

AMMB HOLDINGS BERHAD
(223035-V) (Incorporated in Malaysia)
and its subsidiary companies
UNAUDITED CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2006

	Note	The Group	
		31.12.06 RM'000	31.3.06 RM'000
ASSETS			
Cash and short-term funds		9,000,625	9,455,262
Securities purchased under resale agreements		490,247	719,590
Deposits and placements with banks and other financial institutions		1,328,302	752,693
Securities held-for-trading	A8	6,462,195	6,098,040
Securities available-for-sale	A9	1,907,423	1,603,605
Securities held-to-maturity	A10	2,364,181	2,713,041
Loans, advances and financing	A11	46,890,080	44,860,468
Other assets	A12	1,802,034	1,208,504
Statutory deposits with Bank Negara Malaysia		1,769,655	1,776,693
Investments in associated companies		1,754	40,295
Property and equipment		250,839	448,896
Life fund assets		1,371,052	1,162,488
Deferred tax assets		739,334	857,003
Intangible assets		582,268	564,059
TOTAL ASSETS		74,959,989	72,260,637
LIABILITIES AND EQUITY			
Deposits from customers	A13	41,436,934	38,918,164
Deposits and placements of banks and other financial institutions	A14	14,472,597	14,640,801
Obligations on securities sold under repurchase agreements		2,683,628	3,572,257
Bills and acceptances payable		1,926,069	912,723
Recourse obligations on loans sold to Cagamas Berhad		1,100,386	1,868,649
Other liabilities	A15	2,568,291	2,281,779
Term loans		470,750	482,232
Subordinated term loans		860,000	680,000
Redeemable unsecured bonds		922,016	919,638
Hybrid capital		680,239	684,047
Life fund liabilities		178,950	152,315
Life policyholder funds		1,192,102	1,010,173
Total Liabilities		68,491,962	66,122,778
Share capital		2,130,565	2,130,534
Reserves		3,167,336	2,898,505
Shareholders' equity		5,297,901	5,029,039
Minority interests		1,170,126	1,108,820
Total Equity		6,468,027	6,137,859
TOTAL LIABILITIES AND EQUITY		74,959,989	72,260,637

AMMB HOLDINGS BERHAD
(223035-V) (Incorporated in Malaysia)
and its subsidiary companies
UNAUDITED CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2006 (CONTD.)

		The Group	
	Note	31.12.06	31.3.06
		RM'000	RM'000
COMMITMENTS AND CONTINGENCIES	A25	<u>47,876,554</u>	<u>37,310,423</u>
CAPITAL ADEQUACY RATIO	A29		
Core capital ratio		9.81%	9.96%
Risk-weighted capital ratio		<u>13.77%</u>	<u>13.94%</u>
NET ASSETS PER SHARE (RM)		<u>2.49</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 31 DECEMBER 2006

The Group	Note	Individual Quarter		Cumulative Quarter	
		31.12.06 RM'000	31.12.05 RM'000	31.12.06 RM'000	31.12.05 RM'000
Revenue		1,661,072	1,247,980	4,530,319	3,701,923
Interest income	A16	981,725	835,899	2,845,365	2,341,488
Interest expense	A17	(611,106)	(432,033)	(1,737,309)	(1,245,113)
Net interest income		370,619	403,866	1,108,056	1,096,375
Income from Islamic banking business		139,526	135,143	391,975	409,960
Other operating income	A18	410,680	192,013	954,124	674,642
Net income		920,825	731,022	2,454,155	2,180,977
Other operating expenses	A19	(357,489)	(360,709)	(1,095,066)	(1,096,825)
Operating profit		563,336	370,313	1,359,089	1,084,152
Allowance for losses on loans and financing	A20	(268,520)	(162,340)	(585,654)	(484,317)
Impairment (loss)/writeback on:					
Securities		(16,126)	6,781	(96,351)	33,870
Assets acquired in exchange of debts		-	(660)	(936)	(660)
Transfer from/(to) profit equalisation reserve		14,012	(10,290)	34,452	(17,874)
(Allowance)/Writeback of allowance for doubtful sundry receivables - net		(3,555)	3,421	(9,710)	(11,929)
Writeback of provision for commitments and contingencies		7	502	325	63
Profit before share in results of associated companies		289,154	207,727	701,215	603,305
Share in results of associated companies		-	58	1,043	1,557
Profit before taxation		289,154	207,785	702,258	604,862
Taxation	B5	(93,937)	(61,238)	(240,510)	(195,821)
Profit after taxation		195,217	146,547	461,748	409,041
Attributable to:					
Equity holders of the Company		127,760	109,786	334,867	316,972
Minority interests		67,457	36,761	126,881	92,069
Profit after taxation		195,217	146,547	461,748	409,041
EARNINGS PER SHARE (SEN)	B13				
Basic		6.00	5.15	15.72	14.88
Fully diluted		5.89	5.13	15.43	14.81

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 31 DECEMBER 2006

Group	<-----Attributable to Equity Holders of the Company----->									
	Non-Distributable				Exchange fluctuation reserve		Distributable	Total shareholders' equity RM'000	Minority interests RM'000	Total equity RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Available-for- sale reserve RM'000	RM'000	RM'000	Unappropriated profits RM'000			
At 1 April 2005	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 [^]	-	-	-	-	-	(65,224)	(65,224)	-	(65,224)	
Expenses relating to Group Reorganisation	-	(6,869)	-	-	-	-	(6,869)	-	(6,869)	
Net unrealised loss on revaluation of securities available-for-sale	-	-	-	(37,830)	-	-	(37,830)	-	(37,830)	
Transfer from unappropriated profits	-	-	29,549	-	-	(29,549)	-	-	-	
Exchange fluctuation adjustments	-	-	-	-	2,698	-	2,698	-	2,698	
Net income/(expense) recognised directly in equity	-	(6,869)	29,549	(37,830)	2,698	(94,773)	(107,225)	-	(107,225)	
Profit for the period	-	-	-	-	-	316,972	316,972	92,069	409,041	
Total recognised net income/(expense) for the period	-	(6,869)	29,549	(37,830)	2,698	222,199	209,747	92,069	301,816	
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)	
Dividends paid	-	-	-	-	-	(61,359)	(61,359)	(1,440)	(62,799)	
At 31 December 2005	2,130,534	791,487	942,987	(11,100)	17,784	1,089,986	4,961,678	1,072,329	6,034,007	

[^] 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)
and its subsidiary companies

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2006

Group	<-----Attributable to Equity Holders of the Company----->								
	Non-Distributable				Distributable		Total shareholders' equity RM'000	Minority interests RM'000	Total equity RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Available-for- sale reserve RM'000	Exchange fluctuation reserve RM'000	Unappropriated profits RM'000			
At 1 April 2006	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	-	-	-	25,450	-	-	25,450	-	25,450
Exchange fluctuation adjustments	-	-	-	-	(2,042)	-	(2,042)	-	(2,042)
Net income/(expense) recognised directly in equity	-	-	-	25,450	(2,042)	-	23,408	-	23,408
Profit for the period	-	-	-	-	-	334,867	334,867	126,881	461,748
Total recognised net income/(expense) for the period	-	-	-	25,450	(2,042)	334,867	358,275	126,881	485,156
Arising from restricted offer for sale of AmFirst REIT^^	-	-	-	-	-	(12,783)	(12,783)	-	(12,783)
Issue of shares pursuant to exercise of Warrants 2003/2008	31	38	-	-	-	-	69	-	69
Arising from acquisition of AmPrivate Equity Sdn Bhd	-	-	-	-	-	-	-	300	300
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)	(65,353)	(142,052)
At 31 December 2006	2,130,565	791,588	1,000,417	35,163	13,694	1,326,474	5,297,901	1,170,126	6,468,027

^^ This relates to the remaining RM0.15 per AmFirst Real Estate Investment Trust ("AmFirst REIT") paid for in cash by the Company pursuant to the Proposed Restricted Offer For Sale of AmFirst REIT.

