

**AMMB HOLDINGS BERHAD**  
**(223035-V) (Incorporated in Malaysia)**  
**and its subsidiary companies**  
**UNAUDITED CONSOLIDATED BALANCE SHEET**  
**AS AT 30 SEPTEMBER 2006**

	Note	The Group	
		30.9.06 RM'000	31.3.06 RM'000
<b>ASSETS</b>			
Cash and short-term funds		6,692,232	9,455,262
Securities purchased under resale agreements		658,658	719,590
Deposits and placements with banks and other financial institutions		384,426	752,693
Securities held-for-trading	A8	5,486,841	6,098,040
Securities available-for-sale	A9	2,054,174	1,603,605
Securities held-to-maturity	A10	2,437,695	2,713,041
Loans, advances and financing	A11	46,114,326	44,860,468
Other assets	A12	1,744,471	1,208,504
Statutory deposits with Bank Negara Malaysia		1,738,195	1,776,693
Investments in associated companies		1,754	40,295
Property and equipment		249,635	448,896
Life fund assets		1,280,630	1,162,488
Deferred tax assets		771,234	857,003
Intangible assets		586,545	564,059
<b>TOTAL ASSETS</b>		<b>70,200,816</b>	<b>72,260,637</b>
<b>LIABILITIES AND EQUITY</b>			
Deposits from customers	A13	38,533,682	38,918,164
Deposits and placements of banks and other financial institutions	A14	12,267,655	14,640,801
Obligations on securities sold under repurchase agreements		2,715,663	3,572,257
Bills and acceptances payable		2,080,962	912,723
Recourse obligations on loans sold to Cagamas Berhad		1,427,617	1,868,649
Other liabilities	A15	2,380,090	2,281,779
Term loans		482,514	482,232
Subordinated term loans		1,140,000	680,000
Redeemable unsecured bonds		921,221	919,638
Hybrid capital		686,216	684,047
Life fund liabilities		165,782	152,315
Life policyholder funds		1,114,848	1,010,173
Total Liabilities		<b>63,916,250</b>	<b>66,122,778</b>
Share capital		2,130,539	2,130,534
Reserves		3,027,850	2,898,505
Shareholders' equity		5,158,389	5,029,039
Minority interests		1,126,177	1,108,820
Total Equity		<b>6,284,566</b>	<b>6,137,859</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>70,200,816</b>	<b>72,260,637</b>

**AMMB HOLDINGS BERHAD**  
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**and its subsidiary companies**  
**UNAUDITED CONSOLIDATED BALANCE SHEET**  
**AS AT 30 SEPTEMBER 2006 (CONTD.)**

	Note	The Group	
		30.9.06 RM'000	31.3.06 RM'000
<b>COMMITMENTS AND CONTINGENCIES</b>	A25	<u>46,538,069</u>	<u>37,310,423</u>
<b>CAPITAL ADEQUACY RATIO</b>	A29		
Core capital ratio		9.77%	9.96%
Risk-weighted capital ratio		<u>14.29%</u>	<u>13.94%</u>
<b>NET ASSETS PER SHARE (RM)</b>		<u>2.42</u>	<u>2.36</u>

The Consolidated Balance Sheet should be read in conjunction with the Annual Financial Report for the year ended 31 March 2006.

**AMMB HOLDINGS BERHAD**  
**(223035-V) (Incorporated in Malaysia)**  
**and its subsidiary companies**

**UNAUDITED CONSOLIDATED INCOME STATEMENTS**  
**FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2006**

The Group	Note	Individual Quarter		Cumulative Quarter	
		30.9.06 RM'000	30.9.05 RM'000	30.9.06 RM'000	30.9.05 RM'000
Revenue		1,528,726	1,227,775	2,869,247	2,453,943
Interest income	A16	953,941	745,573	1,863,640	1,505,589
Interest expense	A17	(586,510)	(418,790)	(1,126,203)	(813,080)
Net interest income		367,431	326,783	737,437	692,509
Income from Islamic banking business		130,220	136,417	252,449	274,817
Other operating income	A18	330,592	243,734	543,444	482,629
Net income		828,243	706,934	1,533,330	1,449,955
Other operating expenses	A19	(366,228)	(368,135)	(737,577)	(736,116)
Operating profit		462,015	338,799	795,753	713,839
Allowance for losses on loans and financing	A20	(191,685)	(142,585)	(317,134)	(321,977)
Impairment (loss)/writeback on:					
Securities		(57,198)	28,961	(80,225)	27,749
Assets acquired in exchange of debts		(936)	-	(936)	(660)
Transfer from/(to) profit equalisation reserve		15,414	(14,012)	20,440	(7,584)
Allowance for doubtful sundry receivables - net		(2,852)	(6,687)	(6,155)	(15,350)
(Provision)/Writeback of provision for commitments and contingencies		(7)	(502)	318	(439)
Profit before share in results of associated companies and taxation		224,751	203,974	412,061	395,578
Share in results of associated companies		161	728	1,043	1,499
Profit before taxation		224,912	204,702	413,104	397,077
Taxation	B5	(88,523)	(64,647)	(146,573)	(134,583)
<b>Profit after taxation</b>		<b>136,389</b>	<b>140,055</b>	<b>266,531</b>	<b>262,494</b>
Attributable to:					
Equity holders of the Company		100,307	100,668	207,107	207,186
Minority interests		36,082	39,387	59,424	55,308
Profit after taxation		136,389	140,055	266,531	262,494
<b>EARNINGS PER SHARE (SEN)</b>	B13				
Basic		4.71	4.73	9.72	9.72
Fully diluted		4.67	4.68	9.64	9.63

The Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31 March 2006.

**AMMB HOLDINGS BERHAD**  
**(223035-V) (Incorporated in Malaysia)**  
**and its subsidiary companies**

**UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2006**

Group	<-----Attributable to Equity Holders of the Company----->									
	Non-Distributable					Distributable		Total shareholders' equity	Minority interests	Total equity
	Share capital	Share premium	Statutory reserve	Available-for-sale reserve	Exchange fluctuation reserve	Unappropriated profits	RM'000			
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>At 1 April 2005</b>	2,130,534	798,356	913,438	26,730	15,086	929,146	4,813,290	36,347	4,849,637	
Arising from Group Reorganisation <sup>^</sup>	-	-	-	-	-	(65,224)	(65,224)	-	(65,224)	
Expenses relating to Group Reorganisation	-	(6,895)	-	-	-	-	(6,895)	-	(6,895)	
Net unrealised loss on revaluation of securities available-for-sale	-	-	-	(33,808)	-	-	(33,808)	-	(33,808)	
Exchange fluctuation adjustments	-	-	-	-	(1,690)	-	(1,690)	-	(1,690)	
Net income/(expense) recognised directly in equity	-	(6,895)	-	(33,808)	(1,690)	(65,224)	(107,617)	-	(107,617)	
Profit for the period	-	-	-	-	-	207,186	207,186	55,308	262,494	
Total recognised net income/(expense) for the period	-	(6,895)	-	(33,808)	(1,690)	141,962	99,569	55,308	154,877	
Acquisition and subscription of shares in Investment Banking subsidiary company	-	-	-	-	-	-	-	952,766	952,766	
Disposal of shares in assets management and unit trust subsidiary companies	-	-	-	-	-	-	-	(7,413)	(7,413)	
Proposed dividends	-	-	-	-	-	(61,359)	(61,359)	-	(61,359)	
Dividends paid	-	-	-	-	-	-	-	(1,440)	(1,440)	
<b>At 30 September 2005</b>	<b>2,130,534</b>	<b>791,461</b>	<b>913,438</b>	<b>(7,078)</b>	<b>13,396</b>	<b>1,009,749</b>	<b>4,851,500</b>	<b>1,035,568</b>	<b>5,887,068</b>	

<sup>^</sup> This relates to the dilution in net attributable assets of the Group arising from the 49.0% Restricted Offer For Sale of the investment banking group under the Group Reorganisation.

**AMMB HOLDINGS BERHAD**  
**(223035-V) (Incorporated in Malaysia)**  
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**UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2006**

Group	<-----Attributable to Equity Holders of the Company----->									
	Non-Distributable					Distributable		Total shareholders' equity	Minority interests	Total equity
	Share capital	Share premium	Statutory reserve	Available-for-sale reserve	Exchange fluctuation reserve	Unappropriated profits	RM'000			
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>At 1 April 2006</b>	2,130,534	791,550	1,000,417	9,713	15,736	1,081,089	5,029,039	1,108,820	6,137,859	
Net unrealised gain on revaluation of securities available-for-sale	-	-	-	1,297	-	-	1,297	-	1,297	
Exchange fluctuation adjustments	-	-	-	-	(2,366)	-	(2,366)	-	(2,366)	
Net income/(expense) recognised directly in equity	-	-	-	1,297	(2,366)	-	(1,069)	-	(1,069)	
Profit for the period	-	-	-	-	-	207,107	207,107	59,424	266,531	
Total recognised net income/(expense) for the period	-	-	-	1,297	(2,366)	207,107	206,038	59,424	265,462	
Issue of shares pursuant to exercise of Warrants 2003/2008	5	6	-	-	-	-	11	-	11	
Arising from acquisition of AmPrivate Equity Sdn Bhd	-	-	-	-	-	-	-	200	200	
Arising from acquisition of Am ARA REIT Holdings Sdn Bhd	-	-	-	-	-	-	-	300	300	
Disposal of shares in P.T. AmCapital Indonesia	-	-	-	-	-	-	-	(822)	(822)	
Dividends paid	-	-	-	-	-	(76,699)	(76,699)	(41,745)	(118,444)	
<b>At 30 September 2006</b>	<b>2,130,539</b>	<b>791,556</b>	<b>1,000,417</b>	<b>11,010</b>	<b>13,370</b>	<b>1,211,497</b>	<b>5,158,389</b>	<b>1,126,177</b>	<b>6,284,566</b>	

The Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 March 2006.

**AMMB HOLDINGS BERHAD**  
**(223035-V) (Incorporated in Malaysia)**  
**and its subsidiary companies**

**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2006**

<b>The Group</b>	<b>Cumulative Quarter</b>	
	<b>30.9.06</b>	<b>30.9.05</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit before taxation	413,104	397,077
Add adjustments for non-operating and non-cash items	182,401	494,325
Operating profit before working capital	595,505	891,402
Increase in operating assets	(569,585)	(6,932,416)
Increase in operating liabilities	(2,873,284)	3,593,782
Cash used in operations	(2,847,364)	(2,447,232)
Taxation paid	(54,200)	(62,064)
Net cash used in operating activities	(2,901,564)	(2,509,296)
Net cash (used in)/generated from investing activities	(307,399)	158,157
Net cash generated from financing activities	459,689	850,571
Net decrease in cash and cash equivalents	(2,749,274)	(1,500,568)
Cash and cash equivalents at beginning of period	9,429,118	7,740,607
Cash and cash equivalents at end of period	6,679,844	6,240,039

For the purpose of the cash flow statements, cash and cash equivalents consist of cash and short-term funds net of bank overdraft. Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

<b>The Group</b>	<b>Cumulative Quarter</b>	
	<b>30.9.06</b>	<b>30.9.05</b>
	<b>RM'000</b>	<b>RM'000</b>
Cash and short-term funds	6,692,232	6,264,978
Bank overdrafts	(12,302)	(24,460)
	6,679,930	6,240,518
Effect of exchange rates changes	(86)	(479)
Cash and cash equivalents	6,679,844	6,240,039

**Note 1 : Acquisition of Frasers International Pte. Ltd ("FIPL")**

The fair values of assets and liabilities assumed arising from the acquisition of the remaining 51.0% equity interest in FIPL, during the financial period ended 30 September 2006 were as follows:

	<b>Unaudited As at 31 August 2006 RM'000</b>
<b>Net assets acquired:</b>	
Cash and short-term funds	48,603
Deposits and placements with banks and other financial institutions	3,578
Property and equipment	1,740
Other assets	119,233
Other liabilities	<u>(94,000)</u>
Net assets acquired	79,154
Goodwill on acquisition	<u>10,376</u>
	89,530
Less: Amount accounted for as an associate	<u>(39,622)</u>
Purchase price paid	49,908
Less: Cash and short term funds	<u>(48,603)</u>
Cash flow on acquisition, net of cash acquired	<u>1,305</u>

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for the year ended 31 March 2006.

