruments

Previously, derivative financial instruments transacted by the Group for both hedging and non-hedging are recognised as off-balance sheet items, except for foreign currency forward contracts. Foreign currency contracts are measured at fair value of replacement costs, with changes in fair value are recognised directly in the current period's income statement. The cumulative changes in fair value are presented as an item in 'Other assets' or 'Other liabilities'.

With the revision, all derivative financial instruments transacted by the Group i.e. interest rate swaps and foreign currency forward contracts are carried at fair value and presented separately in the balance sheets as assets (positive replacement costs) and liabilities (negative replacement costs). Unrealised gains or losses arising from changes in fair value of derivative financial instruments are recognised directly in the current period's income statement, except for derivative financial instruments that are designated as effective hedging instrument.

Notes to the Financial Statements (Cont'd)

31 December 2005

51 CHANGE IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS (Cont'd)

(a) Change in accounting policies (Cont'd)

For qualifying fair value hedges, the change in fair value of the hedging derivative is recognised in current period's income statement. Those changes in fair value of the hedged item, which are attributable to the risks hedged with the derivative financial instrument are reflected as an adjustment to the carrying value of the hedged item, which is also recognised in the current period's income statement.

(b) Prior year adjustments

The changes in accounting policies have been applied retrospectively and comparatives have been restated. The effects of the changes in accounting policies are as follows:

	GROUP	
	2005 RM'000	2004 RM'000
<u>Effect on Retained profits</u>		
At 1 January, as previously stated	331,513	224,625
Effect of changes in accounting policies:		
- securities held-for-trading	10,038	9,644
- derivative financial instruments	(5,800)	(5,451)
At 1 January, as restated	335,751	228,818
<u>Effect on Statutory reserves</u>		
At 1 January, as previously stated	391,642	270,091
Effect of changes in accounting policy for securities held-for-trading	5,090	3,170
At 1 January, as restated	396,732	273,261
<u>Effect on Investment fluctuation reserves</u>		
At 1 January, as previously stated	-	-
Effect of changes in accounting policy for securities available-for-sale	14,496	(18,040)
At 1 January, as restated	14,496	(18,040)

Notes to the Financial Statements (Cont'd)

31 December 2005

51 CHANGE IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS (Cont'd)

(b) Prior year adjustments (Cont'd)

Comparative figures for the previous financial year have been restated as follows:

	GROUP		
	As previously reported RM'000	Adjustments RM'000	As restated RM'000
Balance sheet as at 31 December 2004			
Dealing securities	1,450,256	(1,450,256)	-
Investment securities	7,673,495	(7,673,495)	-
Securities held-for-trading	-	2,225,084	2,225,084
Securities available-for-sale	-	3,613,513	3,613,513
Securities held-to-maturity	-	3,330,694	3,330,694
Other assets	174,266	(58,329)	115,937
Deferred tax assets	237,509	(7,794)	229,715
Other liabilities	(940,676)	(19,859)	(960,535)
Minority interest	(373,930)	(6,030)	(379,960)
Statement of changes in equity for the financial year ended 31 December 2004			
Statutory reserves	391,642	5,090	396,732
Retained profits	331,513	4,238	335,751
Investment fluctuation reserves	-	14,496	14,496
Income statement for the financial year ended 31 December 2004			
Interest income	1,439,936	8,185	1,448,121
Islamic Banking income	103,203	(2,554)	100,649
Other operating income	292,363	8,836	301,199
Taxation	(73,146)	(4,902)	(78,048)

52 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 10 March 2006.

Notes to the Financial Statements (Cont'd)
31 December 2005

53 THE OPERATIONS OF ISLAMIC BANKING

BALANCE SHEET AS AT 31 DECEMBER 2005

	Note	GROUP	
		2005 RM'000	2004 RM'000
ASSETS			
Cash and short term funds	(b)	1,307,396	1,064,930
Deposits and placements with financial institutions	(c)	140,000	74,115
Securities held-for-trading	(d)	61,126	511,638
Securities available-for-sale	(d)	534,857	1,647,131
Securities held-to-maturity	(d)	92,593	443,658
Financing, advances and other loans	(e)	1,503,899	1,382,117
Statutory deposit with Bank Negara Malaysia		75,000	63,696
Other assets	(f)	16,847	13,177
Deferred tax assets		-	947
Property, plant and equipment	(g)	14	17
TOTAL ASSETS		3,731,732	5,201,426
LIABILITIES, SHAREHOLDERS' EQUITY			
Deposits from customers	(h)	2,038,344	3,596,734
Deposits and placements of banks and other financial institutions	(i)	100,600	566,141
Bills and acceptances payable		2,014	1,477
Other liabilities	(j)	1,191,490	603,890
TOTAL LIABILITIES		3,332,448	4,768,242
Total Islamic Banking Capital Funds	(k)	399,284	433,184
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS		3,731,732	5,201,426
Commitments and contingencies	(v)	4,966,285	7,932,969

Notes to the Financial Statements (Cont'd)
31 December 2005

53 THE OPERATIONS OF ISLAMIC BANKING (Cont'd)

INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

	Note	GROUP	
		2005 RM'000	2004 RM'000
Income derived from investment of depositors' funds and others	(m)	169,312	174,558
Allowance for losses on financing	(q)	(35,980)	(32,561)
Transfer from/(to) profit equalisation reserve		2,340	(6,930)
		135,672	135,067
Income attributable to depositors	(r)	(98,357)	(92,441)
Income attributable to shareholders		37,315	42,626
Income derived from investment of Islamic Banking Capital Funds	(s)	26,967	18,532
Net income		64,282	61,158
Other operating expenses	(t)	(2,984)	(4,026)
Profit before zakat		61,298	57,132
Taxation		(2,207)	(4,926)
Zakat		(3,099)	(962)
Net profit for the financial year		55,992	51,244

Notes to the Financial Statements (Cont'd)

31 December 2005

53 THE OPERATIONS OF ISLAMIC BANKING (Cont'd)

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

GROUP	Note	Capital fund RM'000	Statutory reserves RM'000	Investment fluctuation reserves RM'000	Retained earnings RM'000	Total RM'000
2005						
At 1 January 2005		162,000	12,313	-	248,415	422,728
Prior year adjustments	53(x)	-	951	14,953	(5,448)	10,456
		162,000	13,264	14,953	242,967	433,184
Increase in allocation of share capital		-	-	-	-	-
Net profit for the financial year		-	-	-	55,992	55,992
Transfer to statutory reserves		-	9,884	-	(9,884)	-
Transfer to Conventional account		(40,000)	(1,209)	-	(33,324)	(74,533)
Net change in fair value of securities available-for-sale		-	-	(15,359)	-	(15,359)
At 31 December 2005		122,000	21,939	(406)	255,751	399,284
2004						
At 1 January 2004		142,000	6,256	-	194,582	342,838
Prior year adjustments	53(x)	-	1,044	(13,262)	3,105	(9,113)
		142,000	7,300	(13,262)	197,687	333,725
Increase in allocation of share capital		20,000	-	-	-	20,000
Net profit for the financial year		-	-	-	51,244	51,244
Transfer to statutory reserves		-	5,964	-	(5,964)	-
Net change in fair value of securities available-for-sale		-	-	28,215	-	28,215
At 31 December 2004		162,000	13,264	14,953	242,967	433,184

Notes to the Financial Statements *(Cont'd)*

31 December 2005

53 THE OPERATIONS OF ISLAMIC BANKING *(Cont'd)*

CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

	GROUP	
	2005 RM'000	2004 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation and zakat	61,298	57,132
Adjustments for items not involving the movement of cash and cash equivalents:		
(Gain)/loss on sale of securities available-for-sale	(431)	467
Unrealised loss/(profit) on revaluation of securities held-for-trading	1,648	(1,084)
Accretion of discount less amortisation of premium	(31,420)	(41,553)
Writeback of impairment losses on securities available-for-sale	-	(104)
Depreciation of property, plant and equipment	3	9
Allowance for bad and doubtful debts	36,402	32,610
Profit equalisation reserve	(2,340)	6,930
OPERATING PROFIT BEFORE CHANGES IN WORKING CAPITAL	65,160	54,407
Working capital changes:		
<i>(Increase)/decrease in operating assets</i>		
Deposits and placements with banks and other financial institutions	(65,885)	(64,115)
Securities held-for-trading	448,864	(296,806)
Securities available-for-sale	-	14,990
Loans, advances and financing	(158,184)	40,787
Statutory deposits with Bank Negara Malaysia	(11,304)	44,901
Other assets	(3,670)	(2,376)
<i>Increase/(decrease) in operating liabilities</i>		
Deposits from customers	(1,558,390)	143,772
Deposits and placements of banks and other financial institutions	(465,541)	(144,054)
Bills and acceptances payable	537	(40,220)
Other liabilities	552,701	614,805
Cash generated from operations	(1,195,712)	366,091
Taxation and zakat paid	(2,860)	(3,344)
NET CASH (UTILISED IN)/GENERATED FROM OPERATING ACTIVITIES	(1,198,572)	362,747

Notes to the Financial Statements (Cont'd)
31 December 2005

53 THE OPERATIONS OF ISLAMIC BANKING (Cont'd)

CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005 (Cont'd)

	GROUP	
	2005 RM'000	2004 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Net (purchase)/disposal of securities		
- held-for-trading	(575)	-
- available-for-sale	1,121,538	(470,148)
- held-to-maturity	358,867	409,161
Purchase of property, plant and equipment	-	(2)
NET CASH GENERATED FROM/(UTILISED IN) INVESTING ACTIVITIES	1,479,830	(60,989)
CASH FLOWS FROM FINANCING ACTIVITIES		
Funds transferred (to)/from conventional accounts	(38,792)	20,000
NET CASH (UTILISED IN)/GENERATED FROM FINANCING ACTIVITIES	(38,792)	20,000
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	242,466	321,758
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	1,064,930	743,172
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	1,307,396	1,064,930
Cash and cash equivalent comprises of:		
Cash and short-term funds (Note 53(b))	1,307,396	1,064,930

Notes to the Financial Statements *(Cont'd)*

31 December 2005

53 THE OPERATIONS OF ISLAMIC BANKING (Cont'd)

(a) Disclosure of Syariah Advisor

The Group engages the services of the Syariah Advisory Council of AFFIN Holdings Group for advice with respect to Islamic Banking products, transactions and business dealings involving the Group. The council members comprise of three qualified Syariah professionals who meet up with the members of the Islamic Banking Unit of each financial institution in the Group.