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 31 DECEMBER 2006

The Group	Cumulative Quarter	
	31.12.06	31.12.05
	RM'000	RM'000
Profit before taxation	702,258	604,862
Add adjustments for non-operating and non-cash items	229,460	746,098
Operating profit before working capital	931,718	1,350,960
Increase in operating assets	(3,499,029)	(7,179,687)
Increase in operating liabilities	1,912,616	4,046,556
Cash used in operations	(654,695)	(1,782,171)
Taxation paid	(85,251)	(80,423)
Net cash used in operating activities	(739,946)	(1,862,594)
Net cash generated from/(used in) investing activities	121,397	(313,805)
Net cash generated from financing activities	179,848	950,396
Net decrease in cash and cash equivalents	(438,701)	(1,226,003)
Cash and cash equivalents at beginning of period	9,429,118	7,740,607
Cash and cash equivalents at end of period	8,990,417	6,514,604

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:

The Group	Cumulative Quarter	
	31.12.06	31.12.05
	RM'000	RM'000
Cash and short-term funds	9,000,625	6,521,730
Bank overdrafts	(10,022)	(6,908)
	8,990,603	6,514,822
Effect of exchange rates changes	(186)	(218)
Cash and cash equivalents	8,990,417	6,514,604

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 31 December 2006 were as follows:

	Unaudited As at 31 August 2006 RM'000
Net assets acquired:	
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>10,424</u>
	89,578
Less: Amount accounted for as an associate	<u>(39,622)</u>
Purchase price paid	49,956
Less: Cash and short term funds	<u>(48,603)</u>
Cash flow on acquisition, net of cash acquired	<u>1,353</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 31 December 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 2,130,565,410 ordinary shares of RM1.00 each by the issue of 31,715 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 RM37,741 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

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

During the financial period ended 31 December 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

	The Group	
	31.12.06	31.3.06
	RM'000	RM'000
At Fair Value		
Money Market Securities:		
Treasury bills	9,928	34,282
Islamic Treasury bills	193,727	48,541
Malaysian Government Securities	495,828	1,349,901
Malaysian Government Investment Certificates	455,272	147,063
Cagamas bonds	216,236	273,869
Khazanah bonds	308	912
Cagamas Mudharabah bearer bonds	29,498	264,207
Bank Negara Malaysia bills	24,836	5,143
BN Monetary Notes	887,884	-
Islamic Bank Negara Malaysia bills	19,752	2,491
Negotiable Islamic Debt Certificates	8,680	296,124
Negotiable instruments of deposits	-	574,417
Sukuk Bank Negara Malaysia	-	95,798
	<u>2,341,949</u>	<u>3,092,748</u>
Securities Quoted:		
In Malaysia:		
Shares	333,608	242,939
Corporate bonds	17,315	20,927
Trust units	156,093	193,409
Outside Malaysia:		
Shares	24,497	110
	<u>531,513</u>	<u>457,385</u>
Unquoted Securities Of Companies Incorporated:		
In Malaysia:		
Shares	2,200	2,200
Trust units	17,935	159,602
Outside Malaysia:		
Trust units	1,996	1,996
	<u>22,131</u>	<u>163,798</u>
Unquoted Guaranteed Private Debt Securities Of Companies		
Incorporated In Malaysia:		
Corporate bonds	289,320	67,701
Corporate notes	154,224	-
Islamic corporate notes	30,723	10,379
	<u>474,267</u>	<u>78,080</u>

	The Group	
	31.12.06	31.3.06
	RM'000	RM'000
Unquoted Private Debt Securities Of Companies		
Incorporated:		
In Malaysia:		
Shares	380,799	178,763
Corporate notes	75,269	38,420
Corporate bonds	847,263	665,062
Islamic corporate bonds	1,718,177	1,305,975
Islamic corporate notes	4,816	117,809
Outside Malaysia:		
Corporate bonds	66,011	-
	<u>3,092,335</u>	<u>2,306,029</u>
Total	<u>6,462,195</u>	<u>6,098,040</u>

A9. SECURITIES AVAILABLE-FOR-SALE

	The Group	
	31.12.06	31.3.06
	RM'000	RM'000
At Fair Value		
Money Market Securities:		
Malaysian Government Securities	44,418	50,394
Cagamas bonds	14,602	24,714
Khazanah bonds	9,528	10,138
Negotiable instruments of deposits	350,087	69,340
	<u>418,635</u>	<u>154,586</u>
Securities Quoted:		
In Malaysia:		
Corporate bonds	17,727	18,576
Trust units	84,368	-
Outside Malaysia:		
Shares	15,564	8,907
	<u>117,659</u>	<u>27,483</u>
Unquoted Securities Of Companies Incorporated In Malaysia:		
Trust units	-	3,773
	<u>-</u>	<u>3,773</u>
Debt Equity Converted Securities		
Quoted in Malaysia:		
Shares	44,570	248,502
Shares - with options	161,218	19,822
Loan stocks - collateralised	-	1,064
Corporate bonds	50	648
Quoted outside Malaysia:		
Shares	231	-
	<u>206,069</u>	<u>270,036</u>

	The Group	
	31.12.06	31.3.06
	RM'000	RM'000
Unquoted Private Debt Securities Of Companies Incorporated		
In Malaysia:		
Corporate bonds	338,642	337,567
Islamic corporate bonds	527,491	217,183
Islamic corporate notes	-	18,729
	<u>866,133</u>	<u>573,479</u>
Unquoted Guaranteed Private Debt Securities Of Companies Incorporated:		
In Malaysia:		
Corporate bonds	306,927	574,248
Total	<u>1,915,423</u>	<u>1,603,605</u>
Accumulated impairment losses	(8,000)	-
Total securities available-for-sale	<u>1,907,423</u>	<u>1,603,605</u>
A10. SECURITIES HELD-TO-MATURITY		
At Amortised Cost		
Securities Quoted In Malaysia:		
Shares	99	99
Corporate bonds	28,240	55,247
	<u>28,339</u>	<u>55,346</u>
Unquoted Securities Of Companies Incorporated:		
In Malaysia:		
Shares	103,036	103,036
Corporate bonds	959	959
Outside Malaysia:		
Shares	8,291	8,706
	<u>112,286</u>	<u>112,701</u>
Quoted Debt Equity Converted Securities:		
In Malaysia		
Shares	14,393	8,201
Loan stocks - collateralised	971	971
Loan stocks - with options	844,111	956,783
Outside Malaysia:		
Shares - with options	15	15
	<u>859,490</u>	<u>965,970</u>

	The Group	
	31.12.06	31.3.06
	RM'000	RM'000
Unquoted Debt Equity Converted Securities Of Companies		
Incorporated In Malaysia:		
Shares	44,971	122,870
Loan stocks	783,430	804,744
Corporate bonds	540,535	621,435
	<u>1,368,936</u>	<u>1,549,049</u>
Unquoted Private Debt Securities Of Companies Incorporated:		
In Malaysia		
Shares	21,220	21,220
Corporate bonds and notes denominated in USD	58,089	68,674
Islamic corporate bonds	194,385	196,703
Outside Malaysia		
Corporate bonds and notes denominated in USD	105,900	110,493
	<u>379,594</u>	<u>397,090</u>
Unquoted Guaranteed Private Debt Securities Of Companies		
Incorporated In Malaysia:		
Corporate bonds	80,112	82,729
	<u>2,828,757</u>	<u>3,162,885</u>
Accumulated impairment losses	(464,576)	(449,844)
Total	<u>2,364,181</u>	<u>2,713,041</u>

A11. LOANS, ADVANCES AND FINANCING

	The Group	
	31.12.06	31.3.06
	RM'000	RM'000
Loans and financing:		
Term loans and revolving credit	13,983,242	13,468,701
Housing loans	10,876,337	9,791,514
Staff loans	183,967	181,641
Hire-purchase receivables	23,947,622	23,110,318
Credit card receivables	2,273,199	2,138,331
Lease receivables	1,477,216	1,316,480
Overdrafts	1,150,244	1,031,079
Claims on customers under acceptance credits	1,415,536	1,250,752
Trust receipts	200,993	200,702
Block discount receivables	65,140	64,575
Factoring receivables	42,610	32,887
Bills receivable	10,107	6,878
	<u>55,626,213</u>	<u>52,593,858</u>
Less: Unearned interest and income	5,912,663	5,478,909
Total	<u>49,713,550</u>	<u>47,114,949</u>
Less:		
Allowance for bad and doubtful debts and financing:		
General	760,470	721,817
Specific	2,063,000	1,532,664
	<u>2,823,470</u>	<u>2,254,481</u>
Net loans, advances and financing	<u>46,890,080</u>	<u>44,860,468</u>

