

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 Period
1 April 2005 to
31 December 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 31 DECEMBER 2005

	The Group		The Bank Legal Entity	
	31 December 2005 RM'000	31 March 2005 RM'000	31 December 2005 RM'000	31 March 2005 RM'000
ASSETS				
Cash and short-term funds	5,528,066	5,398,793	5,513,803	3,156,862
Deposits and placements with banks and other financial institutions	256,557	381,003	256,454	358,800
Securities held-for-trading	1,317,730	1,492,533	1,317,730	956,208
Securities available-for-sale	93,468	96,383	93,468	–
Securities held-to-maturity	1,648,199	1,544,280	1,647,944	996,064
Loans, advances and financing	40,428,456	35,636,185	40,431,402	27,282,390
Deferred tax asset	822,557	907,881	669,519	616,284
Other assets	552,715	502,950	554,279	349,608
Statutory deposit with Bank Negara Malaysia	1,518,527	1,301,583	1,518,527	988,930
Investment in subsidiary companies	–	–	111,741	29,779
Investment in associated companies	579	458	150	150
Property and equipment	413,499	416,449	381,762	351,890
TOTAL ASSETS	<u>52,580,353</u>	<u>47,678,498</u>	<u>52,496,779</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 Bank for the year ended 31 March 2005.

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	The Group		The Bank Legal entity	
	31 December 2005 RM'000	31 March 2005 RM'000	31 December 2005 RM'000	31 March 2005 RM'000
LIABILITIES AND SHAREHOLDER'S FUNDS				
Deposits from customers	31,668,331	29,161,743	31,670,067	22,273,456
Deposits and placements of banks and other financial institutions	11,897,654	9,526,356	11,897,654	5,877,505
Securities sold under repurchase agreements	358,200	103,795	358,200	33,059
Bills and acceptance payable	620,550	515,752	620,550	-
Amount due to Cagamas Berhad	1,900,392	2,653,650	1,900,392	2,455,723
Other liabilities	1,403,598	1,196,387	1,813,520	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>49,188,725</u>	<u>44,497,683</u>	<u>49,600,383</u>	<u>32,474,440</u>
Minority interests	81	86	-	-
Share capital	610,364	610,364	610,364	528,402
Reserves	2,781,183	2,570,365	2,286,032	2,084,123
Shareholder's Funds	<u>3,391,547</u>	<u>3,180,729</u>	<u>2,896,396</u>	<u>2,612,525</u>
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS	<u>52,580,353</u>	<u>47,678,498</u>	<u>52,496,779</u>	<u>35,086,965</u>
COMMITMENTS AND CONTINGENCIES	<u>17,361,364</u>	<u>13,416,581</u>	<u>17,361,264</u>	<u>6,646,477</u>
NET TANGIBLE ASSETS PER SHARE (RM)	<u>5.56</u>	<u>5.21</u>	<u>4.75</u>	<u>4.94</u>

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2005

The Group	3rd Quarter ended		Nine months ended	
	31 December 2005 RM'000	31 December 2004 RM'000	31 December 2005 RM'000	31 December 2004 RM'000
Interest income	682,491	627,440	1,933,812	1,815,526
Interest expense	(337,819)	(304,772)	(964,599)	(885,534)
Net interest income	344,672	322,668	969,213	929,992
Net income from Islamic Banking business	115,959	96,766	345,647	286,644
Other operating income	35,511	40,203	113,970	79,510
Net income	496,142	459,637	1,428,830	1,296,146
Other operating expenses	(220,469)	(192,070)	(677,319)	(580,966)
Operating profit	275,673	267,567	751,511	715,180
Allowance for losses on loans and financing	(160,420)	(114,211)	(460,505)	(348,720)
Impairment writeback/(loss) on securities held-to-maturity	(1,114)	46	26,623	6,512
Impairment of property and equipment	–	–	–	(28,386)
Transfer to profit equalisation reserve	(9,374)	(22,875)	(18,427)	(59,112)
Profit before share in results of associated company and taxation	104,765	130,527	299,202	285,474
Share of profits in associated company	55	80	187	206
Profit before taxation	104,820	130,607	299,389	285,680
Taxation	(29,801)	(41,584)	(85,721)	(97,415)
Profit before minority interests	75,019	89,023	213,668	188,265
Minority interests	3	4	7	9
Net profit attributable to shareholder of the Bank	75,022	89,027	213,675	188,274
Basic earnings per share (sen)	12.29	14.59	35.01	30.85

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FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2005

The Bank Legal Entity	3rd Quarter ended		Nine months ended	
	31 December 2005 RM'000	31 December 2004 RM'000	31 December 2005 RM'000	31 December 2004 RM'000
Interest income	682,558	497,414	1,848,679	1,452,082
Interest expense	(337,832)	(233,688)	(915,267)	(677,977)
Net interest income	344,726	263,726	933,412	774,105
Income from Islamic banking operations	115,958	89,902	335,854	269,806
Other operating income	34,465	17,029	97,361	23,004
Net income	495,149	370,657	1,366,627	1,066,915
Other operating expenses	(220,461)	(135,074)	(632,481)	(422,226)
Operating profit	274,688	235,583	734,146	644,689
Allowance for losses on loans and financing	(160,421)	(75,457)	(454,755)	(235,111)
Impairment writeback/(loss) on securities held-to-maturity	(290)	–	25,411	1,638
Impairment of property and equipment	–	–	–	(28,386)
Transfer to profit equalisation reserve	(9,374)	(22,210)	(18,112)	(51,659)
Profit before taxation	104,603	137,916	286,690	331,171
Taxation	(29,649)	(41,863)	(81,924)	(107,873)
Net profit attributable to shareholder of the Bank	74,954	96,053	204,766	223,298
Basic earnings per share (sen)	12.28	18.18	34.68	42.26

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2005

The Group	← 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	578,712	626,632	623,959	–	172,386	2,910,044
Prior year adjustments	–	–	–	–	–	35	409	444
Deemed issue of shares	81,962	–	–	–	–	–	–	81,962
As restated	610,364	379,953	578,712	626,632	623,959	35	172,795	2,992,450
Unrealised net loss on revaluation of securities available-for-sale	–	–	–	–	–	(35)	–	(35)
Adjustment in Merger Reserve and Capital Reserve arising from increase in share capital of acquiree	–	–	–	53,125	31,875	–	–	85,000
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	610,364	379,953	624,044	679,757	377,492	–	509,119	3,180,729

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FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2005

The Group	← 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 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
Deemed issue of shares	81,962	–	–	–	–	–	–	81,962
As restated	610,364	379,953	624,044	679,757	377,492	–	509,119	3,180,729
Unrealised net loss on revaluation of securities available-for-sale	–	–	–	–	–	(2,857)	–	(2,857)
Profit for the year	–	–	–	–	–	–	213,675	213,675
Balance as at 31 December 2005	610,364	379,953	624,044	679,757	377,492	(2,857)	722,794	3,391,547

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UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2005

The Bank	← Non-distributable →					Available-for-Sale Securities Revaluation Reserve	Distributable	Total RM'000
	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Merger Reserve RM'000	Capital Reserve RM'000	Unappropriated Profits 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	–	–	–	–	–	(2,857)	–	(2,857)
Profit for the year	–	–	–	–	–	–	204,766	204,766
Balance as at 31 December 2005	610,364	379,953	528,402	–	–	(2,857)	1,380,534	2,896,396

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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED CASH FLOW STATEMENTS
FOR THE FINANCIAL QUARTER ENDED 31 DECEMBER 2005**

	The Group		The Bank Legal Entity	
	31 December 2005 RM'000	31 December 2004 RM'000	31 December 2005 RM'000	31 December 2004 RM'000
Profit before taxation	299,389	285,680	286,690	331,171
Adjustments for non-cash items	870,980	865,954	870,744	627,652
Operating Profit Before Working Capital Changes	1,170,369	1,151,634	1,157,434	958,823
Changes in working capital:				
Net changes in operating assets	(5,733,325)	(2,734,454)	(14,714,884)	(1,860,419)
Net changes in operating liabilities	4,670,066	1,865,513	16,644,974	(19,803)
Tax expense paid	(321)	(711)	-	-
Net Cash Generated From/(Used in) Operating Activities	106,789	281,982	3,087,524	(921,399)
Net Cash Generated From/(Used in) Investing Activities	22,484	290,268	(1,108,621)	160,798
Net Cash Generated From/(Used in) Financing Activities	-	50,000	378,038	-
Net Increase/(Decrease) In Cash And Cash Equivalents	129,273	622,250	2,356,941	(760,601)
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	5,528,066	5,387,319	5,513,803	2,291,957

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

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Explanatory Notes

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 Bank 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 Bank which have been applied retrospectively in this unaudited condensed interim financial statements and the details are disclosed in Note A31.
- (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 AMBB Capital Berhad (formerly known as AmBank Berhad), as permitted under FRS 122 (Business Combinations) (formerly known as MASB 21).