## **EXPLANATORY NOTES :**

### **A1. BASIS OF PREPARATION**

The interim financial statements have been prepared in accordance with Financial Reporting Standards ("FRS") 134, Interim Financial Reporting, issued by Malaysian Accounting Standards Board ("MASB") and paragraph 9.22 of the Listing Requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities") and should be read in conjunction with the Annual Financial Statements for the year ended 31 March 2006.

The accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the previous audited annual financial statements except for the adoption of the new and revised FRS issued by MASB that are effective for the Group's first FRS annual reporting date, 31 March 2007. The adoption of the new and revised FRS have resulted in changes in the accounting policies of the Group and are disclosed in Note A31.

The specific and general allowances for loans, advances and financing of the Group are computed based on BNM's guidelines on the "Classification of Non-Performing Loans and Provisions for Substandard, Bad and Doubtful Debts" ("BNM/GP3") requirements. No values are assigned to property collaterals for corporate and retails loans, which are in arrears for more than seven years and nine years, respectively, although the realisable values based on independent valuers are available.

The unaudited condensed interim financial statements incorporates those activities relating to the Islamic banking business which have been undertaken by the Group Islamic banking business and refers generally to the acceptance of deposits, dealing in Islamic securities, granting of financing, capital market and treasury activities under the Shariah principles.

### **A2. AUDIT QUALIFICATION**

There were no audit qualification in the annual financial statements for the year ended 31 March 2006.

### **A3. SEASONALITY OR CYCLICALITY OF OPERATIONS**

The operations of the Group are not materially affected by any seasonal or cyclical fluctuation in the current financial quarter and period.

### **A4. UNUSUAL ITEMS**

There were no unusual items during the current financial quarter and period.

### **A5. USE OF ESTIMATES**

There was no material change in estimates of amounts reported in the prior financial years that have a material effect on the financial quarter and period ended 30 September 2006 other than the adoption of the new and revised FRS issued by MASB that are effective for the Group's first FRS annual reporting date, 31 March 2007.

### **A6. ISSUANCE, CANCELLATIONS, REPURCHASES, RESALE AND REPAYMENT OF DEBT AND EQUITY SECURITIES**

The Company has not issued any new debentures during the financial quarter and period.

During the financial period, the issued and fully paid-up share capital of the Company was increased from 2,130,533,695 ordinary share of RM1.00 each to 2,130,538,695 ordinary shares of RM1.00 each by the issue of 5,000 new ordinary shares of RM1.00 each at RM2.19 per share by virtues of the exercise of share warrants 2003/2008 of the Company. The resulting share premium amounting to RM5,950 has been credited to share premium account.

There were no share buy-backs, share cancellations, shares held as treasury shares nor resale of treasury shares by the Company during the financial quarter and period.



## A7. DIVIDENDS PAID

During the financial quarter ended 30 September 2006, the Company paid a first and final dividend of 5.0%, less tax in respect of the financial year ended 31 March 2006 amounting to RM76,699,213 on 5 September 2006 to shareholders whose names appear in the Record of Depositors on 18 August 2006.

## A8. SECURITIES HELD-FOR-TRADING

	<b>The Group</b>	
	<b>30.9.06</b>	<b>31.3.06</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At Fair Value</b>		
<b>Money Market Securities:</b>		
Treasury bills	13,466	34,282
Islamic Treasury bills	28,920	48,541
Malaysian Government Securities	447,095	1,349,901
Malaysian Government Investment Certificates	191,131	147,063
Cagamas bonds	234,906	273,869
Khazanah bonds	2,377	912
Cagamas Mudharabah bearer bonds	30,339	264,207
Bank Negara Malaysia bills	210,903	5,143
Islamic Bank Negara Malaysia bills	717,207	2,491
Negotiable instruments of deposits	-	574,417
Sukuk Bank Negara Malaysia	55,905	95,798
Negotiable Islamic Debt Certificates	14,501	296,124
	<b>1,946,750</b>	<b>3,092,748</b>
<b>Securities Quoted:</b>		
In Malaysia:		
Shares	339,707	242,939
Corporate bonds	21,427	20,927
Trust units	120,616	193,409
Outside Malaysia:		
Shares	16,268	110
	<b>498,018</b>	<b>457,385</b>
<b>Unquoted Securities Of Companies Incorporated:</b>		
In Malaysia:		
Shares	2,200	2,200
Trust units	17,273	159,602
Outside Malaysia:		
Trust units	1,996	1,996
	<b>21,469</b>	<b>163,798</b>
<b>Unquoted Guaranteed Private Debt Securities Of Companies Incorporated In Malaysia:</b>		
Corporate bonds	67,637	67,701
Corporate notes	107,152	-
Islamic corporate notes	30,712	10,379
	<b>205,501</b>	<b>78,080</b>

	<b>The Group</b>	
	<b>30.9.06</b>	<b>31.3.06</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Unquoted Private Debt Securities Of Companies</b>		
<b>Incorporated:</b>		
In Malaysia:		
Shares	290,358	178,763
Corporate notes	39,684	38,420
Corporate bonds	814,637	665,062
Islamic corporate bonds	1,613,830	1,305,975
Islamic corporate notes	49,223	117,809
Outside Malaysia:		
Corporate bonds	7,371	-
	<u>2,815,103</u>	<u>2,306,029</u>
Total	<u>5,486,841</u>	<u>6,098,040</u>

**A9. SECURITIES AVAILABLE-FOR-SALE**

	<b>The Group</b>	
	<b>30.9.06</b>	<b>31.3.06</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At Fair Value</b>		
<b>Money Market Securities:</b>		
Malaysian Government Securities	47,891	50,394
Cagamas bonds	19,623	24,714
Khazanah bonds	10,377	10,138
Negotiable instruments of deposits	348,849	69,340
	<u>426,740</u>	<u>154,586</u>
<b>Securities Quoted:</b>		
In Malaysia:		
Corporate bonds	18,555	18,576
Trust units	3,994	-
Outside Malaysia:		
Shares	10,020	8,907
	<u>32,569</u>	<u>27,483</u>
<b>Unquoted Securities Of Companies Incorporated In Malaysia:</b>		
Trust units	-	3,773
	<u>-</u>	<u>3,773</u>
<b>Debt Equity Converted Securities</b>		
Quoted in Malaysia:		
Shares	43,459	248,502
Shares - with options	163,020	19,822
Loan stocks - collateralised	-	1,064
Corporate bonds	695	648
Quoted outside Malaysia:		
Shares	33	-
Unquoted securities of companies incorporated:		
In Malaysia:		
Shares	7	-
Outside Malaysia:		
Shares	6,255	-
	<u>213,469</u>	<u>270,036</u>

	<b>The Group</b>	
	<b>30.9.06</b>	<b>31.3.06</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Unquoted Private Debt Securities Of Companies Incorporated</b>		
<b>In Malaysia:</b>		
Corporate bonds	372,063	337,567
Islamic corporate bonds	436,141	217,183
Islamic corporate notes	-	18,729
	<u>808,204</u>	<u>573,479</u>
<b>Unquoted Guaranteed Private Debt Securities Of Companies Incorporated:</b>		
<b>In Malaysia:</b>		
Corporate bonds	573,192	574,248
Total	<u>2,054,174</u>	<u>1,603,605</u>
<b>A10. SECURITIES HELD-TO-MATURITY</b>		
<b>At Amortised Cost</b>		
<b>Securities Quoted In Malaysia:</b>		
Shares	99	99
Corporate bonds	55,313	55,247
	<u>55,412</u>	<u>55,346</u>
<b>Unquoted Securities Of Companies Incorporated:</b>		
<b>In Malaysia:</b>		
Shares	103,038	103,036
Corporate bonds	959	959
<b>Outside Malaysia:</b>		
Shares	8,537	8,706
	<u>112,534</u>	<u>112,701</u>
<b>Quoted Debt Equity Converted Securities:</b>		
<b>In Malaysia</b>		
Shares	14,396	8,201
Loan stocks - collateralised	971	971
Loan stocks - with options	850,694	956,783
<b>Outside Malaysia:</b>		
Shares - with options	15	15
	<u>866,076</u>	<u>965,970</u>

	<b>The Group</b>	
	<b>30.9.06</b>	<b>31.3.06</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Unquoted Debt Equity Converted Securities Of Companies</b>		
<b>Incorporated In Malaysia:</b>		
Shares	44,971	122,870
Loan stocks	783,402	804,744
Corporate bonds	556,604	621,435
	<u>1,384,977</u>	<u>1,549,049</u>
<b>Unquoted Private Debt Securities Of Companies Incorporated:</b>		
In Malaysia		
Shares	21,220	21,220
Corporate bonds and notes denominated in USD	68,755	68,674
Islamic corporate bonds	195,186	196,703
Outside Malaysia		
Corporate bonds and notes denominated in USD	110,625	110,493
	<u>395,786</u>	<u>397,090</u>
<b>Unquoted Guaranteed Private Debt Securities Of Companies</b>		
<b>Incorporated In Malaysia:</b>		
Corporate bonds	80,984	82,729
	<u>2,895,769</u>	<u>3,162,885</u>
Accumulated impairment losses	(458,074)	(449,844)
<b>Total</b>	<u><u>2,437,695</u></u>	<u><u>2,713,041</u></u>

**A11. LOANS, ADVANCES AND FINANCING**

	<b>The Group</b>	
	<b>30.9.06</b>	<b>31.3.06</b>
	<b>RM'000</b>	<b>RM'000</b>
Loans and financing:		
Term loans and revolving credit	13,857,139	13,468,701
Housing loans	10,571,534	9,791,514
Staff loans	183,349	181,641
Hire-purchase receivables	23,843,920	23,110,318
Credit card receivables	2,230,483	2,138,331
Lease receivables	1,433,305	1,316,480
Overdrafts	1,093,963	1,031,079
Claims on customers under acceptance credits	1,216,094	1,250,752
Trust receipts	205,244	200,702
Block discount receivables	63,994	64,575
Factoring receivables	41,108	32,887
Bills receivable	6,117	6,878
	<u>54,746,250</u>	<u>52,593,858</u>
Less: Unearned interest and income	5,948,050	5,478,909
Total	<u>48,798,200</u>	<u>47,114,949</u>
Less:		
Allowance for bad and doubtful debts and financing:		
General	749,939	721,817
Specific	1,933,935	1,532,664
	<u>2,683,874</u>	<u>2,254,481</u>
Net loans, advances and financing	<u>46,114,326</u>	<u>44,860,468</u>