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

	The Group				Annualised Loans Growth (%)
	31.12.06		31.3.06		
	RM'000	%	RM'000	%	
Purchase of transport vehicles	22,480,759	42.8	21,242,432	43.1	
Purchase of landed properties:					
- Residential	10,582,351	20.1	9,658,463	19.6	
- Non-residential	2,570,599	4.9	2,448,239	5.0	
Working capital	7,441,263	14.2	6,141,198	12.5	
Credit cards	2,267,434	4.3	2,138,438	4.3	
Personnel use	1,615,110	3.1	1,303,857	2.6	
Fixed assets	1,570,622	3.0	1,318,813	2.7	
Construction	1,204,752	2.3	1,281,750	2.6	
Purchase of securities	1,016,942	1.9	997,418	2.0	
Merger and acquisition	212,957	0.4	387,542	0.8	
Consumer durables	6,334	0.1	10,781	0.1	
Other purpose	1,608,765	3.0	2,391,844	4.7	
Gross loans, advances and financing	52,577,888	100.0	49,320,776	100.0	8.81
Less: Islamic financing sold to Cagamas Berhad	(2,864,338)		(2,205,827)		
	<u>49,713,550</u>		<u>47,114,949</u>		

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

	The Group	
	31.12.06 RM'000	31.3.06 RM'000
Domestic :		
Other non-bank financial institutions	781,357	453,199
Business enterprises:		
Small medium enterprises	4,558,593	4,738,220
Others	9,678,061	9,294,073
Government and statutory bodies	92,683	105,809
Individuals	34,039,739	32,009,995
Other domestic entities	332,916	346,711
Foreign entities	230,201	166,942
	<u>49,713,550</u>	<u>47,114,949</u>

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

	The Group	
	31.12.06	31.3.06
	RM'000	RM'000
Variable rate		
BLR-plus	13,849,011	12,873,455
Cost-plus	4,543,603	4,435,782
Other variable rates	771,172	736,388
	<u>19,163,786</u>	<u>18,045,625</u>
Fixed rate		
Housing loans	3,148,732	3,069,126
Hire purchase receivables	20,707,568	19,976,247
Other fixed rates	6,693,464	6,023,951
	<u>30,549,764</u>	<u>29,069,324</u>
	<u>49,713,550</u>	<u>47,114,949</u>

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

	The Group	
	31.12.06	31.3.06
	RM'000	RM'000
Gross		
Balance at beginning of period/year	6,136,695	7,597,662
Non-performing during the period/year	1,479,288	2,381,238
Reclassification to performing loans and financing	(645,423)	(2,016,743)
Recoveries	(436,920)	(580,814)
Amount written off	(247,181)	(1,235,771)
Exchange fluctuation adjustments	173	(1,789)
Debt equity conversion	-	(7,088)
Balance at end of period/year	<u>6,286,632</u>	<u>6,136,695</u>
Less: Specific allowance	<u>(2,063,000)</u>	<u>(1,532,664)</u>
Non-performing loans and financing - net	<u>4,223,632</u>	<u>4,604,031</u>
Ratios of non-performing loans and financing to total loans, advances and financing - net	<u>8.4%</u>	<u>9.6%</u>

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

	The Group			
	31.12.06	%	31.3.06	%
	RM'000		RM'000	
Working capital	1,336,572	21.3	1,061,407	17.3
Purchase of landed properties:				
Residential	1,418,744	22.6	1,385,601	22.6
Non-residential	889,883	14.2	938,749	15.3
Purchase of transport vehicles	1,147,124	18.2	814,846	13.3
Construction	366,213	5.8	431,479	7.0
Purchase of securities	310,948	4.9	296,002	4.8
Credit cards	209,320	3.3	153,466	2.5
Fixed assets	95,773	1.5	18,601	0.3
Personnel use	59,139	0.9	49,252	0.8
Merger and acquisition	15,009	0.2	58,311	0.9
Consumer durables	1,118	0.0	964	0.1
Other purpose	436,789	6.9	928,017	15.1
	<u>6,286,632</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:

	The Group	
	31.12.06	31.3.06
	RM'000	RM'000
General allowance		
Balance at beginning of period/year	721,817	629,784
Allowance during the period/year	38,898	92,171
Exchange fluctuation adjustments	(245)	(138)
Balance at end of period/year	<u>760,470</u>	<u>721,817</u>
% of total loans, advances and financing less specific allowances	<u>1.51%</u>	<u>1.51%</u>
Specific allowance		
Balance at beginning of period/year	1,532,664	1,815,088
Allowance during the period/year	1,081,990	1,422,770
Amount written back in respect of recoveries and reversals	(319,339)	(470,856)
Net charge to income statements	762,651	951,914
Reclassification from sundry receivables	8,149	17,372
Adjustment to/(from) deferred asset account	6,900	(1,594)
Amount written off	(246,678)	(1,246,663)
Exchange fluctuation adjustments	(686)	(202)
Debt equity conversion	-	(3,251)
Balance at end of period/year	<u>2,063,000</u>	<u>1,532,664</u>

A12. OTHER ASSETS

	The Group	
	31.12.06	31.3.06
	RM'000	RM'000
Trade receivables, net of allowance for doubtful debts	579,129	291,126
Other receivables, deposits and prepayments, net of allowance for doubtful debts	683,440	383,799
Interest receivables on treasury assets, net of allowance for doubtful debts	167,912	122,523
Fee receivables, net of allowance for doubtful debts	31,318	28,886
Amount due from Originators	56,304	89,694
Amount due from agents, brokers and reinsurer, net of allowance	51,602	37,118
Amount recoverable under asset-backed securitisation transactions, net of impairment loss	80,066	87,066
Foreclosed properties, net of allowance for impairment in value	95,712	103,714
Deferred assets	56,551	64,578
	<u>1,802,034</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

	The Group	
	31.12.06	31.3.06
	RM'000	RM'000
Term/Investment deposits	36,064,880	32,192,382
Savings deposits	2,961,827	2,940,219
Current deposits	1,969,683	1,558,199
Negotiable instruments of deposits	440,544	2,227,364
	<u>41,436,934</u>	<u>38,918,164</u>

The deposits are sourced from the following types of customers:

Business enterprises	12,152,200	12,876,710
Individuals	22,355,954	19,895,623
Government	5,376,189	5,006,893
Others	1,552,591	1,138,938
	<u>41,436,934</u>	<u>38,918,164</u>

A14. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group	
	31.12.06	31.3.06
	RM'000	RM'000
Deposits from:		
Licensed banks	3,388,693	4,192,542
Licensed merchant banks	404,193	555,522
Bank Negara Malaysia	1,133,598	1,160,280
Other financial institutions	9,546,113	8,732,457
	<u>14,472,597</u>	<u>14,640,801</u>

A15. OTHER LIABILITIES

	The Group	
	31.12.06	31.3.06
	RM'000	RM'000
Trade payables	594,823	353,380
Securities sold not yet re-purchased	35,006	91,437
Other payables and accruals	1,157,403	1,129,562
Interest payable on deposits and borrowings	428,387	326,109
Lease deposits and advance rentals	58,121	50,881
General insurance funds	185,734	181,987
Provision for commitments and contingencies	-	325
Bank overdrafts	10,022	26,081
Profit equalization reserve	82,301	116,755
Deferred tax liabilities	8,372	2,846
Tax payable	8,122	2,416
	<u>2,568,291</u>	<u>2,281,779</u>

