

AMMB HOLDINGS BERHAD
(223035-V) (Incorporated in Malaysia)
and its subsidiaries

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

	Note	Group	
		31.12.10 RM'000	31.03.10 RM'000
ASSETS			
Cash and short-term funds		13,090,279	11,627,452
Securities purchased under resale agreements		-	16,992
Deposits and placements with banks and other financial institutions		1,989,143	1,831,505
Derivative financial assets	A28	366,533	343,643
Financial assets held-for-trading	A8	7,100,153	1,713,441
Financial investments available-for-sale	A9	7,123,224	9,093,856
Financial investments held-to-maturity	A10	183,721	562,743
Loans, advances and financing	A11	67,947,278	64,425,920
Other assets	A12	1,942,789	1,988,973
Statutory deposits with Bank Negara Malaysia	A13	170,439	167,623
Deferred tax assets		488,465	262,760
Investment in associate and jointly controlled entity		1,101	1,301
Property and equipment		242,151	235,899
Life fund assets		2,495,929	2,382,703
Intangible assets		1,829,245	1,825,492
TOTAL ASSETS		104,970,450	96,480,303
LIABILITIES AND EQUITY			
Deposits and placements of banks and other financial institutions	A14	6,082,017	4,315,276
Recourse obligation on loans sold to Cagamas Berhad		1,020,526	135,689
Derivative financial liabilities	A28	368,386	392,977
Deposits from customers	A15	70,688,841	68,874,112
Term funding		4,106,109	1,902,107
Bills and acceptances payable		2,134,219	1,399,572
Debt capital		3,616,852	3,747,347
Deferred tax liabilities		43,456	8,582
Other liabilities	A16	4,201,428	3,477,951
Life fund liabilities		119,088	200,357
Life policyholder funds		2,376,841	2,182,346
Total Liabilities		94,757,763	86,636,316
Share capital		3,014,185	3,014,185
Reserves		6,948,629	6,623,528
Equity attributable to equity holders of the Company		9,962,814	9,637,713
Minority interests		249,873	206,274
Total Equity		10,212,687	9,843,987
TOTAL LIABILITIES AND EQUITY		104,970,450	96,480,303
COMMITMENTS AND CONTINGENCIES	A27	82,059,063	62,260,673

AMMB HOLDINGS BERHAD
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and its subsidiaries

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2010 (CONTD.)

	Note	Group	
		31.12.10 RM'000	31.03.10 RM'000
CAPITAL ADEQUACY RATIO	A29		
Before deducting proposed dividends:			
Core capital ratio		9.4%	10.3%
Risk-weighted capital ratio		<u>15.1%</u>	<u>15.8%</u>
After deducting proposed dividends:			
Core capital ratio		9.4%	9.8%
Risk-weighted capital ratio		<u>15.1%</u>	<u>15.3%</u>
 NET ASSETS PER ORDINARY SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY (RM)		 <u>3.31</u>	 <u>3.20</u>

The unaudited condensed financial statements should be read in conjunction with the Annual Financial Report for the year ended 31 March 2010

AMMB HOLDINGS BERHAD
(223035-V) (Incorporated in Malaysia)
and its subsidiaries

UNAUDITED CONSOLIDATED INCOME STATEMENTS
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2010

Group	Note	Individual Quarter		Cumulative Quarter	
		31.12.10 RM'000	31.12.09 RM'000	31.12.10 RM'000	31.12.09 RM'000
Revenue	A23	1,824,331	1,714,041	5,302,181	4,869,548
Interest income	A17	1,018,740	923,654	3,007,599	2,691,885
Interest expense	A18	(512,275)	(417,475)	(1,466,895)	(1,310,960)
Net interest income		506,465	506,179	1,540,704	1,380,925
Net income from Islamic banking business		205,830	178,512	584,768	581,473
Net income from insurance business	A19	40,701	39,031	136,057	92,876
Other operating income	A20	217,835	212,983	690,051	615,286
Share in result of jointly controlled entity		-	(312)	-	(572)
Share in result of associate		-	-	(200)	-
Net income		970,831	936,393	2,951,380	2,669,988
Other operating expenses	A21	(400,142)	(396,419)	(1,165,889)	(1,089,941)
Operating profit		570,689	539,974	1,785,491	1,580,047
Allowances for impairment on loans and financing	A22	(165,329)	(141,514)	(361,260)	(420,430)
Impairment writeback/(loss) on:					
Financial investment		38,250	(19,195)	3,504	(97,349)
Doubtful sundry receivables - net		2,285	(4,041)	2,325	(3,200)
Foreclosed properties		2,977	(98)	(16,091)	(641)
(Provision)/Writeback for commitments and contingencies		(3,785)	(4,864)	(5,276)	2,999
Transfer from profit equalisation reserve		13,078	6,479	30,897	6,426
Profit before taxation and zakat		458,165	376,741	1,439,590	1,067,852
Taxation and zakat	B5	(119,748)	(98,251)	(374,844)	(276,382)
Profit for the period		338,417	278,490	1,064,746	791,470
Attributable to:					
Equity holders of the Company		325,311	268,474	1,026,466	766,869
Minority interests		13,106	10,016	38,280	24,601
Profit for the period		338,417	278,490	1,064,746	791,470
EARNINGS PER SHARE (SEN)	B14				
Basic		10.83	8.92	34.16	26.70
Fully diluted		10.83	8.92	34.16	26.70

The unaudited condensed financial statements should be read in conjunction with the Annual Financial Report for the year ended 31 March 2010

AMMB HOLDINGS BERHAD
(223035-V) (Incorporated in Malaysia)
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UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2010

Group	Note	Individual Quarter		Cumulative Quarter	
		31.12.10 RM'000	31.12.09 RM'000	31.12.10 RM'000	31.12.09 RM'000
Profit for the period		338,417	278,490	1,064,746	791,470
Other comprehensive (loss)/income:					
Exchange differences on translation of foreign operations		229	(1,250)	(9,631)	2,099
Net movement on cash flow hedges		28,429	(3,111)	11,085	63,204
Net movement on financial investments available-for-sale		(59,484)	12,238	(6,754)	149,118
Income tax relating to the components of other comprehensive income		5,474	(2,777)	(9,945)	(39,596)
Other comprehensive (loss)/income for the period, net of tax		(25,352)	5,100	(15,245)	174,825
Total comprehensive income for the period		313,065	283,590	1,049,501	966,295
Total comprehensive income for the period attributable to:					
Equity holders of the Company		299,711	273,574	1,008,558	941,694
Minority interests		13,354	10,016	40,943	24,601
		313,065	283,590	1,049,501	966,295

The unaudited condensed financial statements should be read in conjunction with the Annual Financial Report for the year ended 31 March 2010

AMMB HOLDINGS BERHAD
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UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2010

Group	Attributable to Equity Holders of the Company							
	Non- Distributable				Distributable			
	Ordinary Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Shares Held In Trust for ESS RM'000	Retained Earnings RM'000	Total RM'000	Minority Interests RM'000	Total Equity RM'000
At 1 April 2009	2,722,970	1,986,836	1,210,128	(7,064)	1,823,223	7,736,093	175,462	7,911,555
Effect of first time adoption of RBC framework	-	-	-	-	(3,502)	(3,502)	(3,365)	(6,867)
At 1 April 2009 (restated)	2,722,970	1,986,836	1,210,128	(7,064)	1,819,721	7,732,591	172,097	7,904,688
Profit for the period	-	-	-	-	766,869	766,869	24,601	791,470
Other comprehensive income, net	-	-	174,825	-	-	174,825	-	174,825
Total comprehensive income for the period	-	-	174,825	-	766,869	941,694	24,601	966,295
Issue of ordinary share capital pursuant to:-								
- conversion of unsecured exchangeable bonds	194,915	380,085	-	-	-	575,000	-	575,000
- special issue shares to eligible Bumiputera	96,300	170,451	-	-	-	266,751	-	266,751
Purchase of shares pursuant to Executives' Share Scheme ("ESS")^	-	-	-	(10,477)	-	(10,477)	-	(10,477)
Share-based payment under ESS	-	-	11,413	-	-	11,413	-	11,413
Transfer from retained earnings	-	-	78,385	-	(78,385)	-	-	-
Subscription of shares in AmPrivate Equity Sdn Bhd	-	-	-	-	-	-	87	87
Dividend paid	-	-	-	-	(175,073)	(175,073)	-	(175,073)
At 31 December 2009	3,014,185	2,537,372	1,474,751	(17,541)	2,333,132	9,341,899	196,785	9,538,684

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UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2010

Group	Attributable to Equity Holders of the Company							
	Non-Distributable				Distributable			
	Ordinary Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Shares Held In Trust for ESS RM'000	Retained Earnings RM'000	Total RM'000	Minority Interests RM'000	Total Equity RM'000
At 1 April 2010	3,014,185	2,537,372	1,546,801	(17,515)	2,556,870	9,637,713	206,274	9,843,987
Effect of adoption of FRS139	-	-	(46,303)	-	(167,961)	(214,264)	5,876	(208,388)
At 1 April 2010 (restated)	3,014,185	2,537,372	1,500,498	(17,515)	2,388,909	9,423,449	212,150	9,635,599
Profit for the period	-	-	-	-	1,026,466	1,026,466	38,280	1,064,746
Other comprehensive (loss)/income, net	-	-	(17,908)	-	-	(17,908)	2,663	(15,245)
Total comprehensive (loss)/income for the period	-	-	(17,908)	-	1,026,466	1,008,558	40,943	1,049,501
Purchase of shares pursuant to Executives' Share Scheme ("ESS") [^]	-	-	-	(31,496)	-	(31,496)	-	(31,496)
Share-based payment under ESS	-	-	26,496	-	-	26,496	-	26,496
ESS shares vested to employees of subsidiary	-	-	(108)	113	-	5	-	5
Transfer of ESS shares recharged difference on purchase price for shares vested	-	-	-	-	(14)	(14)	-	(14)
Transfer from retained earnings	-	-	31,770	-	(31,770)	-	-	-
Subscription of shares in AmPrivate Equity Sdn Bhd	-	-	-	-	-	-	4,880	4,880
Dividend paid	-	-	-	-	(464,184)	(464,184)	(8,100)	(472,284)
At 31 December 2010	3,014,185	2,537,372	1,540,748	(48,898)	2,919,407	9,962,814	249,873	10,212,687

[^] Represent the purchase of 2,574,800 of the Company's issued ordinary shares from the open market by a trustee appointed by the ESS committee at an average price of RM4.07 per share.

^{^^} Represent the purchase of 6,234,700 of the Company's issued ordinary shares from the open market by a trustee appointed by the ESS committee at an average price of RM5.05 per share.

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AMMB HOLDINGS BERHAD
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UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2010

Group	31.12.10	31.12.09
	RM'000	RM'000
Profit before taxation	1,439,590	1,067,852
Add adjustments for non-operating and non-cash items	198,250	469,987
Operating profit before working capital changes	1,637,840	1,537,839
Increase in operating assets	(9,400,087)	(8,396,396)
Increase in operating liabilities	5,251,841	3,134,620
Cash used in operations	(2,510,406)	(3,723,937)
Taxation paid	(149,301)	(44,095)
Net cash used in operating activities	(2,659,707)	(3,768,032)
Net cash generated from/(used in) investing activities	2,372,516	(550,853)
Net cash generated from financing activities	1,713,314	249,831
Net increase/(decrease) in cash and cash equivalents	1,426,123	(4,069,054)
Cash and cash equivalents at beginning of period	11,400,435	16,965,886
Cash and cash equivalents at end of period	<u>12,826,558</u>	<u>12,896,832</u>

For the purpose of the cash flow statements, cash and cash equivalents consist of cash and short-term funds, excluding deposits and monies held in trust, net of bank overdrafts. Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

Group	31.12.10	31.12.09
	RM'000	RM'000
Cash and short-term funds	13,090,279	13,093,618
Less: Cash and bank balances and deposits held in trust	(261,537)	(196,993)
	12,828,742	12,896,625
Effect of exchange rates changes	(2,184)	207
Cash and cash equivalents	<u>12,826,558</u>	<u>12,896,832</u>

The unaudited condensed financial statements should be read in conjunction with the Annual Financial Report for the year ended 31 March 2010

AMMB HOLDINGS BERHAD
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EXPLANATORY NOTES :

A1. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad and Financial Reporting Standard ("FRS") 134, Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB"). The financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the annual financial statements of the Group as at and for the year ended 31 March 2010.

