

AmBank (M) Berhad
(formerly known as AmFinance Berhad)
(Company No. 8515-D)
(Incorporated in Malaysia)
And Its Subsidiary Companies

Interim Financial Statements
For the Financial Quarter
1 April 2005 to
30 June 2005
(In Ringgit Malaysia)

AmBank (M) Berhad
(formerly known as AmFinance Berhad)
(Incorporated in Malaysia)
And Its Subsidiary Companies

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED BALANCE SHEETS AS AT 30 JUNE 2005

	The Group		The Company Legal Entity	
	30 June 2005 RM'000	31 March 2005 RM'000	30 June 2005 RM'000	31 March 2005 RM'000
ASSETS				
Cash and short-term funds	3,785,624	5,398,793	3,767,370	3,156,862
Deposits and placements with banks and other financial institutions	926,383	381,003	926,279	358,800
Securities held-for-trading	1,581,085	1,492,533	1,581,085	956,208
Securities available-for-sale	93,187	96,383	93,187	–
Securities held-to-maturity	1,522,279	1,544,280	1,522,024	996,064
Loans, advances and financing	37,316,468	35,636,185	37,320,035	27,282,390
Deferred tax asset	876,881	907,881	723,843	616,284
Other assets	571,514	502,950	576,912	349,608
Statutory deposit with Bank Negara Malaysia	1,364,655	1,301,583	1,364,655	988,930
Investment in subsidiary companies	–	–	111,741	29,779
Investment in associated companies	492	458	150	150
Property and equipment	405,545	416,449	373,526	351,890
TOTAL ASSETS	<u>48,444,113</u>	<u>47,678,498</u>	<u>48,360,807</u>	<u>35,086,965</u>

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Company for the year ended 31 March 2005.

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UNAUDITED BALANCE SHEETS AS AT 30 JUNE 2005

	The Group		The Company Legal entity	
	30 June 2005 RM'000	31 March 2005 RM'000	30 June 2005 RM'000	31 March 2005 RM'000
LIABILITIES AND SHAREHOLDER'S FUNDS				
Deposits from customers	29,946,859	29,161,743	29,948,570	22,273,456
Deposits and placements of banks and other financial institutions	9,315,743	9,526,356	9,315,743	5,877,505
Securities sold under repurchase agreements	509,195	103,795	509,195	33,059
Bills and acceptance payable	606,195	515,752	606,195	–
Amount due to Cagamas Berhad	2,137,686	2,653,650	2,137,686	2,455,723
Other liabilities	1,330,940	1,278,349	1,741,191	954,697
Subordinated term loan	1,140,000	1,140,000	1,140,000	680,000
Subordinated bonds	200,000	200,000	200,000	200,000
Total Liabilities	<u>45,186,618</u>	<u>44,579,645</u>	<u>45,598,580</u>	<u>32,474,440</u>
Minority interests	85	86	–	–
Share capital	610,364	528,402	610,364	528,402
Reserves	<u>2,647,046</u>	<u>2,570,365</u>	<u>2,151,863</u>	<u>2,084,123</u>
Shareholder's Funds	<u>3,257,410</u>	<u>3,098,767</u>	<u>2,762,227</u>	<u>2,612,525</u>
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS	<u>48,444,113</u>	<u>47,678,498</u>	<u>48,360,807</u>	<u>35,086,965</u>
COMMITMENTS AND CONTINGENCIES	<u>14,477,794</u>	<u>13,416,581</u>	<u>14,477,694</u>	<u>6,646,477</u>
NET TANGIBLE ASSETS PER SHARE (RM)	<u>5.34</u>	<u>5.86</u>	<u>4.52</u>	<u>4.94</u>

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE 1st QUARTER ENDED 30 JUNE 2005

The Group	Individual Quarter		Cumulative Quarter	
	30 June 2005 RM'000	30 June 2004 RM'000	30 June 2005 RM'000	30 June 2004 RM'000
Interest income	628,873	602,200	628,873	602,200
Interest expense	(306,647)	(283,224)	(306,647)	(283,224)
Net interest income	322,226	318,976	322,226	318,976
Net income from Islamic Banking business	113,025	96,429	113,025	96,429
Other operating income	44,550	15,512	44,550	15,512
Net income	479,801	430,917	479,801	430,917
Other operating expenses	(225,793)	(194,601)	(225,793)	(194,601)
Operating profit	254,008	236,316	254,008	236,316
Allowance for losses on loans and financing	(148,611)	(133,029)	(148,611)	(133,029)
Transfer from/(to) profit equalisation reserve	5,539	(15,529)	5,539	(15,529)
Profit before share in results of associated company and taxation	110,936	87,758	110,936	87,758
Share of profits in associated company	51	55	51	55
Profit before taxation	110,987	87,813	110,987	87,813
Taxation	(31,151)	(24,601)	(31,151)	(24,601)
Profit before minority interests	79,836	63,212	79,836	63,212
Minority interests	3	3	3	3
Net profit attributable to shareholder of the Company	79,839	63,215	79,839	63,215
Basic earnings per share (sen)	14.51	11.96	14.51	11.96

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Company for the year ended 31 March 2005.

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE 1st QUARTER ENDED 30 JUNE 2005

The Company Legal Entity	Individual Quarter		Cumulative Quarter	
	30 June 2005 RM'000	30 June 2004 RM'000	30 June 2005 RM'000	30 June 2004 RM'000
Interest income	543,598	483,627	543,598	483,627
Interest expense	(257,292)	(219,784)	(257,292)	(219,784)
Net interest income	286,306	263,843	286,306	263,843
Income from Islamic banking operations	103,118	90,242	103,118	90,242
Other operating income/(loss)	27,207	(909)	27,207	(909)
Net income	416,631	353,176	416,631	353,176
Other operating expenses	(181,126)	(146,041)	(181,126)	(146,041)
Operating profit	235,505	207,135	235,505	207,135
Allowance for losses on loans and financing	(142,861)	(87,035)	(142,861)	(87,035)
Transfer from/(to) profit equalisation reserve	5,854	(11,615)	5,854	(11,615)
Profit before taxation	98,498	108,485	98,498	108,485
Taxation	(27,600)	(30,423)	(27,600)	(30,423)
Net profit attributable to shareholder of the Company	70,898	78,062	70,898	78,062
Basic earnings per share (sen)	12.89	14.77	12.89	14.77

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE 1st QUARTER ENDED 30 JUNE 2005

The Group	← Non-distributable					→ Available-for-Sale	Distributable	Total RM'000
	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Merger Reserve RM'000	Capital Reserve RM'000	Revaluation Reserve RM'000	Unappro- priated Profits RM'000	
Balance as at 1 April 2004								
As previously stated	528,402	379,953	578,712	679,757	655,834	–	172,386	2,995,044
Prior year adjustments	–	–	–	–	–	35	409	444
As restated	528,402	379,953	578,712	679,757	655,834	35	172,795	2,995,488
Unrealised net loss on revaluation of securities available-for-sale	–	–	–	–	–	(35)	–	(35)
Profit for the year	–	–	–	–	–	–	103,314	103,314
Transfer to statutory reserve	–	–	45,332	–	–	–	(45,332)	–
Transfer from capital reserve to unappropriated profit	–	–	–	–	(278,342)	–	278,342	–
Balance as at 31 March 2005	528,402	379,953	624,044	679,757	377,492	–	509,119	3,098,767
Balance as at 1 April 2005								
As previously stated	528,402	379,953	624,044	679,757	377,492	–	507,783	3,097,431
Prior year adjustments	–	–	–	–	–	–	1,336	1,336
As restated	528,402	379,953	624,044	679,757	377,492	–	509,119	3,098,767
Issue of shares	81,962	–	–	–	–	–	–	81,962
Unrealised net loss on revaluation of securities available-for-sale	–	–	–	–	–	(3,158)	–	(3,158)
Profit for the year	–	–	–	–	–	–	79,839	79,839
Balance as at 30 June 2005	610,364	379,953	624,044	679,757	377,492	(3,158)	588,958	3,257,410

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Company for the year ended 31 March 2005.

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE 1st QUARTER ENDED 30 JUNE 2005

The Company	← Non-distributable →					Available-for-Sale Securities Revaluation Reserve	Distributable Unappropriated Profits	Total RM'000
	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Merger Reserve RM'000	Capital Reserve RM'000	RM'000	RM'000	
Balance as at 1 April 2004								
As previously stated	528,402	379,953	483,070	–	278,342	–	704,698	2,374,465
Prior year adjustments	–	–	–	–		35	409	444
As restated	528,402	379,953	483,070	–	278,342	35	705,107	2,374,909
Profit for the year	–	–	–	–	–	–	237,651	237,651
Transfer to statutory reserve	–	–	45,332	–	–	–	(45,332)	–
Transfer from capital reserve to unappropriated profit	–	–	–	–	(278,342)	–	278,342	–
Unrealised net loss on revaluation of securities available-for-sale	–	–	–	–	–	(35)	–	(35)
Balance as at 31 March 2005	528,402	379,953	528,402	–	–	–	1,175,768	2,612,525
Balance as at 1 April 2005								
As previously stated	528,402	379,953	528,402	–	–	–	1,174,432	2,611,189
Prior year adjustments	–	–	–	–	–	–	1,336	1,336
As restated	528,402	379,953	528,402	–	–	–	1,175,768	2,612,525
Issue of shares	81,962	–	–	–	–	–	–	81,962
Unrealised net loss on revaluation of securities available-for-sale	–	–	–	–	–	(3,158)	–	(3,158)
Profit for the year	–	–	–	–	–	–	70,898	70,898
Balance as at 30 June 2005	610,364	379,953	528,402	–	–	(3,158)	1,246,666	2,762,227

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Company for the year ended 31 March 2005.