The Group is deemed by Bank Negara Malaysia to be in compliance with the requirement on the provision for loan impairment under the revised BNM/GP8 provided that the specific and general allowances are computed based on BNM/GP3 guidelines and this basis is disclosed in the financial statements. The Group's computations for its specific and general allowances are made based on BNM/GP3 guidelines and is consistent with the adoption made in the previous audited annual financial statements.

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.

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A5. Use of Estimates

There was no material change in estimates of amounts reported in prior financial years that have a material effect on the financial quarter ended 31 December 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.

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

During the financial period ended 30 September 2005, the issued and paid-up share capital of the Bank 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 AMBB Capital Berhad (formerly known as AmBank Berhad). The Bank has not issued any new shares or debentures during the financial quarter.

There were no share buy-backs, share cancellations nor shares held as treasury shares by the Bank during the financial period.

A7. Dividends Paid

The directors do not recommend the payment of any dividend in respect of the financial quarter ended 31 December 2005 and no dividends were paid in the current financial period.

A8. Securities Held-for-trading

	The Group		The Bank	
	31 December 2005 RM'000	31 March 2005 RM'000	31 December 2005 RM'000	31 March 2005 RM'000
At fair value				
Money Market Securities:				
Malaysian Government Securities	115,750	119,252	115,750	119,252
Malaysia Government Investment Certificates	119,413	150,556	119,413	104,225
Cagamas bonds	173,920	174,476	173,920	174,476
Negotiable instruments of deposit	577,300	645,185	577,300	401,075
Khazanah bonds	49,663	110,214	49,663	81,384
	<u>1,036,046</u>	<u>1,199,683</u>	<u>1,036,046</u>	<u>880,412</u>
Quoted securities:				
Shares in Malaysia	81,020	90,095	81,020	75,796
	<u>81,020</u>	<u>90,095</u>	<u>81,020</u>	<u>75,796</u>
Unquoted securities:				
Private debt securities	200,664	202,755	200,664	-
	<u>200,664</u>	<u>202,755</u>	<u>200,664</u>	<u>-</u>
Total securities held-for-trading	<u>1,317,730</u>	<u>1,492,533</u>	<u>1,317,730</u>	<u>956,208</u>

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A9. Securities Available-for-sale

	The Group		The Bank	
	31 December 2005 RM'000	31 March 2005 RM'000	31 December 2005 RM'000	31 March 2005 RM'000
At fair value				
Unquoted securities:				
Private debt securities	93,468	96,383	93,468	–
Total securities available-for-sale	<u>93,468</u>	<u>96,383</u>	<u>93,468</u>	<u>–</u>

A10. Securities Held-to-maturity

	The Group		The Bank	
	31 December 2005 RM'000	31 March 2005 RM'000	31 December 2005 RM'000	31 March 2005 RM'000
At amortised cost				
Quoted Securities In Malaysia:				
Debt equity conversion	1,068,055	811,816	1,068,055	565,583
Shares	497	497	–	–
	<u>1,068,552</u>	<u>812,313</u>	<u>1,068,055</u>	<u>565,583</u>
Unquoted securities In Malaysia:				
Debt equity conversion	1,101,765	1,141,729	1,101,765	736,791
Shares	85,885	85,885	85,468	36,014
Corporate bonds	859	41,443	859	792
	<u>1,188,509</u>	<u>1,269,057</u>	<u>1,188,092</u>	<u>773,597</u>
Unquoted securities Outside Malaysia:				
Shares	13	432	13	–
Total	2,257,074	2,081,802	2,256,160	1,339,180
Less: Allowances for diminution in value of investments	<u>(608,875)</u>	<u>(537,522)</u>	<u>(608,216)</u>	<u>(343,116)</u>
Total securities held-to-maturity	<u>1,648,199</u>	<u>1,544,280</u>	<u>1,647,944</u>	<u>996,064</u>

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A11. Loans, Advances and Financing

	The Group		The Bank	
	31 December 2005 RM'000	31 March 2005 RM'000	31 December 2005 RM'000	31 March 2005 RM'000
Overdrafts	871,422	833,065	871,422	–
Term loans facilities				
– Housing loans/financing	9,382,173	8,174,357	9,382,173	4,959,174
– Hire-purchase receivables	26,394,898	21,674,599	26,394,898	21,674,599
– Other loans/financing	7,975,421	7,564,006	7,978,367	4,625,974
Card receivables	2,141,029	1,933,632	2,141,029	1,383,852
Bills receivables	11,267	10,636	11,267	–
Trust receipts	179,438	211,647	179,438	–
Claims on customers under acceptance credits	948,159	809,482	948,159	–
Revolving credits	1,526,941	1,577,143	1,526,941	1,004,875
Staff loans	152,573	139,457	152,573	106,484
Total	49,583,321	42,928,024	49,586,267	33,754,958
Unearned interest and income	<u>(5,371,824)</u>	<u>(4,440,967)</u>	<u>(5,371,824)</u>	<u>(4,230,155)</u>
Gross loans, advances and financing	44,211,497	38,487,057	44,214,443	29,524,803
Less: Islamic financing sold to Cagamas Berhad	<u>(1,282,979)</u>	<u>(928,658)</u>	<u>(1,282,979)</u>	<u>(925,365)</u>
	42,928,518	37,558,399	42,931,464	28,599,438
Allowance for bad and doubtful debts and financing:				
General	(635,294)	(556,695)	(635,294)	(429,408)
Specific	<u>(1,864,768)</u>	<u>(1,365,519)</u>	<u>(1,864,768)</u>	<u>(887,640)</u>
Net loans, advances and financing	<u>40,428,456</u>	<u>35,636,185</u>	<u>40,431,402</u>	<u>27,282,390</u>

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A11. Loans, Advances and Financing (continued)**A11a. By type of customer**

	The Group		The Bank	
	31 December 2005 RM'000	31 March 2005 RM'000	31 December 2005 RM'000	31 March 2005 RM'000
Domestic non-bank financial institutions	477,820	438,549	477,820	124,673
Domestic business enterprises				
– Small medium enterprises	2,818,771	2,794,164	2,818,771	1,737,480
– Others	7,301,282	7,202,920	7,304,228	3,730,272
Government and statutory bodies	20,933	21,194	20,933	61
Individuals	33,523,938	27,965,429	33,523,938	23,880,502
Other domestic entities	28,485	23,602	28,485	22,378
Foreign entities	40,268	41,199	40,268	29,437
Gross loans, advances and financing	<u>44,211,497</u>	<u>38,487,057</u>	<u>44,214,443</u>	<u>29,524,803</u>

A11b. By interest/profit rate sensitivity

	The Group		The Bank	
	31 December 2005 RM'000	31 March 2005 RM'000	31 December 2005 RM'000	31 March 2005 RM'000
Fixed rate				
– Housing loans/financing	2,934,331	1,483,383	2,934,331	272,184
– Hire purchase receivables	22,043,901	18,089,715	22,043,901	18,086,421
– Other fixed rate loan/financing	5,119,133	4,200,557	5,119,133	2,160,026
Variable rate				
– Base lending rate plus	13,031,342	12,082,056	13,034,288	7,753,560
– Cost plus	722,220	1,293,030	722,220	–
– Other variable rates	360,570	1,338,316	360,570	1,252,612
Gross loans, advances and financing	<u>44,211,497</u>	<u>38,487,057</u>	<u>44,214,443</u>	<u>29,524,803</u>

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A11. Loans, Advances and Financing (continued)**A11c. By economic purposes**

	The Group		The Bank	
	31 December 2005 RM'000	31 March 2005 RM'000	31 December 2005 RM'000	31 March 2005 RM'000
Agriculture	429,990	456,719	429,990	333,348
Mining and quarrying	37,570	35,239	37,570	23,121
Manufacturing	1,832,581	1,678,226	1,832,581	775,641
Electricity, gas and water	200,933	265,407	200,933	13,803
Construction	2,283,354	2,336,680	2,283,354	1,551,835
Real estate	795,417	786,024	795,417	255,288
Purchase of landed property				
– Residential	9,265,349	8,113,708	9,265,349	5,209,734
– Non-residential	1,572,243	1,574,452	1,575,189	946,699
General commerce	1,824,395	1,435,189	1,824,395	715,709
Transport, storage and communication	435,332	458,277	435,332	358,240
Finance, insurance and business services	793,031	935,494	793,031	223,025
Purchase of securities	805,509	875,295	805,509	485,611
Purchase of transport vehicles	20,007,843	16,165,198	20,007,843	16,165,198
Consumption credit	3,425,967	2,928,128	3,425,967	2,180,880
Others	501,983	443,021	501,983	286,671
Gross loans, advances and financing	<u>44,211,497</u>	<u>38,487,057</u>	<u>44,214,443</u>	<u>29,524,803</u>