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

The accounting policies and methods of computation applied in these condensed consolidated interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the year ended 31 March 2010 except for the adoption of the following FRSs, amendments to FRSs, IC Interpretations and Technical Release:

- FRS 4, Insurance Contracts
- FRS 7, Financial Instruments: Disclosures
- FRS 8, Operating Segments
- FRS 101, Presentation of Financial Statements (revised)
- FRS 123, Borrowing Costs (revised)
- FRS 139, Financial Instruments: Recognition and Measurement
- Amendments to FRS 1, First-time Adoption of Financial Reporting Standards and FRS 127, Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendments to FRS 2, Share-based Payment: Vesting Conditions and Cancellations
- Amendments to FRS 132, Financial Instruments: Presentation and FRS 101, Presentation of Financial Statements
 - Puttable Financial Instruments and Obligations Arising on Liquidation
 - Separation of Compound Instruments
- Amendments to FRS 132, Financial Instruments: Presentation – Classification of Rights Issues
- Amendments to FRS 139, Financial Instruments: Recognition and Measurement, FRS 7, Financial Instruments:
 - Disclosures and IC Interpretation 9, Reassessment of Embedded Derivatives
 - Reclassification of Financial Assets
 - Puttable Financial Instruments and Obligations Arising on Liquidation
- Amendments to FRS 139, Financial Instruments: Recognition and Measurement
 - Collective Assessment of Impairment for Banking Institutions
- Improvements to FRSs (2009)
- IC Interpretation 9, Reassessment of Embedded Derivatives
- IC Interpretation 10, Interim Financial Reporting and Impairment
- IC Interpretation 11, FRS 2 - Group and Treasury Share Transactions
- IC Interpretation 13, Customer Loyalty Programmes
- IC Interpretation 14, FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction
- TR i – 3, Presentation of Financial Statements of Islamic Financial Institutions

The effects of adopting FRS 4, FRS 7, FRS 8, FRS 101, Amendments to FRS 117 and IC Interpretation 13, which did not have any significant effect on the financial performance or position of the Group and did not impact earnings per ordinary share, are discussed below:

FRS 4, Insurance Contracts

FRS 4 specifies the financial reporting requirements for insurance contracts by any entity that issues such contracts (insurers). In particular, it requires disclosures that identify and explain the amounts in an insurer's financial statements arising from insurance contracts and helps users of those financial statements understand the amount, timing and uncertainty of future cash flows from insurance contracts. The adoption of FRS 4 did not have any significant impact on the financial statements of the Group other than expanded disclosure requirements. Certain disclosure and comparative figures have been restated to comply with FRS 4.

A1. BASIS OF PREPARATION (CONTD.)

FRS 7, Financial Instruments: Disclosures

Prior to 1 January 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132, Financial Instruments: Disclosure and Presentation. FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk, market risk and sensitivity analysis to market risk.

The Group has applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures have not been applied to the comparatives. The adoption of FRS 7 did not impact the financial position or results of the Group.

FRS 8, Operating Segments

FRS 8 requires an entity to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, financial information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments disclosure in the financial statements. The application of FRS 8 did not have any impact to the financial statements of the Group.

FRS 101, Presentation of Financial Statements

FRS 101 requires the Group to present all owner changes in equity and all non-owner changes to be presented in either a single statement of comprehensive income or in two separate statements of income and comprehensive income. FRS 101 also requires the income tax effect of each component of comprehensive income be disclosed. FRS 101 requires retrospective restatement of comparative statement of financial position as at the beginning of the earliest comparative period. The Group has opted for the two statements approach. The adoption of FRS 101 did not impact the financial position or results of the Group as the changes introduced are presentational in nature.

FRS 117, Leases

The amendments to FRS 117 require leasehold land which are in substance finance leases to be classified as Property and Equipment or Investment Property as appropriate. The Group has reassessed and determined that all leasehold land of the Group which in substance are finance leases and has reclassified the leasehold land to Property and Equipment. The change in accounting policy has been applied retrospectively in accordance with the transitional provisions of the amendment. The reclassification does not affect earnings per ordinary share for the current and prior periods.

IC Interpretation 13, Customer Loyalty Programmes

IC Interpretation 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple element arrangement. The consideration receivable from the customer is allocated between the components of the arrangement using fair values.

The Group's AmBonus Rewards Program, operated for the benefit of the Group's credit card customers, falls within the scope of IC Interpretation 13. Under the AmBonus Rewards Program, the credit card customers are entitled to bonus points that can be used to redeem gifts and vouchers. The accounting treatment adopted by the Group for customer loyalty programmes is consistent with IC Interpretation 13, except that the Group recorded the expense of the AmBonus points as a set off against interest income in the past. The Group has applied IC Interpretation 13 retrospectively in accordance with the transitional provisions of IC Interpretation 13 and has reclassified the expense of the AmBonus points from interest income to fee income to reflect the multiple element arrangement. The reclassification does not affect earnings per ordinary share for the current and prior periods.

The principal effects of the changes in accounting policies arising from the adoption of FRS 139 and its related amendments and IC Interpretations are disclosed in Note A31.

The adoption of the other FRSs, amendments to FRSs, IC Interpretations and Technical Release did not have any material financial impact on the financial statements of the Group.

At the date of authorisation of these condensed consolidated interim financial statements, the following revised FRSs, new IC Interpretations and Amendments to certain FRSs and IC Interpretations have been issued by the MASB but are not yet effective for, and have not been applied by, the Group:

A1. BASIS OF PREPARATION (CONTD.)

FRSs, IC Interpretations and amendments effective for annual periods beginning on or after 1 July 2010:

- FRS 1, First-time Adoption of Financial Reporting Standards (revised)
- FRS 3, Business Combinations (revised)
- FRS 127, Consolidated and Separate Financial Statements (revised)
- Amendments to FRS 2, Share-based Payment
- Amendments to FRS 5, Non-current Assets Held for Sale and Discontinued Operations
- Amendments to FRS 138, Intangible Assets
- Amendments to IC Interpretation 9, Reassessment of Embedded Derivatives
- IC Interpretation 12, Service Concession Arrangements
- IC Interpretation 15, Agreements for the Construction of Real Estate
- IC Interpretation 16, Hedges of a Net Investment in a Foreign Operation
- IC Interpretation 17, Distributions of Non-cash Assets to Owners

Technical Release effective for annual periods ending on or after 31 December 2010:

- TR 3, Guidance on Disclosures of Transition to IFRSs

FRSs, IC Interpretations and amendments effective for annual periods beginning on or after 1 January 2011:

- Amendments to FRS 1, First-time Adoption of Financial Reporting Standards
 - Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
 - Additional Exemptions for First-time Adopters
- Amendments to FRS 2, Share-based Payment – Group Cash-settled Share-based Payment Transactions
- Amendments to FRS 7, Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments
- IC Interpretation 4, Determining whether an Arrangement contains a Lease
- IC Interpretation 18, Transfers of Assets from Customers
- TR i – 4, Shariah Compliant Sale Contracts
- Improvements to FRSs (2010)

FRSs, IC Interpretations and amendments effective for annual periods beginning on or after 1 July 2011:

- IC Interpretation 19, Extinguishing Financial Liabilities with Equity Instruments
- Amendment to IC Interpretation 14, Prepayments of a Minimum Funding Requirement

FRSs, IC Interpretations and amendments effective for annual periods beginning on or after 1 January 2012

- Amendment to IC Interpretation 15, Agreements for the Construction of Real Estate
- FRS 124, Related Party Disclosures

A2. AUDIT QUALIFICATION

There were no audit qualification in the annual financial statements for the year ended 31 March 2010.

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.

A4. UNUSUAL ITEMS

There were no unusual items during the current financial quarter.

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 period ended 31 December 2010.

A6. ISSUANCE, CANCELLATION, REPURCHASE, RESALE AND REPAYMENT OF DEBT AND EQUITY SECURITIES

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

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.

A7. DIVIDENDS PAID

During the financial period ended 31 December 2010, a first and final dividend comprising gross dividend of 4.4% less tax and single tier tax exempt dividend of 6.1% for the financial year ended 31 March 2010 amounting to RM283,333,355 was paid on 24 September 2010 to shareholders whose names appear in the record of Depositors on 9 September 2010.

An interim single tier dividend of 6.0% for the financial year ending 31 March 2011 amounting to RM180,851,091 was paid on 15 December 2010 to shareholders whose names appear in the record of Depositors on 30 November 2010.

A8. FINANCIAL ASSETS HELD-FOR-TRADING

	Group	
	31.12.10 RM'000	31.03.10 RM'000
At Fair Value		
Money Market Securities:		
Treasury bills	50,039	19,551
Islamic Treasury bills	426	39,141
Malaysian Government Securities	96,420	154,746
Malaysian Government Investment Certificates	191,001	452,188
Bank Negara Malaysia Monetary Notes	4,729,576	306,008
Sukuk Bank Negara Malaysia	-	14,990
	<u>5,067,462</u>	<u>986,624</u>
Quoted Securities:		
In Malaysia:		
Shares	203,320	86,852
Warrants	2,705	1,934
Trust units	93,095	5,303
Outside Malaysia:		
Shares	34,519	4,239
Trust units	1,712	-
	<u>335,351</u>	<u>98,328</u>
Unquoted Guaranteed Private Debt Securities		
In Malaysia:		
Corporate bonds	51,698	-
Unquoted Private Debt Securities:		
In Malaysia:		
Corporate bonds	223,941	-
Corporate notes	676,220	191,407
Islamic corporate bonds	268,902	100,441
Islamic corporate notes	458,487	322,009
Outside Malaysia:		
Corporate bonds	18,092	14,632
	<u>1,645,642</u>	<u>628,489</u>
Total	<u>7,100,153</u>	<u>1,713,441</u>

A9. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Group	
	31.12.10 RM'000	31.03.10 RM'000
At Fair Value, or cost less impairment losses for certain unquoted securities		
Money Market Securities:		
Malaysian Government Securities	360,092	427,258
Malaysian Government Investment Certificates	75,945	76,005
Negotiable instruments of deposits	742,204	2,579,057
Negotiable Islamic debt certificates	789,720	577,330
Islamic khazanah bonds	-	37,890
	<u>1,967,961</u>	<u>3,697,540</u>
Quoted Securities:		
In Malaysia:		
Shares	197,657	136,378
Trust units	1,024,091	1,149,180
Outside Malaysia:		
Shares	28,008	21,847
Trust units	-	1,754
	<u>1,249,756</u>	<u>1,309,159</u>
Unquoted Securities:		
In Malaysia:		
Shares	138,908	21,476
Outside Malaysia:		
Shares	20,897	17,848
	<u>159,805</u>	<u>39,324</u>
Quoted Debt Equity Converted Securities:		
In Malaysia:		
Shares	7,837	14,380
Loan stocks	-	2,326
Loan stocks - collateralised	32,503	-
Corporate bonds - collateralised	33,612	332
Outside Malaysia:		
Shares	95	104
	<u>74,047</u>	<u>17,142</u>

A9. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE (CONTD.)

	Group	
	31.12.10 RM'000	31.03.10 RM'000
Unquoted Debt Equity Converted Securities:		
In Malaysia:		
Loan stocks	58,696	-
Unquoted Private Debt Securities:		
In Malaysia:		
Corporate bonds	990,374	929,520
Islamic corporate bonds	591,957	785,785
Corporate notes	307,246	166,319
Islamic corporate notes	1,432,079	1,699,005
Outside Malaysia:		
Corporate bonds	2,539	7,941
Islamic corporate bonds	23,693	16,943
	<u>3,347,888</u>	<u>3,605,513</u>
Unquoted Guaranteed Private Debt Securities:		
In Malaysia:		
Corporate bonds	200,105	342,452
Islamic corporate bonds	64,966	82,726
	<u>265,071</u>	<u>425,178</u>
Total	<u>7,123,224</u>	<u>9,093,856</u>

AmBank (M) Berhad and AmIslamic Bank Berhad, the wholly owned subsidiaries of the Company, were appointed Principal Dealer ("PD") and Islamic Principal Dealer ("i-PD") respectively by Bank Negara Malaysia ("BNM") for Government/Islamic Government, BNM and BNM Sukuk Berhad issuances with effect from 1 July 2009 until 31 December 2012.

As PD and i-PD, the Group is required to undertake certain obligations as well as accorded certain incentives in the appointment period. One of the incentives accorded is the eligibility to maintain 1% Statutory Reserve Requirement ("SRR") in the form of Malaysian Government Securities ("MGS") and/or Government Investment Issues ("GII") holdings instead of cash. As at 31 December 2010, the nominal values of MGS and GII holdings maintained for SRR purpose amounting to RM425,260,000 for the Group.

A10. FINANCIAL INVESTMENTS HELD-TO-MATURITY

	Group	
	31.12.10 RM'000	31.03.10 RM'000
Quoted Securities:		
In Malaysia:		
Shares	-	2
Unquoted Securities:		
In Malaysia:		
Shares	-	103,118
Corporate bonds	959	100
Outside Malaysia:		
Shares	-	2,247
	<u>959</u>	<u>105,465</u>
Quoted Debt Equity Converted Securities:		
In Malaysia:		
Shares	-	40
Loan stocks - collateralised	-	41,915
Corporate bonds - collateralised	-	33,172
	<u>-</u>	<u>75,127</u>

A10. FINANCIAL INVESTMENTS HELD-TO-MATURITY (CONTD.)

	Group	
	31.12.10 RM'000	31.03.10 RM'000
Unquoted Debt Equity Converted Securities:		
In Malaysia:		
Shares	-	3,027
Loan stocks	-	41,419
Loan stocks - collateralised	971	314,279
Corporate bonds - collateralised	268,856	149,200
Corporate bonds	76,538	45,300
	<u>346,365</u>	<u>553,225</u>
Unquoted Private Debt Securities:		
In Malaysia:		
Corporate bonds and notes denominated in USD	-	4,961
Corporate notes	-	30,370
Islamic corporate bonds	29,879	139,435
	<u>29,879</u>	<u>174,766</u>
Unquoted Guaranteed Private Debt Securities:		
In Malaysia:		
Corporate bonds	10,000	10,000
	<u>387,203</u>	<u>918,585</u>
Accumulated impairment losses	(203,482)	(355,842)
Total	<u>183,721</u>	<u>562,743</u>

A11. LOANS, ADVANCES AND FINANCING

	Group	
	31.12.10 RM'000	31.03.10 RM'000
Loans and financing:		
Term loans and revolving credit	28,527,147	23,874,032
Housing loans	12,321,063	11,750,125
Staff loans	168,972	167,526
Hire-purchase receivables	30,600,531	30,875,449
Credit card receivables	1,814,243	1,782,020
Lease receivables	555	1,142
Overdrafts	2,061,378	1,934,446
Claims on customers under acceptance credits	2,849,388	2,788,014
Trust receipts	623,821	387,309
Block discount receivables	59,436	57,928
Factoring receivables	62,962	57,143
Bills receivable	319,043	115,140
	<u>79,408,539</u>	<u>73,790,274</u>
Unearned interest and income	(7,533,745)	(7,161,411)
	<u>71,874,794</u>	<u>66,628,863</u>
Islamic financing sold to Cagamas Berhad	(1,581,721)	(345,738)
Gross loans, advances and financing	<u>70,293,073</u>	<u>66,283,125</u>
Allowance for impairment on loans and financing:		
Collective allowance	(2,016,779)	-
Individual allowance	(329,016)	-
General allowance	-	(1,003,472)
Specific allowance	-	(853,733)
	<u>(2,345,795)</u>	<u>(1,857,205)</u>
Net loans, advances and financing	<u>67,947,278</u>	<u>64,425,920</u>

* Included in term loans and revolving credit of the Group as at 31 December 2010 are loans amounting to RM200,469,000 (31 March 2010: RM210,618,521) which are exempted from collective allowance by Bank Negara Malaysia.