Loans, advances and financing analysed by their economic purposes are as follows:

	The Group				Annualised Loans Growth (%)
	30.9.06		31.3.06		
	RM'000	%	RM'000	%	
Purchase of transport vehicles	22,456,096	43.3	21,242,432	43.1	
Purchase of landed properties:					
- Residential	10,420,191	20.1	9,658,463	19.6	
- Non-residential	2,579,762	5.0	2,448,239	5.0	
Working capital	6,974,881	13.5	6,141,198	12.5	
Credit cards	2,228,022	4.3	2,138,438	4.3	
Fixed assets	1,533,399	3.0	1,318,813	2.7	
Personnel use	1,459,257	2.8	1,303,857	2.6	
Construction	1,279,509	2.5	1,281,750	2.6	
Purchase of securities	982,505	1.9	997,418	2.0	
Merger and acquisition	261,422	0.5	387,542	0.8	
Consumer durables	6,412	0.1	10,781	0.1	
Other purpose	1,622,410	3.0	2,391,845	4.7	
Gross loans, advances and financing	51,803,866	100.0	49,320,776	100.0	10.07
Less: Islamic financing sold to Cagamas Berhad	(3,005,666)		(2,205,827)		
	<u>48,798,200</u>		<u>47,114,949</u>		

Loans, advances and financing analysed by type of customers are as follows:

	The Group	
	30.9.06 RM'000	31.3.06 RM'000
Domestic :		
Other non-bank financial institutions	673,827	453,199
Business enterprises:		
Small medium enterprises	5,408,580	4,738,220
Others	8,579,112	9,294,073
Government and statutory bodies	95,398	105,809
Individuals	33,447,225	32,009,995
Other domestic entities	341,805	346,711
Foreign entities	252,253	166,942
	<u>48,798,200</u>	<u>47,114,949</u>

Loans, advances and financing analysed by interest rate sensitivity are as follows:

	<b>The Group</b>	
	<b>30.9.06</b>	<b>31.3.06</b>
	<b>RM'000</b>	<b>RM'000</b>
Variable rate		
BLR-plus	13,650,081	12,873,455
Cost-plus	4,561,128	4,435,782
Other variable rates	780,624	736,388
	<u>18,991,833</u>	<u>18,045,625</u>
Fixed rate		
Housing loans	3,160,624	3,069,126
Hire purchase receivables	20,499,957	19,976,247
Other fixed rates	6,145,786	6,023,951
	<u>29,806,367</u>	<u>29,069,324</u>
	<u>48,798,200</u>	<u>47,114,949</u>

Movements in non-performing loans and financing are as follows:-

	<b>The Group</b>	
	<b>30.9.06</b>	<b>31.3.06</b>
	<b>RM'000</b>	<b>RM'000</b>
Gross		
Balance at beginning of period/year	6,136,695	7,597,662
Non-performing during the period/year	1,171,497	2,381,238
Reclassification to performing loans and financing	(611,202)	(2,016,743)
Recoveries	(292,118)	(580,814)
Amount written off	(50,863)	(1,235,771)
Debt equity conversion	-	(7,088)
Exchange fluctuation adjustments	(769)	(1,789)
Balance at end of period/year	<u>6,353,240</u>	<u>6,136,695</u>
Less: Specific allowance	<u>(1,933,935)</u>	<u>(1,532,664)</u>
Non-performing loans and financing - net	<u>4,419,305</u>	<u>4,604,031</u>
Ratios of non-performing loans and financing to total loans, advances and financing - net	<u>8.9%</u>	<u>9.6%</u>

Non-performing loans analysed by their economic purposes are as follows:

	<b>The Group</b>			
	<b>30.9.06</b>	<b>%</b>	<b>31.3.06</b>	<b>%</b>
	<b>RM'000</b>		<b>RM'000</b>	
Working capital	1,238,809	19.5	1,061,407	17.3
Purchase of landed properties:				
Residential	1,428,521	22.5	1,385,601	22.6
Non-residential	984,404	15.5	938,749	15.3
Purchase of transport vehicles	1,007,473	15.9	814,846	13.3
Purchase of securities	341,295	5.4	296,002	4.8
Construction	428,091	6.7	431,479	7.0
Credit cards	182,108	2.9	153,466	2.5
Merger and acquisition	58,394	0.9	58,311	0.9
Personnel use	46,828	0.7	49,252	0.8
Fixed assets	22,994	0.3	18,601	0.3
Consumer durables	1,003	0.1	964	0.1
Other purpose	613,320	9.6	928,016	15.1
	<u>6,353,240</u>	<u>100.0</u>	<u>6,136,695</u>	<u>100.0</u>

Movements in allowances for bad and doubtful debts and financing are as follows:

	<b>The Group</b>	
	<b>30.9.06</b>	<b>31.3.06</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>General allowance</b>		
Balance at beginning of period/year	721,817	629,784
Allowance during the period/year	28,114	92,171
Exchange fluctuation adjustments	8	(138)
Balance at end of period/year	<u>749,939</u>	<u>721,817</u>
% of total loans, advances and financing less specific allowances	<u>1.50%</u>	<u>1.51%</u>
<b>Specific allowance</b>		
Balance at beginning of period/year	1,532,664	1,815,088
Allowance during the period/year	650,119	1,422,770
Amount written back in respect of recoveries and reversals	(213,012)	(470,856)
Net charge to income statements	437,107	951,914
Reclassification from sundry receivables	8,167	17,372
Adjustment to deferred asset account	6,900	(1,594)
Amount written off	(50,893)	(1,246,663)
Exchange fluctuation adjustments	(10)	(202)
Debt equity conversion	-	(3,251)
Balance at end of period/year	<u>1,933,935</u>	<u>1,532,664</u>



## A12. OTHER ASSETS

	<b>The Group</b>	
	<b>30.9.06</b>	<b>31.3.06</b>
	<b>RM'000</b>	<b>RM'000</b>
Trade receivables, net of allowance for doubtful debts	475,537	291,126
Other receivables, deposits and prepayments, net of allowance for doubtful debts	537,158	383,799
Assets held for sale	196,238	-
Interest receivables on treasury assets, net of allowance for doubtful debts	142,057	122,523
Fee receivables, net of allowance for doubtful debts	31,167	28,886
Amount due from Originators	73,282	89,694
Amount due from agents, brokers and reinsurer, net of allowance	40,546	37,118
Amount recoverable under asset-backed securitisation transactions, net of impairment loss	82,066	87,066
Foreclosed properties, net of allowance for impairment in value	96,159	103,714
Deferred assets	70,261	64,578
	<u>1,744,471</u>	<u>1,208,504</u>

Amount due from Originators represents housing loans, hire purchase and leasing receivables acquired from the Originators for onward sale to Cagamas Berhad with recourse.

## A13. DEPOSITS FROM CUSTOMERS

	<b>The Group</b>	
	<b>30.9.06</b>	<b>31.3.06</b>
	<b>RM'000</b>	<b>RM'000</b>
Term/Investment deposits	33,573,273	32,192,382
Savings deposits	2,891,426	2,940,219
Current deposits	1,791,097	1,558,199
Negotiable instruments of deposits	277,886	2,227,364
	<u>38,533,682</u>	<u>38,918,164</u>

The deposits are sourced from the following types of customers:

Business enterprises	10,799,970	12,876,710
Individuals	21,664,809	19,895,623
Government	4,880,007	5,006,893
Others	1,188,896	1,138,938
	<u>38,533,682</u>	<u>38,918,164</u>

## A14. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	<b>The Group</b>	
	<b>30.9.06</b>	<b>31.3.06</b>
	<b>RM'000</b>	<b>RM'000</b>
Deposits from:		
Licensed banks	2,425,426	4,192,542
Licensed merchant banks	416,588	555,522
Bank Negara Malaysia	1,164,234	1,160,280
Other financial institutions	8,261,407	8,732,457
	<u>12,267,655</u>	<u>14,640,801</u>

## A15. OTHER LIABILITIES

	<b>The Group</b>	
	<b>30.9.06</b>	<b>31.3.06</b>
	<b>RM'000</b>	<b>RM'000</b>
Trade payables	544,107	353,380
Securities sold not yet re-purchased	96,699	91,437
Other payables and accruals	1,007,493	1,129,562
Interest payable on deposits and borrowings	357,285	326,109
Lease deposits and advance rentals	55,068	50,881
General insurance funds	187,969	181,987
Provision for commitments and contingencies	7	325
Bank overdrafts	12,302	26,081
Profit equalization reserve	96,316	116,755
Deferred tax liabilities	8,329	2,846
Tax payable	14,515	2,416
	<u>2,380,090</u>	<u>2,281,779</u>

## A16. INTEREST INCOME

<b>THE GROUP</b>	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>30.9.06</b>	<b>30.9.05</b>	<b>30.9.06</b>	<b>30.9.05</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Short-term funds and deposits with financial institutions	54,617	48,285	122,288	98,473
Securities held-for-trading	46,255	39,797	114,892	78,392
Securities available for sale	23,685	10,286	41,691	12,587
Securities held-to-maturity	2,040	3,693	3,905	15,437
Loans and advances				
- Interest income other than recoveries from NPLs	650,861	549,565	1,275,878	1,151,486
- Recoveries from NPLs	70,697	80,505	148,354	144,579
ICULS investment	26,178	7,955	44,743	20,620
Interest rate swap	103,995	17,163	162,368	33,769
Others	2,671	8,076	5,245	15,887
Gross interest income	<u>980,999</u>	<u>765,325</u>	<u>1,919,364</u>	<u>1,571,230</u>
Amortisation of premiums less accretion of discounts	1,825	(5,488)	10,540	(6,652)
Interest suspended	<u>(28,883)</u>	<u>(14,264)</u>	<u>(66,264)</u>	<u>(58,989)</u>
Total after net interest suspension	<u>953,941</u>	<u>745,573</u>	<u>1,863,640</u>	<u>1,505,589</u>

**A17. INTEREST EXPENSE**

<b>THE GROUP</b>	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>30.9.06</b>	<b>30.9.05</b>	<b>30.9.06</b>	<b>30.9.05</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Deposits from customers	308,633	266,012	617,692	527,973
Deposit of banks and other financial institutions	64,508	47,121	136,853	82,287
Securities sold under repurchase agreements	20,370	11,863	47,281	22,296
Amount due to Cagamas Berhad	13,223	19,669	28,003	40,050
Bank borrowings:				
Term loans	7,079	5,874	13,531	15,210
Overdrafts	108	475	492	781
Subordinated deposits and term loans	18,890	15,523	32,842	30,640
Interest on Bonds	15,091	13,474	30,017	26,802
Interest rate swap	114,005	22,940	178,965	45,360
Hybrid securities	12,425	-	25,025	-
Others	12,178	15,839	15,502	21,681
	<b>586,510</b>	<b>418,790</b>	<b>1,126,203</b>	<b>813,080</b>