The roles and responsibilities of the Syariah Advisory Council are as follows:

- (i) Providing advisory services and as well as certifying and approving Islamic banking products and transactions.
- (ii) Reviewing and endorsing the Islamic Banking Annual Report.

(b) Cash and Short Term Funds

	GROUP	
	2005 RM'000	2004 RM'000
Cash and bank balances with banks and other financial institutions	25,396	7,963
Money at call and deposits placements maturing within one month	1,282,000	1,056,967
	1,307,396	1,064,930

(c) Deposits and Placements with Financial Institutions

Licensed Islamic banks	90,000	-
Licensed banks	50,000	34,115
Licensed finance companies	-	40,000
	140,000	74,115

(d) Securities

Securities held-for-trading

Malaysian Government Investment Issuance ('GII')	8,620	138,670
Khazanah Bonds / Notes	52,506	113,901
Bankers' Acceptances	-	209,067
Negotiable Instruments of Deposit	-	50,000
Total securities held-for-trading	61,126	511,638

Notes to the Financial Statements (Cont'd)
31 December 2005

53 THE OPERATIONS OF ISLAMIC BANKING (Cont'd)

(d) Securities (Cont'd)

	GROUP	
	2005 RM'000	2004 RM'000
<u>Securities available-for-sale</u>		
Malaysian Government Investment Issuance ('GII')	232,312	831,542
Cagamas Bonds	-	106,225
Khazanah Bonds	133,451	538,279
Bank Negara Malaysia Notes	21,480	-
Bankers' Acceptances	-	16,969
Islamic Acceptance Bills	93,052	-
Negotiable Instruments of Deposit	19,338	54,967
Quoted		
- Shares	-	353
Unquoted		
- Shares	-	575
- Private Debt Securities	35,224	98,376
	534,857	1,647,286
Accumulated impairment loss on quoted shares	-	(155)
Total securities available-for-sale	534,857	1,647,131
<u>Securities held-to-maturity</u>		
Malaysian Government Investment Issuance ('GII')	-	65,139
Khazanah Bonds	-	89,957
Negotiable Instruments of Deposit	-	10,481
Unquoted		
- Shares	575	-
- Private Debt Securities	92,018	278,081
Total securities held-to-maturity	92,593	443,658
TOTAL SECURITIES	688,576	2,602,427

Notes to the Financial Statements (Cont'd)
31 December 2005

53 THE OPERATIONS OF ISLAMIC BANKING (Cont'd)

(e) Financing, Advances and Other Loans

	GROUP	
	2005 RM'000	2004 RM'000
BY TYPE		
Cash line	58,229	18,101
Term financing		
- Housing financing	1,394,578	793,062
- Hire purchase receivables	268,161	165,575
- Other term financing	537,724	586,596
Bills financing	5,003	1,451
Trust receipts	71,824	44,371
Interest-free accepted bills	52,432	36,407
Staff financing (none to Directors)	12,081	14,180
Revolving credit	95,143	55,615
	2,495,175	1,715,358
Less: Unearned income	(860,412)	(237,382)
Gross financing, advances and other loans	1,634,763	1,477,976
Less: Allowance for bad and doubtful financing		
- General	(28,717)	(28,555)
- Specific	(102,147)	(67,304)
Total net financing, advances and other loans	1,503,899	1,382,117
FINANCING OF CUSTOMERS ANALYSED BY CONCEPTS		
- Al Bai' Bithaman Ajil	1,183,871	642,792
- Al-Murabahah	1,771	137,388
- Al-Ijarah Thumma Al-Bai'	-	1,085
- Other principles	449,121	696,711
	1,634,763	1,477,976

Notes to the Financial Statements (Cont'd)
31 December 2005

53 THE OPERATIONS OF ISLAMIC BANKING (Cont'd)

(e) Financing, Advances and Other Loans (Cont'd)

	GROUP	
	2005 RM'000	2004 RM'000
BY TYPE OF CUSTOMER		
Domestic non-banking institutions		
- Others	49	62
Domestic business enterprises		
- Small medium enterprises	357,481	224,126
- Others	300,385	243,434
Government and statutory bodies	5,831	106,131
Individuals	898,323	889,819
Other domestic entities	1,879	6,474
Foreign entities	70,815	7,930
	1,634,763	1,477,976
BY PROFIT RATE SENSITIVITY		
Fixed rate:		
Housing financing	641,418	719,032
Hire purchase receivables	220,617	137,311
Other fixed rate financing	772,728	621,633
	1,634,763	1,477,976
BY SECTOR		
Agriculture, hunting, forestry and fishing	17,995	4,109
Mining and quarrying	4,082	4,028
Manufacturing	190,585	30,367
Electricity, gas and water	672	474
Construction	175,576	147,679
Real estate	381	62,797
Purchase of landed property of which:		
- Residential	649,037	701,011
- Non-residential	49,072	59,609
Wholesale & retail trade and restaurants & hotels	78,586	86,400
Transport, storage and communication	65,669	96,021
Finance, insurance and business services	4,413	1,824
Purchase of securities	7,898	139,216
Purchase of transport vehicles	212,920	476
Consumption credit	15,725	4,404
Others	162,152	139,561
Total	1,634,763	1,477,976

Notes to the Financial Statements (Cont'd)
31 December 2005

53 THE OPERATIONS OF ISLAMIC BANKING (Cont'd)

(e) Financing, Advances and Other Loans (Cont'd)

	GROUP	
	2005 RM'000	2004 RM'000
NON-PERFORMING FINANCING ('NPF')		
<u>Movements in non-performing financing, advances and other loans</u>		
Balance at the beginning of financial year	535,782	431,374
Classified as non-performing during the year	150,332	290,682
Reclassified as performing during the year	(73,810)	(36,321)
Loans/financing converted to securities	(59,999)	-
Amount written back in respect of recoveries	(68,260)	(48,620)
Amount written-off	(2,619)	(101,333)
Balance at the end of financial year	481,426	535,782
Less: Specific allowance	(102,147)	(67,304)
Net non-performing financing, advances and other loans	379,279	468,478
Ratio of net non-performing financing, advances and other loans to total net financing, advances and other loans	24.75%	33.21%
<u>Non-performing financing by sector</u>		
Agriculture, hunting, forestry and fishing	3,975	3,527
Mining and quarrying	3,888	886
Manufacturing	69,752	11,261
Electricity, gas and water	-	-
Construction	95,728	134,866
Real estate	-	59,999
Purchase of landed property:	-	-
- Residential	157,809	174,038
- Non-residential	8,414	16,685
Wholesale & retail trade and restaurants & hotels	36,280	55,621
Transport, storage and communication	50,815	51,249
Finance, insurance and business services	11	-
Purchase of securities	6,648	7,366
Purchase of transport vehicles	944	-
Consumption credit	1,787	2,035
Others	45,375	18,249
	481,426	535,782

Notes to the Financial Statements (Cont'd)
31 December 2005

53 THE OPERATIONS OF ISLAMIC BANKING (Cont'd)

(e) Financing, Advances and Other Loans (Cont'd)

	GROUP	
	2005 RM'000	2004 RM'000
<u>Movement in allowance for bad and doubtful financing</u>		
General allowance		
Balance at the beginning of financial year	28,555	26,924
Allowance made during the financial year	283	1,640
Amount written back during the year	(121)	(9)
Balance at the end of financial year	28,717	28,555
As % of total financing less specific allowance	1.87%	2.02%
Specific allowance		
Balance at the beginning of financial year	67,304	72,194
Allowance made during the financial year	52,011	37,411
Amount written off	(1,397)	(35,869)
Amount written back in respect of recoveries	(15,771)	(6,432)
Balance at the end of financial year	102,147	67,304
(f) Other Assets		
Profit receivable	3,349	3,779
Other debtors, deposits and prepayments	13,498	9,398
	16,847	13,177

Notes to the Financial Statements (Cont'd)
31 December 2005

53 THE OPERATIONS OF ISLAMIC BANKING (Cont'd)

(g) Property, Plant and Equipment

GROUP	Renovations RM '000	Furniture and equipment RM '000	Computers RM '000	Motor vehicle RM '000	Total RM '000
2005					
<u>Cost</u>					
At 1 January/31 December	31	14	361	79	485
<u>Accumulated Depreciation</u>					
At 1 January	31	12	346	79	468
Additions	-	2	1	-	3
At 31 December	31	14	347	79	471
Net book value at 31 December 2005	-	-	14	-	14
2004					
Cost	31	14	361	79	485
Accumulated depreciation	31	12	346	79	468
Net book value at 31 December 2004	-	2	15	-	17

Notes to the Financial Statements (Cont'd)
31 December 2005

53 THE OPERATIONS OF ISLAMIC BANKING (Cont'd)

(h) Deposits from Customers

	GROUP	
	2005 RM'000	2004 RM'000
BY TYPE OF DEPOSIT		
<u>Non-Mudharabah Funds</u>		
Demand deposits	1,191,600	1,315,122
Savings deposits	153,543	240,250
Negotiable certificates of deposits	157,342	94,632
<u>Mudharabah Funds</u>		
Demand deposits	-	65,885
Savings deposits	6,194	9,253
General investment deposits	529,665	1,871,592
	2,038,344	3,596,734
BY TYPE OF CUSTOMER		
Government and statutory bodies	1,009,251	654,954
Business enterprises	519,438	802,289
Individuals	212,186	678,500
Others	297,469	1,460,991
	2,038,344	3,596,734
(i) Deposits and Placements of Banks and Other Financial Institutions		
<u>Mudharabah Funds</u>		
Licensed Banks	-	50,577
Licensed Finance Companies	-	495,564
Licensed Merchant Banks	56,000	20,000
Other Financial Institutions	44,600	-
	100,600	566,141