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A11. Loans, Advances and Financing (continued)**A11d. Non-performing loans by sector**

	The Group		The Bank	
	31 December 2005 RM'000	31 March 2005 RM'000	31 December 2005 RM'000	31 March 2005 RM'000
Agriculture	49,020	22,460	49,020	17,807
Mining and quarrying	11,105	12,076	11,105	3,472
Manufacturing	285,167	363,941	285,167	138,456
Electricity, gas and water	177,607	177,523	177,607	1,247
Construction	858,560	1,116,364	858,560	834,620
Real estate	395,090	445,667	395,090	207,153
Purchase of landed property				
– Residential	1,404,698	1,415,234	1,404,698	941,296
– Non-residential	611,248	690,542	611,248	514,170
General commerce	180,631	254,916	180,631	168,694
Transport, storage and communication	68,820	48,956	68,820	43,805
Finance, insurance and business services	232,266	161,788	232,266	91,104
Purchase of securities	276,710	449,613	276,710	279,061
Purchase of transport vehicles	1,140,389	916,347	1,140,389	916,347
Consumption credit	190,260	185,793	190,260	82,807
Others	107,116	117,229	107,116	68,145
	<u>5,988,687</u>	<u>6,378,449</u>	<u>5,988,687</u>	<u>4,308,184</u>

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A11. Loans, Advances and Financing (continued)

A11e. Movements in non-performing loans, advances and financing ("NPL") are as follows:

	The Group		The Bank	
	9 months ended 31 December 2005 RM'000	Year ended 31 March 2005 RM'000	9 months ended 31 December 2005 RM'000	Year ended 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	1,549,030	846,378	1,438,352	765,619
Reclassified as performing	(1,491,417)	(742,031)	(1,115,012)	(456,085)
Recoveries	(373,218)	(291,735)	(350,757)	(209,026)
Debt equity conversion	(982)	(39,401)	(982)	(39,401)
Amount vested from AmBank Berhad	–	–	1,779,464	–
Amount written off	(73,175)	(432,034)	(70,562)	(394,768)
Balance at end of period	5,988,687	6,378,449	5,988,687	4,308,184
Less:				
Specific allowance	(1,864,768)	(1,365,519)	(1,864,768)	(887,640)
Non-performing loans and financing – net	<u>4,123,919</u>	<u>5,012,930</u>	<u>4,123,919</u>	<u>3,420,544</u>
Ratio of non-performing loans and financing to total loans, advances and financing – net	<u>9.74%</u>	<u>13.50%</u>	<u>9.74%</u>	<u>11.94%</u>

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A11. Loans, Advances and Financing (continued)

A11f. Movements in the allowance for bad and doubtful debts (and financing) accounts are as follows:

	The Group		The Bank	
	9 months ended 31 December 2005 RM'000	Year ended 31 March 2005 RM'000	9 months ended 31 December 2005 RM'000	Year ended 31 March 2005 RM'000
General Allowance				
Balance at 1 April	556,695	516,173	429,408	405,255
Allowance made during the period	78,599	40,522	77,600	24,153
Amount vested over from AmBank Bhd	—	—	128,286	—
Balance at end of period	<u>635,294</u>	<u>556,695</u>	<u>635,294</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	<u>1,365,519</u>	<u>1,144,408</u>	<u>887,640</u>	<u>674,950</u>
Allowance made during the period	884,100	1,247,729	850,024	877,367
Amount written back in respect of recoveries	<u>(310,680)</u>	<u>(323,067)</u>	<u>(288,219)</u>	<u>(278,830)</u>
Net charge to income statements	573,420	924,662	561,805	598,537
Debt equity conversion	(982)	(1,005)	(982)	—
Amount written off/ Adjustment to Asset Deficiency Account	(73,189)	(702,546)	(70,577)	(385,847)
Amount vested over from AmBank Bhd	—	—	486,882	—
Balance at end of period	<u>1,864,768</u>	<u>1,365,519</u>	<u>1,864,768</u>	<u>887,640</u>

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A12. Deposits from Customers

	The Group		The Bank	
	31 December 2005 RM'000	31 March 2005 RM'000	31 December 2005 RM'000	31 March 2005 RM'000
<u>By type of customer</u>				
Business enterprises	8,415,531	7,773,619	8,417,267	3,877,767
Individuals	19,301,970	18,236,389	19,301,970	16,395,827
Government and other statutory bodies	3,462,516	2,748,974	3,462,516	1,682,335
Others	488,314	402,761	488,314	317,527
	<u>31,668,331</u>	<u>29,161,743</u>	<u>31,670,067</u>	<u>22,273,456</u>

A13. Deposits and Placements of Banks and Other Financial Institutions

	The Group		The Bank	
	31 December 2005 RM'000	31 March 2005 RM'000	31 December 2005 RM'000	31 March 2005 RM'000
Licensed banks	2,318,073	2,962,983	2,318,073	1,597,184
Licensed merchant banks	3,082,011	–	3,082,011	–
Licensed finance companies	–	309,676	–	19,928
Non-banking institutions	5,689,570	5,445,697	5,689,570	3,452,393
Bank Negara Malaysia (“BNM”)	808,000	808,000	808,000	808,000
	<u>11,897,654</u>	<u>9,526,356</u>	<u>11,897,654</u>	<u>5,877,505</u>

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A14. Interest Income

	3rd Quarter ended		Nine months ended	
	31 December 2005 RM'000	31 December 2004 RM'000	31 December 2005 RM'000	31 December 2004 RM'000
<u>The Group</u>				
Loans and advances				
– Interest income other than recoveries from NPL	528,894	492,601	1,586,615	1,508,216
– Recoveries from NPLs	80,952	55,601	193,688	150,690
Money at call and deposits placements with financial institutions	34,667	37,052	101,971	112,041
Securities held-for-trading	6,747	10,827	27,652	22,472
Securities available-for-sale	–	939	1,246	3,854
Securities held-to-maturity	32,121	34,023	50,223	47,848
Others	24,978	7,049	62,445	27,831
	708,359	638,092	2,023,840	1,872,952
Net interest suspended	(23,608)	(9,720)	(82,539)	(57,218)
Amortisation of premium	(2,260)	(932)	(7,489)	(208)
	<u>682,491</u>	<u>627,440</u>	<u>1,933,812</u>	<u>1,815,526</u>
<u>The Bank</u>				
Loans and advances				
– Interest income other than recoveries from NPL	528,962	413,516	1,525,143	1,256,620
– Recoveries from NPLs	80,951	41,561	186,457	116,907
Money at call, deposits and placements with financial institutions	34,667	16,256	89,622	56,291
Securities held-for-trading	10,339	6,013	26,890	12,812
Securities available-for-sale	–	–	1,246	1,076
Securities held-to-maturity	28,511	14,169	47,526	25,721
Others	24,978	13,364	61,810	27,831
	708,408	504,879	1,938,694	1,497,258
Net interest suspended	(23,608)	(6,485)	(80,812)	(44,745)
Amortisation of premium	(2,242)	(980)	(9,203)	(431)
	<u>682,558</u>	<u>497,414</u>	<u>1,848,679</u>	<u>1,452,082</u>

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A15. Interest Expense

	3rd Quarter ended		Nine months ended	
	31 December 2005 RM'000	31 December 2004 RM'000	31 December 2005 RM'000	31 December 2004 RM'000
<u>The Group</u>				
Deposits and placements of banks and other financial institutions	268,438	209,615	756,208	647,460
Amounts due to Cagamas Berhad	18,654	43,542	58,704	114,948
Subordinated term loan and subordinated bonds	23,120	23,119	69,093	69,238
Others	27,607	28,496	80,594	53,888
	<u>337,819</u>	<u>304,772</u>	<u>964,599</u>	<u>885,534</u>
<u>The Bank</u>				
Deposits and placements of banks and other financial institutions	264,162	147,235	713,912	469,822
Amounts due to Cagamas Berhad	18,654	42,008	58,704	108,943
Subordinated term loan and subordinated bonds	23,120	15,148	63,823	45,324
Others	31,896	29,297	78,828	53,888
	<u>337,832</u>	<u>233,688</u>	<u>915,267</u>	<u>677,977</u>