A16. INTEREST INCOME

THE GROUP	Individual Quarter		Cumulative Quarter	
	31.12.06	31.12.05	31.12.06	31.12.05
	RM'000	RM'000	RM'000	RM'000
Short-term funds and deposits with financial institutions	66,616	44,457	188,904	142,930
Securities held-for-trading	52,828	47,339	167,720	125,731
Securities available for sale	22,330	23,477	64,021	36,064
Securities held-to-maturity	16,083	31,375	64,731	67,432
Loans and advances				
- Interest income other than recoveries from NPLs	648,165	583,020	1,924,043	1,734,506
- Recoveries from NPLs	78,973	97,145	227,327	241,724
Interest rate swap	109,558	23,101	271,926	56,870
Others	3,030	5,568	8,275	21,455
Gross interest income	<u>997,583</u>	<u>855,482</u>	<u>2,916,947</u>	<u>2,426,712</u>
Amortisation of premiums less accretion of discounts	2,227	4,025	12,767	(2,627)
Interest suspended	<u>(18,085)</u>	<u>(23,608)</u>	<u>(84,349)</u>	<u>(82,597)</u>
Total after net interest suspension	<u>981,725</u>	<u>835,899</u>	<u>2,845,365</u>	<u>2,341,488</u>

A17. INTEREST EXPENSE

THE GROUP	Individual Quarter		Cumulative Quarter	
	31.12.06	31.12.05	31.12.06	31.12.05
	RM'000	RM'000	RM'000	RM'000
Deposits from customers	321,037	276,418	938,729	804,391
Deposit of banks and other financial institutions	78,002	52,538	214,855	134,825
Securities sold under repurchase agreements	21,829	14,860	69,110	37,156
Amount due to Cagamas Berhad	10,812	18,654	38,815	58,704
Bank borrowings:				
Term loans	7,055	5,413	20,586	20,623
Overdrafts	195	397	687	1,178
Subordinated deposits and term loans	17,659	15,424	50,501	46,064
Interest on Bonds	15,090	14,872	45,107	41,674
Interest rate swap	124,497	30,325	303,462	75,685
Hybrid securities	12,362	-	37,387	-
Others	2,568	3,132	18,070	24,813
	611,106	432,033	1,737,309	1,245,113

A18. OTHER OPERATING INCOME

THE GROUP	Individual Quarter		Cumulative Quarter	
	31.12.06 RM'000	31.12.05 RM'000	31.12.06 RM'000	31.12.05 RM'000
Fee income:				
Fees on loans and advances	31,844	32,632	91,468	92,121
Corporate advisory	4,389	3,542	11,759	13,730
Guarantee fees	4,003	6,874	17,124	14,227
Underwriting commissions	4,734	2,610	15,409	4,527
Portfolio management fees	3,176	2,305	8,515	6,140
Unit trust management fees	11,737	4,876	28,710	19,229
Brokerage rebates	269	149	738	471
Property trust management fees	518	495	1,565	1,483
Brokerage fees and commissions	26,108	8,319	59,347	30,091
Banc assurance commission	6,126	7,410	20,814	20,852
Income from asset securitisation	(133)	389	(76)	1,468
Other fee income	9,973	9,274	31,941	25,105
	<u>102,744</u>	<u>78,875</u>	<u>287,314</u>	<u>229,444</u>
Investment and trading income:				
Net gain from sale of securities held-for-trading	115,312	14,342	124,844	60,151
Net gain from sale of securities available-for-sale	299	2,583	21,035	2,644
Net gain on redemption of securities held-to-maturity	1,683	10,769	44,873	22,742
Gain/(Loss) on revaluation of securities held for trading	59,957	(20,705)	97,799	40,197
Gain on revaluation of derivatives	209	2,044	9,470	1,187
Gross dividend income from:				
Securities held-for-trading	3,565	5,250	11,759	14,505
Securities available-for-sale	931	-	5,825	-
Securities held-to-maturity	1,082	1,386	13,117	14,287
	<u>183,038</u>	<u>15,669</u>	<u>328,722</u>	<u>155,713</u>
Premium income from general insurance business	<u>98,572</u>	<u>93,733</u>	<u>297,743</u>	<u>273,102</u>
Other income:				
Foreign exchange gain	3,829	530	9,073	6,927
Gain on disposal of property and equipment - net	415	62	1,600	648
Rental income	2,283	2,746	6,975	7,086
Gain on disposal of assets held for sale	19,284	-	19,284	-
Other non-operating income	515	398	3,413	1,722
	<u>26,326</u>	<u>3,736</u>	<u>40,345</u>	<u>16,383</u>
	<u>410,680</u>	<u>192,013</u>	<u>954,124</u>	<u>674,642</u>

A19. OTHER OPERATING EXPENSES

THE GROUP	Individual Quarter		Cumulative Quarter	
	31.12.06 RM'000	31.12.05 RM'000	31.12.06 RM'000	31.12.05 RM'000
Personnel/Staff costs				
- Salaries, allowances and bonuses	122,957	111,820	365,318	335,776
- Others	17,055	14,413	59,732	50,376
Establishment costs				
- Depreciation	12,611	15,358	40,040	49,229
- Computerisation costs	22,973	26,578	52,771	63,860
- Rental	12,108	9,575	33,611	29,239
- Cleaning, maintenance and securities	3,389	5,167	12,645	17,808
- Others	6,053	4,274	26,773	14,297
Marketing and communication expenses				
- Sales commission	11,954	10,949	32,801	38,219
- Handling fees	15,641	26,519	66,326	96,673
- Advertising, promotional and other marketing activities	11,606	18,052	47,122	53,719
- Telephone charges	4,280	3,370	11,862	12,271
- Postage	1,856	3,093	8,655	10,705
- Travel and entertainment	2,528	2,236	7,081	6,620
- Others	5,542	10,213	20,177	19,781
Administration and general				
- Amortisation of goodwill	-	7,255	-	20,830
- Professional services	15,419	8,435	34,639	27,356
- Donations	86	257	315	4,921
- Administration and management expenses	3,747	2,566	10,761	8,451
- Others	11,087	11,299	35,584	32,280
Overheads	280,892	291,429	866,213	892,411
Insurance commission	10,511	8,966	32,346	31,091
General insurance claims	66,086	60,314	196,507	173,323
	<u>357,489</u>	<u>360,709</u>	<u>1,095,066</u>	<u>1,096,825</u>

A20. ALLOWANCE FOR LOSSES ON LOANS AND FINANCING

THE GROUP	Individual Quarter		Cumulative Quarter	
	31.12.06 RM'000	31.12.05 RM'000	31.12.06 RM'000	31.12.05 RM'000
Allowance/(Reversal of allowance) for bad and doubtful debts and financing:				
Specific allowance - net	325,544	219,507	762,651	610,525
Allowance during the period/year	431,871	303,961	1,081,990	954,240
Amount written back in respect of recoveries and reversal	(106,327)	(84,454)	(319,339)	(343,715)
General allowance	10,784	13,808	38,898	73,853
Recoveries of value impairment on amount recoverable from Danaharta	(5,662)	(881)	(17,282)	(881)
Bad debts and financing recovered - net	(62,146)	(70,094)	(198,613)	(199,180)
Written off	1	5,226	12	5,296
Recovered	(62,147)	(75,320)	(198,625)	(204,476)
	<u>268,520</u>	<u>162,340</u>	<u>585,654</u>	<u>484,317</u>

A21. SEGMENTAL INFORMATION

BY BUSINESS SEGMENT

	Individual Quarter		Cumulative Quarter	
	31.12.06	31.12.05	31.12.06	31.12.05
	RM'000	RM'000	RM'000	RM'000
Investment banking				
Revenue	426,139	244,737	1,008,759	756,837
Profit before taxation	147,526	92,586	310,657	273,675
Commercial and retail banking				
Revenue	1,068,913	834,509	3,025,042	2,407,089
Profit before taxation	113,407	107,529	337,670	310,177
Offshore banking				
Revenue	16,523	13,493	47,200	38,830
Profit/(Loss) before taxation	3,580	3,329	(544)	8,868
Insurance				
Revenue	240,034	181,818	665,153	566,572
Profit before taxation	17,174	13,695	46,932	40,511
Others				
Revenue	(6,201)	7,626	9,530	23,534
Loss before taxation	(15,022)	(335)	(16,929)	(6,621)
Total before consolidation adjustments				
Revenue	1,745,408	1,282,183	4,755,684	3,792,862
Profit before taxation	266,665	216,804	677,786	626,610
Consolidation adjustments				
Revenue	(84,336)	(34,203)	(225,365)	(90,939)
Profit before taxation	22,489	(9,019)	24,472	(21,748)
Total after consolidation adjustments				
Revenue	1,661,072	1,247,980	4,530,319	3,701,923
Profit before taxation	289,154	207,785	702,258	604,862

Included in the above is Islamic banking business profit before taxation of RM60.1 million for the quarter and RM157.5 million for the period ended 31 December 2006 (RM42.8 million for the quarter and RM150.9 million for the period ended 31 December 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

There were no material changes in the composition of the Group and the Company for the current financial quarter.