Notes to the Financial Statements (Cont'd)
31 December 2005

53 THE OPERATIONS OF ISLAMIC BANKING (Cont'd)

(j) Other Liabilities

	GROUP	
	2005 RM'000	2004 RM'000
Taxation	-	4,930
Zakat	3,341	2,036
Profit payable	4,897	5,008
Interbranch items in transit	1,167,707	571,186
Margin and collateral deposits	2,819	2,607
Other creditors and accruals	7,019	10,076
Profit equalisation reserve (see below)	5,707	8,047
	1,191,490	603,890

Profit equalisation reserve

At beginning of the financial year	8,047	1,117
Provided during the year	62,162	27,853
Written-back during the year	(64,502)	(20,923)
At end of the financial year	5,707	8,047

(k) Islamic Banking Funds

Capital Funds allocated from conventional banking	122,000	162,000
<u>Reserves:</u>		
Investment fluctuation reserves	(406)	14,953
Statutory reserves	21,939	13,264
Retained profits	255,751	242,967
	399,284	433,184

(l) Income from Islamic Banking Operations

Income derived from investment of depositors' funds	169,312	174,558
Income attributable to depositors	(98,357)	(92,441)
Income derived from the investment of Islamic Banking Capital funds	26,967	18,532
	97,922	100,649

Notes to the Financial Statements (Cont'd)
31 December 2005

53 THE OPERATIONS OF ISLAMIC BANKING (Cont'd)

(m) Income Derived from Investment of Depositors' Funds and Others

	GROUP	
	2005 RM'000	2004 RM'000
Income derived from investment of:		
General investment deposits	72,262	96,857
Specific investment deposits	96,185	-
Other deposits	865	77,701
	169,312	174,558

(n) Income Derived from Investment of General Investment Deposits

Finance income and hibah:		
Financing, advances and other loans	27,282	31,615
Securities:		
- Held-for-trading	6,180	-
- Available-for-sale	2,002	6,691
- Held-to-maturity	1,298	12,316
Money at call & deposits with financial institutions	7,247	3,423
	44,009	54,045
Accretion of discount less amortisation of premium	16,459	21,633
	60,468	75,678
Gain/(loss) from sale of securities:		
- Held-for-trading	3,144	11,441
- Available-for-sale	104	(120)
- Held-to-maturity	-	2,042
Other trading income:		
Unrealised (loss)/gain on revaluation of securities held-for-trading	(1,571)	994
Net profit from sale of securities held-for-trading	1,957	2,120
Other investment income:		
Net profit from sale of securities available-for-sale	7,367	3,673
Net loss from redemption of securities held-to-maturity	(10)	-
Fee and commission income:		
Commission	468	397
Service charges and fees	92	176
Guarantee fees	107	285
Other income	136	171
	72,262	96,857

Notes to the Financial Statements (Cont'd)
31 December 2005

53 THE OPERATIONS OF ISLAMIC BANKING (Cont'd)

(o) Income Derived from Investment of Specific Investment Deposits

	GROUP	
	2005 RM'000	2004 RM'000
Finance income and hibah:		
Financing, advances and other loans	56,271	-
Securities:-		
- Available-for-sale	1,094	-
- Held-to-maturity	2,930	-
Money at call & deposits with financial institutions	17,806	-
	78,101	-
Accretion of discount less amortisation of premium	11,922	-
Net income	90,023	-
Gain/(loss) from sale of securities:		
- Held-for-trading	3,701	-
- Available-for-sale	286	-
Fee and commission income:		
Commission	1,284	-
Service charges and fees	254	-
Guarantee fees	294	-
Other income	343	-
	96,185	-

(p) Income Derived from Investment of Other Depositors' Fund

Finance income and hibah:		
Financing, advances and other loans	28	46,598
Securities:		
- Held-for-trading	83	-
- Available-for-sale	320	1,821
- Held-to-maturity	-	3,328
Money at call & deposits with financial institutions	158	7,332
	589	59,079
Accretion of discount less amortisation of premium	-	16,170
Net income	589	75,249

Notes to the Financial Statements (Cont'd)
31 December 2005

53 THE OPERATIONS OF ISLAMIC BANKING (Cont'd)

(p) Income Derived from Investment of Other Depositors' Fund (Cont'd)

	GROUP	
	2005 RM'000	2004 RM'000
Loss from sale of securities available-for-sale	-	(300)
Other trading income:		
Unrealised (loss)/gain on revaluation of securities held-for-trading	(29)	56
Net profit from sale of securities held-for-trading	154	136
Other investment income:		
Net profit from sale of securities available-for-sale	163	226
Net loss from redemption of securities held-to-maturity	(12)	-
Fee and commission income:		
Commission	-	992
Service charges and fees	-	440
Guarantee fees	-	711
Other income	-	191
	865	77,701

(q) Allowance for Losses on Financing

Allowance for / (writeback of) bad and doubtful financing:		
Specific allowance		
- made during the financial year	52,011	37,411
- written back	(15,771)	(6,432)
General allowance (net)	162	1,631
Bad debts and financing:		
- written off	10	3
- recovered	(432)	(52)
	35,980	32,561

(r) Income Attributable to Depositors

Deposits from customers		
- Mudharabah Fund	29,750	48,644
- Non-Mudharabah Fund	17,883	22,394
Deposits & placement of banks and other financial institution		
- Mudharabah Fund	15,801	15,445
Others	34,923	5,958
	98,357	92,441

Notes to the Financial Statements (Cont'd)
31 December 2005

53 THE OPERATIONS OF ISLAMIC BANKING (Cont'd)

(s) Income Derived from Investment of Islamic Banking Capital Funds

	GROUP	
	2005 RM'000	2004 RM'000
Finance income and hibah:		
Financing, advances and other loans	12,599	9,904
Securities:		
- Held-for-trading	44	-
- Available-for-sale	237	1,104
- Held-to-maturity	1,091	838
Money at call & deposits with financial institutions	4,006	1,263
	17,977	13,109
Accretion of discount less amortisation of premium	3,039	3,751
Net income	21,016	16,860
Gain/(loss) from sale of securities		
- Held-for-trading	755	-
- Available-for-sale	58	(47)
Other trading income:		
Unrealised (loss)/gain on revaluation of securities held-for-trading	(48)	34
Net profit from sale of securities held-for-trading	1,510	206
Other investment income:		
Net profit from sale of securities available-for-sale	1,932	469
Net loss from redemption of securities held-to-maturity	(3)	-
Fee and commission income:		
Commission	832	309
Service charges and fees	356	74
Corporate advisory fees	50	110
Guarantee fees	60	112
Others	379	375
Other income	70	30
	26,967	18,532

Notes to the Financial Statements (Cont'd)
31 December 2005

53 THE OPERATIONS OF ISLAMIC BANKING (Cont'd)

(t) Other Operating Expenses

	GROUP	
	2005 RM'000	2004 RM'000
Personnel costs (Note A)	1,596	2,109
Establishment costs (Note B)	168	157
Marketing expenses (Note C)	729	1,454
Administrative and general expenses (Note D)	491	306
	2,984	4,026
<u>Note A - Personnel Costs</u>		
Wages, salaries and bonus	1,186	1,582
Short-term accumulating compensated absences	64	-
Contribution to Employee Provident Fund ('EPF')	200	262
Employee benefits	1	11
Other personnel costs	145	254
	1,596	2,109
<u>Note B - Establishment Costs</u>		
Rental of premises	7	22
Hire of equipment	14	40
Repair and maintenance	15	9
Depreciation	3	9
Computer maintenance	27	22
Others	102	55
	168	157
<u>Note C - Marketing Expenses</u>		
Business promotion and advertisement	47	77
Entertainment	5	1
Travelling and accommodation	24	12
Dealers' handling fees	584	1,222
Others	69	142
	729	1,454
<u>Note D - Administrative and General Expenses</u>		
Telecommunication expenses	19	28
Audit fees	2	3
Professional fees	297	32
Printing and stationery	1	3
Others	172	240
	491	306

Notes to the Financial Statements (Cont'd)
31 December 2005

53 THE OPERATIONS OF ISLAMIC BANKING (Cont'd)

(u) Capital Adequacy

	GROUP	
	2005 RM'000	2004 RM'000
Tier 1 Capital		
Islamic Banking Funds	122,000	162,000
Retained profits	255,751	239,184
Statutory reserves	21,939	12,055
Other reserves	-	4,793
	399,690	418,032
Less: Deferred tax assets / (liabilities)	-	(947)
Total Tier 1 Capital	399,690	417,085
Tier 2 Capital		
General allowance for bad and doubtful financing	28,718	28,555
Total Tier 2 Capital	28,718	28,555
Capital Base	428,408	445,640
Core capital ratio	22.6%	24.6%
Risk-weighted capital ratio	24.3%	26.3%
Breakdown of gross risk-weighted assets in the various categories of risk weights:-		
0%	-	-
10%	-	3,146
20%	83,074	194,345
50%	246,353	367,319
100%	1,435,270	1,129,255
	1,764,697	1,694,065

Notes to the Financial Statements (Cont'd)
31 December 2005

53 THE OPERATIONS OF ISLAMIC BANKING (Cont'd)

(v) Commitments and Contingencies

	GROUP					
	← 2005 →			← 2004 →		
	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	542	542	542	150,168	150,168	150,168
Transaction-related contingent items	129,419	64,710	64,710	122,841	61,420	61,420
Short-term self-liquidating trade-related contingencies	4,119,583	823,917	104,547	5,553,333	1,110,667	78,686
Obligations under underwriting agreements	119,000	59,500	59,500	56,000	28,000	28,000
Irrevocable commitments to extend credit						
- maturity exceeding 1 year	52,966	26,483	25,452	2,035,385	1,017,693	89,790
- maturity not exceeding 1 year	544,775	-	-	15,242	-	-
	4,966,285	975,152	254,751	7,932,969	2,367,948	408,064