**A18. OTHER OPERATING INCOME**

THE GROUP	Individual Quarter		Cumulative Quarter	
	30.9.06 RM'000	30.9.05 RM'000	30.9.06 RM'000	30.9.05 RM'000
Fee income:				
Fees on loans and advances	29,291	26,172	59,624	59,489
Corporate advisory	3,366	5,007	7,370	10,188
Guarantee fees	5,204	4,197	13,121	7,353
Underwriting commissions	8,106	1,017	10,675	1,917
Portfolio management fees	2,968	1,797	5,339	3,835
Unit trust management fees	8,898	7,042	16,973	14,353
Brokerage rebates	195	200	469	322
Property trust management fees	540	494	1,047	988
Brokerage fees and commissions	15,554	11,304	33,239	21,772
Banc assurance commission	7,729	7,150	14,688	13,442
Income from asset securitisation	(15)	494	57	1,079
Other fee income	11,963	7,978	21,968	15,831
	<u>93,799</u>	<u>72,852</u>	<u>184,570</u>	<u>150,569</u>
Investment and trading income:				
Net gain/(loss) from sale of securities held-for-trading	4,499	(9,883)	9,532	45,809
Net gain from sale of securities available-for-sale	20,710	61	20,736	61
Net gain on redemption of securities held-to-maturity	27,643	11,438	43,190	11,973
Gain on revaluation of securities held for trading	65,000	55,273	37,842	60,902
(Loss)/Gain on revaluation of derivatives	(4,580)	(469)	9,261	(857)
Gross dividend income from:				
Securities held-for-trading	5,783	2,490	8,194	9,255
Securities available-for-sale	666	-	4,894	-
Securities held-to-maturity	10,199	11,571	12,035	12,901
	<u>129,920</u>	<u>70,481</u>	<u>145,684</u>	<u>140,044</u>
Premium income from general insurance business	<u>100,953</u>	<u>92,309</u>	<u>199,171</u>	<u>179,369</u>
Other income:				
Foreign exchange gain	3,217	5,608	5,244	6,397
Gain on disposal of property and equipment - net	172	253	1,185	586
Rental income	2,054	2,092	4,692	4,340
Other non-operating income	477	139	2,898	1,324
	<u>5,920</u>	<u>8,092</u>	<u>14,019</u>	<u>12,647</u>
	<u>330,592</u>	<u>243,734</u>	<u>543,444</u>	<u>482,629</u>

#### A19. OTHER OPERATING EXPENSES

THE GROUP	Individual Quarter		Cumulative Quarter	
	30.9.06 RM'000	30.9.05 RM'000	30.9.06 RM'000	30.9.05 RM'000
Personnel/Staff costs				
- Salaries, allowances and bonuses	120,206	121,215	239,224	223,956
- Others	24,396	6,037	42,677	35,963
Establishment costs				
- Depreciation	6,669	16,849	27,429	33,871
- Computerisation costs	14,381	20,565	29,798	37,282
- Rental	10,085	9,766	19,934	19,664
- Cleaning, maintenance and securities	4,583	7,086	9,256	12,641
- Others	14,700	3,975	20,720	10,023
Marketing and communication expenses				
- Sales commission	8,924	12,537	20,847	27,270
- Handling fees	26,475	35,686	50,685	70,154
- Advertising, promotional and other marketing activities	15,544	20,748	35,516	35,667
- Telephone charges	3,982	3,782	7,582	8,901
- Postage	4,087	3,569	6,799	7,612
- Travel and entertainment	2,350	2,257	4,553	4,384
- Others	7,270	6,175	14,635	9,568
Administration and general				
- Amortisation of goodwill	-	6,944	-	13,575
- Professional services	14,502	10,085	26,796	18,921
- Donations	130	418	229	4,664
- Administration and management expenses	3,784	2,858	7,014	5,885
- Others	6,025	8,385	21,627	20,981
Overheads	288,093	298,937	585,321	600,982
Insurance commission	11,420	11,555	21,835	22,125
General insurance claims	66,715	57,643	130,421	113,009
	<b>366,228</b>	<b>368,135</b>	<b>737,577</b>	<b>736,116</b>

#### A20. ALLOWANCE FOR LOSSES ON LOANS AND FINANCING

THE GROUP	Individual Quarter		Cumulative Quarter	
	30.9.06 RM'000	30.9.05 RM'000	30.9.06 RM'000	30.9.05 RM'000
Allowance/(Reversal of allowance) for bad and doubtful debts and financing:				
Specific allowance - net	226,082	171,565	437,107	391,018
Allowance during the period/year	342,035	398,725	650,119	650,279
Amount written back in respect of recoveries and reversal	(115,953)	(227,160)	(213,012)	(259,261)
General allowance	21,305	38,154	28,114	60,045
Recoveries of value impairment on amount recoverable from Danaharta	(248)	-	(11,620)	-
Bad debts and financing recovered - net	(55,454)	(67,134)	(136,467)	(129,086)
Written off	-	70	11	70
Recovered	(55,454)	(67,204)	(136,478)	(129,156)
	<b>191,685</b>	<b>142,585</b>	<b>317,134</b>	<b>321,977</b>

## A21. SEGMENTAL INFORMATION

### BY BUSINESS SEGMENT

	Individual Quarter		Cumulative Quarter	
	30.9.06 RM'000	30.9.05 RM'000	30.9.06 RM'000	30.9.05 RM'000
Investment banking				
Revenue	349,997	248,635	582,620	512,100
Profit before taxation	111,211	93,920	163,131	181,089
Commercial and retail banking				
Revenue	1,021,394	780,170	1,956,129	1,572,580
Profit before taxation	103,463	87,735	224,263	202,648
Offshore banking				
Revenue	17,001	15,025	30,677	25,337
(Loss)/Profit before taxation	(5,151)	6,353	(4,124)	5,539
Insurance				
Revenue	223,457	199,807	425,119	384,754
Profit before taxation	14,560	16,427	29,758	26,816
Others				
Revenue	7,527	8,295	15,731	15,908
Loss before taxation	(2,195)	(242)	(1,907)	(6,286)
Total before consolidation adjustments				
Revenue	1,619,376	1,251,932	3,010,276	2,510,679
Profit before taxation	221,888	204,193	411,121	409,806
Consolidation adjustments				
Revenue	(90,650)	(24,157)	(141,029)	(56,736)
Profit before taxation	3,024	509	1,983	(12,729)
Total after consolidation adjustments				
Revenue	1,528,726	1,227,775	2,869,247	2,453,943
Profit before taxation	224,912	204,702	413,104	397,077

Included in the above is Islamic banking business profit before taxation of RM54.5 million for the quarter and RM97.5 million for the period ended 30 September 2006 (RM42.0 million for the quarter and RM108.1 million for the period ended 30 September 2005).

The financial information by geographical segment is not presented as the Group's activities are principally conducted in Malaysia except for Frasers International Pte. Ltd. and its subsidiary companies, PT AmCapital Indonesia, AmSecurities (H.K) Limited and AmTrade Services Limited, activities of which are principally conducted in Singapore, Indonesia and Hong Kong, respectively. These activities in Singapore, Indonesia and Hong Kong are not significant (less than 1% of revenue and profit before taxation respectively) in relation to the Group's activities in Malaysia.

## **A22. VALUATIONS OF PROPERTY AND EQUIPMENTS**

Property and equipments are stated at cost less accumulated depreciation and impairment losses.

## **A23. EVENTS SUBSEQUENT TO BALANCE SHEET DATE**

There has not arisen in the interval between the end of the financial year and the date of this report any items, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the result of the operations of the Group for the current financial quarter and period.

## **A24. CHANGES IN THE COMPOSITION OF THE GROUP AND THE COMPANY**

On 31 August 2006, AmMerchant Bank completed the acquisition of 6,599,592 ordinary shares of S\$1.00 each in Frasers International Pte Ltd ("FIPL"), representing 44.42% of the issued and paid-up share capital of FIPL not already owned by AmMerchant Bank, for an aggregate cash purchase consideration of S\$18,519,705, thus making it a 93.42%-owned subsidiary of AmMerchant Bank.

Further thereto, AmMerchant Bank had on 8 September 2006 completed the acquisition of the remaining 977,174 ordinary shares in FIPL, representing a 6.58% equity interest in FIPL, for an aggregate cash purchase consideration of S\$2,742,135, thereby making FIPL a 100%-owned subsidiary of AmMerchant Bank.

## A25. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group make various commitments and incur certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions. The commitments and contingencies are not secured against the Group's assets.

As at 30 September 2006, the commitments and contingencies outstanding are as follows:

	30.9.06			31.3.06		
	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
<b>The Group</b>						
<b>Derivative Financial Instruments</b>						
Interest rate related contracts:						
Interest rate futures	172,000	-	-	580,000	-	-
Interest rate swaps	22,579,849	850,713	108,023	13,067,759	325,210	66,305
Foreign exchange related contracts:						
Forward exchange contracts	4,043,612	76,072	14,524	4,034,678	67,946	14,014
Cross currency swaps	603,127	64,609	12,922	375,676	32,666	6,533
Malaysian Government securities futures	-	-	-	10,000	-	-
Equity related contracts:						
Options	1,310	-	-	-	-	-
	<u>27,399,898</u>	<u>991,394</u>	<u>135,469</u>	<u>18,068,113</u>	<u>425,822</u>	<u>86,852</u>
<b>Commitments</b>						
Irrevocable commitments to extend credit maturing :						
within one year	9,729,307	-	-	9,453,604	-	-
more than one year	1,226,981	613,491	613,301	1,467,076	733,538	733,046
Sell and buy back agreements	1,868,063	1,868,063	1,049,628	2,174,849	2,174,849	915,378
Forward purchase commitments	179,501	179,501	64,765	331,127	331,127	153,377
	<u>13,003,852</u>	<u>2,661,055</u>	<u>1,727,694</u>	<u>13,426,656</u>	<u>3,239,514</u>	<u>1,801,801</u>
<b>Contingent Liabilities</b>						
Guarantees given on behalf of customers	1,065,855	1,065,855	890,995	1,384,893	1,384,893	1,202,004
Certain transaction-related contingent items	708,963	354,482	328,454	637,248	318,624	284,116
Underwriting liabilities	976,186	488,093	476,043	1,133,152	566,576	541,819
Short-term self liquidating trade-related contingencies	332,032	66,406	66,406	345,374	69,075	69,075
Islamic financing sold to Cagamas	3,005,666	3,005,666	3,005,666	2,205,827	2,205,827	2,205,827
Others	45,617	250	150	109,160	250	150
	<u>6,134,319</u>	<u>4,980,752</u>	<u>4,767,714</u>	<u>5,815,654</u>	<u>4,545,245</u>	<u>4,302,991</u>
	<u>46,538,069</u>	<u>8,633,201</u>	<u>6,630,877</u>	<u>37,310,423</u>	<u>8,210,581</u>	<u>6,191,644</u>



The credit equivalent amount is arrived at using the credit conversion factor as per Bank Negara Malaysia guidelines.