A11. LOANS, ADVANCES AND FINANCING (CONTD.)

(a) The maturity structure of loans, advances and financing is as follows:

	Group	
	31.12.10 RM'000	31.03.10 RM'000
Maturing within one year	14,676,497	11,784,629
One to three years	7,686,701	6,874,762
Three to five years	11,190,963	11,204,955
Over five years	36,738,912	36,418,779
	<u>70,293,073</u>	<u>66,283,125</u>

(b) Loans, advances and financing analysed by sectors are as follows:

	Group	
	31.12.10 RM'000	31.03.10 RM'000
Agriculture	1,613,220	1,542,566
Mining and quarrying	469,020	441,170
Manufacturing	6,061,471	4,967,276
Electricity, gas and water	2,206,598	2,292,627
Construction	3,429,490	3,759,983
Wholesale, retail, restaurant and hotel	3,718,991	3,594,540
Transport, storage and communication	2,748,845	3,012,306
Finance, insurance, real estate and business activities	7,828,999	5,413,606
Education and health	883,491	820,596
Investment holdings	46,657	951
Household	41,577,001	39,877,713
of which:		
Purchase of residential properties	11,714,054	11,372,657
Purchase of transport vehicles	23,588,823	23,504,635
Others	6,274,124	5,000,421
Others	1,291,011	905,529
	<u>71,874,794</u>	<u>66,628,863</u>
Islamic financing sold to Cagamas Berhad	(1,581,721)	(345,738)
	<u>70,293,073</u>	<u>66,283,125</u>

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

	Group	
	31.12.10 RM'000	31.03.10 RM'000
Domestic:		
Other non-bank financial institutions	2,882,004	1,315,435
Business enterprises:		
Small and medium enterprises	8,420,454	7,221,486
Others	18,221,584	17,484,714
Government and statutory bodies	291,251	253,528
Individuals	40,014,312	39,479,665
Other domestic entities	12,993	3,021
Foreign entities	450,475	525,276
	<u>70,293,073</u>	<u>66,283,125</u>

A11. LOANS, ADVANCES AND FINANCING (CONTD.)

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

	Group	
	31.12.10 RM'000	31.03.10 RM'000
Variable rate:		
Base lending rate plus	19,441,651	17,433,703
Cost plus	13,482,196	10,548,022
Other variable rates	1,696,536	1,323,736
	<u>34,620,383</u>	<u>29,305,461</u>
Fixed rate:		
Housing loans/financing	1,996,356	2,019,245
Hire purchase receivables	23,730,988	25,478,064
Other loans/financing	9,945,346	9,480,355
	<u>35,672,690</u>	<u>36,977,664</u>
	<u>70,293,073</u>	<u>66,283,125</u>

(e) Loans, advances and financing analysed by geographical distribution as follows:

	Group	
	31.12.10 RM'000	31.03.10 RM'000
Domestic	69,581,900	65,705,171
Offshore	711,173	577,954
	<u>70,293,073</u>	<u>66,283,125</u>

A11. LOANS, ADVANCES AND FINANCING (CONTD.)

(f) Movements in impaired loans, advances and financing are as follows:

	Group	
	31.12.10 RM'000	31.03.10 RM'000
Gross		
Balance at beginning of period/year	1,865,758	2,426,458
Effect of adopting FRS139	673,015	-
Balance at beginning of period/year (restated)	2,538,773	2,426,458
Impaired during the period/year	1,118,317	1,030,338
Reclassification to non-impaired loans and financing	(347,405)	(452,389)
Recoveries	(293,790)	(198,611)
Amount written-off	(610,560)	(940,038)
Repurchase of loans	4,117	-
Balance at end of period/year	2,409,452	1,865,758
 Ratios of impaired loans, advances and financing to total loans, advances and financing (including Islamic financing sold to Cagamas Berhad)	3.4%	2.8%
 Loan loss coverage excluding collateral values	97.4%	99.5%

(g) Impaired loans, advances and financing analysed by sectors are as follows:

	Group	
	31.12.10 RM'000	31.03.10 RM'000
Agriculture	35,822	2,747
Mining and quarrying	447	1,028
Manufacturing	280,003	101,638
Electricity, gas and water	287,010	649
Construction	274,396	296,615
Wholesale, retail, restaurant and hotel	76,973	63,010
Transport, storage and communication	11,742	19,278
Fin, real estate, ins and bus activities	129,228	124,633
Education and health	41,190	46,244
Household	1,262,119	1,194,188
of which:		
Purchase of residential properties	694,929	634,064
Purchase of transport vehicles	365,934	399,828
Others	201,256	160,296
Others	10,522	15,728
	2,409,452	1,865,758

(h) Impaired loans, advances and financing analysed by geographical distribution

	Group	
	31.12.10 RM'000	31.03.10 RM'000
Domestic	2,409,452	1,865,758

A11. LOANS, ADVANCES AND FINANCING (CONTD.)

(i) Movements in allowances for impaired loans, advances and financing are as follows:

	Group	
	31.12.10 RM'000	31.03.10 RM'000
Collective allowance		
Balance at beginning of period/year	-	-
Effect of adopting FRS 139	1,803,552	-
Balance at beginning of period/year (restated)	<u>1,803,552</u>	-
Allowance made during the period/year, net	618,142	-
Amount written off	(408,665)	-
Repurchase of loans	4,117	-
Exchange fluctuation adjustments	(367)	-
Balance at end of period/year	<u>2,016,779</u>	-
% of total loans, advances and financing (including Islamic financing sold to Cagamas Berhad) less individual allowance	<u>2.8%</u>	-
Individual allowance		
Balance at beginning of period/year	-	-
Effect of adopting FRS 139	458,225	-
Balance at beginning of period/year (restated)	<u>458,225</u>	-
Allowance made during the period/year, net	73,798	-
Amount written off	(203,007)	-
Balance at end of period/year	<u>329,016</u>	-
General allowance		
Balance at beginning of period/year	1,003,472	899,517
Effect of adopting FRS 139	(1,003,472)	-
Balance at beginning of period/year (restated)	-	899,517
Allowance made during the period/year	-	104,924
Exchange fluctuation adjustments	-	(969)
Balance at end of period/year	<u>-</u>	<u>1,003,472</u>
% of total loans, advances and financing (including Islamic financing sold to Cagamas Berhad) less specific allowances	<u>-</u>	<u>1.53%</u>
Specific allowance		
Balance at beginning of period/year	853,733	921,611
Effect of adopting FRS 139	(853,733)	-
Balance at beginning of period/year (restated)	-	921,611
Allowance made during the period/year	-	1,205,040
Amount written back in respect of recoveries and reversals	-	(336,980)
Adjustment to deferred asset account	-	588
Amount written off	-	(936,526)
Balance at end of period/year	<u>-</u>	<u>853,733</u>

A12. OTHER ASSETS

	Group	
	31.12.10 RM'000	31.03.10 RM'000
Trade receivables, net of allowance for doubtful debts	766,482	864,046
Other receivables, deposits and prepayments, net of allowance for doubtful debts	655,634	571,737
Interest receivables on treasury assets, net of allowance for doubtful debts	249,705	278,917
Fee receivables, net of allowance for doubtful debts	42,239	40,261
Amount due from Originators	20,526	22,793
Amount due from agents, brokers and reinsurers, net of allowance	45,959	24,553
Foreclosed properties, net of allowance for impairment in value	127,500	151,922
Deferred assets	34,744	34,744
	<u>1,942,789</u>	<u>1,988,973</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. STATUTORY DEPOSIT WITH BANK NEGARA MALAYSIA

The non-interest bearing statutory deposits pertaining to investment banking, commercial and Islamic banking subsidiaries are maintained with Bank Negara Malaysia in compliance with Section 37(1)(c) of the Central Bank of Malaysia Act, 1958 (revised 1994), the amounts of which are determined as a set percentage of total eligible liabilities.

A14. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group	
	31.12.10 RM'000	31.03.10 RM'000
Deposits from:		
Licensed banks	2,959,839	411,440
Licensed investment banks	458,887	512,060
Bank Negara Malaysia	1,657,127	902,577
Other financial institutions	1,006,164	2,489,199
	<u>6,082,017</u>	<u>4,315,276</u>

A15. DEPOSITS FROM CUSTOMERS

	Group	
	31.12.10 RM'000	31.03.10 RM'000
Term/Investment deposits	60,420,619	59,883,117
Savings deposits	4,130,689	3,985,055
Current deposits	5,409,558	4,386,833
Negotiable instruments of deposits	263,491	447,757
Other deposits	464,484	171,350
	<u>70,688,841</u>	<u>68,874,112</u>
Business enterprises	26,022,454	29,588,517
Individuals	28,473,902	26,828,735
Government and statutory bodies	14,946,273	11,240,282
Others	1,246,212	1,216,578
	<u>70,688,841</u>	<u>68,874,112</u>

A16. OTHER LIABILITIES

	Group	
	31.12.10 RM'000	31.03.10 RM'000
Trade payables	785,215	766,418
Other payables and accruals	1,896,648	1,706,879
Interest payable on deposits and borrowings	600,474	539,841
Lease deposits and advance rentals	61,624	64,720
General insurance funds	267,564	252,675
Provision for commitments and contingencies	141,193	21,916
Profit equalisation reserve	18,400	49,298
Tax payable	430,310	76,204
	4,201,428	3,477,951

A17. INTEREST INCOME

Group	Individual Quarter		Cumulative Quarter	
	31.12.10 RM'000	31.12.09 RM'000	31.12.10 RM'000	31.12.09 RM'000
Short-term funds and deposits with financial institutions	60,276	48,924	173,980	155,191
Financial assets held-for-trading	28,551	12,121	67,619	33,790
Financial investments available-for-sale	47,735	67,980	207,811	204,047
Financial investments held-to-maturity	954	4,894	14,400	18,661
Loans, advances and financing	875,857	789,143	2,525,077	2,278,598
Interest income on impaired loans	3,019	-	12,588	-
Others	2,348	592	6,124	1,598
	1,018,740	923,654	3,007,599	2,691,885

A18. INTEREST EXPENSE

Group	Individual Quarter		Cumulative Quarter	
	31.12.10 RM'000	31.12.09 RM'000	31.12.10 RM'000	31.12.09 RM'000
Deposits from customers	372,174	294,132	1,054,577	963,216
Deposit of banks and other financial institutions	14,994	36,998	54,845	87,089
Senior notes	40,203	-	104,667	-
Credit-Linked Note	2,507	-	5,535	-
Amount due to Cagamas Berhad	8,525	1,080	9,294	3,338
Bank borrowings:				
Term loans	3,438	2,904	9,912	8,040
Subordinated deposits and term loans	6,542	6,502	19,536	24,839
Interest on bonds	5,536	6,536	17,922	29,302
Medium term notes	22,255	21,177	66,523	62,625
Net Interest rate swap expense	13,299	30,950	57,437	79,951
Hybrid securities	20,223	16,545	61,101	49,754
Others	2,579	651	5,546	2,806
	512,275	417,475	1,466,895	1,310,960

A19. NET INCOME FROM INSURANCE BUSINESS

Group	Individual Quarter		Cumulative Quarter	
	31.12.10 RM'000	31.12.09 RM'000	31.12.10 RM'000	31.12.09 RM'000
Income from Insurance Business:				
Premium income from general insurance business	138,324	125,420	405,574	367,456
Surplus transfer from the life insurance business	12,000	12,000	52,800	24,000
	<u>150,324</u>	<u>137,420</u>	<u>458,374</u>	<u>391,456</u>
Insurance Claims and Commissions:				
Insurance commission	14,199	12,728	41,552	36,925
General insurance claims	95,424	85,661	280,765	261,655
	<u>109,623</u>	<u>98,389</u>	<u>322,317</u>	<u>298,580</u>
Total income from insurance business, net	<u>40,701</u>	<u>39,031</u>	<u>136,057</u>	<u>92,876</u>

A20. OTHER OPERATING INCOME

Group	Individual Quarter		Cumulative Quarter	
	31.12.10 RM'000	31.12.09 RM'000	31.12.10 RM'000	31.12.09 RM'000
Fee income:				
Fees on loans, financing and securities	38,094	46,702	153,405	129,769
Corporate advisory	8,429	6,621	25,877	17,807
Guarantee fees	10,756	9,189	28,710	29,177
Underwriting commissions	5,604	6,942	16,465	8,391
Portfolio management fees	3,213	4,219	10,181	10,722
Unit trust management fees	17,839	16,422	53,408	41,852
Brokerage rebates	168	46	400	235
Property trust management fees	1,169	1,302	3,743	3,890
Brokerage fees and commissions	30,157	24,020	82,899	90,987
Bancassurance commission	7,735	7,801	24,407	26,302
Net income from asset securitisation	89	178	559	629
Other fee income	17,097	24,121	53,635	56,153
	<u>140,350</u>	<u>147,563</u>	<u>453,689</u>	<u>415,914</u>
Investment and trading income:				
Net gain from sale of financial assets held-for-trading	21,574	7,263	57,054	38,261
Net gain from sale of financial investments available-for-sale	13,613	9,726	54,525	30,676
Net gain on redemption of financial investments held-to-maturity	1,064	11,824	6,143	29,395
Gain/(Loss) on revaluation for financial assets held-for-trading	(10,497)	1,050	19,298	7,912
Foreign exchange ¹	13,953	9,304	49,980	26,415
Gain/(Loss) on redemption of structured product	159	1	135	(4)
(Loss)/Gain on derivatives	20,361	8,750	(2)	21,287
Gain on revaluation of fair value hedge ²	860	1,754	780	1,232
Gross dividend income from:				
Financial assets held-for-trading	1,914	423	5,739	2,599
Financial investments available-for-sale	9,626	8,364	27,131	21,812
Financial investments held-to-maturity	-	2,710	2,902	6,812
	<u>72,627</u>	<u>61,169</u>	<u>223,685</u>	<u>186,397</u>

A20. OTHER OPERATING INCOME (CONTD.)