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 31 December 2006 the commitments and contingencies outstanding are as follows:

The Group	31.12.06			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
Derivative Financial Instruments						
Interest rate related contracts:						
Interest rate futures	483,000	9,728	4,864	580,000	-	-
Interest rate swaps	21,962,265	531,421	106,166	13,067,759	325,210	66,305
Foreign exchange related contracts:						
Forward exchange contracts	5,871,030	120,257	20,295	4,034,678	67,946	14,014
Cross currency swaps	649,613	69,735	13,947	375,676	32,666	6,533
Malaysian Government securities futures	-	-	-	10,000	-	-
Equity related contracts:						
Options	873	-	-	-	-	-
	<u>28,966,781</u>	<u>731,141</u>	<u>145,272</u>	<u>18,068,113</u>	<u>425,822</u>	<u>86,852</u>
Commitments						
Irrevocable commitments to extend credit maturing :						
within one year	9,798,020	-	-	9,453,604	-	-
more than one year	1,277,590	638,795	638,304	1,467,076	733,538	733,046
Sell and buy back agreements	1,928,462	1,928,462	1,212,699	2,174,849	2,174,849	915,378
Forward purchase commitments	2,508	2,508	2,308	331,127	331,127	153,377
	<u>13,006,580</u>	<u>2,569,765</u>	<u>1,853,311</u>	<u>13,426,656</u>	<u>3,239,514</u>	<u>1,801,801</u>
Contingent Liabilities						
Guarantees given on behalf of customers	1,164,708	1,164,708	970,480	1,384,893	1,384,893	1,202,004
Certain transaction-related contingent items	740,961	370,481	344,915	637,248	318,624	284,116
Underwriting liabilities	751,849	375,925	249,585	1,133,152	566,576	541,819
Short-term self liquidating trade-related contingencies	337,166	67,433	67,433	345,374	69,075	69,075
Islamic financing sold to Cagamas	2,864,338	2,864,338	2,864,338	2,205,827	2,205,827	2,205,827
Others	44,171	250	250	109,160	250	150
	<u>5,903,193</u>	<u>4,843,135</u>	<u>4,497,001</u>	<u>5,815,654</u>	<u>4,545,245</u>	<u>4,302,991</u>
	<u>47,876,554</u>	<u>8,144,041</u>	<u>6,495,584</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 31 December 2006, other contingencies and commitments of the Group and of the Company are as follows:

- (a) The Company has given unsecured guarantees totalling RM329,600,000 (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, AmInvestment Bank Berhad ("AmInvestment Bank") (formerly known as AmMerchant Bank Berhad) 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 RM27.6 million 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 RM19.6 million, 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.

Parties have filed several interim applications in Meridian suit 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) an application by Meridian to add another subsidiary of the Company, namely AmInvestment Bank as 2nd Defendant;
- (c) an application by Meridian to increase the alleged loss and damage from RM27.6 million to RM36.9 million to include loss due to reputation damage and loss of future earnings (together with interest and costs) arising from the provision of custodian services by AmTrustee to Meridian;
- (d) an application by Meridian for Further and Better particulars in respect of the statement of defence filed by AmTrustee;
- (e) an application for leave for Meridian to serve on AmTrustee Interrogatories to answer questions arising from the dispute between parties for speedier disposal of the issues;
- (f) an application by AmTrustee for Stay of Proceedings pending disposal of the application for disposal under (a) above.

In the MAA suit, AmTrustee has filed and served a Third Party Notice dated 6 November 2006 on Meridian seeking indemnification/contribution from Meridian for MAA's claim. AmTrustee has applied for Summons for Directions in respect of the Third Party Proceedings.

Based on solicitors advice, the Group believes Meridian and MAA have no reasonable cause of action against AmTrustee or AmInvestment Bank .

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

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 31 December 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	483,000	-	253,000	100,000	20,000	110,000	-	389
Interest rate swaps	21,962,265	545,000	500,000	955,000	2,806,750	15,623,027	1,532,488	7,465
Foreign exchange related contracts :								
Forward exchange contracts	5,871,030	2,551,059	998,260	1,249,921	1,071,790	-	-	1,623
Cross currency swaps	649,613	-	-	-	141,200	508,413	-	1,116
Equity related contracts:								
Options	873	-	-	-	873	-	-	-
Total	28,966,781	3,096,059	1,751,260	2,304,921	4,040,613	16,241,440	1,532,488	10,593

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.

A27. DERIVATIVE FINANCIAL INSTRUMENTS (CONTD.)

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.

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 31 December 2006, value at risk of foreign exchange-related derivatives contracts used for trading purposes of the Group was RM9,560,563 (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 RM37,634,226 (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 31 December 2006, the amounts of counterparty credit risk, measured in term of the cost to replace the profitable contracts of the Group was RM12,027,112 (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	Total	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				RM'000
31.12.06	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
ASSETS											
Cash and short-term funds	7,835,037	11,197	100	-	-	-	1,154,291	-	9,000,625	3.88	
Securities purchased under resale agreements	490,247	-	-	-	-	-	-	-	490,247	3.40	
Deposits and placements with banks and other financial institutions	21,633	535,200	664,719	106,103	647	-	-	-	1,328,302	4.61	
Securities held-for-trading	-	-	-	-	-	-	-	6,462,195	6,462,195	4.12	
Securities available-for-sale	-	4,987	82,630	390,242	739,142	479,554	210,868	-	1,907,423	4.06	
Securities held-to-maturity	-	-	87,672	226,166	992,926	866,067	191,350	-	2,364,181	4.79	
Loans, advances and financing:											
- performing	13,823,826	2,671,066	1,324,695	503,080	7,650,691	17,318,295	135,265	-	43,426,918	7.42	
- non-performing *	-	-	-	-	-	-	3,463,162	-	3,463,162	-	
Amount due from Originators	-	-	714	10,949	44,641	-	-	-	56,304	4.24	
Other non-interest sensitive balances	-	-	-	-	-	-	6,460,632	-	6,460,632	-	
TOTAL ASSETS	22,170,743	3,222,450	2,160,530	1,236,540	9,428,047	18,663,916	11,615,568	6,462,195	74,959,989		
LIABILITIES AND EQUITY											
Deposits from customers	17,864,978	8,286,902	4,502,912	6,550,873	3,769,537	-	461,732	-	41,436,934	3.39	
Deposits and placements of banks and other financial institutions	4,476,428	2,957,233	1,814,988	1,139,889	1,935,234	1,936,297	212,528	-	14,472,597	3.89	
Obligations on securities sold under repurchase agreements	2,629,589	50,325	3,714	-	-	-	-	-	2,683,628	3.37	
Bills and acceptances payable	1,258,483	523,482	144,104	-	-	-	-	-	1,926,069	5.70	
Recourse obligation on loans sold to Cagamas Berhad	25,070	314,820	55,761	430,403	274,332	-	-	-	1,100,386	3.70	