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A16. Other Operating Income

	3rd Quarter ended		Nine months ended	
	31 December 2005 RM'000	31 December 2004 RM'000	31 December 2005 RM'000	31 December 2004 RM'000
The Group				
(a) <u>Fee Income:</u>				
Commissions	7,365	6,635	22,628	18,516
Guarantee fees	3,412	541	6,485	2,950
Other fee income	25,806	18,598	69,483	52,826
	<u>36,583</u>	<u>25,774</u>	<u>98,596</u>	<u>74,292</u>
(b) <u>Gain/(Loss) arising from sale of securities:</u>				
Net loss on sale of securities held-for-trading	(2,571)	(2,497)	(26,452)	(8,864)
Net gain on sale of securities available-for-sale	–	–	–	350
Net (loss)/gain on sale of securities held-to-maturity	(4,973)	414	(9,041)	277
Gain/(loss) on revaluation of securities held for trading	880	10,135	29,192	(6,796)
	<u>(6,664)</u>	<u>8,052</u>	<u>(6,301)</u>	<u>(15,033)</u>
(c) <u>Gross dividends income from:</u>				
Securities held-for-trading	705	2,986	1,914	5,365
Securities held-to-maturity	2,396	741	9,312	5,237
	<u>3,101</u>	<u>3,727</u>	<u>11,226</u>	<u>10,602</u>
(d) <u>Other Income:</u>				
Foreign exchange gain	573	906	4,211	1,594
Gain on disposal of leased assets	–	–	–	3
(Loss)/Gain on disposal of properties	(342)	–	26	–
Rental income	2,222	1,684	6,081	6,187
Gain on disposal of property and equipment	37	462	120	1,071
Loss on disposal of subsidiary	–	(402)	–	–
Amount recovered from Danaharta	–	–	–	803
Others	1	–	11	(9)
	<u>2,491</u>	<u>2,650</u>	<u>10,449</u>	<u>9,649</u>
Total other operating income	<u><u>35,511</u></u>	<u><u>40,203</u></u>	<u><u>113,970</u></u>	<u><u>79,510</u></u>

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A16. Other Operating Income (continued)

	3rd Quarter ended		Nine months ended	
	31 December 2005 RM'000	31 December 2004 RM'000	31 December 2005 RM'000	31 December 2004 RM'000
The Bank				
(a) <u>Fee Income:</u>				
Commissions	7,365	5,110	21,501	14,330
Guarantee fees	3,412	48	5,797	166
Other fee income	25,805	3,406	57,504	9,186
	<u>36,582</u>	<u>8,564</u>	<u>84,802</u>	<u>23,682</u>
(b) <u>Gain/(Loss) arising from sale of securities:</u>				
Net loss on sale of securities held-for-trading	(2,571)	(978)	(26,458)	(6,943)
Net gain on sale of securities available-for-sale	-	-	-	350
Net loss on sale of securities held-to-maturity	(4,973)	-	(9,581)	(1,409)
Gain/(loss) on revaluation of securities held for trading	56	4,807	29,192	(6,796)
	<u>(7,488)</u>	<u>3,829</u>	<u>(6,847)</u>	<u>(14,798)</u>
(c) <u>Gross dividends income from:</u>				
Securities held-for-trading	727	900	1,883	2,691
Securities held-to-maturity	2,374	1,640	8,347	5,193
	<u>3,101</u>	<u>2,540</u>	<u>10,230</u>	<u>7,884</u>
(d) <u>Other Income:</u>				
Gain on disposal of leased assets	-	-	-	3
(Loss)/Gain on disposal of properties	(342)	-	26	-
Rental income	2,002	1,835	5,563	5,553
Gain on disposal of property and equipment	37	261	120	689
Foreign exchange profit	573	-	3,457	-
Others	-	-	10	(9)
	<u>2,270</u>	<u>2,096</u>	<u>9,176</u>	<u>6,236</u>
Total other operating income	<u>34,465</u>	<u>17,029</u>	<u>97,361</u>	<u>23,004</u>

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A17. Other Operating Expenses

	3rd Quarter ended 31 December 2005 RM'000	31 December 2004 RM'000	Nine months ended 31 December 2005 RM'000	31 December 2004 RM'000
The Group				
Personnel costs				
– Salaries, allowances and bonuses	84,918	70,328	257,014	211,681
– Others	4,225	3,159	15,887	12,192
Establishment costs				
– Depreciation	12,209	9,229	39,379	35,770
– Rental	6,685	6,222	21,787	20,120
– Cleaning, maintenance & security	5,277	5,180	16,672	15,402
– Computerisation cost	23,139	12,412	52,434	41,462
– Others	3,431	4,185	11,205	14,188
Marketing and communication expenses				
– Communication	13,496	8,803	33,501	29,330
– Advertising & marketing expenses	13,362	13,809	43,291	37,926
– Commission	9,874	12,204	30,893	30,041
– Handling fees	26,519	25,362	96,673	76,023
– Others	1,370	1,398	4,434	4,392
Administration and general expenses				
– Professional services	5,583	3,478	17,854	13,114
– Others	10,381	16,301	36,295	39,325
	<u>220,469</u>	<u>192,070</u>	<u>677,319</u>	<u>580,966</u>
The Bank				
Personnel costs				
– Salaries, allowances and bonuses	84,918	51,516	239,067	148,144
– Others	4,225	2,422	12,712	9,390
Establishment costs				
– Depreciation	12,068	7,040	37,521	29,219
– Rental	7,114	5,406	21,431	15,873
– Cleaning, maintenance & security	5,188	4,918	16,125	14,390
– Computerisation cost	23,139	6,463	49,685	28,379
– Others	3,309	3,111	10,218	11,478
Marketing and communication expenses				
– Communication	13,496	5,855	31,567	20,664
– Advertising & marketing expenses	13,362	5,936	38,863	18,784
– Commission	9,874	5,809	27,830	16,396
– Handling fees	26,519	25,362	96,673	76,023
– Others	1,370	1,108	4,185	3,542
Administration and general expenses				
– Professional services	5,581	2,540	16,824	9,599
– Others	10,298	7,588	29,780	20,345
	<u>220,461</u>	<u>135,074</u>	<u>632,481</u>	<u>422,226</u>

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A18. Allowance for Losses on Loans, Advances and Financing

	3rd Quarter ended		Nine months ended	
	31 December 2005 RM'000	31 December 2004 RM'000	31 December 2005 RM'000	31 December 2004 RM'000
<u>The Group</u>				
Allowance for bad and doubtful debts and financing:				
Specific allowance (net)				
– made in the financial year	288,881	227,444	884,100	730,282
– written back	(79,040)	(68,886)	(310,680)	(233,445)
General allowance	21,100	14,162	78,599	38,070
Bad debts and financing recovered	<u>(70,521)</u>	<u>(58,509)</u>	<u>(191,514)</u>	<u>(186,187)</u>
	<u>160,420</u>	<u>114,211</u>	<u>460,505</u>	<u>348,720</u>
<u>The Bank</u>				
Allowance for bad and doubtful debts and financing:				
Specific allowance (net)				
– made in the financial year	288,881	158,771	850,024	534,353
– written back	(79,040)	(54,471)	(288,219)	(203,953)
General allowance	21,100	9,700	77,600	31,502
Bad debts and financing recovered	<u>(70,520)</u>	<u>(38,543)</u>	<u>(184,650)</u>	<u>(126,791)</u>
	<u>160,421</u>	<u>75,457</u>	<u>454,755</u>	<u>235,111</u>

A19. Taxation

	3rd Quarter ended		Nine months ended	
	31 December 2005 RM'000	31 December 2004 RM'000	31 December 2005 RM'000	31 December 2004 RM'000
<u>The Group</u>				
Net transfer from deferred taxation	29,649	41,323	85,324	96,718
Estimated current tax payable	135	230	332	622
Share in taxation of associated company	<u>17</u>	<u>31</u>	<u>65</u>	<u>75</u>
	<u>29,801</u>	<u>41,584</u>	<u>85,721</u>	<u>97,415</u>
<u>The Bank</u>				
Net transfer from deferred taxation	<u>29,649</u>	<u>41,863</u>	<u>81,924</u>	<u>107,873</u>

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A20. Earnings 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 Bank by the weighted average number of ordinary shares in issue during the financial period.

	3rd Quarter ended		Nine months ended	
	31 December 2005 RM'000	31 December 2004 RM'000	31 December 2005 RM'000	31 December 2004 RM'000
<u>The Group</u>				
Net profit attributable to shareholders of the Bank	75,022	89,027	213,675	188,274
Number of ordinary shares in issue	610,364	610,364	610,364	610,364
Basic earnings per share (sen)	12.29	14.59	35.01	30.85
<u>The Bank</u>				
Net profit attributable to shareholders of the Bank	74,954	96,053	204,766	223,298
Number of ordinary shares at beginning of period	610,364	528,402	528,402	528,402
Effect of the issuance of shares	–	–	62,036	–
Weighted average number of ordinary shares in issue	610,364	528,402	590,438	528,402
Basic earnings per share (sen)	12.28	18.18	34.68	42.26

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

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A21a. Performance Review for the Quarter ended 31 December 2005

The Group and the Bank recorded a Pre-tax profit of RM104.8 million and RM104.6 million respectively for the quarter ended 31 December 2005 as compared to RM130.6 million and RM137.9 million respectively in the previous corresponding quarter ended 31 December 2004.