Group	Individual Quarter		Cumulative Quarter	
	31.12.10 RM'000	31.12.09 RM'000	31.12.10 RM'000	31.12.09 RM'000
Other income:				
Non-trading foreign exchange	1,440	609	3,006	2,957
Gain on disposal of property and equipment, net	271	216	662	521
Rental income	940	1,854	2,862	3,956
Other operating income	2,207	1,572	6,147	5,541
	<u>4,858</u>	<u>4,251</u>	<u>12,677</u>	<u>12,975</u>
	<u>217,835</u>	<u>212,983</u>	<u>690,051</u>	<u>615,286</u>

¹ Foreign exchange income includes gains and losses from spot and forward contracts and other currency derivatives.

² Arising from changes in fair value of interest rate swap (hedging instrument) and Hybrid Capital (hedged item) relating to the hedged risk.

A21. OTHER OPERATING EXPENSES

Group	Individual Quarter		Cumulative Quarter	
	31.12.10 RM'000	31.12.09 RM'000	31.12.10 RM'000	31.12.09 RM'000
Personnel/Staff costs:				
Salaries, allowances and bonuses	172,765	183,340	527,623	498,442
Shares/options granted under Group Executives' Share Scheme	8,774	4,328	26,511	11,927
Others	50,613	48,810	148,035	140,482
	<u>232,152</u>	<u>236,478</u>	<u>702,169</u>	<u>650,851</u>
Establishment costs:				
Depreciation	13,795	13,744	40,505	41,849
Amortisation of computer software	9,567	7,781	24,252	22,505
Computerisation costs	33,880	26,040	97,310	74,708
Rental	21,193	20,675	63,444	60,674
Cleaning and maintenance	6,176	5,202	17,064	15,730
Others	6,697	8,261	20,069	23,560
	<u>91,308</u>	<u>81,703</u>	<u>262,644</u>	<u>239,026</u>
Marketing and communication expenses:				
Sales commission	4,029	5,087	12,800	17,788
Advertising, promotional and other marketing activities	16,443	12,783	40,818	43,119
Telephone charges	3,806	4,399	12,914	13,760
Postage	3,115	2,631	7,849	5,858
Travel and entertainment	4,224	3,836	12,093	10,800
Others	5,718	5,660	16,632	16,683
	<u>37,335</u>	<u>34,396</u>	<u>103,106</u>	<u>108,008</u>
Administration and general:				
Professional services	27,112	31,781	62,505	62,039
Donations	239	94	277	127
Administration and management expenses	127	626	532	1,060
Others	11,869	11,341	34,656	28,830
	<u>39,347</u>	<u>43,842</u>	<u>97,970</u>	<u>92,056</u>
	<u>400,142</u>	<u>396,419</u>	<u>1,165,889</u>	<u>1,089,941</u>

A22. ALLOWANCE FOR IMPAIRMENT ON LOANS AND FINANCING

Group	Individual Quarter		Cumulative Quarter	
	31.12.10 RM'000	31.12.09 RM'000	31.12.10 RM'000	31.12.09 RM'000
Allowance for bad and doubtful debts and financing:				
Individual allowance, net	37,308	-	73,798	-
Collective allowance	220,276	-	618,142	-
Specific allowance:				
Allowance during the period	-	308,900	-	912,856
Amount written back in respect of recoveries and reversals	-	(93,841)	-	(253,409)
General allowance	-	43,619	-	90,209
Recovery on loans sold to Danaharta	(2,025)	(4,430)	(2,025)	(4,430)
Bad debts and financing:				
Written off	-	-	36	-
Recovered	(90,230)	(112,734)	(328,691)	(324,796)
	<u>165,329</u>	<u>141,514</u>	<u>361,260</u>	<u>420,430</u>

A23. BUSINESS SEGMENT ANALYSIS

Group	Retail Banking	Business Banking	Investment Banking	Corporate and Institutional Banking	Insurance	Treasury and Markets	Group Functions and Others	Total
31.12.2010	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	1,998,041	468,084	259,329	905,652	754,087	295,507	621,481	5,302,181
Income	1,391,400	366,062	256,731	278,438	189,998	254,589	214,162	2,951,380
Expenses	(536,249)	(76,430)	(134,158)	(70,409)	(64,213)	(48,632)	(235,798)	(1,165,889)
Profit/(Loss) before provisions	855,151	289,632	122,573	208,029	125,785	205,957	(21,636)	1,785,491
Provisions	(254,956)	(91,576)	(1,066)	(8,435)	1,365	(4,742)	13,509	(345,901)
Profit/(Loss) after provisions	600,195	198,056	121,507	199,594	127,150	201,215	(8,127)	1,439,590
Taxation and zakat	(150,085)	(49,269)	(31,046)	(46,121)	(29,396)	(49,965)	(18,961)	(374,844)
Net profit/(Loss) for the period	450,110	148,787	90,461	153,473	97,754	151,250	(27,088)	1,064,746

Other information:

Cost to income ratio	38.5%	20.9%	52.3%	25.3%	33.8%	19.1%	110.1%	39.5%
Gross loans/ financing	45,062,186	13,762,118	501,097	11,612,138	3,172	-	(647,638)	70,293,073
Net loans/ financing	43,837,535	13,570,744	487,891	11,519,326	3,172	-	(1,471,390)	67,947,278
Gross impaired loans, advances and financing	1,384,104	222,631	5,954	-	-	-	796,763	2,409,452
Total deposits	33,422,266	6,802,752	133,448	31,341,700	-	295,994	4,774,698	76,770,858

A23. BUSINESS SEGMENT ANALYSIS (CONTD.)

Group	Retail Banking	Business Banking	Investment Banking	Corporate and Institutional Banking	Insurance	Treasury and Markets	Group Functions and Others	Total
31.12.2009	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	1,911,290	362,785	260,754	786,230	757,292	243,154	548,043	4,869,548
Income	1,356,989	273,475	259,688	249,158	128,916	190,321	211,441	2,669,988
Expenses	(520,630)	(65,505)	(116,006)	(61,830)	(59,148)	(34,139)	(232,683)	(1,089,941)
Profit/(Loss) before provisions	836,359	207,970	143,682	187,328	69,768	156,182	(21,242)	1,580,047
Provisions	(303,345)	(40,077)	(4,130)	(23,909)	247	(34,153)	(106,828)	(512,195)
Profit/(Loss) after provisions	533,014	167,893	139,552	163,419	70,015	122,029	(128,070)	1,067,852
Taxation and zakat	(133,682)	(41,987)	(35,364)	(38,598)	(13,316)	(33,440)	20,005	(276,382)
Net profit/(Loss) for the period	399,332	125,906	104,188	124,821	56,699	88,589	(108,065)	791,470

Other information

Cost to income ratio	38.4%	24.0%	44.7%	24.8%	45.9%	17.9%	110.0%	40.8%
Gross loans/ financing	44,364,464	10,819,690	318,643	9,850,950	3,807	-	588,120	65,945,674
Net loans/ financing	42,784,496	10,586,740	307,088	9,706,314	3,807	-	485,000	63,873,445
Gross impaired loans, advances and financing	2,033,983	133,499	6,989	-	-	-	469,891	2,644,362
Total deposits	29,577,240	7,510,673	117,792	33,894,759	-	3,482,940	(1,686,809)	72,896,595

The financial information by geographical segment is not presented as the Group's activities are principally conducted in Malaysia except for FIPL and its subsidiaries, AMCI, AmCapital (B) Sdn Bhd, AmSecurities (H.K.) Limited and AmTrade Services Limited, activities of which are principally conducted in Singapore, Indonesia, Brunei and Hong Kong respectively. These activities in Singapore, Indonesia, Brunei and Hong Kong are not significant in relation to the Group's activities in Malaysia.

A24. VALUATIONS OF PROPERTY AND EQUIPMENTS

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

A25. EVENTS SUBSEQUENT TO BALANCE SHEET DATE

There has not arisen in the interval between the end of the reporting period 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 other than as disclosed in Note B8.

A26. 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.

A27. COMMITMENTS AND CONTINGENCIES

In the normal course of business, AmInvestment Bank Berhad, AmBank (M) Berhad, AmIslamic Bank Berhad and AmInternational (L) Ltd, 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 other than those where provision had been made in the financial statements. The commitments and contingencies are not secured against the Group's assets.

As at 31 December 2010, the commitments and contingencies on an aggregated basis are as follows:

Group	31.12.10			31.03.10		
	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
Commitments						
Irrevocable commitments to extend credit maturing:						
within one year	16,795,103	-	-	13,408,721	-	-
more than one year	4,450,133	1,316,024	1,007,252	1,954,602	422,678	346,698
Unutilised credit card line	3,796,117	758,751	567,238	4,192,748	838,550	627,089
Forward purchase commitments	62,417	2,960	100	912,542	28,996	14,880
	<u>25,103,770</u>	<u>2,077,735</u>	<u>1,574,590</u>	<u>20,468,613</u>	<u>1,290,224</u>	<u>988,667</u>
Contingent Liabilities						
Guarantees given on behalf of customers	2,553,219	2,448,263	2,225,360	2,455,921	2,396,791	2,181,702
Certain transaction-related contingent items	2,158,346	1,131,651	1,065,028	1,812,955	936,042	879,324
Obligations under underwriting agreements	521,325	-	-	696,115	-	-
Short term self liquidating trade-related contingencies	648,328	129,666	126,714	473,429	94,686	95,417
Islamic financing sold to Cagamas	1,507,062	1,507,062	1,137,179	335,852	335,852	253,809
Others	47,944	150	150	39,798	150	150
	<u>7,436,224</u>	<u>5,216,792</u>	<u>4,554,431</u>	<u>5,814,070</u>	<u>3,763,521</u>	<u>3,410,402</u>
Derivative Financial Instruments						
Interest rate related contracts:						
Interest rate futures	100,000	-	-	160,000	-	-
One year or less	-	-	-	60,000	-	-
Over one to five years	100,000	-	-	100,000	-	-
Over five years	-	-	-	-	-	-
Interest rate swaps	33,879,297	1,015,877	453,024	31,173,050	1,038,181	444,637
One year or less	5,485,000	20,159	8,374	4,240,000	15,660	7,722
Over one to five years	24,457,797	594,107	295,423	23,627,526	669,377	259,890
Over five years	3,936,500	401,611	149,227	3,305,524	353,144	177,025
Foreign exchange related contracts:						
Currency forward and options	13,226,913	172,162	128,082	3,742,457	55,880	30,701
One year or less	13,226,913	172,162	128,082	3,742,457	55,880	30,701
Over one to five years	-	-	-	-	-	-
Over five years	-	-	-	-	-	-
Credit related contracts:						
One year or less	335,125	1,153	577	-	-	-
Over one to five years	-	-	-	-	-	-
Over five years	335,125	1,153	577	-	-	-
Equity related contracts:						
Options	888,147	50,009	21,246	291,172	31,398	16,033
One year or less	144,808	8,193	1,639	-	-	-
Over one to five years	743,339	41,816	19,607	291,172	31,398	16,033
Over five years	-	-	-	-	-	-
Futures	27,017	-	-	28,173	-	-
One year or less	27,017	-	-	28,173	-	-
Over one to five years	-	-	-	-	-	-
Over five years	-	-	-	-	-	-
Contract For Difference	15,097	-	-	-	-	-
One year or less	-	-	-	-	-	-
Over one to five years	-	-	-	-	-	-
Over five years	15,097	-	-	-	-	-
Cross currency swaps						
One year or less	880,737	102,037	66,156	531,127	50,684	32,255
Over one to five years	12,768	1,302	755	49,631	1,854	927
Over five years	636,782	89,176	59,621	481,496	48,830	31,328
Over five years	231,187	11,559	5,780	-	-	-
Warrant						
One year or less	166,736	-	-	52,011	-	-
Over one to five years	161,009	-	-	30,521	-	-
Over five years	5,727	-	-	21,490	-	-
	<u>49,519,069</u>	<u>1,341,238</u>	<u>669,085</u>	<u>35,977,990</u>	<u>1,176,143</u>	<u>523,626</u>
	<u>82,059,063</u>	<u>8,635,765</u>	<u>6,798,106</u>	<u>62,260,673</u>	<u>6,229,888</u>	<u>4,922,695</u>

A27. COMMITMENTS AND CONTINGENCIES (CONT.)