As at 30 September 2006, other contingencies and commitments of the Group and of the Company are as follows:

- (a) The Company has given unsecured guarantees totalling RM338,600,000 (RM383,600,000 as at 31 March 2006) to various financial institutions in respect of credit facilities extended to certain subsidiary companies.
- (b) AmInvestment Group Berhad has given unsecured guarantees totalling RM10,000,000 (RM10,000,000 as at 31 March 2006) to a financial institution in respect of credit facilities extended to a subsidiary company.
- (c) As required, AmMerchant Bank has given a continuing guarantee to Bank Negara Malaysia on behalf of AmInternational (L) Ltd, to meet all its liabilities and financial obligations and requirements.
- (d) A suit dated 12 December 2005 was filed by Meridian Asset Management Sdn Bhd ("Meridian") against AmTrustee Berhad ('AmTrustee') in respect of a claim amounting to RM27,606,169.65 for alleged loss and damage together with interests and costs arising from AmTrustee's provision of custodian services to Meridian.

Malaysian Assurance Alliance Bhd ('MAA') has claimed its portion of the abovementioned alleged loss, being general damages and special damages of RM19,640,178.83, together with interest and costs.

AmTrustee was served on 24 March 2006 with a Writ and Statement of Claim dated 25 January 2006 by solicitors acting for MAA. MAA had appointed Meridian as an external fund manager for certain of its insurance funds, and part of these funds were deposited by Meridian with AmTrustee.

Neither material financial loss nor operational impact on the Group is expected as a result of the writ and statement of claim.

Parties have filed several interim applications which are pending hearing at various dates including as follows:-

- (a) An application by AmTrustee to dismiss the Meridian suit on the grounds of (i) duplicity of action with the MAA suit against AmTrustee and (ii) no loss was suffered by Meridian.
- (b) A separate application by AmTrustee, which is a third party proceedings, to include Meridian in the MAA suit against AmTrustee.
- (c) An application by Meridian to add the Company's indirect subsidiary, AmMerchant Bank, as 2nd Defendant.
- (d) An application by Meridian to increase the alleged loss and damage from RM27,606,169.65 to RM36,967,166.84 together with interest and costs arising from the provision of custodian services by AmTrustee to Meridian.

Case Management in the Meridian and MAA suit is pending the disposal of the interim applications.

Based on solicitors advice, the Company believes Meridian has no reasonable cause of action against AmTrustee or AmMerchant Bank.

## A26. RELATED PARTY TRANSACTIONS

On 26 October 2006, the Company announced that Am ARA REIT Managers Sdn Bhd ('Am ARA'), an indirect subsidiary, has entered into an arrangement for the payment of acquisition and divestment fees to ARA Asset Management (Malaysia) Limited ('ARA Malaysia'), a company with a 30% equity interest in Am ARA, pursuant to the provision of services by ARA Malaysia to Am ARA in connection with Am ARA's management of AmFIRST REIT.

## A27. DERIVATIVE FINANCIAL INSTRUMENTS

As at 30 September 2006, derivative financial instruments outstanding are as follows:

The Group								
Items	Principal Amount RM'000	1 month or less RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	>1 - 5 years RM'000	>5 years RM'000	Margin requirement
Interest rate related contracts :								
Interest rate futures	172,000	2,000	40,000	60,000	70,000	-	-	524
Interest rate swaps	22,579,849	935,000	600,000	1,125,000	2,175,000	16,180,861	1,563,988	7,537
Foreign exchange related contracts :								
Forward exchange contracts	4,043,612	1,850,056	1,001,335	271,967	920,254	-	-	1,163
Cross currency swaps	603,127	-	-	-	36,875	566,252	-	12,921
Equity related contracts:								
Options	1,310	-	-	-	-	1,310	-	-
<b>Total</b>	<b>27,399,898</b>	<b>2,787,056</b>	<b>1,641,335</b>	<b>1,456,967</b>	<b>3,202,129</b>	<b>16,748,423</b>	<b>1,563,988</b>	<b>22,145</b>

## RISK MANAGEMENT POLICY ON FINANCIAL DERIVATIVES

### Purpose of engaging in financial derivatives

Financial derivative instruments are contracts whose value is derived from one or more underlying financial instruments or indices. They include swaps, forward rate agreements, futures, options and combinations of these instruments. Derivatives are contracts that transfer risks, mainly market risks. Financial derivatives is one of the financial instruments engaged by the Group both for revenue purposes as well as to manage the Group's own market risk exposure. The Group's involvement in financial derivatives is currently focussed on interest rate derivatives and foreign exchange rate derivatives.

The principal exchange rate contracts used are forward foreign exchange contracts and cross currency swaps. Forward foreign exchange contracts are agreements to buy or sell a specified quantity of foreign currency on a specified future date at an agreed rate. A cross currency swap generally involves the exchange, or notional exchange, of equivalent amounts of two currencies and a commitment to exchange interest periodically until the principal amounts are re-exchanged on a future date.

The principal interest rate contracts used are interest rate futures, interest rate swaps and forward rate agreements. Forward rate agreements are contracts for the payment of the difference between a specified interest rate and a reference rate on a notional deposit at a future settlement date. There is no exchange of principal. An interest rate futures is an exchange traded contract whose value is based on the difference between a specific interest rate and a reference rate on a notional deposit at a future settlement date. Interest rate swap transactions generally involve the exchange of fixed and floating interest payment obligations without the exchange of the underlying principal amounts.

## **A27. DERIVATIVE FINANCIAL INSTRUMENTS (CONTD.)**

For revenue purposes the Group maintains trading positions in these instruments and engages in transactions with customers to satisfy their needs in managing their respective interest rate and foreign exchange rate exposures. Derivative transactions generate income for the Group from the buy-sell spreads. The Group also takes conservative exposures, within acceptable limits, to carry an inventory of these instruments in order to provide market liquidity and to earn potential gains on fluctuations in the value of these instruments.

As part of the asset and liability exposure management, the Group uses derivatives to manage the Group's market risk exposure. As the value of these financial derivatives are principally driven by interest rate and foreign exchange rate factors, the Group uses them to reduce the overall interest rate and foreign exchange rate exposures of the Group. These are performed by entering into an exposure in derivatives that produces opposite value movements vis-à-vis exposures generated by other non-derivative activities of the Group. The Group manages these risks on a portfolio basis. Hence, exposures on derivatives are aggregated or netted against similar exposures arising from other financial instruments engaged by the Group.

### **Risk associated with financial derivatives**

As derivatives are contracts that transfer risks, they expose the holder to the same types of market and credit risk as other financial instruments, and the Group manages these risks in a consistent manner under the overall risk management framework.

### **Market risk of derivatives used for trading purposes**

Market risk arising from the above interest rate-related, foreign exchange-related derivatives and equity related contracts measures the potential losses to the value of these contracts due to changes in market rates/prices. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions.

The contractual amounts of these contracts provide only a measure of involvement in these types of transactions and do not represent the amounts subject to market risk. Value at risk method is used to measure the market risk from these contracts. Value at risk, is a statistical measures that estimates the potential changes in portfolio value that may occur brought about by potential changes in market rates over a defined period at a 99% confidence level under normal market condition.

As at 30 September 2006, value at risk of foreign exchange-related derivatives contracts used for trading purposes of the Group was RM1,727,336 (RM890,497 as at 31 March 2006).

The value at risk of the interest rate derivatives related contracts used for trading purposes of the Group was RM58,544,295 (RM25,195,011 as at 31 March 2006).

The use of these instruments to hedge underlying exposures arising from funding or for fixed income instruments acquired for investment purposes are not included in the market risk numbers above.

### **Credit risk of derivatives**

Counterparty credit risk arises from the possibility that a counterparty may be unable to meet the terms of the derivatives contract. Unlike conventional asset instruments, the Group's financial loss is not the entire contracted principal value of the derivatives, but rather a fraction equivalent to the cost to replace the defaulted contract with another in the market. The cost of replacement is equivalent to the difference between the original value of the derivatives at time of contract with the defaulted counter party and the current fair value of a similar substitute at current market prices. The Group will only suffer a replacement cost if the contract carries a fair value gain at time of default.

As at 30 September 2006, the amounts of counterparty credit risk, measured in term of the cost to replace the profitable contracts of the Group was RM5,928,504 (RM26,977,165 as at 31 March 2006). This amount will increase or decrease over the life of the contracts, mainly as a function of movement in market rates and time.

The Group limits its credit risk within a conservative framework by dealing with creditworthy counterparties, setting credit limits on exposures to counterparties, and obtaining collateral where appropriate.

### **Derivative Financial Instruments And Hedge Accounting**

Derivative financial instruments are measured at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gain or loss arising from the change in the fair value of the derivative instrument is recognised in the income statements unless they are part of a hedging relationship which qualifies for hedge accounting where the gain or loss is recognised as follows:

(i) Fair value hedge

Where a derivative financial instrument hedges the changes in fair value of a recognised asset or liability, any gain or loss on the hedging instruments is recognised in the income statement. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in the income statement.

(ii) Cash flow hedge

Gains and losses on the hedging instruments, to the extent that the hedge is effective, are deferred in the separate component of equity. The ineffective part of any gain or loss is recognised in the income statement. The deferred gains and losses are then released to the income statement in the periods when the hedged item affects the income statement.

## A28. INTEREST/PROFIT RATE RISK

The following table shows the interest rate sensitivity gap, by time bands, on which interest rates of instruments are next repriced on a contractual basis or, if earlier, the dates on which the instruments mature.

Group	<-----Non Trading Book----->							Trading Book	Effective interest rate	
	Up to 1 month	>1 - 3 months	>3 - 6 months	>6 - 12 months	1 - 5 years	Over 5 years	Non-interest sensitive			
30.9.06	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	Total RM'000	%
<b>ASSETS</b>										
Cash and short-term funds	5,671,572	-	-	-	-	102	1,020,558	-	6,692,232	3.77
Securities purchased under resale agreements	658,658	-	-	-	-	-	-	-	658,658	3.41
Deposits and placements with banks and other financial institutions	32,747	295,517	55,313	202	647	-	-	-	384,426	5.15
Securities held-for-trading	-	-	-	-	-	-	-	5,486,841	5,486,841	4.36
Securities available-for-sale	78	6,592	4,950	360,864	737,686	719,578	224,426	-	2,054,174	4.05
Securities held-to-maturity	-	55,313	40,712	154,755	1,091,256	988,877	106,782	-	2,437,695	5.99
Loans, advances and financing:										
- performing	12,777,596	2,315,429	1,134,023	332,403	7,551,054	16,359,785	40,736	-	40,511,026	7.48
- non-performing *	-	-	-	-	-	-	5,603,300	-	5,603,300	-
Amount due from Originators	-	13,310	-	13,475	46,497	-	-	-	73,282	4.25
Other non-interest sensitive balances	-	-	-	-	-	-	6,299,182	-	6,299,182	-
<b>TOTAL ASSETS</b>	<b>19,140,651</b>	<b>2,686,161</b>	<b>1,234,998</b>	<b>861,699</b>	<b>9,427,140</b>	<b>18,068,342</b>	<b>13,294,984</b>	<b>5,486,841</b>	<b>70,200,816</b>	
<b>LIABILITIES AND EQUITY</b>										
Deposits from customers	18,512,354	5,522,107	4,748,989	5,894,621	3,545,310	-	310,301	-	38,533,682	3.27
Deposits and placements of banks and other financial institutions	3,521,916	2,410,223	960,002	843,487	1,643,717	2,655,694	232,616	-	12,267,655	3.88
Obligations on securities sold under repurchase agreements	2,667,267	48,078	318	-	-	-	-	-	2,715,663	3.39
Bills and acceptances payable	1,502,350	430,418	148,194	-	-	-	-	-	2,080,962	-
Recourse obligation on loans sold to Cagamas Berhad	96,488	227,075	339,891	261,631	502,532	-	-	-	1,427,617	3.72