The reduction in Group Pre-tax profit for the quarter is mainly attributable to higher net interest income set-off by higher allowances for losses on loans and financing by RM46.2 million as the Group continues to build up its loan loss coverage.

The Group registered further improvement in asset quality with the ratio of net non-performing loans and financing on a 3 month classification basis improving to 9.74% end December 2005 from 13.50% as at end March 2005.

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

A21b. Prospects for 31 March 2006

The merger of the commercial banking business with the Group's finance company business in June 2005, and the resultant conversion of the Group's finance company branches into full-fledged commercial banking branches have provided the Group with a solid platform to grow its loans exposure to the small and medium-sized enterprises and develop the Group's trade financing and cash management businesses.

The merger has also boosted the Group's reach and scale to extend its leadership market positions in the retail banking sector. We are confident that we will be able to achieve meaningful market share growth in the auto financing, mortgages and credit card businesses going forward.

As part of the merger, the Group has initiated training programmes to increase the sales efficiency of its staff to maximize cross-selling opportunities for the Group's various products and services using the expanded commercial bank branches as a springboard. The Group's retail banking business is also in the midst of transforming itself into a sales and customer service focused entity. We believe that this transformation process will result in improved sales efficiency and productivity in the near future.

The Group will also leverage on the branch network to expand its demand deposit base to rebalance its funding base to be able to better manage its funding costs.

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A22. Segment Information on Operating Revenue, Profit Before Tax Expense and Assets**By Business Segments**

The Group 31 December 2005	Bank RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
Operating Revenue				
External revenue	2,409,488	309	–	2,409,797
Inter-segment revenue	210	1,400	(1,610)	–
Total revenue	<u>2,409,698</u>	<u>1,709</u>	<u>(1,610)</u>	<u>2,409,797</u>
Results				
Profit from operations	298,865	366	(29)	299,202
Share of profits of associated Bank	–	–	187	187
Profit before tax	298,865	366	158	299,389
Taxation	(85,324)	(332)	(65)	(85,721)
Profit after taxation	<u>213,541</u>	<u>34</u>	<u>93</u>	<u>213,668</u>
Other information				
Property and equipment additions	51,439	–	–	51,439
Depreciation	38,957	396	26	39,379
Loan and financing loss and allowance (net of recoveries)	460,505	–	–	460,505
Impairment writeback on securities held-to-maturity	26,623	–	–	26,623
Accretion of discounts less amortisation of premium	166	–	–	166
Property and equipment written off	<u>1,639</u>	<u>–</u>	<u>–</u>	<u>1,639</u>
Consolidated Balance Sheet				
Assets				
Segment assets	52,567,705	79,431	(67,362)	52,579,774
Investment in associated companies	150	–	429	579
Consolidated total assets	<u>52,567,855</u>	<u>79,431</u>	<u>(66,933)</u>	<u>52,580,353</u>
Liabilities				
Segment liabilities	49,187,716	146,318	(145,309)	49,188,725
Consolidated total liabilities	<u>49,187,716</u>	<u>146,318</u>	<u>(145,309)</u>	<u>49,188,725</u>

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A22. Segment Information on Operating Revenue, Profit Before Tax Expense and Asset (continued)

The Group 31 December 2004	Bank RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
Operating Revenue				
External revenue	2,178,542	279	–	2,178,821
Inter-segment revenue	483	3,920	(4,403)	–
Total revenue	<u>2,179,025</u>	<u>4,199</u>	<u>(4,403)</u>	<u>2,178,821</u>
Results				
Profit from operations	282,718	2,379	377	285,474
Share of profits of associated Bank	–	–	206	206
Profit before tax	282,718	2,379	583	285,680
Taxation	(96,718)	(623)	(74)	(97,415)
Profit after taxation	<u>186,000</u>	<u>1,756</u>	<u>509</u>	<u>188,265</u>
Other information				
Property and equipment additions	43,205	–	–	43,205
Depreciation	35,132	610	28	35,770
Loan and financing loss and allowance (net of recoveries)	348,720	–	–	348,720
Impairment writeback on securities held-to-maturity	6,512	–	–	6,512
Accretion of discounts less amortisation of premium	(13,693)	–	–	(13,693)
Property and equipment written off	4,619	–	–	4,619
Impairment of property, plant and equipment – freehold and building	<u>28,386</u>	<u>–</u>	<u>–</u>	<u>28,386</u>
Consolidated Balance Sheet				
Assets				
Segment assets	46,612,400	90,490	(78,050)	46,624,840
Investment in associated companies	150	–	233	383
Consolidated total assets	<u>46,612,550</u>	<u>90,490</u>	<u>(77,817)</u>	<u>46,625,223</u>
Liabilities				
Segment liabilities	43,392,082	158,381	(156,035)	43,394,428
Consolidated total liabilities	<u>43,392,082</u>	<u>158,381</u>	<u>(156,035)</u>	<u>43,394,428</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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A23. Valuation of Property & Equipment

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

A24. 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.

A25. Significant Events

(a) Acquisition of AMBB Capital Berhad (formerly known as AmBank Berhad) ("AMBB Capital") by the Bank

During the financial quarter ended 30 June 2005, the Bank acquired the entire equity interest in AMBB Capital, a related company, for a purchase consideration of RM412.7 million based on the unaudited net tangible assets ("NTA") of AMBB Capital after adjusting for certain non-transferable assets. The purchase consideration was satisfied by the issuance of 81,961,642 ordinary shares in the Bank 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 AMBB Capital by the Bank, the finance company business of the Bank and the commercial banking business of AMBB Capital was merged by way of vesting of AMBB Capital's assets and liabilities (save for non-transferable assets) amounting to RM412.7 million to the Bank 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 Bank changed its name to AmBank (M) Berhad to reflect the merger of the commercial banking and finance company operations under a single entity.

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(c) Proposed sale of 10% equity interest in AmAssurance Berhad

On 9 December 2005, the Bank entered into a share sale agreement (“SSA”) with IAG International Pty Ltd for the purpose of selling 10% equity interest in its related company, AmAssurance Berhad (“Proposed AmBank Sale”). The 10,000,000 ordinary shares of RM1.00 each will be sold at a price of RM6.44 per share for an aggregate cash consideration of RM64.4 million.

The purchase consideration in respect of the proposed AmBank sale was arrived at on a “willing buyer - willing seller” basis after taking into consideration the valuation by Mercer Zainal Consulting Sdn Bhd. There are no liabilities to be assumed by AmBank.

The total cash consideration of RM64.4 million will be payable by IAG International as follows:

- (i) RM6.44 million, being a 10% deposit, on obtaining the approval of the Minister of Finance; and
- (ii) RM57.96 million, being the 90% balance, on satisfaction of all conditions precedent under the SSA.

In addition, the Bank will sell the remaining 4.06% equity interest (after the Proposed AmBank Sale) in AmAssurance to its ultimate holding company AMMB Holdings Berhad (“AHB”). The 4,062,000 ordinary shares of RM1.00 each will be sold at a price of RM6.44 and the aggregate purchase consideration of RM26.2 million will be settled by AHB in cash.

(d) Incorporation of a wholly owned subsidiary in Hong Kong

The Bank had on 21 December 2005 incorporated a wholly owned subsidiary company in Hong Kong, AmTrade Services Limited (“AmTrade Services”). AmTrade Services has an authorised share capital of HK\$10,000.00 divided into 10,000 ordinary shares of HK\$1.00 each and an issued and paid-up share capital of HK\$2.00 comprising two (2) ordinary shares of HK\$1.00 each fully paid. The principal activity of AmTrade Services is the provision of trade finance services.

(e) Issuance of United States Dollar (“USD”) 200 million Innovative Hybrid Tier 1 Capital comprising 2,000 preference shares of USD100,000 each (“Hybrid Securities”) by AMBB Capital (L) Ltd (“AMBB Capital”), a wholly-owned subsidiary of AmBank (M) Berhad (formerly known as AmFinance Berhad)(“the Bank”), which in turn is an indirect wholly-owned subsidiary of AHB, to non-resident investors; and

Proposed issuance of substitute preference shares (of equal economic value as the Hybrid Securities) by the Bank in the event of certain substitution events pursuant to the terms of the Hybrid Securities (“Proposed Substitute Preference Shares Issue”).

AMBB Capital was incorporated on 23 September 2005 and has an authorized share capital of USD250,000 divided into 250,000 ordinary shares of USD1.00 each of which three (3) ordinary shares of USD1.00 each have been issued and are fully paid-up. AMBB Capital was incorporated for the purpose of issuing the Hybrid Securities.