AmBank (M) Berhad
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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED CASH FLOW STATEMENTS
FOR THE 1st QUARTER ENDED 30 JUNE 2005**

	The Group		The Company Legal Entity	
	30 June 2005 RM'000	30 June 2004 RM'000	30 June 2005 RM'000	30 June 2004 RM'000
Profit before taxation	110,987	87,813	98,498	108,485
Adjustments for non-cash items	251,223	284,966	231,804	208,156
Operating Profit Before Working Capital Changes	362,210	372,779	330,302	316,641
Changes in working capital:				
Net changes in operating assets	(2,668,777)	(1,621,101)	(2,479,766)	(1,322,909)
Net changes in operating liabilities	612,514	712,983	419,698	(127,715)
Tax expense paid	(134)	(235)	-	-
Net Cash Generated From/(Used in) Operating Activities	(1,694,187)	(535,574)	(1,729,766)	(1,113,983)
Net Cash Generated From Investing Activities	81,962	(5,504)	2,422,236	280,428
Net Cash Used in Financing Activities	(944)	-	(81,962)	-
Net Increase In Cash And Cash Equivalents	(1,613,169)	(541,078)	610,508	(853,555)
Cash And Cash Equivalents At Beginning Of The Period	5,398,793	4,765,069	3,156,862	3,052,558
Cash And Cash Equivalents At End Of The Period	3,785,624	4,223,991	3,767,370	2,199,003

The Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Company for the year ended 31 March 2005.

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Part A - Explanatory Notes Pursuant to Financial Reporting Standard 134 ("FRS 134") and Revised Guidelines on Financial Reporting for Licensed Institutions (BNM/GP8) Issued by Bank Negara Malaysia

A1. Basis of Preparation

The interim financial statements have been prepared in accordance with FRS134 (Interim Financial Reporting) (formerly known as Malaysian Accounting Standards Board ("MASB") 26) issued by MASB and should be read in conjunction with the Annual Financial Statements of the Group and the Company for the year ended 31 March 2005.

The accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the previous audited annual financial statements except for the following accounting policies adopted in the current period:

- (i) the adoption of the revised guidelines on Financial Reporting for Licensed Institutions (BNM/GP8) issued by Bank Negara Malaysia which became effective for the current financial year. The adoption of the revised BNM/GP8 have resulted in changes in the accounting policies of the Group and the Company which have been applied retrospectively in this unaudited condensed interim financial statements and the details are disclosed in Note A28.
- (ii) the adoption of the merger accounting method for the reporting of the business combination of AmBank (M) Berhad (formerly known as AmFinance Berhad) Group and AmBank Berhad, as permitted under FRS 122 (Business Combinations) (formerly known as MASB 21).

A2. Audit Qualification

The auditors' report on the audited annual financial statements for the financial year ended 31 March 2005 was not qualified.

A3. Seasonality or Cyclicity of Operations

The operations of the Group are not subject to seasonal or cyclical fluctuation.

A4. Unusual Items

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

A5. Use of Estimates

There was no material changes in estimates of amounts reported in prior financial years that have a material effect on the financial quarter ended 30 June 2005 other than the adoption of the revised guidelines on Financial Reporting for Licensed Institutions (BNM/GP8) issued by Bank Negara Malaysia which have been applied retrospectively.

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A6. Issuance , Cancellation, Repurchase, Resale and Repayment of Debt and Equity Securities

During the financial quarter ended 30 June 2005, the issued and paid-up share capital of the Company was increased from 528,402,120 ordinary shares of RM1.00 each to 610,363,762 ordinary shares due to the issuance of 81,961,642 shares, as consideration for the acquisition of the entire share capital of AmBank Berhad, a related company.

A7. Dividends Paid

No dividend was paid during the 1st quarter ended 30 June 2005.

A8. Securities Held-for-trading

	The Group		The Company	
	30 June 2005 RM'000	31 March 2005 RM'000	30 June 2005 RM'000	31 March 2005 RM'000
At fair value				
Money Market Securities				
Malaysian Government Securities	118,387	119,252	118,387	119,252
Malaysia Government Investment Certificates	152,042	150,556	152,042	104,225
Cagamas bonds	175,129	174,476	175,129	174,476
Negotiable instruments of deposit	741,087	645,185	741,087	401,075
Khazanah bonds	111,007	110,214	111,007	81,384
	1,297,652	1,199,683	1,297,652	880,412
Quoted securities:				
Shares in Malaysia	80,275	90,095	80,275	75,796
	80,275	90,095	80,275	75,796
Unquoted securities:				
Private debt securities	203,158	202,755	203,158	-
	203,158	202,755	203,158	-
Total securities held-for-trading	1,581,085	1,492,533	1,581,085	956,208

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A9. Securities Available-for-sale

	The Group		The Company	
	30 June 2005 RM'000	31 March 2005 RM'000	30 June 2005 RM'000	31 March 2005 RM'000
At fair value				
Unquoted securities:				
Private debt securities	93,187	96,383	93,187	–
Total securities available-for-sale	<u>93,187</u>	<u>96,383</u>	<u>93,187</u>	<u>–</u>

A10. Securities Held-to-maturity

	The Group		The Company	
	30 June 2005 RM'000	31 March 2005 RM'000	30 June 2005 RM'000	31 March 2005 RM'000
At amortised cost				
Quoted Securities In Malaysia				
Debt equity conversion	802,778	811,816	802,778	565,583
Shares	497	497	–	–
	<u>803,275</u>	<u>812,313</u>	<u>802,778</u>	<u>565,583</u>
Unquoted securities In Malaysia				
Debt equity conversion	1,128,283	1,141,729	1,128,283	736,791
Shares	85,467	85,885	85,049	36,014
Corporate bonds	41,443	41,443	41,443	792
	<u>1,255,193</u>	<u>1,269,057</u>	<u>1,254,775</u>	<u>773,597</u>
Unquoted securities Outside Malaysia				
Shares	432	432	432	–
Total	2,058,900	2,081,802	2,057,985	1,339,180
Less: Allowances for diminution in value of investments	(536,621)	(537,522)	(535,961)	(343,116)
Total securities held-to-maturity	<u>1,522,279</u>	<u>1,544,280</u>	<u>1,522,024</u>	<u>996,064</u>

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A11. Loans, Advances and Financing

	The Group		The Company	
	30 June 2005 RM'000	31 March 2005 RM'000	30 June 2005 RM'000	31 March 2005 RM'000
Overdrafts	745,563	833,065	745,563	–
Term loans facilities				
- Housing loans/financing	8,506,311	8,174,357	8,506,311	4,959,174
- Hire-purchase receivables	23,338,509	21,674,599	23,338,509	21,674,599
- Other loans/financing	7,843,174	7,564,006	7,844,184	4,625,974
Card receivables	2,021,614	1,933,632	2,021,614	1,383,852
Bills receivables	13,343	10,636	13,343	–
Trust receipts	205,863	211,647	205,863	–
Claims on customers under acceptance credits	781,655	809,482	781,655	–
Revolving credits	1,512,431	1,577,143	1,512,431	1,004,875
Staff loans	145,518	139,457	145,518	106,484
Total	45,113,981	42,928,024	45,114,991	33,754,958
Unearned interest and income	<u>(4,776,550)</u>	<u>(4,440,967)</u>	<u>(4,776,550)</u>	<u>(4,230,155)</u>
Gross loans, advances and financing	40,337,431	38,487,057	40,338,441	29,524,803
Less: Islamic financing sold to Cagamas Berhad	<u>(889,719)</u>	<u>(928,658)</u>	<u>(889,719)</u>	<u>(925,365)</u>
	39,447,712	37,558,399	39,448,722	28,599,438
Allowance for bad and doubtful debts and financing:				
General	(581,494)	(556,695)	(581,494)	(429,408)
Specific	(1,549,750)	(1,365,519)	(1,547,193)	(887,640)
Net loans, advances and financing	<u>37,316,468</u>	<u>35,636,185</u>	<u>37,320,035</u>	<u>27,282,390</u>

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A11. Loans, Advances and Financing (continued)**A.11a. By type of customer**

	The Group		The Company	
	30 June 2005 RM'000	31 March 2005 RM'000	30 June 2005 RM'000	31 March 2005 RM'000
Domestic non-bank financial institutions	413,205	438,549	413,205	124,673
Domestic business enterprises				
- Small medium enterprises	2,861,837	2,794,164	2,861,837	1,737,480
- Others	7,146,986	7,202,920	7,147,996	3,730,272
Government and statutory bodies	21,079	21,194	21,079	61
Individuals	28,944,601	27,036,771	28,944,601	22,955,137
Other domestic entities	26,508	23,602	26,508	22,378
Foreign entities	33,496	41,199	33,496	29,437
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Gross loans, advances and financing (net of Islamic financing sold to Cagamas)	39,447,712	37,558,399	39,448,722	28,599,438

A.11b. By interest/profit rate sensitivity

	The Group		The Company	
	30 June 2005 RM'000	31 March 2005 RM'000	30 June 2005 RM'000	31 March 2005 RM'000
Fixed rate				
- Housing loans/financing	2,203,242	1,483,383	2,203,243	272,184
- Hire purchase receivables	18,590,245	17,161,057	18,590,244	17,161,056
- Other fixed rate loan/financing	4,979,668	4,200,557	4,977,112	2,160,026
Variable rate				
- Base lending rate plus	12,570,428	12,082,056	12,573,995	7,753,560
- Cost plus	681,577	1,293,030	681,577	-
- Other variable rates	422,552	1,338,316	422,551	1,252,612
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Gross loans, advances and financing (net of Islamic financing sold to Cagamas)	39,447,712	37,558,399	39,448,722	28,599,438