Notes to the Financial Statements (Cont'd)
31 December 2005

53 THE OPERATIONS OF ISLAMIC BANKING (Cont'd)

(w) Liquidity Risk

GROUP	Up to 3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
2005						
Assets						
Cash and short-term funds	1,307,396	-	-	-	-	1,307,396
Deposits and placements with financial institutions	140,000	-	-	-	-	140,000
Securities held-for-trading	-	-	-	61,126	-	61,126
Securities available-for-sale	202,211	56,677	275,969	-	-	534,857
Securities held-to-maturity	-	-	-	92,018	575	92,593
Financing, advances and other loans	228,068	31,052	50,380	574,237	620,162	1,503,899
Other assets	167	-	-	-	16,303	16,470
	1,877,842	87,729	326,349	727,381	637,040	3,656,341
Liabilities						
Deposits from customers	1,185,632	18,319	24,333	810,060	-	2,038,344
Deposits and placements of banks and other financial institutions	100,600	-	-	-	-	100,600
Bills and acceptances payable	2,014	-	-	-	-	2,014
Other liabilities	18	-	-	-	1,188,578	1,188,596
	1,288,264	18,319	24,333	810,060	1,188,578	3,329,554
Net liquidity gap	589,578	69,410	302,016	(82,679)	(551,538)	326,787

Notes to the Financial Statements (Cont'd)
31 December 2005

53 THE OPERATIONS OF ISLAMIC BANKING (Cont'd)

(w) Liquidity Risk (Cont'd)

GROUP	Up to 3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Total RM'000
2004						
Assets						
Cash and short-term funds	1,064,930	-	-	-	-	1,064,930
Deposits and placements with financial institutions	74,115	-	-	-	-	74,115
Securities held-for-trading	212,359	46,708	-	252,571	-	511,638
Securities available-for-sale	17,167	-	638,273	991,117	574	1,647,131
Securities held-to-maturity	977	19,996	34,808	365,268	22,609	443,658
Financing, advances and other loans	119,193	92,623	124,247	481,033	565,021	1,382,117
Other assets	1,724	937	98	2,670	7,761	13,190
	1,490,465	160,264	797,426	2,092,659	595,965	5,136,779
Liabilities						
Deposits from customers	2,464,992	23,191	605,775	502,724	52	3,596,734
Deposits and placements of banks and other financial institutions	566,141	-	-	-	-	566,141
Bills and acceptances payable	1,477	-	-	-	-	1,477
Other liabilities	582,462	1,570	88	1,499	6,424	592,043
	3,615,072	24,761	605,863	504,223	6,476	4,756,395
Net liquidity gap	(2,124,607)	135,503	191,563	1,588,436	589,489	380,384

Notes to the Financial Statements (Cont'd)

31 December 2005

53 THE OPERATIONS OF ISLAMIC BANKING (Cont'd)

(x) Changes in Accounting Policies and Prior Year Adjustments

The changes in accounting policies as disclosed in Note 51 have been applied retrospectively and comparatives have been restated. The effects of the changes in accounting policies are as follows:

	GROUP	
	2005 RM'000	2004 RM'000
<u>Effect on Retained profits</u>		
At 1 January, as previously stated	248,415	194,582
Effect of change in accounting policy for securities held-for-trading	(5,448)	3,105
At 1 January, as restated	242,967	197,687
<u>Effect on Statutory reserves</u>		
At 1 January, as previously stated	12,313	6,256
Effect of change in accounting policy for securities held-for-trading	951	1,044
At 1 January, as restated	13,264	7,300
<u>Effect on Investment fluctuation reserves</u>		
At 1 January, as previously stated	-	-
Effect of change in accounting policy for securities available-for-sale	14,953	(13,262)
At 1 January, as restated	14,953	(13,262)

Comparative figures for the previous financial year have been restated as follows:

Balance sheet as at 31 December 2004	GROUP		
	As previously reported RM'000	Adjustments RM'000	As restated RM'000
Dealing securities	509,992	(509,992)	-
Investment securities	2,172,454	(2,172,454)	-
Securities held-for-trading	-	511,638	511,638
Securities available-for-sale	-	1,647,131	1,647,131
Securities held-to-maturity	-	443,658	443,658
Other liabilities	(690,538)	86,648	(603,890)

Notes to the Financial Statements (Cont'd)
31 December 2005

53 THE OPERATIONS OF ISLAMIC BANKING (Cont'd)

(x) Changes in Accounting Policies and Prior Year Adjustments (Cont'd)

	GROUP		
	As previously reported RM'000	Adjustments RM'000	As restated RM'000
Statement of changes in equity for the financial year ended 31 December 2004			
Statutory reserves	12,313	951	13,264
Retained profits	248,415	(5,448)	242,967
Investment fluctuation reserves	-	14,953	14,953
Income statement for the financial year ended 31 December 2004			
Income derived from investment of depositors' funds and others	177,125	(2,567)	174,558
Income derived from investment of Islamic Banking Capital Funds	18,519	13	18,532

Statement by Directors

Pursuant to Section 169(15) of the Companies Act, 1965

We, Tan Sri Dato' Lodin bin Wok Kamaruddin and Maj. Gen. (R) Dato' Mohamed Isa bin Che Kak, two of the directors of AFFIN Holdings Berhad, state that, in the opinion of the directors, the financial statements set out on pages 41 to 162 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2005 and of the results and cash flows of the Group and of the Company for the financial year ended on that date in accordance with the MASB approved accounting standards in Malaysia, Bank Negara Malaysia Guidelines and the provisions of the Companies Act, 1965.

In accordance with a resolution of the Board of Directors dated 10 March 2006.

Tan Sri Dato' Lodin bin Wok Kamaruddin
Director

Maj. Gen. (R) Dato' Mohamed Isa bin Che Kak
Director

Kuala Lumpur

Declaration

Pursuant to Section 169(16) of the Companies Act, 1965

I, Lee Yoke Kiow, the officer primarily responsible for the financial management of AFFIN Holdings Berhad, do solemnly and sincerely declare that in my opinion, the financial statements set out on pages 41 to 162 are correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Lee Yoke Kiow

Subscribed and solemnly declared by the above named Lee Yoke Kiow at Kuala Lumpur in Malaysia on 10 March 2006, before me.

COMMISSIONER FOR OATHS

Report of the Auditors

To the Members of Affin Holdings Berhad (Company No. 23218 W)

We have audited the financial statements set out on pages 41 to 162. These financial statements are the responsibility of the Company's directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved auditing standards in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965, Bank Negara Malaysia Guidelines and MASB approved accounting standards in Malaysia so as to give a true and fair view of:
 - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
 - (ii) the state of affairs of the Group and the Company as at 31 December 2005 and of the results and cash flows of the Group and the Company for the year ended on that date;

and

- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

The names of the subsidiaries of which we have not acted as auditors are indicated in note 9 to the financial statements. We have considered the financial statements of these subsidiaries and the auditors' reports thereon.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under subsection (3) of section 174 of the Act.

PricewaterhouseCoopers
(No. AF: 1146)
Chartered Accountants

Jayarajan a/l U. Rathinasamy
(No. 2059/06/06 (J))
Partner of the firm

Kuala Lumpur
10 March 2006

Particulars of Properties

Title/Lot No.	Location	Description/ Existing use	Tenure	Site area (sq. ft.)	Approx. age of building (years)	Net book value as at 31.12.2005 RM
HS(D) 4501 & 4502 Lots 3 & 4 Town of Melaka District of Melaka Tengah	No. 100 & 101 Taman Melaka Raya Jln Parameswara 75000 Melaka	2 Units 3 storey shopoffice/ Branch Premises	Leasehold Exp: 2075	Land - 4,030 Built-up - 12,000	23	256,205.05
HS(M) 6367 PT 7485 Mukim of Chenor District of Maran	Nadi Kota Bandar Pusat Jengka 26400 Jengka, Pahang	Vacant Land/ Branch Premises	Leasehold Exp: 2091	Land - 20,056	15	517,011.26
HS(D) 39216 K1 PT 2068 Mukim & District of Petaling	No. 1, Jln TK 1/11A Tmn Kinrara, Section 1 Batu 7 1/2, Jln Puchong 58200 Selangor	3 storey basement shopoffice/ Branch Premises	Leasehold Exp: 2091	Land - 3,900 Built-up - 15,600	11	1,571,454.53
Town Lease No: 017541374 & 017541383 Lots 82 & 83 Blok K Mukim of Karamunsing District of Kota Kinabalu	Lot 19 & 20 Sadong Jaya Complex, Jln Juara Ikan 3 Karamunsing 88300 Kota Kinabalu Sabah	4 storey shopoffice/ Branch Premises	Leasehold Exp: 2901	Land - 2,780 Built-up - 10,144	12	2,159,823.60
PT 3686 HS(D) 5167 PT 3687 HS(D) 5168 Mukim 1, District Seberang Perai Tengah, Penang	No. 10, Jln Todak 1 Pusat Bandar Seberang Jaya 13700 Perai, Penang	4 storey shopoffice/ Branch Premises	Leasehold Exp: 2092	Land - 3,681 Built-up - 13,716	9	1,977,403.16
HS(D) 52849, 52850, 52988 & 52989, PT 2, 3, 6620 & 6621 Mukim of Batu District of W. Persekutuan	No. 81, 83 & 85, Jln 2/3A Pusat Pasar Borong KM12 Jln Ipoh 68100 Bt. Caves, KL	3 unit 4 storey shopoffice/ Branch Premises	Leasehold Exp: 2086	Land - 4,950 Built-up - 16,733	10	1,129,127.82
Lot 2387 & 2388 Block 5 District of Miri	Lot 2387 & 2388 Jln Boulevard 1A Boulevard Commercial Centre, 3KM, Jln Miri-Pujut 98000 Miri, Sarawak	2 unit 3 storey shopoffice/ Branch Premises	Leasehold Exp: 2050	Land - 3,190 Built-up - 8,371	9	1,018,404.84
Precint 3.4, Pusat Bandar Shah Alam, Seksyen 14	Precint 3.4 Pusat Bandar Shah Alam	Vacant comm. Land/ Proposed H.Q	Leasehold 99 years	Land - 32,561	6	50,376,510.97
H.S (D) 16878 & H.S (D) 16879: P.T 20872 Mukim of Ampang District of Ulu Langat	No. 1 & 3 Jalan Pandan Indah 4/2 Pandan Indah 55100 Kuala Lumpur	2 units 3 1/2 storey shop office/ Branch Premises	Leasehold Exp: 2087	Land - 4,843 Built-up - 16,227	12	3,819,396.84
Title No 111/10/1825 Lot No 1825 District of Kuching Central Land	Lot 1825, Blok 10 Lorong Green 1 Kuching, Sarawak	Double storey bungalow/ Branch Manager's Residence	Leasehold Exp: 2038	Land - 7,606 Built-up - 2,500	9	229,600.07
HS(M) 14862 & 14863 PT 21350 & 21351 Tempat Bukit Raja Mukim of Kapar District of Klang	29 & 31, Jalan Tiara 3 Bandar Baru Kelang 41150 Kelang, Selangor	2 units 4 storey shopoffice/ Branch Premises	Leasehold Exp: 2093	Land - 3,300 Built-up - 13,200	8	2,861,803.28