The Bank had, on 6 January 2006 acquired three (3) ordinary shares of USD1.00 each, representing the entire issued and paid-up share capital of AMBB Capital, for a cash consideration of USD3.00, thereby making AMBB Capital a wholly owned subsidiary of the Bank.

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The Hybrid Securities was issued by AMBB Capital on 27 January 2006 and has the benefit of a subordinated guaranteed by the Bank. The gross proceeds of USD200.0 million from the issue of Hybrid Securities was on-lent to the Bank in the form of a subordinated term loan on 27 January 2006.

At an initial size of USD150.0 million, the book was twice oversubscribed. Consequently, the issue size was increased to USD200.0 million after the completion of the book building process. The Hybrid Securities was priced at par on a semi-annual coupon of 6.77% pa. The coupon will step by 100bps or 1.00% pa if the Hybrid Securities is not redeemed after year 10 from the date of issue.

Pursuant to the terms and conditions of the Hybrid Securities, upon occurrence of certain substitution events as required by the guidelines on innovative Tier 1 capital instruments issued by Bank Negara Malaysia ("BNM") on 24 December 2004 ("BNM Tier 1 Guidelines"), the Bank will be required to issue Substitute Preference Shares to substitute the Hybrid Securities issued by AMBB Capital. However, if there is no occurrence of such substitution events, then the Substitute Preference Shares will not be issued.

The proposed Substitute Preference Shares Issue and the Hybrid Securities Issue are inter-conditional.

The Hybrid Securities is listed on both the Labuan International Financial Exchange and the Singapore Exchange Securities Trading Limited and is offered to international institutional investors outside Malaysia.

The Hybrid Securities is rated Ba2 /BB /BB by Moody's /Fitch /Standard & Poor's, respectively.

The Hybrid Securities Issue allows the Bank to raise non-dilutive Tier 1 capital at a competitive cost for its general capital management. The funds raised from the Hybrid Securities Issue will further improve the Bank's capital adequacy ratios and will also provide the flexibility to fund the growth of its business operations.

A26. Changes in the Composition of Group

There were no significant changes in the composition of the Group for the financial period ended 31 December 2005, other than as disclosed in Note A25 above.

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A27. Commitments and Contingencies

In the normal course of business, the Group and the Bank 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 Bank's assets.

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

The Group

	As at 31 December 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	548,655	548,655	417,326	336,192	336,192	266,506
Certain transaction-related contingent items	229,958	114,979	114,979	196,288	98,144	98,144
Short-term self-liquidating trade-related contingencies	347,761	69,552	69,552	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	8,937,121	–	–	6,549,611	–	–
– maturing more than one year	1,268,910	634,455	634,455	1,829,304	914,652	914,652
Foreign exchange related contracts:						
– less than one year	805,563	9,607	4,804	1,098,396	11,189	5,595
Interest rate swap contracts:						
– maturing within one year	350,000	550	110	250,000	500	100
– maturing more than one year to less than five years	3,413,072	57,604	11,521	1,886,200	34,110	6,822
Islamic financing sold to Cagamas Berhad with recourse	1,282,979	1,282,979	1,282,979	928,658	928,658	927,011
Other commitments	37,095	–	–	31,772	–	–
Total	17,361,364	2,788,631	2,605,976	13,416,581	2,427,677	2,301,958

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A27. Commitments and Contingencies (continued)

<u>The Bank</u>	As at 31 December 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	548,655	548,655	417,326	51,404	51,404	15,300
Certain transaction- related contingent items	229,958	114,979	114,979	–	–	–
Short-term self- liquidating trade- related contingencies	347,761	69,552	69,552	–	–	–
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	8,937,121	–	–	3,056,148	–	–
– maturing more than one year	1,268,910	634,455	634,455	483,410	241,705	241,705
Foreign exchange related contracts:						
– less than one year	805,563	9,607	4,804	–	–	–
Interest rate swap contracts:						
– maturing within one year	350,000	550	110	250,000	500	100
– maturing more than one year to less than five years	3,413,072	57,604	11,521	1,880,000	33,986	6,797
Islamic financing sold to Cagamas Berhad with recourse	1,282,979	1,282,979	1,282,979	925,365	925,365	925,365
Other commitments	37,095	–	–	–	–	–
Total	17,361,264	2,788,531	2,605,876	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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A28. Derivative Financial Instruments

Details of financial instruments with off-balance sheet risk as at 31 December 2005:

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

The Group and the Bank

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	663,501	161,531	245,423	180,632	75,915	–	–
– spot	142,062	142,062	–	–	–	–	–
	805,563	303,593	245,423	180,632	75,915	–	–
Interest rate related contracts:							
– swap	3,763,072	50,000	–	50,000	250,000	3,413,072	–
Total	4,568,635	353,593	245,423	230,632	325,915	3,413,072	–

The Group and the Bank 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 Bank 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	3,763,072	3,762,750	5,493	(5,815)	(322)

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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A28. 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 31 December 2005, the amount of contracts which were not hedged in the Group and the Bank and, hence, exposed to market risk was RM Nil (31 March 2005 : RM Nil).

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A28. 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 31 December 2005, the amounts of counterparty credit risk, measured in term of the cost to replace the profitable contracts of the Group was RM1.8 million (31 March 2005: RM Nil).

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

Forward 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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A29. Capital Adequacy

Bank Negara Malaysia's ("BNM") guideline on capital adequacy requires the Bank 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 Bank of 10.08% (31 March 2005: 11.51%) exceeds the minimum requirements of BNM.

	The Bank	
	31 December 2005 RM'000 N1	31 March 2005 RM'000
<u>Tier 1 capital</u>		
Paid-up share capital	610,364	528,402
Share premium	379,953	379,953
Other reserves	1,681,295	528,402
Unappropriated profit	636,430	1,174,432
	3,308,042	2,611,189
Less: Deferred tax asset	(852,206)	(600,173)
Total Tier 1 capital	2,455,836	2,011,016
<u>Tier 2 capital</u>		
General allowance for bad and doubtful debts and financing	633,874	425,857
Subordinated term loan	1,140,000	680,000
Subordinated bonds	200,000	200,000
	1,973,874	1,305,857
Maximum Allowable Tier 2 Capital	1,861,792	1,305,857
Total capital funds	4,317,628	3,316,873
Less: Investment in subsidiary companies	(29,779)	(29,779)
Capital base	4,287,849	3,287,094

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A29. Capital Adequacy (continue)

	31 December 2005		31 March 2005	
	Principal RM'000	Risk - Weighted RM'000	Principal RM'000	Risk - Weighted RM'000
Notional risk-weighted assets*	<u>54,199,795</u>	<u>42,524,810</u>	<u>35,976,179</u>	<u>28,545,183</u>

Capital Ratios

Core capital ratio	5.78%	7.04%
Risk-weighted capital ratio	<u>10.08%</u>	<u>11.51%</u>

N1: Based on the consolidated risk weighted capital adequacy ratio of AmBank (M) Berhad and AMBB Capital Berhad (formerly known as AmBank Berhad).

* The notional risk-weighted assets of the Bank as at 31 December 2005 have been adjusted to incorporate market risk, pursuant to Bank Negara Malaysia's Market Risk Capital Adequacy Framework which became effective on 1 April 2005.

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

	The Group	
	31 December 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
Other reserves	1,681,295	528,402
Unappropriated profit	647,772	1,185,677
Minority interest	81	86
	<u>3,319,465</u>	<u>2,622,520</u>
Less: Deferred tax asset	(852,206)	(600,173)
Total Tier 1 capital	<u>2,467,259</u>	<u>2,022,347</u>
<u>Tier 2 capital</u>		
General allowance for bad and doubtful debts and financing	633,874	425,857
Subordinated term loan	1,140,000	680,000
Subordinated bonds	200,000	200,000
	<u>1,973,874</u>	<u>1,305,857</u>
Maximum Allowable Tier 2 Capital	<u>1,867,504</u>	<u>1,305,857</u>
Capital base	<u>4,334,763</u>	<u>3,328,204</u>

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A29. Capital Adequacy (continue)

	31 December 2005		31 March 2005	
	Principal RM'000	Risk - Weighted RM'000	Principal RM'000	Risk - Weighted RM'000
Notional risk-weighted assets*	<u>54,242,072</u>	<u>42,555,595</u>	<u>36,018,148</u>	<u>28,572,563</u>
Capital Ratios				
Core capital ratio		5.80%		7.08%
Risk-weighted capital ratio		<u>10.19%</u>		<u>11.65%</u>

* The notional risk-weighted assets of the Group as at 31 December 2005 have been adjusted to incorporate market risk, pursuant to Bank Negara Malaysia's Market Risk Capital Adequacy Framework which became effective on 1 April 2005.

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.