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A11. Loans, Advances and Financing (continued)**A.11c. By economic purposes**

	The Group		The Company	
	30 June 2005 RM'000	31 March 2005 RM'000	30 June 2005 RM'000	31 March 2005 RM'000
Agriculture	446,723	456,719	446,723	333,348
Mining and quarrying	35,748	35,239	35,748	23,121
Manufacturing	1,712,835	1,678,226	1,712,835	775,641
Electricity, gas and water	200,016	265,407	200,016	13,803
Construction	2,223,771	2,336,680	2,223,771	1,551,835
Real estate	788,242	786,024	788,242	255,288
Purchase of landed property				
- Residential	8,427,317	8,113,708	8,427,317	5,209,734
- Non-residential	1,635,143	1,574,452	1,638,710	946,699
General commerce	1,531,694	1,435,189	1,529,137	715,709
Transport, storage and communication	463,977	458,277	463,977	358,240
Finance, insurance and business services	998,171	935,494	998,171	223,025
Purchase of securities	825,479	875,295	825,479	485,611
Purchase of transport vehicles	17,477,878	16,165,198	17,477,878	16,165,198
Consumption credit	3,113,475	2,928,128	3,113,475	2,180,880
Others	456,962	443,021	456,962	286,671
	<hr/>	<hr/>	<hr/>	<hr/>
Gross loans, advances and financing	40,337,431	38,487,057	40,338,441	29,524,803
Less: Islamic financing sold to Cagamas Berhad	(889,719)	(928,658)	(889,719)	(925,365)
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>39,447,712</u>	<u>37,558,399</u>	<u>39,448,722</u>	<u>29,599,438</u>

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A11. Loans, Advances and Financing (continued)**A.11d. Non-performing loans by sector**

	The Group		The Company	
	30 June 2005 RM'000	31 March 2005 RM'000	30 June 2005 RM'000	31 March 2005 RM'000
Agriculture	48,847	22,460	48,847	17,807
Mining and quarrying	11,603	12,076	11,603	3,472
Manufacturing	317,149	363,941	317,149	138,456
Electricity, gas and water	176,801	177,523	176,801	1,247
Construction	762,973	1,116,364	762,973	834,620
Real estate	398,112	445,667	398,112	207,153
Purchase of landed property				
- Residential	1,329,867	1,415,234	1,329,867	941,296
- Non-residential	653,331	690,542	653,331	514,170
General commerce	173,665	254,916	171,110	168,694
Transport, storage and communication	73,269	48,956	73,269	43,805
Finance, insurance and business services	297,656	161,788	297,656	91,104
Purchase of securities	287,219	449,613	287,219	279,061
Purchase of transport vehicles	983,302	916,347	983,302	916,347
Consumption credit	198,832	185,793	198,832	82,807
Others	113,978	117,229	113,978	68,145
	<hr/>	<hr/>	<hr/>	<hr/>
Gross non-performing loans, advances and financing	5,826,604	6,378,449	5,824,049	4,308,184

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A11. Loans, Advances and Financing (continued)A.11e. Movements in non-performing loans, advances and financing ("NPL") are as follows:

	The Group		The Company	
	30 June 2005 RM'000	31 March 2005 RM'000	30 June 2005 RM'000	31 March 2005 RM'000
Gross				
Balance at 1 April				
As previously reported	7,648,349	8,257,834	5,273,097	5,622,481
Income-in-suspense as at 1 April	(1,269,900)	(1,220,562)	(964,913)	(980,636)
As restated	6,378,449	7,037,272	4,308,184	4,641,845
Non-performing during the period	758,323	846,378	670,701	765,619
Reclassified as performing	(1,104,862)	(742,031)	(754,270)	(456,085)
Recoveries	(205,250)	(291,735)	(180,030)	(209,026)
Debt equity conversion	–	(39,401)	–	(39,401)
Amount vested from AmBank Berhad	–	–	1,779,464	–
Amount written off	(56)	(432,034)	–	(394,768)
Balance at end of period	5,826,604	6,378,449	5,824,049	4,308,184
Less:				
Specific allowance	(1,549,750)	(1,365,519)	(1,547,193)	(887,640)
Non-performing loans and financing (net)	<u>4,276,854</u>	<u>5,012,930</u>	<u>4,276,856</u>	<u>3,420,544</u>
Ratio of net non-performing loans to loans, advances and financing	<u>11.03%</u>	<u>13.50%</u>	<u>11.03%</u>	<u>11.94%</u>

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A11. Loans, Advances and Financing (continued)A.11f. Movements in the allowance for bad and doubtful debts (and financing) accounts are as follows:

	The Group		The Company	
	30 June 2005 RM'000	31 March 2005 RM'000	30 June 2005 RM'000	31 March 2005 RM'000
General Allowance				
Balance at 1 April	556,695	516,173	429,408	405,255
Allowance made during the period	24,799	40,522	23,800	24,153
Amount vested over from AmBank Bhd	—	—	128,286	—
Balance at end of period	<u>581,494</u>	<u>556,695</u>	<u>581,494</u>	<u>429,408</u>
% of total loans less specific allowance	<u>1.50%</u>	<u>1.50%</u>	<u>1.50%</u>	<u>1.50%</u>
Specific Allowance				
Balance at 1 April	1,365,519	1,144,408	887,640	674,950
Allowance made during the period	318,280	1,247,729	284,204	877,367
Amount written back in respect of recoveries	(133,974)	(323,067)	(111,513)	(278,830)
Net charge to income statements	184,306	924,662	172,691	598,537
Debt equity conversion	—	(1,005)	—	—
Amount written off/ Adjustment to Asset Deficiency Account	(75)	(702,546)	(20)	(385,847)
Amount vested over from AmBank Bhd	—	—	486,882	—
Balance at end of period	<u>1,549,750</u>	<u>1,365,519</u>	<u>1,547,193</u>	<u>887,640</u>

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A12. Deposits from Customers

	The Group		The Company	
	30 June 2005 RM'000	31 March 2005 RM'000	30 June 2005 RM'000	31 March 2005 RM'000
<i>By type of customer</i>				
Business enterprises	7,735,993	7,773,619	7,737,704	3,877,767
Individuals	18,715,163	18,236,389	18,715,163	16,395,827
Government and other statutory bodies	3,063,534	2,748,974	3,063,534	1,682,335
Others	432,169	402,761	432,169	317,527
	<u>29,946,859</u>	<u>29,161,743</u>	<u>29,948,570</u>	<u>22,273,456</u>

A13. Deposits and Placements of Banks and Other Financial Institutions

	The Group		The Company	
	30 June 2005 RM'000	31 March 2005 RM'000	30 June 2005 RM'000	31 March 2005 RM'000
Licensed banks	3,153,321	2,962,983	3,153,321	1,597,184
Licensed finance companies	10,053	309,676	10,053	19,928
Non-banking institutions	5,344,369	5,445,697	5,344,369	3,452,393
Bank Negara Malaysia ("BNM")	808,000	808,000	808,000	808,000
	<u>9,315,743</u>	<u>9,526,356</u>	<u>9,315,743</u>	<u>5,877,505</u>

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A14. Interest Income

	Individual Quarter		Cumulative Quarter	
	30 June 2005 RM'000	30 June 2004 RM'000	30 June 2005 RM'000	30 June 2004 RM'000
<u>The Group</u>				
Loans and advances				
- Interest income other than recoveries from NPL	535,283	501,425	535,283	501,425
- Recoveries from NPLs	64,750	63,864	64,750	63,864
Money at call and deposits placements with financial institutions	33,632	35,142	33,632	35,142
Securities held-for-trading	7,946	3,076	7,946	3,076
Securities available-for-sale	929	1,916	929	1,916
Securities held-to-maturity	12,719	14,037	12,719	14,037
Others	17,568	6,315	17,568	6,315
	672,827	625,775	672,827	625,775
Net interest suspended	(44,687)	(25,960)	(44,687)	(25,960)
Accretion of discounts	733	2,385	733	2,385
	628,873	602,200	628,873	602,200
	30 June 2005 RM'000	30 June 2004 RM'000	30 June 2005 RM'000	30 June 2004 RM'000
<u>The Company</u>				
Loans and advances				
- Interest income other than recoveries from NPL	460,943	406,928	460,943	406,928
- Recoveries from NPLs	56,965	51,225	56,965	51,225
Money at call, deposits and placements with financial institutions	21,283	22,618	21,283	22,618
Securities held-for-trading	7,807	524	7,807	524
Securities available-for-sale	306	1,017	306	1,017
Securities held-to-maturity	10,022	9,096	10,022	9,096
Others	16,933	6,315	16,933	6,315
	574,259	497,723	574,259	497,723
Net interest suspended (Amortisation of premium) /accretion of discounts	(29,679)	(16,353)	(29,679)	(16,353)
	(982)	2,257	(982)	2,257
	543,598	483,627	543,598	483,627

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A15. Interest Expense

	Individual Quarter		Cumulative Quarter	
	30 June 2005 RM'000	30 June 2004 RM'000	30 June 2005 RM'000	30 June 2004 RM'000
<u>The Group</u>				
Deposits and placements of banks and other financial institutions	238,509	214,976	238,509	214,976
Amounts due to Cagamas Berhad	21,684	36,543	21,684	36,543
Subordinated term loan	18,904	18,991	18,904	18,991
Others	27,550	12,714	27,550	12,714
	<u>306,647</u>	<u>283,224</u>	<u>306,647</u>	<u>283,224</u>