As at 31 December 2010, other commitments and contingencies of the Group and of the Company are as follows:

- (a) The Company has given unsecured guarantee amounting to RM75,000,000 (RM75,000,000 as at 31 March 2010) on behalf of a subsidiary company for the payment and discharge of all moneys due on a trading account maintained by a customer with that subsidiary company.
- (b) The Company has given a continuing undertaking totalling SGD40,000,000 (31 March 2010: SGD40,000,000) to the Monetary Authority of Singapore on behalf of AmFraser Securities Pte Ltd to meet its liabilities and financial obligations and requirements.
- (c) AmBank has given a continuing guarantee to LFSA on behalf of AMIL, AmBank's offshore bank subsidiary, to meet all its liabilities and financial obligations and requirements.
- (d) The Company has given a guarantee to HSI Services Limited ("HSI") and Hang Seng Data Services Limited ("HSDS") on behalf of its subsidiary, AmLife Insurance Berhad ("AmLife"), for the performance and discharge by AmLife of its obligations under the licence agreement with HSI and HSDS for use of the Hang Seng China Enterprise Index in respect of AmLife's investment-linked product called AmAsia Link-Capital Guaranteed Fund.
- (e) A suit dated 12 December 2005 was filed by Meridian Asset Management Sdn Bhd ("Meridian") against AmTrustee Berhad ("AmTrustee") ("Meridian Suit"), a subsidiary of the Company 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 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 Suit"). 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.

AmTrustee had filed an application to dismiss Meridian's Suit on a point of law which was dismissed with costs on 17 January 2008. AmTrustee has since filed a Notice of Appeal to the Court of Appeal on 15 February 2008 and it was fixed for Hearing on 23 June 2010. The Appeal was dismissed with cost.

AmTrustee has also filed a stay of proceedings application of the Meridian's Suit due to Meridian's counter claim in the MAA action amounting to duplicity/abuse of process on 22 February 2008 which was dismissed with costs on 26 June 2008. AmTrustee has since filed a Notice of Appeal to the Court of Appeal on 25 July 2008. No hearing date has been fixed as yet.

Parties have filed several interim applications in the Meridian suit amongst which was application by Meridian to add another subsidiary of the Company, namely AmInvestment Bank Berhad as 2nd Defendant and also to increase the alleged loss and damage from RM27,606,169.65 to RM36,967,166.84 to include alleged 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. This application was fixed for hearing on 17 October 2008, and the court dismissed the application with cost. Meridian filed an appeal to the judge in Chambers against this Order and the same was heard on the 8 January 2009 and was fixed for decision on the 23 January 2009. The Learned Judge dismissed Meridian's application to add AmInvestment Bank Berhad as a Party to the Meridian's suit and allowed Meridian's claim to increase its claim against AmTrustee from RM27,606,169.65 to RM36,967,166.84.

No Appeal was lodged to the Court of Appeal by Meridian against the High Court's decision in dismissing its application to add AmInvestment Bank Berhad as a Party to its Suit. With the High Court decision dated 23 March 2009, in dismissing Meridian's application to add AmInvestment Bank as a party to its suit, and with no appeal lodged at the Court of Appeal, there is no litigation pending today against AmInvestment Bank Berhad by Meridian.

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. Exchange of pleadings has also been completed with Meridian.

It is to be noted that both the Meridian's Suit and MAA Suit were ordered on 16 September 2008 to be tried together at the same time pursuant to Order 4 Rule 1 of the Rules of the High Court 1980.

AmTrustee has also been served on 2 September 2009 with a copy of a Third Party Notice dated 12 August 2009 by solicitors acting for Meridian.

The Third Party Notice is taken against AmTrustee by Meridian on a suit filed by Kumpulan Wang Persaraan (DiPerbadankan) ("KWAP") against Meridian in 2007, at the Kuala Lumpur High Court via suit number D5-22-1457-2007 ("KWAP Suit"). The facts of this case revolve around the same facts as that of the above Meridian Suit and MAA Suit. The High Court suit by KWAP is for an alleged breach by Meridian of an Investment Management Agreement executed between KWAP and Meridian in 2001 ("the Agreement") for a sum of RM7,254,050.42 general damages for breach of the Agreement and breach of trust together with interests and costs (KWAP's claim").

On the basis of KWAP's claim, Meridian is seeking against AmTrustee via the Third Party Notice for AmTrustee to indemnify Meridian in respect of KWAP's claim.

AmTrustee has filed an Application to Strike Out the Third Party Notice.

On 23rd March the Court directed all parties in all the three suits to consider the process of resolving these matters via Mediation rather than a trial and to revert back to court with an update on 23rd April 2010 on the outcome of parties consideration of the proposed Mediation. On 23rd April 2010, parties informed court they are not agreeable to resolving these matters via Mediation. Therefore matters have now reverted back to the court to be tried via trial.

Trial dates have been fixed for both Meridian and MAA Suits from 24 January to 26 January 2011.

AmTrustee had filed an Application for Stay of Proceeding of both the MAA and Meridian case pending the disposal of the criminal proceeding (which is still ongoing) involving a key witness of Meridian.

This Application came up for hearing on 1 December 2010 and the Court dismissed the Application. Based on solicitor's advice, AmTrustee filed an appeal to the court of appeal ("AmTrustee's Appeal") against this decision dated 1 December 2010 and also an Application to stay the court Order dated 1 December 2010 ("Stay Application").

A27. COMMITMENTS AND CONTINGENCIES (CONT.)

- (e) The Stay Application came up for hearing on 27 December 2010, and the court allowed AmTrustee's Stay Application and further directed AmTrustee to expedite the AmTrustee's Appeal to the court of appeal prior to the hearing dates of this matter fixed on 24 January to 26 January 2011. AmTrustee's solicitors are working towards this.

Court had further fixed both Meridian and MAA Suits for Case Management on 21 January 2011.

In the meantime, AmTrustee's application to Strike Out the Third Party Notice by Meridian in the KWAP Suit was fixed for Hearing on 27 September 2010 and refixed for decision on 1 November 2010.

The court allowed AmTrustee's Application with cost on 1 November 2010. Meridian has on the 1 December 2010 filed a Notice of Appeal against this decision at the court of Appeal. No hearing date has been fixed as yet to hear the appeal.

With such a Court Order, AmTrustee will not be involved in the litigation of KWAP Suit pending the disposal of Meridian's appeal at the court of Appeal.

Based on documents and evidence in their possession, the solicitors for AmTrustee are of the view that AmTrustee has a good defence in respect of the claim by Meridian and MAA and in any event, that AmTrustee will be entitled to an indemnity or contribution from Meridian in respect of the claim.

Neither material financial loss nor operational impact on the Group is expected as a result of the Writs and Statements of Claim.

A28. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

Group	31.12.10			31.03.10		
	Contract/ Notional Amount RM'000	Positive Fair Value RM'000	Negative Fair Value RM'000	Contract/ Notional Amount RM'000	Positive Fair Value RM'000	Negative Fair Value RM'000
Trading derivative						
Interest rate related contracts:						
Interest rate futures	100,000	1,585	-	160,000	2,587	-
Less than one year	-	-	-	60,000	1,325	-
One to three years	-	-	-	-	-	-
More than three years	100,000	1,585	-	100,000	1,262	-
Interest rate swaps	23,509,297	187,546	135,258	21,440,650	174,433	188,058
Less than one year	4,105,000	7,797	6,654	4,200,000	4,858	10,166
One to three years	10,231,797	69,015	60,972	16,142,526	128,210	78,033
More than three years	9,172,500	110,734	67,632	1,098,124	41,365	99,859
Foreign exchange related contracts:						
Currency forward and options	13,226,913	69,947	59,494	3,742,457	39,351	47,941
Less than one year	13,226,913	69,947	59,494	3,742,457	39,351	47,941
One to three years	-	-	-	-	-	-
More than three years	-	-	-	-	-	-
Credit related contracts:						
Credit default swap	335,125	7,481	9,918	-	-	-
Less than one year	-	-	-	-	-	-
One to three years	335,125	7,481	9,918	-	-	-
More than three years	-	-	-	-	-	-
Equity related contracts:						
Options	888,147	22,561	29,614	592,830	12,809	7,586
Less than one year	144,808	10,275	18,229	-	-	-
One to three years	534,759	8,362	7,462	492,478	10,159	4,939
More than three years	208,580	3,924	3,923	100,352	2,650	2,647
Futures	27,017	-	-	28,173	-	467
Less than one year	27,017	-	-	28,173	-	467
One to three years	-	-	-	-	-	-
More than three years	-	-	-	-	-	-
Contract For Difference	15,097	108	108	-	-	-
Less than one year	-	-	-	-	-	-
One to three years	-	-	-	-	-	-
More than three years	15,097	108	108	-	-	-
Cross currency swaps						
Less than one year	880,737	18,447	47,526	531,127	7,757	39,370
One to three years	12,768	875	847	49,631	1,031	-
More than three years	236,055	9,457	6,619	318,398	2,840	36,112
More than three years	631,914	8,115	40,060	163,098	3,886	3,258
Structured Warrant						
Less than one year	166,736	-	41,312	52,011	-	31,813
One to three years	161,009	-	36,051	30,521	-	10,485
More than three years	5,727	-	5,261	21,490	-	21,328
Total	39,149,069	307,675	323,230	26,547,248	236,937	315,235
Hedging derivative						
Interest rate related contracts:						
Interest rate swaps	10,370,000	58,858	45,156	9,732,400	106,706	77,742
Less than one year	1,380,000	78	10,243	40,000	-	279
One to three years	7,100,000	33,978	21,592	7,485,000	42,344	35,627
More than three years	1,890,000	24,802	13,321	2,207,400	64,362	41,836
Total	49,519,069	366,533	368,386	36,279,648	343,643	392,977

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 derivative is one of the financial instruments engaged by the Group both for client solutions generating revenue for future as well as to manage the Group's own market risk exposure. The Group's involvement in financial derivatives is currently focused on interest rate, equity and foreign exchange rate derivatives.

A28. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONT.)

Purpose of engaging in financial derivatives (Contd.)

The principal foreign exchange rate contracts used are forward foreign exchange contracts, cross currency swaps and foreign exchange options. 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. A foreign exchange options is a financial derivatives that provides the buyer of the option with the right, but not obligation, to buy/sell a specified amount of one currency for another currency at a nominated strike rate during a certain period of time or on a specific date.

An Interest Rate Options ("IRO") is a financial derivative that provides the buyer of the option with the right, but not obligation, to buy/sell a specified underlying interest rate related asset e.g. the KLIBOR index at a nominated strike rate during a certain period of time or on a specific date. Basic IRO includes interest rate cap and interest rate floor.

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 or fixed income security 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.

The principal equity contracts used are equity option and equity futures. An equity option is a financial derivative that represents a contract sold by one party (option writer) to another party (option holder). The contract offers the buyer the right, but not the obligation, to buy (call) or sell (put) an equity at an agreed-upon price (the strike price) during a certain period of time or on a specific date (exercise date). An equity futures contract is an exchange traded contract to buy specific quantities of an equity at a specified price with delivery set at a specified time in the future.

The Group maintains trading positions in these instruments and engages in transactions with customers to satisfy their needs in managing their respective interest rate, equity 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 and equity-related derivatives 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 measure that estimates the potential changes in portfolio value that may occur, brought about by daily changes in market rates over a specified holding period at a specific confidence level under normal market condition.

General disclosure for derivatives and counterparty credit risk

Market related credit risk is present in market instruments (derivatives and forward contracts), and comprises counterparty risk (default at the end of contract) and pre-settlement risk (default at any time during the life of contract). Market related credit risk requires a different method in calculating the pre-settlement risk because actual and potential market movements impact the Group's exposure. The markets covered by this treatment for transactions entered by the Group include interest rates, foreign exchange, credit default swaps and equities.

For counterparty credit risk, the general approach is to calculate the exposure as the sum of the mark-to-market value of the exposure, plus the sum of the notional principal multiplied by the potential credit risk exposure ("PCRE") factor for the exposure.

- The mark-to-market is essentially the current replacement cost of the contract, and can be positive or negative. Where it is positive, i.e. in the money, the Group has credit exposure against the counterparty; if it is negative, i.e. out of the money, the value used in calculation is zero.
- The PCRE factors recognize that prices change over the remaining period to maturity, and that risk increases with time. The PCRE factors are mandated for regulatory capital purposes.

Exposure to the counterparty risk is governed by setting a credit limit to manage such exposure. This limit is governed under the Group Risk Appetite Framework approved by the Board.

A28. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONT.)

General disclosure for derivatives and counterparty credit risk (Contd.)

Other than credit limit setting, the Group's primary tool to mitigate counterparty credit risk by having collateral arrangement with the counterparty. Standard market documentation governs the amount of collateral required and the re-margining frequency between counterparties. Some of the standard market documentation has link between the amount of collateral required and external ratings, as well as minimum transfer amounts. This means that if the Group's or a counterparty's external rating were downgraded, the Group or the counterparty would likely to be required to place additional collateral. The amount required to be placed would depend upon the underlying instruments and the state of the markets, so would be different at each re-margining interval.

Liquidity risk of derivatives

Two types of liquidity risk are associated with derivatives: market liquidity risk and funding risk.

Market liquidity risk arises when a position cannot be sold or closed out quickly or risk be eliminated by entering into an offsetting position. In general, an over-the-counter ("OTC") market tends to offer less liquidity than an exchange market due to the customized nature of some OTC contracts. OTC contracts include foreign exchange contracts, cross currency swaps, interest rate swaps and FX options while interest rate futures, equity futures and equity options are examples of exchange traded derivatives. The liquidity risk of a position can be estimated by the notional amount of contracts held and the market value of the contract position. Both the OTC and exchange markets have liquid and illiquid contracts.