Particulars of Properties (Cont'd)

Title/Lot No.	Location	Description/ Existing use	Tenure	Site area (sq. ft.)	Approx. age of building (years)	Net book value as at 31.12.2005 RM
Sub-Lot 13, Lot 3060 District of Bintulu	Sub Lot 13, Off Lot 3299 Bintulu Town District Off Jln Diwarta 97000 Bintulu, Sarawak	1 unit 3 storey shopoffice/ Branch Premises	Leasehold 60 years	Land - 3,240 Built-up - 9,720	8	762,603.10
Lot No 4548 No. 31 District of Kemena Land	No. 546B Jalan Tanjong Batu 97100 Bintulu, Sarawak	Double-Storey Semi Detached House/Branch Manager's Residence	Leasehold Exp: 2059	Land- 4,135 Built-up - 2,066	8	264,000.12
PTD 62642 & 62643 HS (D) 227069 & 227070 Mukim of Pulau District of Johor Bahru	No. 49 & 51 Jln Sri Perkasa 2/1 Tmn Tampoi Utama 81200 Tampoi JB, Johor	2 Adjacent Lots/ 3 Storey Shophouse Branch Premises	Leasehold Exp: 2094	Land - 5,468 Built-up - 10,710	8	1,425,983.24
Lot 27/28, Seksyen 1 No. Hakmilik 980/981 Mukim of Pekan Batu	No. 840 & 842 BT 4 1/2, Jln Ipoh 51200 Kuala Lumpur	4 1/2 Storey Building with Basement/ Branch Premises Relocation	Leasehold Exp: 2037	Land - 3,081 Built-up - 9,243	20	2,154,181.28
HS (D) 96849, Lot/PT 6536 Mukim of Setapak District and State of Wilayah Persekutuan	No. 2, Jln 1/27F KLSC Wangsa Maju, 53300 KL (C7/50/86-1&C7/50/86-2 C7/50/86-4, C7/50/86-3)	4 storey shopoffice (Conner Unit)/ Branch Premises Relocation	Leasehold 99 years	Land- 4,480 Built-up - 14,920	7	3,089,004.36
N/A	6, Jln 54 Desa Jaya 52100 Kepong	Branch Premises Relocation	Leasehold Tenancy	Land - 2,755	5	74,769.39
HS(M) 6836 P.T. 14531 Mukim of Damansara District of Petaling	No. 101, 201, 301 401 & 501, Block C Menara Glomac Kelana Business Centre 97, Jalan 227/2 47301 Kelana Jaya Selangor	Branch Premises	Leasehold	-	5	9,523,310.85
HS(D) 103053 Lot No. 770, Section 11 District of Petaling Town of Shah Alam	No. 11, Kompleks Perdagangan UMNO Persiaran Damai 40000 Shah Alam Selangor	2 Unit 4 Storey Shopoffice/ Branch Premises	Leasehold	Land - 1,650 Built-up - 8,000	5	2,363,445.10
Strata Title No. PN 2474/M1/3/48 Parcel No. 48 Storey No.3, Building No. M1 Erected on Lot No. 287 Town of Port Dickson District of Port Dickson Negeri Sembilan	Unit B-L3-06 Corus Lagoon Batu 2, Jalan Pantai 71000 Port Dickson Negeri Sembilan	2 Bedroom Condominium (Type D)/Holiday Resort	Leasehold 99 years	-	5	172,522.16

Particulars of Properties (Cont'd)

Title/Lot No.	Location	Description/ Existing use	Tenure	Site area (sq. ft.)	Approx. age of building (years)	Net book value as at 31.12.2005 RM
HS(D) 1772, PT 2851 Mukim of Kijal District of Kemaman	Awana Kijal Beach Resort Apartment (2 rooms) 13B, Baiduri Apartment KM 28, Jalan Kemaman-Dungun 24100 Kijal, Terengganu	Holiday Resort	Leasehold 99 years	-	5	167,545.76
HS(D) 1772, PT2851 Mukim of Kijal District of Kemaman	Awana Kijal Beach Resort Apartment (3 rooms) 19A, Baiduri Apartment KM 28, Jalan Kemaman-Dungun 24100 Kijal, Terengganu	Holiday Resort	Leasehold 99 years	-	5	207,206.68
HS(D) 67297, P.T. 9498 Mukim Batu District of Wilayah Persekutuan	No. 5, Jalan 2/23B MWE Kepong Comm. Park 52100 Kuala Lumpur	1 Unit 4 Storey Shopoffice/ Branch Premises	Leasehold	Land - 1,650 Built-up - 6,200	5	859,951.10
HS(M) 20894 P.T. 19142 Mukim of Petaling District of Petaling	No. 11A, Jalan SB Indah 1/2A Taman Sungai Besi Indah 43300 Balakong, Selangor	1 Unit 3 Storey Shopoffice/ Branch Premises	Leasehold 99 years	-	5	469,051.19
PN 1290 Lot 1895 District of Kuala Terengganu	No. 63 & 63A Jalan Sultan Ismail 20200 Kuala Terengganu Terengganu	2 Unit 3 Storey Shophouse/ Branch Premises	Leasehold	Land - 1,500 Built-up - 4,200	5	1,873,347.23
HS(D) 4705 & 4706 District of Melaka Tengah	200 & 201 Taman Melaka Raya Off Jalan Parameswara	2 units of 3 storey shophouses	Leasehold Exp: 2075	Land - 4,430 Built-up - 10,031	25	562,159.59
No. Lot. 24 Sec. 1 HS(D) 7/1982 Daerah Kuala Muda Sungai Petani, Kedah	21-B, Jln Ibrahim 08000 Sungei Petani Kedah	4 storey shophouse	Leasehold Exp: 2080	Land - 2,000 Built-up - 6,540	19	340,751.92
Lot 247 & 248, Sec. 49 Lease of State Land	Lots 247 & 248 Sec. 49, KTLD Jalan Tunku Abdul Rahman 93100 Kuching, Sarawak	2 units of 4 storey shophouses	Leasehold Exp: 2044	Land - 2,500 Built-up - 4,620	17	1,169,048.92
No. PT 12, Sec. 22 HS (D) 45830 Daerah Petaling, Selangor	100, Jalan Othman (1/14) 46000 Petaling Jaya Selangor	3 storey shophouse	Leasehold Exp: 2089	Land - 1,650 Built-up - 4,686	12	663,688.40
Town Lease 117509707 Sabah Land	Lot 14, Block B, MDLD 3679 Metro Comm. Complex 91110 Lahad Datu Sabah	3 storey shophouse	Leasehold Exp: 2085	Land - 1,200 Built-up - 3,600	10	542,706.95
Town Lease No. 017541276 Sabah Land	Lot No. 72, Block J Sadong Jaya, Karamuning 88200 Kota Kinabalu Sabah	4 storey shophouse	Leasehold Exp: 2902	Land - 1,150 Built-up - 4,726	17	662,372.70

Particulars of Properties (Cont'd)