	Individual Quarter		Cumulative Quarter	
	30 June 2005 RM'000	30 June 2004 RM'000	30 June 2005 RM'000	30 June 2004 RM'000
<u>The Company</u>				
Deposits and placements of banks and other financial institutions	196,226	161,878	196,226	161,878
Amounts due to Cagamas Berhad	20,381	34,174	20,381	34,174
Subordinated term loan	13,619	11,020	13,619	11,020
Others	27,066	12,712	27,066	12,712
	<u>257,292</u>	<u>219,784</u>	<u>257,292</u>	<u>219,784</u>

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A16. Other Operating Income

	Individual Quarter		Cumulative Quarter	
	30 June 2005 RM'000	30 June 2004 RM'000	30 June 2005 RM'000	30 June 2004 RM'000
<u>The Group</u>				
(a) Fee Income:				
Commissions	7,278	7,330	7,278	7,330
Guarantee fees	1,691	1,094	1,691	1,094
Other fee income	21,622	16,224	21,622	16,224
	<u>30,591</u>	<u>24,648</u>	<u>30,591</u>	<u>24,648</u>
(b) Gain arising from sale of securities:				
Net gain/(loss) on sale of securities held-for-trading	1,230	(2,535)	1,230	(2,535)
Net (loss)/gain on sale of securities available-for-sale	(15)	211	(15)	211
Net gain on sale of securities held-to-maturity	2,081	3,307	2,081	3,307
Gain/(loss) on revaluation of securities held for trading	364	(19,115)	364	(19,115)
	<u>3,660</u>	<u>(18,132)</u>	<u>3,660</u>	<u>(18,132)</u>
(c) Gross dividends income from:				
Securities held-for-trading	639	1,113	639	1,113
Securities held-to-maturity	6,206	4,496	6,206	4,496
	<u>6,845</u>	<u>5,609</u>	<u>6,845</u>	<u>5,609</u>
(d) Other Income:				
Foreign exchange gain-realised	759	207	759	207
Gain on disposal of leased assets	–	1	–	1
Gain on disposal of properties	702	(9)	702	(9)
Rental income	1,993	1,932	1,993	1,932
Gain on disposal of property and equipment	–	453	–	453
Amount recovered from Danaharta	–	803	–	803
	<u>3,454</u>	<u>3,387</u>	<u>3,454</u>	<u>3,387</u>
Total other operating income	<u>44,550</u>	<u>15,512</u>	<u>44,550</u>	<u>15,512</u>

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A16. Other Operating Income (continued)

	Individual Quarter		Cumulative Quarter	
	30 June 2005 RM'000	30 June 2004 RM'000	30 June 2005 RM'000	30 June 2004 RM'000
<u>The Company</u>				
(a) Fee Income:				
Commissions	6,150	4,488	6,150	4,488
Guarantee fees	1,002	57	1,002	57
Other fee income	9,645	2,812	9,645	2,812
	<u>16,797</u>	<u>7,357</u>	<u>16,797</u>	<u>7,357</u>
(b) Gain/(loss) arising from sale of securities:				
Net loss/gain on sale of securities held-for-trading	658	(2,738)	658	(2,738)
Net loss on sale of securities available-for-sale	–	211	–	211
Net gain on sale of securities held-for-maturity	56	133	56	133
Gain/(loss) on revaluation of securities held for trading	1,303	(12,327)	1,303	(12,327)
	<u>2,017</u>	<u>(14,721)</u>	<u>2,017</u>	<u>(14,721)</u>
(c) Gross dividends income from:				
Securities held-for-trading	588	877	588	877
Securities held-to-maturity	5,260	3,553	5,260	3,553
	<u>5,848</u>	<u>4,430</u>	<u>5,848</u>	<u>4,430</u>
(d) Other Income:				
Gain on disposal of leased assets	–	1	–	1
Gain on disposal of properties	702	(9)	702	(9)
Rental income	1,837	1,761	1,837	1,761
Gain on disposal of property and equipment	–	272	–	272
Foreign exchange profit	6	–	6	–
	<u>2,545</u>	<u>2,025</u>	<u>2,545</u>	<u>2,025</u>
Total other operating income	<u><u>27,207</u></u>	<u><u>(909)</u></u>	<u><u>27,207</u></u>	<u><u>(909)</u></u>

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A17. Other Operating Expenses

	Individual Quarter		Cumulative Quarter	
	30 June 2005 RM'000	30 June 2004 RM'000	30 June 2005 RM'000	30 June 2004 RM'000
<u>The Group</u>				
Personnel costs				
- Salaries, allowances and bonuses	87,042	63,899	87,042	63,899
- Others	7,196	7,152	7,196	7,152
Establishment costs				
- Depreciation	13,654	16,749	13,654	16,749
- Rental	7,540	6,668	7,540	6,668
- Cleaning, maintenance & security	4,900	4,277	4,900	4,277
- Computerisation cost	13,263	19,871	13,263	19,871
- Others	4,984	3,269	4,984	3,269
Marketing and communication expenses				
- Communication	10,274	9,558	10,274	9,558
- Advertising & marketing expenses	13,661	10,772	13,661	10,772
- Commission	10,762	8,580	10,762	8,580
- Handling fees	34,090	25,025	34,090	25,025
- Others	1,401	1,400	1,401	1,400
Administration and general expenses				
- Professional services	5,637	5,077	5,637	5,077
- Others	11,389	12,304	11,389	12,304
	<u>225,793</u>	<u>194,601</u>	<u>225,793</u>	<u>194,601</u>
	Individual Quarter	Individual Quarter	Cumulative Quarter	Cumulative Quarter
	30 June	30 June	30 June	30 June
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
<u>The Company</u>				
Personnel costs				
- Salaries, allowances and bonuses	69,096	45,187	69,096	45,187
- Others	4,021	3,267	4,021	3,267
Establishment costs				
- Depreciation	12,083	14,589	12,083	14,589
- Rental	6,280	4,978	6,280	4,978
- Cleaning, maintenance & security	4,671	3,992	4,671	3,992
- Computerisation cost	10,514	15,798	10,514	15,798
- Others	3,157	2,443	3,157	2,443
Marketing and communication expenses				
- Communication	8,339	7,167	8,339	7,167
- Advertising & marketing expenses	9,235	6,172	9,235	6,172
- Commission	7,698	5,416	7,698	5,416
- Handling fees	34,090	25,025	34,090	25,025
- Others	1,153	1,188	1,153	1,188
Administration and general expenses				
- Professional services	4,623	3,447	4,623	3,447
- Others	6,166	7,372	6,166	7,372
	<u>181,126</u>	<u>146,041</u>	<u>181,126</u>	<u>146,041</u>

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A18. Allowance for Losses on Loans, Advances and Financing

	Individual Quarter		Cumulative Quarter	
	30 June 2005 RM'000	30 June 2004 RM'000	30 June 2005 RM'000	30 June 2004 RM'000
The Group				
Allowance for bad and doubtful debts and financing:				
Specific allowance (net)				
- made in the financial year	318,280	277,032	318,280	277,032
- written back	(133,974)	(87,278)	(133,974)	(87,278)
General allowance	24,799	9,460	24,799	9,460
Bad debts and financing recovered	(60,494)	(66,185)	(60,494)	(66,185)
	<u>148,611</u>	<u>133,029</u>	<u>148,611</u>	<u>133,029</u>
	30 June 2005 RM'000	30 June 2004 RM'000	30 June 2005 RM'000	30 June 2004 RM'000
The Company				
Allowance for bad and doubtful debts and financing:				
Specific allowance (net)				
- made in the financial year	284,204	204,756	284,204	204,756
- written back	(111,513)	(80,956)	(111,513)	(80,956)
General allowance	23,800	9,800	23,800	9,800
Bad debts and financing recovered	(53,630)	(46,565)	(53,630)	(46,565)
	<u>142,861</u>	<u>87,035</u>	<u>142,861</u>	<u>87,035</u>

A19. Taxation

	Individual Quarter		Cumulative Quarter	
	30 June 2005 RM'000	30 June 2004 RM'000	30 June 2005 RM'000	30 June 2004 RM'000
The Group				
Estimated current tax payable	134	156	134	156
Share in taxation of associated company	17	17	17	17
Net transfer from/(to) deferred taxation	31,000	24,428	31,000	24,428
	<u>31,151</u>	<u>24,601</u>	<u>31,151</u>	<u>24,601</u>
	30 June 2005 RM'000	30 June 2004 RM'000	30 June 2005 RM'000	30 June 2004 RM'000
The Company				
Net transfer from/(to) deferred taxation	27,600	30,423	27,600	30,423

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A20. Earning Per Share (EPS)**Basic**

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

	Individual Quarter		Cumulative Quarter	
	30 June 2005 RM'000	30 June 2004 RM'000	30 June 2005 RM'000	30 June 2004 RM'000
<u>The Group</u>				
Net profit attributable to shareholders of the Company	79,839	63,215	79,839	63,215
Number of ordinary shares at beginning of period	528,402	528,402	528,402	528,402
Effect of the issuance of shares	21,748	–	21,748	–
Weighted average number of ordinary shares in issue	550,150	528,402	550,150	528,402
Basic earnings per share (sen)	14.51	11.96	14.51	11.96

	Individual Quarter		Cumulative Quarter	
	30 June 2005 RM'000	30 June 2004 RM'000	30 June 2005 RM'000	30 June 2004 RM'000
<u>The Company</u>				
Net profit attributable to shareholders of the Company	70,898	78,062	70,898	78,062
Number of ordinary shares at beginning of period	528,402	528,402	528,402	528,402
Effect of the issuance of shares	21,748	–	21,748	–
Weighted average number of ordinary shares in issue	550,150	528,402	550,150	528,402
Basic earnings per share (sen)	12.89	14.77	12.89	14.77

There are no dilutive potential ordinary shares during the financial period.

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A21. Dividends

No dividend has been proposed or declared for 1st quarter ended 30 June 2005.