Funding risk is the risk of derivative activities placing an adverse funding and cash flow pressure on the Group, arising from the need to post collateral (i.e. like a margin call due to mark-to-market valuations) to compensate for an existing out of the money position (Note: if collateral isn't posted, the counterparty can close out their position and claim such mark-to-market loss from the Group. This would also result in the Group no longer being hedged).

Generally, the Group measures and monitors funding risk through the cash flow gap analysis according to specified time interval. The Group's access to deposits and funding markets is dependent on its credit rating. A downgrading in the credit rating could adversely affect its access to liquidity, as well as the competitive position, and could increase the cost of funding.

The primary objective of funding risk management is to ensure the availability of sufficient funds at a reasonable cost to honour all financial commitments as they fall due under normal market condition and on contingency basis.

Derivative Financial Instruments and Hedge Accounting

Derivative financial instruments are recognised at fair value upon inception in the balance sheet, and are subsequently remeasured at fair value. Fair values of exchange-traded derivatives are obtained from quoted market prices. Fair values of over-the-counter derivatives are obtained using valuation techniques, including the discounted cash flows method and option pricing models. Financial derivatives are classified as assets when their fair values are positive and as liabilities when their fair values are negative.

The Group enters into derivative transactions for trading and for hedging purposes. For derivatives held-for-trading, fair value changes are recognised in the income statement. For derivative transactions that meet the specific criteria for hedge accounting, the Group applies either fair value, cash flow or net investment hedge accounting.

At the time a financial instrument is designated as a hedge, the Group formally documents the relationship between the hedging instrument and the hedged item, including the nature of the risk to be hedged, the risk management objective and strategy for undertaking the hedge and the method used to assess hedge effectiveness. Hedges are expected to be highly effective and are assessed on an ongoing basis to ensure that they remain highly effective throughout the hedge period. For actual effectiveness to be achieved, the changes in fair value or cash flows of the hedging instrument and the hedged item must offset each other in the range of 80% to 125%.

The Group discontinues hedge accounting if the hedging instrument expires, is sold, terminated or exercised or if the hedge no longer meets the criteria for hedge accounting or is revoked.

(i) Fair Value Hedge

Fair value hedges are hedges against exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment that is attributable to a particular risk and could affect profit or loss. For qualifying fair value hedges, the changes in fair value of the hedging instrument and the hedged item relating to the hedged risk are recognised in the income statement. In the event the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of the hedged item is amortised to the income statement over the expected life of the hedged item.

(ii) Cash Flow Hedge

Cash flow hedges are hedges of the exposure to variability in future cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss. For qualifying cash flow hedges, the effective portion of the change in fair value of the hedging instrument is taken to equity as a cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in the income statement. Amounts accumulated in equity are released to the income statement in the periods when the hedged forecast transactions affect the income statement. If the hedged forecast transactions result in the recognition of a non-financial asset or a non-financial liability, the gain and loss previously deferred in equity is transferred from equity and included in the initial measurement of the cost of the asset or liability.

(iii) Net Investment Hedge

Net investment hedges are hedges against the exposure to exchange rate fluctuations on the net assets of its foreign operations. The hedge is accounted for similarly to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are taken directly to the foreign currency translation reserve while those relating to the ineffective portion of the hedge are recognised in the income statement. On disposal of the foreign operation, the cumulative gains or losses recognised in equity will be transferred to the income statement.

A29. CAPITAL ADEQUACY RATIO

(a) The capital adequacy ratios of the banking subsidiaries Group are as follows:

	31.12.10					
	AmBank	AmIslamic	AmBank Group	AmIB	AmIB Group	AHB Banking Group *
Before deducting proposed dividends:						
Core capital ratio	10.1%	9.1%	9.0%	25.1%	25.7%	9.4%
Risk-weighted capital ratio	15.0%	14.0%	14.9%	25.1%	25.7%	15.1%
After deducting proposed dividends:						
Core capital ratio	10.1%	9.1%	9.0%	25.1%	25.7%	9.4%
Risk-weighted capital ratio	15.0%	14.0%	14.9%	25.1%	25.7%	15.1%
	31.03.10					
	AmBank	AmIslamic	AmBank Group	AmIB	AmIB Group	AHB Banking Group *
Before deducting proposed dividends:						
Core capital ratio	11.0%	10.5%	9.9%	28.3%	24.0%	10.3%
Risk-weighted capital ratio	15.3%	15.3%	15.3%	30.1%	29.4%	15.8%
After deducting proposed dividends:						
Core capital ratio	10.4%	10.5%	9.4%	25.5%	21.7%	9.8%
Risk-weighted capital ratio	14.8%	15.3%	14.9%	27.3%	27.1%	15.3%

The Bank Negara Malaysia's Risk Weighted Capital Adequacy Framework (Basel II) – Disclosure Requirements (Pillar 3) is applicable to the banking subsidiaries within the Group both at the entity level as well as at the consolidated basis. The banking subsidiaries of the Group are AmBank (M) Berhad ("AmBank"), AmIslamic Bank Berhad ("AmIslamic")-which offers Islamic banking services, AmInvestment Bank Berhad ("AmIB") and AmInternational (L) Ltd ("AMIL").

The capital adequacy ratios of the AHB Banking Group* are computed on a consolidated basis, including the financial related services subsidiaries, in accordance with Bank Negara Malaysia's Risk-weighted Capital Adequacy Framework (RWCAF-Basel II). The Group have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk.

* The aggregated components of the AHB Banking Group Tier I and Tier II capital are that of the banking subsidiary groups, namely AmBank Group and AmIB Group.

The capital adequacy ratios of AmBank and AmIB are computed in accordance with Bank Negara Malaysia's Risk-weighted Capital Adequacy Framework, which are based on the Basel II capital accord. Both AmBank and AmIB had have adopted the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational risk. The minimum regulatory capital adequacy requirement is 8.0% for the risk-weighted capital ratio.

The capital adequacy ratio of the AmBank refers to the combined capital base as a ratio of the combined risk-weighted assets of AmBank and its wholly-owned offshore banking subsidiary, AmIL.

The capital adequacy ratios of AmIslamic are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (CAFIB), which are based on the Basel II capital accord. AmIslamic Bank Berhad has adopted the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational risk. The minimum regulatory capital adequacy requirement is 8.0% for the risk-weighted capital ratio.

A29. CAPITAL ADEQUACY RATIO (CONTD.)

(b) The aggregated components of Tier I and Tier II Capital of the Group are as follows:

	31.12.10					
	AmBank RM'000	AmIslamic RM'000	AmBank Group RM'000	AmIB RM'000	AmIB Group RM'000	AHB Banking Group * RM'000
Tier 1 capital						
Paid-up ordinary share capital	670,364	403,038	670,364	200,000	200,000	870,364
Share premium	942,844	534,068	942,844	-	-	942,844
Statutory reserve	680,459	296,939	977,398	200,000	200,000	1,177,398
Capital reserve	-	-	377,492	-	2,815	380,307
Merger reserve	48,516	-	397,566	-	7,656	405,222
Exchange fluctuation reserve	(293)	-	(293)	-	24,172	23,879
Irredeemable non-cumulative convertible preference shares	150,000	-	150,000	-	-	150,000
Innovative Tier 1 capital	887,402	-	978,255	-	-	978,255
Non-innovative Tier 1 capital	500,000	-	500,000	-	-	500,000
Unappropriated profit at end of year	2,426,322	140,384	1,991,977	90,832	93,091	2,085,068
Minority interests	-	-	21	-	-	21
Total	6,305,614	1,374,429	6,985,624	490,832	527,734	7,513,358
Less: Goodwill	-	-	-	-	(11,243)	(11,243)
Deferred tax (assets)/liabilities, net	(389,600)	(74,326)	(463,926)	508	194	(463,732)
Total Tier 1 capital	5,916,014	1,300,103	6,521,698	491,340	516,685	7,038,383
Deduction in excess of allowable Tier 2 capital	-	-	-	(104,750)	(16,519)	(16,519)
Maximum allowable Tier 1 capital	5,916,014	1,300,103	6,521,698	386,590	500,166	7,021,864
Tier 2 capital						
Medium term notes	1,557,800	-	1,557,800	-	-	1,557,800
Subordinated bonds	-	400,000	400,000	-	-	400,000
Exchangeable bonds	575,000	-	575,000	-	-	575,000
Innovative Tier 1 capital	347,698	-	256,845	-	-	256,845
Collective allowance for bad and doubtful debts [#]	1,242,986	293,043	1,542,037	7,572	7,572	1,549,609
Total tier 2 capital	3,723,484	693,043	4,331,682	7,572	7,572	4,339,254
Less: Investment in subsidiary company	(816,850)	-	(32,769)	(88,231)	-	(32,769)
Investment in capital of related financial institutions	-	-	-	(24,091)	(24,091)	(24,091)
Other deduction	(18,879)	-	(18,879)	-	-	(18,879)
Deduction in excess of allowable Tier 2 capital made against Tier 1 capital	-	-	-	104,750	16,519	16,519
Capital base	8,803,769	1,993,146	10,801,732	386,590	500,166	11,301,898

[#] Excludes collective allowance on impaired loans/financing restricted from tier 2 capital of the AHB Banking Group of RM467,401,000.

A29. CAPITAL ADEQUACY RATIO (CONTD.)

	31.03.10					
	AmBank RM'000	Amlslamic RM'000	AmBank Group RM'000	AmIB RM'000	AmIB Group RM'000	AHB Banking Group * RM'000
Tier 1 capital:						
Paid-up ordinary share capital	670,364	403,038	670,364	200,000	200,000	870,364
Share premium	942,844	534,068	942,844	-	-	942,844
Statutory reserve	680,459	265,169	945,628	200,000	200,000	1,145,628
Capital reserve	-	-	377,492	-	2,815	380,307
Merger reserve	-	-	397,566	-	7,656	405,222
Exchange fluctuation reserve	9,470	-	60	-	24,172	24,232
Irredeemable non-cumulative convertible preference shares	150,000	-	150,000	-	-	150,000
Innovative tier 1 capital	921,431	-	1,011,446	-	-	1,011,446
Non-innovative tier 1 capital	500,000	-	500,000	-	-	500,000
Unappropriated profit at end of year	2,498,526	133,719	2,019,923	113,874	116,133	2,136,056
Total	6,373,094	1,335,994	7,015,323	513,874	550,776	7,566,099
Less: Goodwill	-	-	-	-	(11,243)	(11,243)
Deferred tax (assets)/liabilities, net	(231,088)	(42,218)	(273,306)	(4,556)	(4,870)	(278,176)
Total tier 1 capital	6,142,006	1,293,776	6,742,017	509,318	534,663	7,276,680
Tier 2 capital:						
Medium term notes	1,557,800	-	1,557,800	-	-	1,557,800
Subordinated bonds	-	400,000	400,000	-	-	400,000
Exchangeable bonds	575,000	-	575,000	-	-	575,000
Redeemable unsecured bonds	-	-	-	135,000	135,000	135,000
Innovative tier 1 capital	313,669	-	223,654	-	-	223,654
General allowance for bad and doubtful debts	808,631	184,803	997,741	9,768	9,768	1,007,509
Total tier 2 capital	3,255,100	584,803	3,754,195	144,768	144,768	3,898,963
Total capital funds	9,397,106	1,878,579	10,496,212	654,086	679,431	11,175,643
Less: Investment in subsidiary company	(816,850)	-	(32,779)	(88,231)	-	(32,779)
Investment in capital of related financial institutions	-	-	-	(24,448)	(24,448)	(24,448)
Other deduction	(50)	-	(50)	-	-	(50)
Capital base	8,580,206	1,878,579	10,463,383	541,407	654,983	11,118,366

A30. ISLAMIC BANKING BUSINESS

The state of affairs as at 31 December 2010 and the results for the period ended 31 December 2010 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 STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

	Group	
	31.12.10	31.03.10
	RM'000	RM'000
ASSETS		
Cash and short-term funds	3,656,755	3,926,360
Deposit and placements with banks and other financial institutions	300,000	150,000
Derivative financial assets	3,127	3,461
Financial assets held-for-trading	881,919	350,934
Financial investments available-for-sale	251,764	907,930
Financing and advances	12,683,149	11,758,678
Other receivables, deposits and prepayments	116,387	92,584
Statutory deposits with Bank Negara Malaysia	34,079	32,079
Deferred tax assets	96,695	41,500
Property and equipment	794	408
Intangible assets	330	452
TOTAL ASSETS	<u>18,024,999</u>	<u>17,264,386</u>
LIABILITIES AND ISLAMIC BANKING FUNDS		
Deposits and placements of banks and other financial institutions	1,362,874	1,398,521
Derivative financial liabilities	3,124	3,458
Deposits from customers	12,924,064	13,395,919
Term funding	550,000	-
Bills and acceptances payable	875,347	394,986
Subordinated Sukuk Musyarakah	400,000	400,000
Deferred tax liability	-	8
Other liabilities	399,767	229,166
Total Liabilities	<u>16,515,176</u>	<u>15,822,058</u>
Share capital/Capital funds	435,877	435,877
Reserves	1,073,946	1,006,451
Total Islamic Banking Funds	<u>1,509,823</u>	<u>1,442,328</u>
TOTAL LIABILITIES AND ISLAMIC BANKING FUNDS	<u>18,024,999</u>	<u>17,264,386</u>
COMMITMENTS AND CONTINGENCIES	<u>7,678,527</u>	<u>4,255,836</u>

A30. ISLAMIC BANKING BUSINESS (CONTD.)