Group	-----Non Trading Book-----							Non-interest sensitive	Trading Book	Total	Effective interest rate
	Up to 1 month	>1 - 3 months	>3 - 6 months	>6 - 12 months	1 - 5 years	Over 5 years	RM'000				
30.9.06	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
Term loans	-	482,514	-	-	-	-	-	-	-	482,514	5.79
Subordinated term loan	-	-	-	680,000	460,000	-	-	-	-	1,140,000	6.65
Redeemable unsecured bonds	-	-	-	-	326,221	595,000	-	-	-	921,221	6.21
Hybrid capital	-	-	-	-	-	686,216	-	-	-	686,216	6.77
Other non-interest sensitive balances	-	-	-	-	-	-	3,660,720	-	-	3,660,720	-
<b>Total Liabilities</b>	<b>26,300,375</b>	<b>9,120,415</b>	<b>6,197,394</b>	<b>7,679,739</b>	<b>6,477,780</b>	<b>3,936,910</b>	<b>4,203,637</b>	<b>-</b>	<b>-</b>	<b>63,916,250</b>	
Share capital	-	-	-	-	-	-	-	2,130,539	-	2,130,539	
Reserves	-	-	-	-	-	-	-	3,027,850	-	3,027,850	
Shareholders equity	-	-	-	-	-	-	-	5,158,389	-	5,158,389	
Minority interests	-	-	-	-	-	-	-	1,126,177	-	1,126,177	
<b>Total Equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,284,566</b>	<b>-</b>	<b>6,284,566</b>	
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>26,300,375</b>	<b>9,120,415</b>	<b>6,197,394</b>	<b>7,679,739</b>	<b>6,477,780</b>	<b>3,936,910</b>	<b>4,203,637</b>	<b>6,284,566</b>	<b>-</b>	<b>70,200,816</b>	
On-balance sheet interest rate gap sensitivity	(7,159,724)	(6,434,254)	(4,962,396)	(6,818,040)	2,949,360	14,131,432	9,091,347	(797,725)	-	-	
Off-balance sheet interest rate gap sensitivity	2,957,603	15,484,719	(291,288)	(2,268,771)	(17,054,834)	1,161,044	-	-	-	(11,527)	
<b>Total interest sensitivity gap</b>	<b>(4,202,121)</b>	<b>9,050,465</b>	<b>(5,253,684)</b>	<b>(9,086,811)</b>	<b>(14,105,474)</b>	<b>15,292,476</b>	<b>9,091,347</b>	<b>(797,725)</b>	<b>-</b>	<b>(11,527)</b>	
<b>Cumulative interest rate gap sensitivity</b>	<b>(4,202,121)</b>	<b>4,848,344</b>	<b>(405,340)</b>	<b>(9,492,151)</b>	<b>(23,597,625)</b>	<b>(8,305,149)</b>	<b>786,198</b>	<b>(11,527)</b>	<b>-</b>	<b>-</b>	

Group	-----Non Trading Book-----						Non-interest sensitive	Trading Book	Effective interest	
	Up to 1 month	>1 - 3 months	>3 - 6 months	>6 - 12 months	1 - 5 years	Over 5 years			Total	interest rate
31.3.06	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
<b>ASSETS</b>										
Cash and short-term funds	7,617,976	-	-	-	-	-	1,837,286	-	9,455,262	3.43
Securities purchased under resale agreements	688,666	30,924	-	-	-	-	-	-	719,590	3.16
Deposits and placements with banks and other financial institutions	26,661	100,775	122,840	326,628	73,662	-	102,127	-	752,693	4.77
Securities held-for-trading	6,287	-	-	-	-	-	681,450	5,410,303	6,098,040	3.76
Securities available-for-sale	-	-	82,223	23,694	608,123	452,393	437,172	-	1,603,605	4.93
Securities held-to-maturity	-	55,247	23,899	167,109	839,162	1,033,353	594,271	-	2,713,041	5.38
Loans, advances and financing:										
- performing	12,708,861	2,239,092	1,030,662	319,353	7,099,566	11,996,766	5,583,954	-	40,978,254	7.30
- non-performing *	-	-	-	-	-	-	3,882,214	-	3,882,214	-
Amount due from Originators	816	-	1,967	19,564	67,347	-	-	-	89,694	4.25
Other non-interest sensitive balances	-	-	-	-	-	-	5,968,244	-	5,968,244	-
<b>TOTAL ASSETS</b>	<b>21,049,267</b>	<b>2,426,038</b>	<b>1,261,591</b>	<b>856,348</b>	<b>8,687,860</b>	<b>13,482,512</b>	<b>19,086,718</b>	<b>5,410,303</b>	<b>72,260,637</b>	
<b>LIABILITIES AND EQUITY</b>										
Deposits from customers	16,367,813	6,676,416	4,023,014	5,883,054	1,506,108	-	4,461,759	-	38,918,164	3.10
Deposits and placements of banks and other financial institutions	4,056,727	1,813,945	792,037	1,733,009	1,765,459	1,866,814	2,612,810	-	14,640,801	3.61
Obligations on securities sold under repurchase agreements	3,398,217	173,766	274	-	-	-	-	-	3,572,257	3.15
Bills and acceptances payable	224,464	366,006	93,799	-	-	-	228,454	-	912,723	4.81
Recourse obligation on loans sold to Cagamas Berhad	141,957	55,928	16,487	667,413	986,864	-	-	-	1,868,649	3.90

Group	-----Non Trading Book-----							Non-interest sensitive	Trading Book	Effective interest	
	Up to 1 month	>1 - 3 months	>3 - 6 months	>6 - 12 months	1 - 5 years	Over 5 years	Total			rate	
31.3.06	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%	
Term loans	-	482,232	-	-	-	-	-	-	482,232	5.15	
Subordinated term loan	-	-	-	-	680,000	-	-	-	680,000	6.72	
Redeemable unsecured bonds	-	-	-	-	324,638	595,000	-	-	919,638	6.57	
Hybrid capital	-	-	-	-	-	684,047	-	-	684,047	6.77	
Other non-interest sensitive balances	-	-	-	-	-	-	3,444,267	-	3,444,267	-	
<b>Total Liabilities</b>	<b>24,189,178</b>	<b>9,568,293</b>	<b>4,925,611</b>	<b>8,283,476</b>	<b>5,263,069</b>	<b>3,145,861</b>	<b>10,747,290</b>	<b>-</b>	<b>66,122,778</b>		
Share capital	-	-	-	-	-	-	2,130,534	-	2,130,534		
Reserves	-	-	-	-	-	-	2,898,505	-	2,898,505		
Shareholders equity	-	-	-	-	-	-	5,029,039	-	5,029,039		
Minority interests	-	-	-	-	-	-	1,108,820	-	1,108,820		
<b>Total Equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,137,859</b>	<b>-</b>	<b>6,137,859</b>		
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>24,189,178</b>	<b>9,568,293</b>	<b>4,925,611</b>	<b>8,283,476</b>	<b>5,263,069</b>	<b>3,145,861</b>	<b>16,885,149</b>	<b>-</b>	<b>72,260,637</b>		
On-balance sheet interest rate gap sensitivity	(3,139,911)	(7,142,255)	(3,664,020)	(7,427,128)	3,424,791	10,336,651	2,201,569	5,410,303	-		
Off-balance sheet interest rate gap sensitivity	662,731	5,146,170	499,430	(1,387,358)	(6,849,710)	1,935,099	-	-	6,362		
<b>Total interest sensitivity gap</b>	<b>(2,477,180)</b>	<b>(1,996,085)</b>	<b>(3,164,590)</b>	<b>(8,814,486)</b>	<b>(3,424,919)</b>	<b>12,271,750</b>	<b>2,201,569</b>	<b>5,410,303</b>	<b>6,362</b>		
<b>Cumulative interest rate gap sensitivity</b>	<b>(2,477,180)</b>	<b>(4,473,265)</b>	<b>(7,637,855)</b>	<b>(16,452,341)</b>	<b>(19,877,260)</b>	<b>(7,605,510)</b>	<b>(5,403,941)</b>	<b>6,362</b>			

\* This is arrived at after deducting the general allowance and specific allowance from gross non-performing loans outstanding.



## A29. CAPITAL ADEQUACY

Currently, the Group is not required to maintain any capital adequacy ratio requirements for financial institutions. However, if the Group is required to comply with such ratios, the Group's capital adequacy ratios as at 30 September 2006 are as follows:

	<b>The Group</b>	
	<b>30.9.06</b>	<b>31.3.06</b>
	<b>RM'000</b>	<b>RM'000</b>
Tier 1 capital		
Paid-up ordinary share capital	2,130,539	2,130,534
Share premium	791,556	791,550
Statutory reserve	1,000,417	1,000,417
Hybrid capital	686,216	684,047
Exchange fluctuation reserve	13,370	15,736
Unappropriated profit at end of period/year	1,211,497	1,081,089
Minority interests	1,126,177	1,108,820
Total	<u>6,959,772</u>	<u>6,812,193</u>
Less : Goodwill	527,084	515,976
Deferred tax assets - net	762,905	854,157
Total tier 1 capital	<u>5,669,783</u>	<u>5,442,060</u>
Tier 2 capital		
Subordinated term loans	1,102,045	680,000
Redeemable unsecured bonds	775,000	775,000
General allowance for bad and doubtful debts	749,939	721,817
Total tier 2 capital	<u>2,626,984</u>	<u>2,176,817</u>
Capital base	<u>8,296,767</u>	<u>7,618,877</u>
Risk-weighted assets	<u>58,058,256</u>	<u>54,635,748</u>
Capital Ratios:		
Core capital ratio	9.77%	9.96%
Risk-weighted capital ratio	14.29%	13.94%
Core capital ratio (net of proposed dividend)	9.77%	9.82%
Risk-weighted capital ratio (net of proposed dividend)	<u>14.29%</u>	<u>13.80%</u>

(ii) Breakdown of gross risk-weighted assets in the various categories of risk-weights:

	<b>30.9.06</b>		<b>31.3.06</b>	
	<b>Principal Amount RM'000</b>	<b>Risk- Weighted Amount RM'000</b>	<b>Principal Amount RM'000</b>	<b>Risk- Weighted Amount RM'000</b>
0%	7,747,491	-	10,973,248	-
10%	43,874	4,387	87,239	8,724
20%	6,740,850	1,348,170	4,535,658	907,132
50%	8,989,928	4,494,964	8,367,850	4,183,925
100%	46,647,020	46,647,020	43,988,003	43,988,003
	<u>70,169,163</u>	<u>52,494,541</u>	<u>67,951,998</u>	<u>49,087,784</u>
Add: total risk weighted assets equivalent for market risk		5,563,715		5,547,964
		<u>58,058,256</u>		<u>54,635,748</u>

### A30. ISLAMIC BANKING BUSINESS

The state of affairs as at 30 September 2006 and the results for the period ended 30 September 2006 of the Islamic banking business of the Group and included in the financial statements after elimination of intercompany transactions and balances are summarised as follows:

#### UNAUDITED CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2006

	<b>The Group</b>	
	<b>30.9.06</b>	<b>31.3.06</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>		
Cash and short-term funds	2,044,495	1,549,521
Deposit and placements with banks and other financial institutions	280,000	102,126
Securities held-for-trading	228,497	798,073
Securities available-for-sale	18,858	18,830
Securities held-to-maturity	56,382	56,171
Financing, advances and other loans	6,084,490	6,505,459
Statutory deposits with Bank Negara Malaysia	278,500	289,850
Other receivables, deposits and prepayments	57,398	18,040
Property and equipment	464	38
Deferred tax assets	197,003	68,729
Intangible assets	40	-
<b>TOTAL ASSETS</b>	<b>9,246,127</b>	<b>9,406,837</b>
<b>LIABILITIES AND ISLAMIC BANKING FUNDS</b>		
Deposits from customers	4,470,529	4,461,758
Deposits and placements of banks and other financial institutions	2,945,525	3,312,104
Converted fund	33,277	82,711
Acceptances payable	298,513	228,454
Other liabilities	251,179	292,392
<b>Total Liabilities</b>	<b>7,999,023</b>	<b>8,377,419</b>
<b>ISLAMIC BANKING FUNDS</b>		
Share capital/Capital funds	505,877	563,381
Reserves	741,227	466,037
<b>Islamic Banking Funds</b>	<b>1,247,104</b>	<b>1,029,418</b>
<b>TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS</b>	<b>9,246,127</b>	<b>9,406,837</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	<b>7,648,077</b>	<b>6,162,113</b>

**UNAUDITED CONSOLIDATED INCOME STATEMENT  
FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2006**

THE GROUP	Individual Quarter		Cumulative Quarter	
	30.9.06	30.9.05	30.9.06	30.9.05
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	184,045	169,965	357,045	341,306
Allowance for losses on financing	(40,362)	(40,967)	(78,575)	(74,541)
Transfer from/(to) profit equalization reserve	15,414	(14,012)	20,440	(7,584)
Other expenses directly attributable to depositors and Islamic Banking Funds	(7,674)	(10,732)	(14,730)	(20,228)
Total attributable income	151,423	104,254	284,180	238,953
Income attributable to the depositors	(95,962)	(66,732)	(181,514)	(132,822)
Profit attributable to the Group	55,461	37,522	102,666	106,131
Income derived from Islamic Banking Funds	42,137	33,184	76,918	66,333
Total net income	97,598	70,706	179,584	172,464
Operating expenditure	(43,126)	(28,724)	(82,133)	(64,405)
Profit before taxation	54,472	41,982	97,451	108,059
Taxation	(20,810)	(15,698)	(32,765)	(32,187)
Profit after taxation	33,662	26,284	64,686	75,872

**A30a. Financing, Advances and Other Loans**

	<b>The Group</b>	
	<b>30.9.06</b>	<b>31.3.06</b>
	<b>RM'000</b>	<b>RM'000</b>
Term financing/Revolving credit facilities	894,398	1,186,319
Islamic hire purchase, net of unearned income	2,574,665	3,290,083
Credit card receivables	314,011	298,426
Trust receipts	18,362	20,560
Claims on customer under acceptance credits	316,227	280,504
Other financing	2,363,681	1,735,406
Gross financing, advances and other loans	<u>6,481,344</u>	<u>6,811,298</u>
Allowance for bad and doubtful debts and financing		
-general	(138,429)	(132,658)
-specific	(258,425)	(173,181)
	<u>(396,854)</u>	<u>(305,839)</u>
Net financing, advances and other loans	<u>6,084,490</u>	<u>6,505,459</u>

Movements in non-performing financing, advances and other loans ("NPL") are as follows:

	<b>The Group</b>	
	<b>30.9.06</b>	<b>31.3.06</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Gross</b>		
Balance at beginning of period/year	531,434	574,873
Non-performing during the period/year	210,520	456,786
Reclassification to performing financing	(86,248)	(210,756)
Recoveries	(50,625)	(93,320)
Amount written off	-	(196,149)
Balance at end of period/year	<u>605,081</u>	<u>531,434</u>
Specific allowance	(258,425)	(173,181)
Non-performing financing - net	<u>346,656</u>	<u>358,253</u>
Net NPL as % of gross financing, advances and other loans less specific allowance	<u>3.76%</u>	<u>4.05%</u>

Movements in allowances for bad and doubtful debts and financing accounts are as follows:

	<b>The Group</b>	
	<b>30.9.06</b>	<b>31.3.06</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>General Allowance</b>		
Balance at beginning of period/year	132,658	121,150
Allowance made during the period/year	5,771	11,508
Balance at end of period/year	<u>138,429</u>	<u>132,658</u>
% of total financing, advances and other loans less specific allowance	<u>1.50%</u>	<u>1.50%</u>
<b>Specific Allowance</b>		
Balance at beginning of period/year	<u>173,181</u>	<u>221,416</u>
Allowance made during the period/year	121,568	239,322
Amount written back in respect of recoveries	(43,224)	(86,685)
Net charge to income statement	<u>78,344</u>	<u>152,637</u>
Amount written off/Adjustment to Asset Deficiency Account	6,900	(198,796)
Amount transferred to accumulated impairment loss on securities	<u>-</u>	<u>(2,076)</u>
Balance at end of period/year	<u>258,425</u>	<u>173,181</u>

#### **A30b. DEPOSITS FROM CUSTOMERS**

	<b>The Group</b>	
	<b>30.9.06</b>	<b>31.3.06</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Mudarabah Fund</b>		
Special Investment deposits	310,272	247,537
General Investment deposits	<u>3,165,135</u>	<u>3,405,198</u>
	<u>3,475,407</u>	<u>3,652,735</u>
<b>Non-Mudarabah Fund</b>		
Demand deposits	278,049	200,789
Saving deposits	549,487	508,347
Negotiable Islamic debt certificates	167,586	99,887
	<u>995,122</u>	<u>809,023</u>
	<u>4,470,529</u>	<u>4,461,758</u>

**A30c. OTHER LIABILITIES**

	<b>The Group</b>	
	<b>30.9.06</b>	<b>31.3.06</b>
	<b>RM'000</b>	<b>RM'000</b>
Other payables and accruals	123,894	144,700
Taxation and zakat payable	19,955	16,377
Lease deposits and advance rentals	11,014	14,560
Profit equalisation reserve	96,316	116,755
	<u>251,179</u>	<u>292,392</u>

### **A31. CHANGE IN ACCOUNTING POLICIES AND RECLASSIFICATIONS**

#### **(a) CHANGE IN ACCOUNTING POLICIES**

During the financial period ended 30 September 2006, the Group have adopted the new and revised FRS issued by MASB that are applicable with effect from the accounting period beginning 1 April 2006 which have resulted in changes in accounting policies as follows:

##### **(1) FRS 101: Presentation of Financial Statements**

The adoption of the revised FRS 101 has affected the presentation of minority interest and other disclosures. Minority interest is now presented within total equity in the consolidated balance sheet and as an allocation from net profit for the period in the consolidated income statement. The movement of minority interest is now presented in the consolidated statement of changes in equity. The presentation of the comparative financial statements of the Group have been restated to conform with the current period's presentation.

##### **(2) FRS 3: Business Combinations, FRS 136: Impairment of Assets and FRS 138: Intangible Assets**

The adoption of FRS 3 Business Combinations and the consequential changes to FRS 136 Impairment of Assets and FRS 138 Intangible Assets, has resulted in a change in the accounting policy relating to purchased goodwill and premium on acquisition.

Goodwill and premium acquired in a business combination is now stated at cost less any accumulated impairment losses. The adoption of these new FRS has resulted in the Group ceasing annual amortisation of goodwill and premium. Instead, goodwill and premium are allocated to cash-generating units and the carrying amount is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill and premium impairment is determined by comparing its carrying amount against its recoverable amount in accordance with FRS 136. Any impairment loss is recognised in the income statement and subsequent reversal is not allowed.

This change in accounting policy has been accounted for prospectively for business combinations where the agreement date is on or after 1 January 2006. For business combinations entered into prior to that date, the transitional provisions of FRS 3 requires the Group to eliminate the carrying accumulated amortisation as at 1 April 2006 of RM104,139,000 against the carrying amount of goodwill and premium. The carrying amount of goodwill and premium for the Group as at 1 April 2006 of RM522,811,000 ceased to be amortised. This has the effect of reducing the amortisation charge of the Group by RM13,574,000 for the period ended 30 September 2006. No impairment loss on goodwill and premium has been recognised in the period ended 30 September 2006.

Negative goodwill, which represents the excess in fair value of the net identifiable assets acquired over the cost of the acquisition, is now recognised immediately to the income statement. Prior to 1 April 2006, negative goodwill not exceeding the fair values of the non-monetary assets acquired, was recognised in the income statement over the weighted average useful life of those assets that were depreciable/amortisable and negative goodwill in excess of the fair values of the non-monetary assets acquired was recognised in the income statement immediately. The adoption of this accounting policy has not resulted in any financial impact to the Group as there was no negative goodwill as at 1 April 2006.

In addition, the useful lives of other intangible assets are now assessed at the individual asset level as having either a finite or indefinite life. Prior to 1 April 2006, intangible assets were considered to have a finite useful life and were stated at cost less accumulated amortisation and impairment losses. Under the new FRS 138, some of the intangible assets are regarded to have an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group. Intangible assets with indefinite useful lives are not amortised but instead, are tested for impairment annually. Other intangible assets of the Group with finite useful lives continue to be stated at cost less accumulated amortisation and impairment losses.

(3) FRS 5: Non-current Assets Held For Sale and Discontinued Operations

FRS 5 requires assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell.

Certain of the Group's assets have been identified and classified as assets held for sale. Prior to adoption of FRS 5, these assets were classified as property and equipment.

Apart from the above, the adoption of the other revised and new FRS do not have a significant financial impact on the Group.

(b) RECLASSIFICATIONS

The following comparative figures as at 31 March 2006 have been reclassified to conform with current period's presentation as a result of changes in accounting policies as disclosed above:

	<b>As previously reported RM'000</b>	<b>As restated RM'000</b>
Property and equipment	496,979	448,896
Goodwill on consolidation	515,976	-
Intangible assets	-	564,059



## **B1. PERFORMANCE REVIEW ON THE RESULTS OF THE GROUP FOR THE QUARTER AND YEAR**

The Group recorded a pre-tax profit of RM413.1 million for the half year ended 30 September 2006, an increase of 4.0% as compared to RM397.1 million reported in the corresponding period ended 30 September 2005. The Group's net profit attributable to shareholders was RM207.1 million after setting aside a reversal of previously recognized deferred tax assets of RM30.3 million arising from the reduction in tax rate for year of assessment 2007 to 27.0% from 28.0 % as announced in the recent budget. Annualised net earnings per share stood at 19.44 sen, whilst post-tax return on average shareholders funds was 8.1% for the half year ended 30 September 2006.