A22. Performance Review

The Group and the Company recorded a Pre-tax profit of RM110.9 million and RM98.5 million respectively for the quarter ended 30 June 2005 as compared to RM87.8 million and RM108.5 million respectively in the previous corresponding quarter ended 30 June 2004.

The increase in Pre-tax profit for the Group and the Company is mainly attributable to the higher net interest income spurred by year-on-year loan growth and increase in non-interest income.

In the opinion of the Directors, the results 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.

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A23. Segment Information on Operating Revenue, Profit Before Tax Expense and Assets**By Business Segments**

The Group 30 June 2005	Finance RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
Operating Revenue				
External revenue	780,481	155	–	780,636
Inter-segment revenue	68	497	(565)	–
Total revenue	<u>780,549</u>	<u>652</u>	<u>(565)</u>	<u>780,636</u>
Results				
Profit from operations	110,674	271	(9)	110,936
Share of profits of associated company	–	–	51	51
Profit before tax				110,987
Taxation				<u>(31,151)</u>
Profit after taxation				<u>79,836</u>
Other information				
Capital additions	10,788	–	–	10,788
Depreciation	13,518	127	9	13,654
Loan and financing loss and allowance (net of recoveries)	148,611	–	–	148,611
Writeback of allowance for diminution in value of investment securities	(2,445)	–	–	(2,445)
Accretion of discounts less amortisation of premium	733	–	–	733
Property and equipment written off	530	–	–	<u>530</u>
Consolidated Balance Sheet				
Assets				
Segment assets	48,431,733	87,129	(75,241)	48,443,621
Investment in associated companies	150	–	342	492
Consolidated total assets				<u>48,444,113</u>
Liabilities				
Segment liabilities	45,185,913	153,910	(153,205)	45,186,618
Consolidated total liabilities				<u>45,186,618</u>

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A23. Segment Information on Operating Revenue, Profit Before Tax Expense and Asset (continued)

The Group 30 June 2004	Finance RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
Operating Revenue				
External revenue	726,538	106	–	726,644
Inter-segment revenue	174	1,314	(1,488)	–
Total revenue	<u>726,712</u>	<u>1,420</u>	<u>(1,488)</u>	<u>726,644</u>
Results				
Profit from operations	86,945	822	(9)	87,758
Share of profits of associated company			55	<u>55</u>
Profit before tax				87,813
Taxation				<u>(24,601)</u>
Profit after taxation				<u>63,212</u>
Other information				
Capital additions	10,997	–	–	10,997
Depreciation	16,536	204	9	16,749
Loan and financing loss and allowance (net of recoveries)	133,029	–	–	133,029
Writeback of allowance for diminution in value of investment securities	15,958	–	–	15,958
Accretion of discounts less amortisation of premium	2,783	–	–	2,783
Property and equipment written off	3,134	–	–	<u>3,134</u>
Consolidated Balance Sheet				
Assets				
Segment assets	45,249,915	90,681	(78,968)	45,261,628
Investment in associated companies	150	–	138	<u>288</u>
Consolidated total assets				<u>45,261,916</u>
Liabilities				
Segment liabilities	42,195,287	160,066	(156,972)	42,198,381
Consolidated total liabilities				<u>42,198,381</u>

The directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established under terms and conditions that are no less favourable than those arranged with independent parties.

The financial information by geographical segment is not presented as the Group's activities are principally conducted in Malaysia.

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A24. Valuation of Property & Equipment

The Group's and the Company's property and equipment are stated at cost or valuation less accumulated depreciation and accumulated impairment losses.

A25. Events Subsequent To Balance Sheet Date

There has not arisen in the interval between the end of the financial quarter 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 results of the operations of the Group for the current quarter.

A26. Significant Event

- (a) Acquisition of AmBank Berhad by the Company

During the financial quarter ended 30 June 2005, the Company acquired the entire equity interest in AmBank Berhad ("AmBank") a related company for a purchase consideration of RM412.7 million based on the unaudited net tangible assets ("NTA") of AmBank after adjusting for certain non-transferable assets. The purchase consideration was satisfied by the issuance of 81,961,642 ordinary shares in the Company at an issue price of RM5.035 based on the NTA of the Group at the completion date.

- (b) Business Merger

Upon completion of the acquisition of AmBank by the Company, the finance company business of the Company and the commercial banking business of AmBank was merged by way of vesting of AmBank's assets and liabilities (save for non-transferable assets) amounting to RM412.7 million to the Company on 1 June 2005. The assets and liabilities were vested pursuant to a High Court Vesting Order made under section 50 of the Banking and Financial Institutions Act, 1989.

Subsequently, the Company changed its name to AmBank (M) Berhad to reflect the merger of the commercial banking and finance company operations under a single entity.

A27. Changes in the Composition of Group

There were no significant changes in the composition of the Group for the 1st quarter ended 30 June 2005, other than as disclosed in Note A26 above.

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A28. Commitments and Contingencies

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

The risk-weighted exposure of the Group and the Company is as follows:

<u>The Group</u>	As at 30 June 2005			As at 31 March 2005		
	Principal Amount RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Amount RM'000	Principal Amount RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Amount RM'000
Direct credit substitutes	322,562	322,562	216,330	336,192	336,192	266,506
Certain transaction-related contingent items	243,739	121,870	121,870	196,288	98,144	98,144
Short-term self-liquidating trade-related contingencies	248,302	49,660	49,660	169,910	33,982	12,878
Obligations under underwriting agreements	140,000	70,000	70,000	140,000	70,000	70,000
Unpaid portion of partly paid shares	250	250	250	250	250	250
Irrevocable commitments to extend credit:						
– maturing less than one year	7,910,257	–	–	6,549,611	–	–
– maturing more than one year	1,218,044	609,022	609,022	1,829,304	914,652	914,652
Foreign exchange related contracts:						
– less than one year	1,163,154	10,230	5,115	1,098,396	11,189	5,595
Interest rate swap contracts:						
– maturing within one year	250,000	400	80	250,000	500	100
– maturing more than one year to less than five years	2,045,839	37,421	7,484	1,886,200	34,110	6,822
Islamic financing sold to Cagamas Berhad with recourse	889,719	889,719	888,511	928,658	928,658	927,011
Other commitments	45,928	–	–	31,772	–	–
Total	14,477,794	2,111,134	1,968,322	13,416,581	2,427,677	2,301,958

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A28. Commitments and Contingencies (continued)

<u>The Company</u>	As at 30 June 2005			As at 31 March 2005		
	Principal Amount RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Amount RM'000	Principal Amount RM'000	Credit Equivalent Amount* RM'000	Risk Weighted Amount RM'000
Direct credit substitutes	322,562	322,562	216,330	51,404	51,404	15,300
Certain transaction- related contingent items	243,739	121,870	121,870	–	–	–
Short-term self- liquidating trade- related contingencies	248,302	49,660	49,660	–	–	–
Obligations under underwriting agreements	140,000	70,000	70,000	–	–	–
Unpaid portion of partly paid shares	150	150	150	150	150	150
Irrevocable commitments to extend credit:						
– maturing less than one year	7,910,257	–	–	3,056,148	–	–
– maturing more than one year	1,218,044	609,022	609,022	483,410	241,705	241,705
Foreign exchange related contracts:						
– less than one year	1,163,154	10,230	5,115	–	–	–
Interest rate swap contracts:						
– maturing within one year	250,000	400	80	250,000	500	100
– maturing more than one year to less than five years	2,045,839	37,421	7,484	1,880,000	33,986	6,797
Islamic financing sold to Cagamas Berhad with recourse	889,719	889,719	888,511	925,365	925,365	925,365
Other commitments	45,928	–	–	–	–	–
Total	14,477,694	2,111,034	1,968,222	6,646,477	1,253,110	1,189,417

* The credit equivalent amount is arrived at using the credit conversion factors as specified by Bank Negara Malaysia.

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A29. Derivative Financial Instruments

Details of financial instruments with off-balance sheet risk as at 30 June 2005:

Value of contracts classified by remaining period to maturity/next repricing date (whichever is earlier).

The Group and the Company

Items	Principal Amount RM'000	1 month or less RM'000	> 1-3 months RM'000	> 3-6 months RM'000	> 6-12 months RM'000	> 1-5 years RM'000	> 5 years RM'000
Foreign exchange related contracts:							
- forward	1,163,154	662,715	341,464	156,153	2,822	–	–
Interest rate related contracts:							
- swap	2,295,839	–	–	50,000	200,000	2,045,839	–
Total	3,458,993	662,715	341,464	206,153	202,822	2,045,839	–

The Group and the Company do not have any transaction in respect of equity and commodity related contracts. Foreign exchange and interest rate related contracts are subject to market and credit risk.

The Interest Rate derivative instruments of the Group and the Company are held for the purpose of hedging and are not marked to market. The details of the interest rate derivative instruments are as follows:

	Contract Amount RM'000	Fair Value RM'000	Positive Mark-to-market RM'000	Negative Mark-to-market RM'000	Net Negative Mark-to-market RM'000
Interest Rate related contracts	2,295,839	2,280,605	1,762	(16,996)	(15,234)

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. The use of derivatives and their sale to customers as risk management products is an integral part of the Group's trading activities. Derivatives are also used to manage the Group's own exposure to fluctuations in foreign exchange and interest rates as part of its asset and liability management activities. Derivatives are subject to the same types of credit and market risk as other financial instruments, and the Group manages these risks in a consistent manner.

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A29. Derivative Financial Instruments (continued)

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

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

Derivative transactions generate income from buy-sell spreads and from trading positions taken by the Group. Income from these transactions is taken to interest income, foreign exchange gain or trading income from derivatives.