**UNAUDITED CONSOLIDATED INCOME STATEMENT
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2010**

Group	Individual Quarter		Cumulative Quarter	
	31.12.10 RM'000	31.12.09 RM'000	31.12.10 RM'000	31.12.09 RM'000
Income derived from investment of depositors' funds and others	262,356	223,172	771,188	659,775
Allowance for losses on financing	(88,152)	(28,184)	(156,416)	(73,488)
Impairment writeback/(loss) on financial investments	2,727	-	4,218	(4,298)
Impairment loss on doubtful sundry receivables, net	-	-	(710)	-
(Provision)/Writeback for commitments and contingencies	(1,676)	130	(2,891)	13,001
Transfer from profit equalisation reserve	13,078	6,479	30,897	6,426
Total attributable income	188,333	201,597	646,286	601,416
Income attributable to the depositors	(89,265)	(77,444)	(297,453)	(246,021)
Profit attributable to the Group	99,068	124,153	348,833	355,395
Income derived from Islamic Banking Funds	43,597	37,625	134,036	183,086
Total net income	142,665	161,778	482,869	538,481
Operating expenditure	(66,345)	(64,225)	(212,864)	(191,287)
Finance cost	(10,761)	(4,840)	(22,742)	(15,366)
Profit before taxation and zakat	65,559	92,713	247,263	331,828
Taxation and zakat	(11,943)	(26,165)	(58,821)	(88,587)
Profit for the period	53,616	66,548	188,442	243,241

**UNAUDITED CONSOLIDATION COMPREHENSIVE INCOME
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2010**

Group	Individual Quarter		Cumulative Quarter	
	31.12.10 RM'000	31.12.09 RM'000	31.12.10 RM'000	31.12.09 RM'000
Profit for the period	30,313	66,548	165,139	243,241
Other comprehensive income/(loss):				
Exchange differences on translation of foreign operations	(11)	(60)	(303)	(363)
Net (loss)/gain on financial investments available-for-sale	(7,907)	1,273	(4,336)	(9,691)
Income tax relating to the components of other comprehensive income	1,979	(318)	1,083	2,424
Other comprehensive income/(loss) for the period, net of tax	(5,939)	895	(3,556)	(7,630)
Total comprehensive income for the period	24,374	67,443	161,583	235,611

A30. ISLAMIC BANKING BUSINESS (CONTD.)

(a) Financing and Advances

	Group	
	31.12.10 RM'000	31.03.10 RM'000
Term financing and revolving credit facilities	5,509,023	3,839,443
Islamic hire purchase, net of unearned income	5,217,857	6,040,264
Credit card receivables	299,295	286,801
Trust receipts	54,552	69,009
Claims on customer under acceptance credits	954,793	917,819
Other financing	1,071,299	854,929
Gross financing and advances	<u>13,106,819</u>	<u>12,008,265</u>
Allowance for impairment on financing and advances:		
Collective allowance	(410,291)	-
Individual allowance	(13,379)	-
General allowance	-	(184,803)
Specific allowance	-	(64,784)
	<u>(423,670)</u>	<u>(249,587)</u>
Net financing and advances	<u>12,683,149</u>	<u>11,758,678</u>

* Included in term financing and revolving credit facilities of the Islamic banking business as at 31 December 2010 is loans amounting to RM200,469,000 (31 March 2010: RM210,618,521) which are exempted from collective provision by Bank Negara Malaysia.

(i) Movements in impaired financing and advances are as follows:

	Group	
	31.12.10 RM'000	31.03.10 RM'000
Gross		
Balance at beginning of period/year	182,232	239,637
Effect of adopting FRS139	9,662	-
Balance at beginning of period/year (restated)	<u>191,894</u>	<u>239,637</u>
Impaired during the period/year	238,514	155,135
Reclassification to non-impaired financing	(54,551)	(54,810)
Recoveries	(28,442)	(21,151)
Amount written off	(67,825)	(136,579)
Balance at end of period/year	<u>279,590</u>	<u>182,232</u>
Impaired financing and advances as % of total financing and advances (including Islamic financing sold to Cagamas Berhad)	<u>1.9%</u>	<u>1.5%</u>

A30. ISLAMIC BANKING BUSINESS (CONTD.)

(a) Financing and Advances (Contd.)

(ii) Movements in allowances for impaired financing and advances are as follows:

	Group	
	31.12.10	31.03.10
	RM'000	RM'000
Collective allowance		
Balance at beginning of period/year	-	-
Effect of adopting FRS 139	287,844	-
Balance at beginning of period/year (restated)	287,844	-
Allowance made during the period/year	190,271	-
Amount written off	(67,824)	-
Balance at end of period/year	<u>410,291</u>	<u>-</u>
Individual allowance		
Balance at beginning of period/year	-	-
Effect of adopting FRS 139	1,108	-
Balance at beginning of period/year (restated)	1,108	-
Allowance made during the period/year	12,271	-
Balance at end of period/year	<u>13,379</u>	<u>-</u>
General allowance		
Balance at beginning of period/year	184,803	166,508
Effect of adopting FRS 139	(184,803)	-
Balance at beginning of period/year (restated)	-	166,508
Allowance made during the period/year	-	18,295
Balance at end of period/year	<u>-</u>	<u>184,803</u>
% of total financing and advances (including Islamic financing sold to Cagamas Berhad) less specific allowance	<u>-</u>	<u>1.5%</u>
Specific allowance		
Balance at beginning of period/year	64,784	99,053
Effect of adopting FRS 139	(64,784)	-
Balance at beginning of period/year (restated)	-	99,053
Allowance made during the period/year	-	149,764
Amount written back in respect of recoveries	-	(44,898)
Net charge to income statement	-	104,866
Amount written off/Adjustment to Asset Deficiency Account	-	(139,135)
Balance at end of period/year	<u>-</u>	<u>64,784</u>

A30. ISLAMIC BANKING BUSINESS (CONTD.)

(b) DEPOSITS FROM CUSTOMERS

	Group	
	31.12.10	31.03.10
	RM'000	RM'000
Mudarabah Fund:		
Demand deposits	8,624	7,322
Saving deposits	8,272	8,239
General investment deposits	10,447,020	11,086,850
Structured deposits	111,450	78,570
	<u>10,575,366</u>	<u>11,180,981</u>
Non-Mudarabah Fund:		
Demand deposits	1,043,210	903,437
Saving deposits	1,267,063	1,146,175
Negotiable instruments of deposits	13,080	155,782
Other deposits	25,345	9,544
	<u>2,348,698</u>	<u>2,214,938</u>
	<u>12,924,064</u>	<u>13,395,919</u>

(c) OTHER LIABILITIES

	Group	
	31.12.10	31.03.10
	RM'000	RM'000
Other payables and accruals	257,826	133,325
Taxation and zakat payable	110,604	36,801
Amount owing to/(from) head office	-	(613)
Lease deposits and advance rentals	12,937	10,355
Profit equalisation reserve	18,400	49,298
	<u>399,767</u>	<u>229,166</u>

A31. CHANGE IN ACCOUNTING POLICIES AND COMPARATIVES

(1) Change in Accounting Policies

The adoption of new and revised FRSs during the financial period has resulted in changes to the following accounting policies:

- (i) FRS 139, Financial Instruments: Recognition and Measurement
 - (ii) IC Interpretation 9, Reassessment of Embedded Derivatives
 - (iii) Amendments to FRS 139, Financial Instruments: Recognition and Measurement, FRS 7, Financial Instruments: Disclosures and IC Interpretation 9, Reassessment of Embedded Derivatives
 - Reclassification of Financial Assets
 - Puttable Financial Instruments and Obligations Arising on Liquidation
 - (iv) Amendments to FRS 139, Financial Instruments: Recognition and Measurement
 - Collective Assessment of Impairment for Banking Institutions
 - (v) IC Interpretation 13, Customer Loyalty Programmes
- (i) FRS 139, Financial Instruments: Recognition and Measurement

FRS 139 establishes the principles for the recognition, derecognition and measurement of an entity's financial instruments and for hedge accounting. However, since the adoption of BNM's revised BNM/GP8 - Guidelines on Financial Reporting for Licensed Institutions on 1 January 2005, certain principles in connection with the recognition, derecognition and measurement of financial instruments, including derivative instruments, and hedge accounting which are similar to those prescribed by FRS 139 have already been adopted by the Group. Therefore, the adoption of the full FRS 139 on 1 April 2010 resulted in changes in the following areas:

(a) Impairment of Loans, Advances and Financing

The adoption of FRS 139 changes the accounting policy relating to the assessment for impairment of financial assets, particularly loans, advances and financing. The existing accounting policies on the assessment of impairment of other financial assets of the Group are generally in line with those of FRS 139. Prior to the adoption of FRS 139, allowances for impaired loans, advances and financing (previously referred to as non-performing loans) were computed in conformity with the BNM/GP3 Guidelines on Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts. On adoption of FRS 139, the Group assesses, at the end of each reporting period, whether there is any objective evidence that a loan or group of loans is impaired. The loan or group of loans is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the loan (an incurred 'loss event') and that the loss event has an impact on the estimated future cash flows of the loan or group of loans that can be reliably estimated.

The Group first assesses individually whether objective evidence of impairment exists individually for loans which are individually significant, and collectively for loans which are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed loan, the loan is included in a group of loans with similar credit risk characteristics for purposes of calculating an estimated collective loss. Future cash flows on a group of financial assets that are collectively assessed for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the loan's carrying amount and the present value of the estimated future cash flows. The carrying amount of the loan is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss.

The Group is currently reporting under BNM's transitional arrangement as prescribed in its guidelines on Classification and Impairment Provisions for Loans/Financing issued on 8 January 2010 and as allowed by the MASB in its Amendments to FRS 139 issued on the same date. Pursuant to this transitional arrangement, banking institutions are required to maintain collective assessment impairment allowances of at least 1.5% of total outstanding loans/financing, net of individual impairment allowance.

The changes in accounting policies above have been accounted for prospectively, in line with the transitional arrangements in paragraph 103AA of FRS 139, with adjustments to the carrying values of financial assets affecting profit or loss as at the beginning of the current financial period being adjusted to opening retained earnings as tabulated in item 1(d) below.

A31. CHANGE IN ACCOUNTING POLICIES AND COMPARATIVES (CONTD.)

(1) Change in Accounting Policies (Contd.)

(b) Interest Income Recognition

FRS 139 prescribes that financial assets classified as held-to-maturity and loans and receivables are measured at amortised cost using the effective interest method. On adoption of FRS 139 on 1 April 2010, interest income on its loans, advances and financing is no longer recognised based on contractual interest rates but the effective interest rate ("EIR") is applied instead. EIR refers to the rate that exactly discounts estimated future cash receipts through the expected life of the loan or, when appropriate, a shorter period to the net carrying amount of the loan.

This change in accounting policy has been accounted for prospectively in line with the transitional arrangements in paragraph 103AA of FRS 139 and the resulting opening retained earnings adjustment is tabulated in item 1(d) below.

Prior to the adoption of FRS 139, interest accrued and recognised as income prior to the date that a loan is classified as non-performing is reversed out of income and set-off against the interest receivable account in the statement of financial position. Thereafter, interest on the non-performing loan is recognised as income on a cash basis. On adoption of FRS 139, once a loan has been written down for impairment loss, subsequent interest income thereon is thereafter recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The opening retained earnings adjustment as a result of this change in accounting policy is presented in item 1(d) below.

(c) Recognition of Embedded Derivatives

On adoption of FRS 139, embedded derivatives are to be separated from the host contract and accounted for as a derivative if the economic characteristics and risks of the embedded derivative are not closely related to that of the host contract and the fair value of the resulting derivative can be reliably measured.

The Group has assessed the impact of this requirement on adoption of FRS 139 on 1 April 2010 and concluded that there were no material embedded derivatives which were not closely related to the host contracts and which required bifurcation.

The adoption of FRS 139 and its related amendments did not impact earnings per ordinary share.

(d) Opening reserves adjustments

The application of the above new accounting policies has the following effects:

	As previously reported RM'000	Effect of adoption of FRS139 RM'000	As restated RM'000
Effects on retained earnings	2,556,870	(167,961)	2,388,909
Effects on other reserves	1,546,801	(46,303)	1,500,498
Effects on minority interests	206,274	5,876	212,150

(2) Restatement of comparatives

(i) FRS 101, Presentation of Financial Statements

Following the adoption of FRS 101 (revised), all non-owner changes in equity which were previously presented in the statement of changes in equity are now included in the statement of comprehensive income as other comprehensive income. Consequently, components of comprehensive income are no longer presented in the statement of changes in equity.

(ii) FRS 7, Financial Instruments: Disclosures

The adoption of FRS 7 during the financial period results in more extensive disclosures of financial instruments in the annual financial statements. The standard also requires disclosure of the statement of financial position, income statement and statement of comprehensive income to be made by categories of financial assets and liabilities, which has minimal impact on the comparative disclosures of the Group, as the current presentation is already made by categories of financial assets and liabilities.

A31. CHANGE IN ACCOUNTING POLICIES AND COMPARATIVES (CONTD.)

(2) Restatement of comparatives (contd.)

(iii) FRS 117, Leases

The adoption of FRS 117 during the financial period resulted in the reclassification of all leasehold land of the Group which are in substance finance leases, to Property and Equipment.

(iv) IC Interpretation 13, Customer Loyalty Programmes

The adoption of IC13 had resulted in the set-off of customer loyalty programme expenses with fee income instead of interest income as previously presented.