The improvement in pre-tax profit was mainly due to higher fund based income, including income from Islamic banking business, rising by RM22.6 million, increase in fee income of RM34.0 million mainly from improvement in brokerage, guarantees, underwriting and fund management activities, increase in insurance premium income and transfer from profit equalization reserve. However, this increases were partially offset by a rise in insurance claims in tandem with the growth in insurance business, lower net gain from sale of securities held-for-trading as well as lower gain on revaluation of securities held-for-trading resulted from the rise in the Overnight Policy Rate by 25.0 basis points to 3.5% during the first quarter ended 30 June 2006.

The Group reported a pre-tax profit of RM224.9 million for the second quarter ended 30 September 2006, an improvement of 9.9% as compared with RM204.7 million recorded in the corresponding quarter ended 30 September 2005. The improvement was attributed to higher fund based income, including income from Islamic banking business, rising by RM34.5 million, increase in fee income, improvement in investment and trading income, higher insurance premium income and transfer from profit equalization reserve. The increase in the quarter pre-tax profit was however reduced by higher insurance claims and increase in loan loss allowance as the Group continued to build its loan loss coverage. As at September 2006, loan loss coverage excluding collateral value has improved to 42.3% from 36.7% as at March 2006.

The retail and commercial banking operations, under AmBank (M) Berhad was the largest contributor to the Group profits, reporting a pre-tax profit of RM224.3 million for the half year ended 30 September 2006 (Half year ended 30 September 2005 : RM202.6 million), followed by investment banking of RM163.1 million (Half year ended 30 September 2005 : RM181.1 million) and insurance operations of RM29.8 million (Half year ended 30 September 2005 : RM26.8 million).

The Group ongoing initiatives in managing the non-performing accounts has also shown improvement in asset quality with the ratio of net non-performing loans on a 3-month classification basis declining to 8.9% as at end-September 2006, as compared with 9.6% as at end-March 2006.

The Group's total assets stood at RM70.20 billion as at 30 September 2006. Net loans and financing expanded by RM1.25 billion to RM46.1 billion driven mainly by strong growth in retail lending.

The Group's overall risk weighted capital ratio and Tier-1 capital ratio strengthened further as at end-September 2006 to 14.29% (March 2006: 13.94%) and 9.77% (March 2006; 9.96%) respectively.

In the opinion of the Directors, the results of operations of the Group and the Company for the financial period have not been substantially affected by any item, transaction or event of a material and unusual nature.

## **B2. REVIEW OF MATERIAL CHANGES IN PROFIT BEFORE TAXATION**

The Group reported an increase in pre-tax profit to RM224.9 million for the second quarter ended 30 September 2006 as compared to RM188.2 million for the first quarter ended 30 June 2006. The increase in pre-tax profit was mainly due to substantial improvement in trading and investment income arising from higher dividend income and write back of part of the losses on securities held for trading portfolio provided during the quarter ended June 2006 as the expected rise in interest rate in July 2006 did not materialize and, the transfer from profit equalization reserve. The increase was however reduced by higher loans loss allowances as the Group continued to build its loan loss coverage.

## **B3. PROSPECTS FOR 31 MARCH 2007**

With the GDP growth moderating to 5.8% in 2006, stability in the interest rates, and the implementation of various projects under the 9th Malaysia Plan, the Group expects to register an overall loans growth of 8% for the current financial year ending 31 March, 2007.

Going forward, the Group will continue to improve its core competencies while looking for opportunities to take advantage of market trends and introduce innovative products to suit its customers' financial needs in these prevailing market conditions.

**B4. VARIANCE FROM PROFIT FORECAST AND SHORTFALL FROM PROFIT GUARANTEE**

This is not applicable to the Group.

**B5. TAXATION**

The Group	Individual Quarter		Cumulative Quarter	
	30.9.06	30.9.05	30.9.06	30.9.05
	RM'000	RM'000	RM'000	RM'000
Estimated current tax payable	26,926	25,792	52,667	63,451
Transfer from deferred tax	59,146	33,878	92,129	61,129
	86,072	59,670	144,796	124,580
Underprovision of current taxation in respect of prior years	2,451	4,977	1,777	10,003
Total	88,523	64,647	146,573	134,583

The total tax charge of the Group for the financial quarter and period ended 30 September 2006 reflects an effective tax rate which is higher than the statutory tax rate due mainly to the effect on deferred taxes resulting from reduction in statutory tax rate from 28.0% to 27.0% and disallowances of certain expenses.

The total tax charge of the Group for the financial quarter and period ended 30 September 2005 reflects an effective tax rate which is higher than the statutory tax rate due mainly to the disallowances of certain expenses.

**B6. SALE OF INVESTMENTS AND/OR FORECLOSED PROPERTIES**

The Group	Individual Quarter		Cumulative Quarter	
	30.9.06	30.9.05	30.9.06	30.9.05
	RM'000	RM'000	RM'000	RM'000
Net gain/(loss) from sale of securities held-for-trading	4,499	(9,883)	9,532	45,809
Net gain from sale of securities available-for-sale	20,710	61	20,736	61
Net gain from redemption of securities held-to-maturity	27,643	11,438	43,190	11,973
Impairment (loss)/writeback on securities	(57,198)	28,961	(80,225)	27,749

**B7. QUOTED SECURITIES**

This note is not applicable to financial institutions.

## B8. CORPORATE PROPOSALS

Status of corporate proposals announced but not completed are as follows:

1. On 11 May 2006, the Company announced the following proposals:
  - (i) Proposed disposal by AmBank (M) Berhad ("AmBank (M)") of the entire interest in Menara AmBank for a total consideration of RM230,000,000; to be satisfied by AmFIRST Real Estate Investment Trust ("REIT") through the issuance of 230,000,000 AmFIRST REIT units at an issue price of RM1.00 per unit credited as fully paid-up. AmBank (M) will subsequently transfer the entire REIT units to the Company for cash;
  - (ii) Renounceable restricted offer for sale of up to 96,246,917 AmFIRST REIT units at an offer price of RM1.00 per unit to the existing shareholders of the Company on the basis of one (1) AmFIRST REIT unit for 25 existing ordinary shares of RM1.00 each held in the Company of which RM0.85 per unit will be paid in cash by the shareholders of the Company and the remaining RM0.15 per unit is payable by the Company ("Proposed Restricted Offer For Sale"); and
  - (iii) Proposed offer for sale of up to 144,778,452 AmFIRST REIT units at an offer price of RM1.00 per unit to be placed out to institutional and selected investors ("Proposed Offer For Sale").

collectively referred to as the "Proposals".

The Proposed Restricted Offer For Sale and Proposed Offer For Sale form part of the proposed establishment and listing of AmFIRST REIT on the Main Board of Bursa Malaysia Securities Berhad and relate to the offer for sale by the Company of the AmFIRST REIT units arising from the Proposed Disposal involving the sale of Menara AmBank to AmFIRST REIT by AmBank (M).

The Securities Commission had, vide its letter dated 7 July 2006, granted its approval for the Proposed Listing.

The Proposals were also approved by the shareholders of the Company at the Extraordinary General Meeting held on 13 September 2006.

2. AIGB had obtained the approval of the Minister of Finance, vide letter dated 30 June 2006 issued by BNM and the SC for the proposed transformation of AmMerchant Bank into an investment bank and operate under the name of "AmInvestment Bank Berhad", through an internal rationalisation scheme (the "Rationalisation Scheme").

The Rationalisation Scheme would principally involve the merger of the stockbroking operation of AmSecurities Sdn Bhd ("AMS") with AmMerchant Bank by way of AmMerchant Bank acquiring the assets (with certain exceptions) and assuming the liabilities of AMS.

## B9. BORROWINGS

	<b>The Group</b>	
	<b>30.9.06</b>	<b>31.3.06</b>
	<b>RM'000</b>	<b>RM'000</b>
(i) Deposits from customers		
Due within six months	28,783,016	31,140,577
Six months to one year	6,146,448	6,220,145
One year to three years	2,651,094	802,608
Three to five years	953,124	754,834
	<u>38,533,682</u>	<u>38,918,164</u>
(ii) Deposits and placements of banks and other financial institutions		
Due within six months	5,933,299	7,701,156
Six months to one year	1,401,974	1,866,082
One year to three years	2,577,455	2,769,084
Three to five years	2,354,927	2,304,479
	<u>12,267,655</u>	<u>14,640,801</u>
<i>Recap:</i>		
<i>Interbank lendings</i>	5,208,245	9,932,574
<i>Interbank borrowings</i>	(156,876)	(895,590)
<b><i>Net interbank lendings</i></b>	<u>5,051,369</u>	<u>9,036,984</u>
(iii) Term loans		
Due within one year		
Secured	482,514	482,232
(vi) Subordinated term loans		
More than one year	<u>1,140,000</u>	<u>680,000</u>
(v) Redeemable unsecured bonds		
More than one year	<u>921,221</u>	<u>919,638</u>
(vi) Hybrid capital		
More than one year	<u>686,216</u>	<u>684,047</u>

## B10. DERIVATIVE FINANCIAL INSTRUMENTS

Please refer to note A27

## B11. MATERIAL LITIGATION

The Group and the Company do not have any material litigation which would materially affect the financial position of the Group and the Company. For other litigations, please refer to Note A25(d).

## B12. DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the current financial quarter and period.

## B13. EARNINGS PER SHARE (SEN)

### a. Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders of the Company by the number of ordinary shares in issue during the financial quarter and period.

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>30.9.06</b>	<b>30.9.05</b>	<b>30.9.06</b>	<b>30.9.05</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net profit attributable to equity holders of the Company	100,307	100,668	207,107	207,186
Weighted average number of ordinary shares in issue	2,130,539	2,130,534	2,130,539	2,130,534
Basic earnings per share (sen)	4.71	4.73	9.72	9.72

**B13. EARNINGS PER SHARE (SEN)(CONTD.)**

b. Fully diluted earnings per share

Fully diluted earnings per share is calculated by dividing the adjusted profit after taxation and minority interests for the financial period by the adjusted weighted average number of ordinary shares in issue and issuable during the financial quarter and period.

The Company has two categories of dilutive potential ordinary shares:

- i) Warrants 1997/2007; and
- ii) Warrants 2003/2008

	Individual Quarter		Cumulative Quarter	
	30.9.06	30.9.05	30.9.06	30.9.05
	RM'000	RM'000	RM'000	RM'000
Net profit attributable to equity holders of the Company	100,307	100,668	207,107	207,186
Weighted average number of ordinary shares in issue (as in (a) above)	2,130,539	2,130,534	2,130,539	2,130,534
Adjusted for:				
- Exercise of Warrants 2003/2008	18,650	19,969	18,650	19,969
Adjusted weighted average number of ordinary shares in issue and issuable	2,149,189	2,150,503	2,149,189	2,150,503
Fully diluted earnings per share (Sen)	4.67	4.68	9.64	9.63

For the financial period ended 30 September 2006 and 2005, outstanding share warrants 1997/2007 has been excluded in the computation of fully diluted earnings per RM1.00 ordinary share for the Group, as their exercise and conversion to ordinary shares would increase earnings per share.

The Group adjusted weighted average number of ordinary shares in issue and issuable for the financial period ended 30 September 2006 and 2005 have been arrived at based on the assumption that dilutive share warrants 2003/2008 are exercised at beginning of period.

BY ORDER OF THE BOARD  
**RAVINDRA KUMAR THAMBIMUTHU**  
GROUP COMPANY SECRETARY  
Kuala Lumpur

Date : 14th November 2006