Market Risk

Market risk arising from the above interest rate-related and foreign exchange-related derivatives contracts measures the potential losses to the value of these contracts due to changes in market rates/prices. The contractual amounts of these contracts stated above provide only a measure of involvement in these types of transactions and do not represent the amounts subject to market risk. Exposure to market risk may be reduced through offsetting on and off-balance sheet positions.

The Group's risk management system uses the value at risk method to assess the market risk from these contracts.

As at 30 June 2005, the amount of contracts which were not hedged in the Group and the Company and, hence, exposed to market risk was RM Nil (31 March 2005 : RM Nil).

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A29. Derivative Financial Instruments (continued)

Credit Risk

Counterparty credit risk arises from the possibility that a counterparty may be unable to meet the terms of the derivatives contract in which the Group has a gain position.

As at 30 June 2005, the amounts of counterparty credit risk, measured in terms of the cost to replace the profitable contracts of the Group was RM Nil (31 March 2005 : RM Nil). This amount will increase or decrease over the life of the contracts, mainly as a function of movement in market rates and time.

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

Related Accounting Policies

Forwards Exchange Contracts

Unmatured forward exchange contracts are valued at forward rates prevailing at balance sheet date, applicable to their respective dates to maturity and, unrealised gains and losses are recognised in the income statements.

Interest Rate Swaps, Futures, Options and Forward Rate Contracts

Interest income or interest expense associated with interest rate swaps that qualify as hedges is recognised over the life of the swap agreement as a component of interest income or interest expense. Gains and losses on interest rate futures, options and forward rate contracts that qualify as hedges are generally deferred and amortised over the life of the hedged assets or liabilities as adjustments to interest income or interest expense.

Gains and losses on interest rate swaps, futures, options and forward rate contracts that do not qualify as hedges are recognised using the mark-to-market method and is shown as trading gain or loss from derivatives

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A30. Capital Adequacy

Bank Negara Malaysia's ("BNM") guideline on capital adequacy requires the Company to maintain an adequate level of capital to withstand any losses which may result from credit and other risks associated with financing operations. The capital adequacy ratio is computed based on the eligible capital in relation to the total risk-weighted assets as determined by BNM.

The risk weighted capital adequacy ratio of the Company of 8.89% (31 March 2005:11.51%) exceeds the minimum requirements of BNM.

	The Company			
	30 June 2005 RM'000	31 March 2005 RM'000		
<u>Tier 1 capital</u>				
Paid-up share capital	610,364	528,402		
Share premium	379,953	379,953		
Statutory reserve	528,402	528,402		
Unappropriated profit at end of period *	422,468	574,259		
Total tier 1 capital	1,941,187	2,011,016		
<u>Tier 2 capital</u>				
General allowance for bad and doubtful debts and financing	577,944	425,857		
Subordinated term loan	1,140,000	680,000		
Subordinated bonds	200,000	200,000		
Total tier 2 capital	1,917,944	1,305,857		
Maximum Allowable Tier 2 Capital	1,548,537	1,305,857		
Total capital funds	3,489,725	3,316,873		
Less: Investment in subsidiary companies	(29,779)	(29,779)		
Capital base	3,459,946	3,287,094		
	30 June 2005	31 March 2005		
	Principal RM'000	Risk - Weighted RM'000	Principal RM'000	Risk - Weighted RM'000
Notional risk-weighted assets:	49,949,970	38,910,866	35,976,179	28,545,183

Capital Ratios

Core capital ratio	4.99%	7.04%
Risk-weighted capital ratio	8.89%	11.51%

* The unappropriated profit included in the Tier-1 capital excludes the deferred tax asset that was recognised by the Company and this is in accordance to the revised guideline issued by Bank Negara Malaysia in August 2003.

The comparative ratios are not adjusted for the prior year adjustments.

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

The Group	30 June 2005						Non-interest sensitive	Trading Books	Total	Effective interest rate
	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	>1 to 5 years	Over 5 years				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
ASSETS										
Cash and short-term funds	3,404,234	–	–	–	–	–	381,390	–	3,785,624	2.68
Deposits and placements with financial institutions	–	869,138	50,104	–	–	–	7,141	–	926,383	2.90
Securities held-for-trading	–	–	–	–	–	–	560,166	1,020,919	1,581,085	3.15
Securities available-for-sale	–	–	–	–	20,068	73,119	–	–	93,187	–
Securities held-to-maturity	–	160,784	–	247,140	397,472	484,939	231,944	–	1,522,279	–
Loans, advances and financing										
– Performing	9,368,844	552,632	258,793	368,444	7,321,402	8,952,533	6,798,345	–	33,620,993	7.28
– Non-performing	–	–	–	–	–	–	3,695,475	–	3,695,475	–
Other non-interest sensitive balances	–	–	–	–	–	–	3,219,087	–	3,219,087	–
TOTAL ASSETS	12,773,078	1,582,554	308,897	615,584	7,738,942	9,510,591	14,893,548	1,020,919	48,444,113	
LIABILITIES AND SHAREHOLDER'S FUNDS										
Deposits from customers	10,822,150	4,896,438	3,330,677	5,730,119	1,605,346	–	3,562,129	–	29,946,859	2.93
Deposits and placements of banks and other financial institutions	2,561,001	1,216,812	345,315	514,963	506,806	908,000	3,262,846	–	9,315,743	2.58
Securities sold under repurchase agreements	509,195	–	–	–	–	–	–	–	509,195	2.71
Bills and acceptances payables	146,929	249,146	80,037	–	–	–	130,083	–	606,195	–
Amount due to Cagamas Berhad	38,244	76,854	116,200	417,746	1,488,642	–	–	–	2,137,686	3.77
Subordinated term loan	–	–	–	–	1,140,000	–	–	–	1,140,000	6.65
Subordinated bonds	–	–	–	–	200,000	–	–	–	200,000	7.95
Other non-interest sensitive balances	–	–	–	–	–	–	1,330,940	–	1,330,940	–
Total Liabilities	14,077,519	6,439,250	3,872,229	6,662,828	4,940,794	908,000	8,285,998	–	45,186,618	
Minority interests	–	–	–	–	–	–	85	–	85	
Shareholder's Funds	–	–	–	–	–	–	3,257,410	–	3,257,410	
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS	14,077,519	6,439,250	3,872,229	6,662,828	4,940,794	908,000	11,543,493	–	48,444,113	
On-balance sheet interest sensitivity gap	(1,304,441)	(4,856,696)	(3,563,332)	(6,047,244)	2,798,148	8,602,591	3,350,055	1,020,919	–	
Off-balance sheet interest sensitivity gap	669,839	1,170,000	(94,000)	(100,000)	(1,645,839)	–	–	–	–	
Total interest sensitivity gap	(634,602)	(3,686,696)	(3,657,332)	(6,147,244)	1,152,309	8,602,591	3,350,055	1,020,919	–	

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The Group	Up to	>1 to 3	>3 to 6	>6 to 12	>1 to 5	Over	Non-	Trading	Total	Effective
	1 month	months	months	months	years	5 years	interest	Books		interest rate
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	sensitive	RM'000	RM'000	%
							RM'000			
ASSETS										
Cash and short-term funds	4,896,250	1,316	–	–	–	–	501,227	–	5,398,793	2.66
Deposits and placements with financial institutions	–	358,700	–	203	–	–	22,100	–	381,003	2.61
Securities held-for-trading	–	–	–	–	–	–	185,609	1,306,924	1,492,533	3.48
Securities available-for-sale	–	–	–	–	20,073	76,310	–	–	96,383	–
Securities held-to-maturity	–	–	36,596	66,911	152,287	759,255	529,231	–	1,544,280	–
Loans, advances and financing										
– Performing	10,661,903	697,248	1,041,637	1,395,810	8,753,768	3,203,638	5,425,947	–	31,179,951	7.53
– Non-performing	–	–	–	–	–	–	4,456,234	–	4,456,234	–
Other non-interest sensitive balances	–	–	–	–	–	–	3,129,321	–	3,129,321	–
TOTAL ASSETS	15,558,153	1,057,264	1,078,233	1,462,924	8,926,128	4,039,203	14,249,669	1,306,924	47,678,498	
LIABILITIES AND SHAREHOLDER'S FUNDS										
Deposits from customers	9,943,280	5,057,834	3,443,116	5,231,568	1,534,080	–	3,951,865	–	29,161,743	3.00
Deposits and placements of banks and other financial institutions	1,558,985	2,257,959	1,090,848	581,760	373,585	908,000	2,755,219	–	9,526,356	2.75
Securities sold under repurchase agreements	103,795	–	–	–	–	–	–	–	103,795	2.56
Bills and acceptances payables	134,051	253,965	127,736	–	–	–	–	–	515,752	–
Amount due to Cagamas Berhad	343,350	157,830	115,458	234,245	1,675,724	127,043	–	–	2,653,650	3.93
Subordinated term loan	–	–	–	–	1,140,000	–	–	–	1,140,000	6.66
Subordinated bonds	–	–	–	–	200,000	–	–	–	200,000	7.95
Other non-interest sensitive balances	–	–	–	–	–	–	1,278,349	–	1,278,349	–
Total Liabilities	12,083,461	7,727,588	4,777,158	6,047,573	4,923,389	1,035,043	7,985,433	–	44,579,645	
Minority interests	–	–	–	–	–	–	86	–	86	
Shareholder's Funds	–	–	–	–	–	–	3,098,767	–	3,098,767	
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS	12,083,461	7,727,588	4,777,158	6,047,573	4,923,389	1,035,043	11,084,286	–	47,678,498	
On-balance sheet interest sensitivity gap	3,474,692	(6,670,324)	(3,698,925)	(4,584,649)	4,002,739	3,004,160	3,165,383	1,306,924	–	
Off-balance sheet interest sensitivity gap	860,000	1,220,000	–	(150,000)	(1,930,000)	–	–	–	–	
Total interest sensitivity gap	<u>4,334,692</u>	<u>(5,450,324)</u>	<u>(3,698,925)</u>	<u>(4,734,649)</u>	<u>2,072,739</u>	<u>3,004,160</u>	<u>3,165,383</u>	<u>1,306,924</u>	<u>–</u>	