Title/Lot No.	Location	Description/ Existing use	Tenure	Site area (sq. ft.)	Approx. age of building (years)	Net book value as at 31.12.2005 RM
Town Lease No. 077527176 Sabah Land	Lot No. 1, Block B Bandar Ramai-Ramai Mile 1, Jalan Leila 90000 Sandakan, Sabah	4 storey shophouse	Leasehold Exp: 2885	Land - 1,200 Built-up - 4,608	27	336,242.77
Town Lease No. 107522485 Sabah Land	Lot No. 2, No. 454 Block M, Bandar Sabindo 91000 Tawau, Sabah	4 storey shophouse	Leasehold Exp: 2083	Land - 1,200 Built-up - 4,680	28	444,973.31
Lot 117, Section 12 Kuching Town Land	Lot 117, Section 12 Bangunan Ejawaris Jalan Haji Taha 93400 Kuching, Sarawak	4 storey shophouse	Leasehold Exp: 2080	Land - 1,400 Built-up - 5,600	23	329,567.36
Town Lease No. 492(1) Lot No. 516, Miri Concession Land	Lot 516, Block 9 Jalan Merbau 98000 Miri, Sarawak	3 storey shophouse	Leasehold Exp: 2048	Land - 1,181 Built-up - 3,540	17	391,805.58
Town Lease No. 1147 Lot No. 2307	21, Bintulu Town Extension Centre 97000 Bintulu, Sarawak	4 storey shophouse	Leasehold Exp: 2044	Land - 1,300 Built-up - 5,048	17	444,489.41
Lot No. 21 T.A. XXXIX HS(D) 4519, Daerah Melaka Tengah, Melaka	118, Taman Melaka Raya Jalan Taman 75000 Melaka	3 storey shophouse	Leasehold Exp: 2076	Land - 1,600 Built-up - 4,500	23	232,582.04
HS(D) 5217, P.T 90 (Sec 1) Town of Port Swethenham District of Klang	No. 1, Jln Berangan 42000 Port Klang Selangor Darul Ehsan	4 storey Shopoffice/ Branch Premises	Freehold	Land - 3,000 Built-up - 12,768	24	553,626.10
HS(D) 3304 & 9274 Lots 1856 & 1857 District of Ipoh	No. 11 & 13, Jln Kampar 30250 Ipoh Perak	2 units 3 storey Shopoffice/ Branch Premises	Freehold	Land - 3,480 Built-up - 10,320	17	330,814.00
HS(D) 892 PT 6727/24 Mukim of Kuala Kuantan District of Kuantan	No. 1, Jln Tun Dr Ismail P.O.Box 354 25740 Kuantan Pahang	3 1/2 storey Shopoffice/ Branch Premises	Freehold	Land - 3,367 Built-up - 12,800	14	612,504.14
Lot 223, Sec 11 Lot 224, Sec 11 Kuching Town Land	Lot 223 & 224 Jln Satok, KLTD 93400 Kuching, Sarawak	2 units 4 storey Shopoffice/ Branch Premises	Freehold	Land - 4,659 Built-up - 11,858	14	868,002.18
Title 12000 Lot PT No. 7804, District of Johor Bahru	No. 72, Jln Kebun Teh Johor Bahru, Johor	Single storey bungalow/ Branch Manager's Residence	Freehold	Land - 8,140 Built-up - 4,757	15	142,350.65
HS(D) 11547/11548 PT 15727/15728 Mukim of Ampang	No. 11 & 11A, Jln Memanda 7/1 Ampang Point 68000 Ampang Selangor	5 storey Shopoffice/ Branch Premises	Freehold	Land - 3,261 Built-up - 5,658	9	1,322,324.74

Particulars of Properties (Cont'd)

Title/Lot No.	Location	Description/ Existing use	Tenure	Site area (sq. ft.)	Approx. age of building (years)	Net book value as at 31.12.2005 RM
Plots 65 & 66, HS(D) 7570 & 7571 Lot 8552 & 8553, Mukim 12 District of Barat Daya	No. 124 & 126, Jln Mayang Pasir Tmn Sri Tunas 11950 Bayan Baru Pulau Pinang	2 unit 3 storey Shopoffice/ Branch Premises	Freehold	Land - 3,080 Built-up - 8,360	13	1,266,231.58
H.S.(D) 169672, PTD 85558 Mukim Plentong District of Johor Bahru	No. 88, Jalan Molek 2/17 Taman Molek, Fasa 2 81100 Johor Bahru	2 storey semi-detached/ Branch Manager's Residence	Freehold	Land - 3,200 Built-up - 2,090	13	168,263.00
HS(D) 2874 & PTD 4161 T/Ship of Kluang District of Kluang	No. 503, Jln Mersing 86000 Kluang, Johor	3 storey shopoffice/ Branch Premises	Freehold	Land - 6,000 Built-up - 9,944	12	547,660.54
H.S.(D) 25507 Lot No PTD 39218 Mukim Kluang District of Kluang	No. 27, Jalan Perwira 1 Taman Titiwangsa 86000 Kluang, Johor	2 storey Bungalow/ Branch Manager's Residence	Freehold	Land - 6,000 Built-up - 3,544	11	155,706.49
HS(D) 9406 HS(D) 9407 Lot 8226/8227 PT 4045/4046 Mukim of Damansara District of Petaling	No. 7 & 9, Jln SS 15/8A 47500 Petaling Jaya	2 unit 4 storey shopoffice/ Branch Premises	Freehold	Land - 3,520 Built-up - 9,944	12	1,117,201.10
Lot 51412 & 51413 HS(D) 23844 23843 P.T 3479 & 3480 Mukim of Kuala Lumpur District of W. Persekutuan	No. 4 & 6, Jln Telawi 3 Bangsar Baru 59100 Kuala Lumpur	2 units 3 storey shopoffice/ Branch Premises & DRP site	Freehold	Land - 4,659 Built-up - 11,858	14	3,854,071.50
HS(M) 4961 PT 457 HS(M) 4962 PT 458 Mukim of Kajang District of Ulu Langat	No. 2 & 3, Jln Saga Tmn Sri Saga Off Jln Sg. Chua 43000 Kajang, Selangor	2 units 3 1/2 storey shopoffice/ Branch Premises	Freehold	Land - 3,510 Built-up - 11,136	10	1.00
H.S (M) 195/1989 Lot No. P.T. 10107 Mukim Sungai Petani District of Kuala Muda	No. 195, Persiaran Cinta Sayang, Taman Ria Sungai Petani Kedah	Single storey bungalow/ Branch Manager's Residence	Freehold	Land - 16,620 Built-up - 1,221	12	131,408.00
GM 2251 & 2252 Lot 3991 & 3992 Mukim 5, District of Seberang Perai Utara	No. 1317 & 1318 Tmn Sepakat Off Jln Butterworth 13200 Kepala Batas Seberang Perai Utara Pulau Pinang	2 unit 3 storey shopoffice/ Branch Premises	Freehold	Land - 2,390 Built-up - 6,920	10	592,805.18
HS(D) 73618 & 73619 PT 5733 & 5734 Mukim of Labu District of Seremban	5733 & 5734, Jln TS 2/1 Taman Semarak, Phase II 71800 Nilai Negeri Sembilan	2 unit 2 storey shopoffice/ Branch Premises	Freehold	Land - 3,600 Built-up - 10,800	11	811,205.14

Particulars of Properties (Cont'd)

Title/Lot No.	Location	Description/ Existing use	Tenure	Site area (sq. ft.)	Approx. age of building (years)	Net book value as at 31.12.2005 RM
PTD 112746 & 112747 Mukim of Plentong District of Johor Bahru, Johor	No. 40 & 41, Pusat Perniagaan Pasir Gudang Jln Bandar 81700 Pasir Gudang Johor	2 unit 2 storey shopoffice/ Branch Premises	Freehold	Land - 2,800 Built-up - 4,327	10	624,003.14
HS(D) 71565 PT 338 District of Petaling Mukim of Damansara	No. 2, Jln Hujung Permatang 25/26B Section 26 40000 Shah Alam Selangor	2 storey Shopoffice/ Branch Premises	Freehold	Land - 3,488 Built-up - 6,976	11	670,885.28
PTD 48474 & 48475 HS(D) 86046 & 86047 Mukim of Plentong District of Johor Bahru	No. 130 and 132, Jln Rosmerah 2/17 Tmn Johor Jaya 81100 Johor	2 unit 3 storey shopoffice/ Branch Premises Relocation	Freehold	Land - 4,773 Built-up - 14,319	11	1,684,285.24
HS(D) 67774 & 67773 Lots 29427 & 29428 Mukim of Kuala Lumpur District & State of Wilayah Persekutuan	No. 47 & 49 Jalan Tun Mohd Fuad 3 TTDI 60000 KL	2 units 3 storey shopoffice/ Branch Premises Relocation	Freehold	Land - 5,138 Built-up - 11,250	14	3,881,066.24
Lots 14127 & 14128 Grants 7792 & 7793 Mukim of Setapak District of Kuala Lumpur	No. 159 & 161 Jln Genting Kelang 53300 Setapak Kuala Lumpur	2 unit 3 storey with basement Shopoffice/ Branch Premises	Freehold	Land - 4,306 Built-up - 17,224	17	2,017,206.20
Lot S03 & S04 PT 72, HS(D) 7295 District of Port Dickson	No. 3 & 4, Jln Aman Kawasan Penambakan Laut, Bandar Port Dickson 71009, N. Sembilan	2 units 3 storey Shopoffice Branch Premises	Freehold	Land - 3,532 Built-up - 9,900	9	883,833.90
PTD 100479 & 100480 Mukim of Plentong District of Johor Bahru	No. 23 & 25 Jln Permas 10/2 Permas Jaya 81750 Masai Johor Bahru, Johor	2 units 4 storey Shopoffice/ Branch Premises	Freehold	Land - 3,840 Built-up - 13,440	12	2,017,205.30
PTD 17855 & 17856 HS(D) 39845 & 39846 Mukim of Plentong District of Johor Bahru	No. 18 & 20 Jalan Serampang Tmn Pelangi 80040 Johor Bahru, Johor	2 unit 3 storey Shopoffice/ Branch Premises relocation	Freehold	Land - 3,840 Built-up - 11,520	23	2,238,123.24
HS(D) 193890, PTD 55897 & HS(D) 193891, PTD 55898 Mukim of Pulau District of Johor Bahru	No. 59 & 61 Jln Kebudayaan 4 Taman Universiti 81300 Skudai, Johor	2 unit 2 Storey Shopoffice/ Branch Premises	Freehold	Land - 3,080 Built-up - 6,160	9	801,309.28
HS(D) 16728, PTD 9887 & HS(D) 16729, PTD 9888 Mukim of Simpang Kanan District of Batu Pahat	No. 3 & 4, Jln Merah Tmn Bukit Pasir 83000 Batu Pahat, Johor	2 units 3 storey Shopoffice/ Branch Premises	Freehold	Land - 3,080 Built-up - 16,227	15	839,685.28

Particulars of Properties (Cont'd)