31 December 2005

The Group	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000	Trading Book RM'000	Total RM'000	Effective interest rate %
ASSETS										
Cash and short-term funds	4,931,746	–	–	–	–	–	596,320	–	5,528,066	2.81
Deposits and placements with financial institutions	–	76,422	132,247	37,888	–	–	10,000	–	256,557	2.91
Securities held-for-trading	–	–	–	–	–	–	413,817	903,913	1,317,730	4.02
Securities available-for-sale	–	–	–	–	19,900	73,568	–	–	93,468	3.92
Securities held-to-maturity	–	–	–	92,301	292,344	730,129	533,425	–	1,648,199	–
Loans, advances and financing										
– Performing	9,217,196	560,344	373,656	313,079	7,777,761	11,783,643	6,914,152	–	36,939,831	7.11
– Non-performing	–	–	–	–	–	–	3,488,625	–	3,488,625	–
Other non-interest sensitive balances	–	–	–	–	–	–	3,307,877	–	3,307,877	–
TOTAL ASSETS	14,148,942	636,766	505,903	443,268	8,090,005	12,587,340	15,264,216	903,913	52,580,353	
LIABILITIES AND SHAREHOLDER'S FUNDS										
Deposits from customers	11,842,652	5,362,492	3,837,004	5,566,384	1,487,940	–	3,571,859	–	31,668,331	2.94
Deposits and placements of banks and other financial institutions	2,469,382	1,882,661	1,076,245	1,012,346	738,502	908,000	3,810,518	–	11,897,654	2.88
Securities sold under repurchase agreements	348,200	10,000	–	–	–	–	–	–	358,200	2.81
Bills and acceptances payables	144,971	224,634	78,363	–	–	–	172,582	–	620,550	–
Amount due to Cagamas Berhad	40,351	81,087	301,623	426,560	1,050,771	–	–	–	1,900,392	3.70
Subordinated term loan	–	–	–	–	–	1,140,000	–	–	1,140,000	6.65
Subordinated bonds	–	–	–	–	–	200,000	–	–	200,000	7.95
Other non-interest sensitive balances	–	–	–	–	–	–	1,403,598	–	1,403,598	–
Total Liabilities	14,845,556	7,560,874	5,293,235	7,005,290	3,277,213	2,248,000	8,958,557	–	49,188,725	
Minority interests	–	–	–	–	–	–	81	–	81	
Shareholder's Funds	–	–	–	–	–	–	3,391,547	–	3,391,547	
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS	14,845,556	7,560,874	5,293,235	7,005,290	3,277,213	2,248,000	12,350,185	–	52,580,353	
On-balance sheet interest sensitivity gap	(696,614)	(6,924,108)	(4,787,332)	(6,562,022)	4,812,792	10,339,340	2,914,031	903,913	–	
Off-balance sheet interest sensitivity gap	618,072	2,690,000	(45,000)	(250,000)	(3,013,072)	–	–	–	–	
Total interest sensitivity gap	(78,542)	(4,234,108)	(4,832,332)	(6,812,022)	1,799,720	10,339,340	2,914,031	903,913	–	

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The Group	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	>1 to 5 years RM'000	Over 5 years RM'000	Non- interest sensitive RM'000	Trading Book RM'000	Total RM'000	Effective interest rate %
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	4,334,692	(5,450,324)	(3,698,925)	(4,734,649)	2,072,739	3,004,160	3,165,383	1,306,924	–	

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ASSETS										
Cash and short-term funds	4,931,746	-	-	-	-	-	582,057	-	5,513,803	2.81
Deposits and placements with financial institutions	-	76,421	132,248	37,785	-	-	10,000	-	256,454	2.91
Securities held-for-trading	-	-	-	-	-	-	413,817	903,913	1,317,730	4.02
Securities available-for-sale	-	-	-	-	19,900	73,568	-	-	93,468	3.92
Securities held-to-maturity	-	-	-	92,300	292,345	730,129	533,170	-	1,647,944	-
Loans, advances and financing										
– Performing	9,217,194	560,345	373,656	313,079	7,777,760	11,783,643	6,917,099	-	36,942,776	7.11
– Non-performing	-	-	-	-	-	-	3,488,626	-	3,488,626	-
Other non-interest sensitive balances	-	-	-	-	-	-	3,235,978	-	3,235,978	-
TOTAL ASSETS	<u>14,148,940</u>	<u>636,766</u>	<u>505,904</u>	<u>443,164</u>	<u>8,090,005</u>	<u>12,587,340</u>	<u>15,180,747</u>	<u>903,913</u>	<u>52,496,779</u>	
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS										
Deposits from customers	11,844,387	5,362,492	3,837,005	5,566,384	1,487,940	-	3,571,859	-	31,670,067	2.94
Deposits and placements of banks and other financial institutions	2,399,486	1,882,722	1,142,788	1,012,530	741,610	908,000	3,810,518	-	11,897,654	2.88
Securities sold under repurchase agreements	348,200	10,000	-	-	-	-	-	-	358,200	2.81
Bills and acceptances	144,971	224,634	78,363	-	-	-	172,582	-	620,550	-
Amount due to Cagamas Berhad	40,350	81,087	301,623	426,561	1,050,771	-	-	-	1,900,392	3.70
Subordinated term loan	-	-	-	-	-	1,140,000	-	-	1,140,000	6.65
Subordinated bonds	-	-	-	-	-	200,000	-	-	200,000	7.95
Other non-interest sensitive balances	-	-	-	-	-	-	1,813,520	-	1,813,520	-
Total Liabilities	14,777,394	7,560,935	5,359,779	7,005,475	3,280,321	2,248,000	9,368,479	-	49,600,383	
Shareholder's Funds	-	-	-	-	-	-	2,896,396	-	2,896,396	
TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS	<u>14,777,394</u>	<u>7,560,935</u>	<u>5,359,779</u>	<u>7,005,475</u>	<u>3,280,321</u>	<u>2,248,000</u>	<u>12,264,875</u>	<u>-</u>	<u>52,496,779</u>	
On-balance sheet interest sensitivity gap	(628,454)	(6,924,169)	(4,853,875)	(6,562,311)	4,809,684	10,339,340	2,915,872	903,913	-	
Off-balance sheet interest sensitivity gap	618,072	2,690,000	(45,000)	(250,000)	(3,013,072)	-	-	-	-	
Total interest sensitivity gap	<u>(10,382)</u>	<u>(4,234,169)</u>	<u>(4,898,875)</u>	<u>(6,812,311)</u>	<u>1,796,612</u>	<u>10,339,340</u>	<u>2,915,872</u>	<u>903,913</u>	<u>-</u>	

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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	1,735,925	(2,693,360)	(2,591,629)	(3,692,301)	2,374,957	1,300,033	2,871,572	694,803	–	

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A30. Operations of Islamic Banking**A30a. Unaudited Balance Sheets as at 31 December 2005**

	The Group		The Bank	
	31 December 2005 RM'000	31 March 2005 RM'000	31 December 2005 RM'000	31 March 2005 RM'000
ASSETS				
Cash and short-term funds	582,057	451,268	582,057	249,385
Deposits and placements with financial institutions	10,000	44,200	10,000	22,100
Securities held-for-trading	413,817	554,166	413,817	185,608
Financing, advances and other loans	7,206,195	6,514,868	7,206,195	5,602,309
Statutory deposit with Bank Negara Malaysia	257,452	231,181	257,452	204,938
Property and equipment	–	15	–	15
Other assets	6,337	12,528	6,337	11,068
Deferred tax asset	68,206	81,720	68,206	53,450
TOTAL ASSETS	<u>8,544,064</u>	<u>7,889,946</u>	<u>8,544,064</u>	<u>6,328,873</u>
LIABILITIES AND ISLAMIC BANKING FUND				
Deposits from customers	3,571,859	3,267,568	3,571,859	2,963,884
Deposits and placements of banks and other financial institutions	3,724,540	3,670,923	3,724,540	2,490,761
Converted funds	85,978	–	85,978	72,142
Bills and acceptances payable	172,582	43,454	172,582	–
Other liabilities	249,144	267,046	249,144	161,131
Total Liabilities	<u>7,804,103</u>	<u>7,248,991</u>	<u>7,804,103</u>	<u>5,687,918</u>
Capital funds	460,542	420,542	460,542	420,542
Unappropriated profits	279,419	220,413	279,419	220,413
Islamic Banking Funds	<u>739,961</u>	<u>640,955</u>	<u>739,961</u>	<u>640,955</u>
TOTAL LIABILITIES AND ISLAMIC BANKING FUND	<u>8,544,064</u>	<u>7,889,946</u>	<u>8,544,064</u>	<u>6,328,873</u>
COMMITMENTS AND CONTINGENCIES	<u>2,455,858</u>	<u>1,933,823</u>	<u>2,455,858</u>	<u>1,100,797</u>