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The Company	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	>1 to 5 years	Over 5 years	Non- interest sensitive	Trading Books	Total	Effective interest rate
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
ASSETS										
Cash and short-term funds	3,405,560	-	-	-	-	-	361,810	-	3,767,370	2.68
Deposits and placements with financial institutions	-	869,139	50,000	-	-	-	7,140	-	926,279	2.90
Securities held-for-trading	-	-	-	-	-	-	560,166	1,020,919	1,581,085	3.15
Securities available-for-sale	-	-	-	-	20,068	73,119	-	-	93,187	-
Securities held-to-maturity	-	160,784	-	247,140	397,472	484,939	231,689	-	1,522,024	-
Loans, advances and financing										
– Performing	9,368,945	552,835	259,104	369,088	7,323,708	8,952,645	6,798,347	-	33,624,672	7.28
– Non-performing	-	-	-	-	-	-	3,695,363	-	3,695,363	
Other non-interest sensitive balances	-	-	-	-	-	-	3,150,827	-	3,150,827	
TOTAL ASSETS	12,774,505	1,582,758	309,104	616,228	7,741,248	9,510,703	14,805,342	1,020,919	48,360,807	
LIABILITIES AND										
SHAREHOLDER'S FUNDS										
Deposits from customers	10,823,861	4,896,438	3,330,677	5,730,119	1,605,346	-	3,562,129	-	29,948,570	2.93
Deposits and placements of banks and other financial institutions	2,561,001	1,216,812	345,315	514,963	506,806	908,000	3,262,846	-	9,315,743	2.58
Securities sold under repurchase agreements	509,195	-	-	-	-	-	-	-	509,195	2.71
Bills and acceptances	146,929	249,146	80,037	-	-	-	130,083	-	606,195	
Amount due to Cagamas Berhad	38,244	76,854	116,200	417,746	1,488,642	-	-	-	2,137,686	3.77
Subordinated term loan	-	-	-	-	1,140,000	-	-	-	1,140,000	6.65
Subordinated bonds	-	-	-	-	200,000	-	-	-	200,000	7.95
Other non-interest sensitive balances	-	-	-	-	-	-	1,741,191	-	1,741,191	-
Total Liabilities	14,079,230	6,439,250	3,872,229	6,662,828	4,940,794	908,000	8,696,249	-	45,598,580	
Shareholder's Funds	-	-	-	-	-	-	2,762,227	-	2,762,227	
TOTAL LIABILITIES AND										
SHAREHOLDER'S FUNDS	14,079,230	6,439,250	3,872,229	6,662,828	4,940,794	908,000	11,458,476	-	48,360,807	
On-balance sheet interest sensitivity gap	(1,304,725)	(4,856,492)	(3,563,125)	(6,046,600)	2,800,454	8,602,703	3,346,866	1,020,919	-	
Off-balance sheet interest sensitivity gap	669,839	1,170,000	(94,000)	(100,000)	(1,645,839)	-	-	-	-	
Total interest sensitivity gap	(634,886)	(3,686,492)	(3,657,125)	(6,146,600)	1,154,615	8,602,703	3,346,866	1,020,919	-	

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The Company	Up to 1 month	>1 to 3 months	>3 to 6 months	>6 to 12 months	>1 to 5 years	Over 5 years	Non- interest sensitive	Trading Books	Total	Effective interest rate
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
ASSETS										
Cash and short-term funds	2,706,370	–	–	–	–	–	450,492	–	3,156,862	2.57
Deposits and placements with financial institutions	–	336,700	–	–	–	–	22,100	–	358,800	2.60
Securities held-for-trading	–	–	–	–	–	–	261,405	694,803	956,208	3.64
Securities available-for-sale	–	–	–	–	–	–	–	–	–	–
Securities held-to-maturity	–	–	–	67,786	150,672	371,888	405,718	–	996,064	3.64
Loans, advances and financing										
– Performing	6,201,736	308,951	785,750	1,394,522	8,211,160	1,963,188	5,425,946	–	24,291,253	7.75
– Non-performing	–	–	–	–	–	–	2,991,137	–	2,991,137	–
Other non-interest sensitive balances	–	–	–	–	–	–	2,336,641	–	2,336,641	–
TOTAL ASSETS	8,908,106	645,651	785,750	1,462,308	8,361,832	2,335,076	11,893,439	694,803	35,086,965	
LIABILITIES AND SHAREHOLDER'S FUNDS										
Deposits from customers	7,042,519	3,477,785	2,843,115	4,580,875	1,365,278	–	2,963,884	–	22,273,456	3.15
Deposits and placements of banks and other financial institutions	614,920	926,745	423,872	199,773	313,434	908,000	2,490,761	–	5,877,505	2.66
Securities sold under repurchase agreements	33,059	–	–	–	–	–	–	–	33,059	2.46
Bills and acceptances	–	–	–	–	–	–	–	–	–	–
Amount due to Cagamas Berhad	341,683	154,481	110,392	223,961	1,498,163	127,043	–	–	2,455,723	3.92
Subordinated term loan	–	–	–	–	680,000	–	–	–	680,000	6.50
Subordinated bonds	–	–	–	–	200,000	–	–	–	200,000	7.95
Other non-interest sensitive balances	–	–	–	–	–	–	954,697	–	954,697	–
Total Liabilities	8,032,181	4,559,011	3,377,379	5,004,609	4,056,875	1,035,043	6,409,342	–	32,474,440	
Shareholder's Funds	–	–	–	–	–	–	2,612,525	–	2,612,525	
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS	8,032,181	4,559,011	3,377,379	5,004,609	4,056,875	1,035,043	9,021,867	–	35,086,965	
On-balance sheet interest sensitivity gap	875,925	(3,913,360)	(2,591,629)	(3,542,301)	4,304,957	1,300,033	2,871,572	694,803	–	
Off-balance sheet interest sensitivity gap	860,000	1,220,000	–	(150,000)	(1,930,000)	–	–	–	–	
Total interest sensitivity gap	<u>1,735,925</u>	<u>(2,693,360)</u>	<u>(2,591,629)</u>	<u>(3,692,301)</u>	<u>2,374,957</u>	<u>1,300,033</u>	<u>2,871,572</u>	<u>694,803</u>	<u>–</u>	

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A31. Operations of Islamic Banking**A31a. Unaudited Balance Sheets as at 30 June 2005**

	The Group		The Company	
	30 June 2005 RM'000	31 March 2005 RM'000	30 June 2005 RM'000	31 March 2005 RM'000
ASSETS				
Cash and short-term funds	169,168	451,268	169,168	249,385
Deposits and placements with financial institutions	7,140	44,200	7,140	22,100
Securities held-for-trading	560,166	554,166	560,166	185,608
Financing, advances and other loans	7,015,728	6,514,868	7,015,728	5,602,309
Statutory deposit with Bank Negara Malaysia	238,798	231,181	238,798	204,938
Property and equipment	–	15	–	15
Other assets	13,275	12,528	13,275	11,068
Deferred tax asset	65,829	81,720	65,829	53,450
TOTAL ASSETS	8,070,104	7,889,946	8,070,104	6,328,873
LIABILITIES AND ISLAMIC BANKING FUND				
Deposits from customers	3,562,129	3,267,568	3,562,129	2,963,884
Deposits and placements of banks and other financial institutions	2,916,553	3,670,923	2,916,553	2,490,761
Converted funds	346,293	–	346,293	72,142
Bills and acceptances payable	130,083	43,454	130,083	–
Other liabilities	447,395	267,046	447,395	161,131
Total Liabilities	7,402,453	7,248,991	7,402,453	5,667,918
Capital funds	420,542	420,542	420,542	420,542
Unappropriated profits	247,109	220,413	247,109	220,413
Islamic Banking Funds	667,651	640,955	667,651	640,955
TOTAL LIABILITIES AND ISLAMIC BANKING FUND	8,070,104	7,889,946	8,070,104	6,328,873
COMMITMENTS AND CONTINGENCIES	2,042,691	1,933,823	2,042,691	1,100,797

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A31b. Unaudited Income Statements for the 1st Quarter and Three Months Ended 30 June 2005

<u>The Group</u>	Individual Quarter		Cumulative Quarter	
	30 June 2005 RM'000	30 June 2004 RM'000	30 June 2005 RM'000	30 June 2004 RM'000
Income derived from investment of depositors' funds	171,902	146,387	171,902	146,387
Allowance for losses on financing, advances and other loans	(31,510)	(28,591)	(31,510)	(28,591)
Transfer to profit equalisation reserve	5,539	(15,529)	5,539	(15,529)
Total attributable income	145,931	102,267	145,931	102,267
Income attributable to the depositors	(58,877)	(49,958)	(58,877)	(49,958)
Income attributable to the reporting institution	87,054	52,309	87,054	52,309
Allowance for diminution in value	1,903	(5,041)	1,903	(5,041)
Total net income	88,957	47,268	88,957	47,268
Other operating expenses	(44,318)	(9,357)	(44,318)	(9,357)
Profit before tax expense	44,639	37,911	44,639	37,911
Tax expense	(10,497)	(14,735)	(10,497)	(14,735)
Net profit for the financial period	34,142	23,176	34,142	23,176