The following comparative figures have been restated to conform with current year's presentation:

	As previously reported RM'000	Effect of reclassification RM'000	As restated RM'000
Statement of Financial Position as at 31 March 2010			
Prepaid land lease payments	6,350	(6,350)	-
Property and equipment	229,549	6,350	235,899
Income Statement for third quarter ended 31 December 2009			
Operating revenue	1,728,163	(14,122)	1,714,041
Interest income	920,758	2,896	923,654
Interest expense	(416,816)	(659)	(417,475)
Other operating income	215,220	(2,237)	212,983
Other operating expenses	(396,419)	-	(396,419)
Income Statement for cumulative quarter ended 31 December 2009			
Operating revenue	4,905,766	(36,218)	4,869,548
Interest income	2,685,041	6,844	2,691,885
Interest expense	(1,309,411)	(1,549)	(1,310,960)
Other operating income	620,581	(5,295)	615,286

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

The Group recorded a net profit of RM338.4 million for the third quarter ended 31 December 2010, an improvement of RM59.9 million or 21.5% as compared to the previous corresponding period of RM278.5 million. The Group's pre-tax profit for the nine months ended 31 December 2010 improved to RM1,439.6 million as compared to RM1,067.9 million reported for the corresponding period last year.

The improvement in earnings for the reporting quarter as compared to previous corresponding quarter was attributed by impairment writeback on financial investment and doubtful sundry receivables of RM38.3 million and RM2.3 million respectively as compared to impairment loss of RM19.2 million and RM4.0 million for previous corresponding quarter. In addition, higher income were reported for Islamic banking business, transfer from profit equalisation reserve and other operating income by RM27.4 million, RM6.6 million and RM4.9 million for current quarter ended 31 December 2010 as compared to previous corresponding quarter. Besides, a total of RM6.0 million improvements were reported for impairment on foreclosed properties, net income from insurance business, provision for commitments and contingencies and net interest income. This was however off-set by higher allowances for impairment on loans and financing of RM165.3 million and higher other operating expenses of RM400.1 million for current reporting quarter.

The Group's retail banking operations were the largest contributors to the Group pre-tax profit, reporting a pre-tax profit of RM600.2 million for the reporting quarter, followed by treasury and markets of RM201.2 million, while corporate and institutional banking operations contributed RM199.6 million for the quarter ended 31 December 2010.

Gross loans and advances expanded to RM70.3 billion to register an annual growth of 8.1%. The growth was mainly attributed to financing of finance, insurance, real estate and business activities, manufacturing, education and health, mining and quarrying and agriculture. Financing for purchase of transport vehicles accounted for 35.5% of total loans, while loans for residential properties accounted for 16.2% of total loans.

As at 31 December 2010, the Group's total assets stood at RM105.0 billion. Meanwhile, the Group's banking subsidiaries aggregated risk-weighted capital ratio ("RWCR") stood at 15.1% as at 31 December 2010, compared with 15.8% as at 31 March 2010.

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 a lower pre-tax profit of RM458.2 million for the third quarter ended 31 December 2010 as compared to RM465.2 million for the second quarter ended 30 September 2010. This was mainly attributed higher allowance for losses on loans and financing of RM165.3 million and lower other operating income of RM217.8 million. In addition, lower income were reported from net interest income and net income from insurance business by total of RM16.4 million while transfer from profit equalisation reserve reduced by RM16.5 million and other operating expenses increased by RM15.6 million for current reporting quarter as compared to preceding quarter. This was however cushioned by improvements on impairment on financial investment, sundry receivables and foreclosed properties by RM108.0 million and increase in net income from Islamic business by RM21.0 million for the current reporting quarter as compared to the preceding quarter ended 30 September 2010.

B3. PROSPECTS FOR 31 MARCH 2011

Malaysian economy grew 5.3% in third quarter of 2010 supported by positive consumer sentiment and continued growth in external demand. Nevertheless, recent key indicators around the Asia region point to slight moderation in economic growth, whilst sustainability remains a challenge in the global economic recovery. Moving into 2011, the domestic economic activity benefiting from favourable employment conditions and higher capital spending will continue to drive the national economy. However, gross domestic product ("GDP") growth momentum is expected to moderate to between 5% and 5.5%, influenced by the continued slowdown in global demand. Inflation is projected to remain at 2% for the full year 2010, and increase to circa 2.5% for 2011.

On the back of the benign inflation outlook, Bank Negara Malaysia is expected to maintain overnight policy rate ("OPR") accommodative at 2.75% into the first half of 2011. The Group projects OPR to hike by circa 50 basis points during the second half of the year as global economic growth picks up and domestic markets improve. Under the recently unveiled Budget 2011, financial service industry is expected to benefit in particular from initiatives to revitalise capital market and incentives to develop Islamic Finance. However, Malaysian banks are expected to face margin pressures as the financial sector progressively liberalises and competition heats up from new entrants.

AHB Group's Medium Term Aspirations ("MTA") is to be Malaysia's Preferred Banking Group with International Connectivity as measured by customer satisfaction, sound financial performances and well diversified and sustainable growth. The Group continues to focus on executing its agenda around strategic business transformation, growth initiatives and strengthening its governance and enablement functions. Progressive implementation of our planned customer centric business models, leveraging our international connectivity in collaboration with the Australia And New Zealand Banking Group ("ANZ"), growing low-cost deposits, diversifying revenue streams via wealth management and new Takaful business should position us well to deliver sustainable growth over the medium term.

B4. VARIANCE FROM PROFIT FORECAST AND SHORTFALL FROM PROFIT GUARANTEE

This is not applicable to the Group.

B5. TAXATION

Group	Individual Quarter		Cumulative Quarter	
	31.12.10 RM'000	31.12.09 RM'000	31.12.10 RM'000	31.12.09 RM'000
Estimated current tax payable	162,719	83,138	500,128	205,862
Transfer (to)/from deferred tax	(42,086)	14,716	(121,925)	69,580
	<u>120,633</u>	<u>97,854</u>	<u>378,203</u>	<u>275,442</u>
Over provision of current taxation in respect of prior years	(1,062)	-	(3,936)	(276)
Taxation	<u>119,571</u>	<u>97,854</u>	<u>374,267</u>	<u>275,166</u>
Zakat	177	397	577	1,216
Taxation and zakat	<u>119,748</u>	<u>98,251</u>	<u>374,844</u>	<u>276,382</u>

The total tax charge of the Group for the financial quarter ended 31 December 2010 and 2009 reflect an effective tax rate which is higher than the statutory tax rate mainly due to disallowances of certain expenses.

B6. SALE OF INVESTMENTS AND/OR FORECLOSED PROPERTIES

Group	Individual Quarter		Cumulative Quarter	
	31.12.10 RM'000	31.12.09 RM'000	31.12.10 RM'000	31.12.09 RM'000
Net gain from sale of financial assets held-for-trading	21,574	7,263	57,054	38,261
Net gain from sale of financial investments available-for-sale	13,613	9,726	54,525	30,676
Net gain from redemption of financial investments held-to-maturity	<u>1,064</u>	<u>11,824</u>	<u>6,143</u>	<u>29,395</u>

B7. QUOTED SECURITIES

This note is not applicable to financial institutions.

B8. CORPORATE PROPOSALS

- 1 AmG Insurance Berhad ("AmG") has on 10 November 2008 entered into a non-binding memorandum of understanding ("MOU") with MAA Holdings Berhad and Malaysian Assurance Alliance Berhad (MAA) in respect of the proposed acquisitions of:

- (i) the general insurance business of MAA at a headline price (subject to adjustments) of RM274.8 million (subsequently revised to RM254.8 million), and
- (ii) a 4.9% equity stake in MAA Takaful Berhad at a consideration of RM16.2 million, equivalent to RM3.30 per share.

On 17 November 2009, the Company announced the following in relation to the above proposed acquisitions:

- (i) to proceed with the proposed acquisition of general insurance business of MAA on a standalone basis and the proposed acquisition of 4.9% equity stake in MAA Takaful Berhad will no longer pursued, and
- (ii) revision of headline price for the proposed acquisition of general insurance business of MAA to RM180.0 million (subject to adjustments).

The Bank Negara Malaysia has vide its letter of 5 January 2010 approved the acquisition of general insurance business of MAA.

On 16 December 2010, the Company announced that AmG and MAA have mutually agreed to discontinue discussion in respect of acquisition of general insurance business of MAA.

- 2 In relation to the intra-group transfers of subsidiaries for the formation of Capital Market Group and Asset Management Group as proposed in previous financial years, the intra-group transfer of domestic subsidiaries has been completed during the preceding financial year. The intra-group transfer involving PT. AmCapital Indonesia, the Group's Indonesian subsidiary, which is licensed to undertake stockbroking, underwriting and investment management activities, is subject to obtaining the approval of Badan Pengawas Pasar Modal dan Lembaga Keuangan, the Indonesian securities regulatory authority.
- 3 During the financial period, the trustee of the executives' share scheme ("ESS") had purchased 6,234,700 of the Company's issued ordinary shares from the open market at an average price of RM5.05 per share. The total consideration paid for the purchase including transaction costs amounted to RM31,496,599.

As at 31 December 2010, the trustee of the ESS held 11,670,500 ordinary shares (net of ESS shares vested to employees) representing 0.39% of the issued and paid-up capital of the Company. These shares are held at a carrying amount of RM48,898,408.

- 4 On 1 September 2010, the Company announced that it has received Bank Negara Malaysia's approval for the joint application with Friends Provident Group plc ("FP Group"), the Company's joint venture partner in the life insurance business of AmLife Insurance Berhad ("AmLife"), for a new family takaful licence under the Takaful Act 1984.

The family takaful business will be undertaken by a new company to be established, which will, similar to the joint venture in AmLife, be held by:

- the Company, through its wholly owned insurance holding company AMAB Holdings Sdn Bhd with a 70% equity interest; and
- FP Group, through its wholly owned subsidiary Friends Provident Ltd with a 30% equity interest.

B9. BORROWINGS

	Group	
	31.12.10 RM'000	31.03.10 RM'000
(i) Deposits from customers		
Due within six months	58,388,282	57,920,834
Six months to one year	8,216,007	7,116,698
One to three years	2,314,091	2,213,203
Three to five years	1,770,461	1,623,377
	<u>70,688,841</u>	<u>68,874,112</u>
(ii) Deposits and placements of banks and other financial institutions		
Due within six months	4,095,003	2,219,425
Six months to one year	879,549	831,015
One to three years	192,228	194,996
Three to five years	915,237	1,069,840
	<u>6,082,017</u>	<u>4,315,276</u>
<i>Recap:</i> <i>Interbank lendings</i>		
	14,042,659	12,644,562
<i>Interbank borrowings</i>		
	<u>(2,684,174)</u>	<u>(96,730)</u>
<i>Net interbank lendings</i>		
	<u>11,358,485</u>	<u>12,547,832</u>
(iii) Term funding		
(a) Unsecured senior notes		
More than one year	3,386,282	1,420,000
(b) Credit-Linked Note		
More than one year	174,771	-
(c) Term loans		
Due within one year		
Secured	339,075	276,106
Unsecured	205,981	206,001
	545,056	482,107
	<u>4,106,109</u>	<u>1,902,107</u>
(iv) Debt capital		
(a) Unsecured bonds		
More than one year	400,000	515,000
(b) Medium Term Notes		
More than one year	1,557,800	1,557,800
(c) Hybrid capital		
More than one year	674,052	689,547
The above hybrid capital includes amounts denominated in USD. Principal amount - USD200.0 million		
(d) Non-Innovative Tier 1 Capital Securities		
More than one year	500,000	500,000
(e) Innovative Tier 1 Capital Securities		
More than one year	485,000	485,000
	<u>3,616,852</u>	<u>3,747,347</u>

B10. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

Please refer to note A28

B11. REALISED AND UNREALISED RETAINED EARNINGS

	Group	
	31.12.10	30.9.10
	RM'000	RM'000
Total retained earnings of the Group and its subsidiaries:		
- Realised	4,500,803	4,348,763
- Unrealised	729,606	724,011
Total share of retained earnings from associate:		
- Realised	1,101	1,101
Less: consolidation adjustments	(2,312,103)	(2,298,915)
Total group retained earnings as per consolidated accounts	<u>2,919,407</u>	<u>2,774,960</u>

B12. 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 A27(e).

B13. DIVIDENDS

There has been no dividends proposed for the current financial quarter.

B14. EARNINGS PER SHARE (SEN)

a. Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial quarter.

	Individual Quarter		Cumulative Quarter	
	31.12.10	31.12.09	31.12.10	31.12.09
	RM'000'000	RM'000'000	RM'000'000	RM'000'000
Net profit attributable to equity holders of the Company	325,311	268,474	1,026,466	766,869
Weighted average number of ordinary shares in issue	3,002,513	3,008,714	3,004,640	2,872,607
Basic earnings per share (Sen)	10.83	8.92	34.16	26.70

b. Fully diluted earnings per share

Fully diluted earnings per share is calculated by dividing the adjusted net profit attributable to equity holders of the Company by the adjusted weighted average number of ordinary shares in issue and issuable during the financial quarter.

During the previous reporting period, the Company has one category of potential dilutive ordinary shares:

(i) Unsecured exchangeable bonds

	Individual Quarter		Cumulative Quarter	
	31.12.10	31.12.09	31.12.10	31.12.09
	RM'000'000	RM'000'000	RM'000'000	RM'000'000
Net profit attributable to equity holders of the Company	325,311	268,474	1,026,466	766,869
Weighted average number of ordinary shares in issue (as in (a) above)	3,002,513	3,008,714	3,004,640	2,872,607
Fully diluted earnings per share (Sen)	10.83	8.92	34.16	26.70

During the previous financial period ended 31 December 2009, the unsecured exchangeable bonds were exchanged into new ordinary shares of RM1.00 each at the exchange price of RM2.95 nominal value of the unsecured exchangeable bonds for one new ordinary share in the Company.