Group 31.12.06	-----Non Trading Book----->							Non- interest sensitive RM'000	Trading Book RM'000	Effective interest rate %
	Up to 1 month RM'000	>1 - 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			
Term loans	-	470,750	-	-	-	-	-	-	470,750	5.55
Subordinated term loan	-	-	-	-	860,000	-	-	-	860,000	6.65
Redeemable unsecured bonds	-	-	-	-	327,016	595,000	-	-	922,016	6.57
Hybrid capital	-	-	-	-	-	680,239	-	-	680,239	6.77
Other non-interest sensitive balances	-	-	-	-	-	-	3,939,343	-	3,939,343	-
Total Liabilities	26,254,548	12,603,512	6,521,479	8,121,165	7,166,119	3,211,536	4,613,603	-	68,491,962	
Share capital	-	-	-	-	-	-	-	2,130,565	2,130,565	
Reserves	-	-	-	-	-	-	-	3,167,336	3,167,336	
Shareholders equity	-	-	-	-	-	-	-	5,297,901	5,297,901	
Minority interests	-	-	-	-	-	-	-	1,170,126	1,170,126	
Total Equity	-	-	-	-	-	-	-	6,468,027	6,468,027	
TOTAL LIABILITIES AND EQUITY	26,254,548	12,603,512	6,521,479	8,121,165	7,166,119	3,211,536	4,613,603	6,468,027	74,959,989	
On-balance sheet interest rate gap sensitivity	(4,083,805)	(9,381,062)	(4,360,949)	(6,884,625)	2,261,928	15,452,380	7,001,965	(5,832)	-	
Off-balance sheet interest rate gap sensitivity	(257,238)	(629,390)	645,486	(146,798)	1,315,880	(891,925)	-	-	36,015	
Total interest sensitivity gap	(4,341,043)	(10,010,452)	(3,715,463)	(7,031,423)	3,577,808	14,560,455	7,001,965	(5,832)	36,015	
Cumulative interest rate gap sensitivity	(4,341,043)	(14,351,495)	(18,066,958)	(25,098,381)	(21,520,573)	(6,960,118)	41,847	36,015		

Group	-----Non Trading Book----->						Non- interest sensitive	Trading Book	Effective	
	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	%
ASSETS										
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	-
TOTAL ASSETS	21,049,267	2,426,038	1,261,591	856,348	8,687,860	13,482,512	19,086,718	5,410,303	72,260,637	
LIABILITIES AND EQUITY										
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 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 rate
	Up to 1 month	>1 - 3 months	>3 - 6 months	>6 - 12 months	1 - 5 years	Over 5 years	Total			
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	-
Total Liabilities	24,189,178	9,568,293	4,925,611	8,283,476	5,263,069	3,145,861	10,747,290	-	66,122,778	
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	
Total Equity	-	-	-	-	-	-	6,137,859	-	6,137,859	
TOTAL LIABILITIES AND EQUITY	24,189,178	9,568,293	4,925,611	8,283,476	5,263,069	3,145,861	16,885,149	-	72,260,637	
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	
Total interest sensitivity gap	(2,477,180)	(1,996,085)	(3,164,590)	(8,814,486)	(3,424,919)	12,271,750	2,201,569	5,410,303	6,362	
Cumulative interest rate gap sensitivity	(2,477,180)	(4,473,265)	(7,637,855)	(16,452,341)	(19,877,260)	(7,605,510)	(5,403,941)	6,362		

* 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 are as follows:

	The Group	
	31.12.06	31.3.06
	RM'000	RM'000
Tier 1 capital		
Paid-up ordinary share capital	2,130,565	2,130,534
Share premium	791,588	791,550
Statutory reserve	1,000,417	1,000,417
Hybrid capital	680,239	684,047
Exchange fluctuation reserve	13,694	15,736
Unappropriated profit at end of period/year	1,326,474	1,081,089
Minority interests	1,170,126	1,108,820
Total	<u>7,113,103</u>	<u>6,812,193</u>
Less : Goodwill	527,132	515,976
Deferred tax assets - net	730,962	854,157
Total tier 1 capital	<u>5,855,009</u>	<u>5,442,060</u>
Tier 2 capital		
Subordinated term loans	821,792	680,000
Redeemable unsecured bonds	775,000	775,000
General allowance for bad and doubtful debts	760,470	721,817
Total tier 2 capital	<u>2,357,262</u>	<u>2,176,817</u>
Capital base	<u>8,212,271</u>	<u>7,618,877</u>
Risk-weighted assets	<u>59,658,643</u>	<u>54,635,748</u>
Capital Ratios:		
Core capital ratio	9.81%	9.96%
Risk-weighted capital ratio	13.77%	13.94%
Core capital ratio (net of proposed dividend)	9.81%	9.82%
Risk-weighted capital ratio (net of proposed dividend)	<u>13.77%</u>	<u>13.80%</u>

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

	31.12.06		31.3.06	
	Principal Amount RM'000	Risk- Weighted Amount RM'000	Principal Amount RM'000	Risk- Weighted Amount RM'000
0%	9,293,036	-	10,973,248	-
10%	3,922	392	87,239	8,724
20%	6,641,311	1,328,262	4,535,658	907,132
50%	9,349,211	4,674,606	8,367,850	4,183,925
100%	47,788,982	47,788,982	43,988,003	43,988,003
	<u>73,076,463</u>	<u>53,792,242</u>	<u>67,951,998</u>	<u>49,087,784</u>
Add: total risk weighted assets equivalent for market risk		<u>5,866,401</u>		<u>5,547,964</u>
		<u>59,658,643</u>		<u>54,635,748</u>

A30. ISLAMIC BANKING BUSINESS

The state of affairs as at 31 December 2006 and the results for the period ended 31 December 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 31 DECEMBER 2006

	The Group	
	31.12.06	31.3.06
	RM'000	RM'000
ASSETS		
Cash and short-term funds	2,505,167	1,549,521
Deposit and placements with banks and other financial institutions	380,000	102,126
Securities held-for-trading	205,795	798,073
Securities available-for-sale	18,315	18,830
Securities held-to-maturity	28,291	56,171
Financing, advances and other loans	6,208,292	6,505,459
Statutory deposits with Bank Negara Malaysia	278,000	289,850
Other receivables, deposits and prepayments	54,200	18,040
Property and equipment	798	38
Deferred tax assets	182,803	68,729
Intangible assets	64	-
TOTAL ASSETS	9,861,725	9,406,837
LIABILITIES AND ISLAMIC BANKING FUNDS		
Deposits from customers	4,922,028	4,461,758
Deposits and placements of banks and other financial institutions	2,651,851	3,312,104
Converted fund	15,861	82,711
Acceptances payable	334,990	228,454
Other liabilities	246,642	292,392
Subordinated Sukuk Musyarakah	400,000	-
Total Liabilities	8,571,372	8,377,419
ISLAMIC BANKING FUNDS		
Share capital/Capital funds	505,877	563,381
Reserves	784,476	466,037
Islamic Banking Funds	1,290,353	1,029,418
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS	9,861,725	9,406,837
COMMITMENTS AND CONTINGENCIES	7,634,166	6,162,113

**UNAUDITED CONSOLIDATED INCOME STATEMENT
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2006**

THE GROUP	Individual Quarter		Cumulative Quarter	
	31.12.06	31.12.05	31.12.06	31.12.05
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	182,292	176,456	539,337	517,762
Allowance for losses on financing	(48,768)	(37,960)	(127,343)	(112,501)
Transfer from/(to) profit equalization reserve	14,012	(10,291)	34,452	(17,875)
Impairment writeback on securities held-to-maturity	-	95	-	95
Other expenses directly attributable to depositors and Islamic Banking Funds	(3,986)	(8,070)	(18,716)	(28,298)
Total attributable income	143,550	120,230	427,730	359,183
Income attributable to the depositors	(99,102)	(70,411)	(280,616)	(203,233)
Profit attributable to the Group	44,448	49,819	147,114	155,950
Income derived from Islamic Banking Funds	56,336	29,098	133,254	95,431
Total net income	100,784	78,917	280,368	251,381
Operating expenditure	(40,712)	(36,069)	(122,845)	(100,474)
Profit before taxation	60,072	42,848	157,523	150,907
Taxation	(16,610)	(12,365)	(49,375)	(44,552)
Profit after taxation	43,462	30,483	108,148	106,355

A30a. Financing, Advances and Other Loans

	The Group	
	31.12.06	31.3.06
	RM'000	RM'000
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	319,969	298,426
Trust receipts	28,910	20,560
Claims on customer under acceptance credits	367,996	280,504
Other financing	2,456,682	1,735,406
Gross financing, advances and other loans	<u>6,642,620</u>	<u>6,811,298</u>
Allowance for bad and doubtful debts and financing		
-general	(138,162)	(132,658)
-specific	<u>(296,166)</u>	<u>(173,181)</u>
	<u>(434,328)</u>	<u>(305,839)</u>
Net financing, advances and other loans	<u>6,208,292</u>	<u>6,505,459</u>