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A31b. Unaudited Income Statements for the 1st Quarter and Three Months Ended 30 June 2005
(continued)

<u>The Company</u>	Individual Quarter		Cumulative Quarter	
	30 June 2005 RM'000	30 June 2004 RM'000	30 June 2005 RM'000	30 June 2004 RM'000
Income derived from investment of depositors' funds	155,406	131,125	155,406	131,125
Allowance for losses on financing, advances and other loans	(29,800)	(23,091)	(29,800)	(23,091)
Transfer to profit equalisation reserve	5,854	(11,615)	5,854	(11,615)
Total attributable income	131,460	96,419	131,460	96,419
Income attributable to the depositors	(52,288)	(40,883)	(52,288)	(40,883)
Income attributable to the reporting institution	79,172	55,536	79,172	55,536
Allowance for diminution in value	2,018	(4,573)	2,018	(4,573)
Total net income	81,190	50,963	81,190	50,963
Other operating expenses	(43,997)	(8,825)	(43,997)	(8,825)
Profit before tax expense	37,193	42,138	37,193	42,138
Tax expense	(10,497)	(15,851)	(10,497)	(15,851)
Net profit for the financial period	26,696	26,287	26,696	26,287

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A31c. Financing, Advances and Other Loans

	The Group		The Company	
	30 June 2005 RM'000	31 March 2005 RM'000	30 June 2005 RM'000	31 March 2005 RM'000
Term financing and revolving credit facilities	591,860	566,080	591,860	108,017
House financing	840,718	640,177	840,718	466,428
Islamic hire-purchase	7,242,904	6,870,686	7,242,904	6,870,686
Credit cards	240,720	210,855	240,720	-
Bills receivables	174,074	163,961	174,074	-
Other financing	1,306,579	1,132,876	1,306,579	1,119,362
	10,396,855	9,584,635	10,396,855	8,564,493
Unearned income	(2,145,210)	(1,828,692)	(2,145,210)	(1,828,692)
Gross financing, advances and other loans	8,251,645	7,755,943	8,251,645	6,735,801
Less: Islamic financing sold to Cagamas Berhad	(889,719)	(928,658)	(889,719)	(925,365)
	7,361,926	6,827,285	7,361,926	5,810,436
Allowance for bad and doubtful debts and financing:				
- general	(120,444)	(113,353)	(120,444)	(99,406)
- specific	(225,754)	(199,064)	(225,754)	(108,721)
Net financing, advances and other loans	7,015,728	6,514,868	7,015,728	5,602,309

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

	The Group		The Company	
	30 June 2005 RM'000	31 March 2005 RM'000	30 June 2005 RM'000	31 March 2005 RM'000
Balance at 1 April				
As previously reported	703,433	1,082,916	445,259	503,081
Income-in-suspense	(169,807)	(171,112)	(60,770)	(78,244)
As restated	533,626	911,804	384,489	424,837
Non-performing during the period	153,295	190,783	142,410	120,550
Amount vested over from AmBank Berhad	-	-	139,692	-
Reclassified as performing	(91,925)	(378,448)	(73,797)	(55,781)
Recoveries	(31,416)	(139,187)	(29,214)	(56,478)
Debt equity conversion	-	-	-	-
Amount written off	-	(51,325)	-	(48,639)
	563,580	533,625	563,580	384,489
Less:				
Specific allowance	(225,754)	(199,064)	(225,754)	(108,721)
Net non-performing financing, advances and other loans	337,826	334,561	337,826	275,768
Net NPL as % of gross financing, advances and other loans less specific allowance	4.21%	4.43%	4.21%	4.16%

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A31c. Financing, Advances and Other Loans (continued)

ii) Movements in the allowance for bad and doubtful debts and financing accounts are as follows:

	The Group		The Company	
	30 June 2005 RM'000	31 March 2005 RM'000	30 June 2005 RM'000	31 March 2005 RM'000
General Allowance				
Balance at 1 April	113,353	92,080	99,406	80,276
Allowance made during the period	7,091	21,273	6,836	19,130
Amount vested over from AmBank Bhd	–	–	14,202	–
Balance at end of period	<u>120,444</u>	<u>113,353</u>	<u>120,444</u>	<u>99,406</u>
% of gross loans, financing and other loans less specific allowance	<u>1.50%</u>	<u>1.50%</u>	<u>1.50%</u>	<u>1.50%</u>
Specific Allowance				
Balance at 1 April	<u>199,064</u>	<u>79,803</u>	<u>108,721</u>	<u>58,247</u>
Allowance made during the period	51,928	238,273	47,679	162,716
Amount written back in respect of recoveries	<u>(25,238)</u>	<u>(68,403)</u>	<u>(23,036)</u>	<u>(64,289)</u>
Net charge to income statements	26,690	169,870	24,643	98,427
Amount vested over from AmBank Bhd	–	–	92,390	–
Amount written off/ Adjustment to Asset Deficiency Account	<u>–</u>	<u>(50,609)</u>	<u>–</u>	<u>(47,953)</u>
Balance at end of period	<u>225,754</u>	<u>199,064</u>	<u>225,754</u>	<u>108,721</u>

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A31d. Deposits from Customers**i) By type of deposits**

	The Group		The Company	
	30 June 2005 RM'000	31 March 2005 RM'000	30 June 2005 RM'000	31 March 2005 RM'000
<u>Company</u>				
<u>Non-Mudharabah Fund</u>				
Demand deposits	169,264	103,869	169,264	–
Islamic negotiable certificates of deposits	39,179	38,850	39,179	38,850
Savings deposits	436,282	395,691	436,282	353,844
	<u>644,725</u>	<u>538,410</u>	<u>644,725</u>	<u>392,694</u>
<u>Mudharabah Fund</u>				
General investment deposit	2,917,404	2,729,158	2,917,404	2,571,190
	<u>2,917,404</u>	<u>2,729,158</u>	<u>2,917,404</u>	<u>2,571,190</u>
Deposit from customers	<u>3,562,129</u>	<u>3,267,568</u>	<u>3,562,129</u>	<u>2,963,884</u>

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A32. Change in Accounting Policies and Prior Year Adjustments

(a) Change in Accounting Policies

During the 1st quarter ended 30 June 2005, the Group and the Company have adopted the revised BNM/GP8 which have resulted in the following new accounting policies:

- 1) The holdings of the securities portfolio of the Group and the Company are segregated based on the following categories and valuation methods:

- i) Securities held-for-trading

Securities are classified as held-for-trading if they are acquired principally for the purpose of benefiting from actual or expected short-term price movement or to lock in arbitrage profits. The securities held-for-trading will be stated at fair value and any gain or loss arising from a change in their fair values and the derecognition of securities held-for-trading are recognised in the income statements.

- ii) Securities held-to-maturity

Securities held-to-maturity are financial assets with fixed or determinable payments and fixed maturity that the Group and Bank have the positive intent and ability to hold to maturity. The securities held-to-maturity are measured at accreted/amortised cost based on effective yield method. Amortisation of premium, accretion of discount and impairment as well as gain or loss arising from derecognition of securities held-to-maturity are recognised in the income statements.

- iii) Securities available-for-sale

Securities available-for-sale are financial assets that are not classified as held-for-trading or held-to-maturity. The securities available-for-sale are measured at fair value or at amortised cost (less impairment losses) if the fair value cannot be reliably measured. Any gain or loss arising from a change in fair value are recognised directly in equity through the statement of changes in equity, until the financial asset is sold, collected, disposed of or impaired, at which time the cumulative gain or loss previously recognised in equity will be transferred to the income statements.

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

Fair value hedge

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

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A32. Change in Accounting Policies and Prior Year Adjustments (continued)Cash flow hedge

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

- 3) Where a loan becomes non-performing, interest accrued and recognised as income prior to the date the loans are classified as non-performing shall be reversed out of income and set-off against the accrued interest receivable account in the balance sheet. Thereafter, the interest accrued on the non-performing loans shall be recognised as income on a cash basis instead of being accrued and suspended at the same time as prescribed previously.

(b) Prior Year Adjustments

Changes in comparative arising from the adoption of the revised guidelines on Financial Reporting for Licensed Institutions (BNM/GP8) issued by Bank Negara Malaysia which have applied retrospectively are as follows:

	As previously stated RM'000	Adjustments RM'000	As restated RM'000
The Group			
As at 31 March 2005			
Dealing Securities	272,468	(272,468)	–
Investment Securities	2,858,873	(2,858,873)	–
Securities held-for-trading	–	1,492,533	1,492,533
Securities available-for-sale	–	96,383	96,383
Securities held-to-maturity	–	1,544,280	1,544,280
Deferred Tax Assets	908,401	(520)	907,881
Reserves	2,569,029	1,336	2,570,365

For the financial statement for the individual quarter ended 30 June 2004

Allowance for diminution in value of investments	20,393	(4,435)	15,958
Profit before taxation	83,378	4,435	87,813
Taxation	23,359	1,242	24,601
Profit after taxation	60,019	3,193	63,212

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A32. Change in Accounting Policies and Prior Year Adjustments (continued)

	As previously stated RM'000	Adjustemnts RM'000	As restated RM'000
The Company			
As at 31 March 2005			
Dealing Securities	75,796	(75,796)	–
Investment Securities	1,874,620	(1,874,620)	–
Securities held-for-trading	–	956,208	956,208
Securities held-to-maturity	–	996,064	996,064
Defered Tax Assets	616,804	(520)	616,284
Reserves	2,082,787	1,336	2,084,123
For the financial statement for the individual quarter ended 30 June 2004			
Allowance for dimunition in value of investments	16,762	(4,435)	12,327
Profit before taxation	104,050	4,435	108,485
Taxation	29,181	1,242	30,423
Profit after taxation	74,869	3,193	78,062