Title/Lot No.	Location	Description/ Existing use	Tenure	Site area (sq. ft.)	Approx. age of building (years)	Net book value as at 31.12.2005 RM
Lot 42262 Mukim and District of Kelang	No. 312, Jln Batu Unjur Tmn Bayu Perdana 41200 Klang, Selangor	4 storey shopoffice/ Branch Premises Relocation	Freehold	Land - 2,780 Built-up - 11,116	9	1,581,695.30
Lots 436 & 437 Geran No. 12256 & 12257 Section 13 District of Kota Bharu	No. 3788 H & 3788 I, Section 13 Jalan Sultan Ibrahim 15050 Kota Bharu Kelantan	2 unit 3 storey Shopoffice/ Branch Premises Relocation	Freehold	Land - 3,200 Built-up - 9,152	20	1,008,746.30
PT 288 & 289 Mukim of Seriap District of Pengkalan Asam	No. A2, Taman Pengkalan Asam, 01000 Kangar Perlis	4 storey/Free Standing Building/ Branch Premises	Freehold	Land - 2,445 Built-up - 9,677	9	924,152.52
Lot No. 290 GM 96 Lot 1555 GM 92 (1st Grade) Locality of Sungai Dua Mukim 13, Daerah Timur Laut (Lum Choon Realty)	Off Jalan Bukit Gambier Penang	2 separate parcels of residential development land	Freehold	3,769 acres Lot No. 1555 7,825 acres (Lot No. 290)	Vacant Land	17,238,000.00
HS(D) 100201, PTD 62720 Mukim of Plentong District of Johor Bahru	No. 41, Jln Bakawali 35 Tmn Johor Jaya 81100 Johor Bahru, Johor	2 Storey Shopoffice/Branch processing centre	Freehold	Land - 2,607 Built-up - 5,614	15	239,386.20
PT Lot 24178 & 24179 HS(D) 41954 & 41955 Mukim of Cheras District of Ulu Langat	No. 8 & 9, Taming Permai Business Park Jln Balakong 43300 Selangor	2 unit 3 storey shopoffice with basement/ Branch Premises Relocation	Freehold	Land - 5,565 Built-up - 15,288	8	2,818,456.88
Lots 175 & 176 PT 1386 & 1387 Grant 6787, Mukim of Kuah District of Langkawi	No. 149-A, 149-B & 149-C Persiaran Bunga Raya Langkawi Mall 07000 Kuah, Langkawi Kedah	2 Adjacent Lots 3 storey shopoffice/ Branch Premises	Freehold	Land - 3,304 Built-up - 9,912	8	1,411,203.10
HS(D) 7156, 7157, 7187 & 7188 PT 34, 35, 65 & 66 Bandar Bukit Baru, Sek 11 District Melaka Tengah	No. 7 & 8 Jalan DR1 Delima Point Taman Delima Raya 75150 Melaka	2 unit 5 storey shopoffice/ Branch Premises Relocation	Freehold	Land - 3,509 Built-up - 17,160	9	1,596,006.18
PT 141 & PT 142 Mukim 6 & Mukim 7 Seberang Perai Tengah Penang	No. 2 & 4, Jln Perda Barat 14000 Bukit Mertajam Penang	4 storey shopoffice/ Branch Premises Relocation	Freehold	Land - 3,930 Built-up - 12,181	7	1,588,024.14
Geran 9836, Lot 607 Section 47, Town & District of Kuala Lumpur Wilayah Persekutuan	No. 34, Jln Lumut Damai Complex off Jalan Ipoh 53000 Kuala Lumpur	Intermediate 4½ storey shopoffice building	Freehold	Built-up - 1,540	25	1,290,345.96

Particulars of Properties (Cont'd)

Title/Lot No.	Location	Description/ Existing use	Tenure	Site area (sq. ft.)	Approx. age of building (years)	Net book value as at 31.12.2005 RM
HS(D) 4004 PT 1851P Bandar Kuala Terengganu Terengganu	Ground and Mezzanine Floor, Lot 4146 Jln Sultan Ismail Kuala Terengganu	9-storey office complex ground & mezzanine floor/ Branch Premises Relocation	Freehold	Land - 6,400 Built-up - 5,758	9	1,892,003.18
Lot 1, Mukim of Padang Cina District of Kulim	Suite B.4, KHTP Business Centre Kulim Hi-Tech Park 09000 Kulim, Kedah	5-shopoffice/ office/commercial complex (Ground Floor) Branch Premises	Freehold	Land - 9,064 Built-up - 9,064	7	2,313,230.44
PTD 50679 & 50680 Lot 840 & 842, PT 6 & 7 Mukim of Batu District of Johor	No. 93 & 94 Jalan Kenanga 29/7 Indahpura 81000 Johor Bahru, Johor	2 unit 4 storey shopoffice/ Branch Premises	Freehold	Land - 4,607 Built-up - 17,749	6	1,315,702.20
H.S. (D) 369/1996, No. P.T. 591 Mukim Padang China District of Kulim	Lot E189, Kulim Golf & Country Resort Kulim, Kedah Darul Aman	A parcel of vacant detached housing lot/Branch Manager's Residence	Freehold	Land - 9,534 Built-up - 2,600	5	145,870.29
Lot X1 & X2 Seri Kembangan Selangor	No. 1&3, Jalan PSK 2 Pusat Perdagangan Seri Kembangan Seri Kembangan, Selangor	2 Adjacent Lots/ 3 Storey Shopoffice/ Branch Premises	Freehold	Land - 4,379 Built-Up - 13,139	5	1,847,934.09
Strata Title No. Geran HBM/107/M1/22/ 124 Lot No. 666, Section 2 Town of Batu Feringhi North East District of Penang	Unit No. 188-21-06 Jln Batu Feringhi, Sri Sayang, 11100 Penang	3 bedroom apartment/ Holiday Resort	Freehold	-	5	211,501.38
HS(D) 23766 PT 199, Section 40 Mukim Kuala Lumpur	133, Jalan Bonus Off Jalan Masjid India 50100 Kuala Lumpur	1 Unit 4½ Storey Shop Office/ Branch Premises	Freehold	-	5	3,498,001.23
HS(D) 120239 & 120238 PT 40 & 39 Pekan Desa Puchong District Petaling	No. 16 & 18 Jalan Bandar 3 Pusat Bandar Puchong 47100 Puchong, Selangor	2 Unit 4 Storey Shopoffice/ Branch Premises	Freehold	Land - 3,300 Built up - 12,400	5	1,211,761.10
Title No. 8144 P.T. 1118 District of Hilir Perak	No. 18, Taman Melintang Ria, Jalan Bagan Datoh 36400 Hutan Melintang Perak	1 Unit 2 Storey Shopoffice/ Branch Premises	Freehold	Land - 1,400 Built up - 2,500	5	148,313.65
Lot. A99, HS(D) 11010 PT 32961 Mukim Kuala Kuantan Daerah Kuantan	Lot A99 Pusat Dagang Kuantan Jalan Tun Ismail 25000 Kuantan, Pahang	2 Unit 3 Storey Shopoffice/ Branch Premises	Freehold	-	5	1,101,600.38

Particulars of Properties (Cont'd)

Title/Lot No.	Location	Description/ Existing use	Tenure	Site area (sq. ft.)	Approx. age of building (years)	Net book value as at 31.12.2005 RM
GM 405, Lot 1927 GM 407, Lot 2007 GM 409, Lot 2006 Mukim Nibong, Tanah Merah Kelantan	Lot PT 1995/1996 Bandar Baru Bukit Bunga 17700 Tanah Merah Kelantan	1 Unit 2 Storey Shopoffice/ Branch Premises	Freehold	Land - 2,000 Built up - 4,000	5	333,438.62
No. Lot. 1859, Geran 2175 Daerah Kuala Terengganu	92, Jalan Banggol 20100 Kuala Terengganu Terengganu	4 storey shophouse	Freehold	Land - 1,400 Built-up - 5,480	24	377,812.96
HS(D) 36868, Lot 25724 Mukim of Kuala Lumpur	161, Jalan SS2/24 47300 Petaling Jaya Selangor	3 storey shophouse	Freehold	Land - 2,268 Built-up - 8,902	25	897,109.63
No. PT 6727/39, HS (D) 907 Daerah Kuantan, Pahang	31, Jalan Tun Ismail 25000 Kuantan, Pahang	3 1/2 storey shophouse	Freehold	Land - 1,600 Built-up - 6,120	25	310,945.86
No. 14269, Lot 1929 Town of Taiping District of Larut, Perak	157, Jalan Kota 34000 Taiping Perak	3 storey shophouse	Freehold	Land - 1,700 Built-up - 4,960	29	297,953.24
No. 10636, Lot 2660 Town of Seremban District of Seremban	12, Jalan Kong Sang 70000 Seremban Negeri Sembilan	3 storey shophouse	Freehold	Land - 1,875 Built-up - 4,703	25	433,630.60
Unit No. P1-01-32, held under Hakmilik Strata no berdaftar geran 61929/M1/1/53 Lot No. 1594, Seksyen 2 Bandar Tanjung Tokong	98-G-32 to 98-3a-32 Block 32 Prima Tanjung Business Centre Jalan Fettes Tanjung Tokong 10470 Pulau Pinang	5 storey shophouse	Freehold	Land - 1,037 Built-up - 7,732	5	2,105,705.57
Unit No. P1-02-32, held under Hakmilik Strata no berdaftar geran 61929/M1/2/121 Lot No. 1594 Bandar Tanjung Tokong						
Unit No. P2-03-32, held under Hakmilik Strata no berdaftar geran 61929/M1 Menara B/3/223, Lot No. 1594 Bandar Tanjung Tokong						
Unit No. P2-04-32, held under Hakmilik Strata no berdaftar geran 61929/M1 Menara B/4/257, Lot No. 1594 Bandar Tanjung Tokong						
Unit No. P2-05-32, held under Hakmilik Strata no berdaftar geran 61929/M1 Menara B/5/259, Lot No. 1594 Bandar Tanjung Tokong						

Particulars of Properties (Cont'd)