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A30b. Unaudited Income Statements for the Financial Quarter Ended 31 December 2005

<u>The Group</u>	3rd Quarter ended		Nine months ended	
	31 December 2005 RM'000	31 December 2004 RM'000	31 December 2005 RM'000	31 December 2004 RM'000
Income derived from investment of depositors' funds	170,553	139,820	497,816	412,720
Allowance for losses on financing, advances and other loans	(37,938)	(35,884)	(106,697)	(94,668)
Impairment writeback on securities held-to-maturity	95	213	95	213
Transfer to profit equalisation reserve	(9,374)	(22,875)	(18,427)	(59,112)
Total attributable income	123,336	81,274	372,787	259,153
Income attributable to the depositors	(64,530)	(60,960)	(183,204)	(165,772)
Income attributable to the reporting institution	58,806	20,314	189,583	93,381
Income derived from investment of Islamic Banking Capital Fund	9,935	17,906	31,035	39,696
Total net income	68,741	38,220	220,618	133,077
Other operating expenses	(43,440)	(8,399)	(126,406)	(27,276)
Profit before tax expense	25,301	29,821	94,212	105,801
Tax expense	(7,476)	(8,953)	(27,760)	(30,306)
Net profit for the financial period	17,825	20,868	66,452	75,495

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A30b. Unaudited Income Statements for the Financial Quarter Ended 31 December 2005
(continued)

<u>The Bank</u>	3rd Quarter ended		Nine months ended	
	31 December 2005 RM'000	31 December 2004 RM'000	31 December 2005 RM'000	31 December 2004 RM'000
Income derived from investment of depositors' funds	170,553	123,843	481,844	370,195
Allowance for losses on financing, advances and other loans	(37,938)	(28,728)	(104,986)	(73,992)
Impairment writeback on securities held-to-maturity	95	-	95	-
Transfer to profit equalisation reserve	(9,374)	(22,210)	(18,112)	(51,659)
Total attributable income	123,336	72,905	358,841	244,544
Income attributable to the depositors	(64,530)	(50,606)	(176,615)	(136,683)
Income attributable to the reporting institution	58,806	22,299	182,226	107,861
Income derived from investment of Islamic Banking Funds	9,935	16,665	30,625	36,294
Total net income	68,741	38,964	212,851	144,155
Other operating expenses	(43,440)	(8,103)	(126,085)	(25,466)
Profit before tax expense	25,301	30,861	86,766	118,689
Tax expense	(7,476)	(8,658)	(27,760)	(33,328)
Net profit for the financial period	17,825	22,203	59,006	85,361

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A30c. Financing, Advances and Other Loans

	The Group		The Bank	
	31 December 2005 RM'000	31 March 2005 RM'000	31 December 2005 RM'000	31 March 2005 RM'000
Term financing and revolving credit facilities	366,275	566,080	366,275	108,017
House financing	844,063	640,177	844,063	466,428
Islamic hire-purchase	7,928,114	6,870,686	7,928,114	6,870,686
Credit cards	296,157	210,855	296,157	–
Trust receipts	29,358	13,513	29,358	–
Claims on customer under acceptance credits	208,024	163,961	208,024	–
Other financing	<u>1,612,136</u>	<u>1,119,363</u>	<u>1,612,136</u>	<u>1,119,362</u>
	11,284,127	9,584,635	11,284,127	8,564,493
Unearned income	<u>(2,369,934)</u>	<u>(1,828,692)</u>	<u>(2,369,934)</u>	<u>(1,828,692)</u>
Gross financing, advances and other loans	8,914,193	7,755,943	8,914,193	6,735,801
Less: Islamic financing sold to Cagamas Berhad	<u>(1,282,979)</u>	<u>(928,658)</u>	<u>(1,282,979)</u>	<u>(925,365)</u>
	7,631,214	6,827,285	7,631,214	5,810,436
Allowance for bad and doubtful debts and financing:				
– general	(129,277)	(113,353)	(129,277)	(99,406)
– specific	<u>(295,742)</u>	<u>(199,064)</u>	<u>(295,742)</u>	<u>(108,721)</u>
Net financing, advances and other loans	<u><u>7,206,195</u></u>	<u><u>6,514,868</u></u>	<u><u>7,206,195</u></u>	<u><u>5,602,309</u></u>

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A30c. Financing, Advances and Other Loans (continued)

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

	The Group		The Bank	
	9 months ended 31 December 2005 RM'000	Year ended 31 March 2005 RM'000	9 months ended 31 December 2005 RM'000	Year ended 31 March 2005 RM'000
Balance at 1 April				
As previously reported	703,432	1,082,916	445,259	503,081
Income-in-suspense	(169,807)	(171,112)	(60,770)	(78,244)
As restated	533,625	911,804	384,489	424,837
Non-performing during the period	406,496	190,783	348,216	120,550
Amount vested over from AmBank Berhad	–	–	139,692	–
Reclassified as performing	(163,103)	(378,448)	(97,581)	(55,781)
Recoveries	(62,891)	(139,187)	(60,689)	(56,478)
Amount written off	(12)	(51,327)	(12)	(48,639)
Balance at end of year	714,115	533,625	714,115	384,489
Less:				
Specific allowance	(295,742)	(199,064)	(295,742)	(108,721)
Non-performing financing, advances and other loans – net	<u>418,373</u>	<u>334,561</u>	<u>418,373</u>	<u>275,768</u>
Ratio of non-performing financing, advances and other loans to total financing, advances and other loans – net	<u>4.85%</u>	<u>4.43%</u>	<u>4.85%</u>	<u>4.16%</u>

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A30c. 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 Bank	
	9 months ended 31 December 2005 RM'000	Year ended 31 March 2005 RM'000	9 months ended 31 December 2005 RM'000	Year ended 31 March 2005 RM'000
General Allowance				
Balance at 1 April	113,353	92,080	99,406	80,276
Allowance made during the period	15,924	21,273	15,669	19,130
Amount vested over from AmBank Bhd	—	—	14,202	—
Balance at end of period	<u>129,277</u>	<u>113,353</u>	<u>129,277</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	199,064	79,803	108,721	58,247
Allowance made during the period	158,155	238,273	153,906	162,716
Amount written back in respect of recoveries	(61,465)	(68,403)	(59,263)	(64,289)
Net charge to income statements	96,690	169,870	94,643	98,427
Amount vested over from AmBank Bhd	—	—	92,390	—
Amount written off/ Adjustment to Asset Deficiency Account	(12)	(50,609)	(12)	(47,953)
Balance at end of period	<u>295,742</u>	<u>199,064</u>	<u>295,742</u>	<u>108,721</u>

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A30d. Deposits from Customers**i) By type of deposits**

	The Group		The Bank	
	31 December 2005 RM'000	31 March 2005 RM'000	31 December 2005 RM'000	31 March 2005 RM'000
<u>Non-Mudharabah Fund</u>				
Demand deposits	237,834	103,869	237,834	–
Islamic negotiable certificates of deposits	19,565	38,850	19,565	38,850
Savings deposits	482,979	395,691	482,979	353,844
	<u>740,378</u>	<u>538,410</u>	<u>740,378</u>	<u>392,694</u>
<u>Mudharabah Fund</u>				
General investment deposit	2,831,481	2,729,158	2,831,481	2,571,190
	<u>2,831,481</u>	<u>2,729,158</u>	<u>2,831,481</u>	<u>2,571,190</u>
Deposit from customers	<u>3,571,859</u>	<u>3,267,568</u>	<u>3,571,859</u>	<u>2,963,884</u>

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A31. Change in Accounting Policies and Prior Year Adjustments

(a) Change in Accounting Policies

During the financial quarter ended 31 December 2005, the Group and the Bank 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 Bank 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.

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A31. Change in Accounting Policies and Prior Year Adjustments (continued)

- 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 in the income statements.

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.

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A31. Change in Accounting Policies and Prior Year Adjustments (continued)**(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 financial period ended 31 December 2004			
Income from Islamic Banking operations	284,886	1,758	286,644
Other operating income	86,307	(6,797)	79,510
Impairment writeback/(loss) on securities held-to-maturity	(1,516)	8,028	6,512
Profit before taxation	282,691	2,989	285,680
Taxation	96,578	837	97,415
Profit after taxation	186,113	2,152	188,265
The Bank			
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
Deferred Tax Assets	616,804	(520)	616,284
Reserves	2,082,787	1,336	2,084,123
For the financial statement for the financial period ended 31 December 2004			
Income from Islamic Banking operations	268,048	1,758	269,806
Other operating income	29,801	(6,797)	23,004
Impairment writeback/(loss) on securities held-to-maturity	(6,390)	8,028	1,638
Profit before taxation	328,182	2,989	331,171
Taxation	107,036	837	107,873
Profit after taxation	221,146	2,152	223,298