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

	The Group	
	31.12.06	31.3.06
	RM'000	RM'000
Gross		
Balance at beginning of period/year	531,434	574,873
Non-performing during the period/year	263,985	456,786
Reclassification to performing financing	(84,936)	(210,756)
Recoveries	(71,942)	(93,320)
Amount written off	-	(196,149)
Balance at end of period/year	<u>638,541</u>	<u>531,434</u>
Specific allowance	<u>(296,166)</u>	<u>(173,181)</u>
Non-performing financing - net	<u>342,375</u>	<u>358,253</u>
Net NPL as % of gross financing, advances and other loans less specific allowance	<u>3.72%</u>	<u>4.05%</u>

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

	The Group	
	31.12.06	31.3.06
	RM'000	RM'000
General Allowance		
Balance at beginning of period/year	132,658	121,150
Allowance made during the period/year	5,504	11,508
Balance at end of period/year	<u>138,162</u>	<u>132,658</u>
% of total financing, advances and other loans less specific allowance	<u>1.50%</u>	<u>1.50%</u>
Specific Allowance		
Balance at beginning of period/year	<u>173,181</u>	<u>221,416</u>
Allowance made during the period/year	196,740	239,322
Amount written back in respect of recoveries	(64,539)	(86,685)
Net charge to income statement	<u>132,201</u>	<u>152,637</u>
Amount written off/Adjustment to Asset Deficiency Account	(9,216)	(198,796)
Amount transferred to accumulated impairment loss on securities	<u>-</u>	<u>(2,076)</u>
Balance at end of period/year	<u>296,166</u>	<u>173,181</u>

A30b. DEPOSITS FROM CUSTOMERS

	The Group	
	31.12.06	31.3.06
	RM'000	RM'000
Mudarabah Fund		
Special Investment deposits	462,763	247,537
General Investment deposits	<u>3,456,665</u>	<u>3,405,198</u>
	<u>3,919,428</u>	<u>3,652,735</u>
Non-Mudarabah Fund		
Demand deposits	328,406	200,789
Saving deposits	586,015	508,347
Negotiable Islamic debt certificates	88,179	99,887
	<u>1,002,600</u>	<u>809,023</u>
	<u>4,922,028</u>	<u>4,461,758</u>

A30c. OTHER LIABILITIES

	The Group	
	31.12.06	31.3.06
	RM'000	RM'000
Other payables and accruals	132,536	144,700
Taxation and zakat payable	22,365	16,377
Lease deposits and advance rentals	9,440	14,560
Profit equalisation reserve	82,301	116,755
	<u>246,642</u>	<u>292,392</u>

A31. CHANGE IN ACCOUNTING POLICIES AND RECLASSIFICATIONS

(a) CHANGE IN ACCOUNTING POLICIES

During the financial period ended 31 December 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 RM20,797,000 for the period ended 31 December 2006. No impairment loss on goodwill and premium has been recognised in the period ended 31 December 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:

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

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

The Group recorded a pre-tax profit of RM702.3 million for the period ended 31 December 2006, an increase of 16.1% as compared to RM604.9 million reported in the corresponding period ended 31 December 2005. Accordingly, the Group's net profit attributable to shareholders for the period was RM334.9 million as compared to RM317.0 million for the corresponding period. Annualised net earnings per share stood at 20.96 sen, whilst post-tax return on average shareholders funds was 8.6% for the period ended 31 December 2006.

The improvement in pre-tax profit was mainly due to significant improvement in other operating income arising from higher investment and trading income due to higher gain on sale of securities held-for-trading (+RM64.7 million), higher revaluation gain on securities held-for-trading (+RM57.6 million), higher dividend income, higher fund based income, increase in fee income of RM57.9 million mainly from improvement in brokerage, guarantees, underwriting and fund management activities, increase in insurance premium income, transfer from profit equalization reserve and gain on disposal of Menara AmBank to AmFirst REIT of RM19.3 million, net of expenses. However, these increases were partially offset by a rise in insurance claims in tandem with the growth in insurance business, higher allowance for losses on loans and financing as the Group continues to build its loan loss coverage and impairment loss on securities.

The Group reported a pre-tax profit of RM289.2 million for the third quarter ended 31 December 2006, an improvement of 39.2% as compared with RM207.8 million recorded in the corresponding quarter ended 31 December 2005. The improvement is due to higher fund based income and income from Islamic banking business as well as significant improvement in other operating income. The increase in other operating income is mainly attributable to higher investment and trading income due to higher gain on sale of securities held-for-trading (+RM101.0 million), gain on revaluation of securities held-for-trading of RM60.0 million as compared to a loss on revaluation of RM20.7 million in the corresponding quarter and gain on disposal of Menara AmBank to AmFirst REIT of RM19.3 million, net of expenses in the current quarter. 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.

The retail and commercial banking operations, under AmBank (M) Berhad was the largest contributor to the Group profits, reporting a pre-tax profit of RM337.7 million for the period ended 31 December 2006 (Period ended 31 December 2005 : RM310.2 million), followed by investment banking of RM310.7 million (Period ended 31 December 2005 : RM273.7 million) and insurance operations of RM46.9 million (Period ended 31 December 2005 : RM40.5 million).

The Group's 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 8.4% as at end-December 2006, as compared with 9.6% as at end-March 2006. As at December 2006, loan loss coverage excluding collateral values has improved to 44.9% from 36.7% as at March 2006.

The Group's total assets stood at RM74.96 billion as at 31 December 2006. Net loans and financing expanded by RM2.03 billion to RM46.9 billion driven mainly by strong growth in retail lending.

The Group's overall risk weighted capital ratio and Tier-1 capital ratio as at end-December 2006 stood at 13.77% (March 2006: 13.94%) and 9.81% (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 RM289.2 million for the third quarter ended 31 December 2006 as compared to RM224.9 million for the second quarter ended 30 September 2006. The increase in pre-tax profit was mainly due to substantial improvement in other operating income arising from higher gain from sale of securities held-for-trading, gain arising from the sale of Menara AmBank to AmFirst REIT this quarter amounting to RM19.3 million, net of expenses, lower impairment loss on securities and higher income from Islamic banking business. 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

Despite changes in global economic conditions, prospects for the Malaysian economy remain positive for 2007. With strong capitalization and continuous improvement in asset quality, the banking and financial institution sector remains robust amidst favorable macroeconomic environment. In tandem with the implementation of several projects by the Government under the 9th Malaysian Plan, the AmBank Group will remain competitive in seizing potential growth opportunities available in the market and to continue to offer a full range of integrated financial services for its customers, by leveraging on strong Group within its established franchise and extended customer base.

Further, the Group is confident in forging ahead in addressing challenges and competition from foreign and local players, with the possible entry of Australia and New Zealand Banking Group Limited (ANZ) as a long-term strategic partner and investor of the AmBank Group. As earlier announced, the Group had on 31 January 2007 submitted an application to Bank Negara Malaysia (BNM) to obtain the approval of the Minister of Finance for both parties to enter into definitive agreements in relation to ANZ's proposed equity participation in AHB. Upon obtaining the necessary regulatory approvals, the formal agreements between the parties are expected to be executed by 28 February 2007. The partnership will see the coalition of ANZ's international expertise and best practices together with the AmBank Group's considerable brand equity and steady leadership position in various customer and product segments, thus improving shareholders value. The Group anticipates an exciting year ahead as it becomes part of a resilient, regional banking group.

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	
	31.12.06	31.12.05	31.12.06	31.12.05
	RM'000	RM'000	RM'000	RM'000
Estimated current tax payable	50,761	28,420	103,428	91,871
Transfer from deferred tax	31,943	29,644	124,072	90,773
	82,704	58,064	227,500	182,644
Underprovision of current taxation in respect of prior years	11,233	3,174	13,010	13,177
Total	93,937	61,238	240,510	195,821

The total tax charge of the Group for the financial quarter and period ended 31 December 2006 and 2005 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.