Title/Lot No.	Location	Description/ Existing use	Tenure	Site area (sq. ft.)	Approx. age of building (years)	Net book value as at 31.12.2005 RM
HS (D) 194608, PT 1106 Pekan Serdang Daerah Petaling, Selangor	No. 36, Jalan PSK 3 Pusat Perdagangan Seri Kembangan 43300 Seri Kembangan Selangor Darul Ehsan	3 storey shophouse	Freehold	Land - 3,563 Built-up - 10,684	5	1,582,821.70
Lot No. 002595, HS(D) 810 Sec. 4 Daerah Seberang Perai Utara	61, Jalan Selat Taman Selat 12000 Butterworth Pulau Pinang	4 storey shophouse	Freehold	Land - 1,841 Built-up - 4,698	21	571,489.70
Lot PTB 8637, HS(D) 23625 Daerah Johor Bahru Johor	8A, Jalan Tun Abdul Razak Susur 3, 80200 Johor Bahru	3 storey shophouse	Freehold	Land - 1,350 Built-up - 4,698	22	327,079.05
HS (D) 807 & 808 PT 2592 & 2593 District of Seberang Perai Utama	No. 55 & 57, Taman Selat Jalan Bagan Luar 12000 Butterworth	2 units 4 storey shopoffice Branch Premises	Freehold	Land - 4,779 Built-up - 13,760	19	1,720,047.60
HS (D) 624 & 625/1986 Lot 66 & 67, Sec. 5 District of Kota Setar, Kedah	No. 1515, Lorong Padi 05000 Alor Setar Kedah	4 storey shopoffice Branch Premises	Leasehold Exp: 2025	Land - 2,600 Built-up - 7,800	19	759,526.40
HS (M) 2926 & 2925 PT 21346 & 21345 Mukim of Petaling District of W.P	Nos. 10 & 12 Jalan Radin Tengah Bandar Baru Sri Petaling 50770 KL	2 units 3 storey shopoffice Branch Premises	Leasehold Exp: 2078	Land - 3,840 Built-up - 11,520	22	647,640.55
HS (D) 16521 & 16496 PT 8192/1387 & PT 8912/1366 Mukim of Kuala Lumpur District of Petaling	Nos. 20 & 22, Jalan 21/22 Sea Park 46730 Petaling Jaya	2 units 3 storey shopoffice Branch Premises	Freehold	Land - 3,230 Built-up - 9,750	21	1,501,997.00
Town Lease : 107516432 Town Lease : 107516441 Town Lease : 107516450 District of Tawau	No. TB 281, 282 & 283 Jalan Haji Karim Town Extension 11 91008 Tawau, Sabah	3 units 4 storey shopoffice Branch Premises	Leasehold Exp: 2895	Land - 6,720 Built-up - 13,440	21	1,578,065.79
HS (D) 3659 & 3662 PT 3227 & 3228 District of Seremban	Nos. 93A & 93B Jalan Rasah 70470 Seremban, NS	2 units 3 storey shopoffice Branch Premises	Freehold	Land - 4,107 Built-up - 8,400	21	685,286.25

Shareholding Statistics

As at 28 February 2006

Size of Holdings	Number of Holders	%	Number of Shares	%
1 - 999	513	2.71	114,448	0.01
1,000 - 10,000	15,705	82.89	50,567,632	4.17
10,001 - 100,000	2,441	12.89	69,411,795	5.73
100,001 - 60,609,904*	283	1.49	293,967,578	24.25
60,609,905 and above**	4	0.02	798,136,662	65.84
Total	18,946	100.00	1,212,198,115	100.00

Each ordinary share is entitled to one vote.

Remark: * Less than 5% of issued shares

** 5% and above of issued shares

THIRTY LARGEST SHAREHOLDERS

	Shareholdings	%
1. Lembaga Tabung Angkatan Tentera	400,348,500	33.03
2. Boustead Holdings Berhad <i>Account Non-Trading</i>	261,785,507	21.60
3. Employees Provident Fund Board	74,538,000	6.15
4. Bank Simpanan Nasional	61,464,655	5.07
5. Bank Simpanan Nasional	21,790,000	1.80
6. Petaling Garden Berhad	15,498,750	1.28
7. Mayban Nominees (Asing) Sdn Bhd <i>The Bank of East Asia Limited Hong Kong for Grandeur Profit Holdings Limited</i>	15,000,000	1.24
8. Bank Simpanan Nasional	14,601,000	1.20
9. Bank Simpanan Nasional	14,600,000	1.20
10. Bank Simpanan Nasional	14,600,000	1.20
11. Bank Simpanan Nasional	14,375,000	1.19
12. Cartaban Nominees (Tempatan) Sdn Bhd <i>Amanah SSCM Nominees (Tempatan) Sdn Bhd for Employees Provident Fund Board</i>	11,379,700	0.94
13. AM Nominees (Tempatan) Sdn Bhd <i>Employees Provident Fund Board</i>	8,941,500	0.74
14. Citigroup Nominees (Asing) Sdn Bhd <i>CBNY for DFA Emerging Markets Fund</i>	7,359,600	0.61
15. Citigroup Nominees (Asing) Sdn Bhd <i>Exempt An for American International Assurance Company Limited</i>	7,224,000	0.60
16. Amanah Raya Nominees (Tempatan) Sdn Bhd <i>Skim Amanah Saham Bumiputera</i>	7,200,000	0.59
17. Kumpulan Wang Amanah Pencen	5,390,300	0.44
18. Citigroup Nominees (Tempatan) Sdn Bhd <i>ING Insurance Berhad</i>	4,962,100	0.41

Shareholding Statistics (Cont'd)

As at 28 February 2006

THIRTY LARGEST SHAREHOLDERS (Cont'd)

	Shareholdings	%
19. AllianceGroup Nominees (Tempatan) Sdn Bhd <i>PHIEM Asset Management Sdn Bhd for Employees Provident Fund</i>	4,928,375	0.41
20. HSBC Nominees (Asing) Sdn Bhd <i>Abu Dhabi Investment Authority</i>	4,491,200	0.37
21. HSBC Nominees (Asing) Sdn Bhd <i>BNY Brussels for Asian Dragon Fund (MLIIF)</i>	4,460,000	0.37
22. Universiti Malaya	4,188,000	0.35
23. Mayban Nominees (Tempatan) Sdn Bhd <i>Amanahraya-JMF Asset Management Sdn Bhd for BSNC Corporation Berhad</i>	4,000,000	0.33
24. AM Nominees (Tempatan) Sdn Bhd <i>Pertubuhan Keselamatan Sosial</i>	3,644,000	0.30
25. DB (Malaysia) Nominee (Asing) Sdn Bhd <i>Deutsche Bank AG London for PMA Prospect Fund</i>	3,587,300	0.30
26. Affin Nominees (Tempatan) Sdn Bhd <i>Pacific Credit Leasing Sdn Bhd for Umatrac Enterprises Sdn Bhd</i>	3,241,000	0.27
27. HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for Prudential Dynamic Fund</i>	2,535,000	0.21
28. Yayasan Guru Malaysia Berhad	2,504,000	0.21
29. Cartaban Nominees (Asing) Sdn Bhd <i>State Street Australia Fund Q73A for WM Pool-Global Equitiestrust No. 4</i>	2,297,800	0.19
30. HSBC Nominees (Asing) Sdn Bhd <i>AXA Global Investment Company ICVC (Pacific GWTH FD)</i>	2,210,000	0.18
Total shareholdings	1,003,145,287	82.75

SUBSTANTIAL SHAREHOLDERS

	Shareholdings	%
1. Lembaga Tabung Angkatan Tentera	400,348,500	33.03
2. Boustead Holdings Berhad <i>Account Non-Trading</i>	261,785,507	21.60
3. Bank Simpanan Nasional	141,430,655	11.67
4. Employees Provident Fund Board	74,538,000	6.15
Total shareholdings	878,102,662	72.44

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Proxy Form

AFFIN HOLDINGS

AFFIN HOLDINGS BERHAD (23218-W)
(Incorporated In Malaysia)

I/We, _____
(FULL NAME IN BLOCK CAPITALS)

of _____

being a member/members of AFFIN HOLDINGS BERHAD hereby appoint _____

of _____

or failing him, _____

of _____

or failing him, the CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on Friday, 14 April 2006 at 10.00 a.m. at 13th Floor, Bangunan LTAT, Jalan Bukit Bintang, 55100 Kuala Lumpur and at any adjournment thereof.

My/our proxy is to vote as indicated below:-

RESOLUTION	FOR	AGAINST
1. To receive and adopt the Financial Statements and the Reports of the Directors and Auditors thereon		
2. To approve a Final Dividend of 2 sen per share less 28% income tax		
3. To re-elect Y. Bhg Gen (R) Tan Sri Dato' Seri Mohd Zahidi Bin Haji Zainuddin as Director		
4. To re-elect Y. Bhg. Datuk Azzat Bin Kamaludin as Director		
5. To re-elect Y. Bhg. Dato' Mustafa Bin Mohamad Ali as Director		
6. To re-appoint Y. Bhg. Maj Gen (R) Dato' Mohamed Isa Bin Che Kak as Director		
7. To approve Directors' Fees		
8. To re-appoint Auditors		
9. To authorise the Directors to allot and issue shares		
10. To approve the Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		

NO. OF SHARES HELD

Signature or common seal of Shareholder(s)

Signed this _____ day of _____ 2006

NOTES:

1. A member entitled to attend or vote at the meeting may appoint a proxy or proxies (not more than two) to attend and vote instead of him. A proxy need not be a member.
2. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
3. The instrument appointing a proxy in the case of any individual shall be signed by the appointor or his attorney and in the case of a corporation, under its common seal or under the hand of the officer duly authorised.
4. Unless voting instructions are indicated in the spaces provided above, the proxy may vote as he thinks fit.
5. The instrument appointing a proxy must be deposited at the Registered Office of the Company, located at 1st Floor, Bangunan LTAT, Jalan Bukit Bintang, 55100 Kuala Lumpur not less than forty eight hours before the time of the Meeting or any adjournment thereof.

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AFFIN HOLDINGS BERHAD
1st Floor, Bangunan LTAT
Jalan Bukit Bintang
55100 Kuala Lumpur