B6. SALE OF INVESTMENTS AND/OR FORECLOSED PROPERTIES

The Group	Individual Quarter		Cumulative Quarter	
	31.12.06	31.12.05	31.12.06	31.12.05
	RM'000	RM'000	RM'000	RM'000
Net gain from sale of securities held-for-trading	115,312	14,342	124,844	60,151
Net gain from sale of securities available-for-sale	299	2,583	21,035	2,644
Net gain from redemption of securities held-to-maturity	1,683	10,769	44,873	22,742
Impairment (loss)/writeback on securities	(16,126)	6,781	(96,351)	33,870

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 Upon obtaining the approval from Bank Negara Malaysia dated 21 November 2006, the Company entered into a Heads of Agreement ("HOA") with Australia and New Zealand Banking Group Limited ("ANZ") on 23 November 2006 in relation to the involvement of ANZ as an investor and partner of the Group which will be via a proposed equity participation by ANZ valued at RM1.075 billion as follows:-
 - (i) proposed subscription by ANZ of RM163.9 million converting preference shares ("CPS") to be issued by the Company at an issue price of RM3.05 per CPS which shall be convertible into 163.9 million new ordinary shares in the Company ("Proposed Subscription Transaction"); and
 - (ii) proposed subscription by ANZ of RM575.0 million exchangeable bonds ("EBs") to be issued by AmBank (M) Berhad ("AmBank") which shall be exchangeable into 188.5 million new ordinary shares in the Company ("Proposed Exchangeable Bond Transaction") at an exchange price of RM3.05 per ordinary share.

The Proposed Subscription Transaction and Proposed Exchangeable Bond Transaction shall hereinafter be referred to collectively as the "Proposed Equity Participation".

Concurrently with the Proposed Equity Participation, AmCorpGroup Berhad ("AmCorp"), the principal shareholder of the Company, had also on 30 November 2006 entered into a HOA with ANZ for the disposal by AmCorp of 300 million ordinary shares held in the Company representing approximately 14.1% of the existing issued and paid up share capital of the Company to ANZ at RM4.30 per ordinary share valued at RM1.29 billion ("Proposed AmCorp Transaction"). The premium above the current market price is intended to recognize the dilution of AmCorp's controlling interest in the Company and also ANZ's active involvement at the Board and management levels of the Company.

The Proposed Equity Participation and the Proposed AmCorp Transaction are inter-conditional with each other and shall be undertaken concurrently.

The Proposed Equity Participation and the Proposed AmCorp Transaction are conditional upon the approval, inter alia, of BNM, Minister of Finance, Securities Commission, shareholders and any other relevant authorities.

Upon completion of the Proposed Equity Participation and Proposed AmCorp Transaction, ANZ would emerge as a substantial strategic investor with an equity interest of up to 24.9% in the Company. This is in line with BNM's requirement for AmCorp to institutionalize its shareholdings in the Company by May 2007.

The Company and AmCorp have submitted applications to BNM on 31 January 2007 for the purposes of obtaining the approval for, inter-alia, the parties to enter into the agreements in relation to the Proposed Equity Participation and Proposed AmCorp Transaction pursuant to Section 45 of the Banking and Financial Institutions Act, 1989.

Upon obtaining the approvals and pursuant to the terms of the respective HOAs, the parties are expected to sign the formal agreement by 28 February 2007.

- 2 The Company had received the approval of Bank Negara Malaysia ("BNM") for the Company and IAG International Pty Limited ("IAG"), to commence discussions with PanGlobal Berhad ("PGB"), pursuant to section 67 of the Insurance Act, 1996, for the proposed acquisition of the equity interest held by PGB (99.97%) in PanGlobal Insurance Berhad, a general insurance company.

- 3 AIGB had obtained all regulatory approvals and the vesting order of the High Court of Malaya for the transfer of the stockbroking business of AmSecurities Sdn Bhd ("AmSecurities") to AmInvestment Bank, both 100%-owned subsidiaries of AIGB, in respect of the transformation of AmInvestment Bank to an investment bank (the "Business Transfer") pursuant to the guidelines of Bank Negara Malaysia and Securities Commission for the establishment of investment bank within a banking group.

Accordingly, AmInvestment Bank will implement the Business Transfer (for a cash consideration) pursuant to the agreement dated 10 January 2007 entered into with AmSecurities to take effect on 3 March 2007.

B9. BORROWINGS

	The Group	
	31.12.06	31.3.06
	RM'000	RM'000
(i) Deposits from customers		
Due within six months	31,111,707	31,140,577
Six months to one year	6,553,940	6,220,145
One year to three years	2,872,503	802,608
Three to five years	898,784	754,834
	<u>41,436,934</u>	<u>38,918,164</u>
(ii) Deposits and placements of banks and other financial institutions		
Due within six months	8,618,780	7,701,156
Six months to one year	984,536	1,866,082
One year to three years	2,504,219	2,769,084
Three to five years	2,365,062	2,304,479
	<u>14,472,597</u>	<u>14,640,801</u>
<i>Recap:</i>		
<i>Interbank lendings</i>	8,014,586	9,932,574
<i>Interbank borrowings</i>	(635,402)	(895,590)
<i>Net interbank lendings</i>	<u>7,379,184</u>	<u>9,036,984</u>
(iii) Term loans		
Due within one year		
Secured	470,750	482,232
(vi) Subordinated term loans		
More than one year	860,000	680,000
(v) Redeemable unsecured bonds		
More than one year	922,016	919,638
(vi) Hybrid capital		
More than one year	680,239	684,047

- (a) Pursuant to Section 6.1 of the Facility Agreement dated 14 December 2001, Supplemental Facility Agreement dated 28 October 2006 entered between Danamodal Nasional Berhad ("Danamodal") and AmBank (M) Berhad ("AmBank (M)") and Novation Agreement dated 28 October 2003 entered between Danamodal, AmBank (M) and Astute Assets Berhad, AmBank (M) prepaid the RM680 million loan facility to Astute Assets Berhad on 20 December 2006 after obtaining the necessary approvals from Bank Negara Malaysia on 12 December 2006.
- (b) On 21 December 2006, AmIslamic Bank issued RM400 million of Subordinated Sukuk Musyarakah ("Sukuk Musyarakah") for the purpose of increasing AmIslamic Bank's capital funds.

The salient features of the Sukuk Musyarakah are as follows:

- (i) The Sukuk Musyarakah carries profit rate of 4.80% per annum for the first five (5) years and shall be stepped up by 0.05% per annum every subsequent year to maturity date. The profit is payable on a semi-annual basis.
- (ii) The Sukuk Musyarakah is for a period of ten (10) years. AmIslamic Bank may exercise its call option and redeem in whole (but not in part) the Sukuk Musyarakah on the 5th anniversary of the issue date or on any anniversary date thereafter at 100% of the principal amount together with the expected profit payments.

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.

	Individual Quarter		Cumulative Quarter	
	31.12.06	31.12.05	31.12.06	31.12.05
	RM'000	RM'000	RM'000	RM'000
Net profit attributable to equity holders of the Company	127,760	109,786	334,867	316,972
Number of ordinary shares at beginning of period	2,130,534	2,130,534	2,130,534	2,130,534
Effect of ordinary shares issued pursuant to:				
- Exercise of Warrants 2003/2008	22	-	10	-
Weighted average number of ordinary shares in issue	2,130,556	2,130,534	2,130,544	2,130,534
Basic earnings per share (sen)	6.00	5.15	15.72	14.88

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	
	31.12.06	31.12.05	31.12.06	31.12.05
	RM'000	RM'000	RM'000	RM'000
Net profit attributable to equity holders of the Company	127,760	109,786	334,867	316,972
Weighted average number of ordinary shares in issue (as in (a) above)	2,130,556	2,130,534	2,130,544	2,130,534
Adjusted for:				
- Exercise of Warrants 2003/2008	39,958	10,033	39,958	10,033
Adjusted weighted average number of ordinary shares in issue and issuable	2,170,514	2,140,567	2,170,502	2,140,567
Fully diluted earnings per share (Sen)	5.89	5.13	15.43	14.81

For the financial period ended 31 December 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 31 December 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 : 13 February 2007